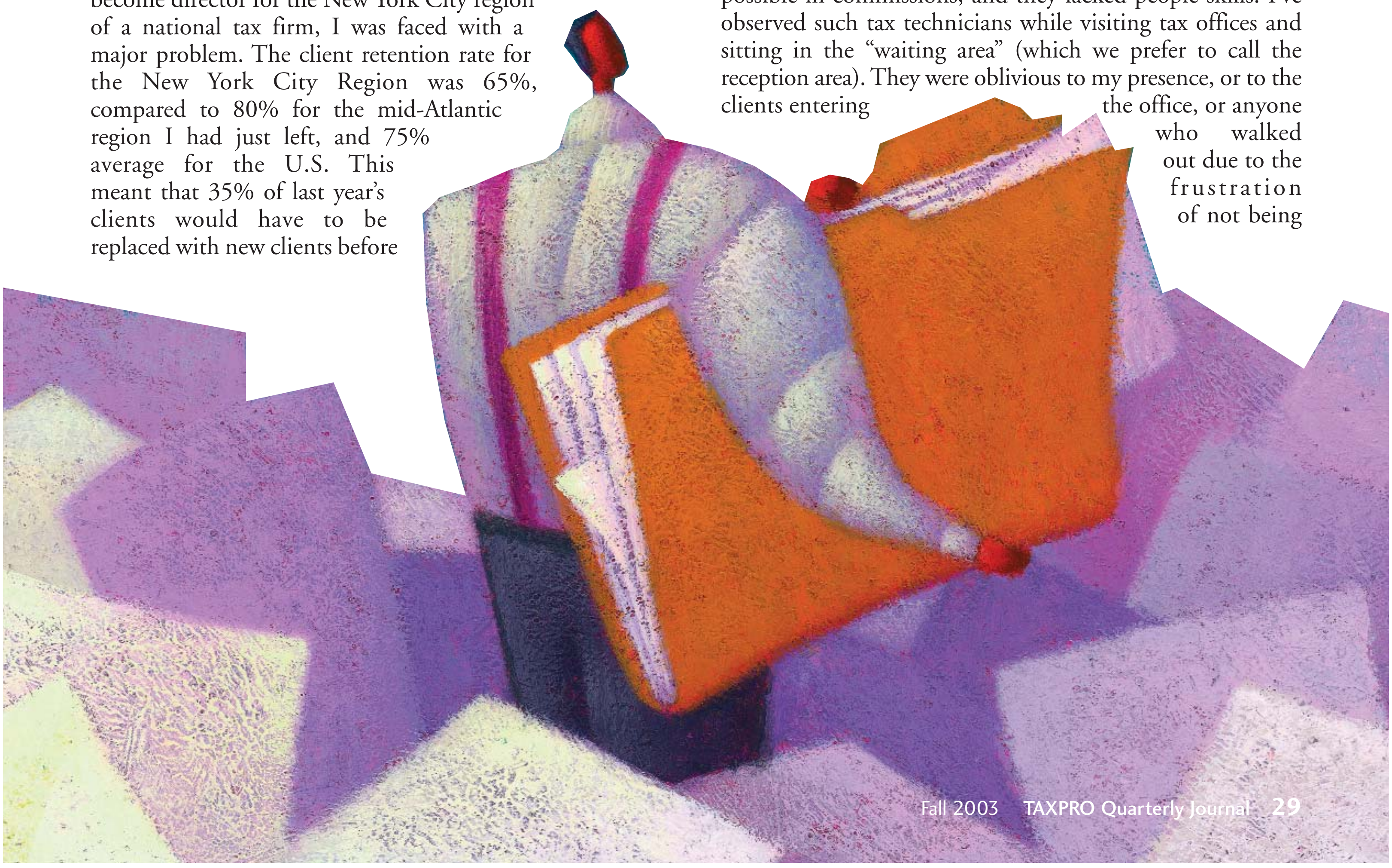
Finding Seasonal Help

By Charles E. McCabe, CEO, Peoples Income Tax, Inc.

