How to Become a Professional Tax Preparer

If you're considering a career in tax preparation, you may be surprised to learn there is a low barrier to entry to becoming a professional tax preparer. It doesn't necessarily involve years of education or a large financial investment. In fact, tax preparation can offer you the opportunity to start your own business with a reliable revenue stream pretty quickly.

Getting started requires some basic tax knowledge and the ability to meet certain IRS requirements. Here's a step-by-step plan for understanding what you'll need to launch your career as a professional tax preparer.



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What skills does a tax preparer need?

There are several soft and hard skills that are important to master as a tax preparer. First, you should have some basic tax law knowledge. But don't worry if you are unfamiliar with all the nuances of complex tax law right now. Take advantage of the IRS' Annual Filing Season Program to start gaining necessary education in tax prep. You can also enroll in several low-cost continuing education and certification programs to increase your expertise and grow your business.

You should also be able to understand basic bookkeeping and accounting. Other useful skills as a tax preparer include excellent customer service, organization, and attention to detail.



Create your PTIN

The IRS requires anyone who prepares tax returns and charges a fee for their services to have a Preparer Tax Identification Number (PTIN). You can apply for one online in about 15 minutes. You can also apply for a PTIN by completing and mailing in Form W-12. The IRS generally takes four to six weeks to process applications submitted by mail. Applying for a PTIN requires a non-refundable fee of $19.75.



What is a PTIN?

A PTIN is a unique number issued by the IRS to professional tax preparers. The IRS requires paid tax preparers to obtain a PTIN and stay on top of PTIN renewal. As a paid tax preparer, you must renew your PTIN every year before starting the new tax filing season.

Apply for an EFIN

If you plan to file tax returns electronically, you will also need an Electronic Filing Identification Number (EFIN). You can apply for an EFIN online. You will also need to provide your fingerprints to the IRS unless you are already a certified licensed professional, like a CPA or attorney. The IRS processes most EFIN applications in about 45 days.



What is an EFIN?
An EFIN is a six-digit tax identification number issued by the IRS that verifies you have the right to use the IRS e-file system to prepare taxes for clients. Once you obtain an EFIN, you will have status as an "Authorized IRS e-file Provider." EFINs are associated with a tax preparation firm, while PTINs are associated with individual tax preparers.

