



**Colbert/Ball**  
TAX SERVICE

# **2004**

## **Operations Manual**

**Including Procedures, Guidelines,  
Forms, and Presentation Techniques**

*Signing to receive the UFOC binds the signor to a Non-Disclosure/Non-Compete agreement. All information related to the business of Colbert/Ball, including but not limited to the information in this manual, shall be treated as confidential by the Franchisee, except with prior written consent from Colbert/Ball. Failure to maintain the confidentiality of this material in whole or in part may result in legal action up to and including termination of franchise agreement.*

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## Take Note



If you are not familiar with computers, especially with Microsoft Office, please check into Continuing Education classes at your local community college or workforce group. Training is often available at low or no charge for adults in the workforce.

Remember at all times that this is a business, not a hobby. Your clients may need your help during the year for financial aid, applying for mortgages, and other financial activities in the form of copies of tax returns and W2s. The IRS mandates that all records, electronic and paper, be kept for five years both for the IRS' potential use and to have them available to your clients. This is part of the Colbert/Ball service, in addition to the processing of returns and rapid refunds.

PMS 336 is the standard for any CBTS green printing. If you have materials printed in color, please maintain this standard.



# **SECTION 1**

## **An Introduction, History and Philosophy**

# Service History



## Company Information

Colbert/Ball Tax Service understands that when a customer comes to us for service, they are in need of a trained professional to assist them in getting their income tax return processed in a fast and efficient manner. From the moment a customer initially calls us, to the time they leave our offices, we believe it should be a wonderful experience to have come to Colbert/Ball Tax Service to have their taxes processed. There are three mottoes that Colbert/Ball Tax Service stands on and that our employees must uphold daily:

***We offer our customers Superior Service  
We offer our customers a Superior Product  
We encourage Constant Innovation***

At Colbert/Ball Tax Service we believe that our customers come first. We set ourselves apart from our competition by looking at our customers as people instead of just numbers. We expect our tax preparers to build relationships with each customer. We go the extra mile in providing them with advice and information they need to increase their return amount both now and in the future. We also offer them incentives to refer family members and friends to us, by offering them \$10 cash for each referral who has their taxes processed with us. Before a customer leaves we give them a complete analysis and copy of their return along with a gift to show our appreciation for doing business with us.

Colbert/Ball believes that we should always have a superior product that will give our customers the best the market has to offer. We have one of the top software packages in the industry, and the best banking relationship that is custom designed especially for our customers' needs.

Colbert/Ball Tax Service will have the latest technology available to increase production and efficiency. We encourage constant innovation with our staff and customers. This keeps us flowing with creative ideas to help increase both our customer base and customer service. Interaction with our staff and clients allows us to gain information first hand and stay on top as an industry leader.

## History

Colbert/Ball Tax Service was founded by Al Colbert and Ja Ja Ball in January 1995 while they were seniors in college. With an unsecured job market, they decided not to try to predict the future. They would create it!

Colbert/Ball opened the doors to its first location on January 2nd, 1995 in Houston, Texas. They processed over 270 returns their first year. This allowed them the opportunity to relocate their main office to the Astrodome area, a more stable and professional environment. The second year, under the direction of Al Colbert and Ja Ja Ball, they were able to increase processing to over 570 returns. After doubling the number of returns from the previous year, a decision was made to open two more locations. Their customer base increased to 1800. This was considered to be a break out year.

In the year 2000, Colbert/Ball was operating four offices and did over 4000 returns. After the success earned by painstakingly hard work, Al and Ja Ja started the Franchise program,



## Section 1 Continued

creating opportunities for other entrepreneurs. In December 2002, CBTS was recognized by the distinguished Black Enterprise Magazine for being one of the best franchise opportunities in America. Ebony Magazine soon followed in their February 2003 edition, featuring "Entrepreneurs 30 and Under" as "Leaders of Tomorrow".

Colbert/Ball Tax Service processed over 25,000 returns for the 2002 tax season and by reaching that goal have taken a huge step toward becoming the largest African/American owned tax preparation company in the United States. The focus for 2004 will be on expansion through the Colbert/Ball Franchising Opportunities program.

Currently, Colbert/Ball, with its corporate headquarters in Houston, Texas, has added 150+ Franchises in 23 states. Their success garnered CBTS the prestigious Pinnacle Award from the Houston Citizens Chamber of Commerce.

CBTS is one of the first African/American tax preparation companies to franchise in America. This alone marks them as being among the elite of specialized financial services. The emblem symbolizing their success is perched atop the building located at 2616 South Loop West, in Houston, Texas, exposed to thousands of drivers daily. Al Colbert and Ja Ja Ball believe the success they have enjoyed stems from their belief and faith in God.

Colbert/Ball's long-term goal is to compete with and surpass the top tax preparation companies in the United States. We want every American to have the opportunity to own their business.

**Colbert/Ball Tax Service  
is the Tax Service of the Future.**

# Mission Statement



## Mission Statement: Colbert/Ball Tax Service

Colbert/Ball Tax Service strives to provide superior service to our customers, to provide superior products that are the best in the industry, and to encourage constant innovation in the areas of tax preparation knowledge and electronic filing, ensuring that every customer receives their maximum return. Colbert/Ball Tax Service is the tax service of the future.

## Mission Statement: CB Tax Franchise System

Colbert/Ball Tax Franchising strives to be the industry leader in the development and success of our franchisees. We uphold a standard of excellence and integrity in the areas of service, support, preparation, and marketing that will be unparalleled in the tax industry. Colbert/Ball Tax Franchising is aggressively innovative in our technology development and the products we offer to our customers and franchisees, ensuring maximum efficiency and success in the marketplace. Colbert/Ball Tax Franchising will leave no franchisee behind on their quest for the American dream: becoming financially independent. Colbert/Ball is the franchise of the future.

## Vision Statement: Colbert/Ball Tax Service

Colbert/Ball Tax Service strives to become one of the best franchise systems in America. We will become the 4<sup>th</sup> largest tax preparation company in the industry by 2006 through franchise growth and acquisitions. Colbert/Ball Tax Service will become the economic hub in the lower income and minority communities in every major city in the United States by 2008 by providing tax preparation, insurance, and mortgages to the disadvantaged. Colbert/Ball Tax Service is on the rise.

## 5 Year Projection

Year	Locations	Returns	Income
2005	Locations	43,500 Returns	\$1,305,000
2006	Locations	62,500 Returns	\$1,875,000
2007	400 Locations	87,000 Returns	\$2,610,000
2008	550 Locations	120,000 Returns	\$3,600,000
2009	800 Locations	175,000 Returns	\$5,250,000





## **SECTION 2**

### **Administrative Procedures, Reports and Requisitions**



## Payroll Procedures

**Bi-Weekly Pay Period.** Colbert/Ball Tax Preparers are paid every two weeks based on approved time records for authorized hours worked. Pay periods begin on Monday and end on Sunday. Time cards must be received by the Corporate office on Monday following the last day of the payroll period. This is necessary to insure that all records are processed in time to issue the paychecks the following Friday. If time cards are late, paychecks due may be delayed up to the next scheduled pay period.

**Signing In and Out.** Any Tax Preparer who leaves for any personal reason must sign out and sign in when returning. The law requires employees working more than six hours continuously to sign out for a 30-minute lunch break, which must be taken away from their regular workstations.

**Paychecks** will be sent to the offices every other Friday by 4:00 pm.

**Jury Duty.** In order to enable an employe to fulfill a civic responsibility without suffering a loss of income, jury duty leave with pay shall be granted upon submission of proper documentation.

**Forms** as listed below are located in this section of the manual.

- ❖ Daily Productions and Time Card
- ❖ Call Log
- ❖ Return Log
- ❖ Daily Deposit Record
- ❖ Supply Requisition
- ❖ Asset Requisition



# Reports and Deposits

## Daily Reports - Office Manager Responsibilities

Office Managers are responsible for confirming the information on their office's Daily Production reports and employee Time Cards to be sure they are being prepared properly, contain all the necessary information and have no errors. The Office Managers are also responsible for reporting the information to the Corporate office *before 10:00 a.m. the next day.*

### Daily Report Attachments

**Receipts:** One copy of each paid receipt, charge slip, and bank deposit should go in the Daily Deposit envelope.

**Deposit Slip:** The bank deposit slip is prepared in triplicate (in ink) and the last copy is enclosed in the Daily Deposit envelope.

**Office Daily Deposit Record:** See Sample.

**Working in more than one office:** If an associate works in more than one office in the same day, separate Daily Production, Time Cards and bank deposits must be made for each office.

## Daily Reports - Franchisee Responsibilities

Franchisees are responsible for checking the information on their office's Daily Production. The Franchisee is also responsible for reporting the information to the corporate office *before 10:00 am the next day.*

## Bank Deposits

All checks and cash must be deposited into the bank account designated for each office. *Deposits must be made daily, without exception.*

### Methods of Payment for Non-Bank Products

Returns prepared with RAL or PERC option should not be paid up front. In the event that the refund is denied, and the office does not receive payment from the bank, the remainder owed to the office should be billed/collected.

*Be watchful for prior year unfunded RALs.*

**Checks** should be made out to the Company and may not be for more than the amount of the return. The check may not be from anyone other than the client or family member accompanying the client to our office.

**Cash**, credit cards, or money orders will also be accepted as payment.



# Data Practices

## Procedures

Tax return information is to be collected, beginning with the Client Profile, and a physical file maintained for all hard-copy materials. Electronic files are stored on the transmitting computer and should be backed up weekly.

## Use of data

All data collected from clients is for tax purposes only. No records shall be released to any individual who is not properly identified as having rights to his or her file. Clients may call during the off season for copies of records for financial aid, credit clearing, or other such transactions requiring proof of their tax filing.

At no time are the contents of a client's file to be used for purposes other than those mentioned.

## Destruction of records

The IRS requires that records be kept for five years. After that time, records should be destroyed properly.

## Staff access

With the exception of completing a tax return, or other customer service concerning the material in a file, no file should be left unattended.



## Confidentiality

Colbert/Ball Tax preparers have access to confidential information pertaining to CBTS's Clients, Policies and Procedures, methods of operation, and other trade secrets which are valuable assets and extremely important to the welfare and success of the CBTS business. Except as may be necessary in the performance of employment duties, Tax Preparers may not disclose such confidential and proprietary information to anyone. Employees who violate this confidentiality will be subject to dismissal and all legal recourse available to CBTS.

A Notice to All Clients of Colbert/Ball Tax Service  
Regarding Our Privacy Policy

Re: Compliance with the Gramm-Leach-Bliley Act,  
Public Law 106-102 (FTC 16 CFR Part 313)

To meet the requirements of the Gramm-Leach-Bliley Act of 1999, Colbert/Ball Tax Service is sending this notice to ensure you are aware of the privacy policy of this firm. We collect nonpublic information about you from the following sources:

- ❖ Information we receive from you on applications, tax preparation organizers, worksheets, and other documents we use in tax preparation or providing financial service, or other forms;
- ❖ Information about your transactions with us, our affiliates, or others; and
- ❖ Information we receive from a consumer reporting agency.

We do not disclose any nonpublic personal information about our clients or former clients to anyone, except as permitted by law. We restrict access to nonpublic personal information about you to members of our firm who need to know that information to provide services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.



# Associate Bi-Weekly Time Card

Associate Name: \_\_\_\_\_

Office Number \_\_\_\_\_ Associate Number \_\_\_\_\_

Work from Top to Bottom of Each Day			Ttoal	Work from Top to Bottom of Each Day			Ttoal
M O N		IN		M O N		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
T U E S		IN		T U E S		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
W E D		IN		W E D		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
T H U R		IN		T H U R		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
F R I		IN		F R I		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
S A T		IN		S A T		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
S U N		IN		S U N		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
<b>Weekly Total</b>				<b>Weekly Total</b>			

Two Week Period Beginning \_\_\_\_\_

Period Ending \_\_\_\_\_

Approved By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_



# Associate Bi-Weekly Time Card

Associate Name: \_\_\_\_\_

Office Number \_\_\_\_\_ Associate Number \_\_\_\_\_

Work from Top to Bottom of Each Day			Ttoal	Work from Top to Bottom of Each Day			Ttoal
M O N		IN		M O N		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
T U E S		IN		T U E S		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
W E D		IN		W E D		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
T H U R		IN		T H U R		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
F R I		IN		F R I		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
S A T		IN		S A T		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
S U N		IN		S U N		IN	
		OUT				OUT	
		IN				IN	
		OUT				OUT	
<b>Weekly Total</b>				<b>Weekly Total</b>			

Two Week Period Beginning \_\_\_\_\_

Period Ending \_\_\_\_\_

Approved By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_



# Employee Prepared Return Log

Employee Name \_\_\_\_\_

Employee Number \_\_\_\_\_

Date/Hours				Customer Information		Receipts				
Date	From	To	Worked	SSN	Last Name	Gross	Tax Prep	RAL	EF	Bonus

# Tax Office Work Stations



## Office Equipment

- |  |                                   |   |
|--|-----------------------------------|---|
| <input type="checkbox"/> Computer System | <input type="checkbox"/> Desk     | <input type="checkbox"/> Phone                |
| <input type="checkbox"/> Calculator      | <input type="checkbox"/> Stapler  | <input type="checkbox"/> Business card holder |
| <input type="checkbox"/> Penholder       | <input type="checkbox"/> Bookends | <input type="checkbox"/> Wastebasket          |
| <input type="checkbox"/> Adding Machine  |                                   |   |

## Basic Supplies

- |  |  |
|--|--|
| <input type="checkbox"/> Colbert/Ball Operations Manual                                  | <input type="checkbox"/> Paper clips                   |
| <input type="checkbox"/> Tax Preparation Software Manual                                 | <input type="checkbox"/> Scotch tape                   |
| <input type="checkbox"/> Package X   | <input type="checkbox"/> White out                     |
| <input type="checkbox"/> State Instructions(if required)                                 | <input type="checkbox"/> Rubber bands                  |
| <input type="checkbox"/> Publication 17  | <input type="checkbox"/> Pad of scratch paper          |
| <input type="checkbox"/> Publication 1345A   | <input type="checkbox"/> Message Pads (2pt carbonless) |
| <input type="checkbox"/> Pub 334 <u>Tax Guide for Small Business</u>                     | <input type="checkbox"/> Post-its                      |
| <input type="checkbox"/> Price Worksheets (for giving clients telephone price estimates) | <input type="checkbox"/> Client folders                |
| <input type="checkbox"/> Interview sheets  | <input type="checkbox"/> Client envelopes              |
| <input type="checkbox"/> RAL Applications  | <input type="checkbox"/> Client file folders           |
| <input type="checkbox"/> Pens, pencils   | <input type="checkbox"/> Federal tax return envelopes  |
| <input type="checkbox"/> Staples   | <input type="checkbox"/> State tax return envelopes    |
| <input type="checkbox"/> Staple remover  |  |

Office supply and asset requisition forms are located on the following pages.





# Supply Requisition Page 1

Date Requested: \_\_\_\_\_ By: \_\_\_\_\_ Office#: \_\_\_\_\_

Supply Item	On Hand	Needed	Provided	Date	By
<b>Administrative Forms</b>					
<i>Office Managers should have masters of most of these items in their Office Managers' P&amp;P</i>					
Work Schedules					
Time Cards					
Daily Office Rpt Envelope					
Bank Deposit Slips (50)					
Drop-off Forms					
Problem Resolution Forms					
Missing Info. Form					
Correction Needed Notice					
Income Tax School Inq Form					
Employment Inquiry Forms					
<b>Office Supplies</b>					
Adding Machine Tape (5 rolls)					
Associate Mailbox Unit					
Copy Paper (500 sheets)					
Diskettes, 3-1/2"					
Hanging File Folders (100)					
Highlighter					
Manila File Folders (100)					
Paper Clips (box)					
Pens					
Post-it Notes					
Rubber Bands (pkg.)					
Scissors					
Scotch Tape (roll)					
Stamp - Company Federal ID					
Stamp - Company Name					
Stamp - Company Address					
Stamp Pad					
Staple Remover					
Stapler					
Staples (box)					
Telephone Directory - White					
Telephone Dirrect. - Yellow					
Telephone Message Pads (5)					
Three-hole Punch					
Toner Cartridge - Laser Printer					
Toner - Copier -Make & Model					
Waste Basket					
White Out					
<b>Other (specify)</b>					



# Supply Requisition Page 2

Date Requested: \_\_\_\_\_ By: \_\_\_\_\_ Office#: \_\_\_\_\_

Supply Item	On Hand	Needed	Provided	Date	By
<b>Tax Preparation Supplies</b>					
Client Folders					
Client Envelopes 9"x12"					
Blank #10 mailing Envelopes					
Appointment Sheet Set (100 days)					
<b>Tax References</b>					
IRS Publication 17					
IRS Publication 334					
IRS Publication 1345A					
State Package X					
Quick Tax Reference Manual					
Prior Years Tax Books (specify)					
Out-of-State Forms (specify)					
<b>Office References</b>					
Poklicy & Procedure Manuals					
Tax Software Manuals					
<b>Marketing Materials</b>					
100 Flyers 4.25"x8.5"					
Tax School Brochure					
Busines Cards					
Individual (Name & Title?)					
Office (blank name line)					
<b>Other (specify)</b>					



# Asset Requisition

Date Requested: \_\_\_\_\_ By: \_\_\_\_\_ Office#: \_\_\_\_\_

Supply Item	On Hand	Needed	Provided	Date	By
<b>Office Equipment</b>					
Computer					
Peripheral (specify)					
Laser Printer					
Copier					
Calculator					
Telepone (specify type)					
Stereo					
Surge Suppressor					
Extension Cord					
Zip Drive for back-ups					
<b>Office Furnishings</b>					
Desks					
Chairs - Associate					
Chairs - Client					
Work Table (30"x72")					
Coffee or End Table					
Partition					
Framed Wall Pritns					
Guarantee Wall Print					
Tree (artificial)					
Small Plant (artificial)					
<b>Signage</b>					
Window Banner					
Window Neon Sign					
Door Decals/Office Hours Sign					
Sidewalk Sign					
Pedestal Sign Holder					
Pedestal Sign Poster (22"x28")					
Small Poster (9.5"x12")					
Window SignSuction Clamps					
Door Hours Sign (specify)					
<b>Software</b>					
Tax Preparation System Update					
Microsoft Office					
<b>Office References</b>					
Operations Manual					
Training Manual					
Tax Software Manual					



## **SECTION 3**

### **Human Resources**



# Personnel Policies

This section is dedicated to information concerning your employees. The information contained herein conforms to the Corporate HR policies. It outlines basic policies, job descriptions, employee contracts, and other valuable information both for you as the employer and for your employees.

## Hiring Procedures

Finding job candidates can be a daunting process. Be sure to seek employees through your local resources.

### Past Tax-Preparers

Hiring experienced tax-preparers is a plus. They usually have loyal clients they bring to your office.

### Demographics

It is very important that you understand the demographics of your location. People feel more comfortable having their taxes done by someone they can relate to. Bilingual is always a preference.

### Local Newspaper

The local newspaper is the best place to find tax-preparers and office help. Start advertising the last week in November. Your ad should run Thursday through Sunday. Example:

Experienced tax -preparer for fast growing company. (Great pay and bonuses!) Bilingual a\+. Will train. Call (555) 555-5555 or fax resume to (655) 555-5555.

### Universities and Colleges

Some colleges and universities give their students credit hours for completing a tax season. Internships are a viable means for students to make money and gain on the job training. Most universities and colleges have job developers. Their role is to locate jobs for their students. They will direct you to the internet, where you can post employment opportunities. Do not hesitate to contact their school of business or career services department.



## Personnel Policies Continued

### Work Schedule

Work day hours are scheduled for each employee (see sample schedule on Page 23) and should be strictly adhered to.

Holidays are not guaranteed time off as this is a seasonal business, and employees are generally contract labor.

Sick Time and Personal Leave should be arranged with the franchise manager. As this is a seasonal business, any time off should be kept to a minimum.

Severe Weather closings are at the discretion of the Corporate Office. If weather conditions are harsh enough to warrant the closing of the office, the franchise manager should contact the Corporate Office immediately.

Jury Duty leave with pay shall be granted upon submission of proper documentation, in order to enable an employee to fulfill his/her civic duty without loss of income.

### Payroll Information

Bi-Weekly Pay Period. Colbert/Ball Tax Preparers are paid every two weeks based on approved time records for authorized hours worked. Pay periods begin on Monday and end on Sunday. Time cards must be received by the corporate office on Monday following the last day of the payroll period. This is necessary to insure that all records are processed in time to issue the paychecks the following Friday. If time cards are late, paychecks due may be delayed up to the next scheduled pay period.

Signing In and Out. Any Tax Preparer who leaves for any personal reason must sign out and sign in when returning. The law requires employees working more than six hours continuously to sign out for a 30-minute lunch break, which must be taken away from their regular workstations.

Paychecks will be sent to the offices every other Friday by 4:00 pm.

### Harassment Policy

CBTS intends to provide a work environment that is pleasant, healthful, comfortable, and free from intimidation, hostility or other offenses, which might interfere with work performance. Harassment of any sort—verbal, physical, visual—WILL NOT BE TOLERATED. In this regard, the company prohibits unlawful harassment or discrimination of any type on the basis of race, gender, color, national origin, sexual preference, religion or disability.

#### What is Harassment?

Harassment can take many forms. It may be, but is not limited to: words, signs, jokes, pranks, intimidation, physical contact, or violence. Harassment is not necessarily sexual in nature.

Sexually harassing conduct may include unwelcome sexual advances, requests for sexual favors, or any other verbal or physical contact of a sexual nature that prevents an individual from effectively performing the duties of his/her position or creates an intimidating, hostile or offensive working environment, or when such conduct is made a condition of employment or compensation, either implicitly or explicitly.



## Personnel Policies Continued

### Responsibility

CBTS employees, particularly managers, have a responsibility for keeping our work environment free of harassment. Any employee who becomes aware of an incident of harassment, whether by witnessing the incident or being told of it, must report it to their immediate manager or any management representative with whom he feels comfortable including the Director of Operations at company headquarters.

### Reporting

Any incidents of harassment must be immediately reported to a manager or other management representative. Appropriate investigation and disciplinary action will be taken. All reports will be promptly investigated with due regard for the privacy of everyone involved. Any employee found to have harassed a fellow employee or subordinate will be subject to severe disciplinary action or possible discharge. CBTS will also take any additional action necessary to appropriately remedy the situation. No adverse employment action will be taken against any employee making a good faith report of alleged harassment.

## Substance Abuse

Colbert/Ball is firmly committed to the health and safety of our employees, the quality of the services we provide, the efficient operation of our company, and the health and safety of our clients and the public. CBTS considers the influence of drugs and alcohol in the workplace to be detrimental to our employees and to our continued growth and future success.

Being committed to maintaining a drug-free workplace, CBTS has adopted the following policy on drugs and alcohol:

- ❖ The possession, use, sale, transfer, manufacture, distribution, or being under the influence of illegal or unauthorized drugs on Company time or Company property, or at any time or place during the workday, or in a Company vehicle is strictly prohibited. Employees who violate this rule will be subject to disciplinary action up to and including discharge.
- ❖ An “illegal drug” is any drug that is not legally obtainable. An “unauthorized drug” is any drug other than alcohol which may be legally obtainable, but for which the employee has no legal prescription, or is being used in a manner other than as prescribed by the employee’s physician.
- ❖ Employees shall not use alcoholic beverages on the job, or report or return to work under the influence of alcohol. Employees who violate this rule will be subject to disciplinary action up to and including discharge.

## Authorized Expenses

Company Associates should not make any purchases on behalf of the Company unless authorized by a member of the Company’s Corporate Staff. All authorized purchases will be reimbursed in full upon presentation of receipts or other documentation.



## Personnel Policies Continued

### Dress Code

It is our desire to project a positive, self-confident and professional image to our clients. To that end we require a minimum dress code of “business casual”.

### Personal Telephone Calls

During the time employees are working for CBTS, they may receive and place necessary personal local telephone calls. It should be remembered that this is company time, so personal calls generally should be limited to no more than three a day (incoming and outgoing) and should last no more than two minutes.

### Confidentiality

Colbert/Ball Tax preparers have access to confidential information pertaining to CBTS’s Clients, Policies and Procedures, methods of operation, and other trade secrets which are valuable assets and extremely important to the welfare and success of the CBTS business. Except as may be necessary in the performance of employment duties, Tax Preparers may not disclose such confidential and proprietary information to anyone. Employees who violate this confidentiality will be subject to dismissal and all legal recourse available to CBTS.

A Notice to All Clients of Colbert/Ball Tax Service  
Regarding Our Privacy Policy  
Re: Compliance with the Gramm-Leach-Bliley Act,  
Public Law 106-102 (FTC 16 CFR Part 313)

To meet the requirements of the Gramm-Leach-Bliley Act of 1999, Colbert/Ball Tax Service is sending this notice to ensure you are aware of the privacy policy of this firm. We collect nonpublic information about you from the following sources:

- ❖ Information we receive from you on applications, tax preparation organizers, worksheets, and other documents we use in tax preparation or providing financial service, or other forms;
- ❖ Information about your transactions with us, our affiliates, or others; and
- ❖ Information we receive from a consumer reporting agency.

