

TaxSlayer® PRO

Starting a tax preparation business

Congrats! If you're reading this guide, you've likely gained enough experience in the tax industry that you're considering becoming your own boss and starting a tax practice. But no matter the industry, it's tough to know when you're ready to make the leap from employee to business owner. To help you decide if it's time to strike out on your own, we've created these self-evaluation questions specific to the tax industry.





Tax Knowledge

- Has your tax knowledge grown enough that you can handle most clients' returns with ease? Do you know what resources to use when you do have questions?
- Have you earned any credentials such as Enrolled Agent status or Annual Filing Season Program participant that will make you more attractive to clients?



Business Acumen

- Are you prepared to handle tasks like bookkeeping, client outreach, marketing, and office management in addition to preparing taxes?
- Have you created a professional business plan outlining your market conditions, profit projections, and marketing strategy?



Market & Timing

- Is there enough demand in your local market for another tax business to be successful? Or will you need to include remote tax preparation to get enough clients?
- Is it the right season to start your business? Starting too early before tax season begins could leave you without significant income for months, but you'll still need enough time to start your business and find clients before your first tax season.
- Do you have savings for startup costs and any income deficiencies you may experience early in your business? Tax preparation has a low cost of entry, especially if you use a virtual office, but a small cushion is still helpful when starting out.



Setting Up Your Tax Practice

Before you start searching for clients, you'll need to register with the IRS and your state, set up your office, choose your professional tax software, and more. Here are some of the tasks and decisions you'll face as you get started:

Getting Your Own EFIN
Now that you're on your own, you won't be able to use your previous employer's Electronic Filing Identification Number (EFIN). Make sure to apply for one well before tax season, as approval can take over a month.

Registering with Your State & Choosing Your Business Structure
Each state has different requirements for registering a business, and they may differ for LLCs, S Corps, and sole proprietorships. Additionally, some states, such as California, have additional education requirements for non-credentialed tax preparers. Your former employer should have made sure you were properly credentialed to prepare taxes in your state, but it never hurts to double-check your state's requirements.

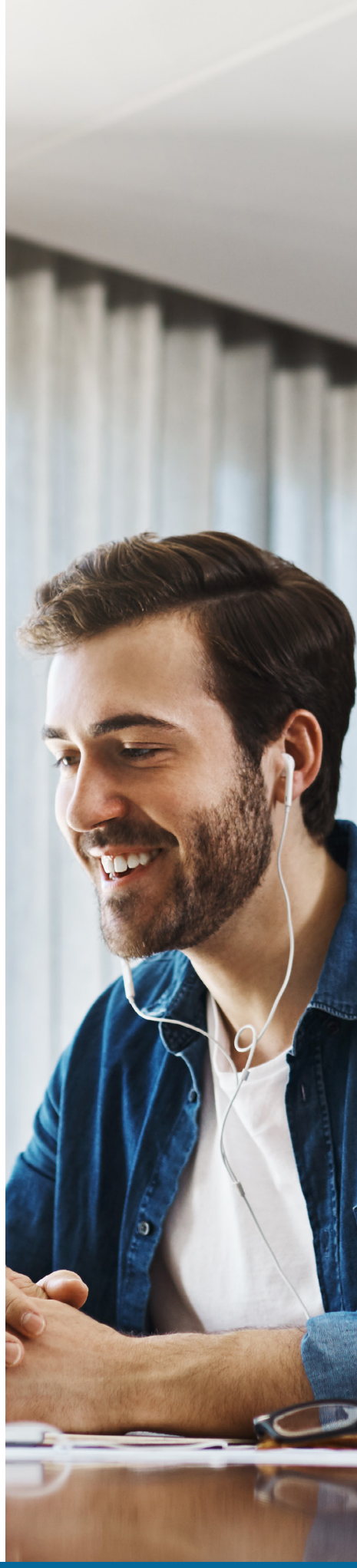
Opening A Business Bank Account & Obtain an EIN
You already know how much easier bookkeeping and taxes will be if you keep your business and personal bank accounts separate. Before you can open a business account, most banks will require you to have an EIN (Employer Identification Number).

Choosing Your Office Setting
Thanks to cloud-based tax software and accompanying apps that allow clients to easily upload their documents, a brick-and-mortar tax office isn't your only option anymore.

Virtual Office
Starting a virtual business can drastically cut costs when you're starting out and allow you to work with remote clients.

Home Office
Even if you do have a physical office, you'll still want some form of home office or working space, especially for any late nights during tax season. Some tax professionals also see clients in their home office, but be sure to check zoning laws, and lease or HOA rules.

No matter what type of office space you use starting out, remember you aren't married to your decision. Choose whatever works best for your business in its early stages and adjust as you grow.





Visiting Clients
Some tax preparers offer to meet clients in their homes, sometimes for an additional fee.

Traditional Office
A brick-and-mortar office space still has its benefits, especially as your business grows. Your location may give you more visibility and recognition in your community, and you'll have the space to see more clients and hire additional staff.

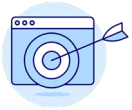
Coworking Space
Coworking spaces have grown in popularity and offer a nice middle ground between home offices and traditional offices. You'll usually pay significantly less than you would for an office space of your own, but you'll have an environment that allows you to be productive if working from home isn't for you. Most also have private offices you can reserve for meeting with clients.

