

Best Tax Practices – Tax Preparer vs CPA, Attorney (Lawyer)

Using a hammer to pound in a screw

SCENARIO 1

“What do you do?”

“I am a tax preparer.”

“Oh, are you a CPA?”

SCENARIO 2

Someone who wants to be an actor will frequently think they only and immediately need three (3) things – a headshot, an agent and membership in an actors’ union.

Both of these scenarios show the usual shortsightedness of the presumption of what is necessary to accomplish their goal – to prepare their taxes or to be an actor.

- One does **NOT** need to be a CPA to be a tax preparer *no more than one needs to HIRE a CPA to prepare their tax return*

The actor does not need a union affiliation, an agent or even a headshot, to call themselves an actor or to get work as an actor.

Will the day come when the actor will want a headshot, an agent, or a union affiliation? Likely, yes. Will the day come when one will want to hire a CPA or attorney to do their taxes? Perhaps.

By their classification and credentials that allow them their designation – Certified Public Accountants (CPAs) and attorneys are allowed to prepare tax returns though they usually had little or no academic training en route to obtaining their designation. Their typical “required” classes in college were usually nothing more than a tax preparation overview.

Though CPAs must spend time “in the field” under another CPA before they can get their license, their *time in the field* may or may not include tax preparation training or experience.

However, because of the way that the laws are written and the way the credentialing organizations present themselves, combined with the way the public perceives what these designations represent, frequently the typical taxpayer will think that anyone who has one of these designations is obviously, automatically, and inherently a better tax preparer than someone who is only a tax preparer.

Nothing could be further from the truth.

In most states, one can prepare a tax return for a fee, without any training or credentials* however that is becoming less and less common as states have started to regulate tax preparers (anyone who prepares tax returns for pay, who does not have one of the previously mentioned designations of CPA, attorney or EA).

The IRS has tried to institute national credentialing regulations for (just) tax preparers however, to date the courts have limited ability of the IRS to do so (exception, the Enrolled Agent (EA)

designation which is more about “representation” before the IRS more than it is about “tax preparation”).

Can a doctor who specializes in heart surgery diagnose a sinus infection and write a prescription? Yes - because they are a doctor as they have the required designation and credentials. Do you want to go to a heart specialist for your sniffles and have to pay **their** fees (compared to the usually significantly lower fees for your regular doctor)? Likely not.

If you are in a crash, do you call the EMT’s who are specialists in their field in rendering first aid or do you call the heart surgeon to the crash scene to render first aid?

In addition to their post-secondary and graduate education, CPA’s and attorneys have passed rigorous testing (boards & bars) to receive their credentials, thank you.

- However, unless they have taken additional classes and training, there is only a simplest amount of tax preparation education that they have received on the path to their designations.

A good CPA and attorney will readily admit if they have taken **additional** training for **tax preparation** than what was covered in their *tax preparation overview* class(es) they had in college while getting their degree.

Though the law allows them to prepare tax returns simply based on their designation alone, there is little or nothing inherent in their general education process or in their extensive testing that requires or tests their knowledge of preparing tax returns.

Generally speaking, a tax preparer (not a CPA or attorney) is a specialist. They specialize in the preparation of tax returns. Someone who is (only or first) a tax preparer is usually better experienced and more knowledgeable to prepare tax returns than is the average or typical CPA or attorney.

SCENARIO 3

Q: What’s the difference between a *tax preparer* and a CPA (or attorney) prepared tax return?

A: Usually, at least a couple hundred dollars.

Best Practice: Use the right tool for the job.

“Can one use a hammer to drive in a screw?”

“Yes.”

“Is that the preferred way to drive in a screw?”

“It is not.”

** Currently, the IRS has regulations requiring anyone who prepares taxes for a fee, (including tax preparers, CPAs, attorneys and EA’s) apply for and receive a Preparer Tax Identity Number (PTIN) as a condition to preparing taxes. The IRS does have an education program and credentialing designation however, the program is voluntary and a no preparer (including CPA, attorney or EA) is required to participate.*