

Choosing the Right Tax Preparer



What to Avoid:

- Limited experience.** Be sure that your tax preparer has a valid PTIN (Preparer Tax Identification Number), which is required for paid tax preparation. It is also important that your tax preparer have experience preparing tax returns – every return is different, and specialized knowledge is necessary. A good preparer will have experience, extra training and will take the time to answer your questions during the process.
- Lack of transparency.** Ask your tax preparer how he or she determines fees, and be sure to get a clear answer. Avoid tax preparers who base their fee on a percentage of the refund they say you will likely get– they have an incentive to encourage false credits or deductions. Fees should be straightforward and easily understood. Ask questions until you feel comfortable with how they charge for their services.
- Refund Anticipation Loans (RALs) are bad news.** Many lenders will try to lure you in by promising short-term loans based on your expected refund. In 2010, regulation made it illegal for tax preparers to offer these loans, but there are still predatory lenders who will try to take advantage of you by charging high fees on short-term loans. Avoid any loan that is based on your expected refund, as the fees are often not worth the initial cash flow and could place you further into debt.
- Refund Anticipation Checks (RACs).** RACs can delay the fee you pay to a preparer until your refund arrives – but often with more fees attached. RACs do not deliver refund monies any faster than the IRS can, and cost between \$25 and \$60 in addition to your filing fees. While this is one way to pay for your tax services, you could also file for free online or at an AARP or VITA site, and have the refund sent directly to your bank account at no cost.
- Be wary of prepaid cards.** While prepaid cards may allow taxpayers that do not have a bank account to receive a fast refund, many of these cards carry high costs and fees. Be sure to compare costs and consumer protections before using this option. Sometimes prepaid cards are used to steal your refund. Be very careful with this option if you choose to get a prepaid card for your refund.

Why should it matter to you?

A tax preparer's error can cost you.

- Errors are common. In a 2014 study by the Government Accountability Office, only 2 of 19 tax preparation offices prepared returns with the correct refund amount. Their errors ranged from \$52 below what the refund should have been to \$3,718 more than the correct refund. If your tax preparer incorrectly states anything on your tax return, you may later face an audit from the IRS or even criminal sanctions for fraud.

You're probably paying a lot more than you should be.

- Tax preparation fees are often high. Tax preparers can charge \$500 or more in fees. The fees charged for tax preparation vary widely, even between offices affiliated with the same chain.

Tax Preparation Services That Are Free & Reliable



There are free or inexpensive tax preparation services available for low and middle-income taxpayers:

IRS VITA Sites

VITA is a program of the IRS that provides free tax-prep assistance for people earning \$53,000 or less. Many VITA sites can also help taxpayers open a bank account or get a low-cost prepaid card, which enables taxpayers to get fast refunds without paying a fee. To find a VITA site near you, call 1-800-906-9887 or visit: <http://irs.treasury.gov/freetaxprep/>.

AARP Tax-Aide Sites

The AARP offers its free Tax Aide program to low and moderate-income individuals, with a focus on those 60 years of age and older. This service is free for anyone, there is no maximum income or minimum age, and you do not have to be an AARP member. To find an AARP Tax-Aide site near you, visit: <http://www.aarp.org/applications/VMISLocator/searchTaxAideLocations.action>.

File Online

There are also a number of websites that allow low and middle-income taxpayers to prepare and file their taxes online for free, such as the IRS Free File program. For more information, visit: <http://apps.irs.gov/app/freeFile/>.

For more information visit:

- ❖ The National Consumer Law Center, www.nclc.org
- ❖ The Consumer Federation of America, www.consumerfed.org
- ❖ The IRS, www.irs.gov