We do not disclose any nonpublic personal information about our clients or former clients to anyone, except as permitted by law. We restrict access to nonpublic personal information about you to members of our firm who need to know that information to provide services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.





# Sample Employee Schedule (2 & 3 Man Office)

## PEAK SEASON January 16th - Feb 20th

### Sunday 18th, 25th, 1st, 8th, 15th Thursday

Emp 1 11 am - 5:00 p.m.

**Emp 2 1 pm - 6 pm Optional**

Emp 1 9am-7pm

Emp 2 11am-9pm

**Emp 3 4 pm to 9pm Optional**

### Monday

Emp 1 9am-7pm

Emp 2 11am -9pm

### Friday

Emp 1 9am-7pm

Emp 2 11am -9pm

**Emp 3 4 pm to 9pm Optional**

### Tuesday

Emp 1 10am-5pm

Emp 2 10am-7pm

### Saturday

Emp 1 9am-7pm

Emp 2 11am -9pm

**Emp 3 4 pm to 9pm Optional**

### Wednesday

Emp 1 9am-7pm

Emp 2 11am -9pm

## Off Peak Feb 20th - April 15th

Monday -Friday 9:00 am to 7 pm

Saturday 10:00 am to 5:00 pm

Sunday Off

## After April 15th for those offices open year-round

Return to regular office hours

**NOTE:** Offices closing on or near April 15 MUST notify SBT and Corporate to have late checks printed. These offices MUST provide year-round contact information to Corporate.

**Insert Calendar Graphic**

# Front Office Functions



## Greeting the Client

When a client walks through the door, the first person they see will be the front office person. Our *policy* is to have the customer greeted within 15 seconds. How a customer is greeted can determine *if* he/she will have a good experience or a great experience. We encourage the front office staff to greet our *potential* clients with a joyous attitude and a warm, friendly smile. Make sure all clients sign the sign-in sheet to keep track of the order that customers come in. A copy of the sign-in sheet is on the next page. Remember that you set the tone for *every* customer experience. Here is a sample greeting:

“Thank you for coming to Colbert/Ball. Please sign-in and fill out the profile sheet. A preparer will be with you shortly.”

## Waiting Area and Assisting Preparers

When front office personnel are not busy we encourage them to be team players and assist preparers with anything they may need. This helps the office run more efficiently and keeps a great environment in *your* work place. This includes making sure clients are comfortable in the waiting area, and assisting them in completing their client profiles so their returns can be processed expediently. Front office personnel also assist preparers by making copies and getting supplies. Overall, front office help keeps a smooth flow in the production of the office.

## Updating Client Status

When a client calls who has already had their taxes prepared by us, they often wish to get updates on their returns. This is very important when it comes to serving our customers because we do not want them waiting to receive their important tax information. Front office personnel will have access to this information at their computer station. Information that will be requested may vary. An example may be a client requesting information on the status of their refund check, or what is their return status. Colbert/Ball encourages its front office personnel to treat customers *like they would want to be treated* when it comes to giving information. If it was your money, how would you want to be treated?

## Issuing Referral Fees and Refund Checks

When clients come in to receive their refund checks or referral fees, the front office will handle all transactions. We closely monitor this by documentation, and by original customer signatures. When customers receive their checks or referral fees, we ask them to refer other friends and family members. This is the best time to ask. Happy and satisfied customers always refer more customers. A sample of the “Received Checks” form follows.



# Job Outline: Front Office Receptionist

**Position Title:** Front Office Receptionist

**General:** Offering superior service, a superior product and encouraging constant innovation. Maintaining a professional appearance and demeanor in greeting and dealing with the public.

**Specific:**

- ❖ Maintain neat waiting area.
- ❖ Must greet new clients within 15 seconds.
- ❖ Have all walk-in customers sign the sign-in sheet and fill out the new client profile.
- ❖ Responsible for efficient Call Log, recording minimum of 90% of all incoming and potential clients. **(Explained in Advertising & Marketing)**
- ❖ Responsible for answering all incoming calls and updating clients on their check status.
- ❖ Responsible for distribution of referral fees to clients.
- ❖ Responsible for check disbursement.
- ❖ Responsible for providing information and assistance to all clients and answering general inquiries for the public.
- ❖ Responsible for sending/receiving messenger/courier items and mail.
- ❖ Other duties as assigned.

**Pay Rate:** \$\_\_\_\_\_ per hour, per \_\_\_\_\_

*By signing below, I hereby understand and agree to the duties outlined above, to the Company Employee Policies, and further understand that the term of my employment is seasonal. This form does not imply or guarantee the length of employment, nor does it stand alone as a contractual agreement between myself and Colbert/Ball.*

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Supervisor Signature

\_\_\_\_\_  
Date

# Back Office Functions



## Transmission of Returns

The back office manager is responsible for transmitting tax returns on a daily basis - at a bare minimum of twice a day during tax season, more during peak (February 1 - February 15). Tax returns should be transmitted at least 30 minutes prior to the "drains" for those days, although they can be transmitted more frequently than that. As the software supports automatic programmed transmissions, each back office manager should be responsible for either programming a regular schedule of transmissions (for example, "every hour at :30", or "every day at 11:30 am and 11:30 pm") or manually transmitting on such a reliable schedule.

It is important to remember that there is no such thing as transmitting too often.

## Return Rejections and Bank Denials

In addition to transmitting returns, the back office manager must review and correct returns that have been rejected by the filing center or IRS, as well as handle any returns denied for a bank product by SBBT. Returns are not frequently rejected by the filing center, however, when they are, it can usually be attributed to incorrectly configured software. If a large number of returns are rejected by the filing center, this is almost certainly the problem, and technical support should be contacted to resolve this issue as quickly as possible. In the rare case that the filing center has detected a non-software-related flaw in a tax return, a rejection code will assist the back office in correcting the problem as quickly as possible.

Returns rejected by the IRS are likewise accompanied by a rejection code which will tell the back office what needs to be done to correct the return. Although there are far more reasons for the IRS rejections, the vast majority fall into a few small groups that are simple to troubleshoot.

- \* Incorrect SSNs (Taxpayer, Spouse or Dependents). Simply correct and resubmit.
- \* Invalid dependents (usually because they've been claimed by another relative). Either remove and resubmit, or the return will have to be paper-filed.
- \* EIC errors (frequently related to dependents). Review the EIC qualifications and verify that the dependents are valid.
- \* Other issues will come up that require more investigation, and technical support will be able to assist in resolving these.

Returns can be corrected by the back office manager, or delegated to a preparer as needed. Once the return has been corrected, it must be resubmitted. Note that any change that results in a difference in the refund on the tax return or the amount being charged **MUST** be cleared with the taxpayer. Failure to do so can result in lawsuits or worse!

Returns with RAL products attached may also be denied by the bank, even though they've been accepted by the IRS. When this happens, they are automatically converted to the equivalent PERC product, but the customer must still be informed, and it's the back office manager's responsibility to call or arrange for the call to be made.



## Back Office Functions Continued

### Check Printing

One of the greatest responsibilities in the back office manager's position is check printing. Checks can arrive every day, and clients wait anxiously for theirs to arrive, so it's extremely important to print checks as soon as they arrive in the office. RAL products can be processed in as little as 12 hours (though we never mention that - always stress 24-48 hours). PERCS are processed in 10-14 days, generally on Wednesday night or Thursday morning every week.

If the office is participating in the Instant RAL program, checks can even be authorized in a few short minutes after the return has been completed.

Once a check has been authorized to be printed, the back office manager is responsible for printing the check, reviewing it for mistakes (paying special attention to ensure that the correct amount has been printed, and there is a signature present). The check is then passed to the front office for filing and eventual dispersal to the clients.

After each check printing session, an optional "checks printed" log can be generated. We recommend that this log be filed in the unlikely event that a check goes missing.

On rare occasions, taxpayers will need a check reprinted because they have lost or damaged theirs. In this situation, the back office manager must work with Santa Barbara Bank and Trust's customer service to resolve the situation - generally requiring the taxpayer to fill out indemnity bonds or other paperwork, and faxing that to SBBT. SBBT will then authorize a reissue for the check, although that can take several days, depending on the nature of the request.

When check printing is completed, the back office manager should also make sure that the check stock is stored properly and not left in plain sight. Missing check stock can lead to delays in check authorizations, and even temporary suspension of check-printing abilities, so it is critical that check stock is kept under tight security, and only handled by the back office manager.

### 8453 Processing

Those offices not participating in the "Paperless Pin Program" must maintain signed copies of the 8453 form (Declaration of Electronic Filing) in their records, and furthermore, must ensure that these forms are mailed out as soon as the returns have passed the IRS. The best way to manage this is to maintain a separate file section for returns that have been transmitted, but have not yet passed the IRS. When the return has been completed, before the client leaves the office, they should sign two copies of the 8453, which should be kept in the client file until needed. Once a return passes the IRS, the back office manager can remove the file from that section, pull out one copy of the signed 8453 and place that in a large envelope with any other 8453s to be mailed to the IRS. Signed 8453s should be mailed out within 48 hours of the return passing the IRS, so mailouts can be scheduled accordingly.

It is absolutely critical to maintain these files appropriately, as failure to do so can result in revoked EFINs or worse. Although the IRS will send out a warning letter first, reminding the franchisee which 8453s have not been received, it's better to have them out to begin with so that any problems can be resolved while the taxpayers can still be reached.



## Back Office Functions Continued

### Client File Maintenance

In addition to all the other responsibilities, the back office manager must also keep accurate and complete records for each taxpayer they handle every year. These files must include a signed 8453, copies of the taxpayer's W2 forms, and photocopies of their ID and social security cards. These files need to be kept for a minimum of 5 years before they can be destroyed, and it's especially critical to keep at least the two most recent years (the current tax year and the prior year) available in the office to assist clients who need copies of their documentation for school or loan opportunities.

Electronic records should also be backed up reliably and regularly. During the tax season, it's advisable to back up new and changed returns at least once a week, if not more often, in the event of a catastrophic computer failure. These records can be stored on floppy disks or CD-ROM, but should be kept in a separate area from the computers themselves, so that they aren't affected by other disasters, such as flood or fire.

A good method for handling this would be for the back office manager to create backups every Friday and either take them home, or put them in a secured location away from the computers. If there is a failure or disaster, these backups can then assist in recovering data far faster and more reliably than relying on the software provider to provide electronic backups.

In addition to maintenance, the back office manager must ensure that the client files are being kept in the most secure manner possible. Client data should not be left where anyone else can see it, computers should not be left on or unlocked when there are no employees present, and adequate care should be taken to ensure that preparers are not taking any client data home with them.

Keeping the client data safe and secure is an extremely high priority in the back office manager position.



## Job Outline: Back Office Clerk

**Position Title:** Back Office Clerk

**General:** Offering superior service, a superior product and encouraging constant innovation. Maintaining a professional appearance and demeanor in dealing with the clerical aspects of the back office.

**Specific:**

- ❖ Responsible for transmitting returns daily.
- ❖ Responsible for correcting rejected returns.
- ❖ Daily handling of check printing.
- ❖ Daily 8453 processing.
- ❖ Reports - Daily rejections list and bank denial reports.
- ❖ Must maintain a neat and orderly filing system for both client files and office records.

**Pay Rate:** \$ \_\_\_\_\_ per hour, per \_\_\_\_\_

*By signing below, I hereby understand and agree to the duties outlined above, to the Company Employee Policies, and further understand that the term of my employment is seasonal. This form does not imply or guarantee the length of employment, nor does it stand alone as a contractual agreement between myself and Colbert/Ball.*

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Supervisor Signature

\_\_\_\_\_  
Date

# Tax Preparer Duties



## General Duties

- ❖ Greet Clients
- ❖ Prepare Taxes
- ❖ Replenish clipboards with client Profile Sheets
- ❖ Clean Preparation Area/Client Area
- ❖ Answer Telephones
- ❖ Document New Client Referrals
- ❖ Pull 8453s
- ❖ File Complete Folders

## Preparing the Return

Colbert/Ball Tax Service has a systematic way of preparing returns to make the process efficient as possible. With our process it takes about 10 to 15 minutes to prepare the average return. After the preparer greets the *client*, we have the *client* give *the* preparer their client profile. The client profile should already be filled out completely before the preparer gets started. Along with the client profile, the preparer should also ask for wage statements and any other important tax documents.

While the preparer is inputting the tax information, he/she should have the client fill out the bank application. By the time the client completes the bank application, the preparer should be 90% to 95% through with the data entry. When the preparer is finished inputting information, he/she should ask several key questions to help the client find out if their return can be improved. These questions will be covered in the preparation training.

When you are completely finished, show the client their return amount and print out their return. Make a copy of the client's social security cards, W2's, and ID. Give the client their free gift and ask them to refer their family and friends and receive \$10 for each referral that file their taxes with us. Give them several \$10 referral cards, along with a personal card, a copy of their tax return with a receipt. Always let the client know that you appreciate their business, and that you wish them a good day. Complete the folder and put it in the completed return bin.

## Check list

- ❖ Greet the Client
- ❖ Input client profile sheet, wage documents and any other tax documents
- ❖ Have client fill out Bank Application
- ❖ Show client refund amount
- ❖ Print tax return
- ❖ Make copy of SSN cards, W2's, & ID's
- ❖ Give client free gift, personal card, & referral cards
- ❖ Give client printed tax return with receipt
- ❖ Complete folder and place it in completed return bin





### Completing the Folder

This is a list of items that should be included in all folders processed at any Colbert/Ball Tax Service location:

1. Client Profile
2. Taxpayer Declaration
3. Foster Child Form
4. Copies of ID, Social Security Cards, and W2's
5. 2 Signed and Dated 8453(if not using PIN program)
6. Signed and Dated Bank Application
7. Receipt

When the folder is complete, please put folder in completed return bin so it can be transmitted.

# Job Outline: Tax Preparer



**Position Title:** Tax Preparer

**General:** Prepare and electronically file income tax returns while offering superior service, a superior product, and encouraging constant innovation. Maintaining a professional appearance and demeanor in greeting and dealing with the public.

**Specific:**

- ❖ Responsible for preparing income tax returns.
- ❖ Prepare each tax return efficiently with the proper due diligence.
- ❖ Develop leads/sales with family and friends.
- ❖ Develop sales from estimations.
- ❖ Develop sales from referral cards.
- ❖ Complete and file client folders.
- ❖ Responsible for collecting fees for all non-bank product returns up front, and reporting cash transactions to management.

**Pay Rate:** \$ \_\_\_\_\_ per hour, per \_\_\_\_\_

*By signing below, I hereby understand and agree to the duties outlined above, to the Company Employee Policies, and further understand that the term of my employment is seasonal. This form does not imply or guarantee the length of employment, nor does it stand alone as a contractual agreement between myself and Colbert/Ball.*

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Supervisor Signature

\_\_\_\_\_  
Date



# Sample Employee Contract

The EMPLOYEE CONTRACT AGREEMENT (“Agreement”) is made and entered into, as of \_\_\_\_\_, 20\_\_\_\_ (“Effective Date”), by and between Colbert/Ball Tax Service (CBTS) dba Tax Preparation (“Company” or “CBTS”), having a principal place of business at \_\_\_\_\_, and \_\_\_\_\_, a resident of the State of \_\_\_\_\_ having a principal residence at \_\_\_\_\_.

**Term.** Employee is employed as a seasonal tax preparer whose term of employment is indefinite. This Agreement is effective as of the Effective Date set forth above and will terminate when and as provided herein.

**1. Duties.** Employee is required to abide by all the rules that have been laid out in the employee’s Policy and Procedures manual or CBTS, at Company’s discretion, may terminate employee and void this Agreement immediately upon employee’s breach of the above referenced handbook.

**2. Compensation.** CBTS will pay employee during the tax season, which will begin January 10th and end April 15th, \$ \_\_\_\_\_ per hour and a \_\_\_\_\_% commission on tax preparation fees on tax returns prepared by employee, to be paid on dates outlined in employee manual. Commissions will be paid after May 1st, 2004.

**3. Offset.** If employee fails to remit all receipts as required by Colbert/Ball Tax Service policy, or becomes indebted to Colbert/Ball Tax Service in any manner whatsoever, CBTS may offset the amount of any such funds or indebtedness against any compensation due Company.

**4. Termination.** Employee may terminate this Agreement without cause at any time, with termination effective fifteen (15) days after employee delivery to CBTS of written notice termination.

**5. Venue.** This Agreement shall be governed in all respects by the laws of the United States of America and by the laws of the State of \_\_\_\_\_, as such are applied to agreements entered into and to be performed entirely in \_\_\_\_\_ between \_\_\_\_\_ residents. Each of the parties irrevocably consents to the exclusive personal jurisdiction of the federal and state courts located in \_\_\_\_\_, as applicable, for any matter arising out of or relating to this Agreement, except that in actions seeking to enforce any order or any judgment of such federal or state courts located in \_\_\_\_\_, such personal jurisdiction shall be exclusive.

**6.** This agreement may be amended or modified only by mutual agreement of authorized representatives of the parties in writing.

**7. Miscellaneous.** This Agreement constitutes the entire agreement between the parties relating to this subject matter and supercedes all prior or contemporaneous oral or written agreements concerning such subject matter. The terms of this Agreement will govern all services undertaken by employee.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the date first written above.

“Company”: Colbert/Ball Tax Service \_\_\_\_\_ “Employee” Name: \_\_\_\_\_  
By: \_\_\_\_\_ By: \_\_\_\_\_  
Name: \_\_\_\_\_ Name: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_

# Non-Compete/Non-Disclosure Agreement



I shall devote working time to the business of the company, being excused only during standard vacation times and periods of temporary absence. During employment with Colbert/Ball, I may not, directly or indirectly engage in any business which is competitive with that of Colbert/Ball, nor will I accept employment or render services to a competitor as a director, officer, agent, or consultant. Any exceptions to this policy must be with written consent.

I will serve Colbert/Ball in an exclusive capacity. Accordingly, as a condition of employment, I agree that, in the event that my employment terminates for any reason, for a two year period, I will not, directly or indirectly, either for myself or through any kind of ownership as a director, agent, employee or consultant, for any other person, firm or corporation, call on, solicit, take away, or cause the loss of clients of Colbert/Ball of whom I called or with whom I became acquainted during my employment immediately preceding the termination of employment. It is expressly agreed and understood that the remedy at law for breach of covenant is adequate and that injunctive relief shall be available to prevent the breach thereof.

All information related to the business of Colbert/Ball, including but not limited to the identity of customers and suppliers of the company, advertising copy, arrangements with such suppliers and customers, and technical data relating to its services and production of its services shall be treated as confidential by me during and after termination or resignation. Except with prior written approval of Colbert/Ball, I shall not disclose any such information at any time to any person except authorized personnel of the company or its subsidiary corporations. In the event of a breach or threatened breach by me of these provisions, the company shall, in addition to other remedies, be entitled to an injunction in restraining me from disclosing, in whole or in part, any such information or advertising concepts, or from rendering any services to any person, firm or corporation to whom any such information may be disclosed or is threatened to be disclosed.

All data drawings and other records and written material prepared or compiled by me or furnished to me while in the employ of Colbert/Ball shall be the sole and exclusive property of the company.

Employee Signature: \_\_\_\_\_ Date: \_\_\_\_\_



## **SECTION 4**

### **Tax Office Policies**

# Tax Office Policies



## Telephone Answering

Answer the phone by the second ring saying: “Thank you for calling Colbert/Ball Tax Service, **HOW MAY I HELP YOU?**” Smile, be friendly, enthusiastic and sincere! If you can't help the caller, transfer him to a Company Associate who can. Don't abandon him on hold. Offer to take a message and have the proper party call him back.

It is CBTS policy that every phone call is returned within 24 hours—even if it is only a courtesy call to let the client know that you have not been able to obtain the information he requested yet.

## How to Handle Inbound Telephone Calls

1. Remember the phone is **not** an interruption. It is our link to our clients.
2. Concentrate on the call. Get the person's name the first time.
3. Answer properly. Use “comfort words” or warm phrases, such as “Thank you for calling Colbert/Ball”
4. Answer promptly. Our policy is to answer by the second ring.
5. **Never** put callers on hold before finding out who they are and **never** leave them on hold for more than 30 seconds without checking back with them.
6. Control tone of voice. **Smile**—it really does work!
7. **Always** get the caller's name. **ALWAYS!**
8. Avoid slang.
9. Let the caller hang up first.
10. The client signs the paycheck, not the boss. The telephone can be a profitable piece of equipment if used professionally and properly.

## Pricing Philosophy

Our fees for tax return preparation are based on the complexity of the return, without regard to the amount of refund. We do not provide estimates over the phone EVER.

## Source — How They Heard About Us

When preparing each client's tax return, it is important that we gather planning and marketing information for the company. Therefore the associate is required to fill in the following information.

Insert the appropriate code in Box 3 of the Preparer Use section on the Main Information screen.

1. Prior Client
2. Referral
3. Flyers/Mailers/Coupons
4. Radio
5. TV
6. Newspapers/Print



## Tax Office Policies Continued

7. Yellow Pages
8. Signs/Banners

This information is very important. Please try to enter it accurately. Having correct information will help the company make the best decision regarding the allocation of our advertising expenditures.

### Office Hours

During the tax season *most storefront offices* are open weekdays from 8:30 am to 8:30 pm and on Saturday from 9:00 am to 5:00 pm. (Sundays will be by appointment only unless the office is required to be open by the mall). Newer storefront offices (i.e.: 1st & 2nd year) may be closed weekdays at 8:00 p.m. if there are no clients. Department store and shopping mall offices are open during regular store/mall hours. The main office is open weekdays from 8:30 a.m. to 9:00 p.m. and Saturdays from 8:30 a.m. to 5:30 p.m. (Sundays by appointment).

Even though we may be officially closed, we will continue to work with clients and we will take appointments before or after business hours whenever requested for the convenience of our clients. We *never* lock clients out of our offices until we're ready for them. We will serve our clients at *their* convenience, not ours.

### Snow Closings/Inclement Weather

If you should encounter weather conditions harsh enough to require closing your office during the tax season, please notify the Corporate Office immediately.

### Complaints

Client satisfaction is part of every Tax Preparer's job. *Each Tax Preparer is responsible to help resolve any client complaints of which he or she becomes aware.* If a client tells you about a complaint, you should try to resolve it on the spot. If you cannot help the client, direct him or her to someone who can.

# Prior Client Calling Sheet



Office # \_\_\_\_\_ Associate# \_\_\_\_\_ Date \_\_\_\_\_ Page \_\_\_ of \_\_\_\_\_

Results of Call \*Reason if Client Is Not Returning

Client Name	Phone No.	1st	2nd	A	B	C	D	Other

Comments \_\_\_\_\_  
\_\_\_\_\_

- \*Reasons: A. Preparing Own Return      B. Prepared by Competitor  
            C. Not Filing This Year             D. Prepared by Friend/Relative  
            Other - Write in Reason





# Colbert/Ball

TAX SERVICE

## Client Check Request

Client Name			SSN
Address			Tax Year
City/State/Zip			Phone
Office #	Preparer	Assoc#	Date
Check One: <input type="checkbox"/> Overcharge <input type="checkbox"/> partial Fee Refund <input type="checkbox"/> Interest/penalty Payment			
Reason for Payment			
Partial Gift Certificate for Next Year Necessary to Retain Client? <input type="checkbox"/> Yes <input type="checkbox"/> No			

**Attach Copy of Tax Return, IRS/State Letter(s), and Documentation**

© CBTS Rev 08.00.03

-----  
**Please return this portion to tax office when payment has been made.**

Office #	Tax Preparer		
Client Name			SSN

A payment in the amount of \$\_\_\_\_\_ has been issued to the aforementioned taxpayer in response to your request.

Authorized signature: \_\_\_\_\_

Check Number: \_\_\_\_\_ Date of Payment: \_\_\_\_\_

Gift certificate for Next year Issued?  Yes  No

© CBTS Rev 08.00.03

**Please place completed form in client's file.**



## **SECTION 5**

### **Office Set-Up, Expansion Plans, Real Estate, Leasing, and Signage**



## Office Set-up

It is extremely important that each franchise present their office in a neat and professional manner at all times. Although at this time we do not require franchises to have the same furniture and equipment, we do require that franchises have their individual layouts approved by the Corporate Office. Headquarters is in the process of selecting quality vendors such as Office Depot, Office Max and Sam's Wholesale, with whom we can offer franchisees discounts on all furniture and equipment purchases.

