**10 Questions to Ask Before Hiring a Tax Accountant**



BY [Jane Porter](http://www.entrepreneur.com/author/1683)|January 14, 2013|



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When it's time to look for a tax [accountant](http://www.entrepreneur.com/moneymanagement/bookkeeping/archive143958.html), you want one who not only can help save you money and avoid potential trouble with the IRS, but also can provide useful information for your business. "We tend to think of accountants as numbers people, but a good accountant does more than just figure the numbers," says Ed Lyon, co-founder of the [American Institute for Certified Tax Coaches](http://www.certifiedtaxcoach.org/). "A good accountant will communicate what the numbers mean to us."

So shop around, interview accountants and figure out which one is the best fit for you and your business. Here are 10 key questions to help you make the decision:

**1. What kinds of clients do you work with?**
You want to make sure your accountant understands your type of business. A restaurant will have certain rules to follow for wages and tips, for instance, just as a construction business must deal with issues related to contract workers and a real estate development firm will have certain criteria about how income is reported. You need an accountant who has worked with other businesses like yours and knows the ins and outs of the industry.

**2. Are you available year round?**
Some accounting firms shut their doors after April 15 and only reopen for the following [tax season](http://www.entrepreneur.com/tax/index.html). But when you're running a small business, you're going to need help all year, says Melissa Labant, director of taxation at the [American Institute of CPAs](http://www.aicpa.org/Pages/Default.aspx) in New York. "If something comes up, you don't want to wait until tax season in order to get your issue addressed."

**3. What's your experience with the IRS?**
Often people will tell you it's important to hire a certified public accountant rather than an EA, or enrolled agent, because CPAs have more comprehensive certification requirements. While CPAs are state-certified and have training in such areas as financial planning and bookkeeping, EAs are certified by the federal government specifically to handle taxes and are often former IRS agents with extensive experience dealing with audits. "They've been in the belly of the beast. They may have more inside knowledge of how the IRS really works," Lyon says. On the other hand, a CPA will likely have more experience with broader financial planning issues. Rather than focusing on certification, Lyon says, focus on how your accountant's experience is relevant to your business.

**4. Who will be doing the work?**
Accountants will often outsource work to a third party. This doesn't mean their services are bad, but you want to be sure they are forthright about who is doing the work, says [Kerry Kerstetter](http://blog.taxguru.net/), a Harrison, Ark., CPA. If you want to talk with someone familiar with your bookkeeping and that's a third party, it likely will be difficult to speak with him or her directly, Kerstetter says.

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**5. Are you a conservative or more aggressive accountant?**
Some accountants want to write off everything they possibly can, while others take a more conservative approach. It's important to figure out where you fall on the spectrum and find an accountant who agrees with your philosophy, Lyon says. If accountants tell you they specialize in finding red flags that could trigger audits, they may be hesitant to maximize your deductions. For example, some accountants believe taking a home office deduction might be a red flag to the IRS, Lyon says.

**6. How do you bill for your services?**
Some accountants charge by the hour; others bill a flat rate. If you want to take a more hands-on approach to your bookkeeping, an hourly rate might be better because you won't have as much continuous work for an accountant, Kerstetter advises. Regardless of the billing approach, be sure to get an estimate of an accountant's likely fees. Provide a copy of your previous year's tax returns so the accountant can familiarize himself with your business before giving a quote, Labant says.

**7. How do you handle working with multiple entities?**
If you have more than one entity under your name, be sure the person you hire can manage them simultaneously--a skill not all accountants possess. If you own rental property as an LLC and a retail store registered as a C-corporation, for example, you'll need an accountant who can coordinate and track money moving between those entities, Kerstetter says.

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**8. What can you tell me about the medical expense reimbursement plan?**
This question may seem technical, but not all accountants will know about this plan, which allows you to deduct your family's medical expenses on your return, Lyon says. If the accountant you're speaking with is unfamiliar with such plans, you should be wary because that might be a red flag that he or she isn't well versed in deductions that could save your business money.

**9. What tax program do you use?**
You shouldn't choose accountants based on the tax program they use, but it's a good detail to ask about. QuickBooks is commonly used for small businesses, which means your information would likely be easily transferred between different accountants, Kerstetter says. Hiring an accountant who uses more obscure tax software won't affect the quality of the work, but it might make it tricky to switch accountants.

**10. How often will we communicate about tax issues?**
Every accountant will be different when it comes to frequency of communication for tax planning purposes. Ask about a prospective accountant's approach and be sure you're satisfied with the degree of communication, Labant says. "You want to feel comfortable calling them with issues relating to your taxes."



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