VSG
BUSINESS GUIDES
PRACTICAL TOOLS. REAL RESULTS.

TAX PREPARATION
BUSINESS STARTUP GUIDE

A Step-by-Step Blueprint to Start, Run, and Grow a Profitable Tax Business

START
BUILD
GROW

Your Tax Business with Confidence

More Than Returns Build Brighter Futures

GET CERTIFIED
PTIN • EFIN • AFSP

SET UP YOUR BUSINESS
LLC • EIN • BANKING

CHOOSE YOUR TOOLS
SOFTWARE • SECURITY

ATTRACT CLIENTS
MARKETING • PRICING

DELIVER EXCEPTIONAL SERVICE
COMPLIANCE • GROWTH

INCLUDES TEMPLATES CHECKLISTS WORKSHEETS AND MORE

COMPLIANT
Current IRS Rules and 2026 Updates

PRACTICAL
Real-World Steps and Examples

PROFITABLE
Strategies to Increase Revenue

SCALABLE
From Solo to Multi-Location

Before You Begin

This guide is a business-startup and operating framework for a U.S. tax preparation practice. It is not legal, tax, accounting, insurance, cybersecurity, lending, or licensing advice. Federal, state, and local rules change; verify requirements for your own jurisdiction and service mix before acting.

Premium rule for this guide
The buyer should never confuse "allowed to prepare a return" with "qualified for every return." Start with returns you can competently prepare, maintain written scope and review controls, and refer work outside your competence.

Information reviewed: September 2026

Primary verification sources are listed in Chapter 18. Time-sensitive items include PTIN fees, e-file requirements, penalties, state registrations, software programs, and representation rules.

CHAPTER

Contents

CHAPTER 1

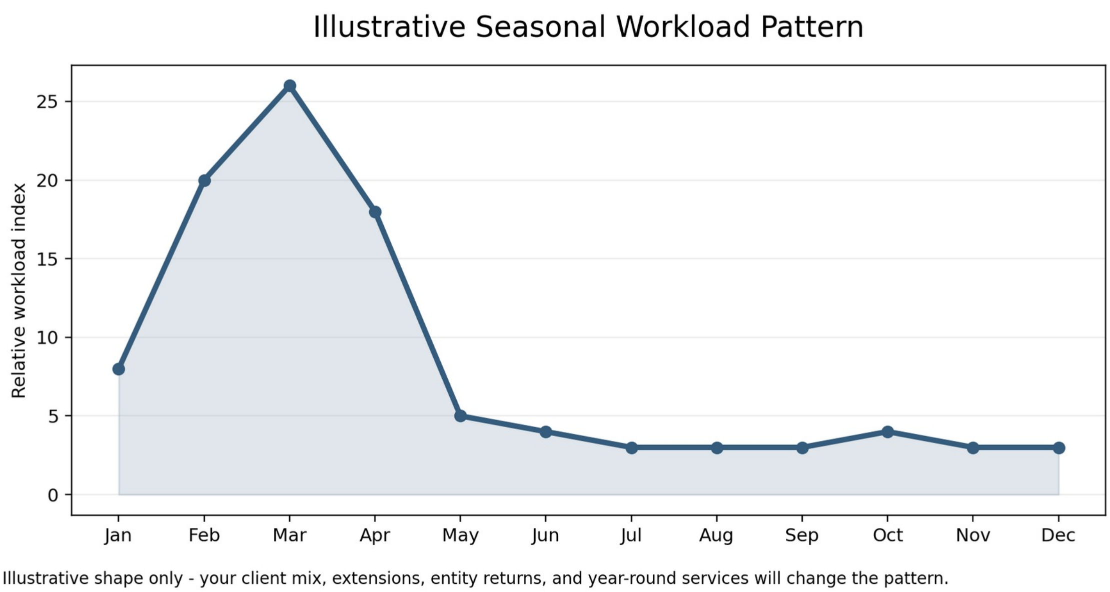
What Business You Are Actually Building

A tax practice is a trust business operating under a filing calendar, a security obligation, and professional judgment.

Clients are not merely buying data entry. They are buying an accurate filing process, an explanation they can understand, secure handling of sensitive information, and confidence that their preparer will still be available after the return is filed.

The business has three economic realities:

- Revenue is often concentrated around filing deadlines unless you deliberately add year-round services.
- A returning client is more valuable than a one-time bargain shopper because prior-year knowledge improves speed and trust.
- One compliance failure, data breach, or knowingly incorrect return can cost far more than the fee earned on the engagement.



Illustrative workload pattern - not measured industry revenue data.

Write your positioning statement:

CHAPTER 2

Readiness Gate: Skill Before Sales

A PTIN is a federal identifier, not proof that you are ready for every return.

