

THE PROFESSIONAL TAX PREPARER PROGRAM



Module IV

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INTRODUCTION

The saying goes that two things in life are certain: death and taxes. For the past two centuries, our taxes have financed many fundamental, modern necessities and valuable luxuries that we enjoy in our country. They are the means by which our government provides important standards of living, such as the powerful military which protects us world-wide, our expansive highway and road systems, the beautiful national park areas that we enjoy for recreation, and many other services that have made the United States a beautiful, safe, productive, and enjoyable place to live.

Since 1986, the tax laws have become increasingly complex for several different reasons. Additionally, Congress has used the tax code to advance specific causes such as spurring the economy or reducing spending in certain areas. Each year the tax code experiences numerous changes, and as doing business continues to become more complex, it will continue to change.

This opportunity has expanded the need for Professional Tax Preparers. Today, tax practices are flourishing. It's not uncommon for a tax practice to double its client base each year. This expansion and increased demand has occurred for three reasons:

1. Individuals today are earning, investing, spending and saving in such a way that they are requiring a greater level of tax expertise in preparing their taxes;
2. The more sophisticated tax laws and forms are causing people that previously prepared their own taxes to seek out a professional;



3. As the IRS strives to make electronic filing more desirable, those who need assistance with this task are looking for someone to help them take advantage of its benefits.

So, is a tax practice for you? This largely depends upon your attitude toward work and supervision. There are two types of people: those who enjoy the eight-to-five-work-for-someone-else routine, and the rest of us. Working for yourself has terrific benefits if you're self-motivated; you must be driven to get up each morning, work hard, and control your own schedule. Running your own tax practice provides the following benefits:

- **Flexibility.** You determine when and where you will work. Other than appointments with your clients, you set your own schedule.
- **Financial independence.** As a tax preparer, you will earn a professional-level income. In just 3 months it is possible to earn more than you would in an entire year at most jobs.
- **Low start-up cost.** A computer is the most expensive item you will need to begin. Supplies and software are readily available at affordable prices.
- **High-demand service.** Nearly every working individual is required to file a tax return. In the past, large tax preparation chains have attracted a considerable market share. However, more and more people prefer the personal attention they receive from an independent preparer.

Becoming a tax preparer makes you a popular person, as well. There are three skills to which every family group should have access: medicine, computers, and taxes. People like to work with those they know and trust. Certainly, the family relationship is one of your greatest networking tools (we'll discuss this more in Chapter 2).

During tax season, relatives will come "out of the woodwork" to have their questions answered and their tax forms prepared. As we'll discuss later, for some of the closer relatives such as parents or children, you'll probably prepare returns for free, out of duty. But for the more distant relatives, you should charge for your services.

Once you add neighbors, business associates, friends, and new contacts to the mix, you will have clients lining up for your tax preparation services.



Additionally, there's a lot of money to be earned. Many income tax professionals earn enough money during the three month tax season to provide for their family the rest of the year. For instance, an experienced tax preparer recently shared that she earned \$112,000 during that short timeframe. For her, it meant many late nights during the three wintery months, but nine long months of vacation and play after. For those who like to work hard and play hard, an income tax practice is the perfect business to have.

There's even more potential income if you hire others. Although this course is written for the practitioner who wants to work on their own, you may certainly consider employing others to both assist with new clients and enter data for existing clients, allowing you more time to build your client base through additional marketing, or perhaps, simply create more free time for yourself. By hiring competent help, you actually create the ability to multiply your client base, which will produce more income.

You can control many things when working for yourself. With a tax practice, you can structure your own schedule, work environment, work habits, and even where you live. You may choose to work in the early morning or late in the evening. You could even choose to work on weekends while still maintaining a full-time job. You can work in the kitchen, the basement, or in a library. With technology today, you can even be on vacation or in the process of moving and still maintain contact with your clients.

Nevertheless, your results will be a reflection of the amount of time and preparation you put into your practice. Thomas A. Edison once stated, "Opportunity is missed by most people because it is dressed in overalls and looks like work."

To succeed in this business, you must have confidence in your technical understanding of the tax code. This does not involve memorization as much as it does knowing where the information can be found and having an aptitude for numbers. Universal Accounting's tax courses provide the complete technical education needed to prepare you for even the most sophisticated individual and business income tax forms. Once you have completed Universal's courses, you are well-prepared to begin.



The following basic level course, *Building Your Successful Tax Practice*, is provided for accountants, bookkeepers, and tax preparers who want to start and operate their tax practices the right way. The professionals working at Universal have decades' worth of combined experience that will show you how to build a successful and prosperous company.

This material assumes that you intend to operate as a sole practitioner working out of your own home, at least initially. At some point in your company's growth, as you look to expand your practice by hiring employees and moving into an office, you may again enlist Universal's help with additional training designed to assist you in that effort.

This manual, together with the instruction provide the necessary tools to help you succeed in opening and operating a lucrative and profitable tax preparation business. At the end of this course, you are invited to take an online exam. Once you have completed the course, we encourage you to login to the UAC website and create a testing account to measure your mastery of the material.

SPECIAL NOTE TO CPE CANDIDATES

To qualify for Continuing Professional Education (CPE), a CPE candidate must have completed the course, including the final examination, within one year of date of purchase.