

Tax Preparers



Occupational Brief Title Codes:

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Work Classification Based Related

D.O.T. Occupations:

- Real-Estate Clerks
- Securities Clerks
- Stock Control Clerks
- Underwriting Clerks

Interests Based Related

G.O.E. Occupations:

- Accounting Clerks
- Brokerage Clerks
- Collection Clerks
- Credit-Card Clerks

Skills Based Related

O*NET Occupations:

- Actuaries
- Insurance Claim Clerks
- Loan Interviewers and Clerks
- Tax Examiners, Collectors, and Revenue Agents

Noteworthy Quote:

“Tax preparation is an interesting career that can be very stressful at times. The job offers the never ending challenge of researching tax law changes, while also providing for the interesting interaction with people from many different occupations. Stress can become a factor during the busy tax season. However, having a large amount of work to finish in a short amount of time keeps the job both interesting and challenging.”

– Christopher Babcock, CPA, Moravia, New York

Tax preparers (tax pre`par-ers) gather financial records and prepare income tax return forms for individuals, small businesses, and corporations and partnerships.

Every year, millions of people and businesses in the United States face the prospect of preparing their income tax forms. Many go to a professional tax preparer. They do so for several reasons. They want to save time. A more detailed form may yield a higher refund or a lower tax. In the event of an audit, they want a preparer who can represent them in front of the Internal Revenue Service.

The job of tax preparer has only been around since the 1930's. It was during this time that the United States government decided that it needed to begin assessing a tax on the income of individuals and corporations in order to raise the money needed to operate. The United States uses a graduated system of taxation. This means that the more income a person or corporation makes, they will be required to pay a higher percentage of that income to the government.

In 1939, only five percent of the population of the U.S. paid income taxes. However, during World War II, the federal government became dependent on the money raised from income taxes in order to function. This is when the profession of tax preparer really took off. People from all income levels were required to file income tax returns if they made more money in a year than the minimum set by the federal government.

Early tax laws were very simple. However, as time went on, tax laws became more and more complex. Today, many people find it impossible to complete their own tax returns. Tax preparers are constantly working with the tax codes and are able to prepare tax returns with much more ease than the average citizen.

Work Performed

Tax preparers fill out tax forms for individuals or for business clients. They help them take the maximum number of allowable deductions and pay the minimum



Tax preparers fill out tax forms for individual or for business clients. Photo by CGP Staff

amount of tax. To do so, they use their knowledge of local, state, and federal tax laws. They collect data, prepare returns, check them, correct errors, and sign the completed returns.

To prepare a tax statement, tax preparers first collect all the data and documents they will need to figure clients' taxes. Clients may have to supply tax returns from former years, wage and income statements from employers, records of other sources of income, and statements of interest and dividends earned. Clients may also submit records documenting expenses, property tax records, and so forth.

Tax preparers talk to clients to get further information that may affect the amount of taxes owed. They inquire about investments (purchased or sold), or any unusual events of the past year, such as a marriage, a new dependent, or a new job. They may inquire about contributions to charity, insurance payments, and other information. Tax preparers may ask a client about capital gains and losses, taxes already paid, payroll expenses, and other expenses and tax credits.

After the tax preparers have a complete picture of the client's income and expenses, they determine which tax forms and schedules are required to file a correct tax return. Some taxpayers have very complicated records on income and expenses that take a long time to document and calculate. Other individuals have fairly straightforward returns that take much less time. For simple returns, tax preparers may be able to figure the amount owed, fill out the forms, and prepare the complete return at a single interview with the client. Experienced preparers can give a client a close estimate of taxes owed or a refund due at the end of the interview.

For more complicated returns, tax preparers may collect all the data at the interview and complete the form and calculations later. If returns are very complex, tax preparers refer to tax law handbooks, bulletins, and CD-ROMS available in libraries.

Tax preparers may use a calculator or a computer to figure taxes. If they use a calculator, they write the data on the tax forms. If they use a computer, they input the data. The computer completes the forms and calculations and prints out the final tax form with all the information on it. Today, tax forms may also be filed electronically. After the tax preparer enters all the necessary information into the computer, the information is sent electronically or E-mailed to the appropriate state and federal agencies.

To make sure the returns are correct, other tax preparers check both tax forms filled in either by hand or by the computer. These persons work behind the scenes rather than with the public. They check to see if all the allowances and deductions are correct and that no deductions were overlooked. They make sure the tax laws were interpreted correctly and that the calculations are correct. Tax preparers must be sure their work is free of errors. By law, preparers must sign every return they complete, enter their social security number or federal identification number, give the taxpayer a complete copy of his or her tax return, and keep a copy of the return on file.

