

Course Development: Occupation - Tax Preparer

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SUMMARY

Occupation: Tax Preparer

DESCRIPTION OF THE JOB: A Tax Preparer prepares or assists in preparing state, local, or federal tax return for a fee.

EARNINGS POTENTIAL: Earn up to \$44,500 per year.

DEMAND: Above-average growth through 2005

EQUIPMENT/START-UP: \$3000 - \$6000 computer equipment, training, software & advertising

REGULATIONS: License required in California and Oregon.

OBSTACLES TO WORKING AT HOME: Zoning and licensing, accessibility

OTHER TRAINING SOURCES: Varied (see Appendix B)

Occupation: Tax Preparer

I. Description of the Job

Tax Preparers prepare tax returns for others for a fee. Their job is to accurately fill out all the required forms and to use all appropriate adjustments, deductions, and credits to keep their clients' taxes to a minimum. All tax practitioners fall into one of four categories, based on their education and expertise. Among them, Tax Preparers generally have the least amount of training. Many work part-time, for nationwide tax-preparation firms, such as H&R Block, Jackson Hewitt and Triple Check.

Tax Preparers gather information by interviewing clients and by using copies of previous tax returns, wage statements from employers, year-end interest and dividend summaries, and other tax records. Clients are asked about their work, their investments, their expenses, and any unusual or significant events of the previous year, such as a new job, retirement, home improvements, or capital losses or gains. In this way, preparers pick up clues to possible deductions and credits and then follow up with additional questions to obtain the necessary details.

Tax Preparers often try to complete the entire return at the first interview, but complex returns may require additional work. Some preparers fill out detailed data sheets instead of the actual returns, which are processed later by computer (generally by an outside service). In these cases, after interviewing the client and gathering the data, most experienced preparers can give clients a rough idea of what their return will look like. They usually calculate the client's fee at this time.

Some preparers in larger firms check the returns of other preparers, and do not deal directly with clients. By law, preparers must sign every return they complete, enter their social security number or federal identification number, and retain a copy of the return.

Some Tax Preparers also do tax planning with their clients, help their clients respond to notices from the State and federal tax agencies, and advise them about payment and collection problems. They may assist clients when they are audited, help them set up estimated tax payments or correct withholding from wages, and advise them about record-keeping for tax purposes.

In addition, Tax Preparers keep their clients informed of the current interpretation of tax laws and the effect of new tax legislation.

II. Earnings Potential

Nationally, Tax Preparers employed by large chain tax preparation firms generally are paid on a commission basis and receive a percentage of the fees charged for each return. At one large tax-preparation chain, preparer's fees started at \$30 per short-form return and \$58 per itemized return in early 1996. Tax return fees can range up to \$1,000 and more for the more complex returns prepared at some accounting firms (1996). Preparers with up to two years' experience at accounting firms have typically earned up to \$32,000 a year; senior preparers report earnings up to \$46,500, and managers at firms may earn \$63,600 or more.^[1]

III. Demand

The number of Tax Preparers is expected to grow faster than average through 2005. Faced with complex and constantly changing tax regulations and the time-consuming paperwork involved in preparing even simple tax returns, more and more people are turning to Tax Preparers for help.^[2]

IV. Equipment/Start-Up Costs for a Self-Employed Individual

- Pentium computer with large hard drive and minimum 32 RAM, 28.8 modem - Cost: \$1000-2000
- Tax Preparation training course - Cost: \$200-500
- Professional Tax software (federal/state) - Cost: \$1500-2500
- Reference books, CDs, etc. - Cost: \$200-500
- Internet provider - Cost: \$15-20 per month

V. Regulations At this time, only California and Oregon require licensing or registration of income Tax Preparers:

CALIFORNIA: State law requires persons preparing tax returns for a fee to be registered. Basic qualifications for registration are the same for preparers. Some preparers are exempt from State registration because they are regulated by other agencies. These include enrolled agents, CPAs, attorneys, and Tax Preparers employed by banks, savings and loans, or loan companies that operate tax preparation services.