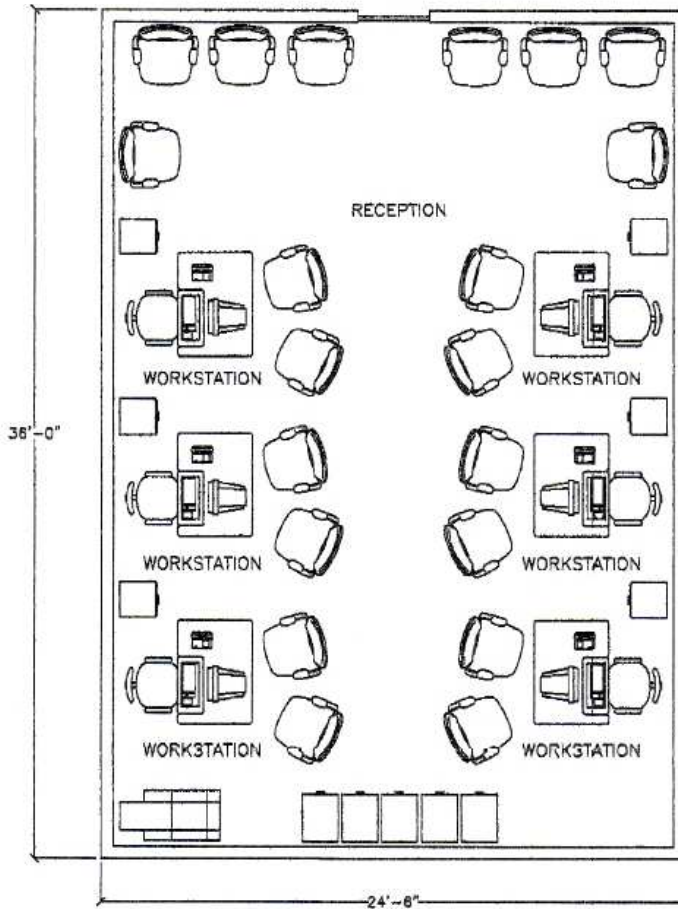
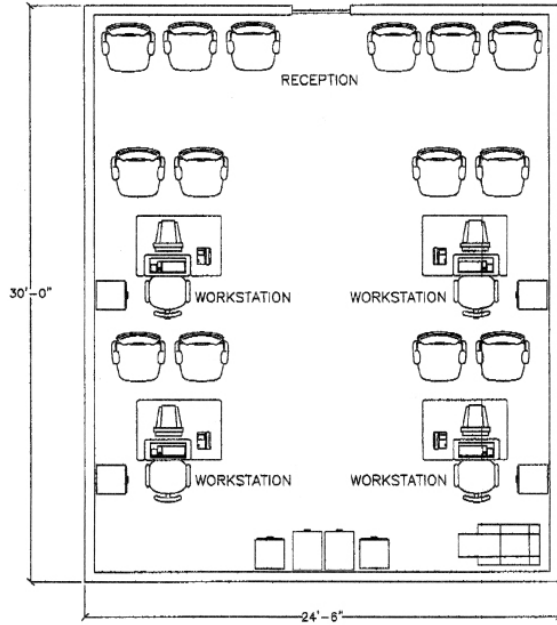
All pictures, logos, and office signage shall be in complete unison with each franchise. Here is a breakdown of current Corporate guidelines.

Item	Action
Desks	Same color, style, type, and manufacturer
Guest Chairs	Same color, style, type, and manufacturer
Swivel Chairs	Same color, style, type, and manufacturer
Waiting Area Chairs	Same color, style, type, and manufacturer
Company Pictures	Provided by Corporate
In-House Signage	Provided by Corporate
Window Lettering	Provided by Corporate
Banners	Provided by Corporate
Client Tax Return Folders	Provided by Corporate
All forms and documents	Provided by Corporate

### Office Description

- ❖ 4 to 5 desks, side by side, two in a row
- ❖ 2 guest chairs in front of each desk
- ❖ 1 swivel chair behind each desk
- ❖ 10 to 20 waiting area chairs in front area of office
- ❖ 5 to 6 company pictures around the office at eye level
- ❖ Store hours and approved window lettering on front windows
- ❖ 1 neon sign in front area

# Sample Floor Plans





# Real Estate Process

An ideal location is a prime consideration in starting up your franchise. If you have a poor location, your clients will have a harder time finding you. Many of our clients are walk-ins and word-of-mouth. Your location should always be chosen to increase the “free advertising”.

## Finding Your Location

The 3 keys to a successful business are

### LOCATION, LOCATION, LOCATION

- ❖ Look for prime locations next to existing Jackson Hewitt, H&R Block or Liberty Tax offices.
- ❖ Look for space that has ideal parking for customers and **visibility** from the street. You must have businesses in the area that target and service the same cliental.
  - Apartment Complexes
  - Check Cashing Stores, Pawn Shops, Pay Day Loans
  - Community Grocery Stores, Dollar Stores
  - Beauty Supply Stores, Barber and Beauty Shops, Nail Shops
  - Insurance Companies, Wireless Phone Stores
- ❖ Talk to other business owners in the strip center or area.
  - Find out how much walk in traffic they receive.
  - Demographic breakdown of the clients they provide services for.
  - Find out how long the real estate has been vacant.
  - How much they pay in rent (If possible).
- ❖ Arrange for a walk through of the office space.
  - Avoid any up-front build out fees.
  - Look for real estate that is just an open room

## Lease Negotiations

*There are several key steps in order to negotiate the best deal.*

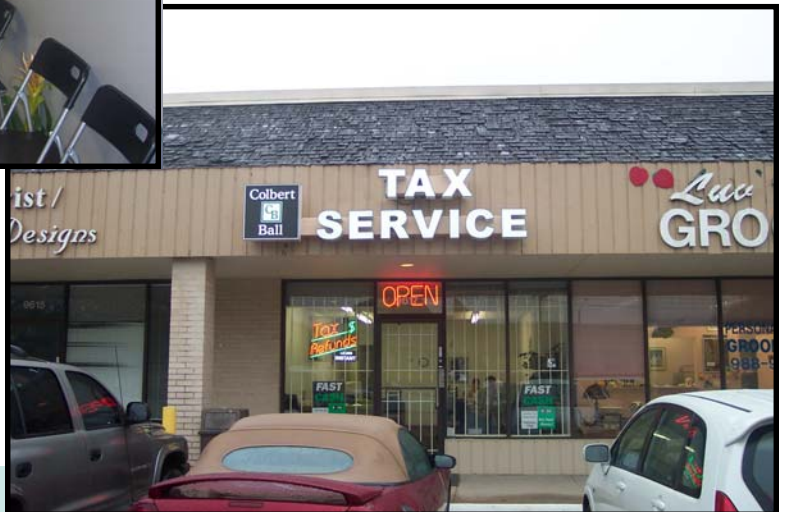
1. Never accept the first terms.
2. Do your research on the property (amount of time vacant, last tenant, reason for leaving, amount they were paying, utility payments for that address).
3. Find out how much square footage there is in the space, and what is the monthly or annual price. We recommend around 1000 square feet at about \$1000.00 a month. In some instances this amount can be higher or lower. If the rental amount is higher, you might try to negotiate a process where by you sign a three-year contract and pay less for the first year's monthly rent and increase that amount over the next two years. This way the total rent being paid is what the landlord is requesting, but in a manner that allows you to be more profitable the first year due to the lower rental amount.



more profitable the first year due to the lower rental amount.

4. Find out if there is a CAM price attached for Common Area Maintenance (Property taxes and maintenance to upkeep the area).
5. What are the minimum lease terms: 1, 2, 3 or 5-year agreement?
  - Arrange for two free months of rent.
  - Arrange for the lease to start in December or January.
  - Try to waive the deposit fee.
2. Are there any build out fees associated with the space that you would have to pay?
3. Find out the signage specifications (Channel Letters, Box Lit Signs or Unlit Signs). These specifications vary from strip center to strip center, from city to city and state to state. We have a sign company that we work with to produce consistent signage within your location's specifications.
4. Negotiate for an arrow flashing sign you may place in front of your location from January to March before the lease is signed.
5. Once the above information has been gathered, present it to the Corporate Office. The real estate developer can assist you in closing the deal.

Above and on the following page are some pictures of current locations, and an illustration of the Kiosk system. The Kiosk size we are currently using is 10'x6'. We have included both inner and outer views. Also, when reviewing the Customer Service CD, you will find examples of various strip center styles and stores that you should make every attempt to locate near.



*Please Note: Some of the locations pictured were assembled before the current signage and office design guidelines were put in place.*



## Commercial Leasing Agents

Some business owners seeking commercial rental space rely on commercial leasing agents to find space that meets their needs. Many commercial leasing agents will provide this service for free because they can earn a broker's commission by bringing you as a new tenant to a landlord. If the commercial agent is the listing broker for a property, he or she will realize the entire commission (shared with the employing agency). Otherwise, the commission will be shared with the listing broker. Some commercial leasing professionals charge fees to help tenants find offices. If so, they should do much more for you than simply serve as a broker. Using a broker has some advantages and disadvantages.

Advantages include: (1) saving you the time of having to search for the available locations yourself, (2) bringing you the benefit of their leasing knowledge, experience and their knowledge of the local commercial market, (3) providing services (including site-selection and lease negotiations) at no cost to you, and (4) making you aware of locations coming up for rent that may not yet be on the market.

Disadvantages might include: (1) the broker may steer you to an office that is not the best available location for you in the interest of earning a higher commission or favoring a particular landlord, (2) the broker may not be sensitive to or be knowledgeable about factors that are of concern to you in selecting an office location, (3) the broker may be more concerned about the interests of the landlord since the landlord is paying his or her commission and the agent will want to earn additional commissions from the landlord in the future, and (4) by using one broker exclusively, you will miss out on the advice and information you might get from talking with several competing brokers. If you are paying the real estate professional (and the landlord is not), some of these disadvantages may not apply.

If you lack the necessary knowledge and skills or can't afford the time, you might consider using a *qualified* broker as your exclusive agent. However, you must still become educated to ensure that the decision you make is a good one. A better approach might be not to use one agent exclusively, but to work with several commercial brokers and, as appropriate, talk directly with prospective landlords. My policy is to deal only with the listing broker whose name and phone number appears on the "for lease" at each property. I tell each agent that I will also consider working with them on properties coming up for rent that they may be aware of that have not yet been listed with any broker and are not yet advertised. If there already is a sign on the property advertising it for rent or lease, I don't need an agent's help to find it.

The remainder of this chapter will provide information on how to find a retail storefront office location suitable for a tax service and suggestions on how to choose a good location. These recommendations are not all-inclusive and should be supplemented with other sources of information and professional assistance.

## Population

Ultimately, no local retail consumer business can prosper without a sufficient local population of prospective consumers from which to draw. If you operate a true mass-market tax service, all taxpayers are prospective clients with some possible exceptions (see "Demographics" below). However, not every person in the population count is a taxpayer. People who don't file tax returns include those who have not been in the work force the entire year such as most young children and people living entirely on public assistance, as well as retirees, students and low income people who have no withholding income below the filing requirement





## Office Site Selection Continued

and do not qualify for Earned Income Credit. On average, about one in three people in the United States files a federal income tax return. However, the percentage of people who file could be much higher or lower depending on the demographic profile of a particular local market. The IRS compiles statistics on numbers and types of tax returns files from each zip code. However, this information is costly since it is only available on a statewide basis. But if you can obtain it from some source, it can be very useful.

When considering a tax office site, your first question should be: “Are there enough taxpayers in the area to support *your* tax office?” To answer that question, you must first decide how many taxpayers are necessary and then determine if at least that number could be served by the office you are considering. The necessary number of taxpayers will be the number you will need to generate adequate revenue for you to generate an acceptable profit. This, in turn, will depend on your anticipated average charge, operating expenses, and profit expectations. For example, if you expect to earn a profit of at least \$15,000 from the office and you expect your marketing and minimum operating expenses to be \$15,000, you will need to generate a minimum of \$30,000 in gross revenue. At an average charge of \$60, this would require 500 clients. However, at a \$100 average charge you would only need 300 clients. You may be willing to build up to this minimum level over a period of two or three years if you have other offices or other sources of income. But the potential to achieve your profit expectation over time must exist.

Once you determine your necessary minimum number of clients and the number of taxpayers in the local market, you should determine the market share you can reasonably expect to attain. Market share is traditionally measured as the percentage of all individual tax returns filed in you market area that are handled by your office. The national tax firms include, in this count, all “taxpayers served,” including returns they prepare and self-prepared returns for which they provide electronic filing and/or refund anticipation loan services. H & R Block has achieved a consistent market share of about 11% of all taxpayers on a national level. Their local market share, however, may vary from 5% to 20% depending on the strength of local competition. It is possible, that you could ultimately achieve local market share equal to that of H & R Block, but doing so will take years. Unless the H & R Block office is doing a very poor job, a more realistic 2-3 year goal would be about half of H & R Block’s share (H & R Block has a presence in virtually every significant U.S. community). This would translate to shares between 3 and 10% depending on local competition other than H & R Block (including self-preparers using tax software programs, the IRS, VITA volunteers, etc.). If you need 400 returns and you expect to achieve 6% market share, you would need 6,667 taxpayers to draw from. If 1/3 of the local population are taxpayers, this would translate to a necessary local

population base of 20,000 people to support your office. As a general rule, the lower the population density, the greater the potential market share is. This phenomenon is a reflection of the nature of competition. More competitors usually are drawn to markets with higher populations of prospective clients (remember that tax returns count, not just people). The more fragmented the market is, the more prospects each operator will need to survive. Therefore, in a rural market with very little sophisticated competition other than Block, a market share of 10% or higher might be readily attained. Operating costs in a rural market will usually be much lower and profitability greater. Even though your prices must reflect the rural area’s lower costs and wages, your

**TIP:** Use the free IRS e-file demographic database as a tool to help determine office site selection. This database consists of taxpayer demographics and tax practitioner information gathered meticulously from several sources and compiled by zip code in an easy to use format by the IRS.

Get more information at [www.IRS.gov](http://www.IRS.gov).



## Office Site Selection Continued

average charge will not be driven down by intense local competition as it might be in a densely populated market. Generally it is not profitable to operate a storefront tax office with year-round rent in a market with a population drawing area of less than 5,000 in a rural market and 10,000 in an urban market.

### Population Drawing Area

The population base of a given office location is, of course, affected by the population density. The area an office will draw from is also affected by a variety of other factors including the following: (1) consumer shopping habits, (2) barriers people will not cross (natural and/or psychological), (3) traffic flows, patterns and roads (4) proximity to other consumer attractions (e.g.: a major retail store), and (5) public transportation.

### Demographics and Psychographics

Demographics refer to the physical and tangible characteristics of people such as age, sex, race, income level, etc. Psychographics refer to the attitudes and beliefs of people such as religion, culture, biases, preferences, opinions, etc. Defining the profiles of ideal prospective clients is essential to determining where to locate an office. The U.S. Census Bureau is the best source of demographic information broken down geographically (by zip code). Psychographic data may be harder to obtain, but it is available from market research firms and independent studies conducted by major companies and other organizations.

### Proximity to Your Existing Offices

Obviously you don't want to have two offices serving the same population base if it is only big enough for one office. However, different types of offices could possibly be located nearby to appeal to different local market segments and be successful even if they are not far apart. For example, a budget office could be located in a discount department store in the same shopping center or mall with a full-service storefront office and, possibly, with an executive level office in a professional building next door. All three offices could be successful if they are staffed with different levels of associates, furnished and appointed appropriately, and promoted effectively. A new office could be added not far from an established office that has reached its physical capacity, but cannot be relocated without losing business. An effective method to help determine where to add new offices is to "pin" a map. That is, to mark the locations of your clients of all existing offices with colored pins or markers, using a different color for each office. This will show where each office is drawing its clients from and where there is overlap or voids that your existing offices are not serving. An analysis could also be done by computer (perhaps even graphically) which could calculate your market share by zip code

**TIP:** Contact your local Chamber of Commerce for assistance in site selection. The Greater Richmond Chamber, for example, operates a "Business Information Center" which offers data and assistance in site selection, market analysis, trade area analysis, economic analysis, business geographies, and strategic planning. Using a shared data base called Atlas Market Quest, they can provide a "Market Status Report" by Strategic Mapping, Inc. for any location (e.g. a shopping center under consideration). The report includes population and various "socio-economic measures" and trends for your specified radius (e.g.: 3 miles, 5 miles, 7 miles, etc.).



### Proximity to Your Competitors

Your competitors (direct and indirect ones) will take market share as long as they stay in business, and they will have an impact on how much market share you can realize. However, this does not necessarily mean that you should avoid locating near your competitors. Because the tax preparation industry is mature, you are not likely to find many excellent locations without a strong competitor at or near the site. One strategy would be to locate as near as possible to the most successful tax office(s) of your competitor and do a better job of delivering value to your clients. Another possibility is to find a location where the population is moving away from the original shopping hub—where a major competitor is located—and beat your competitor to a new shopping center to which consumers are gravitating. In any case, you should strive to find a more visible location with a better image and signage and do a better job than the competition.

### Barriers - Natural and Psychological

For your office to be successful, it must be in a location that will attract the market you wish to serve. You should look for any barriers that can prevent prospective clients from coming to the new office site. A natural barrier such as a river or railroad tracks can often limit your drawing area, even if people on the other side would not have to drive very far. Psychological barriers include cultural and economic factors, as well as crime rates (or perceptions of adverse conditions whether or not they are founded on facts). The success (or lack of success) of other businesses in the immediate vicinity is usually a good indicator of potential for your success.

### Future Trends

Consider long-term as well as short-term prospects when choosing a location. You will want to be aware of changing demographics and shifts in population. For the long term, you may want to locate where people are moving, not from where they are moving. However, if the new growth area does not have enough of a population-base yet to support your office, you may want to lease short-term in the more densely populated area until the time is right.

**TIP:** Talk to other merchants about factors such as natural and psychological barriers and future trends, as well as pending events that could have negative or positive impacts on businesses in the vicinity. For example, the closing or opening of a major nearby employer or department store, a planned new highway or re-routing of traffic.

### Pedestrian Traffic

If you are locating in a downtown urban center or inside a shopping mall, pedestrian traffic will be an important consideration. You can determine pedestrian traffic by personal observation on various days and times and by talking to neighboring merchants.

### Motor Vehicle Traffic Flow

High visibility may not help your business if the traffic flow is too fast on the road in front of the premises and there is not a traffic light or stop sign to slow the traffic down. It can be awkward and dangerous for a motorist to try to turn off from a fast moving highway. Generally a location on the side of the street that commuters go home on is preferable.



## Office Site Selection Continued

### Access

A building may be very visible to passing motorists, but if there is no convenient way for them to enter the parking lot, they will probably not try. Ideally, the entrance will be on the main road at a traffic light. If people have to make a U-turn to get to the store, that is a problem.

### Visibility & Sign Privileges

The reason storefront tax offices generate more revenue than offices in professional buildings is greater visibility. You will usually pay a premium for a highly visible storefront, but the visibility may be well worth the extra cost (however, see “Motor Vehicle Traffic Flow” and “Access” above). If the store is in a shopping center, clear visibility from the main road is a big plus. If a store in a “U-shaped” shopping center is perpendicular to the road and facing the opposite direction as the flow of traffic directly in front of the center, motorists cannot see it at all unless they are traveling on the opposite side of the road. If not visible from the road, visibility upon entering the shopping center is important. Keep in mind that motorists are oriented to look to the right, therefore, if a store inside a shopping center that is off the road is on the left, they may not notice it as they drive into the shopping center.

As noted in chapter 3 “Leasing” (page 3-9), be sure there are no unreasonable sign restrictions imposed by the landlord. Also consider the cost of exterior illuminated signage to conform with the shopping center’s sign criteria. Individual neon letters will cost three to four times as much as a cabinet or “box” sign using fluorescent lamps. An adequate sign may be existing, thus eliminating the cost of fabrication and wiring and requiring only a new plastic sign face. Or the center may have an illuminated sign face requiring only non-illuminated letters to be affixed. However, never skimp on the cost of a sign. Always install the largest, most visible sign allowable, but make sure it projects a professional and tasteful image. See examples of storefront signage at the end of this chapter.

Poor storefront visibility within a shopping center can be compensated for with supplemental signage. A free standing double-faced illuminated roadside pole sign, although costly, is ideal. Many shopping centers have existing roadside signs or marques affording the opportunity for additional signage. Also consider directional signs (check local ordinances), even if only displayed during tax season.

### Parking

You must be sure there is enough parking for your clients and employees, and that client parking is convenient. Ask if there are shopping center rules pertaining to employee parking and, if so, how these rules are enforced. A well-managed shopping center will require all merchants and employees to park in designated areas leaving the most convenient parking spaces available for

**TIP:** Drive to the store from different directions and carefully observe when the storefront and sign face become visible and opportunities for additional signage.

**TIP:** If you can lease a less visible store (at lower rent) in a strip shopping center which has a roadside sign identifying the shopping center, ask for the right to exchange the face(s) of the shopping center sign each year with your sign face each year from January through mid-April. Another possibility is to rent a billboard facing the flow of traffic approaching the center.

**TIP:** For a new office location, consider a grand opening hot air balloon and/or special signage and banners for two weeks (or longer) beginning mid-January. Obtain the landlord’s permission before signing the lease, check the local sign ordinances and obtain any required permit.



## Office Site Selection Continued

customers, and they will enforce the rules. Employees of neighboring stores should not be allowed to park in front of your store. Be sure that your employees will not be placed at risk by having to park in remote, dark areas where a person might be mugged or attacked.

### Image/Appearance

The key is to have an office that looks better than most or all of the neighboring businesses, but does not appear extravagant. If an available storefront doesn't project the image you want, ask the landlord to improve it or, if necessary, make affordable improvements yourself. If a major improvement is necessary, such as a new storefront, and the landlord will not pay for it, maybe the landlord will abate your rent for a few months if you pay for the improvement. Image is affected by cleanliness, signage, maintenance, lighting, painting and decorating. A major tax service enhanced the image (and visibility) of their offices in Manhattan, N. Y. by adding bright blue sidewalk canopies with fluorescent lighting that illuminated opaque letters spelling their name and "income tax". Adding vinyl graphics to the top and/or bottom of storefront windows showing your logo and services is another way to enhance image and project uniformity for instant recognition if you have multiple locations (like McDonald's Golden Arches). You should display professionally produced window banners and/or illuminated fluorescent or neon window signs. The glass entrance door should have professional vinyl graphics with your logo and office hours, as well as decals of professional organizations such as the Chamber of Commerce, Better Business Bureau, National Association of Tax Practitioners, etc. Of course, your windows, door, store front and sidewalk should always be kept clean. To get ideas, look at storefront offices of other professional consumer services, especially national chains. Consider adding outside lighting and be sure the inside of your office is well lit. Do not cover the windows with drapes and keep blinds open so your office will not appear to be closed. Image not only affects how you are viewed by the public and your clients, but how you and your employees feel about the company.

### Anchor Tenants

Major anchor tenants are a big plus for shopping centers, and their departure is a big negative. Make sure the anchor tenants are not going to be moving before you sign a lease. It is also important that the anchor tenant(s) appeal to the same type of consumers who you want to attract. Woolworth or Bloomingdale may not be as good for your business as Sears or JC Penney. Strong anchor tenants indicate that the location is good because they have done their homework before choosing the site. However, a new major anchor store may be located at the fringe of an emerging growth area. But, you may want to stay closer in for a couple of years until a major shift has actually taken place.

### Other Tenants

Obviously, the tenant mix in a shopping center must be compatible to your business. For example, you would not want to be located next to an adult bookstore, or in a complex of automotive stores and garages.

### Types of Shopping Centers

One of the keys to selecting an office location that will be successful is to understand the



## Office Site Selection Continued

differences among shopping centers and how those differences might impact your business. Here is a description of the main types of shopping centers:

### 1. Neighborhood Shopping Center

As the name indicates, this type of center is designed to serve the residents of the neighborhood in which it is located. Typical stores found in a neighborhood center would include the following: delicatessen, dry cleaner, Laundromat, bar, convenience store, luncheonette, etc. A neighborhood center will not have an anchor store such as a supermarket or a department store and will usually have no more than about ten stores. Because a neighborhood center's drawing area is limited to local residents, it will probably not draw enough taxpayers to support a tax service. However, there are exceptions to every rule. A large neighborhood of middle-income homeowners, most of whom need tax help, could support an office, particularly if there is no competition nearby. Also, a neighborhood shopping center with high visibility that is on a main access road to other neighborhoods might work for a tax service. On the plus side, the rent should be lower, which might make year-round occupancy feasible; and this, in turn, would permit continuity and project a stable image.

### 2. Community Shopping Center

This type of center serves two or more neighborhoods comprising a community. Tenants in the center will probably include at least one anchor store, such as a supermarket, department store, or home center and may have 15-25 stores. Other tenants might include the following: restaurant, hardware store, pet shop, video store, beauty salon, pharmacy, boutique, gift shop, etc. A community shopping center that serves 5,000 to 10,000 taxpayers might be a safe bet for a tax office depending on other factors discussed in this manual such as population density and competition. A cluster of nearby smaller shopping centers could collectively constitute a community shopping center.

### 3. Regional Shopping Center

A regional shopping center (or group of shopping centers) serves two or more communities and will usually include at least two major anchor stores, as well as several large stores in addition to a number of smaller stores. Most regional centers have at least 50 stores.

### 4. Regional Shopping Mall

A regional mall is usually enclosed in an air conditioned building unless it is located in a climate where heating and/or air conditioning is rarely essential. Major regional malls in San Diego, California, for example, do not have roofs covering the common areas, although they otherwise look very much like other malls throughout the country. Tenants include national retail chains, such as The Limited, fast food vendors (in the food court) and several major anchor stores such as Sears, J C Penney and other major department stores.

Recognizing the general classification and characteristics of a shopping center you are considering, may help you to determine the number and types of taxpayers you might attract as a tenant of that center. A neighborhood center may draw from a large enough area to support a tax office. Even though a regional center may draw a lot of people from a large area, many of those people may prefer to get their taxes prepared at a community center closer to home. Nevertheless, as mentioned previously, having a presence in a regional mall is prestigious and helps to build consumer awareness of your tax firm.