In the tax business, as with any other service business, people represent the greatest expense and the greatest source of frustration, as well as the greatest opportunity for business success. Our employees deliver the services for which we are paid, and they represent our business. Making bad hiring decisions can be very costly. The following are key considerations that are unique to or especially important in the income tax preparation business when hiring tax preparers.

People Skills

Years ago, when I relocated from Baltimore to become director for the New York City region of a national tax firm, I was faced with a major problem. The client retention rate for the New York City Region was 65%, compared to 80% for the mid-Atlantic region I had just left, and 75% average for the U.S. This meant that 35% of last year's clients would have to be replaced with new clients before the region could show any growth. To determine the root of this problem, I instructed my district managers to calculate the client retention rate for each individual tax preparer who worked in the 200+ offices of the region. The results were alarming! Many of the tax preparers who looked like superstars on paper had client retention rates of 65% or lower. I refer to these preparers as "tax technicians." They took pride in preparing accurate tax returns. They were reliable, they did their daily reports and their share of checking, and they got the money in the bank. Everything looked great, except they were not pleasing their clients. Why? Their primary motivation was to make as much as possible in commissions, and they lacked people skills. I've observed such tax technicians while visiting tax offices and sitting in the "waiting area" (which we prefer to call the reception area). They were oblivious to my presence, or to the clients entering the office, or anyone who walked out due to the frustration of not being



acknowledged and having to wait too long. They didn't care, as long as there were still enough clients to keep them busy making money. They were often arrogant, aloof, or even bigoted. Even though many of the clients were not highly educated, they were not stupid. They knew when they were not being treated with respect. Why would they want to come back next year?

So, the first lesson in hiring tax preparers is to hire individuals with good people skills. I would argue that people skills are more important than tax knowledge, because you can teach tax knowledge. What happens when one of your clients gets a letter from the IRS resulting from an error made by your seasonal tax preparer? If the preparer was a tax technician, your client will probably never return. But if the preparer made the client feel good about the interview experience and demonstrated genuine care and concern for the client's welfare, the client will most likely be back, as long as you resolve the problem.

Tax Knowledge

Obviously your seasonal tax preparers need tax knowledge, both federal and, at least, local and state. They don't need to know everything about all the tax laws; nobody does. However, they do need an awareness of all of the tax laws pertaining to the types of returns they will prepare. And they must know how to research the tax laws to be able to reach the correct conclusions to tax situations they encounter in areas of the tax law in which they are not well-versed. In addition, tax preparers need strong interviewing skills.

Many people who respond to help wanted ads for experienced tax preparers believe they know taxes because they've prepared their own returns and, perhaps, those of some friends and relatives. But unless they've recently prepared a volume of tax returns for the general public, their tax knowledge may be limited or dated. The solution my company has developed for this problem is to require each new tax preparer job applicant to take our "Test of Basic Tax Knowledge," which is provided at the end of this article for your use as a member of NATP.

Availability

Another important consideration is the availability of part-time employees. Tax preparers will be needed to work evenings and weekends, as well as extra hours during peak periods, to accommodate as many clients as possible during the short tax-filing season. Part-time (evening and weekend) preparers should be willing to work at least 16 hours per week over at least three nonconsecutive days, plus extra hours during peak times. Generally you will need at least two part-timers for every full-time tax preparer. Be sure to hire more people than you will need. Invariably, someone will come down with the flu, have a personal conflict, or quit, right when you need their help the most.

Conflicts of Interest

Always ask tax preparer job applicants if they personally prepare tax returns for compensation. A tax preparer who works for you, while also preparing returns on the side, constitutes a potentially serious conflict of interest. We require all tax preparers (including full-time, year-round employees) to sign an employment agreement which includes noncompete, confidentiality, and nonsolicitation provisions. Contrary to popular belief, noncompete provisions can be enforced in most states, provided that they are deemed by the court to be "reasonable." To meet the test of reasonableness, our attorneys have advised that the provision must not: 1) unreasonably restrict the employee from pursuing his or her livelihood as a tax professional; 2) impose restrictions within an unreasonably large geographic area; or 3) impose restrictions for an unreasonably long period of time. In drafting a noncompete provision, you should consult with a local attorney with expertise in the labor laws and courts in your state and locality.