Applicants for State registration must be at least 18 years old, with a high school diploma or the equivalent. They must have had either 60 in-class hours of approved instruction in basic personal income tax law, theory, and practice, or two years of equivalent work experience preparing personal income tax returns, covering both California and federal taxes. They must also post a \$5,000 surety bond. Because many community and four-year colleges only cover federal taxation, students must take additional instruction in State tax laws.

In order to be registered on the basis of work experience, applicants must have worked full-time for two tax seasons or part-time for four tax seasons, preparing both federal and State returns. Registration with the State of California must be renewed annually. Renewal requires the completion of 20 hours of continuing education, with eight hours in federal and four hours in State taxation. Some tax services offer instructional courses to help their employees become registered.

OREGON: Any person preparing personal income tax returns for a fee must be licensed by the Oregon State Board of Tax Service Examiners. The only exemptions from this law are Certified Public Accountants and Public Accountants licensed by the Oregon Board of Accountancy and members of the Oregon State Bar who prepare returns for their law clients. Tax Preparers must work for a licensed tax consultant or a CPA

Licensing requirements include:

- Must be at least 18 years of age.
- Must be a high school graduate or have passed an equivalency examination.
- Must complete a minimum of 80 clock hours of basic income tax law education. A course designed specifically for this purpose is offered statewide by community colleges, vocational schools, and private tax preparation firms. The course must be one that has been approved by the Board.³¹
- Must pass the Tax Preparer examination administered by the Board.
- A certificate of completion of the 80-hour basic course must be submitted before a license will be issued

VI. Obstacles to working at home

Obstacles to conducting a tax preparation business from a residence would include local zoning and licensing restrictions, and client access (i.e.; parking).

VII. Other considerations/obstacles

Tax preparation is essentially a seasonal occupation, generally conducted between January 1 and April 15. Self-employment is likely to be more successful for individuals who attain an advanced accountancy certification, such as Certified Public Accountant (CPA), Certified Financial Planner (CFP), or who become licensed as an Enrolled Agent (EA) and able to represent taxpayers in IRS disputes.

The availability and popularity of consumer tax programs, and the increased ability for consumers to prepare their returns online, is having an impact on the occupation, though there is still a demand for paid preparers to service senior citizens, small businesses, and low-income clients, particularly.

VIII. Training Needed^[4]

Knowledge:

Mathematics - Knowledge of numbers, their operations, and interrelationships including arithmetic, algebra, geometry, calculus, statistics, and their applications.

Economics and Accounting - Knowledge of economic and accounting principles and practices, the financial markets, banking, and the analysis and reporting of financial data.

Law, Government and Jurisprudence - Knowledge of laws, legal codes, court procedures, precedents, government regulations, executive orders, agency rules, and the democratic political process.

Clerical - Knowledge of administrative and clerical procedures and systems such as word processing systems, filing and records management systems, stenography and transcription, forms design principles, and other office procedures and terminology.

Computers and Electronics - Knowledge of electric circuit boards, processors, chips, and computer hardware and software, including applications and programming.

English Language - Knowledge of the structure and content of the English language including the meaning and spelling of words, rules of composition, and grammar.

Skills:

Mathematics - Using mathematics to solve problems.

Information Gathering - Knowing how to find information and identifying essential information.

Problem Identification - Identifying the nature of problems.

Reading Comprehension - Understanding written sentences and paragraphs in work related documents.

Active Listening - Listening to what other people are saying and asking questions as appropriate.

Abilities:

Number Facility - The ability to add, subtract, multiply, or divide quickly and correctly.

Mathematical Reasoning - The ability to understand and organize a problem and then to select a mathematical method or formula to solve the problem.

Oral Comprehension - The ability to listen to and understand information and ideas presented through spoken words and sentences.

Deductive Reasoning - The ability to apply general rules to specific problems to come up with logical answers. It involves deciding if an answer makes sense.

Oral Expression - The ability to communicate information and ideas in speaking so others will understand.

Written Comprehension - The ability to read and understand information and ideas presented in writing.

