

**Kelly Phillips Erb** Contributor*I cover tax: paying tax is painful but reading about it shouldn't be.*

Opinions expressed by Forbes Contributors are their own.

TAXES 2/12/2013 @ 12:13AM | 36,399 views

A Beginner's Guide To Taxes: Do I Need To Hire A Tax Preparer Or Can I Do My Return Myself?

[Comment Now](#)

For those of you who don't hang out with me in real life, here's stuff you might not know: I bake my own bread. I pickle my own vegetables. I make my kids' Halloween costumes. I can code a little.

But I do not do my own taxes.

I used to do my own returns years ago. But as I got busy, I had to make tough choices... like squeeze in time to do my own taxes or sleep? Considering that I had already chosen practically everything else over sleep, I went with the latter.

Now, I use an accountant. As I've said before, I firmly believe that there's no shame in hiring someone to help you out. But I also realize that not everyone can – or wants – to hire a tax pro. Some folks actually like doing their own taxes. Some folks don't trust anyone else to do it. And some just don't know where to start. It's not always about how simple or how complicated your return might be – other factors come into play. Here are a few questions to consider when deciding to hire a tax pro or tackle those returns yourself:

1. What kind of time do you have? The Internal Revenue Service estimates that, for 2012, [you'll need 16 hours to devote to record keeping, tax planning and completion for the average federal form 1040](#) (downloads as a pdf). This applies to most taxpayers since 69% of all taxpayers will file the form 1040.

But don't think you get a pass if you use a tax professional: it's still your responsibility to get your forms and other information together. If you

itemize deductions, that means getting receipts and other documentation on charitable deductions, medical expenses, unreimbursed job expenses and the like together. You'll need to balance how much time you have available to spend – and how much time you actually want to spend – preparing the return in addition to getting your records together.

And don't forget the time value of money: it matters.

2. How much patience do you have? Since 2001, Congress has made [nearly 5,000 changes to the Tax Code](#): that's more than a change per day. The Tax Code is now nearly four million words in length. Nobody – even the geekiest of tax geeks among us – is going to sit down and read it all during tax season. While though the IRS offers a number of helpful forms and publications, it can still be difficult figuring out the nuances of various deductions and credits.

Even when your return is not particularly complicated, it can take time: figuring out whether to claim the standard mileage rate or the actual expenses for your automobile usage, for example, requires you to run both sets of numbers. If plowing through those formulas is just going to make you frustrated – or if, like me, your “free time” consists of energetic children putting together Broadway style musicals at the drop of a hat – you might not be able to put together the most complete, most accurate return on your own. If that's the case, seek help.

3. How computer savvy are you? E-filing is all the rage – whether you prepare your own return or use a tax preparer. [In 1986, only 25,000 returns were e-filed but recently, the IRS claims McDonald's-like numbers, announcing more than “one billion served.”](#) And while there are hold-outs like my father-in-law who carefully plot their income and expenses on ledger paper and prepare returns by hand, nearly 80% of taxpayers will file their returns electronically.

Many software packages are user-friendly but filing electronically still requires some basic understanding of computers. (*Don't laugh: I have a brother in technical support who gets calls from folks who question why their computers don't work during power outages.*) Not everyone is comfortable clicking away on a mouse (I'm talking about you, Mom!). And that's okay.

If you are comfortable with a computer, there are great software packages like TaxACT, eSmart Tax and TurboTax available that allow you to e-file

or print to file. Similarly, you can e-file or print to file your tax return using a tax preparer (some preparers are, however, restricted to e-file only due to IRS Regulations).

4. How much money do you have to spend? Preparing your tax return on paper is free. The IRS has downloadable forms – and fill-in forms for all taxpayers [available at no charge to taxpayer on their website](#). You can also obtain forms for free by calling the IRS forms ordering service (1-800-829-3676).

Most software packages will allow you to start your federal income tax return for free. More complicated filing options, like a form 1040 with Schedules C or E, will generally require add-ons that cost money – as will state forms. Additional e-file fees might also be applicable. Expect to spend between \$30 and \$100 on software and e-filing options on those returns.

The cost of having a professional prepare your tax return [may vary depending on complexity and geography](#). For the sake of comparison, the IRS estimates that the average taxpayer will spend \$270 to complete a federal form 1040; that number jumps to \$420 with a business schedule like a Schedule E or C.

If you itemize, you may be able to deduct any fees – for software or for a tax preparer – on next year's federal income tax return. Those fees are deductible on a Schedule A as miscellaneous deductions subject to the 2% floor.

No matter which option you choose, be aware that the IRS does not charge for e-file. Fees associated with e-file might be imposed by your preparer or the software program but there is no charge from IRS.

5. What's your comfort level after the fact? After you're done, then what? Depending on the software program or tax preparer, you may be offered audit support for a fee. How comfortable you feel walking away from your return (and hoping for the best) should certainly influence your decision.

Remember that, barring fraud or underreporting income, [there is a three year statute of limitations](#) for federal income tax returns for individuals; that means that the IRS may challenge what you've reported for up to three years after the date of filing or Tax Day (whichever come later). Your peace of mind during that time is worth something: how much and

how best to achieve it is up to you.

6. What else do you need to know? If you prepare your own return by hand, you're generally just inputting numbers and perform basic calculations. That might be suitable for you if you've filed your own return before.

Most software packages do a pretty good job of summarizing your tax liability and alerting you to basic information that you might need to know for the next tax year – like whether you might need to make estimated payments. Again, that might be enough information for you.

Remember, though, that changes to your family life, getting a new job or starting school can all have significant tax consequences. It makes good financial and tax sense to have a knowledgeable voice offering advice that you can use for planning for the future. Would a contribution to your IRA help reduce your tax bill? Do you need to file a separate tax return for your children? Would splitting the sale of your business over a number of years reduce the hit to your family? These are the kinds of questions that are generally best answered by a professional.

The bottom line is this: the decision to file on your own is a personal one. I'm not going to suggest that every person needs a tax professional every single year. There are so many facts and circumstances that influence that decision. I will, however, suggest that I believe that everyone needs some sound, professional tax advice once and awhile. And that decision should be revisited every year. Life – like the Tax Code – changes at lightning speed. Try and keep up.

If you decide that you need help, you can find [more tips on how to choose a tax professional here](#).

—

Want more taxgirl goodness? [Sign up to receive posts by email](#), follow me on twitter ([@taxgirl](#)), [hang out with me on Facebook](#) or [check out my new YouTube channel](#).

—

You can also buy my book [in print at Amazon.com](#) or as an ebook [for the Kindle](#), [the Nook from Barnes and Noble](#) or through [Hyperink](#).

This article is available online at: <http://onforb.es/11CS41C>

2015 Forbes.com LLC™ All Rights Reserved