Before taking live clients, be able to prepare and review sample returns without guessing. Your minimum practice set should include a basic W-2 return, dependents/credits, itemized deductions where relevant, self-employment income/expenses, common retirement/interest/dividend items, and at least one state return for the jurisdiction you intend to serve.

☐ Explain filing status and dependent rules at a practical level.

☐ Identify when Schedule C is appropriate and distinguish business from personal expenses.

☐ Recognize common information documents (W-2, 1099 series, 1098 series, K-1) and know when a return is outside your training.

☐ Reconcile withholding and estimated payments to source documents.

☐ Use tax software review diagnostics and independently review the return summary before filing.

☐ Explain to a client why a refund or balance due changed without promising a specific outcome.

☐ Know when to stop and research, escalate, or refer.

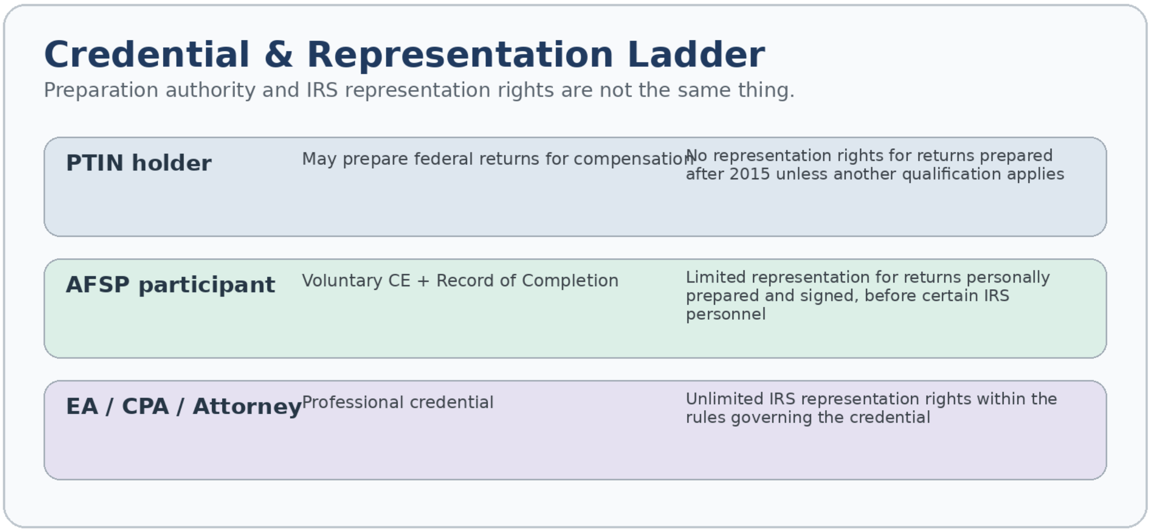
Readiness test

Prepare the same sample case twice on different days. If you reach materially different results, you are not ready to sell that return type yet. Build a review checklist first.

CHAPTER 3

PTIN, EFIN, E-file, AFSP, and Representation Rights

Federal preparation authority, e-file authorization, and IRS representation rights are separate concepts.



PTIN

Anyone who prepares or assists in preparing all or substantially all of a federal return or claim for refund for compensation generally needs a valid PTIN. For 2026, the IRS fee is $18.75. Online applications are commonly completed in about 15 minutes; paper Form W-12 processing can take about six weeks.

EFIN and e-file provider approval

An EFIN identifies an approved e-file firm. Becoming an authorized IRS e-file provider requires an application and suitability check; the IRS says approval can take up to 45 days. Non-credentialed principals/responsible officials may need fingerprinting. A federal e-file mandate generally applies to specified preparers who reasonably expect to file 11 or more covered individual, trust, or estate returns, subject to exceptions and waivers.

AFSP and credential pathways

The Annual Filing Season Program is voluntary. The general path requires 18 hours of IRS-approved continuing education, including a 6-hour Annual Federal Tax Refresher with a test, plus an active PTIN and consent to specified Circular 230 obligations. AFSP participants receive limited representation rights for returns they prepared and signed. Attorneys, CPAs, and enrolled agents have unlimited representation rights before the IRS within the rules of their credentials.

Enrolled Agent upgrade path

The EA path requires a PTIN, passing all three parts of the Special Enrollment Examination (unless an exception applies), applying for enrollment, and passing a suitability check. It is a natural professional-development path for preparers who want deeper tax knowledge and broader representation rights.

CHAPTER 4

State & Local Requirements

A nationwide guide cannot promise that federal PTIN rules are the only rules that apply to you.

Some states regulate paid tax preparers through registration, education, testing, bonding, or other requirements. Business licensing, assumed-name rules, sales-tax rules for ancillary services, privacy laws, and local registrations may also apply.