Some national tax service chains offer to advance the refund due to tax clients. This is actually a loan against the

refund. There is usually a fee charged for this loan. Once the appropriate federal and state government agencies have issued a check, the tax service chains get their money back.

Some tax preparers also advertise that they will accompany clients who must report to the IRS. However, not just any tax preparer can represent or intervene on behalf of a client during an audit by the Internal Revenue Service (IRS), and may only be able to demonstrate how the figures on the form were computed. Only *enrolled agents*, *certified public accountants*, and *tax attorneys* are allowed to represent a taxpayer undergoing such an audit. These tax professionals have meet necessary educational and professional requirements.

Enrolled agents are tax preparers who either worked for the IRS for five years, or passed an examination in federal taxation and related subjects offered by the IRS. These tax professionals are subject to a background test and must meet continuing education requirements to keep up with current tax laws. Certified public accountants (CPAs) have met stringent educational and state licensing requirements, passed a national qualifying exam, and can provide a variety of financial services. Tax attorneys have a law degree and are the only tax professionals who can defend their clients in court.

Working Conditions

Tax preparers usually work in an office. Often, they have an assigned cubicle where they interview clients and prepare returns. Most tax offices are downtown, in neighborhood business districts, or in shopping malls. Some self-employed tax preparers may work in their home.

Preparing tax returns demands concentration. When a deadline approaches, tax preparers may sit at a desk or a computer terminal for long periods of time. In the United States, April 15 is the deadline that all tax returns must be filed by. During the time before this deadline, tax preparers are extremely busy. Many people wait until the last minute to file their income tax returns.

Hours and Earnings

The work may be seasonal. Many offices are open only during tax season, January through April. During tax season, tax service offices are often open seven days a week, twelve hours a day. Individual work schedules depend on whether a preparer is working for a company or alone at home. Hours may range from twelve to forty or more a week. Tax preparers may work late into the evening and on weekends.

Fees for preparation vary widely. However, a fee for preparing a tax return should always be based on the complexity of the return, not on the size of the tax saving or the refund. Fees can range from a low of \$30 for simple tax returns to \$1,500 or more for the preparation of more complicated and complex tax returns.

Tax preparers who only prepare tax forms during the tax season may charge a lower fee. Seasonal or part-time workers employed by a national tax service chain usually get

the minimum wage or more plus a commission. Enrolled agents, certified public accountants, and other accredited preparers who offer year-round tax services usually charge higher fees.

According to the Bureau of Labor Statistics, in 2002, most wages for tax preparers ranged anywhere from just under \$7 an hour to well over \$26 an hour. Half of those surveyed earned between \$8.41 and \$18.35 an hour. The overall average was just over \$15 an hour.

Education and Training

There are no across-the-board educational requirements for tax preparers. Theoretically, any person with some knowledge of tax laws and proficiency with a calculator or computer may offer their services as tax preparers. In practice, employers of tax preparers have their own requirements. Some require a certain level of education, while others require a certain amount of experience in the field of tax preparation.

All tax preparers must have at least a high school diploma. However, students planning to take up this work should take postsecondary coursework in mathematics, business, accounting, bookkeeping, and communications. Computer skills are also becoming more and more crucial.

Many vocational schools, junior colleges, and colleges offer certificate programs in basic income tax preparation. Program lengths vary and can range from a few weeks to several months. Course topics generally include financial, basic, and payroll accounting; principles of income taxation; basic tax concepts and application; individual income tax return preparation; basic tax preparation software; gross income; business and self-employed expenses; retirement plans, itemized deductions; capital gains and losses; and tax credits; as well as topics related to their particular state's income tax return preparations and adjustments. Some programs also offer additional courses in more advanced topics, such as corporate and partnership taxation, and an introduction to tax research and planning concepts.

Tax preparers employed by national tax service chains attend training sessions given by the company. They learn about tax regulations and the Internal Revenue Code. In these training sessions tax preparers learn about a wide range of tax situations. Successful graduates are interviewed for employment with the company giving the training.

Once trained, continued study is essential to all tax preparers. Although the basic tax laws remain much the same, many tax laws, both state and federal, change each year. A single federal reform tax bill may take up more than 3,000 pages. Tax preparers must know all the revisions by January 1 every year.

To keep current, preparers may make use of many free government publications pertaining to tax laws. Many tax-oriented associations offer seminars and continuing education classes each year. The National Association of Tax Professionals, for example, has a tax research center and offers more than 200 tax seminars, workshops, and conferences every year for its members, as well as interactive

online and self-study courses. Tax service firms also offer classes explaining tax preparation for both preparers and individual taxpayers.

