



such a deal

BY KEN IGLEHART

CPA Sturgill: "Probably 99 percent of our business comes from referrals."

We found a dozen accountants you can count on. And you won't have to sell the farm to pay their bill.

Zowie! Look at the time. It's January, that magic moment to cover up every spot of mahogany on your desk with the tools of the tax season.

You've got all your important stuff piled up there—your charitable receipts, your daycare records, your basic 1040, your state tax forms, your W-2s, your 1099s, your 941s, your proofs of purchase from the Alpo cans to show Fido is a dependent, your mortgage interest records, your S corporation ledger, your calculator, your No. 2 pencil. Are you *ready*, or what?

Unfortunately, you're not ready, and never will be. That's because life has gotten far too complicated, because the federal tax code is so

complex it's a national embarrassment, and because your time has to be more valuable than this.

Face it, when you reach a certain level of income and complexity of return, it's time to go with the pros. Besides the clear advantages of staying sane and reducing the chances of an IRS audit, you'll probably save some money, too, either on loopholes, investment strategies, or on avoiding penalties.

So who ya' gonna call? With help from successful business owners and professionals all over the region, and guided by our panel of experts (see related tribute, page 34), we went looking for a dozen highly recommended number-crunchers who are relatively inexpensive.

They're all experienced, have a loyal clientele built on referrals, most are owners, partners, or shareholders (though less well-heeled clientele are sometimes referred to more junior staff), and most are CPAs. We did, however, locate a couple of uncertified accountants, since taxpayers with lower incomes and simpler returns can get a good value from an experienced accountant who hasn't passed the CPA exam or doesn't have experience with more sophisticated returns. And, rather than just plugging numbers into a PC program like an automaton, they'll help you plan for the future and save on the past.

Chances are you don't need one of the Big Six accounting firms with their \$300-an-hour experts. So our list is made up of accountants at small and medium-sized firms who charge \$135 an hour or less, considered a bargain by today's standards. We were also looking for accountants who are interested in long-term relationships, not short-term BMW payments, and who won't mail you a bill if you call with a simple question that takes a couple minutes to answer.

In general, our top accountants attract clients who, like most of our readers, are individuals with \$100,000 to \$200,000 in household income. The winning nominees also prepare taxes and do consulting for a lot of small companies with \$5 million or less in annual sales.

We know we've just scratched the surface: There are probably hundreds of competent accountants in Greater Baltimore who won't charge you an arm and a leg. We wouldn't pretend to find them all. But we think the tax pros we *did* find are among the best.

The envelope, please. . . .

Adam Chavis, Adam Chavis & Co., P.A., 14 Blacksmith Ct., Reisterstown, 410-526-0822.

Chavis's firm, like many others we found in the \$100-per-hour range, is a single-location, privately held company with revenues under \$1 million a year. Chavis, who has one employee, is a CPA with 16 years of experience, including service with a Big Six auditing firm. He says his typical client is either a small business—ranging in size from startup to \$5 million in sales—or an individual with \$20,000 to \$200,000 in annual income. He's a lawyer, too, which is helpful for clients who need litigation support or incorporation

our advisors

Reviewing our criteria and assisting us in our search were five advisors with more than a century of combined experience in accounting, IRS procedures, business litigation, and investments.

They were Phil Brand, a 26-year veteran of the IRS and former chief compliance officer, now at KMPG Peat Marwick; business attorney Robert Hankin of Weinberg & Green; Legg Mason Wood Walker financial advisor George Van Dyke; Mark Kelly, a CPA and shareholder with Towson-based Katz, Abosch, Windensheim, Gershman & Freedman; and James Hardesty of Hardesty Capital Management, one of our 16 top personal money managers named in the January 1997 issue of *Baltimore*.

Our thanks also to local IRS representative Dom LaPonzina for helping us verify the certification of the nominees, though he reminds us that the IRS does not endorse the services, competence, or character of attorneys, CPAs, enrolled agents, or anybody else. Likewise, the five advisors are not familiar with or able to endorse each of the nominees on the list.



George Van Dyke



James Hardesty



Phil Brand



Robert Hankin

work (though one of our advisors on this story cautioned that there are limitations on privileged conversations with a lawyer who is also your accountant).

Rates range from \$45 to \$135 per hour, and specialty areas include tax and estate planning and insurance.

"I think people come to me because of access, individual attention, and experience," says Chavis. "They don't have to go to a CPA for some advice, a lawyer for other work, and an estate planner for more advice. I'm sure price is part of the reason, too."