IX. Sources

America's Career InfoNet (<http://www.acinet.org/>)

Michigan Occupational Information System (<http://detnews.com/2000/careers/>)

America's Learning Exchange (<http://www.alx.org>)

The Internal Revenue Service Tax Preparer's Corner (http://www.irs.gov/bus_info/tax_pro/index.html)

Michigan Occupational Information System (<http://detnews.com/2000/careers/0002/26/01300003.htm>)

California Dept. of Labor (<http://iserver.saddleback.cc.ca.us/div/bus/account/labor.htm>)

California Tax Education Council (www.ctec.org)

Occupational Information Network, 1998 (<http://www.doleta.gov/programs/onet/>)

Telephone and e-mail interviews:

J. Upshaw - Dayton, OH (Jessup@mail.com)

N. Whitted - Boise, ID (208-342-3591)

W. Diehl - Springfield, OR (whdiehlus@yahoo.com)

Appendix A

Tax Preparers		
Median Wages - 1998		
State	Hourly	Annually
Alabama	\$10.62	\$22,100
Alaska	\$16.95	\$35,300
Arizona	\$9.13	\$19,000
Arkansas	\$14.03	\$29,200
California	\$15.09	\$31,400
Colorado	\$18.17	\$37,800
Connecticut	\$18.90	\$39,300
Delaware	\$11.12	\$23,100
District of Columbia	\$20.99	\$43,700
Florida	\$10.15	\$21,100
Georgia	\$10.88	\$22,600
Hawaii	\$18.57	\$38,600
Idaho	\$11.45	\$23,800
Illinois	\$12.97	\$27,000
Indiana	\$9.94	\$20,700
Iowa	\$13.10	\$27,200
Kansas	\$13.81	\$28,700
Kentucky	\$11.62	\$24,200
Louisiana	\$7.91	\$16,500
Maryland	\$10.24	\$21,300
Massachusetts	\$17.82	\$37,100
Michigan	\$14.08	\$29,300
Minnesota	\$15.43	\$32,100
Mississippi	\$18.27	\$38,000
Missouri	\$10.50	\$21,800
Montana	\$13.67	\$28,400
Nebraska	\$10.84	\$22,500
Nevada	\$13.59	\$28,300
New Hampshire	\$14.95	\$31,100
New Jersey	\$15.39	\$32,000
New Mexico	\$9.67	\$20,100
New York	\$16.67	\$34,700
North Carolina	\$13.65	\$28,400
North Dakota	\$9.60	\$20,000
Ohio	\$10.59	\$22,000
Oklahoma	\$21.57	\$44,900
Oregon	\$11.50	\$23,900
Pennsylvania	\$14.93	\$31,100
Puerto Rico	\$17.45	\$36,300
Rhode Island	\$13.61	\$28,300
South Carolina	\$10.63	\$22,100
South Dakota	\$13.67	\$28,400
Tennessee	\$10.94	\$22,800
Texas	\$12.94	\$26,900
Utah	\$29.66	\$61,700
Vermont	\$10.72	\$22,300
Virginia	\$12.82	\$26,700
Washington	\$16.68	\$34,700
West Virginia	\$9.30	\$19,300
Wisconsin	\$11.28	\$23,500
Wyoming	\$11.09	\$23,100
UNITED STATES	\$13.44	\$28,000

Source: <http://www.acinet.org/acinet/wages3.htm?oescode=21111&stfips=01>

Appendix B

Correspondence Training for Tax Preparation

National Tax Training School (<http://www.nattax.com/>)

H & R Block Tax Preparation School - various locations (<http://www.hrblock.com/taxes/planning/taxcourses.html>)

California Tax Institute (<http://www.caltaxinstitute.com/>)

Golden City Professional Studies (<http://www.goldtax.com/>)

Tax Educators (<http://www.tax-educators.com/>)

Thomas Tax Seminars (<http://www.thomastaxseminars.com/home.htm>)

Other Training Resources

IRS Nationwide Tax Forums - These programs include a variety of informative seminars designed to provide the tax professional community with the latest and most complete information on IRS programs, practices, and policies and the most recent Electronic Tax Administration (ETA) initiatives.

^[1] Michigan Occupational Information System <http://detnews.com/2000/careers/0002/26/01300003.htm>

^[2] California Dept. of Labor <http://iserver.saddleback.cc.ca.us/div/bus/account/labor.htm>

^[3] California Tax Education Council www.ctec.org

^[4] Occupational Information Network, 1998 <http://www.doleta.gov/programs/onet/>