Taking Stock: CPA may better suit your needs

by Malcolm_Berko

Dear Mr. Berko: I'm a veterinarian and the accountant doing my taxes recently retired. In searching for a tax preparer I've discovered that there is a professional called an "enrolled agent." I was going to select a CPA but my dentist friend uses an enrolled agent and tells me that this professional would be better than a CPA. Please tell me what the difference is between an enrolled agent and a CPA. I also need advice on selecting either the Florida College Investment Plan or the Florida Prepaid Tuition plan for my three children who are 6, 8 and 9 years old. I've been very successful in the market over the past few years and think I can pick good funds to buy, so I really prefer the investment plan.

H.P.

Port Charlotte, Fla.

Dear H.P.: An enrolled agent is a tax preparer licensed by the federal government who can prepare your tax return as well as represent you in any dealings you have with the IRS. Most enrolled agents are former IRS employees who worked for the IRS for a minimum of five years in positions that require extensive knowledge of, as well as interpretation and application of, tax regulations. Other enrolled agents (they are in the minority) have passed an extremely thorough and comprehensive federal exam that audits their familiarity on all aspects of federal rules and regulations. Their laser-like focus on taxation rules and regulations gives them a formidable edge in preparing tax returns. But this doesn't mean they have expertise and knowledge in the broader business issues peculiar to your practice. In the past 12 years I've worked with several enrolled agents and I find their knowledge of tax law and interpretation to be formidable. I also know an enrolled agent (now retired) who was also a tax attorney. He was awesome and intimidating in court and I'm told that he never lost a court case.

However, if you need a preparer who has a broad business knowledge, who can provide analytical advice on your business fees, labor, marketing costs, retirement plans, budgets, profit margins, return on equity or assets, balance sheet analysis, etc., you should employ a certified public accountant. These folks are licensed by the state rather than the federal government and also must pass a comprehensive exam as well as spend several years in training prior to earning their CPA designation. But no matter which professional you chose, it's important to select a person who has experience in preparing returns for veterinarians.

The Florida College Investment Plan (and other college investment plans) is a scheme designed by the brokerage industry to generate rich fees and mutual fund commissions for Merrill Lynch, Prudential, Smith Barney, Raymond James, etc. And to the best of my knowledge, the Florida College Investment Plan (with $128 million in mutual funds) hasn't lived up to expectations.

It commenced operations in a near religious fervor with the brokerage industry, spending millions of dollars

for glowing advertisements and special training for its sales staffs. It has been a bust and the market crash a few years ago dealt a near deathblow. But if you think you can invest wisely enough to pay the college costs for your three kids - go for it.

However, I strongly suggest you consider Florida's Prepaid College Tuition Plan, which has attracted more than $5.7 billion in assets. According to the College Savings Foundation, a not-for-profit organization based in Washington, D.C., Florida's Prepaid Plan is the largest in the United States.

Unlike the Florida College Investment Plan, which has no tuition guarantee, Florida's Prepaid College Plan assures you that the dollars will be there when (if) your toddlers are ready. In my opinion, the prepaid plan is the best way to go.

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