☐ Search your state revenue/tax agency for “paid tax preparer” rules.

☐ Check the state board of accountancy for protected terms such as CPA, public accountant, accounting, or assurance-related language.

☐ Check secretary-of-state and local business-registration requirements.

☐ Verify rules for payroll, sales tax, entity formation assistance, notary services, and refund products if you plan to offer them.

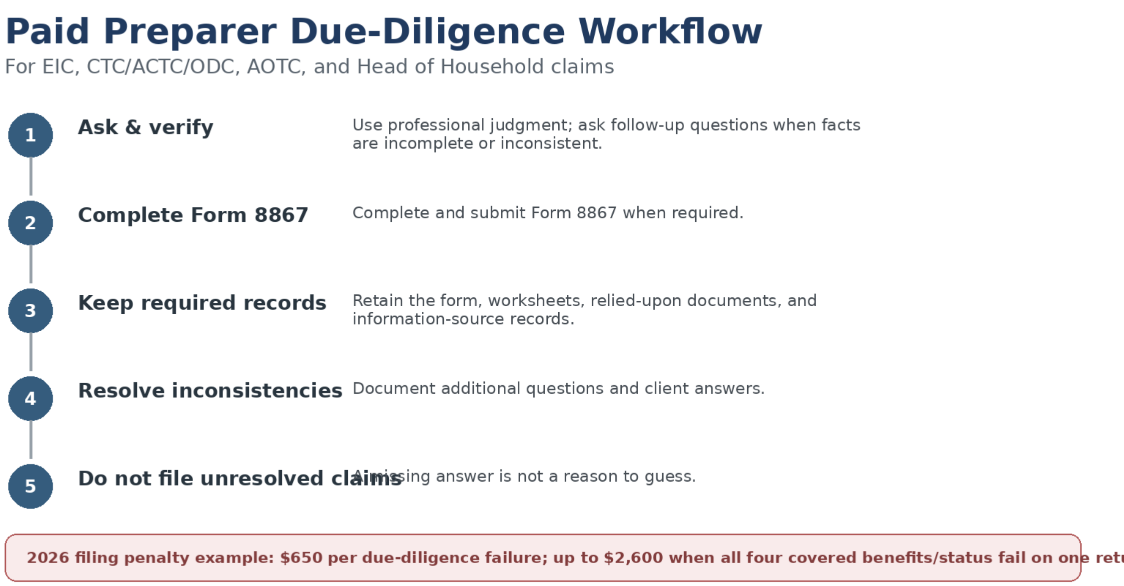
☐ Document the date and source of every compliance check.

> **Do not market first and verify later**
> If a state requires preparer registration or education, build that time into your launch calendar before advertising that service.

CHAPTER 5

Due Diligence and Form 8867

For certain credits and Head of Household status, the paid-preparer due-diligence rules are a workflow, not a checkbox.



For returns filed in 2026, IRS Form 8867 instructions state a $650 penalty for each due-diligence failure involving the EIC, CTC/ACTC/ODC, AOTC, or Head of Household filing status. Because the penalty applies separately, failures involving all four on one return can total $2,600.

Required records include a copy of Form 8867, applicable worksheets, copies of documents relied on to determine eligibility/amounts, and records of how, when, and from whom the information was obtained. Keep records for the required retention period and follow current IRS instructions each season.