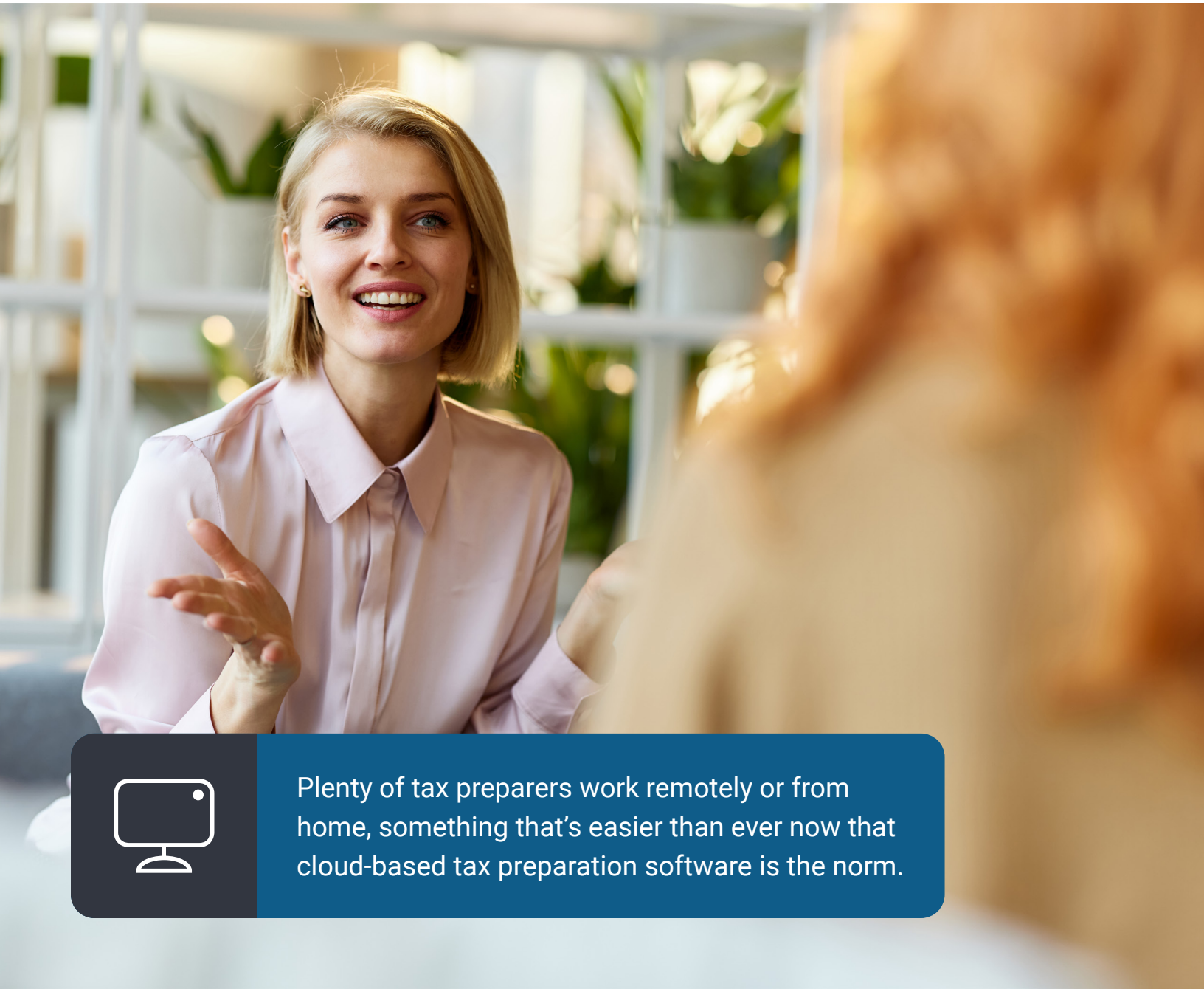
Register with your state

Depending on where you plan to operate your tax preparation business, you may or may not need to register with your state as a tax preparer. Make sure to look up your state's requirements before you begin accepting clients. While some states have no regulations, others will require registration, a beginner tax preparation course, and an exam.

