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Business 101 for Translators & Interpreters  
How do I find a qualified tax preparer for my business? – Updated 2015 Version

by John Matthews, MBA & CT  
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Translators and interpreters like Terri the Translator and Inez the Interpreter are smart people – you have to be smart to be a good translator or interpreter. We all could do our own taxes, but in the same way that our clients know not to leave an important matter in translation or interpreting up to an unskilled foreign-exchange student, etc., Terri & Inez also know not to leave the important task of handling their tax returns up to their own amateur skills.

I took training classes at H&R Block for 5 years and prepared taxes for clients at both premium and retail offices for H&R Block, so my bias tends to be towards H&R Block because they require intensive continuing education for their tax preparers during the off-season.

**Tax Preparer: CPA, Tax Attorney, or Tax Preparation Agency?**

CPA's and tax attorneys are excellent choices for your tax preparation. They are highly trained, educated and skilled professionals. While H&R Block tax professionals generally do not have the credentials of CPA's and tax attorneys, they are nonetheless well trained and skilled at what they do, and they do not have the higher prices of CPA's and tax attorneys. The choice on balance is yours.

If you choose a tax preparation agency, here are a few insider's tips on interviewing and selecting a good tax preparer:

1. Some agencies focus on preparing simple tax returns. You want to avoid these agencies because their preparers generally do not have the expertise to properly complete your tax return and advise you.

2. Tax preparation agencies like H&R Block operate on cycles.  
Cycle 1: The middle of January to the middle of February. This is one of the busiest times because this is when employees who receive W-2's get them in the mail and want to get their returns filed so they can get their refunds, claim credits, etc.  
Cycle 2: The middle of February to the end of March. This is dead time because the rest of the people are either working to get all their information together to prepare their taxes or just procrastinating until they have to file on April 15.  
Cycle 3: The beginning of April to April 15. This time is again a busy one because people have finished getting their information together or the procrastinators are in a do-or-die situation.  
Cycle 4: April 15 ~ December 31. Off season, preparing taxes for people who have filed extensions, etc., and training classes.  
So Terri & Inez know that they want to interview a tax preparer after Presidents' Day in February and get their returns finished by the end of March while the tax preparer has time to devote to them. They also found out that while the tax preparation offices are closed from April 15 ~ December 31, each area has an H&R Block district office that is open during the off season, so they could go into the district office anytime during May ~ October to get advice.
3. Just like with translators & interpreters, there are novices tax preparers and there are skilled professionals. Terri & Inez' tax returns have some degree of complexity, and they want someone who has the proper experience to handle their situations well. So they called ahead to make an appointment, and they asked to talk with a seasoned tax professional who knows how to handle the tax return of a self-employed professional and advise them on maximum deductions.

### **Q&A Session**

Now that Terri and Inez have appointments, they can actually go to the office and interview the tax preparer during the slow cycle to make sure that they have a good match. In the interview, Terri & Inez explain about their businesses and gauge the reaction of the tax preparers.

To clinch the deal, these are a few of the questions Terri & Inez could ask. If the tax preparer hems or haws, obfuscates, or says he would have to do some research, he probably wouldn't be a good match. Terri thanks him and asks if there is a more seasoned tax preparer she can talk with. The tax preparer knows his limitations, is not offended, and introduces Terri to a more experienced tax preparer. Or Terri just takes her business elsewhere.

**Terri's Q:** Can I take a home office deduction for part of the apartment that I rent?

**Tax Preparer's A:** If you qualify for the deduction, it doesn't matter whether you rent an apartment or own a house or condominium. To qualify for the deduction you must meet 3 criteria: ① You use a room or space in a room exclusively for business; ② you use it regularly for business; ③ it must be your principal place of business.

**Terri's Q:** If I decide to take the home office deduction for my business, what is the impact when I sell my house?

**Tax Preparer's A:** You have two options:

① **First Option - Claiming a Deduction based on Actual Expenses:** You must keep track of the home-office depreciation you claim over the years, and in the year when you sell your house, you will pay capital gains tax on the total amount of that depreciation. Let me explain what that means...

If you rent an apartment, there is no impact on your taxes when you move somewhere else.

(The amount of the depreciation is found on Form 8829: Expenses for Business Use of Your Home; Line 41: Depreciation Allowable.) You need to keep this information; the tax preparation agency does not keep it for you.

② **Second Option - Simplified Method:** You can use the simplified method which is ..... When you use this option, depreciation is treated as zero and it will result in no impact on your taxes when you sell your house. Let me explain....

**Inez' Q:** Can I qualify for a home office deduction as an interpreter? I don't do much work at home, and most of my work is at the hospital or in court.

**Tax Preparer's A:** Yes. The space you use in your home qualifies as a home office because as a self-employed person you use it exclusively and regularly for the administrative or management activities of your business, such as phoning clients to make business appointments, keeping your financial records to create your invoices, etc. (IRS Publication 587: Business Use of Your Home; page 5). Here is a list of the things you can deduct...

**Inez' Q:** Can I deduct my mileage from my home to my work site, such as the hospital or court?

**Tax Preparer's A:** Yes. Since you qualify for a home office deduction, you can deduct qualifying mileage to and from the work site. So while the home office deduction itself may seem small because the space you regularly and exclusively use for the home office is small, it allows you to be able to deduct mileage which turns out to be a large deduction. Here's some advice on the specific information you need to keep...

**Terri's Q:** Can I deduct my credit card interest?

**Tax Preparer's A:** Yes. ① You can deduct interest on a credit card that you use exclusively for business purchases that are deductible. And you can also deduct the annual fee for that credit card. ② You cannot deduct credit card interest for personal purchases such as interest on a credit card that you use for both personal & business expenses.

**Inez' Q:** Can I deduct the interest on my car loan?

**Tax Preparer's A:** Yes, you can deduct a part of it. If you deduct mileage expenses because you have a home office, you can also deduct a proportional amount of your car loan. And here is the information you need to keep track of in order to do this....

**Terri's Q:** Can I pay myself a salary?

**Tax Preparer's A:** No. As a self-employed person, you keep what is left of your income after you deduct your expenses and pay your taxes. (This situation is different for a translator who has incorporated her business.)

**Terri's Q:** Should I incorporate my translation business?

**Tax Preparer's A:** I am not qualified to answer that question. It is best to consult an attorney who can advise you on the advantages and disadvantages associated with being a sole proprietor or an incorporated entity. If you do decide to incorporate, here are the differences in filing your taxes between a sole proprietor and a corporation...