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Jan. 31, 2017

How much does your firm charge to prepare a 1040? How about other forms? What about the accounting and business advisory services you offer? When was the last time you checked to see if your prices were appropriate?

A new survey from the National Society of Accountants (NSA) shows detailed data about business practices, client fees, and spending for tax and accounting professionals. The 2016-17 NSA Income and Fees of Accountants and Tax Preparers in Public Practice Survey Report offers useful benchmarks for firms to use in billing, fee increases, engagement practices and other operations.

### **Business Mix and Revenue**

Surveyed firms reported that on average 57.3% of gross income comes from tax-return preparation, 15.4% from write-up work, 8.9% from payroll services, 7.0% from tax services, 3.6% from QuickBooks/bookkeeping, 2.6% from financial statement presentation, and 5.2% from other services.

Firms split fairly evenly regarding billing methods for accounting services, with about a third billing by fixed fee (35.3%), hourly (31.2%) or a combination of the two (31.8%). Most bill for tax preparation by form (39.5%), hourly (8.4%), by a combination of fixed and hourly fees (25.0%) or by fixed fee only (23.2%).

### **Fees**

The average fee charged to prepare an itemized Form 1040 with Schedule A and a

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Tax-preparation fees were expected to rise by higher percentages. Surveyed firms expected to increase tax-prep fees by an average of 6.4% in 2017, up from an actual increase of 6.0% in 2016.

Nearly three quarters (71%) charge an added fee for disorganized or incomplete files. Another 33% charge an additional fee for file extensions, 22% charge an additional fee for information received after a set deadline, and 24% charge an additional fee to expedite returns.

**Average hourly fees for various client services include:**

- \* Offers in Compromise – \$177
- \* Estate/Financial Planning – \$163
- \* Audit of Financial Statements – \$157
- \* Financial Services – \$144
- \* Tax Services – \$145
- \* Management Advisory Services – \$146
- \* Elder Care Financial Services – \$131
- \* Financial Statement Presentation – \$134
- \* QuickBooks or Bookkeeping Advisory Services – \$97
- \* Write-up Work – \$93
- \* Payroll Services – \$83

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- \* \$135 for Schedule E (rental)
- \* \$180 for Schedule F (farm)
- \* \$656 for a Form 1065 (partnership)
- \* \$826 for a Form 1120 (corporation)
- \* \$809 for a Form 1120S (s corporation)
- \* \$482 for a Form 1041 (fiduciary)
- \* \$733 for a Form 990 (tax exempt)
- \* \$69 for a Form 940 (federal unemployment)
- \* \$1,563 for a Form 706 (estates)
- \* \$413 for a Form 709 (gift tax)
- \* \$242 for a Form 8824 (like-kind exchanges)
- \* \$532 for a Form 5500 (pension/profit-sharing plans)
- \* \$282 for a Form 3115 (application for change in accounting method)
- \* \$59 for a Form 8962 (premium tax credit calculation)
- \* \$53 for a Form 8965 (health coverage exemptions)
- \* \$58 for a Form 1095-A (health insurance marketplace statement)
- \* \$57 for a Shared Responsibility Payment Calculation

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17.5% charge when they are not at fault for a return they prepared and 10.5% always charge or an IRS response letter.

## **Dispute Resolution**

Most practitioners (80%) are fortunate to not have been involved in any client disputes during the last year. When asked how often they review problem clients, most practitioners (80%) said they do so as problems occur. Those surveyed rank raising fees first (59%) and disengaging second (49%) as the most likely options for handling problem clients.

Most practitioners pay all of the interest and penalties for errors that are totally or partially the fault of the practitioner.

## **Practice Procedures**

The vast majority of tax and accounting professionals (89%) offer free consultations. Most bill clients at the end of jobs (67.8%), while 18.7% use progress billing and 9.7% require a percentage of the payment due with the engagement letter. A total of 41.5% now accept credit card payments – up from 37.2% two years ago.

Engagement letters are required by 58.0% of accountants for tax preparation and 42.7% for accounting work.

Most practices (54%) are now using secure web portals or cloud platforms to share files with clients compared to 2014 when most did not (56%). When collecting data from clients, more now report their clients upload documents into a secure filing sharing program compared to 2014 – 7.8% vs. 2.9%. However, the face-to-face, in-person interview is still the most popular way to collect data from clients with 44.1% of practitioners conducting in-office client interviews (down from 45.7% in 2014).

## **Operating Expenses**

The survey found that practices' greatest expense is salaries and benefits (38.1% of

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Complete survey results are available to NSA members as a member benefit. For more information, visit [www.nsacct.org/nsafeestudy](https://www.nsacct.org/nsafeestudy) or call 800-966-6679.

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