Setting Prices
Tax preparation fees vary by geographic region, the complexity of the tax return, and your credentials as a tax preparer. In general, CPAs and attorneys are able to command the highest rates, with IRS Enrolled Agents coming in close second. Annual Filing Season Program participants or non-credentialed charge the most affordable rates. Most tax professionals charge a flat fee for each form and schedule. The National Society of Accountant's Income and Fees of Accountants and Tax Preparers in Public Practice Annual Survey is a great way to see how your rates compare to national averages. For reference, the average cost for a simple Form 1040 and state return with standard deduction is $220. Additional forms and itemized deductions will incur additional fees.

Choosing a Professional Tax Software
Choosing your professional tax software is one of the most important decisions you can make

for your business. It impacts how easy your tax season will be, what you're able to offer your clients, and where and how you can work. At a minimum, your software should have a reputation for being user-friendly, accurate, and offering great customer support, especially during tax season, so you don't lose productivity due to technological issues. If you plan to work from multiple locations and offer remote tax preparation, cloud-based software is a must. If you plan to work with businesses, you'll need software that supports business forms. Ideally, your software will integrate easily with additional product offerings like identity theft protection, audit protection, and refund advances, so you can offer more to your client and increase your revenue.

TaxSlayer Pro software has been a preferred choice among tax professionals for decades and offers solutions for every type of tax preparation business, including cloud-based software, mobile apps for clients, full business suite, integration with bank products, and other product offerings. Just as important as the software itself, we offer industry-leading customer support, including short response times even during peak tax season.



Marketing

Logo Design

It's easy to get stuck in the details as you start out, and while details like your business name and logo design are important, don't let perfectionism delay you from finding clients and getting started. If a professional graphic designer is in the budget starting out, that's great – be sure your package includes multiple forms of your logo to be used as letterheads, thumbnails, website banners, and social media graphics. If that's not in your budget, there's nothing wrong with designing your own logo using a website like Canva to start out. To make it look as professional as possible, stick to minimalist designs with simple color palettes, and remember you can always upgrade later when budget allows.





Target Audience
Choosing a niche or target audience can help you refine your marketing strategy and get more clients. By specializing in taxes for a specific population – such as military families, freelancers, or small business owners– you can market yourself as an expert in that area. Tax preparers who choose to market to a niche should consider offering remote tax preparation as well. You'll expand your reach to long-distance clients, increasing your pool of potential clients.
You'll also want to tailor your marketing strategy to your intended audience.

Social Media & Other Online Marketing
Social media should be a part of your marketing strategy – it's free, increases search engine optimization (SEO) for your business, and makes it easy for potential clients to reach out. In addition to the usual platforms like Facebook, Instagram, and Twitter, also consider creating accounts on LinkedIn and Reddit depending on your target audience. If you hope to prepare taxes for businesses, LinkedIn is an excellent way to connect with local small business owners. SubReddits (Reddit pages dedicated to specialized topics) and Facebook groups are great for connecting with specific populations that fall within your niche. Our Social Media 101 for Tax Preparers can offer more tips. A general rule for any social media strategy is to avoid "spamming" your followers' feeds and groups with advertisements. Focus instead on posting relevant content that's useful to your audience, such as helpful tax tips.
Outside of social media, creating a website, a Google My Business Account, and a Yelp Business page are all essential parts of improving SEO, ensuring clients can easily find you online.

As you refine your marketing strategy over time, you can refer to our tips on client retention, gaining and nurturing leads, and customer acquisition strategies.

Business Management Tasks

Once you've set up your office and start early-stage marketing, you'll start managing day-to-day business management. Some tasks, like bookkeeping, will start right away. Other tasks, like hiring employees and expanding your business, may not be relevant until your business is well-established.

Keeping Books & Doing Your Own Taxes
You have a distinct advantage over other new business owners in that you're already familiar with filing and preparing taxes. Even if keeping books and preparing business taxes are new to you, many of the skills you already possess will transfer. Before you start tracking expenses, make sure you're familiar with different methods of accounting and the difference between book income vs. tax income.

Personnel Management
For many new tax business owners, their first employees will be seasonal employees to offer additional help preparing taxes or running the office come tax season. If you've yet to hire an HR manager or office manager, you'll be the sole person setting the tone for your business's work culture. On the more practical side of personnel management, management software like Workful can simplify tasks like onboarding, payroll, and time management.

Hiring an HR Manager & Office Manager
Once you have high client volume, you'll find the help of an office manager invaluable. And once you have at least 15 employees, an HR Manager is essential for making sure you comply with all legal mandates like Title VII of the Civil Rights Act. If finding qualified candidates seems daunting, you may consider hiring a recruiting agency to help with your search.

Expanding and Scaling
Expanding will mean different things to different tax businesses. It could involve opening a new office location, hiring more tax preparers during tax season, or offering additional services like bookkeeping and payroll. Whatever it means for your business, you'll want to create a detailed plan similar to your original business plan before you get started. Calculate the costs of your new venture – such as payroll, upgraded software, or rent – as well as projected profits before you commit.

Scaling differs slightly from growth and expansion in that it focuses on increasing revenue without significantly increasing costs. For example, you can prepare more returns in less time by offering meeting-free tax preparation with the TaxesToGo® mobile app.

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Once you do decide it's time to set out on your own, we wish you all the best in your new venture! TaxSlayer Pro is here to ensure your success with industry-leading software and a library of free resources on running a successful tax preparation business.