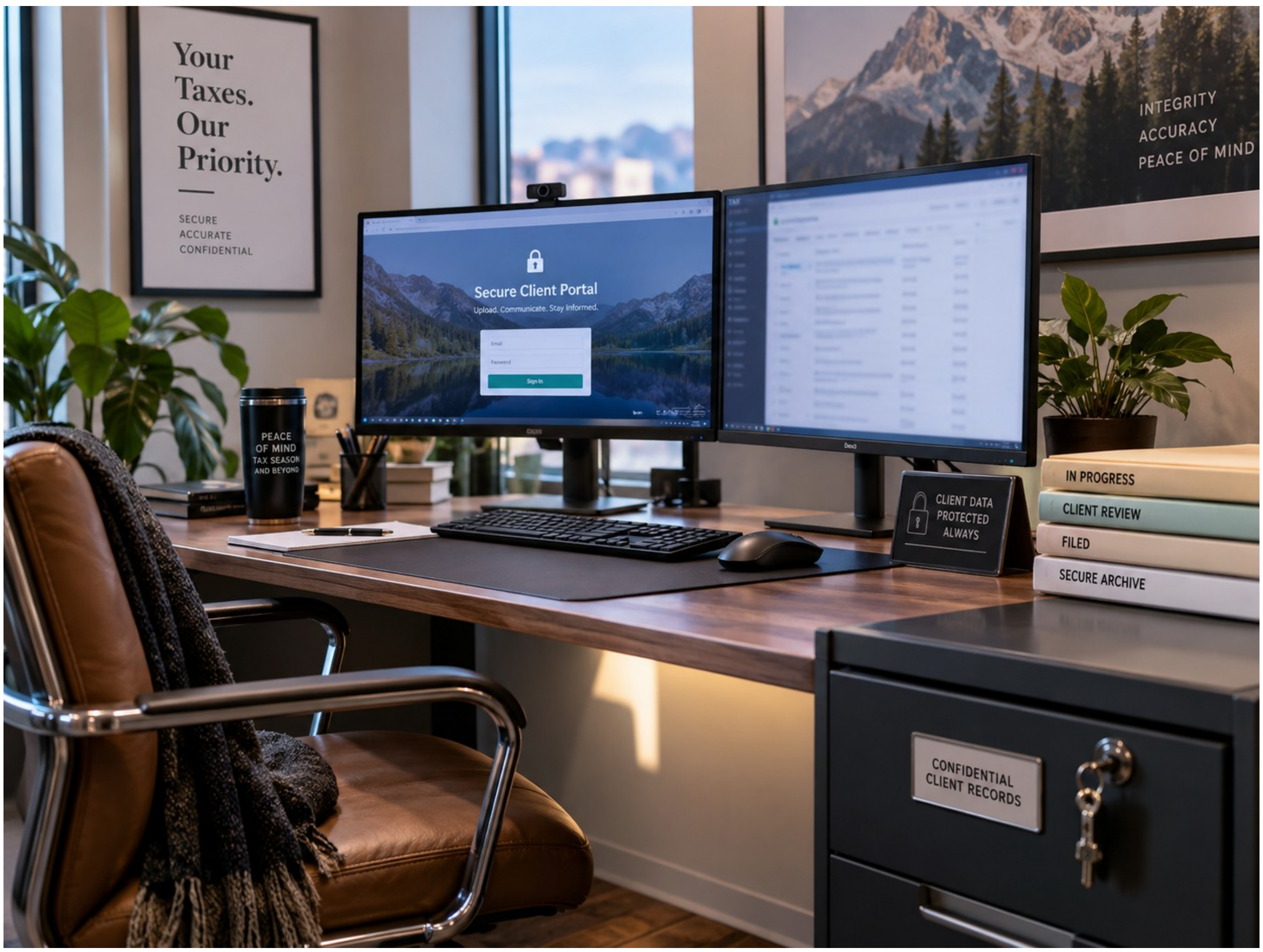
Interview discipline

- Do not accept a client's preferred answer when source facts contradict it.
- Ask follow-up questions when information appears incomplete, inconsistent, or incorrect.
- Document the question and the answer, not just the final result.
- If you cannot resolve the facts, do not file the affected claim simply to preserve the client relationship.

CHAPTER 6

Security, WISP, Privacy, and Insurance

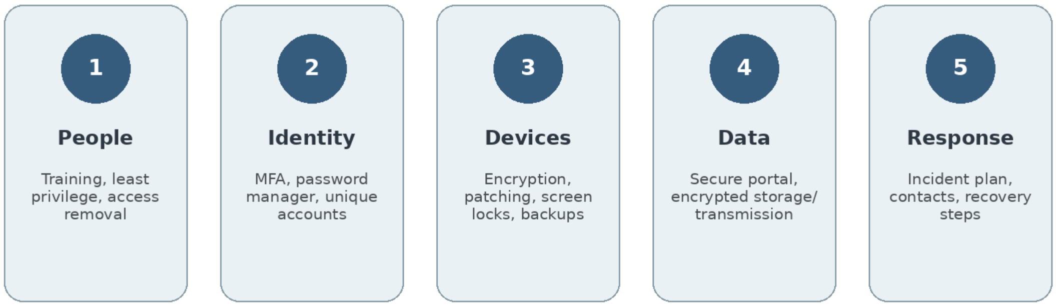
Tax preparers handle identity data valuable enough to make security an operating requirement, not an optional upgrade.



Use a dedicated, controlled workspace and secure systems - whether your practice is home-based or commercial.

Taxpayer Data Security: Five Layers

A WISP should reflect your real practice, systems, people, and incident response.



Written Information Security Plan (WISP)

The IRS states that a WISP is required by law for tax professionals. Your plan should be tailored to the size, scope, complexity, and sensitivity of the data your practice handles. A practical WISP names responsibility, documents risks and safeguards, addresses employee/access management, and establishes incident-response and review procedures.

☐ MFA on email, tax software, portal, cloud storage, and administrator accounts.

☐ Unique credentials and a password manager; no shared logins.

☐ Encrypted devices and storage; patch operating systems and applications.

☐ Secure client portal instead of ordinary email attachments for sensitive records.

☐ Backups and a tested recovery process.