### Occupancy Cost

If money was no object, finding office locations that meet all of your criteria would be a relatively easy task. Unfortunately, the extreme seasonality of the tax business places severe limitations on how much we can afford to pay to occupy an office. (Seasonality may also cause some landlords to choose not to rent to you even if you can pay what they are asking.) Therefore, at least until a high level of revenue is developed, you must often make compromises. For example, you may have to settle for a less visible location in a good shopping center and compensate by getting the landlord to approve special directional signage or seasonal signs. Or you might lease an office at a bargain price that is set back from the main walkway of the shopping center, but has signage comparable to the other stores. Some shopping center spaces that are not desirable for most retailers (due, for example, to lack of display windows), may be okay for your purposes. In the interest of keeping rent reasonable, you might have to settle for a fringe location in the best shopping district or shopping center you can get into.

# Office Selection Checklist



_____ Population	_____
_____ Drawing Area	_____
_____ Socio-Economic Profile	_____
_____ Barriers-	_____
_____ Natural/Psychological	_____
_____ Future Trends	_____
_____ Competitors Nearby	_____
_____ Distance from	_____
_____ Your Nearest Office	_____
_____ Traffic Flow	_____
_____ Access	_____
_____ Visibility	_____
_____ Sign Privileges	_____
_____ Parking	_____
_____ Image/Appearance	_____
_____ Anchor Tenants	_____
_____ Other Tenants/Vacancies	_____
_____ Type of Shopping Center	_____
_____ Rent/Pass-throughs	_____
_____ Other Considerations	_____





# Leasing Offices

## Legal Advice

The information, ideas and suggestions contained in this section deal with the management of legal issues and are not to be construed as legal advice. The author is not an attorney and is not qualified to provide legal advice. The author and the publisher, CBTS, assumes no responsibility for decisions made by readers of this book based on information contained herein, or for omissions of information. You should seek the advice of a qualified attorney to provide information or answer any questions you may have that involve the law and/or legal issues.

## Doing Your Homework

Signing a lease for an office is a decision that will greatly impact your tax business. A good choice can dramatically improve your success, but a mistake could be disastrous. You must not take this chore lightly or rush through the process. Information and knowledge are power and to be on equal footing with the landlord, or more likely the landlord's leasing agent, you must educate yourself in the rules of the leasing game and obtain as much information about the property, the landlord and the local market conditions as possible. Much of the information should have been obtained during your site selection process (covered in Chapter 2). Additional information needed to negotiate a lease might include the following (partial list):

1. **History of the Premises**
  - a. How long has the premises been vacant?
  - b. What were the terms and rent for the previous tenant?  
(Try to locate tenant and ask.)
  - c. What has the cost been for utilities? (electricity, heating & air conditioning)
  
2. **Current Status of the Premises**
  - a. How many other spaces are vacant?
  - b. What are the other tenants paying for comparable space?  
(rent and other charges)
  - c. What special conditions or restrictions has the landlord imposed on other tenants?
    - 1) Hours of operation requirement
    - 2) Percentage rent
    - 3) Signage restrictions
    - 4) Parking restrictions
    - 5) Other?
  - d. What special concessions has the landlord made for other tenants  
(past and present)?
    - 1) Rent abatement allowances made?
    - 2) Build-outs paid for?



## Leasing Offices Continued

- 3) Options for renewal granted?
- 4) Standard lease provisions waived? (e.g.: required hours of operation)
- 5) Other?
- e. Outside events that may impact premises (e.g.: road work, competing new centers)
- f. Financial status of the landlord
- g. Future plans of the landlord (e.g.: might the premises be sold?)

## Types & Characteristics of Landlords

The ease with which you can negotiate a favorable lease will depend, in part, on the type of landlord who owns the premises. The following are examples of some of the types of landlords you might encounter and their general characteristics:

**Individual Owner/Investor:** A private individual who owns a building or shopping center as an investment and/or tax write-off. This owner will probably be eager to find and keep a long-term tenant to insure the steady rental income necessary to meet mortgage payments and insure a positive cash flow. Depending on the wealth, goals and personality of this owner, he or she may be very easy to work with or very difficult. If you can communicate directly with an individual owner, you may be able to obtain concessions that would be rejected by a leasing agent. An individual tends to place more importance on the perceived personality and integrity of the tenant. Generally, the lease should be simpler and easier to negotiate with an individual owner.

**Individual Owner/Co-tenant:** A private individual who owns a building or shopping center in which he is also a tenant. In addition to sharing the characteristics of the owner/investor, this owner may also be motivated to find a tenant that complements and enhances the success of his or her business at the premises. Such an owner may reject a tenant that does not generate adequate (or year-round) traffic or attract the “right” type of customers.

**Limited Partnership or Corporation:** The characteristics of a small group of investors will be similar to those of the individual owner/investor. However, the entity will be more sophisticated, professional and objective than an individual. The degree of sophistication depends, in part, on the size of the organization. Some are huge with holdings in several states or even nationwide, often comprised of multiple smaller limited partnerships, each investing in one or more properties. The ease with which you can negotiate a favorable lease will depend on the person or people who are handling leasing for the organization and the size of the group. The limited partnership may make special concessions for a desirable long-term tenant. If the organization is trying to obtain refinancing it may be anxious to get a lease signed, even if it is less favorable than desired. Their standard lease may be relatively simple or very complex. Some leases may contain uncommon clauses due to experiences and concerns of individual partners.

**Property Development Company:** These landlords are in the business of constructing buildings and shopping centers and making them profitable and more valuable. Often their objective is to get a property fully leased and sell it at a big profit; then invest the proceeds in the development of other properties. However, many development companies hold properties indefinitely if they are very profitable or if they cannot be sold for a satisfactory profit. This may



## Leasing Offices Continued

especially be true for the property where the development company is housed. Development companies may be more flexible than other landlords in the interest of achieving a greater occupancy rate to appeal to financiers and prospective buyers. Leases will be similar to those of limited partnerships.

**Investment Trust Company:** Investment trusts tend to be among the largest and most sophisticated of landlords. They are usually managed by a team of sophisticated professionals including specialists in leasing and property management and property acquisitions. Many are very large and bureaucratic and have in-house legal departments. Because of their high level of sophistication and extensive experience, expertise and risk-aversion, a typical investment trust lease is very long (often more than 50 pages) and complex. An investment trust is usually concerned about the long-term prosperity of the property and, therefore, tends to take a long time--perhaps 60-90 days to negotiate a lease.

### **Negotiating Through a Leasing Agent**

Most shopping center and office building landlords employ a leasing agent to find tenants and negotiate leases and the leasing agent is with whom you will probably be dealing. Keep in mind that the leasing agent's objectives may not be in complete accord with the goals of the landlord. The agent's goal is to find a long-term tenant and earn a commission (usually a percentage of the annual rent). When considering a short-term (tax season) lease with the possibility of a long-term renewal, the agent might not be interested in the small commission and, therefore, might not present your proposal to the landlord. If the agent turns you down, you might find out who the landlord is and approach him or her yourself.

Most commercial leasing agents are very sophisticated and can, in fact, help you obtain concessions from the landlord in the interest of closing a deal. Remember, though, the agent is working for the landlord, not you, and will not volunteer to make concessions or make you aware of negatives about the property or pitfalls in the lease. Many entrepreneurs are intimidated by leasing agents who are skilled in getting tenants to conform to landlords' "lease requirements". Keep in mind the old adage, "everything is negotiable". But also remember that your ability to obtain concessions on issues of importance to the landlord will be greatly dependent on the demand for the premises and your desirability as a tenant.

A common tactic of leasing agents is to have an initial meeting with a prospective tenant to discuss general provisions such as the lease term and rent and reach an agreement in principle. Then the agent will prepare multiple copies of a lease reflecting the points agreed upon and send them to you with a cover letter requesting that you sign and return all copies to be presented for the landlord's signature. Naive tenants frequently succumb to this intimidating inference that the lease is now in final form as agreed upon and cannot be changed. Detailed lease terms cannot be agreed upon until you have read the landlord's *proposed* lease. Also, the lease is not final until it is signed by you, the landlord and any other party to the lease. Never sign a lease until you have read and understood the terms, and are willing to accept all of the lease provisions. Agents are accustomed to negotiating the fine points of leases with tenants and making changes in the initial drafts.

### **Negotiating Directly With the Landlord**

The landlord may be less sophisticated and easier to deal with than a professional agent. Direct negotiations, however, can also result in an impasse which might have been resolved by an agent serving as intermediary. Dealing directly with the landlord could save time, but could



## Leasing Offices Continued

also take longer if the landlord is not readily accessible. As mentioned previously in the discussion of characteristics of landlords, the individual owner may make decisions based on less objective criteria and be more influenced by personal impressions. The landlord may also be more receptive to making concessions or signing a short-term lease than an agent. Also, if there is no agent to pay a commission to, a lower rental rate may be possible. Given the choice, I would generally prefer to negotiate directly with the landlord.

### Using a Lawyer

If you are a poor negotiator or do not have the time or aptitude to analyze and interpret the lease, and you can afford it, you might be wise to hire an attorney. However, you should find a lawyer who has special expertise in leases and who comes with good references from sources you can trust. Hiring a lawyer does not insure that you will get the advice you need. I have seen leases that were “blessed” by attorneys which contained provisions that I would never have agreed to. Lawyers have also been known, on occasion, to kill good deals because they are overly anxious to change provisions that do not really pose serious concerns or carry relatively low risk for you. A good lawyer isn’t always a good business person. Therefore, you must read the lease yourself to determine the deal you are willing to make. However, asking for changes in a professional and non-demanding manner usually won’t hurt your negotiations. You’ll never get what you don’t ask for. You should rely on your attorney to explain legal language and provisions that you don’t understand, to point out potential problems and to advise you. All final decisions should be made by you since you are the one who is making the deal and must live with the terms and conditions agreed upon.

### Standard Lease Forms

Most landlords have adopted standard lease forms which include all of the terms and conditions they would like to have. More sophisticated landlords have developed their own standard leases, usually under advisement by their attorneys and leasing agents. Major real estate development companies and investment trusts tend to have very complex leases (usually 40-50 pages or longer) including provisions to protect the landlord under almost every potential situation that the landlords or their lawyers have ever experienced, heard of, or read about. While such standard lease forms also reflect terms and conditions that are fair to the tenant (often dictated by tenant’s rights laws), they are almost always heavily weighted in favor of the landlord.

Negotiating such a lease can be very time consuming, confusing and frustrating. Many tenants give in and sign the standard lease without changing the provisions they don’t fully understand because they have relied solely on the landlord or the agent for explanation. This is a mistake! You will be legally bound by all terms and conditions of the lease and you should make sure you know the exact meaning of every provision and how it could affect you. If necessary, seek advice from an experienced entrepreneur or an attorney.

### Key Leasing Considerations

The following discussion of common lease provisions is general and not exhaustive. Your particular circumstances might involve factors not discussed here or situations not addressed in this discussion of key leasing considerations.

**TIP:** National firms such as H & R Block present landlords with their own standard lease forms which are favorable to the tenant. Consider developing your own “tenant friendly” standard lease like the sample lease we’ve included at the end of this chapter.



## Leasing Offices Continued

For this reason you are advised to seek qualified legal advice in making any important leasing decision about which you may be uncertain.

### 1. Premises Description

The lease should include the correct legal description of the premises that you are leasing. Ideally, the shopping center or office building will be identified by its designation as legally recorded in the jurisdiction in which it is located. The space you are leasing should also be identified by its U.S. Post Office address and, in the case of subdivided space, a detailed description including its square footage, dimensions and location within the building. Often drawings are attached as lease exhibits and referenced in this provision. These exhibits should show the location of the leased premises within the site and include a floor plan of the leased premises drawn to scale.

**TIP:** Measure the dimensions of the premises and calculate the exact square footage of the space you are leasing. It is not unusual for the square footage to be overstated in the lease, resulting in a significant overcharge of rent. Note that some landlords add to the square footage of subdivided space a proportionate share of common area space such as halls and rest rooms.

### 2. Lease Term

Complex leases may define the “Term” as beginning on the “Commencement Date” and ending on the “Termination Date”, and these terms are defined elsewhere in the lease. If you encounter these terms, stop and locate all references in the lease to the Commencement Date and Termination Date and scrutinize these provisions carefully for potential pitfalls.

For example, the Commencement Date might be defined elsewhere in the lease as the later of the date you want the lease to begin and the date the landlord completes construction or landlord required build outs. If you planned to open your tax business on January 1st, and construction delays caused your lease Commencement Date to be delayed until March or April 1st, the impact on your business would be devastating. In fact, you might have to find another location, resulting in the obligation to pay rent for two offices! The best solution is to insist on exact calendar dates for commencement and termination and provide for the right to cancel the lease in the event that the premises is not delivered on the date you need possession. (Note: the Termination Date will usually be specified as the earlier of the date you have agreed the lease will end or the date the landlord has the option to terminate the lease under a default provision.)

**TIP:** Always start a new lease on January 1st and obtain early possession—rent free to set-up the office for occupancy, and have the lease end on April 30th.

### 3. Rent Charges

Base rent for commercial retail or office space is usually determined and quoted as an annual rate per square foot. For example, a rental rate of \$12 per square foot for a 1,000 square foot space would total \$12,000 per year or \$1,000 per month. Keep in mind that the base rent charge is only one component of your rent cost. When comparison shopping for office space (and budgeting), you must consider *all occupancy costs*, including “pass-through” charges (see item 4 below), build-outs (see Glossary definition), utilities, repairs & maintenance, sign fabrication

**TIP:** Save on a short-term tax season lease by requesting a 3-month term from mid-January (15th) to mid-April (16th or the day after the filing deadline if extended).



## Leasing Offices Continued

and installation and anything else you must pay for at each location.

Rent escalation provisions are often built into long-term leases. Some landlords may provide for annual rent increases, others might allow the rent to stay constant for two or more years or throughout the entire term of the lease. Usually a renewal option will include a rent increase. Many landlords tie the rent increase to the annual rate of inflation determined by the “Consumer Price Index” of the U. S. Bureau of Labor Statistics or some other such index. Other landlords will specify a percentage or dollar increase. Recent rates of inflation have been 4% or lower. The landlord might use a 6% factor to hedge for increased inflation. Or might use an even dollar amount that equals or exceeds the anticipated rate of inflation. For a \$12 per square foot rate, a 50 cent increase represents 4.2% and a \$1 increase equals 8.3%. Therefore, a 50 cent annual increase or a \$1 semi-annual increase under today’s economic climate would be fair for a lease with base rent in the \$11 to \$13 range.

Quite often a big problem is finding a suitable space that is not too large. Your main office can probably be operated comfortably in a 1,000 square foot space. For a branch office, 600-800 square feet should be adequate. Professional office buildings often afford flexibility, but retail storefronts in most shopping centers tend to start at 1,000 to 1,600 square feet. Because it is to a landlord’s advantage to build and rent larger spaces, there is a shortage of small stores in prime retail shopping centers in most sizeable markets. If you rent a space that is 25-50% larger than necessary, not only will your rent be higher, but your lighting and air conditioning cost will be increased proportionately. This problem is especially serious for a tax service because, unless a complementary off-season business can be operated at the office, the space will only generate revenue for about three months. As a result, tax service offices are often located in inferior space or leased only on a short-term basis. Both of these solutions contribute to the general negative image of the industry.

“Percentage rent” is common for traditional retail tenants in malls and major “strip” shopping centers. A retail merchant typically pays a guaranteed minimum rent plus a percentage of all “gross sales” or any gross sales realized above a specified level. Service businesses, however, typically pay a flat rent amount that is not tied to revenue and all. Seasonal mall tax offices and leased departments are often leased under percentage rent arrangements (further explanation in Chapters 4 & 5).

#### 4. “Pass-through” Charges

Many retail shopping center landlords offer only “triple net leases”, which means that all costs of operating and maintaining the shopping center are passed through to the tenants. Under a net lease, each tenant pays a percentage of these “pass-through” charges equal to the percentage of the total leasable space in the center occupied by the tenant. Thus, If the center is 100% leased, the landlord pays none of the costs. Pass-through charges include, but may not be limited to, the following costs: (1) property taxes, fees & assessments, (2) insurance, including property, liability and fire & other casualty, (3) common area maintenance, (4) landlord’s operating costs, (5) shopping center marketing costs, and (6) any

**TIP:** If a desirable space is too large for your needs suggest to the landlord that the space be subdivided. Usually the space will be too deep, in which case an adjacent existing or future tenant might be willing to expand into the rear of your space, leaving you with a smaller store.

**TIP:** If you are signing a long-term lease, ask for an abatement of rent for up to 6 months or longer, especially if the landlord is incurring little or no cost to make improvements to the premises. Depending on market demand for space, landlords have been known to allow up to year of rent-free occupancy to attract a good long-term tenant. It doesn’t hurt to ask!



## Leasing Offices Continued

other cost incurred by the landlord in connection with the property.

When negotiating a lease with pass-through charges, you should find out how much those charges are currently running per square foot of leased space in the shopping center and add that to the base rental rate for comparison to other options. Usually estimate amounts will be assessed monthly for pass-through charges, then adjusted to actual costs after the close of the year. As mentioned under "Rent Charges", you should also consider all other occupancy costs which may vary among different properties.

### 5. Utilities

Again, utilities should be considered along with rent and pass-through charges as occupancy costs for comparison shopping and budgeting purposes. Professional office buildings typically include utilities in the rent (to save the cost of installing separate meters and to permit flexibility in restructuring space). Retail shopping centers usually install separate meters and require the tenants to put all utilities in their own names. Depending on the type of HVAC system and the insulation and size of the premises, utility costs can vary greatly from one office to another. Consider too that you may be required to post a utility deposit for a new location.

### 6. Security Deposits

Posting a security deposit is a losing proposition for the tenant and should be avoided if at all possible. Most small business owners cannot afford to have any working capital tied up. Try to convince the landlord that there is no risk that you will not honor all terms of the lease which will undoubtedly include a clause holding you responsible for any damage to the premises. Offer references instead of money.

**TIP:** Ask the utility company (or the previous tenant) to provide you with the actual cost of utilities for the past year or two.

### 7. Rent Payment Schedule & Terms

Usually base rent and estimated pass-through charges are due and payable on the first day of every month. Sophisticated landlords will specify that any set-off or deduction is prohibited regardless of the reason. However, you might ask for a provision to permit a set-off if critical services necessary for you to operate are not provided by the landlord. Most leases provide for tenant's failure to pay rent within 5-10 days after the due date to constitute a default (see discussion later in this chapter). Some leases-in addition to late payment constituting a default-provide for the assessment of stiff late charges (e.g.: \$50 plus \$20 per day from the due date).

### 8. Up-fitting Leased Space

It is common for landlords to spend substantial sums of money for "build-outs" needed by long-term tenants. Often rent rates reflect the cost of such build-outs which will be recovered by the landlord over the

**TIP:** If the landlord will not waive the security deposit, ask to put the money in escrow in a savings account in your name to be released upon satisfaction of the lease terms. As an alternative, ask the landlord to pay interest on the security deposit.

term of the lease. As an alternative to making build-outs, the landlord may agree to a lower rent, or an abatement of rent, or may even give the tenant a payment or allowance to make the desired improvements. Before negotiating, find out what the landlord has done for other tenants.

**TIP:** If the landlord will not waive the security deposit, ask to put the money in escrow in a savings account in your name to be released upon satisfaction of the lease terms. As an alternative, ask the landlord to pay interest on the security deposit.



## Leasing Offices Continued

Whether improvements are made by the landlord or the tenant or both, the lease should stipulate the improvements that must be made by the landlord and may be made by the tenant. This will usually require an addendum with detailed descriptions, specifications and, if necessary, drawings, as well as required completion dates. Any work that you agree to perform as the tenant should be at your option, using a non-union contractor of your choice (or yourself). Again, cost that you must incur to outfit the space should be considered as occupancy expense.

The lease should stipulate that any removable improvements made by the tenant, such as fixtures and equipment, will remain the property of the tenant. The landlord should agree to this provided that any damage resulting from the removal of the improvements is repaired and the premises is restored to its original condition.

### 9. Use of the Premises

This is a critically important provision that is often skimmed over too hastily by tenants. Be sure this clause stipulates every type of business you are now engaged in or are contemplating for the future. Also consider that your business could change, requiring you to provide new services or products or to subrent the premises. Since you are paying rent for the space, you should be entitled to operate any legitimate business that is not detrimental to the shopping center or prohibited by other tenant leases. The sample lease at the end of this chapter contains an example of a tenant-favored use clause.

### 10. Signs

Visibility of a storefront location is a primary determinant of value and, consequently, rental rate. A highly visible store facing a busy main street (or on a high traffic corridor of a mall) will rent for a premium, all other things being equal. Since you are paying a premium for visibility, it is essential that you obtain the best possible signage permitted by the landlord and allowed by the local jurisdiction's sign ordinances. The landlord's verbal approval or promise to review and approve proposed signs after the lease is signed is not acceptable. If a promise is not in writing it is not binding on the landlord or the landlord's successors. And a verbal agreement is subject to interpretation and recollection. Therefore, you should determine the exact signage that you would like; then prepare a lease addendum describing all signage with an exhibit containing illustrations of your signage. This addendum should become part of the lease to be approved upon execution by all parties. It is customary and appropriate to add a condition such as: "subject to the approval of the sign ordinances of (local jurisdiction)." And you must determine, in advance, what the local law allows to be sure that your landlord approved signage will be legal. Be sure to include a provision for window and entrance door signage as well as directional signage, if necessary. And, if appropriate, ask for roadside sign privileges or inclusion in any existing shopping center marques and directories. Remember, once the lease is signed, you will be at the landlord's mercy.

### 11. Landlord's Responsibilities

Customarily the landlord is responsible for maintenance and repair of the roof and common areas (including landscaping). The landlord should also be responsible for installation and replacement due to normal wear (but not maintenance) of the plumbing and air conditioning (HVAC) systems. Some landlords will not assume responsibility for keeping the sidewalk in front of the store free of snow and ice, but will make necessary repairs. The landlord should assume responsibility for maintaining the parking lot. Some shopping centers are designed to permit landlord control of exterior illuminated signage (to ensure uniformity). The landlord may





or may not assume responsibility for maintaining or painting the exterior of the premises. In some cases, the landlord may assume responsibility for paying utilities for the premises (this is the norm for a professional office building). Anything the landlord pays will either be reflected in the rent or pass-through charges to the tenants.

### 12. Tenant's Responsibilities

This is an area of the lease you must carefully scrutinize. Usually (in a storefront) the tenant is responsible for all utilities and maintenance of the interior of the premises and all plumbing, wiring and equipment (HVAC, water heater, etc.) for the premises. Even though the landlord may be responsible for maintaining the roof, many landlords will not assume responsibility for damage to the interior resulting from a leak in the roof. Although this doesn't seem fair, if there is high demand for the space, the landlord's position may be "take it or leave it". After taking possession, the tenant is usually responsible for all interior decorating, painting, improvements and maintenance. Fixed improvements (e.g.: carpet, interior walls, built in fixtures and cabinets, etc.) usually become the property of the landlord and must be left upon vacating unless otherwise agreed in writing. The tenant is also responsible to leave the premises in good condition and repair any damage upon vacating.

### 13. Options

Always ask for an option to renew, it's a winning provision for a tenant. Some landlords will give options without hesitation provided that the annual rent continues to escalate and all terms of the lease remain the same. If, at the end of the initial lease term, the rent is too high for current market conditions, you can simply choose not to exercise the option and renegotiate for more favorable terms or move out. Try to get the shortest possible advance notice period to exercise your option. Thirty days would be great, but 60-90 days should be the longest notice you should agree to (unless you would lose the option). The longest notice we've seen is 120 days (six months).

### 14. Subrenting

You should insist on the right to subrent for any permitted use provided that you are still fully responsible to comply with all terms and conditions of the lease. (Be sure the sublease agreement binds the subtenant to the terms of your lease.)

### 15. Assignment

Most leases include a provision giving the landlord the right to assign the lease under a variety of circumstances, or even at will. Assignability is a reasonable provision since the landlord may sell the property and part of its value is existing leases. The landlord may also need to assign to accommodate refinancing requirements or other legal or financial conditions. However, you as the tenant may also have a need to assign your lease interest under certain events such as the sale or merger of your business.

### 16. Damage, Destruction, Condemnation

A sophisticated landlord will have lease provisions for such contingencies. Such provisions usually consist of customary legal language which landlords are not likely to modify. You should read all lease provisions. If you do not understand any condition, ask the landlord for an interpretation or explanation, and if anything seems unreasonable, ask your own attorney or advisor to review it.

**TIP:** If the landlord insists on approving any subtenant, add this clause: "...provided that such approval will not be unreasonably withheld or delayed".



## Leasing Offices Continued

### 17. Default

The default provisions are dangerous and must be carefully scrutinized. You don't want to be in a position in which the landlord has the legal right to terminate your lease without justification. The landlord customarily reserves the right to claim a default by the tenant in the event of (1) non-payment of rent or other charges, (2) uncured breach of any of the terms, conditions or covenants of the lease, and (3) bankruptcy or insolvency of the tenant (or the filing of related petitions). Some leases contain default provisions that go beyond these events to include vacating, abandoning or failure to operate the business in the premises. The lease may also contain extensive provisions defining remedies and damages. You should read every provision in this area of the lease very carefully and be sure you understand and can live with the terms. If necessary, have a consultant or attorney read the lease and advise you.