Richard Kierson, Neuman and Assoc., 2913 O'Donnell St., Baltimore, 410-675-9028.

CPA Richard Kierson works for a small practice with some big-name clients: The 17-year accounting veteran, together with partner Ricka Neuman, represent three or four dozen vice presidents and other mucky mucks at some

Managing editor Ken Iglehart profiled Greater Baltimore Alliance president Ioanna Morfessis in December.

of the biggest firms in town, including Baltimore's largest architectural company and its best-known investment houses. He and Neuman also prepare taxes and do planning for the managing partner of a Big Six firm and for a retired MP from another. So maybe he should raise his rates, which right now are \$130 an hour.

Kierson brought about 70 clients with him when he came to the firm five years ago: Most are \$150,000-a-year professionals, plus a few small businesses ranging in size from start-up to \$5 million in sales.

The boutique firm provides what it calls "family unit practice," working with executives, their parents' retirement issues, the children's trust funds, and other family issues.

Other rates at the \$350,000-per-year firm are \$150 an hour for Neuman, the principal, and \$75 for less complex bookkeeping work.

"We're dealing with our clients on a different level than just the numbers," says Kierson. "We know their goals, such as retirement or passing assets

onto the next generation, and we go the extra mile. They have no qualms about calling us at home if something comes up, and we always have coverage so no one feels abandoned," he says. "And we don't separately bill out-of-pocket expenses, like charging you \$100 computer-processing fees, or fax fees, or copy fees on top of hourly rates. Some firms may offer lower hourly rates, but with hidden costs."

Patricia Hickey, Stout, Causey, & Horning, 110 Old Padonia Rd., Suite 300, Cockeysville, 410-560-7575.

CPA Patricia Hickey is not a principal, but she has a background that

speaks to the level of experience of the staff at Stout, Causey, & Horning, a \$3 million- to \$4 million-a-year operation boasting 30 employees. Before she came to the firm four years ago, she did a stint at Arthur Andersen and another as a senior accountant for Alexander and Alexander. So for \$135 an hour, Hickey is a bargain.

While the hourly rates of partners like Greg Horning, who also comes highly recommended, are about \$190 an hour, Hickey gets \$135 an hour; other experienced accountants at the firm provide service in the \$80- to \$100-an-hour range. Hickey and her associates represent 60 to 80 business-

es and about 40 individuals. Though she does consulting work for one multi-billion-dollar company, Hickey's average client is a household with \$250,000 in income, or a business ranging in size from startup to \$100 million a year in sales.

Specialty areas include state and local tax, health-care consulting, compensation and benefits, litigation support, and personal financial planning.

Hickey says a veteran staff is what keeps clients coming back: "We don't hire people fresh out of school. Eighty percent have worked in a Big Six environment, so you're getting Big Six expertise from our employees with

shopping for a tax pro

Your tax return was filed with the help of a tax professional you felt comfortable with and who met your expectations. Fast forward now to the future and assume that your return has been selected for an IRS examination. What credentials, authority, and skills does your accountant need to help the IRS examination go smoothly? Are there do's and don'ts in shopping for an accountant and preparing your taxes that might have saved you trouble in the first place?

For the answers to those and other weighty accountant-shopping quandaries, we went to tax guru and *Baltimore* advisor Phil Brand, and to Dom LaPonzina, the voice of the tax man in Charm City.

Brand spent over 26 years with the Internal Revenue Service, including a stint as director of the Baltimore district. He retired in 1995 from the position of chief compliance officer, responsible for worldwide enforcement activities. He is currently the director of IRS Policies and Dispute Resolution for KPMG Peat Marwick in their Washington national tax practice.

LaPonzina, a native Baltimorean who joined IRS in 1973 as an intern after holding a series of TV and radio news positions, has headed the IRS's Office of Communications & Congressional Affairs since 1979, serving a district that includes Maryland, Delaware, and the District of Columbia.

• **Making the first cut:** When looking for a tax preparer, their experience is key. Do they have an accounting degree, or are they an attorney, CPA, or enrolled agent? How long have they been in the community? Will they be around after the tax season to help you with IRS questions?

You should also determine whether they've kept current on tax law changes, especially regarding credits, benefits, and deductions. In addition, get references from other clients, make sure they're up-front about their fee structure (including extra charges), and find out if they sign the return as the paid preparer.

• **What to avoid:** Avoid any tax preparer who claims to have IRS connections, who guarantees you a refund before ever looking at your records, whose fee is a percentage of the refund amount, or who wants the refund check sent to him or her, not to you.