☐ Written response steps for phishing, lost devices, unauthorized access, or suspected identity theft.

☐ Immediate removal of former employee/contractor/client access when no longer needed.

Insurance

Ask an insurance professional about errors & omissions/professional liability and cyber/data-breach coverage that matches the returns and services you actually provide. Read exclusions for payroll, business returns, representation, prior acts, and outsourced staff.

CHAPTER 7

Business Setup, Tools, and Startup Budget

Build the operating system before you spend heavily on branding or office furniture.

Basic setup typically includes a business structure appropriate for your circumstances, EIN where needed, a dedicated bank account, bookkeeping for your own practice, PTIN, e-file authorization when applicable, insurance, secure portal/storage, tax software, payment processing, and engagement/intake documents.

Category	Lean starting approach	Premium control
Entity/admin	Choose structure with legal/tax advice as needed; obtain EIN; separate finances	Document ownership, banking, and authority clearly
Tax software	Start with a professional package appropriate to your return mix	Review MFA, audit trail, data export, support, state modules, pricing

Category	Lean starting approach	Premium control
Client exchange	Secure portal	Portal + e-signature + standardized folders
Security	Password manager, MFA, encrypted device	WISP, cyber coverage, tested incident response
Payments	Card/ACH/invoice system	Deposits, written refund/cancellation policy, reconciliation process
Operations	Checklist + calendar	CRM/task system + documented SOPs

Startup budget worksheet

Item	Quote / Budget	Recurring?	Decision date
PTIN / registration			
E-file / fingerprints if applicable			
Tax software + states			
E&O / cyber insurance			
Portal / e-sign / storage			
Website / phone / domain			
Training / reference tools			
Marketing / signage			

CHAPTER 8

Choose Your Starter Return Types

The safest first season is intentionally narrow.

A beginner-friendly service menu usually starts with return types you have practiced, can review confidently, and can support with current reference material. Complexity should expand only after competence and quality-control systems expand.

Return / issue	Starter posture	Why
Basic Form 1040 + common W-2/interest items	Good starter area	Repeatable and easier to review
Dependents / refundable credits	Only with due-diligence workflow	Higher compliance burden
Simple Schedule C	After practice and expense-review skill	Business substantiation matters
Rental property	Add after specific training	Depreciation and basis issues
Multi-state returns	Delay until trained	Residency/credit/allocation rules vary
Partnership/S corp/C corp	Refer or train deeply first	Entity tax and basis issues
International / foreign reporting	Specialist referral	Severe complexity and penalties
Estate/trust returns	Specialist referral initially	Different rules and forms

My first-season return menu:

Automatic referral categories:

CHAPTER 9

Pricing and Package Design

Price for the complete engagement: intake, preparation, review, e-file, communication, security, and post-filing support.

Do not base fees on a percentage of the refund. IRS consumer guidance specifically warns taxpayers about preparers who do. Use a transparent method such as base-return pricing plus clearly defined schedules/forms/complexity or fixed packages by return type.

Pricing input	What to measure
Return complexity	Forms, states, businesses, rentals, credits, investments
Document quality	Organized upload vs. missing/unclear records
Time	Prep + review + client communication + admin
Risk	Due diligence, unusual facts, amended/prior-year work
Post-filing scope	Notice questions, copies, transcript help, representation
Overhead	Software, insurance, portal, payment fees, training

Internal pricing math
Target fee = expected delivery time × target effective hourly rate + allocated overhead + complexity/risk adjustment. This is internal math, not a promise that every return will fit the estimate.

Package	Illustrative scope	Your fee
Simple individual	Federal + one state + routine documents	
Individual + credits	Adds due-diligence interview/records	
Schedule C individual	Adds business income/expense review	
Prior year / amended	Separate project scope	
Notice support	Separate engagement or hourly/fixed fee	

CHAPTER 10

Market Test, Positioning, and First Clients

The old source file had the right idea: test real demand and use conversations before spending heavily on ads.

Market test in one afternoon

☐ Search local tax-preparation results and recent reviews.

☐ Identify who serves your intended niche and what clients praise or complain about.

☐ Ask 10 potential buyers who prepares their return now and why they stay or switch.

☐ Ask referral-adjacent professionals (bookkeepers, payroll providers, insurance agents, lenders) what tax-prep gaps they see.

☐ Collect competitor pricing only where publicly available or through ordinary consumer inquiry; do not misrepresent yourself.

