



Taxes

Hiring Protection From The IRS

Ashlea Ebeling, 03.05.10, 6:36 PM ET

At the start of this tax filing season, the Internal Revenue Service announced with great fanfare that it will [require registration, training and testing for the nation's estimated 900,000 to 1.2 million paid tax preparers](#)--in the future.

But that's no help if you're looking to hire someone now, since in most states anyone can still hang out a shingle as a tax pro. Currently, if you want a regulated tax professional to deal with your 1040 or an IRS problem, you must hire a lawyer, a CPA or a tax pro with the obscure title of "Enrolled Agent" (EA). Usually, you can hire an EA for less than a CPA or lawyer.

EAs are a group of 43,000 tax pros who are already regulated by the IRS and have special privileges to represent taxpayers at the IRS. They've either passed a fairly rigorous IRS test on the tax code or have earned their EA status by virtue of having previously worked for the IRS for five years in a position applying and interpreting the tax code. To search for an EA, [click here](#).

EAs got their start after the Civil War pressing citizens' claims against the government for horses and other confiscated property and many still fancy themselves tenacious advocates for the little guy. "You want someone who says, 'Yeah, I deal with the IRS,' and isn't cowed or intimidated by it," says [Claudia Hill](#), a Cupertino, Calif., EA who edits the *Journal of Tax and Procedure*, published by Wolters Kluwer's CCH business. (Hill happens to have an MBA, but EAs come with varying educational backgrounds.)

EAs are overseen by IRS' Office of Professional Responsibility and have to take annual continuing education in taxes. By contrast, CPAs are regulated by state authorities and have continuing education requirements, but not necessarily in tax. "It's a finely guarded secret that there is little tax in the CPA exam," says Hill. When interviewing tax help--be they CPAs or EAs--she suggests asking what they do to stay current, and how many courses they've taken in tax. (Similarly, many lawyers know nothing about the tax code, but specialists have often earned an LLM in tax.)

Where can you find an EA? Some do work at the big chains--H&R Block, Jackson Hewitt Tax Service Inc. and Liberty Tax Service. H&R Block says it is always encouraging its preparers to become EAs; it covers the EA exam fees and costs of continuing ed and pays EAs more. Clients with more complicated returns are more likely to get more highly trained preparers.

John Hewitt, founder of both Liberty Tax and Jackson Hewitt (which he sold out of in 1997), became an enrolled agent back in 1978 while working at H&R Block. He says that out of Liberty Tax's 30,000 preparers, a few thousand have earned Liberty's advanced internal Level 3 certification, a few hundred are EAs, twice as many are CPAs and a couple of dozen are tax lawyers. As at H&R Block, taxpayers with more complicated returns are moved up to more highly trained preparers. You might get kicked up the chain if you have a Schedule K-1 that reports partnership income, if you have S corp income or if you did a [1031 like-kind exchange](#). But Liberty Tax clients can ask for preparers with advanced credentials. (You'll pay more if you have a more complicated return, but not simply because you asked for a more knowledgeable preparer.)

Most EAs, however, happily work for themselves, not the chains, and many are in it as second or third careers. There are folks like David Levine, an EA in Reno, Nev. He's a commercial builder turned IRS collections officer who then became an EA in 1991. He specializes in collections cases and major audits and charges a hefty \$270 an hour to fix these messes. But he has two other EAs in his office who do tax returns for a reasonable fee--\$95 on average (there's no state income tax in Nevada so that's just for a federal return). By comparison, the average tax prep bill at H&R Block is \$187, but that includes both federal and state returns; 1040EZ preparation at the chain costs just \$68. You'll find a lot

of ex-engineers who are good EAs, Levine observes.

Sherrill Trovato, in Yorba Linda, Calif., runs a solo EA practice. She was a single mom working as a bookkeeper in 1992 when she became certified as an EA, and later she earned credentials to practice before the U.S. Tax Court. She still has bookkeeping clients, and does it all--tax returns, audit representation, writing and teaching. She sees loyal clients through good and bad times and this year has given those who need it a break on their bills.

"A lot of what we do is counseling and consoling," she says. "Who you choose to do your taxes is an important step. If they do it wrong and you get a love letter from the IRS, it's a very frightening world. That's a reason to use an EA, someone who can stand in for you at the IRS."