Confidentiality and nonsolicitation provisions can be even more important than noncompete provisions, because they are usually more enforceable and are just as effective in preventing former employees from stealing your customers. Remember that even taking a list of clients and their contact information out of your office is a violation of a confidentiality agreement (as well as IRS §7216 privacy regulations). If we want to hire someone who prepares tax returns for a few long-term loyal clients, we will ask the person to provide a list of those clients' names and social security numbers and prepare an addendum to the employment agreement excluding them from the restrictive provisions.

Finally, be sure that each new hire is both legally and morally obligated to not take your clients if he or she decides to leave or is fired. Most people have good intentions when entering into an employment agreement, but employees sometimes become disgruntled and leave. Employees who sign employment agreements without fully understanding the provisions, by which they are legally bound, may feel morally justified to not honor their contracts. Avoid being in the position of having to take legal action by explaining in detail all employment contract provisions and confirming that every tax preparer you hire understands and agrees to your terms and conditions.

Taking On Your Competitors' Problems

Good tax preparers are loyal to their clients and, due to restrictive employment contract provisions, they usually can't bring their clients with them. Starting over with a new employer usually means taking a cut in pay as well. Be careful about hiring an experienced local tax preparer who has left his or her clients behind. At the very least, the employee may have to unlearn some bad habits. Occasionally we've been lucky and picked up a good experienced tax preparer, usually someone who has just moved into town.

Identifying the Best Tax Preparer Prospects

The best prospective tax preparers are not necessarily accountants. Some accountants and other financially oriented professionals tend to be more numbers-oriented than people-oriented. Taxation is not accounting; it is law. Preparing tax returns is a very personal process that requires someone with strong people-skills to satisfy their clients. To the client, the interview experience can be just as important, if not more so, than the tax preparer's knowledge.

Clients don't like to see new faces every year. Most clients want to establish a relationship with a tax preparer who will be available year-after-year. Ideally, the tax preparer will also be available to handle any tax problems and questions during the off-season. Continuity of tax preparers may be less important to low-income clients who seek fast refunds and are primarily concerned with convenience, cost, and speed. However, relationships are important to everyone. Also keep in mind the high cost of training and developing a new tax preparer. High employee retention is difficult to attain when you can offer only seasonal employment.

The best long-term tax preparer prospects are people whose personal needs can be met through seasonal careers, such as: 1) homemakers with young children in school; 2) early retirees who like to travel or spend time with their grandchildren during the summer; 3) financial services professionals who can make their own hours and may benefit by meeting prospective clients; 4) people with complementary seasonal occupations; 5) moonlighting professionals who want to earn extra money; 6) college seniors and graduate students who need business experience; and 7) blue-collar workers who want to break into a new white-collar profession.

Look for people who see tax preparation as a rewarding career because they like to help others, and avoid hiring someone whose primary motivation is money. You want people who are likely to stay with you for years. Hiring someone who is "between jobs" may provide a quick fix to a personnel shortage. However, unless you can reasonably expect the person to return next tax season as a part-time tax preparer (after finding a year-round job) this will usually prove to be a poor hiring decision. Such dilemmas can be prevented through proper planning and preparation during the off-season. The best strategy is to find good people with the desired qualities and interest and teach them to be tax preparers. This can be accomplished by operating your own income tax school, or by arranging for your candidates to complete an income tax course offered elsewhere (either in-class, online, or by correspondence).

Finding Good Tax Preparers

Sources of good tax preparer prospects include organizations that serve the kind of people who you are seeking, such as women and senior support groups, the military, employee outplacement services, colleges, universities, and career schools. Help wanted advertising might produce a few experienced tax preparers who tend to "come out of the woodwork" in late December and early January each year. Most of the applicants from help wanted advertising will fail the "Test of Basic Tax Knowledge." However, they usually have some knowledge, as well as the aptitude and interest in becoming tax professionals, and they can often be trained. Temporary employment agencies will produce about the same results as your own help wanted ads, except that the hourly rate will include the extra cost of the agency's profit. Using a temp agency could be more effective for fast refund offices. Referrals by employees are an excellent source of good new employees. Encourage your employees to refer qualified prospective employees to you.

