

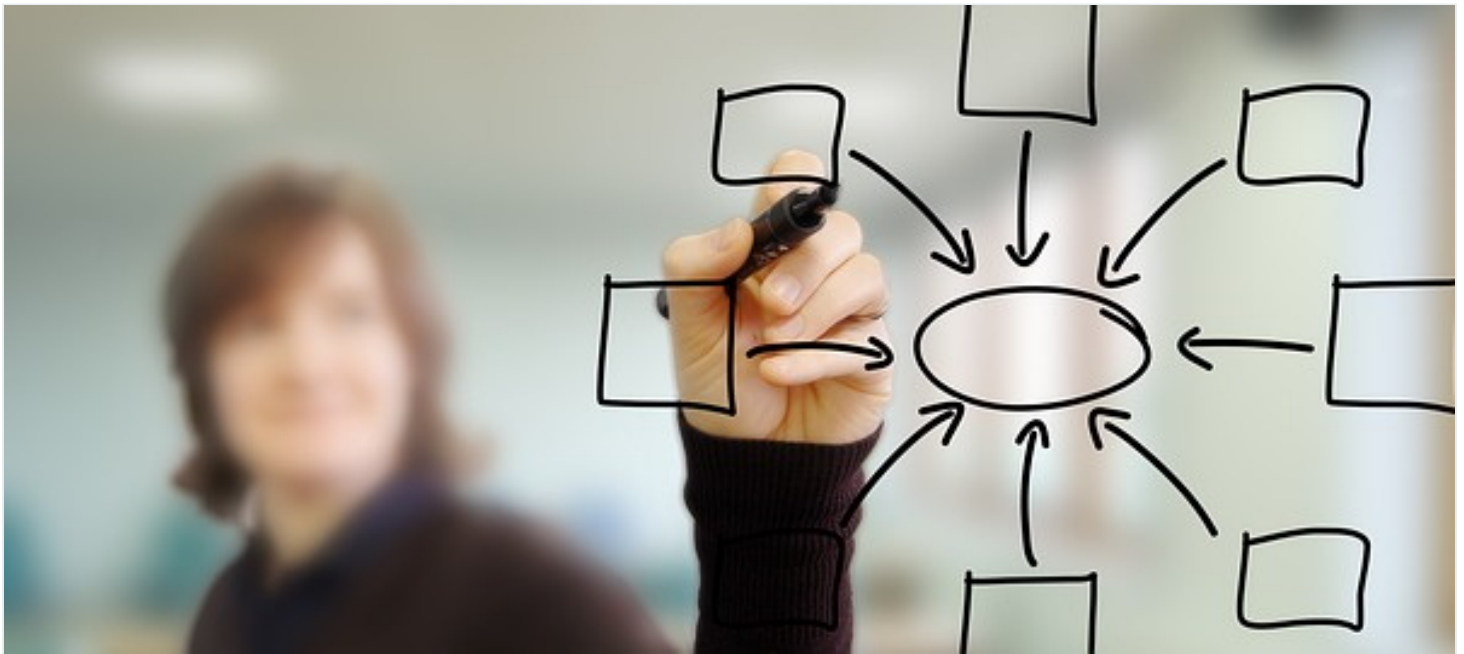
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## Business Lifecycle Engagements

We got into this profession to help our clients achieve their goals and grow their businesses, and even if most of your work involves individual returns, there are still personal goals to meet. It's time to put your advisory services hat on ...

Mar. 17, 2021



“Our books are a mess. I feel like our prior year tax return is wrong and we need help. We tried someone else to help us, but they just did not seem to care about our business; all they wanted to do was get paid.”

How many times have you heard a prospect tell you this? While many small business owners have a heart for service and started their business to do what they love, tax and accounting is uncomfortable for them. What's ingrained in their head is that hiring an accountant is an unreimbursed expense, so the default question from them is usually, “How much is this going to cost me?”

