

Go pro, they say

Metro CPAs laud new IRS oversight regs

BY DEAN ANDERSON

Back in January, when Edmond CPA Joshua Jenson still had time to watch television, he'd almost have to leave the room when the commercials came on. That's when the H&R Block and Jackson Hewitt ads really got rolling.

With each company touting the gazillion dollars in refunds it had "earned" last year for clients, it was too much for Jenson to stomach.

"It shoots my blood pressure up," Jenson says. "What I think is so unfair about that, I don't really know that the institution did anything to achieve that result. Those that go to the storefront type of tax-preparing business are probably just getting a refund anyway. The sign of a good accountant or preparer is somebody that designs a tax plan for you where you get no refund and you owe nothing. A lot of people let the confetti fall when there's a refund, but really, you're just getting your own money back."

And with some in the tax-preparation industry playing the game fast and loose the last few years, the Internal Revenue Service decided to step in, announcing new regulations in January that will be in force by next tax season.

"I think it's great," Jenson says. "It will protect taxpayers in general. I

think just having some minimum standards in place is very reasonable. Up until this point, it's kind of been the wild, wild west. Really anybody could do it."

PREP SCHOOL

In reality, anybody could prepare taxes. No licensing, no continuing education - nothing was mandatory.

That's the rub for David Greenwell, CPA and tax partner at Cole and Reed PC in Oklahoma City. With 34 years in the business, he has seen the good, the bad and the ugly when it comes to tax preparation.

"We, as a profession, think these new rules are good," Greenwell says. "What they're designed to do is provide for a better system of income-tax preparation. There is a very large number of individuals and businesses who use tax preparers. Currently, there is no system in place to monitor their performance or have a place where taxpayers can respond to when they encounter difficulties."

While not historically known as a prolific investigator of tax-preparer return fraud, the IRS is definitely efficient at it. According to IRS data, in the previous three fiscal years, the agency has initiated 656 investigations, recommended 459 prosecutions and maintained an incarceration rate of near 82%. And the average time to serve is nearly two years.

CPAs have some of the highest continuing education requirements of any profession, spending 40 hours in the classroom each year. By comparison, Oklahoma pharmacists have to complete

15 hours each year. And until next tax season, tax preparers don't have to attend any classes.

According to the IRS, more than 80% of U.S. households use a tax preparer or tax software to help prepare and file their taxes. To prevent abuse, the IRS will require all paid tax-return preparers to register with the agency. Each preparer will go through a compliance check of his or her own taxes. Competency tests and ongoing continuing education requirements also will be required.

Ethical rules found in Treasury Department Circular 230 will be applied to paid tax preparers.

Later this tax season, Greenwell said the IRS will send letters to the 10,000 largest tax preparers in the country. Also, IRS agents will be meeting with non-

licensed preparers to notify them of the new regulations.

MOM, POP AND THE IRS

So what does all this mean for businesses? With the IRS cracking down on unlicensed preparers, CPAs say now more than ever small- to medium-sized businesses that have tried to go it alone need to look at the bigger picture.

With largely individual clients, Greenwell says the majority of his hours are still spent on business returns.

"Personally, I love working with startup companies," he says. "We think we can provide them with ideas that will help them retain much of their money. With our knowledge, even some basic concepts can go a long way from a tax-planning standpoint. I would encourage

all businesses to seek advice from a qualified professional as soon as possible.

Greenwell says it's businesses - rife with tax deadlines and mandatory filings - that can go afoul of the IRS quicker

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JOSHUA JENSON

than anyone. And it's the small- to medium-sized company that cause the IRS the biggest headaches.

"They are more concerned with



a return being filed accurately than they are with how much tax they're collecting," Greenwell says of revenue agents. "It's not a matter of 'I need to go out and get more money for the government.' In general, that's not the intent or the perception employees of the Internal Revenue Service have.

"I don't think the IRS is out to get anyone. In fact, the agents I've spoken with say their biggest problem tends to be when they audit a return that was prepared by the owner or internally by someone in the company." **BIZ**

What's up ahead

Change is a-comin'. At least that's what certified public accountants are bracing for when a number of tax laws sunset at the end of this year. And the more zeros at the end of your return, the more you will owe.

"The biggest (change) will be those that are making the highest income will pay more taxes," Edmond CPA Joshua Jenson says. "What we're hearing from the White House is those that make over \$250,000, their rate would go from 35% to 40.4%. When you're a small business to net \$150,000 to \$250,000 - that's not a far-reaching number."

Jenson says the alternative minimum tax is expected to take on a larger life in 2011, and charitable contributions are expected to be limited or phased out for higher earners.

"If you make over \$100,000, you need to be

on the lookout," he says. "There's going to be some major changes that affect you."

In 2008, the IRS collected one-third less taxes compared to 2007. Coupled with the bailout, Jenson says the government has to replenish the coffers somehow - and fast. He says don't be surprised if tax rates are changed and then made retroactive to previous tax years.

"I don't think it will happen for 2009, but it's my professional opinion they would do that at the beginning of 2011 and make it retroactive to 2010," Jenson says, pointing out the same was done during President Bill Clinton's administration.

By mid-February, he and staff were just trying to keep their heads above water. Typical days were 8 a.m. to 6 p.m., a quick bite to eat, and then back at it until midnight. Another eight hours follows on Saturday, and maybe two or three on Sunday.

"Then it's golf time," the 14-handicapper says. **-DA**