

Choosing A Preparer: The Options

By JANICE HOROWITZ

REGARDLESS of how familiar 1986's tax forms may seem, especially in light of what next year has in store, many taxpayers will not view the preparation of their returns as a simple exercise. They will seek the help of a professional.

"There comes a point when you start saying you can afford to take the headache of doing your taxes off your hands, and you're willing to pay for it," said Milton Miller, the senior partner at Moore Stephens & Company in New York.

Professional tax preparers in the New York area report that they are receiving at least three times as many inquiries this year as last from taxpayers who are anxious about their returns in light of tax reform. This, they say, is in addition to the regular group of people who are simply too busy, bewildered or lazy to go it alone.

Many preparers have already begun to put a client's financial situation in order for next year's tax season, which promises to be a daunting one. Also, a professional can provide taxpayers with the comforting knowledge that they have not overlooked possible deductions and the convenience of having someone else fill out the forms.

It is important first to determine whether a professional tax preparer is even necessary. The decision generally depends on the complexity of one's financial picture, and to a lesser extent on one's income.

"A single person or a husband and wife who are salaried people, with no special considerations like a small business on the side and no unusual investment transactions probably don't need to find an accountant," Mr. Miller said.

Most experts agree that a single person earning under \$30,000 or a couple earning under \$50,000 who feel confident about their knowledge of the current tax law should be able to fill out the form on their own. For those who decide they need outside assistance, the most common preparers are commercial enterprises, such as H.& R. Block, which alone completed a whopping 10 percent of all individual returns last year. These are for people looking simply for inexpensive and quick help filling out their tax forms. Last year, the average return cost \$50 and took about an hour to complete at one of H.& R. Block's 346 New York area offices.

Such mass marketers are not for people who seek planning, or for year-round continuity. "Tax preparation is our business," said Thomas Bloch, president of tax operations at the Kansas City, Mo.-based company. "We don't hold ourselves out to be tax planners," he added. One major disadvantage of commercial preparers is, unlike enrolled agents, accountants or attorneys, they are not permitted to represent the taxpayer at an audit.

Once a person's returns start to become more complex, a tax professional who can also offer a degree of financial planning is required. Enrolled agents may be the least known, even though they number about 1,500 in the New York area.

These preparers, who qualify by either passing a rigorous two-day exam or spending five years working with the Internal Revenue Service, are the right choice for people looking for a measure of long-range tax planning, as well as assistance in filling out forms. "We stay in our area of concentration — taxes," said David Silverman, chairman of the Government Relations Committee of the New York State Society of Enrolled Agents. "The good agents will give such planning advice as whether you should be setting up a 401(k), deferring income or prepaying expenses." Fees are generally modest, ranging from \$75 to \$150 an hour with the average return taking about three hours.

Beyond the commercial preparer and enrolled agent are the nearly 30,000 certified public accountants statewide, who range from solo practitioners to senior partners in Big Eight accounting firms. Clients can expect to pay close to \$75 an hour at smaller firms and much more at larger ones.

The advantage of a certified public accountant is their broad range of experience and professional education. Moreover, nearly all of them claim to offer long-term financial plan-



The New York Times/Susan Farley

ning, viewing taxes as just a part of a client's entire financial picture. "An accountant should be asking clients about whether they have put enough aside for their children's education, if they have begun to prepare for retirement and if their will is in order," Mr. Miller said.

This approach is also warranted for the self-employed, and for those who have income from more than one source, have a Keogh plan or have just come into a lot of money, advises Ron Caso, a tax partner at Arthur Andersen & Company.

Most accountants prefer to establish a continuous year-round relationship with their clients. "We tell people not to wait for the tax season to visit their accountant. They should start going during the previous year," said Samuel Hoyt, spokesman for the American Institute of Certified Public Accountants.

Perhaps least appropriate for the individual taxpayer, and the most costly, are Big Eight accounting firms. "You should go to a Big Eight firm only as a last resort," said Mr. Caso. He said that unless taxpayers have foreign investments and oil wells, or are heavily invested in tax shelters, they probably do not need a large firm.

Additionally, "no matter how much someone makes, the bare minimum they'll be charged is \$1,500. You will have to need very substantial planning to pay that much," Mr. Caso said. A person making even as much as \$100,000 probably could not justify paying such a hefty sum for tax preparation.

Herman Schneider, a tax partner at Coopers & Lybrand noted that one advantage of a large firm is that its decisions are backed by a diversified staff: "I can call 10 people in my office on any financial question, whether it be a pension matter or a question about an international stock transaction."

The most specialized tax professionals are tax attorneys, who generally charge upward of \$150 an hour. A person should seek an attorney when he or she needs help interpreting the tax codes and, of course, if faced with fraud charges. Otherwise, "most lawyers who are not accountants are terrible when it comes to compliance, whereas filling out forms is routine for the C.P.A.," says Mr. Schneider, who is also an attorney. One solution is to have an accountant prepare the return, and, if necessary, have it reviewed by an attorney.

Like finding a stockbroker or other professional, one reliable path to the right tax preparer is to follow the recommendation of a friend or colleague with similar financial needs.

Before engaging a preparer, a taxpayer should take time to ask questions. What is the hourly charge and the average time it takes to complete a return? What are the person's qualifications and areas of expertise? How much time will be spent on tax planning and financial planning? Will there be someone to call during the year?

The I.R.S. warns against using a preparer who bases his fee on a percentage of the refund or asks the taxpayer to sign a blank return. It also cautions against the preparer who does not provide a copy of the return, or who sets up shop Jan. 1 and then disappears April 15. Finally, warns Barry Picker, a C.P.A.: "If an accountant offers to create numbers for you, run." ■

David Silverman, chairman of the Government Relations Committee of the New York State Society of Enrolled Agents, conferring with an employee at the Sidney Janis Gallery, one of his clients.

Recourse For Clients

There are a number of recourses available if one suspects professional misconduct from a tax preparer. New York State's Office of Professional Discipline (1-800-422-8106) accepts complaints about accountants and will disclose if an accountant has already been disciplined. Problems with other professional preparers can be addressed to the Director of Practice at the Internal Revenue Service (1111 Constitution Avenue, N.W., Washington, D.C.). The Department of Consumer Affairs (80 Lafayette Street, New York, N.Y., 10013) also handles problems with commercial preparers.