**TIP:** Request that this provision be reciprocal so that you have the same rights as the landlord. At the very least, insist that if landlord's approval is required for assignment that such approval will not be unreasonably withheld or delayed.

### 18. Personal Guarantees

Most sophisticated business people would absolutely refuse to provide a personal guarantee for a lease. If your business should fail, even though you may have the protection of a corporation, you will be personally responsible for the remainder of the lease if you sign this provision. Should your business fail, personal guarantees could result in a heavy burden of personal debt or even bankruptcy. Your first response should always be NO! However, if your corporation does not have adequate net worth, and the landlord is making a financial investment in the lease (such as leasehold improvements), you may have to provide a personal guarantee.

**TIP:** Due to the seasonality of the tax business, you should add an option to terminate in the event that damage or destruction would render the premises untenable during tax season.

### 19. Leasing Pitfalls

The following is a limited list of problems you might encounter when entering into a commercial lease.

**a. Utility Meter Installation:** If you are the first tenant in a newly constructed (or newly subdivided) premises, make sure that the utility meter(s) have been or will be installed at the landlord's expense, and that this expensive addition will not be your responsibility.

**TIP:** Ask that all default provisions be made reciprocal, that is equally applicable to both the landlord and tenant. The landlord will be forced to make these provisions reasonable and fair if he must also conform to them.

**b. Notices:** Be sure that notices will be sent to an address where you will receive them at any time of year. If notices are sent to the premises during the off season and it is closed, you may never see them, resulting in a possible default. Also, it is best for both parties that legal notices be required to be given by certified mail.

**c. Automatic Renewal:** Never agree to an automatic renewal provision which places the responsibility on you to cancel at some point (possibly six months) prior to the end of the lease term. It's easy to neglect to give the required notice, thus locking you into a renewal which you may not want. However, an option to renew is usually advantageous to you.

**d. Changes Pending:** Make sure no events are pending that will have adverse effects on the premises or the center or area in which it is located. A few ex-

**TIP:** Limit the time period for which your personal guarantee will be in effect to the number of years (or months) required for the landlord to recover any financial investment made to accommodate your business in the premises.



## Leasing Offices Continued

amples: (1) a key road closing or re-routing of traffic, (2) a new building that will block visibility of your store, (3) an anchor tenant closing or moving out, and (4) condemnation or public acquisition under eminent domain law.

**e. Hours of Operation:** If your lease requires you to be open when you would normally be closed (evenings, weekends or full hours during the off-season), you will be forced to either pay wages for unnecessary staffing or be in default of your lease. Be sure to modify any such provision before you sign a lease.

**f. Holding Over:** If you fail to vacate at the conclusion of your lease, your rent will probably continue (and you may be evicted). Some major developers include a stiff penalty for such "holding over". For example, one major real estate developer assesses rent equal to 2-1/2 times the regular rent for holding over.

**g. Sign Permits:** Your lease may give you the right to install specific types and sizes of signs and banners. However, those signs must also conform to local sign ordinances. If you install an illegal sign, regardless of what your lease says, the local jurisdiction can make you take it down and possibly even assess stiff fines against you. Before you sign a lease, make sure you know the sign ordinances.

**h. Equipment Failures:** Since you will probably be responsible for maintenance and repairs to plumbing, electrical and air conditioning systems after you move in, you should make sure all such systems are in good operating condition before signing the lease or accepting possession.

**i. Inadequate Systems:** The heating and air conditioning systems in the building may not be adequate for you to comfortably occupy the premises, which could result in a costly improvement or replacement at your expense. Or you may be forced to supplement the HVAC system with expensive to operate space heaters or supplemental air conditioning units at your expense. The electrical service, lighting or number of outlets may be inadequate for your needs resulting in a cost for you to upgrade the service or install additional wiring. Such issues should be identified and resolved *before* you sign the lease.

**j. Pests:** The premises may have bugs or rodents which should be removed at the landlord's expense before you accept possession.

**TIP:** Ask a sign contractor to give you a free quote to fabricate the proposed sign, obtain the permit and install the sign.

**k. Shopping Center Rules:** Most shopping centers have rules and typically incorporate them into the lease as an addendum which tenants must comply with. Be sure you can live with every rule before signing, and be wary of a stipulation allowing the landlord to arbitrarily change the rules at will. Make sure the rules do not supercede concessions you have negotiated.

**l. Building & Zoning Requirements:** Be sure the local building and zoning requirements allow your business to operate in the premises.

**m. Alterations:** Make sure that you will not have to incur an unreasonably cost to make improvements and that the landlord will allow you to make any alterations necessary for you to operate in the premises.

**n. Insurance Cost:** Is the cost of insurance for burglary, flood, etc. excessive?

**o. Possession Delays:** If the premises is not ready for occupancy when you need to start your business, can you cancel the lease?

**p. "Escape" Provision:** If the location does not generate sufficient revenue to justify long-term, year-round tenancy, can you get out of the lease (even if with a penalty)?



## Leasing Offices Continued

Notes about your property: \_\_\_\_\_

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# Tax Office Signage

## Exterior Signs

### Building Signs

Visibility is very important in the mass-market tax business. Even if you operate an exclusive executive-level tax office, exterior signs will enhance your business. Exterior signs are necessary to identify your office and to attract new clients.

When selecting an office site, always consider the available sign exposure and sign privileges. Insist on the right to erect the biggest sign possible, and make sure you know what is legally allowed by the locality's governing sign ordinances. In addition, if the shopping center has a marquee (an entrance directory with shop listings), ask for space on it, even if only during tax season. And if your storefront is not highly visible, ask for the right to erect a sign on a more prominent part of the building or a freestanding pole sign facing the main flow of traffic. Don't sign a lease until it reflects the sign privileges agreed upon by you and the landlord.

Don't skimp on the size and quality of your exterior sign(s). A sign can rarely be too large, but that is possible. The letters must be large enough to be easily read from a passing vehicle. The necessary size letters will depend upon how far your sign is from the road. Your sign contractor should be able to provide such criteria. This will be the minimum acceptable size; your sign should have bigger letters if possible. If your sign message has two rows of copy, it must obviously be more than twice as tall as the desired letter to allow for space above and below and between lines of copy. Always use an illuminated sign unless your storefront sign header is illuminated. Even though the cost of an illuminated sign is much higher, the extra money will be well spent. If you rent an office in a high-traffic shopping center, you are paying a premium for that exposure. You would be foolish not to take maximum advantage of your storefront's visibility. It doesn't take many extra tax returns to pay for a better sign. However, get bids on every sign job from at least three reputable sign contractors. You might be amazed at the differences in prices for the same sign. It's always good business practice to secure at least three bids on every major job.

The quality of the graphic art for your sign is also critical. It pays to invest in a good logo design, but your logo must be easy to read and understand (too much creativity can be a bad thing in the advertising game). Your goal is to make your sign look professional and unique, while also being easy to read from a distance. Look at the signs of national retailers to get ideas. If allowable, consider using color (red is the most visible). Your sign color doesn't have to match your literature, but it must attract attention and be easy to read!

### Stick Signs

Stick signs should be distributed to highly visible areas in the neighborhood around your office. They will need to be replaced as they do not have a high life expectancy. They are however, proven to increase your traffic flow immensely.





## Tax Office Signage Continued

### Window Signs

Like your storefront sign header, your store windows are valuable showcases for which you are paying a premium and they should not be wasted. However, your storefront must project an inviting, professional image. Window sign copy should be large enough to be easily read from the street, or at least the far side of the parking lot. Since window signs are inside, they can be made of paper, but we recommend using a more durable material such as vinyl or tyvek (a great material for screen printed window banners). The material and the process used to make interior window signs can vary in cost as much as the contractor used. Be sure to investigate all alternatives including national franchised sign outlets. Since your firm's name will be in the overhead exterior sign, it is not necessary to repeat the business name in the windows. (However, the company name and/or logo should be displayed on the front door along with the office hours.)

Consider using illuminated signs in your windows. The national firms have used fluorescent window signs for years. Even more attention getting are neon signs. Neon is being used more extensively for retail storefronts today and can project a modern, professional image. Discount warehouses such as SAM's Club and Costco now carry affordable neon "open" signs, which can help draw attention to your storefront, although a neon sign advertising your services would be preferable. Custom neon signs are now available through franchised sign outlets at more affordable prices than most traditional neon sign fabricators.

### Store Front Banners

An exterior storefront banner will attract more attention than an interior window banner. Exterior banners are frequently used to promote special events (such as a grand opening) and sales. The short Refund Anticipation Loan season is ideally suited for promotion using an outdoor banner. Banners are usually made of vinyl and can be made to order in standard sizes by national and local sign makers. The same size criteria that apply to exterior signs also apply to outdoor banners. A sign that is too small cannot be read from passing vehicles and will not be effective. A good size is 3' x 8'. Storefront banners, like window signs, do not need your firm's name on them. The space on these signs should be used exclusively to advertise your services and benefits. Keep in mind that many communities prohibit outdoor banners or require a permit to legally display a banner. However, some jurisdictions will "look the other way" in the interest of fostering a friendly business environment. Observe what your neighboring retailers are doing.

### Interior Signs and Displays

Once a client enters your office, your advertising objectives change. You have already enticed that person to come inside. Now you'll want to provide the client with reassurance that he or she has made the right decision. The image and atmosphere in your office and the courtesy and professionalism of your associates will be a major aspect of such reinforcement. However, you should also display confidence-building items such as the following:

1. **Your Guarantee.** A framed copy of your





## Tax Office Signage Continued

guarantee on the wall of your reception area.

**2. Awards.** Company awards (certificates, plaques, and trophies) should be in the reception area for all to see, including employees. Personal awards should be displayed in the recipient's workstation.

**3. Membership Certificates.** Display in the reception area and/or on the walls of your office.

**4. Credentials.** Relevant professional education certificates, college degrees, and professional certifications (e.g., Enrolled Agent, CPA, etc.) should be displayed in the individual's workstation.

**5. Benefits.** Small, framed signs could be displayed as reminders of the benefits provided to your clients. For example, a framed sign at the reception desk might read: "If you hear from the IRS, call us right away. We are available year-round to help you at no additional charge". Or, you might display a notice that you provide free electronic filing for your tax preparation clients.

**TIP:** Interior banners, posters, and other display materials help boost sales by keeping ideas fresh in your customer's minds

In addition to reinforcement signage, you may want to display in-office signage to advertise additional services or products offered. Your RAL bank, for example, may provide posters, counter-cards and brochures to promote RALs. The IRS has similar items available to promote electronic filing. In addition, you could promote other services you might offer such as tax planning, or other financial services or products. Note that it is a violation of IRS regulations to solicit clients for other services by using confidential information contained in the client's tax return. However, it is legal to advertise other services and products to everyone who enters your office.

### Mass-Transit Signage

If your office is in a large city, you might consider signage at mass-transit train or bus stations. These spaces are usually available for a short term and are visible to hundreds or even thousands of commuters, who are all taxpayers. For this vehicle to be efficient, you should have offices convenient both where the commuters work and where they live.

### Directional Signs & Billboards

Outdoor advertising can also be used to direct clients to your office. To be effective, the billboard should be facing the main flow of traffic toward your office. A directional billboard would be especially beneficial if your office has poor sign exposure.

# Signage Schematics



End Retainers Removable. Faces Slide for Service Access.

1 1/2" STEEL ANGLE MOUNTING CLIPS USE 3/8" FASTENERS TO ATTACH SIGN TO SURFACE APPROXIMATELY FT FROM GRADE TO TOP. INSTALLATION AREA HAS ACCESS.

12" ±

3'-0" ±

10'-0" ±

3'-0" ±

**Colbert/Ball TAX SERVICE**

**Colors:**  
 Filler: BLACK  
 Face: BLACK  
 Copy: WHITE

**Primary Electric to This Sign, From Source, by Others. 120 Volt, 4.3 AMPS. (5.4 AMPS Computed Load. Need One (1) 20 AMP Circuit).**

**Electrical Contents:**  
 1 Ballast, # 396, 120 V  
 3 Lamps, # F117T12DHO  
 3 Sockets, #582 & #583  
 1 Disconnect Switch  
 6' Large Lamp Track

Colbert/Ball TAX SERVICE	
DATE	BY
TIME	DATE
NO.	NO.

11'-10" ±

8'-3" ±

3'-9" ±

2'-10" ±

3'-0" ±

2'-10" ±

1'-3" ±

1'-3" ±

**Colbert/Ball TAX SERVICE**

30 M.A. TRANSFORMER(S)

BACK OF THE FASCIA

7" x 7" RACEWAY

1/2" FASTENERS (NON-FERROUS)

SILICONE ALL PENETRATIONS

1-1/2" X 1-1/2" X 1/8" STEEL ANGLE

PRIMARY ELECTRIC BY OTHERS

DOUBLE NUTTED

90° ANGLE 2"x2"x1/4" STEEL ANGLE

MINIMUM OF ONE (1) 3/8" FASTENER WITH ADDITIONAL 1/4" FASTENERS, 4-6 PER LETTER (FROM LETTER TO RACEWAY)

.050 ALUMINUM LETTER BACKING

15 M.M. NEON # 6500 WHITE SINGLE STROKE

NEON TUBE SUPPORT (4-6) PER LETTER

PORCELAIN BUSHINGS (2 PER LETTER) ALSO SERVES AS A

20 AMP TOGGLE SWITCH ON ONE END OF EACH RACEWAY

1/8" # 7328 WHITE ACRYLIC FACE

15,000 V. GTO WIRE

INTERIOR OF LETTER PAINTED FLAT WHITE AND PERIMETERS CAULKED

1" GREEN JEWELITE TRIM

5" RETURNS .040 ALUMINUM PRE-FINISHED GREEN

1/4" WEEP HOLES AT EVERY WATER TRAP

RACEWAY IS PAINTED TO MATCH PMS#

RACEWAY IS MOUNTED ON A SURFACE

120 VOLTS, 4.5 AMPS, .54 KVA.

\*SIGN TO MEET OR EXCEED THE CITY OF HOUSTON SIGN CODE.  
 \*ALL COMPONENTS USED IN FABRICATION ARE U.L. APPROVED.

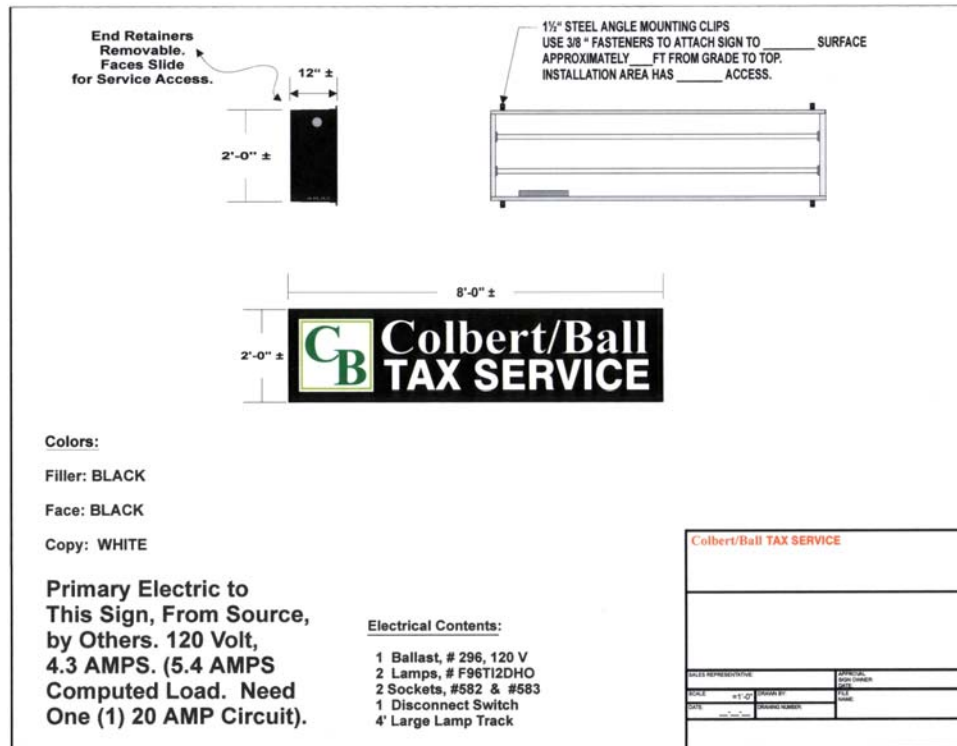
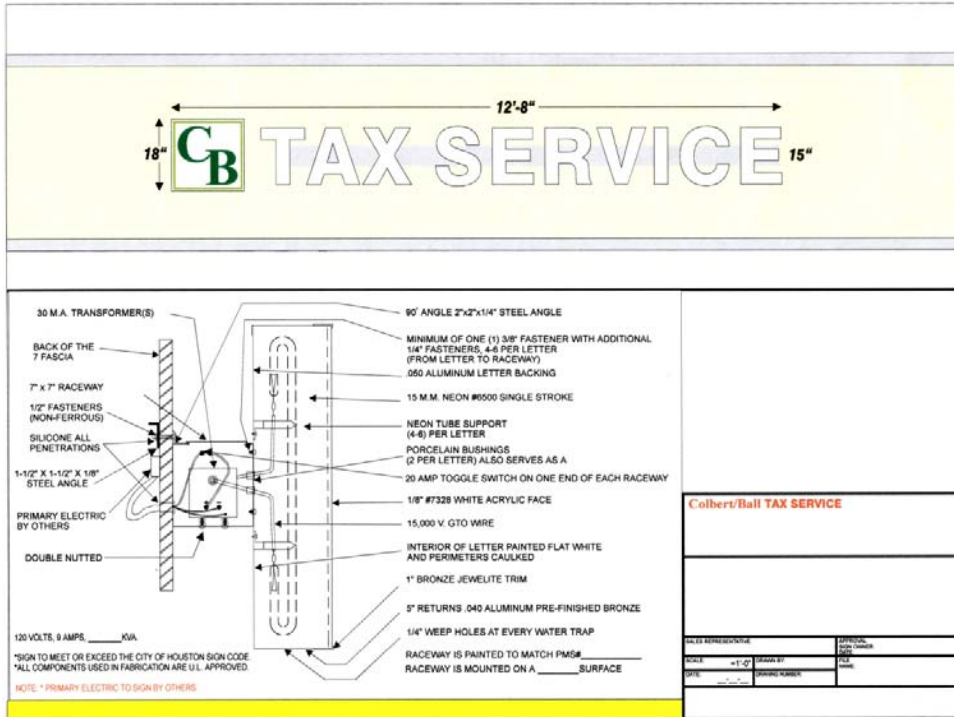
NOTE: \* PRIMARY ELECTRIC TO SIGN BY OTHERS.

COLBERT BALL 2616 SOUTH LOOP WEST HOUSTON, TEXAS 77054	
DATE	BY
DATE	BY





## Sinage Schematics Continued





## **SECTION 6**

### **Advertising and Marketing**



# Advertising

Corporate Office Advertising and Marketing Department will assist all franchises in putting together the appropriate advertising and marketing campaign. Corporate also monitors the productivity of advertising and marketing efforts. The majority of our advertising is targeted toward the peak time during tax season (January 20th - February 20th). Below is a list of the advertising methods used to generate customers:

- ❖ Radio
- ❖ Television
- ❖ Display Signs (lighted Signs)
- ❖ Street signs
- ❖ Flyers
- ❖ Posters
- ❖ Banners
- ❖ Direct mail
- ❖ Referral Cards

## Sample Budget: Grand Rapids, MI

\$2,000.00	Radio	125 Commercials
1,150.00	Mail Out	5,000 @.23 each
1,250.00	TV Commercials	2 weeks/50@\$25.00
<u>500.00</u>	Street Signs	250 signs @ \$2.00
\$4,900.00	Total Advertising Cost	

# Referral Program




*“Referrals have the largest impact on the growth of your location.”*

Colbert/Ball Tax Service believes that in order for the company to grow to the next level in the income tax industry, referrals are the key. As we grow as a company we have realized that a third of our business comes directly from referrals. Colbert/Ball believes in rewarding the people who support us. That’s why we promote our \$10 referral cards to all of our customers. It gives them a chance to benefit from doing business with us.

Not only do customers benefit from referrals, but our staff benefits as well. We have a referral contest that rewards the person generating the most referrals. We also give preparers a \$2 bonus for each referral card that comes in with their preparer number on it. This allows everyone associated with CBTS to benefit from our referral program. An example of our referral card appears below.

## Referral Procedure

- ❖ Each client will get 3 to 5 referral cards with the preparer’s number on them.
- ❖ Referral cards will be placed in the referral box when received
- ❖ Referrals will be paid out on each Friday.
- ❖ Each referral paid out will be stamped and each customer paid will sign off along with the amount they received.
- ❖ Each referral card brought in by a client will be reported.
- ❖ Referrals will be counted and monitored each week.

Preparer# _____	Office # _____
ADD TO YOUR TAX REFUND – REFER A FRIEND	
<b>GET \$10 CASH</b>	
Name: _____	
	Colbert/Ball Tax Service 2616 South Loop west Suite 110 Houston TX 77054 Year Round Office 713.592.5555



# Marketing

Marketing is another major tool CBTS uses to create an identity in the market place. Being identified in the market place is key to name recognition.

All Franchisees must use the corporate logos on all marketing and advertising merchandise. Corporate Office will assist in putting together an effective marketing system for each franchise. Franchisees must go directly through corporate to buy marketing materials. Below is a list of marketing materials:

- ❖ Polo shirts
- ❖ Free gifts
- ❖ Store Signs
- ❖ Banners

\* Examples of marketing merchandise can be obtained by your corporate representatives.





## **SECTION 7**

### **Tax Preparation and Electronic Filing Procedures**



# Tax Preparation Procedures

## Taking Turns

Tax associates should take turns serving clients. It is unfair, and a violation of company policy, for one person to “hog” all of the clients at the expense of fellow tax associates. An exception would occur when the taxpayer requests a specific tax associate.

## “Stacking” Returns

**Unnecessarily** accumulating unfinished returns for later completion is a violation of company policy and is grounds for disciplinary action or dismissal.

## Interviewing

You must be courteous, professional, patient and, above all, genuinely interested and concerned about your client’s welfare and tax situation. Never bluff! If you don’t know the answer, say so, and explain that you will need to research the question. (In most cases you can do this while your client is present and get on with the interview.). *Don’t call for tax information until you have tried to research the question yourself!* You must control the interview and proceed through it in a logical and systematic manner. Your client(s) will have special concerns and may get ahead of you. Try to answer any “burning” question briefly. Your client must not feel rushed! You should be efficient and thorough. Most clients will appreciate spending no more time than necessary working on their tax returns. You must be efficient and thorough and provide *personal*, not production line, service.

Be sure to let clients know that it is company policy for every return to be checked by another preparer, so they will not be leaving with their return on the first visit. Assure them that checking assures greater accuracy and that the return will be ready in a day or two (The preparer should be able to give the client a specific date to pick up his return.).

## Interview Packets

To save time during busy periods and avoid interruptions in client interviews, pre-assembled standard interview packets should be made up in advance during slow periods. These packets should include the following items:

- ❖ 9" x 12" client envelope
- ❖ Client folder
- ❖ Basic client interview forms/interview check list
- ❖ RAL set ups with bank applications and RAL information sheets

## Tax Forms/Computer Input Sheets

Blank Federal and state income tax forms can be printed with the tax preparation system on the laser printer. Computer interview/input sheets and work sheets and statements used most frequently in preparing returns should be kept in each tax desk. Clients’ tax form booklets should be saved to give to taxpayers who ask us for forms and instructions to prepare their own returns. (Be sure to remove all address labels and envelopes.)The IRS label from the front page should be attached to the return being filed by the client.



## Tax Preparation Procedures Continued

Taxpayers who used paid preparers for the prior tax year will receive a post card from the IRS with their label attached.

It is critical that all necessary paper work for EIC filers be completed and kept in the client's file. The Due Diligence section of this manual has masters of the forms necessary.

### Tax Information

If you are unable to find an answer to a tax question in your reference materials, ask your office manager for assistance before calling a senior tax associate at another office. If you are new, seek a prior tax associate to serve as your mentor. If you are experienced, be a mentor to a new tax associate. Remember that you were once new, too. If you cannot find an answer or do not understand the information you are reading and your manager cannot answer your question, contact the corporate office. The corporate office has more research tools and experience in researching tax questions and will be happy to assist you in your research of a question you cannot find, don't understand, or feel is not clear. Corporate has more time and resources to research tough tax questions, so call them prior to taking time of someone from another office.

### Tax References

Each tax station will have a desktop tax reference "library" containing the most frequently used reference materials. Included will be IRS Publications 17, 334, Package X, and our state tax regulations and instruction booklets. Also included will be a loose leaf binder containing various quick-reference tables, charts, tax preparation aids, our schedule of minimum charges and a copy of these policies and procedures. Most IRS publications, foreign states tax guides, and various small business references are kept at the main office. Out-of State forms will be sent to the full-service offices upon request from the office manager. Our tax preparation software also provides on-line IRS references (See tax preparation software manual.).