Possible differentiators

- Veteran / military-family familiarity
- Small contractors and sole proprietors
- Evening/weekend virtual appointments
- Clear document checklists and fast status updates
- Year-round bookkeeping for a limited client base
- Bilingual service if you are fluent and can support it professionally

Warm-contact script

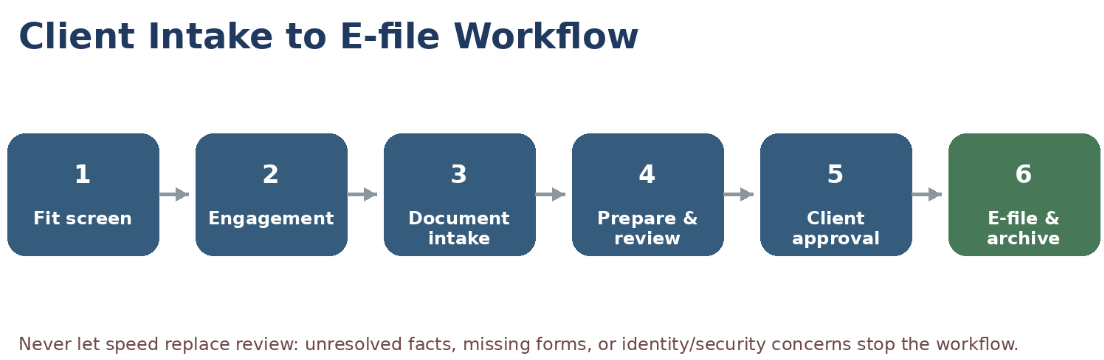
Example

"I'm opening a small tax preparation practice for the upcoming filing season. I'm taking a limited number of individual and simple small-business returns. I use a secure document process and review every return before filing. If you or someone you know needs a preparer, I'm happy to explain what I handle and what I refer out."

CHAPTER 11

Client Intake, Engagement, and Document Collection

A strong intake system prevents the tax-season scramble from becoming a quality problem.



Fit screen

☐ Does this return fit my current competence and software?
☐ Are all states/jurisdictions within my service capability?
☐ Are there obvious foreign, entity, basis, payroll, crypto, rental, or prior-year issues needing specialist review?
☐ Is the client willing to provide source documents and answer follow-up questions?
☐ Do I have enough calendar capacity to prepare and review this return before the deadline?

Engagement letter essentials

- Tax year and exact returns included
- Client responsibility for complete/accurate information and substantiation
- Your preparation/review scope and exclusions
- Fees, payment timing, additional-work terms, cancellation
- Extensions: what you will and will not do
- Post-filing/notice support and representation limits
- Record retention / client copy expectations
- Consent/e-signature procedures as applicable

Initial document request

☐ Prior-year federal/state return
☐ Identity and dependent documentation as appropriate
☐ W-2 and 1099 information documents
☐ Interest, dividends, brokerage statements
☐ Mortgage/education/health coverage documents when relevant
☐ Business income and expense records for Schedule C
☐ Estimated tax payments and notices
☐ State-specific documents
☐ Any documents tied to credits/deductions being claimed

CHAPTER 12

Preparing, Reviewing, E-filing, and Recordkeeping

The return is not finished when the software says “no errors.” It is finished when the facts, forms, diagnostics, and client approval align.

Preparation/review SOP

☐ Verify identity, filing status, dependents, addresses, and bank details.
☐ Tie information-document amounts to source forms.
☐ Resolve diagnostics and warnings; document why an override is appropriate if used.
☐ Compare current-year results to prior year and investigate material changes.
☐ Review total income, taxable income, credits, payments, refund/balance due.
☐ Check state return consistency with federal facts and residency.
☐ Perform due-diligence review where required.
☐ Provide the client a meaningful review before authorization to file.
☐ Obtain required signatures/authorizations before e-file.
☐ Archive the final return, e-file acknowledgments, engagement, and required workpapers securely.

Second-review questions

- What fact would change this filing status or credit?
- What amount looks unusual compared with source documents or prior year?
- What did the software infer that I did not independently think through?
- Is there anything I would be uncomfortable explaining in an IRS examination?

CHAPTER 13

Refund Products and High-Risk Sales Practices

Refund transfers and advances are optional financial products with separate provider, disclosure, marketing, and consumer-protection considerations.

Do not build a beginner practice around “largest refund” or “fastest money” claims. IRS consumer guidance warns taxpayers about preparers who promise bigger refunds or base fees on refund size. If you later offer bank products, verify the current bank program, all consumer fees, disclosures, advertising rules, and state requirements before enrollment.

- A refund transfer generally allows preparation fees to be deducted from a refund through a temporary account arrangement.
- A refund advance is a loan or credit product tied to an expected refund; terms vary by provider and year.
- Never describe an advance as the IRS issuing the refund early.
- Keep due-diligence quality independent from sales volume or refund-product revenue.
- Review all marketing language before filing season; terms change frequently.

Premium positioning
Accuracy, clarity, availability, and secure handling are durable differentiators. “Biggest refund” is not.

