



ROBERT A. SCHNEIDER AGENCY, INC.

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Specified Professions Product for Tax Preparers/Bookkeepers

Claim Examples

- ▶ Rich the tax preparer advises his client Marsha to sell her shares of a family-owned corporation in installments. The recommended method is not the most favorable from a tax standpoint and Marsha incurs \$50,000 in extra tax liability, for which she sues Rich.
- ▶ Sam has worked as a tax preparer for thirty-five years. The state in which Sam works as a tax preparer now requires him to e-file taxes for his clients. As part of this service, Sam also offers the option to have the tax balance electronically withdrawn from the client's bank account on the payment due date. Sam's wealthiest client, Mr. Schmidt, sent his materials into Sam the day before the filing deadline. Mr. Schmidt is busy and is glad that Sam is taking care of the tax payments for him by doing electronic withdrawal. Sam hastily completed the tax return and coded the return in his tax program for electronic withdrawal, but he neglected to enter an additional code needed to have the taxes withdrawn for the state tax returns. Hence, the tax payments for the state returns were never withdrawn from Mr. Schmidt's bank account. The state assessed penalties and interest amounting to \$15,000. Mr. Schmidt sued Sam for the error.
- ▶ Bill the tax preparer has just partnered with accountant Will to form Bill & Will LP, a full service accounting firm. Bill will use his tax expertise to handle the taxes of Will's accounting clients and Will will use his accounting expertise to handle the other needs of Bill's tax clients. During tax season, Bill becomes overwhelmed and Will pitches in to help handle some of Bill's clients, including R&R Ventures, LLC. R&R has purchased a business, sold another and has purchased a new office building. Will's lack of familiarity with this client and the tax matters associated with the changes cause Will to overstate their tax owed to the IRS by \$10,000. Will continues to work on R&R for several more years. R&R discovers the overstatement several years later, but the statute of limitations for receiving an IRS refund expires and R&R sues Bill & Will LP to recover their \$10,000.
- ▶ Tom and Susan just opened their own catering business in the city. Neither of them has any idea of how to do the books or file taxes for their new business, so they hired ABC Bookkeeping & Tax to handle all their bookkeeping and tax needs. In filing the business' state tax return, ABC made an error in calculating the beginning accounts receivable balance, which resulted in an understatement of gross receipts. This understatement resulted in Tom and Susan paying an incorrect amount of tax to the state. The state assessed an 8% penalty. Tom and Susan sued ABC to recover the amount of the state-assessed penalty.
- ▶ Ron's Tax Preparation is preparing the taxes for MediCorp, a local drug store. Unfortunately, Ron uses the cash method of accounting when the accrual method should have been used to calculate the taxes. MediCorp is penalized \$5,000 for the error, for which they sue Ron's Tax Preparation.
- ▶ Phil is considering buying a computer business from Sam. After reviewing the financial books that had been prepared by Bob's Bookkeeping, Phil decides to purchase the business. Several months later, he discovers that the computer inventory listed in the financial books had been significantly over valued. Phil realizes that the business is worth much less than he paid for it. He sues Bob's Bookkeeping for the difference.