Also avoid any tax preparer who encourages you to inflate

your deductions above what they really are, or to deflate your real income. Both practices constitute criminal fraud.

• **Pushing the panic button:** Planning on being audited and need some help? In order to represent a taxpayer before the IRS, a tax practitioner generally must not be under suspension or disbarment from practice before the IRS, and must be one of the following: an attorney in good standing of the bar of the highest court in the jurisdiction in which they practice, a certified public accountant, or an enrolled agent. Maintaining these credentials requires ongoing education and training.

Even though someone has prepared your tax return, they cannot automatically represent you if the IRS questions items on your return or conducts a full-scale examination. In order to do so, they must obtain a power-of-attorney authorization from you (IRS form 2848, Power of Attorney and Declaration of Representative).

• **Getting some respect from the IRS:** The tax professional or taxpayer who knows the return, the basis for the deductions, exclusions from income, and who can quickly provide supporting documentation will make the examination go more quickly. While the IRS can take far too much time conducting examinations, delays are also caused by tax professionals who are not well versed in the return, the supporting records, or IRS procedures. Some positions taken on a return may attract the IRS's attention, but they can also, when fully supported by research and tax-code knowledge, command the respect of an investigating IRS agent.

• **An ounce of prevention:** Keep accurate and complete records, including W-2 forms, interest and dividend statements, cancelled checks, receipts, bills, invoices, and so on, and retain those records and the resulting returns for at least three years. Some records such as real estate transactions, home improvements, and stock transactions should be kept indefinitely.

It's easier to maintain good record keeping throughout the year than it is to go hunting for the records in March. And if your accountant charges by the hour, you could be saving yourself money by having your act together.

the responsiveness and affordability of a small firm.”

Mary Hall, *Jones, Hall & Assoc., 521 E. Joppa Rd., Suite 104, Towson, 410-321-0206.*

Quality control is a driving force for Mary Hall, a CPA and principal in her firm who's been doing taxes for 14 years. There are eight staffers at Jones, Hall, which bills under \$1 million and represents individuals with average incomes of about \$100,000, as well as small businesses up to about \$5 million in sales. Rates at the firm, which has specialties in taxation, computer technology, and audits, are just what

we were looking for: \$100-\$135 for partners, \$65-\$75 for senior accountants, \$45 for less complex work.

“We think our clients like our firm because even though each of us has specialties, everybody takes care of the whole picture for the client,” says Hall. “We put two people on every account: Nothing goes out of here without being checked.”

Craig Brogan, *Ribis, Jones, & Maresca, 9891 Broken Land Pkwy., Suite 300, Columbia, 410-312-5719.*

At 27, Craig Brogan is one of our younger nominees, but the old guys in the business are nervously watching

him over their shoulders. A CPA with five years of experience, he works for a firm that bills about \$2 million a year and which also has offices in Camp Springs. There are 17 staffers at Ribis, Jones, including 10 CPAs, dealing mostly with \$150,000 to \$200,000 individuals, and with companies up to about \$15 million in sales.

Hourly rates are \$110-\$125 for partners and \$65-\$75 for staff CPAs. Specialty areas include nonprofits and small businesses, especially in the construction industry.

“The service is the main thing,” says Brogan. “Even if a staff accountant is doing the work, we try to have the

tax changes (that matter)

Michael J. Agetstein has read the myriad changes in the optimistically named “Taxpayer Relief Act of 1997” and concludes that many of its provisions are “quite tedious and actually just make the tax code even more complicated than it was already.”

But Agetstein, a CPA and officer of the established Baltimore firm of Grabush, Newman & Company—an accounting practice larger than those surveyed for our list—says “there are a number of significant items of great benefit” in the bill, “particularly for people who have household incomes of \$100,000-plus.”

At the top of his list is the change in the capital-gains tax rate. Under the new law, the capital gains rate can range from 39.6 percent to 4 percent, depending on the length of time the asset was held and the tax bracket you're in. Under prior law, you'd be taxed at a maximum rate of 28 percent on long-term capital gains, says Agetstein. “Certainly people in higher tax brackets will benefit the most, assuming they have significant long-term capital gains. But there is still a benefit to people in the lower brackets. Also changed is the definition of long-term capital gains to assets held more than 18 months; it used to be 12 months.”

Another win for taxpayers, says Eugene Nazelrod, a CPA and principal with Nazelrod & Assoc., concerns the sale of a personal residence. Homeowners can exempt up to \$500,000 of gain on a personal residence on a joint return every two years. Under the old law, there was a one-time \$125,000 exemption after age 55. “Gone are the rules of postponing a gain if another house was purchased within two years, and gone is the once-in-a-lifetime exclusion of \$125,000 for taxpayers over age 55,” says Nazelrod.