### Checking Tax Returns

**Checking Procedure:** After the return has been input, print one copy. *Make sure copies of all W-2s and 1099s are in the case file.* Fill in all information on the client envelope and client folder. Enclose the copy of the return, client documents, and tax booklet mailing labels, envelopes, receipt, the client folder, and the client envelope in the client's file. Put the entire file in the designated office-checking file, putting your return behind those already in the file to be checked.

Another associate in the office then checks the return thoroughly, verifying all W-2 information, social security numbers, etc. (see procedures below). If the return is free of transposition, math and theory errors, put your preparer number in box 2 on the main information screen, sign the client envelope and give it back to the associate who prepared it (or put it in his box) to be processed. If you discover any error(s), complete a "Corrections Needed" slip (see example which follows), staple it to the client envelope and give the return back to the preparer for correction. Your checking procedures must include reviewing the printed copy of the return. It is sometimes possible to miss an error if you check only from the computer screen.

***Checkers must verify that necessary copies of IDs and EIC eligibility and other worksheets are correctly and completely filled out.***





## Tax Preparation Procedures Continued

After the return has been corrected and the client notified by phone of any changes affecting the refund or balance due, sign the green "Corrections Needed" slip, leaving it stapled to the envelope and put the return back in the file for rechecking.

If the return checks out OK, it should be given back to the preparer to be processed. After processing, the client should be notified that the return is ready to be picked up. It is then placed in the pick-up drawer in alphabetic order.

### Computer Program Errors

At the beginning of the season, check each return the computer has calculated; there is always the chance of a bug in the program since the software is updated each year. If a bug is found, notify your Office Manager and the Corporate Office *immediately*.

### Computer Input Errors

You must double-check each data entry you make. This is especially important when the original source data is not available to the person checking the return. All W2 information should be directly entered into the computer to reduce transposition errors.

### Checking Computer Returns

The following elements of each computer return must be checked:

- ❖ Data entries from any source documents
- ❖ Data entries from all W-2s, etc.
- ❖ Theory of all data entries
- ❖ Errors of omission (e.g. overlooked income, deductions, etc.)
- ❖ Preparer's signature and social security number
- ❖ Correct pricing of return

### Checker's Responsibility

The checker must enter his or her Associate Number on the flap of the envelope containing the tax return. Doing so indicates that the return has been checked and found to be correct. Additionally, the preparer must put his number in the section for Preparer's use on the Main Information screen of the tax program.

Marking returns checked when they have not been will result in disciplinary action.



## Tax Preparation Procedures Continued

### Preparing Out-of-State Returns

Only office managers and tax associates designated by office managers are authorized to prepare returns for foreign states or cities. (Tax laws differ in each state, and it is not practical for every tax associate to become proficient in all states' returns.) If you are designated to prepare an out-of-state return, read the instructions carefully to determine what is required. (Office managers should request copies of instructions for other states as needed.) You will also need to address an envelope to that state for your client to mail.

### Incomplete Returns

If the return cannot be completed at the first visit due to missing information, a yellow "Missing Information" slip (see example which follows) is to be completed, giving all details about what is missing, dated, and placed inside the client file. The return should then be filed alphabetically in the office "Hold" file. Each tax return in the office "Hold" file must be checked for any new information every day that preparer is working. Results of all calls made to the client should be noted on the form. If the client has not furnished the missing information within the time promised, the preparer must contact the client by phone or letter. Keep in mind that if there is a balance due, a Form 2210 and/or state 760C may be required. The return is not correct unless they are included.

If the client calls with the necessary information when the tax preparer is not working, the information should be written down and attached to the return. The return should then be placed in the tax Preparer's box for completion when he returns to work. Preparers need to check their boxes daily to be certain that returns are completed in a timely manner.



# Processing Tax Returns

Procedure for processing a tax return that has been checked and is completely correct:

- ❖ The original return, *signed by the preparer in ink*, will be used as our file copy.
- ❖ Make two complete copies of the return—one to mail to the IRS (unless it is to be electronically filed—then one copy) and one copy of the return for the client.
- ❖ Make three copies of the state return: one for our file, one for the client's file, and one for the **client to mail** (unless it is electronically filed—then two copies) to the state.
- ❖ *Make an extra copy of Federal Schedules and Statements as may be required to attach to the state return being mailed.*
- ❖ *If a Part-Year State return was prepared, make an extra complete copy of the Federal return to attach to the state as required. Be sure to follow the other state's instructions regarding what is to be attached to that state. Some require the federal return, some the other state's return, and some nothing.*
- ❖ Take one copy of the W2s, separate Federal and state returns and staple copy B and copy 2 of W2s (respectively) in the places indicated on page one of the returns. Place Federal and state mailing envelopes over each return to be mailed.
- ❖ On the copy of the Federal return, staple copies B of the W-2s where indicated on page one of the return. Affix the IRS labels, making any corrections in ink, and add the IRS mailing envelope. (Use the envelope from the IRS client booklet if available.)
- ❖ On the State return, staple copy No. 2 of the State W-2s where indicated on the return and *remember to attach copies of any required Federal forms*. Add the State-mailing envelope (client's envelope from state booklet if available).
- ❖ The second copy of the return is stapled in a folder for the client's records. Copies and all extra W-2 copies are stapled to the file return.
- ❖ The copies for the client's records and to be filed by the client—with mailing envelopes and cover letter—are put in a 9" x 12" client envelope, which is placed in the client's file. If the return has not been paid for, a copy of the bill should be in the file.
- ❖ The entire file is then filed alphabetically in the pick-up drawer.
- ❖ The client is given one copy of the bill at the time the return is paid for. *All information is to be kept together until the return has been paid for.*
- ❖ Three copies of the bill are to be made: one for the client, one for the folder, and one to go in the daily report envelope when the return is paid for.
- ❖ When a return is paid for, the invoice should be marked "paid," and dated and signed by the person who received payment.

## Processing Out-of-State Tax Returns

Always **read the directions** carefully to see exactly what is required. You will also need to address and enclose a mailing envelope to that state for your client. *Note: Out-of-state returns are only to be done by designated tax preparers or managers.*

## Client Information

Client's name, social security number (primary taxpayer) and phone number.



## Processing Tax Returns Continued

### Source

Ask how the client how they heard about us and note the source in the computer (see page 30).

- ❖ **Prior:** Check “prior” If the client came to us **in any prior year**.
- ❖ **New:** **If the client is new to us**, ask how he heard about us and check the primary source that you think brought him to us. **Check one source only!**
- ❖ **TV** - check if client saw our TV commercial.
- ❖ **Radio** - same procedure as for TV above.
- ❖ **Coupon** - must be attached to the corporate copy of client's bill.
- ❖ **Friend or Relative** - if the Client came to us because of a recommendation by another client, friend, co-worker, etc.
- ❖ **Sign** - if client came in because he noticed our office and does not fit any other source.
- ❖ **Other** - for any **new** client who does not fit another category.
- ❖ **Note:** See pages 30-31 for instructions on recording sources of clients.

### Tax Preparation Fees

Our tax software will calculate the fee and print an invoice for each client. The tax preparer can over-ride the charges, but must obtain management approval to do so. One of the problems in past years has been undercharging customers. This causes the Preparer's bonus to be less as well as the company's profits to be less. *Unless there is good cause and approval by the office manager or supervisor, prices printed by the system should be adhered to. Payments should be entered on the invoice when received.*

Enter adjustments for coupons, special discounts, preparation of other states' returns, or other coupons in the computer. Coupons must be attached to the copy of the receipt, which goes with the daily report to the corporate office.

### Tax Preparer Record

The preparer should keep a log of the returns he has prepared. A copy of the form to use for the log appears in this section. *Note: The information in the log is confidential and is the exclusive property of Colbert/Ball Tax Service.* The preparer will then have a record with which to verify the amount of his bonus. Adjustments to bonus amounts will not be made without a copy of the log to verify the Preparer's record. Use daily totals to fill out Office Daily Production and Time Card.

### Return Checked By

Every tax return must be checked before being delivered to the client. The checker is to enter his associate number in the computer and enter the number of returns checked on the Daily Production and Time Card.

**Note:** Tax Associates are paid only on tax returns for which payment has been received and deposited to the bank account of the Company.



### Return Checklist/Client Folder Setup

Information should be placed in the client's manila folder in the following order:

- ❖ Receipt (after payment is made)
- ❖ 8453 w/Federal copy of W2's attached
- ❖ State 8453
- ❖ RAL application
- ❖ Tax Return
- ❖ ID Copies
- ❖ W2's/1099 copies
- ❖ EIC Due Diligence Forms
- ❖ Any other backup material necessary

# Missing Information Form



Form must be completed before placing client file in Hold Drawer

Client's Name \_\_\_\_\_ Date \_\_\_\_\_  
Office # \_\_\_\_\_ Phone \_\_\_\_\_ Preparer \_\_\_\_\_  
Date Client Informed \_\_\_\_\_

## Missing Information

The following information is missing and must be provided before completing return.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

Comments

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Corrections Needed

Client's Name \_\_\_\_\_  
Preparer's Name \_\_\_\_\_  
Original Due Date \_\_\_\_\_ New Due Date \_\_\_\_\_  
Checked By \_\_\_\_\_ Date \_\_\_\_\_  
Date Client Informed of Changes \_\_\_\_\_ Preparer \_\_\_\_\_

Please make the following changes:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

Comments \_\_\_\_\_  
\_\_\_\_\_

Tax Return Rechecked after corrections by \_\_\_\_\_  
Date \_\_\_\_\_



# Pricing Tax Returns

Pricing is generally done while conducting the initial interview.

## Telephone Price Estimates

- ❖ Determine which service-level/office the client should use.
- ❖ Explain the Company's pricing philosophy (We do not price over the phone).
- ❖ Give price *estimates* using the appropriate Schedule of Charges.
- ❖ Advise the caller that you are providing an *estimate* only.
- ❖ Advise the caller that we guarantee satisfaction or there will be no fee.
- ❖ Give other benefits (year-round service & assistance, etc.)
- ❖ Offer to schedule an appointment.

## Pricing Worksheets

Use a pricing worksheet when giving a price estimate so that you don't misquote a fee or overlook charges. A one-page worksheet for estimating the fee for a Form 1040 is included in this section. For Short Forms, use a copy of the price sheet as a worksheet and circle the appropriate fees. The Budget Schedule of Charges is designed to double as a worksheet.

## Practicing Pricing Returns

Correct pricing is critically important. Over-charging and under-charging causes very serious problems and must be avoided. All Associates who estimate, quote or determine prices should practice during January before the rush. On the following page are several sample pricing situations. You should also practice pricing actual tax returns in the files.

*The computer will automatically print out an invoice with the client's prices on it. If you wish to override the computer price, you must justify your price difference. Prices should only be adjusted (for other than coupons) with the approval of the office manager or a corporate staff person.* There are times when you may need to charge a different price, but one of the problems the company has had is with omissions of items for which there should have been a charge. This affects both the Company's profits and **your bonus**.

The office manager or supervisor must approve changes in fees.

# Sample Returns to Price



Using the Regular Schedule of Minimum Charges, price the following tax returns:

**1. Married Filing Jointly, two children**

(H) two W-2s: \$30,000 (W) one W-2: \$22,000 \_\_\_\_\_  
 Full year In-state resident \_\_\_\_\_  
 State tax refund received (itemized last yr) \_\_\_\_\_  
 Itemized deductions \_\_\_\_\_  
 Three interest and two dividend entries \_\_\_\_\_  
 Childcare expenses \_\_\_\_\_  
 TOTAL \_\_\_\_\_

**2. Single, two W-2s: \$40,000, dependent child**

Part year In-state resident/ PY State - other \_\_\_\_\_  
 Child Care Expenses \_\_\_\_\_  
 Seven dividend & interest items \_\_\_\_\_  
 Electronic filing \_\_\_\_\_  
 TOTAL \_\_\_\_\_

**3. Married, one W-2 (H) \$15,000**

Full year State resident \_\_\_\_\_  
 Earned Income Credit \_\_\_\_\_  
 Electronic filing \_\_\_\_\_  
 TOTAL \_\_\_\_\_

**4. MFJ, two W-2s (H): \$25,000**

Moved into State in this tax year \_\_\_\_\_  
 Eleven interest & dividend items \_\_\_\_\_  
 State tax refund (itemized last yr) \_\_\_\_\_  
 Wife self employed w/expenses (net \$366) \_\_\_\_\_  
 One rental property \_\_\_\_\_  
 Four K-1s from limited partnerships \_\_\_\_\_  
 (H): bus. Auto (standard mi.) + sales exp. \_\_\_\_\_  
 Depreciation statement: 3 items \_\_\_\_\_  
 Sale of 500 sh. Of AT&T stock \_\_\_\_\_  
 Underpayment of Estimated Tax (2210) \_\_\_\_\_  
 Office in home expense \_\_\_\_\_  
 Childcare expense \_\_\_\_\_  
 TOTAL \_\_\_\_\_





# Federal Billing Schedule as of Sept 2003

Senior Citizen Discount for age 65 and over .....	25.00	1099-Misc -1 to 2 items .....	3.00
Form 1040EZ -Individual Income Tax Return .....	45.00	1099-Misc -Each 1099-Misc over 2 .....	2.00
Form 1040A -Individual Income Tax Return .....	20.00	1099R -1 to 2 items .....	8.00
Form 1040 -Individual Income Tax Return .....	50.00	1099R -Each 1099R over 2 .....	3.00
Tax-exempt Interest .....	9.00	Schedule A -Itemized Deductions - Base Form Charge .....	30.00
Other Income .....	12.00	Itemized Deductions -Charitable Contributions Worksheet .....	12.00
Student Loan Interest Deduction .....	12.00	Schedule B OR Schedule 1 -Interest & Dividends .....	15.00
Dependents -1 to 2 .....	3.00	* Deductible Home Mortgage Interest Worksheet.....	15.00
Dependents -3 to 5 .....	4.00	Schedule C -Profit or Loss From Business - Base Form Charge .....	40.00
Dependents -6 to 10 .....	6.00	Schedule C -Each Direct Entry .....	5.00
Dependents -11 to 15 .....	6.00	Schedule C -Information On Your Vehicle - Part IV. [Each] .....	25.00
Dependents -16 to 20 .....	6.00	Schedule C-EZ -Net Profit from Business .....	35.00
Each dependent after first 2 .....	2.00	Schedule D -Capital Gains and Losses - Base Form Charge .....	25.00
Other Dependents -Without Statements .....	2.00	Capital Gains or Losses -1 to 2 items .....	5.00
Dependency Exemption Worksheet .....	5.00	Capital Gains or Losses -3 to 5 items .....	7.00
* Dependency Support Worksheet .....	5.00	Schedule E -Page 1 -Rental Real Estate/Royalties .....	25.00
Single .....	3.00	Schedule E -Page 1 Base Charge Per Location .....	5.00
Married Filing Joint .....	5.00	* Gas & Oil Income & Deduction Worksheet - Each Property .....	8.00
Married Filing Separat. ....	7.00	Schedule EIC -Earned Income Credit .....	20.00
Qualified Widow (er) .....	7.00	Earned Income Credit without Qualifying Child .....	5.00
Head of Household .....	10.00	Schedule F -Profit or Loss From Farming - Base Form Charge .....	30.00
Head of Household Qualification Worksheet .....	10.00	2106 -Auto Expenses Section B, Mileage .....	15.00
Penalty on Early Withdrawal of Savings .....	10.00	2441 OR Schedule 2 -Child Care Credit .....	25.00
Child Tax Credit .....	20.00	3903 -Moving Expenses .....	15.00
1040-V -Payment Voucher .....	15.00	4562 -Depreciation Form Charge .....	14.00
1040X -Amended U S Individual Income Tax Return .....	45.00	4684 -Casualties and Thefts -1 to 2 items .....	8.00
W2 -1 to 2 items .....	3.00	4684 -Casualties and Thefts -3 to 4 items .....	12.00
W2 -3 to 5 items .....	6.00	4868 -Automatic Extension .....	25.00
W2 -6 to 10 items .....	9.00	5329 -Charge per Form .....	15.00
W2 -11 to 15 items .....	10.00	5329 -Part I -Tax on Early Distributions .....	15.00
W2 -16 to 20 items .....	10.00	8283 -Noncash Charitable Contributions -1 to 2 items .....	7.00
W2 -1 to 2 Items .....	6.00	8283 -Noncash Charitable Contributions -3 to 5 items .....	10.00
W2 -Each W2 over 2 .....	2.00	8283 -Noncash Charitable Contributions -6 to 10 items .....	11.00
W2G -1 to 2 items .....	3.00	8863 -Education Credits .....	18.00
W2G -3 to 5 items .....	6.00	8863 -Hope Credit .....	12.00
W2G -6 to 10 items .....	9.00	8863 -Lifetime Earning Credit .....	12.00
W2G -11 to 15 items .....	9.00	9465 -Installment Agreement Request .....	15.00
W2G -16 to 20 items .....	9.00	Capital Gain Distributions -1 to 2 items .....	6.00
W2G -1 to 2 Items .....	3.00	Capital Gain Distributions -3 to 5 items .....	7.00
W2G -Each W2G over 2 .....	2.00		
1099-G -Unemployment Compensation .....	10.00		
1099-Misc -1 to 2 items .....	8.00		
1099-Misc -3 to 5 items .....	8.00		
1099-Misc -6 to 10 items .....	9.00		
1099-Misc -11 to 15 items .....	9.00		

Individual States may have specific billing requirements. Please check with your State Taxation office for further information.

# Differences Between Refund Programs



	RAL	PERC	Electronic Filing
Need Photo ID	Yes	Yes	Yes
Need Client's SS Card	Yes	Yes	Yes
Need Spouse's & Dependent's SS cards	Yes	Yes	Yes
Refund Received in	2-4 Days	10-14 Days	10-14 Days Direct Deposit 10-21 Days Check Mailed
Limit on EIC included	No*	No	No
Limit on Amount of Tax Refund	No	No	No
Direct Deposit Available	Yes**	Yes***	Yes
Check Mailed to Residence	No	No	Yes
Fees due prior to filing	No	No	Yes****
Prep Fees Held From Check	Yes	Yes	No

\*Most clients will be eligible for 100% of the EIC but Santa Barbara makes the final determination at the time of the loan application.

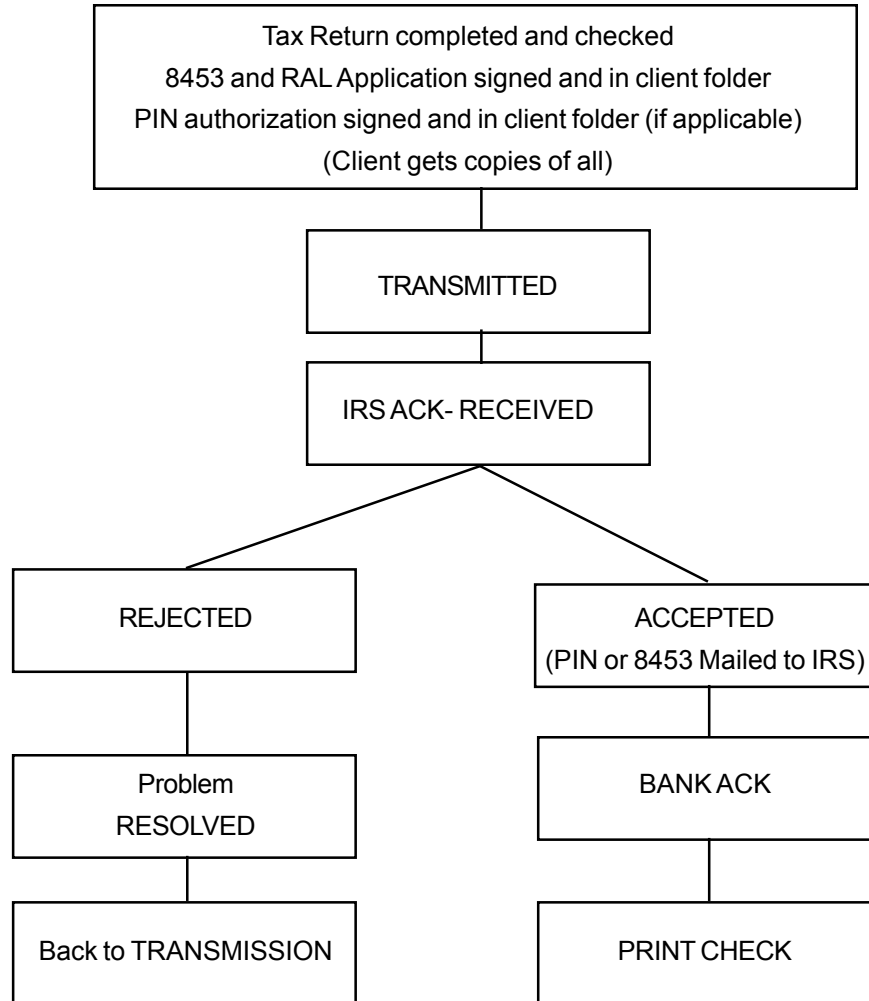
\*\*Santa Barbara will initiate the transfer of the loan funds in 2-4 days, however, the client's bank can take up to 4 days to credit the funds into the client's account.

\*\*\*With the PERC, fees can be withheld from client's direct deposited refund.

\*\*\*\* Colbert/Ball's least expensive method of filing and receiving refund.



# Simplified Electronic Filing Process



# ELECTRONIC FILING



Tax returns can be electronically filed with the IRS through approved tax preparers, some banks, and a person's home computer if equipped with a modem. The chart on the previous page shows how tax returns are processed electronically. This method is growing quickly, and the IRS plans to eventually do away with paper returns in favor of electronically filed ones.

One reason for the increased popularity is the fact that taxpayers receive their refunds in two to three weeks rather than the six to eight weeks it takes to process a return which is mailed. The IRS also likes the fact that there are far fewer errors on electronically filed returns than on returns that are mailed. Taxpayers who owe take comfort in the knowledge that their returns have been received by the IRS—not lost in the mail.

The person who transmits the electronic return to the IRS is called an ERO (Electronic Return Originator). In addition to sending the return, the ERO must sign Form 8453.

The only paper documents the IRS actually receives is Form 8453. Therefore, the IRS is very particular about them. First, the 8453 must be signed by the taxpayer, the preparer (unless the return is self-prepared) and the ERO. Second, all information on the 8453 must be the same as the information transmitted; that is, the taxpayer's address must be the same on both documents, the refund amount must be the same on both, etc. Finally, the 8453 must be mailed to the IRS within 3 business days of IRS acknowledgment of receipt of the return.

IRS provided checklists for 8453s follow.

Sometimes people who prepare their own returns make errors in entering the Social Security numbers, have invalid numbers, or find that someone else has already used the children. If an error is made on a self-prepared return, which was not caused by a Company employee, the client is responsible for paying a data entry fee.

## Refund Anticipation Loans

Refund Anticipation Loans, called "RALs", are consumer loans made by a lending institution to an individual or individuals. It is a loan secured by the taxpayer's expected refund. By signing the RAL agreement, the taxpayer pledges his refund to repay the loan.

The preparer of a RAL should see at least two proofs of identity—one of which must be a picture ID.

### One proof must be one of the following:

- ❖ IRS mailing label from the tax booklet
- ❖ Valid social security card (not the metal ones from machines—the actual card)
- ❖ Current military ID.

### Acceptable picture proofs include the following:

- ❖ Driver's license
- ❖ State issued ID
- ❖ Military ID
- ❖ U.S. passport
- ❖ Resident Alien ID
- ❖ Employee ID
- ❖ Student ID

### Secondary proofs include:

- ❖ Visa/MasterCard/Discover/AMEX



## Electronic Filing Continued

- ❖ Social Security Card
- ❖ Check cashing card
- ❖ Prior client receipt
- ❖ Union membership card

It is required by the IRS that the tax preparer make copies of these IDs and keep them in the taxpayer's file. It is also required that the preparer make copies of the children's social security cards to put in the file.

To be acceptable the entire RAL application must be complete. Each institution has its own forms, but all of them require that the taxpayer sign the application for a loan. The tax preparer must witness that he saw the taxpayer sign the application.

In order for the loan to be approved, the IRS must send an acknowledgment, which means that it has received the return and checked for common reasons for rejection (incorrect names and social security numbers, already used social security numbers) and found none.

The bank may also decline to make a loan. Common reasons for declining a loan are previous "flipped" returns from a direct deposit (on which he would be getting his loan) to a paper check mailed to him after any liabilities (such as child support or back taxes) have been deducted. The bank also checks with other banks to see whether they have had flipped returns. The client may also have bad credit. If the loan is declined and if the tax preparer had his fees deducted from the loan amount, he will not be paid by the bank and must contact the taxpayer to collect the fee. In 2002 tax preparers who electronically file through an accepted software company or transmitter will receive "Debt Indicator" (DI) as part of the IRS acknowledgement file which will inform ERO's and the banks of a potential offset or lien against the client's tax refund. The codes that will appear in the DI field are:

A	Accepted
AI	Accepted IRS debt
AF	Accepted FMS Treasury Debt
AB	Accepted Both Debts



## Electronic Filing Continued

The bank will use this information to assist in making a determination regarding the issuance of a loan to the taxpayer. The bank may or may not loan on Earned Income Credit. Some years the banks have limited loan amounts to the refund without any Earned Income Credit. Other years they have loaned on the entire refund amount.