CHAPTER 14

Extensions, Notices, and Post-Filing Boundaries

The client relationship continues after filing - but only within the scope and representation rights you actually have.

Extensions

An extension of time to file generally does not extend the time to pay tax. Build a checklist for missing information, estimated balance due, extension authorization, and confirmation to the client.

IRS/state notices

☐ Log the notice date, deadline, agency, tax year, and issue.

☐ Confirm whether the notice relates to a return you prepared.

☐ Determine whether your credentials permit representation or whether the client must act directly / use a credentialed representative.

☐ Separate included post-filing questions from billable notice work.

☐ Keep copies of submissions and delivery confirmation.

Representation boundary

AFSP participants have limited representation rights only in specified circumstances. PTIN holders without AFSP or another qualifying credential generally do not have representation rights for returns prepared and signed after 2015. Enrolled agents, CPAs, and attorneys have unlimited representation rights before the IRS within applicable professional rules.

Extension workflow

Use one repeatable extension process so a deadline does not turn into improvised advice. Track the filing deadline, missing documents, estimated payment discussion, authorization, submission confirmation, and the new internal completion date.

Situation	Action	Boundary
Client missing documents before deadline	Request missing items; decide whether extension is needed; document what is outstanding	Do not guess at missing income or deductions
Likely balance due	Explain that extra time to file generally is not extra time to pay; direct client to current payment guidance	Do not promise penalty/interest outcomes
IRS/state notice after filing	Log deadline and issue; review the filed return and source documents	Confirm representation rights before speaking for client
Client asks for work beyond original return	Quote a separate scope or refer	Do not silently absorb notice, amendment, or representation work

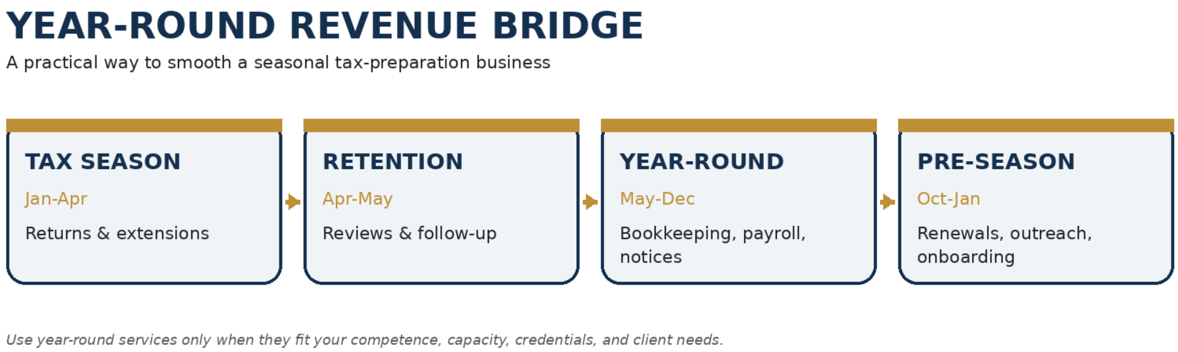
Post-filing service menu

Decide before filing season which post-filing services are included, which are billed separately, and which require referral. Put that answer in the engagement letter so the client does not discover your limits after receiving a notice.

CHAPTER 15

Seasonality and Year-Round Revenue

A sustainable practice plans for the months after April before filing season begins.



Year-round services should be built deliberately, not added casually during tax-season overload.

Year-round service	Add only when...	Boundary
Bookkeeping	You have bookkeeping competence and a monthly close SOP	Separate engagement and pricing
Payroll coordination	You understand payroll workflow and state rules	High deadline/compliance risk
Estimated-tax planning support	Within your competence/credential scope	Avoid unsupported projections
Notice assistance	You understand the issue and representation limits	Separate fee + scope
Entity/advanced tax prep	After targeted education and quality controls	Do not learn on live clients

Retention system

☐ Send a post-filing “what to keep” note.
☐ Schedule an off-season check-in for relevant business clients.
☐ Ask for reviews only after a real result.
☐ Create next-year organizer/document reminders.
☐ Track which clients fit your long-term niche and which should be referred out.

CHAPTER 16

Your First 90 Days + First-Season Calendar

The sequencing matters: competence, authorization, security, controlled client volume, then growth.

Days 1-30: foundation

☐ Define starter return types and referral list.
☐ Complete tax-law/software training and practice returns.
☐ Obtain/renew PTIN.
☐ Choose entity/admin setup; obtain EIN if needed; open dedicated bank account.
☐ Quote E&O and cyber coverage.
☐ Draft WISP and select secure portal/storage.

