

## **SOME TIPS ON HIRING THE RIGHT TAX ADVISOR**

### **THE WRONG ONE CAN COST YOU DEARLY!**

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**WHO IS A TAX SPECIALIST?** Many people have the false impression that just because someone is an accountant or a CPA, they are experts in taxes. About 80% of accounting fees across the country are from nontax related services. Unlike doctors, accountants are not formally categorized into various specialties, such as a "Tax Specialist" or a "Real Estate Tax Specialist".

Unless it is a graduate tax program, most accounting education (including the CPA exam) is not on taxes. Most of the work accountants do (and are trained in) is in the area of financial accounting\_ which is summarizing, analyzing, reporting and auditing of companies. The latter requires a high degree of skill and education including constantly keeping abreast of financial (nontax) accounting principles. While this service is extremely important, it does not relate to your tax situation as a real estate professional.

Tax preparation is not creative tax planning. It's "tax compliance!" Many do tax preparation solely for the money and to pay for the "overhead". (You're not overhead!)

You need to find a concerned tax specialist, who preferably focuses in the area of real estate. You need to ask the right questions. Here are some important ones:

1. Are you conservative, aggressive or somewhere in between? You do not want someone who is scared of the IRS and overly conservative. On the other hand, you do not want the tax advisor to be reckless, blundering, and imprudent. Remember the overall objective is to both maximize tax savings and minimize IRS problems.
2. Could you tell me about a recent tax change about RE that may interest me? This will tell you how sharp and updated the person is about taxes affecting real estate.
3. Will you help me plan my taxes? Do you use a "What If" analysis to ensure the best possible outcome under different scenarios? You do not just want a "bean counter" or "glorified bookkeeper" to simply put numbers on a form. You want someone not only to prepare your return, but also to PLAN it.
4. What steps do you take to reduce the chances of my return being audited? This is an excellent test of their knowledge and willingness to be diligent and concerned about your tax situation. (In my book, the "Bible", I give 17 ways to audit proof Schedule C)
5. Can you provide references from clients, Attorneys, Real Estate Professionals, etc., as to your qualifications and quality of service? You want the tax advisor to have a trusted reputation in the real estate community and belong to an accounting association.

Moreover, not only do you want someone who is competent, but also trustworthy and ethical. NO "Blacklist" tax preparers please!

For more about the above strategies, including audit reduction tips, refer to the guide, *The Real Estate Professional's Bible of Tax Strategies*, by: Albert Aiello. \$34.95. To order, or for a list of other publications, call toll free, 1-888-544-4636 or (215) 937-9207.