Licensing, Certification, and Professional Societies

Laws on the licensing of tax preparers vary by state. In California, for instance, tax preparers must register with the California Department of Consumers Tax Preparer Program. Oregon also requires all tax preparers to be licensed.

The Internal Revenue Service no longer maintains a tight surveillance over seasonal tax preparers. However, local IRS offices do still monitor some of these commercial preparers. The IRS also offers an examination for tax preparers. Those who pass the test are given the title enrolled agent and may represent taxpayers before the IRS or a state tax board. The four-part test, offered yearly, takes two days to complete. Although there are no educational or experience requirements for taking this examination, the questions on it are on par with those asked in a college course.

Tax preparers may also obtain certification as an accredited tax adviser or accredited tax preparer from the Accreditation Council for Accountancy and Taxation. To become accredited, applicants must meet education and experience requirements, take continuing education courses on new tax laws, and follow a code of ethics.

There are several associations that support the interests of tax preparers, accountants, and attorneys. The National Association of Tax Professionals, with a membership of about 16,500, is open to any individual, group, or business interested in the betterment of those engaged in preparing federal or state tax returns. Other organizations include the Institute for Professionals in Taxation, the National Society of Tax Professionals, the National Association of Tax Consultants, the National Association of Enrolled Agents, the National Association of Computerized Tax Processors, and the National Tax Association, among others.

Personal Qualifications

Tax preparers must be discreet. They must never discuss the financial or business affairs of their clients with unauthorized persons. A talent for mathematics and a liking for detailed work are important for success. An inquiring mind and orderly thought processes are useful in sifting through documents and financial statements. Tax preparers should like people and should be able to set clients at ease. A personality that can cope with the pressure of deadlines will make the work easier.

Occupations can be adapted for workers with disabilities. Persons should contact their school or employment counselors, their state office of vocational rehabilitation, or their state department of labor to explore fully their individual needs and requirements as well as the requirements of the occupation.

Where Employed

According to the National Association of Tax Professionals, the IRS documented that there were around 1.2 million tax preparers in the United States in 2002. Tax preparers

work in every state and in almost every city throughout the country. Jobs are more plentiful in large cities and urban centers. Many work for national tax service chains or accounting firms. Others are self-employed.

Employment Outlook

Prospects for tax preparers are good and appear promising for those who give tax assistance year-round. Tax laws are becoming increasingly complex and are constantly changing. The time-consuming paperwork required to prepare even simple tax returns is causing more and more people to go to tax preparers for help. As the population of the United States increases and more citizens reach the age that they must work and file tax returns, the demand for tax preparers will also increase.

Job growth may not keep pace with the increasing number of clients, however. Large tax service firms now use computers. Many small firms also use computers to process and store returns and records for their clients.

The Bureau of Labor Statistics estimates that by the year 2012, job growth in this field should increase by 23.2 percent—around 18,000 new positions. An additional 14,000 positions will open due to employee turnover. This rate of job growth is very good and much higher than the national average. Qualified individuals interested in pursuing a career as a tax preparer should have no trouble finding work.

Entry Methods

Most tax service firms hire in December for the next tax season. Some tax service firms have their own training courses and hire persons from these classes. Students qualified to prepare tax returns should go see their school placement officers. Newspaper want ads and private and state employment agencies also list jobs. Possible job candidates may also post their resume on the Internet or search online job listings.

Those who plan to open their own tax service office should consult self-employed tax preparers. These persons can give newcomers advice on how to start a business and warn them about pitfalls to avoid. Because opening a business can be costly, many self-employed tax preparers only work seasonally on a part-time basis for additional earnings beyond their primary source of income.

Advancement

Advancement for tax preparers often takes the form of higher earnings. Those who work for a tax firm might open their own office. Some preparers might advance to special tax services for corporations, real estate, and nonprofit agencies, for instance, which pay higher fees. Others might decide to continue formal education and become certified public accountants or certified financial planners who can work in several areas of finance.

For Further Research

Internal Revenue Service, Department of the Treasury, 1500 Pennsylvania Avenue, N.W., Washington, DC 20220. Web site: www.irs.gov

John Wiley & Sons, Inc., 10475 Crosspoint Boulevard, Indianapolis, IN 46256.

Getting Started in Tax Consulting. Gary W. Carter. 304 pages. \$19.95.

National Association of Tax Professionals, 720 Association Drive, PO. Box 8002, Appleton, WI 54912-8002. Web site: www.natptax.com

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