Your clients may be one of the best sources of prospective tax preparers. You've probably had clients come in from time to time with their taxes already correctly prepared. They may come to you simply to gain the peace-of-mind of knowing that you have checked and verified their calculations and that you will be available to help should they get a letter from the IRS. Who would be a better ambassador for your tax firm than a satisfied client who choses to come to you over all of your competitors?

Other Considerations

Many good sources of general advice in screening, interviewing, psychological testing, and hiring employees to avoid costly mistakes can be obtained, often at little or no cost. Search the internet, visit your local library, and ask for advice from organizations such as your local Chamber of Commerce, Retail Merchants Association, Small Business Development Center, or Human Resources Professional Association.

Conclusion

You should hire only employees who are people-oriented and want to prepare tax returns not only to earn money, but because they like the challenge of tax preparation and want to help people. You can often teach taxes to someone with good people skills, but it is unlikely that you will succeed in teaching people skills to someone who doesn't care about others or who cannot relate to and have empathy for people from all socioeconomic backgrounds. Make sure the people you hire have adequate tax knowledge to prepare tax returns for the general public. Avoid potential conflicts of interest and be sure that every tax preparer understands, agrees to, and signs an employment agreement including noncompete, nonsolicitation, and confidentiality provisions. Screen all applicants carefully to ensure that they have the skills, availability, and qualities necessary to deliver quality client service and create real client value and satisfaction. This will help you to generate more referral business and attain a higher client retention rate. Focus on building a staff of tax preparers who are satisfied with a seasonal career, are not motivated only by money, and who will stay with you year-after-year. ✦

Chuck McCabe, a 35-year veteran tax industry executive, has managed hundreds of tax preparation offices in the U.S. and Brazil. He earned his B.S. degree in management from Adelphi University and Executive M.B.A. degree from Pace University. He is founder and President of Peoples Income Tax, Inc., which operates multiple tax preparation offices in central-Virginia and licenses income tax school and tax practice management systems to independent tax firms nationwide. Chuck is co-author of two books on career education for adults and numerous articles on adult education, income tax, and management. He has presented seminars at national tax professional associations, including NATP, and has taught small business management as an adjunct faculty member of Virginia Commonwealth University.

Name ______________________________________ Date ______________________________________

TEST OF BASIC 2003 FEDERAL INDIVIDUAL INCOME TAX KNOWLEDGE

Part I

Are the items below itemized deductions? Answer each with yes or no.

_____ 1. A gift of charity directly to a needy person.
_____ 2. Home mortgage interest paid to a private individual.
_____ 3. Prior year state tax balance due paid in this calendar year.
_____ 4. Minimum education necessary to obtain a job in your profession.
_____ 5. Federal income tax withheld from wages this year.
_____ 6. Verifiable gambling losses to the amount of gambling winnings included in income.
_____ 7. Vitamins for general health maintenance.
_____ 8. Union dues.
_____ 9. Interest paid on a loan to purchase municipal bonds.
_____ 10. Tolls and parking related to your commute to work.

Part II

Where is the first place you would report the items below? Match each numbered item with the correct lettered item.

_____	1. $3,550 of interest from Series E bonds.	A. Schedule D
_____	2. Sale of mutual funds or stock.	B. Schedule A
_____	3. Alimony paid.	C. 1040
_____	4. Sale of capital asset.	D. Schedule B
_____	5. Unreimbursed employee mileage.	E. Form 2441
_____	6. Unemployment compensation.	F. 1040
_____	7. Self-employment tax due.	G. Schedule C
_____	8. Income for rental property.	H. Form 3903
_____	9. Amount paid for qualified child care.	I. Schedule D
_____	10. Profit or loss from nonfarm business.	J. Schedule E
		K. Form 2106
		L. Schedule SE
		M. Schedule 4684