Days 31-60: authorization + systems

☐ Submit e-file provider application early if applicable.
☐ Verify state/local preparer rules.
☐ Choose software after modeling return volume and state needs.
☐ Finalize engagement letter, organizer, intake checklist, pricing sheet.
☐ Create website/Google Business Profile if appropriate to your business model.
☐ Begin warm-market conversations; do not promise services before requirements are met.

Days 61-90: controlled launch

☐ Accept only returns within the starter menu.
☐ Limit first-season capacity until turnaround and review times are known.
☐ Track actual hours by return type.
☐ Run a post-return quality review and note SOP improvements.
☐ Ask satisfied clients for a review/referral.
☐ Create next-year retention reminders.

CHAPTER 17

Workbook & Ready-to-Use Checklists

Duplicate these pages for your own planning and client workflow.

A. Launch readiness scorecard

Area	Ready?	Evidence / next action
Starter return menu		
Practice returns completed		
PTIN current		
EFIN/e-file status		
State requirements checked		
WISP/security stack		
Insurance		
Software		
Engagement/intake docs		
Pricing		

B. Prospect qualification sheet

Client / contact:

Tax year(s):

States involved:

Return type(s):

Business / rental / crypto / foreign issues:

Due-diligence credits / HOH issues:

Prior notices or unfiled years:

Deadline / extension status:

Fit decision and reason:

C. Return close checklist

☐ All required source documents received or missing items documented.
☐ Filing status/dependents reviewed.
☐ Information-document amounts tied out.
☐ Credits/deductions substantiated to appropriate standard.
☐ Form 8867 completed when required.
☐ Federal/state diagnostics resolved.
☐ Prior-year comparison reviewed.
☐ Bank/refund/payment data verified.
☐ Client review completed.
☐ Required authorizations/signatures obtained.
☐ E-file acknowledgment saved.
☐ Final copy delivered and workpapers archived.

D. Pricing review worksheet

Question	Answer
Actual prep time	
Review time	
Client/admin time	
Software/payment allocation	
Complexity or due-diligence burden	
Current fee	
Target fee next season	
Re-scope / refer?	

E. Annual compliance review

☐ Renew PTIN and confirm current fee.
☐ Review e-file application/EFIN status and responsible officials.
☐ Verify AFSP/EA/credential requirements if applicable.
☐ Update WISP and access list.
☐ Review insurance limits/exclusions.
☐ Verify state/local registrations.
☐ Update due-diligence penalty amounts and Form 8867 instructions.
☐ Review tax software security/export/support changes.
☐ Update engagement language and pricing.
☐ Review refund-product terms if offered.

CHAPTER 18

Sources & Annual Verification Checklist

The premium version uses primary IRS sources for the most important federal claims. Recheck these pages before each filing season.

Primary source	URL	Used for
IRS - PTIN requirements for tax return preparers	https://www.irs.gov/tax-professionals/ptin-requirements-for-tax-return-preparers	2026 PTIN requirement, fee, and processing timing.
IRS - Become an authorized e-file provider	https://www.irs.gov/e-file-providers/become-an-authorized-e-file-provider	EFIN/e-file application, fingerprinting, suitability check, approval timeline.
IRS - E-file requirements FAQ	https://www.irs.gov/e-file-providers/frequently-asked-questions-e-file-requirements-for-specified-tax-return-preparers-sometimes-referred-to-as-the-e-file-mandate	Federal e-file mandate framework and provider requirements.
IRS - Annual Filing Season Program	https://www.irs.gov/tax-professionals/annual-filing-season-program	AFSP CE and limited representation rights.
IRS - Understanding tax return preparer credentials	https://www.irs.gov/tax-professionals/understanding-tax-return-preparer-credentials-and-qualifications	PTIN, AFSP, EA/CPA/attorney representation-right differences.
IRS - Instructions for Form 8867	https://www.irs.gov/instructions/i8867	Covered credits/status, recordkeeping, 2026 due-diligence penalty example.
IRS - Written Information Security Plans are essential for tax pros	https://www.irs.gov/newsroom/written-information-security-plans-are-essential-for-tax-pros	WISP requirement and security planning.
IRS - Enrolled agents FAQ / Become an enrolled agent	https://www.irs.gov/tax-professionals/enrolled-agents/become-an-enrolled-agent	EA exam/enrollment path and suitability requirements.

Annual recheck list

☐ PTIN fee and application timing
☐ EFIN/e-file provider process and e-file mandate
☐ AFSP hours / representation rules
☐ EA exam vendor, fees, and testing windows
☐ Form 8867 penalty amount and retention rules
☐ Publication 4557 / Security Summit / FTC Safeguards guidance
☐ State/local preparer licensing/registration
☐ Software, insurance, bank-product, and marketing claims
☐ Any numeric fee, revenue, or pricing examples used in the product

BUILD CAREFULLY. FILE ACCURATELY. PROTECT TRUST.