Agetstein concurs that the house-sale change “will affect a tremendous number of people. It will also ease the record-keeping burden.”

Nazelrod and Agetstein echoed many of the accountants in our survey when asked to name the smartest new investment area: the Roth IRA. Though annual contributions are limited to \$2,000 and there is no deduction for the money you put in (unlike 401Ks), there are no taxes when you pull out the money

at retirement. Presumably the amount you cash out will be several times larger than what you put in.

People at certain income levels “have the ability in 1998 to convert your regular IRAs into Roth IRAs,” says Agetstein. “You pay some taxes up-front, but in the long term, it may be worth that in some cases. It's not deductible when you put it in, but as long as you keep it in for a minimum of five years, when you take it out, it's tax free. If you take it out before age 59.5, there's a 10-percent penalty like that on early withdrawal of other retirement funds.”

Other changes in the law that benefit many taxpayers:

- **Capital gains taxes on homes:** There's an increase in the value of the unified credit, from \$600,000 now to \$1 million nine years from now.

- **Retirement plan participation:** It used to be that if one spouse was a participant in an employer's qualified retirement plan, the other could not do the same. That rule has been eased for combined incomes of under \$160,000. The act also repealed the 15 percent excise tax on excess distributions from retirement plans, for those with significant savings in retirement plans.

- **Private foundation donations:** The act allows, for a short time, deductions for donations of appreciated stock to private foundations. The extension ends on June 30, 1998.

- **Health insurance deductions:** The self-employed health insurance deduction on personal returns is being increased in 1997 to 40 percent and will be phased in to 100 percent by 2007. “That brings more fairness to the system, since regular corporations can deduct the premiums they pay for employees,” says Agetstein.

- **Most useless change:** The 1997 act allows the IRS to accept tax payments by credit card. Unfortunately, it'll probably never happen because Uncle Sam is too miserly to pay the 2-3 percent fees charged by the credit card companies.

partners and managers be the main contact for the clients. It's rare for us to lose a client."

Ronald Ehman, *Naden/Lean*, 2330 W. Joppa Rd., Foxleigh Building, Suite 160, Greenspring Station, Brooklandville, 410-337-2727.

Ronald Ehman isn't a CPA, but that doesn't seem to matter to our sources in the investment industry who swear by his 26 years of experience. Besides, if it's CPAs you want, there are 17 on the 30-member staff at Naden/Lean, a \$2-million to \$3-million firm with specialties in technology, health-care consulting, individual income-tax planning, general auditing, and auditing of nonprofits. There's also a lawyer in the house, partner and former IRS examiner Gerry Lean.

Many of the clients at Naden/Lean are physicians, dentists, and lawyers in the \$200,000 income range, as well as small businesses up to \$5 million.

Partners' hourly rates run from \$130 to \$175, senior accountants and managers \$60-\$100, junior staff \$60 or less.

Ehman says service and planning are what built the firm's client base. "We have the most progressive technology consulting for professionals in the area. We help determine hardware and software needs of doctors, lawyers, and dentists, and we do revenue and practice analyses for medical offices, including things like . . . patient volume and HR issues." Ehman says developing expertise outside of straight accounting is essential to survival in the industry today: "Accountants can no longer make a living just crunching numbers, because anybody can buy the software to do that. You can buy Quicken for \$50-\$100 and crunch your own numbers. So they're having to expand their line of services."

Veronica Reaves, *Dollars and Sense Accounting Services*, 2114 N. Charles St., Baltimore, 410-244-7380.

Veronica Reaves says her specialty is diamonds in the rough: "I work with a lot of small businesses and people who have never done any accounting. Sometimes they bring their receipts and checks and documents to me in a box or a bag, and I turn it into a masterpiece."

She's not a CPA (she plans to sit for the exam in May), but gets rave reviews from start-up businesses, another of her specialties. Her individual clients are in the \$20,000 to



Reaves: Turning a shoebox of receipts into a "masterpiece."



Thankappan: In it for the "long-term relationship, not for short-term gain."

\$100,000 income range.

She's been turning sows' ears into silk purses for 22 years, has experience in accounting software and training, and charges what is probably the lowest hourly rate in this part of the magazine: \$45 an hour.

Why should people go to Reaves? "I am very honest," she says. "I do good work, and I try to run my business in a way that will honor the Lord."

Sheldon Polun, *Sheldon D. Polun and Assoc.*, 204 Azar Ct., Second Floor, Arbutus, 410-242-4106.