Part III

1. How much per mile may a taxpayer deduct for medical mileage? ______
2. What is the maximum nonworking spousal IRA contribution? ______
3. Provided a taxpayer with a child does not remarry, how may years following the year the spouse dies may the taxpayer file as Qualifying Widow/Widower? ______
4. List the five tests that must be satisfied to claim another person as a dependent and entitle the taxpayer to an additional exemption. ______
5. Schedule B must be filed if the interest income exceeds what amount? ______
6. Are child support payments ever taxable? ______
7. Name two requirements that must be met for a taxpayer to be able to claim a credit for child care expenses? ______
8. How long must the taxpayer's child live with him to enable the taxpayer to claim the Earned Income Credit? ______
9. What are two consequences of receiving a distribution from an IRA before a taxpayer is 59.5 years old, becomes disabled, or dies? ______
10. What is the maximum capital loss that a taxpayer may deduct on his return in one year? ______
11. Where would student loan interest be reported? ______
12. How long, at a minimum, should records and receipts related to income and deductions be saved? ______
13. A single taxpayer supports and maintains a home for his mother, who does not live with him. He can claim her as a dependent. The taxpayer lives by himself and has no other dependents. What filing status should he use? ______
14. What is the maximum amount allowed for the Child Tax Credit for a taxpayer with one child? ______
15. Can depreciation or a cost recovery deduction be claimed in a year that standard mileage rate is used for vehicle expenses? ______
16. What is the maximum amount a taxpayer can deduct for business gifts for each year for each customer? ______
17. Can you deduct interest on a loan for your son's car on Schedule A if you are not responsible for the loan? ______
18. What is the maximum portion of social security benefits subject to tax? ______
19. What is the basis of an inherited asset? ______
20. If an employee has qualified education expenses (including tuition, books, lab fees, and qualified mileage) where are each of these expenses deducted?______
21. A taxpayer drove her car 6,000 miles for business this year. She started her business on May 16, 1999. What is her standard mileage allowance for this year? ______
22. Generally, what is the time limit for filing an amended return? ______
23. What is the maximum §179 deduction a taxpayer may take this year (without regard to the special depreciation allowance)? ______
24. Can a taxpayer deduct a loss on the sale of a personal residence? ______
25. What is the maximum deduction an educator may take for unreimbursed expenses under the adjustment to income? ______

ANSWER KEY

TEST OF BASIC 2003 FEDERAL INDIVIDUAL INCOME TAX KNOWLEDGE

Part I

1.	No	6.	Yes
2.	Yes	7.	No
3.	Yes	8.	Yes
4.	No	9.	No
5.	No	10.	No

Part II

1.	D (Schedule B)	6.	C or F
2.	A (Schedule D) or I	7.	L (Schedule SE)
3.	C or F	8.	J (Schedule E)
4.	I (Schedule D) or A	9.	E (Form 2441)
5.	K (Form 2106)	10.	G (Schedule C)

Part III

1. 13 cents.
2. $3,000.
3. 2 years.
4. Joint Return, Member of Household, Citizenship, Gross Income, Support.
5. $1,500.
6. No.
7. Taxpayer and spouse must be employed or looking for employment.
   Taxpayer must maintain a household that included one or more qualifying individuals.
   Services can not be provided by dependent of taxpayer under 19 years of age.
   Taxpayer and/or spouse must be a full-time student or disabled.
8. More than 6 months.
9. 10% early withdrawal penalty.
   Amount distributed is included in income.
10. $3,000.
11. Under “Adjustments to Income” at the bottom of the first page of the 1040.
12. A minimum of three years after return is filed. Property records as long as needed to prove gain or loss.
13. Head of Household.
14. $1,000.
15. No.
16. $25 per customer.
17. No.
18. 85% of the social security benefit.
19. Generally, the FMV on the date of death.
20. Miscellaneous deductions, Schedule A (line 19) or Form 8863, *Hope and Lifetime Learning Credit*.
21. 6000 X .36 = $2,160.
22. Three years after the due date of the return.
23. $100,000.
24. No.
25. $250.