If a taxpayer requests a RAL, his refund will be direct deposited in an account, which the lending institution sets up for him and will then be used to pay off his loan.

### PERC Program

The PERC (paper electronic refund check) allows tax preparers to offer tax preparation and electronic filing services to their clients who did not qualify for or did not want a refund anticipation loan. This offers the client the convenience and security of electronic filing with no out-of-pocket expenses. These clients may choose between receiving their check in the tax office or having it deposited directly to their checking or savings accounts. The bank will authorize the check or the direct deposit when the IRS deposits the taxpayer's refund. This is usually 10-14 days from the date the electronic return is acknowledged by the IRS.

The identification and application procedures for these programs are similar to those for refund anticipation loans. Clients who request refund anticipation loans and are not approved by the bank will receive a PERC.

### Direct Deposit

If the taxpayer is not purchasing a bank product and has paid his tax preparation fees he may have his refund deposited into his checking account or savings account. In order to do a direct deposit into one of these accounts, the name of the institution and the routing number must appear on the 8453 in addition to the other items listed above. The sample check provided on the next page shows where to find the routing number on the taxpayers check.

A deposit slip is not acceptable because the routing number for it may be different from the one on the check. If the check says "*payable through*" the routing number may not be the same as the account number and so cannot be used as a proof of account.

An acceptable proof of account is a check, or a form, statement or report generated by the financial institution, which must have the following preprinted information:

1. Account name
2. Account number
3. Financial Institution's name or branch's name
4. Routing Transit Number (RTN) of the financial institution

### What Must Go to the IRS

When a return is filed electronically, the following items must be sent to the IRS:

1. A *completed Form 8453*, sent within 24 hours of IRS acceptance of return.
2. Other required signature attachments, such as a physician's statement for Schedule R or a copy of a *power of attorney*.
3. Any applicable forms such as Form 8379 (Injured Spouse Claim and Allocation), 8862 (Information to Claim EIC After Disallowance), etc.



### What the Taxpayer Should Receive

The taxpayer should receive and be advised to keep copies of the following:

1. A completed 8453
2. His copies (not originals) of W2s, 1099s, etc. and any other back up materials
3. A copy of the return, which was electronically filed in a form, he can understand
4. If he requests a RAL or Bonus product, he should receive a copy of the loan agreement he signed and the disclosure statement

### Processing Flipped Returns

1. If the IRS refuses to send the refund to the bank for a taxpayer, Company cannot issue a check to the taxpayer. Since the taxpayer did not receive a loan from the bank or any bank service, he does not owe us that portion of the charges. However, he did receive an electronic filing and owes for that and any applicable tax preparation fees. If the bank refuses to loan the refund money, and “flips” the return to a Bonus Check, fees would be adjusted accordingly and Bonus Check procedures would apply.
2. When a return “flips”, write “flipped” on the RAL application. Wait for a notification from the bank to process and print a Bonus check. Once the check has been printed, place the original RAL application in the file to send to bank, place the second copy in client’s file, and place the third copy in the customer envelope. Place the entire file in the pick up drawer.
3. Contact customer and explain that the IRS has refused to send the refund electronically, but that they did receive an electronic filing and they owe us the fee for filing plus any applicable preparation fees; or advise the customer that the Bank has “flipped” his request for a RAL and that his check will be issued in about 2 weeks, and his fees will be adjusted accordingly.

### RAL Check Procedures

1. Client is eligible for a RAL if the return is eligible for electronic filing as defined by the IRS. Total tax refund is no less than the amount of the fees being withheld from the Direct Deposit and no more than \$9900.00.
2. The procedure for processing a PERC is the same as that for any other type of return. The main advantage is that the customer may have our fees deducted from the refund check and, therefore, would not have to pay our fees before filing.
3. You must complete a bonus check application form and obtain copies of identification.
4. Company will print the PERC after the IRS deposits the refund to the taxpayer’s account at Bank (approximately 10-14 days).
5. Complete RAL check pricing sheet. Complete, make copies and transmit the return as outlined for a RAL.



## RAL Procedure Continued

### PERC Direct Deposit

1. Clients have our preparation fees deducted from their refunds before those refunds are deposited in their accounts.
2. The procedure for processing a “Direct Deposit” is the same as that for any other type of return. The main advantage is that the customer may have our fees deducted from the refund check and, therefore, would not have to pay our fees before filing.
3. You must be sure that the Direct Deposit information is filled out appropriately.

### General Information for Taxpayers

**9325**—General Information for Taxpayers Who File Returns Electronically. Form which must be given to taxpayers which explains direct deposits and RALS and tells the taxpayer the procedure to follow if he does not receive his return when expected.





# Acceptable Proof of Account

## Financial Institution Identification Card

1 — John Doe

**Account Identification Card**

3 —  XYZ  
Federal  
Northern Virginia 23220

256072675  21010000000

4       2

1. Account Name
2. Account Number
3. Name of Financial Institution
4. Routing Transit Number
5. Money Amount
6. Check Serial Number

1 —

1 — Name of Depositor  
Street Address  
City, State Zip Code

Pay to the order of

Three hundred Ninety-One Dollars and 58/100

3 —  Name of Your Bank  
Street Address  
City, St, Zip Code

For  
123404567      123      4567      101

4                      2                      6                      5

12-26-1998      101

\$ 391.58

DOLLARS

Signature of Depositor  
0000039158



# “Payable Through” Accounts

## Payable Through

A check or share draft that is “payable through” another financial institution is not eligible as proof of an account since it contains the RTN of the “payable through” financial institution rather than the financial institution where the account is located.

**PAYABLE THROUGH FINANCIAL INSTITUTIONS MAY NOT ACCEPT DIRECT DEPOSITS TO THESE TYPES OF ACCOUNTS. USE OF A “PAYABLE THROUGH” RTN COULD DELAY THE REFUND.**

This does not mean the taxpayer is ineligible for Direct Deposit. The taxpayer must produce another document from the financial institution, such as an account statement, which contains the RTN where the taxpayer’s account is actually located. If the RTN is the same as on the check or share draft, the taxpayer should contact their financial institution to obtain the correct RTN to be used for Direct Deposit (sometimes called “Electronic Funds Transfer”.)

## Unacceptable Proof of Account

Check Payable Through Another Financial Institution

<b>Name of Depositor</b>	<b>NO. 1801</b>
<b>Street Address</b>	<u>15-3216</u>
<b>City, State Zip Code</b>	<u>20</u> 2230
Pay to the order of _____	\$ <input type="text"/>
_____	DOLLARS
PAYABLE THROUGH	
Anywehre Bank, Anywhere USA	
THE CREDIT UNION Anywhere, USA	
Memo _____	

Payable Through Information



## Procedure for RAL Return (Return Prepared by Colbert/Ball)

1. Check refund amount to determine if refund will qualify for RAL.
  - a. RAL Refund Range \$200.00 to \$9900.00.
  - b. If refund is larger than \$5000.00 taxpayer will receive a separate check after the bank receives the direct deposit from the IRS. This check will be mailed to the taxpayer approximately 10-14 days later. If refund is below \$200.00 explain that they are eligible for the bonus check program.
2. Quote fee to client according to current pricing structure. Obtain Primary and Secondary Name/Social Security Number Validation. *The following are the ONLY ACCEPTABLE PROOF!*
  - a. IRS mailing label for the current tax year.
  - b. Valid Social Security Card.
  - c. Current Military I.D.
3. Obtain acceptable identification. Two forms of I.D. are required—*At least one must be a current picture I.D. from Group A.*

Group A

  1. Driver's License
  2. Motor Vehicle Issued State I.D.
  3. Military I.D.
  4. U.S. Passport
  5. Resident Alien I.D.
  6. Employee I.D.
  7. Student I.D.

Group B

  1. Visa/MC/Discover/AMEX
  2. SSN Card
  3. Check Cashing Card
  4. Prior Client Receipt
  5. Union Membership Card
4. Prepare all applicable sections of the RAL application. Have taxpayer read complete agreement before signing. Witness the taxpayer's signature.
5. Input information for return.
6. You must complete the RAL screen for the taxpayer to receive a check.
7. Print return. Have taxpayer examine the return. Ask them to verify the accuracy of name, address, social security number, filing status and dependent information.
8. Check form 8453 for bank information and have taxpayer sign the 8453. If it is a joint



## RAL Procedure Continued

return both taxpayers must sign the 8453. *The return cannot be transmitted without taxpayer signatures.* The Self-select PIN program will eliminate the need for a signature on the 8453 but the taxpayers should complete and sign the tax preparer authorization form.

8. Have return checked by office manager or another associate.
10. Make copies as listed:
  - a. Form 8453 (SIGNED 3 copies (1-taxpayer 2-transmitter 3-our file copy). The original form will be sent to the IRS.)
  - b. 1040 and Schedules—one copy for taxpayer (original for our file)
  - c. Client identification—one copy for our file.
  - d. Client provided information for schedules & return.
  - e. W-2s (Keep Copy B) and 1099s (Attach copy B to our file copy of the 8453)
11. Prepare client package for pick up. Include copy of return, all schedules, a signed copy of the 8453.
12. Prepare our file copy. Write customer name, last name first, on the file label. The file should be put together as follows:
  - a. Form 8453 with Federal (copy B) of W2's and 1099's attached.
  - b. Tax return and schedules in proper order.
  - c. Copies of client identification.
  - d. Copies of other back-up material.
13. Put taxpayer's envelope inside our file folder. Put RAL Application on top of envelope. Paper clip the original and one copy of the 8453 to the outside of client folder. Give return to transmitter to be filed.
14. Transmit return. Receive IRS acknowledgment. Receive bank acknowledgment. Print check. (If flipped or denied see page 87.) Taxpayer should receive the Form 9325 with the acknowledgment date with his check.
15. Complete last line of RAL application with check number. Send original 8453 to IRS. Place second copy in transmitter reference file. Place copy of check in client's file. Place check and form 9325 in customer envelope and place entire file in pick up drawer.
16. Give check to client after obtaining proof of identity that matches original identification. Have customer sign RAL application acknowledging receipt of check. Witness the customer signature. Put customer copy of RAL application in the client envelope, put second copy in our client file, and place original RAL application in transmitter's file to be mailed to Bank One.
17. File client folder with completed returns for current year.

The taxpayer must sign that he has received his RAL check and must produce a picture ID at the time he receives his check.



## Procedure for Processing Self-Prepared RAL

1. Check refund amount to determine if refund will qualify for RAL.
  - a. RAL Refund Ranges from \$200.00 to \$9900.00.
  - b. If refund is larger than \$5000.00 taxpayer will receive a separate check after the bank receives the direct deposit from the IRS. This check will be mailed to the taxpayer approximately 10-14 days later. If refund is below \$200.00 explain that they are eligible for the bonus check program.
2. Quote fee to client according to current pricing structure. Explain that the STATE RETURN IS ALSO ELECTRONICALLY FILED AND THAT IT IS INCLUDED, IF ELIGIBLE.
3. Obtain Name/Social Security Number Validation. The following are the ONLY ACCEPTABLE PROOFS!
  - a. IRS mailing label for the current tax year.
  - b. Valid Social Security Card.
  - c. Current Military I.D.
4. Obtain acceptable identification. Two forms of I.D. are required—At least one must be a current picture I.D. from Group A.
  - a. Group A
    1. Driver's License
    2. Motor Vehicle Issued State I.D.
    3. Military I.D.
    4. U.S. Passport
    5. Resident Alien I.D.
    6. Employee I.D.
    7. Student I.D.
  - b. Group B
    1. Visa/MC/Discover/AMEX
    2. SSN Card
    3. Check Cashing Card
    4. Prior Client Receipt
    5. Union Membership Card
5. Prepare all necessary sections of the RAL application. Have taxpayer read complete agreement before signing. Witness the taxpayer's signature. *If married filing joint, you must witness both signatures. You are acting as a witness for the bank and must personally witness the signatures.*
6. Input information for return. Calculate the return and verify that the results agree with the figures on the self-prepared return. Determine the reason for any differences. *Do not assume that the taxpayer has made an error!* If the self-prepared return is incorrect, the taxpayer must either correct the return or pay you to prepare it. This decision will normally depend on the extent of changes necessary. Do not alienate a client over a



## RAL Procedure Continued

minor math error. You must complete the RAL screen for the taxpayer to receive a check.

7. Print return. Have taxpayer verify accuracy of name, address, social security number and refund amount.
8. Check form 8453 for bank information and have taxpayer sign two (2) copies of the 8453. If it is a joint return both taxpayers must sign the 8453. *The return can not be transmitted without taxpayer signatures.* Sign as the ERO (Electronic Return Originator). The Self-select PIN program will eliminate the need for a signature on the 8453 but the taxpayers should complete and sign the tax preparer authorization form.
9. Make copies as listed:
  - a. Form 8453 (SIGNED 3 copies (1-taxpayer, 2-transmitter 3-our file copy)
  - b. 1040 and Schedules—one copy for taxpayer (original for Peoples' file)
  - c. Client identification—one copy for the CBTS file.
  - d. Taxpayer prepared *and signed* 1040 (Keep original; give them a copy)
  - e. W-2s (keep Copy B) and 1099s (Attach copy B to our file copy of the 8453)
10. Prepare client package for pick up. Include copy of return, all schedules, a signed copy of the 8453. This should be given to the taxpayer at the time he signs the 8453s.
11. Prepare Peoples' file copy. Write customer name, *last name first*, on the file label. The file should be put together as follows:
  - a. RAL application
  - b. Form 8453 with Federal (copy B) of W2's and 1099's attached.
  - c. Tax Return and schedules in proper order.
  - d. Copies of client identification.
  - e. Taxpayer's self-prepared, *signed* return.
12. Put taxpayer's envelope inside the CBTS file folder. Put RAL Application on top of envelope. Place the original and one copy of the 8453 just inside client folder. Give return to transmitter to be filed. (If your office is on the network, see transmission instructions for networks.)
13. Transmit return. Receive IRS acknowledgment. Receive Bank acknowledgment. Print check. (If flip or denied, see page 78.)
14. Complete RAL application with check number. Send one original 8453 to IRS. Second 8453 is filed by the transmitter. Place check with RAL application in customer envelope and place entire file in pick up drawer.
15. Give check to client after obtaining proof of identity that matches original identification. Have customer sign RAL application acknowledging receipt of check. Witness the customer signature. Give customer his copy of RAL application in the client envelope, put second copy in our client file, and place original RAL application in transmitter's file to be mailed to the bank.
16. File client folder with completed returns for current year.



## Revenue Protection

*Reprinted from Internal Revenue Service WEB site announcement Be sure to check for updated material at [www.irs.gov](http://www.irs.gov).*

The IRS revenue protection efforts will again identify and look at certain tax returns before issuing refunds in 2001. In addition to the identification of all questionable refunds, emphasis on improving compliance with the Earned Income Tax Credit (EITC) provisions of the Internal Revenue Code will continue. Approximately 4.08 million tax returns will be impacted, with about 29 percent of those being EITC related.

Math error authority will address 2.8 million returns. Under math error authority, the Service issues partial refunds and holds the questionable portions until issues such as invalid or duplicate SSNs have been resolved. The balance of the refunds will be issued if the questionable portions of their claims are substantiated. The partial refund and the balance will be issued as direct deposits, if requested. Math error authority affects only returns filed on paper. Electronically filed returns are not impacted because the IRS *e-file* system rejects errors and allows for correction and re-transmission of rejected returns.

Refunds will be delayed one week for all questionable refunds **including first time filers using IRS e-file**. First time filers are those who have not filed a tax return as a primary or secondary taxpayer using their current last name during the past 10 years. Direct deposit requests will be honored in these cases. This initiative will affect about 880,000 electronically filed returns. Although this amount is significantly greater than the 335,000 estimated for 2000, it is comparable to the amount of 803,000 that was actually identified as questionable refunds during 2000.

Refunds for the balance of the impacted returns will be frozen in most cases until outstanding issues are resolved. Of the remaining 481,700 current estimates are that approximately 190,900 returns will be filed using IRS *e-file*. This means that revenue protection efforts will impact only about 2.4 percent of the expected 44 million electronically filed returns. This is slightly less than the 2.5 percent of the electronically filed returns that were impacted during 2000.

Taxpayers whose refunds are frozen will receive notification of these actions within two weeks from the acceptance of electronically filed returns. Notifications will take at least 4 weeks for returns filed on paper. Customer service representatives have detailed information that will enable them to answer taxpayer inquiries correctly. When review of the tax return is complete, direct deposit requests will be honored.

The Earned Income Tax Credit Preparer Outreach Program will also continue with IRS revenue agents visiting tax professionals nationwide prior to January 2001, to provide individual assistance and to answer any questions about EITC. Some of the visits will also include a review of files to determine if due diligence requirements for the preparation of EITC have been met.



**Colbert/Ball**  
TAX SERVICE

**Attention Self-Prepared Electronic Filers,  
RAL or PERC Applicants**

If Colbert/Ball Tax Service electronically files my tax return and it is not accepted by the Internal Revenue Service due to circumstances or omissions beyond the control of Colbert/Ball Tax Service, I understand that I will be responsible for a \$50.00 data entry fee, as well as any penalties and interest levied by the IRS.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

*(This notice must be kept in the client file with copies of all other records.)*

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**Colbert/Ball**  
TAX SERVICE

**Attention Self-Prepared Electronic Filers,  
RAL or PERC Applicants**

If Colbert/Ball Tax Service electronically files my tax return and it is not accepted by the Internal Revenue Service due to circumstances or omissions beyond the control of Colbert/Ball Tax Service, I understand that I will be responsible for a \$50.00 data entry fee, as well as any penalties and interest levied by the IRS.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

*(This notice must be kept in the client file with copies of all other records.)*

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# Taxpayer Fraud

Fraud is a deliberately practiced deception in order to secure unfair or unlawful gain. Following is a list of suspicious activities and warning signs of fraud. The preparer should notify the IRS if he suspects fraud.

Preparers should be suspicious of hand-written W-2s. While some W-2s are hand-written, most W-2s are computer generated. Hand-printed W-2s from an individual employer are issued, but businesses very rarely use them. Preparers should check with the office manager when they receive a hand-written W-2.

Another area of suspicion is a male head-of-household with a young child (2-3 years old). While some men do raise children from very young ages, it is an infrequent occurrence. Be sure to copy that child's social security card and put it in the file. Accept no substitute for the card or the print out from social security.

Schedule C filers are also an area of concern. Some taxpayers claim that they are self-employed to raise their income to the optimum amount for receiving earned income credit. Ask what they do, who they work for, etc. If they have any one person/company from whom they received more than \$600, they should have a 1099MISC for the amount they were paid.

## Warning Signs of Fraud:

1. W2s which are handwritten, typed, duplicates; substitute W2s, absence of W2s, attempts to use a note from an employer as a W2
2. No withholding on a W2
3. High dollar amount for refund
4. Self-prepared return
5. Computer generated W2 that differs from others from the same firm
6. Social security number that is different from the taxpayer's or which has been altered
7. Suspicious persons accompanying the taxpayer at check pick up and observed on prior occasions
8. Similar returns—the same amount of refund, same number of dependents, etc.
9. W2s for out-of-state firms or firms with which the preparer has no familiarity
10. W2s with copies "A" for Social Security and "D" for the employer still attached.
11. Multiple refunds with the same address or P.O. number
12. Income for the number of dependents unrealistic (\$4000 total income with 3 dependents)
13. Last name of child different from taxpayer
14. Different taxpayers claiming the same dependent/using the same Social Security number
15. Taxpayer cannot spell or has difficulty spelling the children's names
16. Man and woman present with children calling them "Mommy" and "Daddy", but both filing head of household with each claiming some of the children
17. Person present or calling to pick up RAL check for his spouse who filed as head of household
18. Couple claims they just live together and have children—especially in a common law state
19. Person wants to file head of household with EIC, but had no expenses for child care while he worked

# Electronic Filing Glossary of Common Terms



**ACK** -- Acknowledgement

Acknowledgment of receipt of return by the IRS, which should be received within two workdays of original transmission.

**DCN** -- Declaration Control Number

A unique 14 digit number assigned to each tax return, which must be clearly printed or typed on the upper left-hand corner of the Form 8453

**DD** -- Direct Deposit

Process by which the IRS deposits the taxpayer's refund into a checking or savings account. In the case of a RAL, the bank sets up an account specifically for this purpose.

**EFIN** -- Electronic Filer Identification Number

Issued to all participants in the electronic filing program, which is written at the bottom of the Form 8453 along with the ERO's signature and the firm's name and address.

**EIC** -- Earned Income Credit

A refundable credit based on the taxpayer's income and number of qualifying children.

**ELF or EF** -- Electronic Filing

The process of filing returns electronically.

**ERO** -- Electronic Return Originator

Either the preparer who files electronically or an "electronic return collector" who accepts prepared returns and files them

**Flip**

IRS term for a refund that was switched from Direct Deposit to a paper check, which makes the taxpayer ineligible for a RAL. Flips occur when the taxpayer owes such things as back taxes, child support, student loans, or, but not limited to, payments to various state or federal agencies.

**Flop**

Occurs when the IRS issues an acknowledgment, but does not issue a check. In this case with a RAL, the bank has issued a check with the initial acknowledgment and must recover the loan amount from the taxpayer.

**FTF** -- First Time Filer

Anyone who has not filed under the same name and social security number within the last 10 years is considered a first time filer. Refunds for these individuals will be delayed one week in the 2001 filing season but direct deposits will be honored.



## Glossary Continued

**RAL** -- Refund Anticipation Loan

A secured loan made by a financial institution to a taxpayer based on the amount of refund the taxpayer should receive.

**8453** -- IRS Publication, Individual Income Tax Declaration for Electronic Filing

Form must be signed by the taxpayer(s) and must have the same address and return amount as the electronically filed return.

**9325** -- IRS Publication, General Information for Taxpayers Who File Returns Electronically

Form must be given to taxpayers which explains direct deposits and RALS and tells the taxpayer the procedure to follow if he does not receive his return when expected.

# Due Diligence



The Tax Relief Act of 1997 brought a new challenge for tax preparers. Within the Tax Relief Act is a provision for a \$100 penalty per return for preparers who fail to exercise due diligence. The definition of due diligence, from Circular 230, 10.22, Diligence as to accuracy, follows.

Each attorney, certified public accountant, enrolled agent, or enrolled actuary shall exercise due diligence:

1. In preparing or assisting in the preparation of, approving and filing returns, documents, affidavits, and other papers relation to Internal Revenue Service matters;
2. In determining the correctness of oral or written representations made by him to the Department of the Treasury; and
3. In determining the correctness of oral or written representations made by him to clients with reference to any matter administered by the Internal Revenue service.

The IRS has decided to enforce this provision with emphasis on taxpayers claiming earned income credit and with special emphasis on those who claim both Schedule C income and earned income credit.

Section 6695(g) of the Internal Revenue Code governs the application. Here are the four due diligence requirements you must meet:

1. You must complete Form 8867, *Paid Preparer's Earned Income Credit Checklist*, or your own form as long as it provides the same information.
2. You must complete the appropriate EIC worksheet found in the Form 1040, 1040A or 1040EZ instructions or in Publication 596, or your own worksheet as long as it provides the same information.
3. You must have no knowledge that any of the information used to determine the taxpayer's eligibility for the credit and the credit amount is incorrect.
4. You must keep Form 8867 and the EIC worksheet (or your own equivalents of each), and a record of how, when and from whom the information used to prepare the form and worksheet was obtained. You must keep these documents for three years from the June 30th following the date the return or claim for refund was presented to the taxpayer.

In order to protect tax preparers, every effort must be made to be certain that taxpayers qualify for the filing status they choose, the earned income tax credit, and all revenue and expenses they declare on Schedule C.

The following worksheets will help taxpayers determine whether they qualify. Appropriate worksheets should be filled out by the taxpayers and kept in the taxpayer's file. As had been previously required, copies of identification cards and social security cards are required for taxpayers claiming earned income credit. Social security card copies are also required for dependents claimed by those taxpayers.

The Head of Household qualification sheet should be filled out by any taxpayer who is filing as Head of Household. Prior to signing that sheet, the taxpayer should fill out the Head of Household worksheet.



## Due Dilligence Continued

In order to determine whether children can be claimed as dependents if the taxpayer is receiving AFDC (Aid to Families with Dependent Children), the Cost of Maintaining a Household worksheet should be filled out. Tax preparers must develop the habit of asking clients if they are receiving Aid to Families wit Dependent Children.

Additionally, there are worksheets to be completed for Earned Income Credit and for those who file Schedule C and receive Earned Income Credit.

Those who receive Earned Income Credit based on Schedule C earnings must sign a statement that they gave the information reported to the tax preparer and that it is accurate to the best of their knowledge.

We have included sample statements for your office to use on the following pages.



