How to Choose a Tax Professional*

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Introduction

Choosing the right accountant or tax return preparer can be a crucial decision for farmers, ranchers and forest landowners. Part of this important decision is based on personality, but there are some key questions that should be asked of potential (and maybe even current) providers of these important services regarding their ability to handle specific issues related to agriculture and forestry enterprises.

The questions below are certainly not the only questions that could be asked and should not replace "gut feelings." They are meant to help think through what to ask and what the accountant's or tax preparer's responses mean.

Questions to Ask Potential Accountants or Tax Preparers

What are your qualifications?

Before you hire anyone to keep your financial records and/or complete your tax return, make sure they are qualified to do so. There can be several different qualifications. Here are some to look for:

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- A degree in accounting and possibly in taxation; maybe a law degree
- Certification by a state licensing body or the Internal Revenue Service (IRS). This may include CPA, Licensed Tax Consultant (LTC), Licensed Tax Preparer (LTP), Enrolled Agent (EA), tax attorney, and some Certified Financial Planners (CFP) are also able to provide tax services. Some states require paid preparers to have specific qualifications to complete state tax returns while some states may not. Qualified, licensed and or certified tax preparers may be found through various locations some of which can be found at the conclusion of this document.
- Non-credentialed preparer: these preparers may hold no educational or other professional credentials but are authorized by the IRS to prepare tax returns as long as they hold a PTIN (Preparer tax identification number) and complete the required continuing education requirements required by the IRS and or state regulatory agency.
- All preparers should have a PTIN.

What services do you provide?

You should know and understand whether the accountant or tax preparer actually provides the services that you are looking for. Not all tax return preparers perform everyday accounting functions or will prepare all return and form types. Determine your needs, and then find out if the accountant or tax preparer can provide those particular services for you. Ask whether the preparer would represent you in the case of an audit or if other issues arise. Not all preparers are able to represent a client in Tax Court should you need this. The following licenses/certifications can represent a taxpayer in "front" of the IRS: Certified Public Accountants (CPA), Enrolled Agents (EA) which have passed IRS examinations to become Tax Law Specialists, and Tax Attorneys. The following license or certification holders have limited rights representing a taxpayer: Annual Filing Season Program (AFSP), and holders of a Preparer Tax Identification Number (PTIN).

What percentage of your clients are farmers, ranchers and/or forest landowners?

This is an important question! You want a tax preparer who is familiar with enterprises such as yours. Tax provisions for farming and forestry are specialized and not all preparers will be familiar with the intricacies of a farm/ranch or forest operation. Ask about their experience with other farmers and

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landowners and with properties of similar size and revenue level. It is also important to know whether they have experience with filing returns that may include income averaging (schedule J), feeder animals, breeding livestock, direct to consumer sales, USDA program payments, crop insurance, timber sales, reforestation, and casualty losses.

How will I be charged for your services?

There are different ways that a tax preparer will charge you for their services. You need to know and estimate this upfront. Tax preparers must also follow specific guidelines set by the IRS on notification of how the charges are accrued. Be sure to **determine up front whether you will be charged by the hour, by the form, or a combination of both**. Will you be charged for phone calls, responses to emailed or texted questions, etc.?

Consider providing your new tax preparer a file with past returns to assist them in learning about your operation. If a tax professional must spend time to investigate your records to get the information necessary to complete a tax return, continually needing to ask you questions or for additional information that was not provided, you will most likely be charged substantially for this.

Many taxpayers may be surprised by the large variation in cost, this is usually due to the experience of a tax professional, their credentials, licenses held, and education level.   The fact is that if you take your information to two different tax professionals to prepare your tax return, the outcome should be the same or very close dependent on tax management strategies that you and the tax professional have discussed.

How do you handle issues you are unfamiliar with?

You may not be able to find an accountant or tax preparer with lots of farm and forest operations experience. By asking this question, you hope to learn how they handle situations that aren't within their normal operations. Are they willing to attend continuing education on farm and forestry-related taxation or review printed material on the subject? The provider may have a more-experienced colleague (internal or external) who they can communicate with for assistance. You may need to connect your farm advisor or forester with the tax preparer.

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Are you conservative or aggressive when handling tax matters that are “gray”?

Find a preparer who matches how aggressive you are willing to be on tax matters. If you are not willing to take risky positions on a deduction but your preparer is, you will be uncomfortable. If the preparer does not want to deduct items that you are willing to try, the accountant may “fire” you as a client or you will become frustrated at the tax professional. Taxes and accounting may seem like there are a lot of concrete rules but there are some gray areas that are open to interpretation or require the review of court cases, and other resources for meaningful insight into a particular situation.

Will you represent me if I am audited?

If you are audited, you might want to have the tax return preparer available to explain how to proceed and to defend your interpretation of a specific code section. You should also find out what you would be charged for their services through an audit. It is not uncommon that tax preparers may be willing to assist you in an IRS audit up to a certain point then recommend seeking and hiring a tax specialist to represent you in case of a more intense audit situation or IRS procedure, this is even the case with some tax attorneys. It is important to know the limitations of whom you will be hiring to work for you.

Are you available for consultation throughout the year?

There are many strategies to reduce taxes. Having access throughout the year to a tax preparer who is familiar with your situation may help you plan transactions with tax implications in mind. It is also highly recommended that you meet with your tax professional 30-60 days prior to the end of the tax year (calendar year for most) for a tax management strategy discussion.

Summary

Choosing a tax preparer is an important task. Find a professional who has the experience and knowledge that best match your enterprise whether that be a farm, ranch or forest. It is important to remember that whomever you choose, works for you. But they must follow the law, the Internal Revenue Code, and other regulations. Each tax professional must follow specific ethical standards

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and guidelines. Your tax preparer is a part of your larger team and will work with you and your other advisors.

Where to Look for an Accountant or Tax Preparer

Here are some suggestions for where to find potential accountants and/or tax preparers.

- Ask other farmers, ranchers, and forest landowners who they work with and trust.
- Ask a resource professional: Your farm advisor or forester may know of tax preparers who have worked with other farmers or landowners and who are aware of issues specific to these types of enterprises.
- Professional groups and organizations representing tax professionals such as the State Bar Association, CPA associations, and EA associations may provide lists of their members.
- In many states, CPAs, CFPs and others may be required to register with the state licensing board for accountants/tax preparers.
- Internal Revenue Service directory of federal tax return preparers: https://irs.treasury.gov/rpo/rpo.jsf

Additional Topics

This fact sheet was written as part of Rural Tax Education a national effort including Cooperative Extension programs at participating land-grant universities to provide income tax education materials to farmers, ranchers, and other agricultural producers. For a list of universities involved, other fact sheets and additional information related to agricultural income tax please see RuralTax.org.

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