Most tax practitioners have a difficult time answering this question. We don't want

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tie to the tax returns, and questions about what in the world they just paid for. It turned out they only paid for tax returns. They expect no IRS letters, so if one comes in the mail – because we know it will – the owner will go looking for another CPA to help them with their taxes.

This causes a vicious cycle, where each year a new CPA is only working from a tax return that a different accountant previously prepared when, in fact, the scope of work needs to be broader to get the job done right. When this owner came to me, the conversation started off right away with, “I need my tax return completed. How much is this going to cost me?” Knowing that this is the client's default approach because of his relationship with his previous accountants, I answered with the honest truth – and one he probably had never heard: “I have no idea,” followed up with, “But, I don't want to concentrate on the cost right now. What we need to focus on is getting the books accurate, match prior year tax returns, and get a game plan in place so we can ensure this situation never happens to you again. Instead of worrying about your books, you can concentrate on running your business.”

The client was on Intuit QuickBooks® desktop, had three S corp construction entities, and an S corp rental company. I started by getting their prior year tax returns, and tying them out to the balance sheet and retained earnings for the last five years to see what the most recent year looked like for the companies. Their current year had roughly 50 construction jobs and 12 rental homes, and no jobs for the last four years had been closed out in QuickBooks. In addition, the rental homes were not even being tracked in QuickBooks. It was a mess. After hours and hours of work, and conversations with the client, we finally completed the 2020 tax return a few days before the filing deadline.

Things were caught up and organized, so the next step began with getting the client to understand everything that was going on with all the entities, and showing him

what the books looked like now, compared to what they were. After a sit-down

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into a partnership entity, he would avoid having to pay tax on the full amount of the gain in value of these properties, saving him and his family thousands of dollars. We did some math on the amount of tax savings he would have gotten on the current properties, if they were sold at a gain right now and were in our new partnership structure. While we could not help him completely with the current properties because they were tied up in an S corp, we discussed how we could easily have a [solid tax strategy](#) for the future duplexes he intended to construct and rent, as well as all future rental properties.

We showed him the numbers on the amount of savings, and the amount drastically outweighed years of our accounting fees and the additional costs to set up a new partnership. Seeing the savings, the client was 100 percent on board with this strategy, so we brought in a business attorney and went to work setting up a partnership, discussing different trusts that could be made in the future, should he want to give his children the rental properties that are tied up in the S corp. At this point, we had myself, my tax partner, a business attorney, and the client's banker all on the same page regarding which entity needed to have control of the property, depending on the nature of the property.

Since then, we have moved the client to [QuickBooks Online](#), I talk with the client at least every other week, and he turns to me and my professional partners for nearly all his major business decisions. He hired an office manager who I train on QuickBooks regularly, and we have a monthly review of his financials, discussions of current and future business activity, and semi-annual tax strategy sessions with my tax partners.

The best part? He pays a fixed cost per month, which means that every time he calls, there is no additional bill. He pays more than what he used to when he only received a tax return, but now receives so much more business advice. Most importantly, he knows and understands everything he is receiving, and is more than happy with his

bill. Plus, I have since received several more clients from his [referrals](#) because of the

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for every client, unlike a tax return preparer who only sees the numbers and not the back story. We got into this profession to help our clients achieve their goals and grow their businesses, and even if most of your work involves individual returns, there are still personal goals to meet. It's time to put your [advisory services](#) hat on, really listen to your clients, ask the right questions, and give them what they need.

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*Joe Paddock, CPA, is owner of [Paddock Accounting](#), a 100 percent-remote firm in Dallas, Texas. After passing all four CPA exams and working full time in New York, he relocated to College Station, Texas, and worked as head of the business solutions department at a CPA firm that is in the top 10 percent of U.S. firms. Coming from a family of eight with four brothers and three sisters, he and his brothers hold the national record for the most wins in the country for wrestling. Joe and his wife, Louana, live in Dallas with their dog, Maddie.*

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