**Colbert/Ball**  
TAX SERVICE

## Head of Household Qualification

I certify that I have been separated/divorced from my spouse, \_\_\_\_\_, SSN \_\_\_\_\_, and that my spouse and I did not cohabitate during the last six months of the calendar year \_\_\_\_\_. I further certify that I have one or more qualified dependents living in my home for whom I provide more than half of the support. I therefore qualify to file as "Head of Household" and desire to file my tax return using that status for tax year \_\_\_\_\_. My tax preparer has explained to me the penalties that could be imposed if I file as "Head of Household", and it is determined at a later date that I was not authorised to file with this status.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Social security Number

*(A copy of this notice must be kept in the client file with copies of all other records.)*

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**Colbert/Ball**  
TAX SERVICE

## Head of Household Qualification

I certify that I have been separated/divorced from my spouse, \_\_\_\_\_, SSN \_\_\_\_\_, and that my spouse and I did not cohabitate during the last six months of the calendar year \_\_\_\_\_. I further certify that I have one or more qualified dependents living in my home for whom I provide more than half of the support. I therefore qualify to file as "Head of Household" and desire to file my tax return using that status for tax year \_\_\_\_\_. My tax preparer has explained to me the penalties that could be imposed if I file as "Head of Household", and it is determined at a later date that I was not authorised to file with this status.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Social security Number

*(A copy of this notice must be kept in the client file with copies of all other records.)*

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# Head of Household Worksheet

## Part 1 -- Single Taxpayers

- \_\_\_\_ 1. Did you pay more than hal the costs of maintaining a home for the current tax year in which a qualifying person\* lived?  
Name of Dependent \_\_\_\_\_  
Social Security Number \_\_\_\_\_  
Relationship \_\_\_\_\_
- \_\_\_\_ 2. Did this person live with you for more than half the year?
- \_\_\_\_ 3. Did you pay more than halfthe cost of keeping up a home that was the main home of your parent whom you claim as a dependent?

## Part II -- Married Taxpayers

- \_\_\_\_ 1. Did you live apart fro yur spouse for the last six months of the tax year?
- \_\_\_\_ 2. Do you intend to file separately from your spouse?
- \_\_\_\_ 3. Did you pay over half the cost of maintaining a home for your qualifying child\*?
- \_\_\_\_ 4. Was this home the main home of the qualifying child? (More than 1/2 the year)  
Name of Dependent \_\_\_\_\_  
Social Security Number \_\_\_\_\_  
Relationship \_\_\_\_\_
- \_\_\_\_ 5. Did you claim this person a a dependent?

\*Qualifying person is your child, grandchild, step-child, or adopted child who is:

**Single.** Child does not have to be yur dependent. A foster child, however, *must be your dependent.*

**Married.** Child mustqualify as your dependent.

Other relatives whom you claim as dependents who can be qualifying persons: parent, grandparent, brother, sister, stepbrother, stepsister, stepmother, stepfather, half-brother, half-sister, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law. If related by blood: uncle, aunt, nephew, and neice.

**I acknowledge that I have read and understand the qualifictions for Head of Household filing status and that I am qualified to claim Head of Household status.**

Name \_\_\_\_\_ SSN \_\_\_\_\_ Date \_\_\_\_\_

# Cost of Maintaining a Household (AFDC Recipients)



	<u>Amount You Paid</u>	<u>Total Cost</u>
Property taxes	\$	\$
Mortgage interest expense		
Rent		
Utility charges		
Upkeep and repairs		
Property insurance		
Food consumed on the premises		
Other household expenses		
<b>Totals</b>	\$	\$
Minus total <b>amount you paid</b>		( )
<b>Amount others paid</b>		\$

If the total amount you paid is more than the amount others paid, you meet the requirement of paying more than half the cost of keeping up the home.

**Costs you include.** Include in the cost of upkeep expenses such as rent, mortgage interest, real estate taxes, insurance on the home, repairs, utilities, and food eaten in the home.

**Costs you do not include.** Do not include in the cost of upkeep expenses such as clothing, education, medical treatment, vacations, life insurance, or transportation. Also, do not include the rental value of a home you own or the value of your services or those of a member of your household.





## Tax Year 2003 EITC Eligibility Checklist (from Publication 596)

You may claim the EITC if you answer YES to all the following questions:\*

	Yes	No
Do you, your spouse (if filing jointly) and any qualifying child listed on Schedule EIC each have a valid SSN?		
Is your filing status married filing jointly, head of household, qualifying widow(er) or single? Caution: If you are a nonresident alien, answer YES only if your filing status is married filing jointly and you are married to a U.S. citizen or resident alien.		
Answer YES if you are not filing Form 2555 or Form 2555-EZ. Otherwise, answer NO.		
Is your investment income \$2,550 or less?		
Is your total earned income at least \$1 but less than: · \$11,060 (\$12,060 if married filing jointly) if you do not have a qualifying child, · \$29,201 (\$30,201 if married filing jointly) if you have one qualifying child, or · \$33,178 (\$34,178 if married filing jointly) if you have more than one qualifying child?		
Is your adjusted gross income (AGI) less than: · \$11,060 (\$12,060 if married filing jointly) if you do not have a qualifying child, · \$29,201 (\$30,201 if married filing jointly) if you have one qualifying child, or · \$33,178 (\$34,178 if married filing jointly) if you have more than one qualifying child?		
Answer YES if you (and your spouse if filing a joint return) are not a qualifying child of another person. Otherwise, answer NO.		
STOP: If you have a qualifying child, answer questions 8 and 9 and skip 10 through 12.		
If you do not have a qualifying child, skip questions 8 and 9 and answer 10 through 12*.		
Does your child meet the age, residency and relationship tests for a qualifying child?		
Is your child a qualifying child only of you? Answer YES if your qualifying child also meets the tests to be a qualifying child of another person, but either a) the other person is not claiming the EITC using that child, or b) if the other person is claiming the EITC using that child, you can treat the child as a qualifying child but the other person cannot.		
Was your main home (and your spouse's if filing a joint return) in the United States for more than half the year?		
Were you (or your spouse if filing a joint return) at least age 25 but under age 65 at the end of 2002?		
Answer YES if you (and your spouse if filing a joint return) cannot be claimed as a dependent on anyone else's return. Answer NO if you (or your spouse if filing a joint return) can be claimed as a dependent on someone else's return.		

\* Persons with a qualifying child: If you answered YES to questions 1 through 9, you can claim the EITC. Remember to fill out Schedule EIC, Earned Income Credit, Qualifying Child Information, and attach it to your Form 1040 or Form 1040A. You cannot use Form 1040EZ.

\*Persons without a qualifying child: If you answered YES to questions 1 through 7, and 10 through 12, you can claim the EITC.

***If you answered NO to any question that applies to you, you are not eligible for the EITC.***

# Worksheet 1: Investment Income for those Filing Form 1040



## Interest and Dividends

1. Enter any amount from Form 1040, line 8a. 1. \_\_\_\_\_
2. Enter any amount from Form 1040, line 8b, plus any amount on Form 8814, line 1b. 2. \_\_\_\_\_
3. Enter any amount from Form 1040, line 9. 3. \_\_\_\_\_
4. Enter the amount from Form 1040, Line 21, that is from Form 8814 if you are filing that form to report your child's interest and dividend income on your return. (See instructions below for line 4 if your child received a Alaska Permanent Fund dividend.) 4. \_\_\_\_\_

## Capital Gain Net Income

5. Enter the amount from Form 1040, line 13. If the amount on that line is a loss, enter zero. 5. \_\_\_\_\_
6. Enter any gain from Form 4797, Sales of Business Property, line 7, column (g). If the amount on that line is a loss, enter zero. (But, if you completed lines 8 and 9 of Form 4797, enter the amount from line 9.) 6. \_\_\_\_\_
7. Subtract line 6 of this worksheet from line 5 of this worksheet. (If the result is less than zero, enter zero.) 7. \_\_\_\_\_

## Royalties and Rental Income from Personal Property

8. Enter any royalty income from schedule E, line 4, plus any income from the rental of personal property shown on Form 1040, line 21. 8. \_\_\_\_\_
9. Enter any expenses from schedule E, line 21, related to royalty income, plus any expenses from the rental of personal property deducted on Form 1040, line 32. 9. \_\_\_\_\_
10. Subtract the amount on line 9 of this worksheet from the amount on line 8. (If the result is less than zero, enter zero.) 10. \_\_\_\_\_

## Passive Activities

11. Enter the total of any net income from passive activities (included on Schedule E, lines 26, 28a(col. (h)), 33a (col. (d)), and 39). (See instructions below for lines 11 and 12.) 11. \_\_\_\_\_
12. Enter the total of any losses from passive activities (included on Schedule E, lines 26, 28b (col. (g)), 33b (col. (c)), and 39). (See instructions below for lines 11 and 12.) 12. \_\_\_\_\_
13. Combine the amounts on lines 11 and 12 of this worksheet. (If the result is less than zero, enter zero.) 13. \_\_\_\_\_
14. Add the amounts on lines 1, 2, 3, 4, 7, 10, and 13. Enter the total. This is your Investment Income. 14. \_\_\_\_\_

Instructions for line 4. To figure the amount to enter on line 4, start with the amount on line 6 of form 8814. Multiply that amount by a percentage that is equal to any Alaska Permanent Fund dividends divided by the total amount of interest and dividend income on line 1a and 2 of Form 8814. Subtract the result from the amount on line 6 of Form 8814.

Instructions for lines 11 and 12. In figuring the amount to enter on lines 11 and 12, do not take into account any royalty income (or loss) included on line 26 of Schedule E or any amount included in your taxable earned income. To find out if the income on line 26 or line 39 of schedule E is from a passive activity, see the Schedule E instructions. If any of the rental real estate income (or loss) included on Schedule E, line 26, is not from a passive activity, print "NPA" and the amount of the income (or loss) on the dotted line next to line 26.



## EIC Worksheet 2: Earned Income

Note. Do not include on this worksheet any net earnings from self-employment or any income you received as a statutory employee. Instead, enter those amounts on EIC Worksheet B (page 25).

### Taxable Earned Income

1. Enter the amount from line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ). 1. \_\_\_\_\_
2. If you received a taxable scholarship or fellowship grant that was not reported to you on a Form W-2 but was included in the total on line 7 (Form 1040 or 1040A) or line 1 (Form 1040EZ), enter the amount. 2. \_\_\_\_\_
3. **Inmates.** If you received any amount for work done while an inmate in a penal institution and that amount is included in the total on line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ), enter that amount. 3. \_\_\_\_\_
4. **Clergy.** If you are a member of the clergy who files Schedule SE and the amount on line 2 of that schedule includes an amount that was also reported on line 7 (Form 1040), enter that amount. 4. \_\_\_\_\_
5. **Church employees.** If you received wages as a church employee (as defined above), enter any amount you included on both line 5a of Schedule SE and line 7 (Form 1040). 5. \_\_\_\_\_
6. If you received a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan and it was included in the total on line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ), enter the amount. (This amount may be reported in box 11 of your Form W-2. If you received such an amount but box 11 is blank, contact your employer for the amount of the pension or annuity.) 6. \_\_\_\_\_
7. Add the amounts on lines 2, 3, 4, 5, and 6 of this worksheet. 7. \_\_\_\_\_
8. Subtract line 7 of this worksheet from line 1. **This is your earned income.** 8. \_\_\_\_\_

### Nontaxable Earned Income

9. Enter the amount of any salary deferrals and reductions. 9. \_\_\_\_\_
10. Enter the value of any meals and lodging that were nontaxable because they were provided for the convenience of your employer. (Do not include any amount included on line 2 of Schedule SE.) 10. \_\_\_\_\_
11. Enter the total of any other nontaxable amounts you received from your employer for work you performed. (Do not include disability insurance payments for which you paid the premiums or any item listed under *Income That Is Not Earned Income*. If you are a member of the clergy, do not include any housing allowance or the rental value of a parsonage unless it does not have to be included on line 2 of Schedule SE.) 11. \_\_\_\_\_
12. Add the amounts on lines 9, 10, and 11 of this worksheet. This is your nontaxable earned income. (this is line 61b(Form 1040), line 39b (Form 1040A), or line 9b (Form 1040 EZ).) 12. \_\_\_\_\_

### Total Earned Income

13. Add the amounts on line 8 and 12 of this worksheet. This is your total earned income. (If you fill out *EIC Worksheet A*, enter this amount on line 1 of that worksheet.) 13. \_\_\_\_\_

# EIC Worksheet 3: Modified AGI if you are Filing Form 1040



Enter losses as positive amounts (except for lines 7,8, and 9). For example, if your AGI (Form 1040, line 34) is \$10,000 and you have a \$1,000 capital loss from the sale of stock (Form 1040, line 13), you will enter \$10,000 on line 1 of this worksheet and \$1,000 on line 3. If you do not have to enter any other amounts, your modified AGI is \$11,000 (\$10,000 + \$1,000).

1. Enter the amount from Form 1040, line 34. 1. \_\_\_\_\_
2. Enter any amount from Form 1040, line 8b, plus any amount on Form 8814, line 1b. 2. \_\_\_\_\_
3. Enter the amount of any loss claimed on Form 1040, line 13.  
(If the amount on Form 1040, line 13, is a gain, enter zero.) 3. \_\_\_\_\_
4. Enter the nontaxable part of a pension, annuity, or individual retirement arrangement (IRA) distribution (any part of the distribution that you did not report on lines 15b or 16b of Form 1040), except any amount that is nontaxable because it was a trustee-to-trustee transfer or a roll-over distribution. (Do not enter any amount that was from a Coverdell ESA.) 4. \_\_\_\_\_
5. Enter the amount of any loss claimed on Form 1040, line 12. (If the amount on Form 1040, line 12, is a gain, enter 0.) (See instructions below for line 5.) 5. \_\_\_\_\_
6. Enter the amount of any loss claimed on Form 1040, line 18. (If the amount on Form 1040, line 18, is a gain, enter zero.) 6. \_\_\_\_\_
7. Enter the amount of any rental real estate income (or loss) included on Schedule E, line 26. (See instructions below for lines 7, 8, and 9.) 7. \_\_\_\_\_
8. Enter the amount from Schedule E, line 31.  
(See instructions below for lines 7, 8, and 9.) 8. \_\_\_\_\_
9. Enter the amount from Schedule E, line 39.  
(See instructions below for lines 7,8, and 9.) 9. \_\_\_\_\_
10. Combine the amounts on lines 7, 8, and 9. If the result is a loss, enter it here. If the result is a gain, enter zero. (See instructions below for line 10.) 10. \_\_\_\_\_
11. Add the amounts on lines 5, 6, and 10 of this worksheet. Enter the result. 11. \_\_\_\_\_
12. Multiply the amount on line 11 of this worksheet by 75% (0.75). Enter the result. 12. \_\_\_\_\_
13. Enter the amount of any loss claimed on Schedule E, line 36. 13. \_\_\_\_\_
14. Enter any income from the rental of personal property shown on Form 1040, line 21, plus any royalty income from Schedule E, line 4. 14. \_\_\_\_\_
15. Enter any expenses from the rental of personal property deducted on Form 1040, line 32, plus any expenses from Schedule E, line 21, related to royalty income. 15. \_\_\_\_\_
16. Subtract the amount on line 15 of this worksheet from the amount on line 14. If the result is a loss, enter it here. If the result is a gain, enter zero. 16. \_\_\_\_\_
17. Add the amounts on lines 1,2,3,4,12,13, and 16 of this worksheet.  
Enter the total. This is your Modified AGI. 17. \_\_\_\_\_

**Line 5 instructions.** If you have a business loss on line 12 of Form 1040, enter the amount of the loss on line 5 of this worksheet. Do this even if that loss amount is the result of combining gains and losses from more than one Schedule C. Example. You have two Schedules C. One shows a \$2,000 gain. The other shows a \$10,000 loss. You enter the net loss of \$8,000 on line 12 of Form 1040 and on line 5 of this worksheet

**Line 7, 8, and 9 instructions.** These lines are an exception to the rule that all amounts on the worksheet must be positive amounts. On these lines, enter any loss by enclosing it in parentheses.

**Line 10 instructions.** Combine the amounts on lines 7, 8, and 9 to arrive at the amount on line 10. For example, if you enter \$2,000 on line 7, \$1,000 on line 8, and a loss of (\$3,500) on line 9, enter the loss of \$500 as a positive figure on line 10. But if the result of combining lines 7, 8, and 9 is a gain, enter zero. For example, if you enter \$2,000 on line 7, \$1,000 on line 8, and a loss of (\$2,500) on line 9, enter zero on line 10.



## EIC Worksheet A: Earned Income Credit (EIC)

Do not use this worksheet if you are self-employed or a church employee filing Schedule SE or you are filing Schedule C or C-EZ as a statutory employee. Instead, use EIC Worksheet B.

<p><b>Part 1</b></p> <p><b>All Filers using Worksheet A</b></p>	<p>1. Enter the total earned income from Worksheet 2.</p> <p>2. Look up the amount on line 1 above in the EIC Table to find the credit. Enter the credit here.</p> <p><b>If line 2 is zero, STOP. You cannot take the credit.</b> Put "No" on Form 1040, line 61a; Form 1040A, line 39a; or Form 1040EZ, line 9a.</p> <p>3. Enter the modified adjusted gross income. (If Worksheet 3 was completed, enter the amount from line 17 of that worksheet here.)</p> <p>4. Are the amounts on lines 1 and 3 the same? <b>Yes.</b> Skip line 5, enter the amount from line 2 on line 6. <b>No.</b> Go to line 5.</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p>
<p><b>Part 2</b></p> <p><b>Filers Who Answered "No" on Line 4</b></p>	<p>5. Is the amount on line 3 less than:            &gt; \$5,950 if you don't have a qualifying child, or            &gt; \$13,100 if you have one or more qualifying children?  <b>Yes.</b> Leave line 5 blank, enter the amount from line 2 on line 6.  <b>No.</b> Look up the amount on line 3 in the EIC Table to find the credit. Enter the credit here.  <i>Look at the amounts on lines 2 and 5. Then, enter the smaller amount on line 6.</i></p>	<p>5. _____</p>
<p><b>Part 3</b></p> <p><b>Allowed Earned Income Credit</b></p>	<p>6. This is the amount from Part 1 or Part 2 above.</p> <p>7. Enter the amount of alternative minimum tax from Form 1040, line 41, or included in the total Form 1040A, line 26 if any.</p> <p>8. Subtract line 7 from line 6. This is the earned income credit. Enter this amount on Form 1040, line 61a; Form 1040A, line 39a; or 1040EZ, line 9a.</p>	<p>6. _____</p> <p>7. _____</p> <p>8. _____</p>

# EIC Worksheet B: Earned Income Credit (page 1)



Use this worksheet if you were self-employed or you are filing Schedule SE because you had church employee income, or you are filing Schedule C or C-EZ as a statutory employee.

<p><b>Part 1</b> <b>Self-Employed and People with Church Employee Income, Filing Sch. SE</b></p>	<p>1. a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.</p> <p>b. Enter any amount from Schedule SE, Section B, line 4b or line Sa.</p> <p>c. <b>Add lines 1 a and 1 b.</b></p> <p>d. Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.</p> <p>e. Subtract line 1d from 1c.</p>	<p>1. _____</p>
<p><b>Part 2</b> <b>Self-Employed not Filin Sch SE</b></p> <p>For example: net earnings from self-employment were less than \$400.</p>	<p>2. Do not include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.</p> <p>a. Enter any net farm profit (or loss) from Schedule F, line 36, and from farm partnerships, Schedule K-I (Form 1065), line 15a.*</p> <p>b. Enter any net profit (or loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-I (Form 1065), line 15a (other than farming); and, Schedule K-I (Form 1065-B), box 9*.</p> <p>c. Combine lines 2a and 2b.</p> <p style="text-align: center;">*Also enter any Schedule K-I amounts on the appropriate line(s) of Schedule SE, Section A. Put the tax payer's name and social security number on Schedule SE and attach it to the return.</p>	<p>2. _____</p>
<p><b>Part 3</b> <b>Statutory Emp. Filing Sch C or C-EZ</b></p>	<p>3. Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.</p>	<p>3. _____</p>
<p><b>Part 4</b> <b>All Filers Using EIC Worksheet B</b></p> <p>If line 4d includes income on which the taxpayer should have paid self-employment but did not, the IRS may reduce the taxpayer's credit by the amount of self-employment tax not paid.</p>	<p>4. a. Combine lines 1 e, 2c, and 3.</p> <p>b. Enter your nontaxable earned income from Worksheet 2, line 12.</p> <p>c. Enter your taxable earned income from Worksheet 2, line 8.</p> <p>d. Combine lines 4a, 4b, and 4c. <b>This is your total earned income.</b></p> <p>5. If you have:</p> <ul style="list-style-type: none"> <li>➤ 2 or more qualifying children, is line 4d less than \$32,121?</li> <li>➤ 1 qualifying child, is line 4d less than \$28,281 ?</li> <li>➤ No qualifying children, is line 4d less than \$10,710?</li> </ul> <p><b>Yes.</b> Enter the amount from line 4d on line 6 EIC Worksheet B.</p> <p><b>No. STOP</b> The credit cannot be claimed. Put "No" on Form 1040, line 61a; Form 1040A, line 39a; or 1040EZ, line 9a.</p>	<p>4. _____</p> <p>5. _____</p>



## EIC Worksheet B: Earned Income Credit (page 2)

<p><b>Part 5</b></p> <p><b>All Filers using Worksheet B</b></p>	<p>6. Enter your total earned income from Part 4, line 4d, of this worksheet.</p> <p>7. Look up the amount on line 6 above in the EIC Table in the Appendix to find the credit. Enter the credit here.</p> <p style="padding-left: 20px;">If line 7 is zero, <b>STOP</b>. You cannot take the credit. <i>Put "No" on Form 1040, line 61 a; Form 1040A, line 39a; or Form 1040EZ, line 9a.</i></p> <p>8. Enter your modified adjusted gross income. (If you filled out Worksheet 3, this is the amount on line 17 of that worksheet.)</p> <p>9. Are the amounts on lines 8 and 6 the same? <b>Yes.</b> <i>Skip line 10, enter the amount from line 7 on line</i> <b>No.</b> <i>Go to line 10.</i></p> <p>10. Is the amount on line 8 less than:            ➤ \$5,950 if you do not have a qualifying child, <b>or</b>            ➤ \$13,100 if you have one or more qualifying children?  <b>Yes.</b> <i>Leave line J 0 blank, enter the amount from line 7 on line J J.</i>  <b>No.</b> Look up the amount on line 8 in the EIC Tables in the Appendix to find the credit. Enter the credit here.  <i>Look at the amounts on lines 10 and 7. Then, enter the smaller amount on line 11.</i></p>	<p>6. _____</p> <p>7. _____</p> <p>8. _____</p> <p>9. _____</p> <p>10. _____</p>
<p><b>Part 6</b></p> <p><b>Earned income Credit</b></p>	<p>11. This is the amount from Part 5 above.</p> <p>12. Enter the amount of alternative minimum tax from Form 1040, line 41 or included in the total on Form 1040A, line 26, if any.</p> <p>13. Subtract line 12 from line 11. This is your earned income credit. <i>Enter this amount on Form 1040, line 61a; Form 1040A, line 39a; Form 1040EZ, line 9a.</i></p>	<p>11. _____</p> <p>12. _____</p> <p>13. _____</p>



# Sole Proprietor Information Sheet

I certify that I incurred the following expenses and received the revenue for tax year \_\_\_\_\_

Total Revenue \_\_\_\_\_

Signature \_\_\_\_\_

Description		
Advertising		<b>Cost of Goods Sold</b>
Bad Debts		Beginning Inventory
Comissions Paid		Purchases
Fees Paid		Personal Use Total
		Other Costs
Depletion		Ending Inventory
Depreciation/Section 179		
		<b>Equipment Purchased or Sold (List)</b>
Insurance (otehr than health)		
Mortgage Interest		
Other Interest Payments		
Lisences		
Professional Services		
Leagal Services		
Office Expenses		
Phones		
Business Line		
Cellular		
Pager		
Rent		
Vehicle		<b>Car Expenses</b>
Machinery		Mileage
Equipment		Business
Other Business Rent		Commuting
Supplies		Other
Taxes		Actual Expenses
		Gas
Real Estate		Oil
Personal Property		Tires
Employee		Repairs
Other		Tolls/Parking
Travel		
Meals/Entertainment (enter total, 50% deductible)		
Utilities		Signature
Wages		
Employee benefit Programs		Print Name
Pension and Profit Sharing		
Other Expenzsses (list)		SSN
		Date





## **SECTION 8**

### **Additional Resources**

# Contact Information



## **Colbert/Ball Tax Service Corporate Office**

2616 South Loop West Suite #110

Houston, TX 77054

*Tax Support, Technical Support, Franchise Support*

Toll Free 888.288.8675

Local 713.592.5555

Fax 713.665.4809

## **ORRTAX Technical Support**

*www.orttax.com*

425.641.4357

Fax 425.649.7990

## **TRE Tax Support**

Toll Free 800.583.1040

Local 713.681.0003

## **IRS Information Line**

Ordering Tax Forms

Report Tax Fraud

EIN Application and changes

Terrorist Act and Combat Zone information

*www.irs.gov*

800.829.1040

800.TAX.FORM

800.829.0433

800.829.4933

866.562.5227

## **IRS Service Centers**

### **Santa Barbara Bank & Trust**

*www.sbbtral.com*

800.779.7228

### **Financial Management Systems**

*www.fms.treas.gov*

800.304.3107