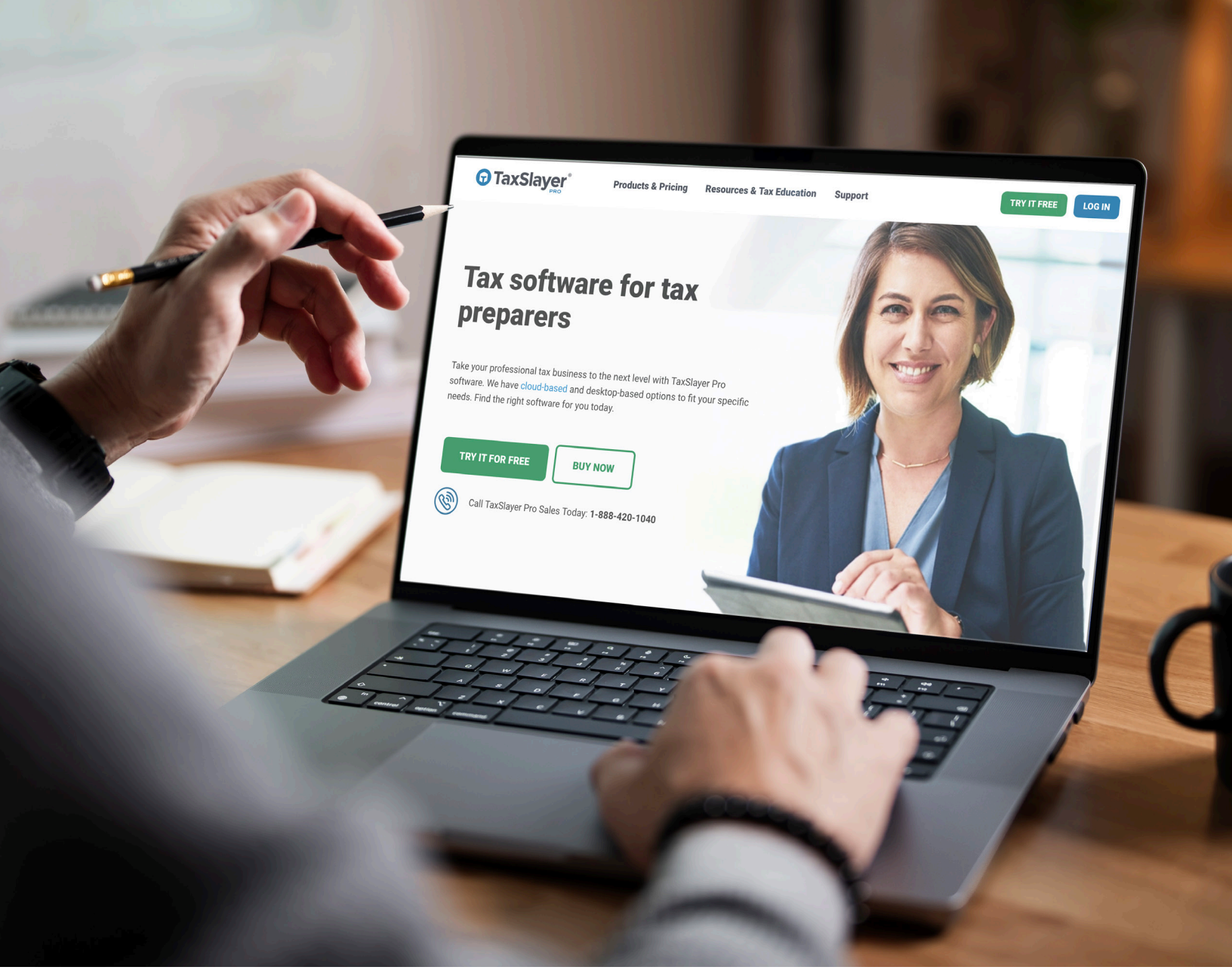
Establish your office location

While you may eventually set up a virtual home office for your tax preparation business, it's not a bad idea when just starting out to work for an established tax prep firm for a brief period. This will provide you an opportunity to ask questions and gain experience from seasoned tax professionals and also learn about local and state requirements for starting your own business.

Should you decide to have a brick and mortar business, you don't necessarily have to invest a lot of money renting office space. Consider leasing a coworking space, where you have access to conference rooms and your own personal workspace as needed for substantially less money than renting a complete and independent office.



Plenty of tax preparers work remotely or from home, something that's easier than ever now that cloud-based tax preparation software is the norm.



Choose the right tax preparation software for your tax business

Choosing the right tax preparation software will be key to your success as a tax professional, so it's important to carefully review tax software options and evaluate them based on your own individual needs. Questions to consider as you assess tax preparation software include:

- How much support and tax filing assistance do I need, and is this support part of the software package?
- Can I install the software on my desktop, or is it cloud-based?
- Would cloud-based software serve me better so I can work from anywhere?
- Can the software provider help me explore other ways to grow my revenue as I gain experience?

How to choose your tax software platform

As you evaluate tax preparation software options, one of the first decisions you will make is whether or not to purchase cloud-based or desktop software. While desktop software will only be accessible from devices on which you install it, cloud-based software operates on remote servers, allowing you to securely access your tax prep applications and data from virtually anywhere with an internet connection.

As a result, cloud-based tax preparation software can offer you the ability to work and stay connected to clients from just about any location in the world on any device while maintaining data security and increasing productivity. If you plan to work from various locations and devices, have remote employees, and want to provide your clients easy document upload options, cloud-based software is likely the way to go. It also generally offers better security features than desktop options along with the added benefit of automatic software and security updates.





Build a business plan

Even if you plan to operate as a sole proprietor, it's still a good idea to establish a business plan to solidify your goals as a professional tax preparer. Your business plan, even if it's only a brief one-page document, should address the following:

- An executive summary of your goals for the business
- Services you plan to offer
- Costs to set up your business and how you will fund it
- What you will need to charge for services to ensure a profit
- How you will market your business

Should you ever require small business funding, a business plan will come in handy to present to lending institutions or other potential funders.

Market your tax business

Acquiring new customers will also be essential to the success of your new tax preparation business, so make sure to invest in marketing and promotion efforts. Here are some ideas to get you started:

- Build a website (or add your address to an existing website)
- Create social media profiles for your firm, focusing on platforms where your target clients spend their time
- Conduct email marketing campaigns using software like Mailchimp to both design emails and distribute them to your contact list
- Ask friends and family, colleagues, and existing clients to spread the word



Stay educated and up to date with the tax industry

Your education isn't over once you have your PTIN and are operating as a paid tax preparer. Tax laws change all the time, so it's critical you stay up to date on your industry. Here are some key ways to do it:

Attend IRS Tax Forums, which are held at various locations around the country each year. These forums provide continuing education for tax preparers as well as opportunities to network with other industry professionals.

Subscribe to IRS newsletters, which provide you regular updates on a wide array of tax topics. You can customize your e-newsletter subscriptions, so you only receive those that are most relevant to your business and clientele.

Join professional organizations for tax pros like the National Association of Tax Professionals (NATP) or the National Society of Tax Professionals (NSTP). These organizations will offer you access to workshops for continuing education as well opportunities for professional networking.

Subscribe to professional journals, like *TAXPRO* or *The Tax Adviser,* for timely news and commentary on the industry.



While starting any small business comes with challenges, there are many resources available to would-be entrepreneurs looking to pursue tax preparation as a career. From ready-to-go software options that make tax prep and filing simple to the low cost of entry to the field, tax preparation offers a solid avenue for starting a business, adding a new revenue stream to an existing operation, or setting a foundation for an even larger tax advisory career down the road.

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