Another expert on helping out the little guy, Sheldon Polun has a lot of clients in the \$50,000 to \$80,000 income range, as well as small businesses doing \$250,000 or less in sales,

especially daycare providers.

He's not a CPA, but has 20 years of experience and a staff of four. And he's a bargain at \$75 an hour. "For my clients, that's affordable."

"Taxes and accounting are a very personal thing," says Polun. "People like to stick with one person, just like a doctor or attorney. If you build up a relationship, there's no reason they shouldn't come back. That's how I've built my business, on referrals."

Vinod Thankappan, *600 Fairmont Ave., Suite 201, Towson*, 410-337-7424.

Vinod Thankappan handles more heavy-weight clients, employing broad experience and a friendly ledger-side manner. Thankappan grew up in a small village in India, studied accounting at local colleges, worked as a bookkeeper in a British firm, then came to Baltimore, where a brother was doing an internship at Union Memorial. After earning degrees in business and taxation, he taught, did consulting, then started his own firm, complete with 15 loyal clients. That was 18 years ago. With the help of a small staff, he now represents hundreds of individuals, most with incomes ranging from \$150,000 to \$250,000. But there are some high rollers in there, too, pulling down incomes of more than \$2 million. At rates ranging from \$45 to \$100 per hour, Thankappan also does tax work and consulting for a number of fast-growing companies, including some hi-tech firms doing \$15 million or more in sales. He's developed a number of specialties, including tax issues for physicians, incorporation, pension plans, and providing comptroller and HR services to small, fast-growing firms that lack a bureaucracy.

"I guess what sets me apart is that I'm really interested in getting involved with small, start-up firms as a long-term relationship, not for short-term gain," says Thankappan. "I also know when to say uncle, and when to go get help on some issues from specialists at other firms."

Lee Sturgill, *Sturgill & Assoc.*, 135 E. Main St., Westminster, 410-876-6111.

One of the faster-growing CPA firms in the region is Lee Sturgill's Sturgill & Assoc., a \$2-million company founded by father James, who still practices. Sturgill now has branch offices in southern Pennsylvania and just bought another practice in Columbia. So what's behind Sturgill's success?

Referrals and more referrals. A 14-year veteran, Lee Sturgill handles clients personally, but has a staff of 10 CPAs and administrative people as well. He works mostly for clients in the \$150,000 income range and for small businesses from start-up to \$10 million. His newspaper ad claims professional service and "Carroll County prices," and that's no hokum: Sturgill charges \$110 an hour, his capable senior accountants bill at \$75, and less complex work is done for \$50. Sturgill is an attorney, too, which has helped him build a long list of specialty areas including: medical, agricultural, direct mail, litigation support, incorporations, and taxes for lawyers, doctors, and other professionals.

"Probably 99 percent of our business comes from referrals, and I guess the reason is high-quality service at a good price," says Sturgill. "Our rates are probably 25 percent lower than those in Baltimore."

George Mister, Scheiner, Mister, & Grandizio, 1301 York Rd., Suite 705, Lutherville, 410-494-0885.

George Mister comes referred by pound-wise sages in the money-management arena, and his reputation has helped the \$3-million SM&G grow to be one of the larger operations surviving our \$135-an-hour criteria.

Mister, a CPA with 22 years in the business, started his own firm with 100 clients in 1986 (he's got 1,800 now). The client profile: individuals with \$150,000 in income and small and mid-sized businesses up to \$40 million. There's a staff of 22, including CPA Tom Matthews, who's also well-recommended. Specialties include management advisory services, homebuilders, contractors, subcontractors, the service industry, HUD audits, mergers, and acquisitions. Rates are \$120 for partners, \$80 for senior accountants, and \$60 for simpler bookkeeping.

"I would say 95 percent of our new clients come from existing clients," says Mister. "We're always accessible and responsive; our fees are reasonable. I hope our clients would say that we care as much about their problem as they do, and that we try to head off future problems at the pass."

Tricia Thomas, Coyne & McClean, Suite 608, Hampton Plaza, 300 E. Joppa Rd., Baltimore, 410-825-8300.

The wide range of client types is what sets apart Tricia Thomas: Rep-

resenting businesses from start-up operations to multi-nationals billing over \$400 million, Thomas is a \$135-an-hour CPA and partner with 13 years on the job, as well as an advisor to nonprofits. She works with a staff of 35, including 25 CPAs and partner Jim Lears, named by industry journals as one of the nation's top five tax planners and the most accurate tax preparer in Maryland. The other rates of the \$2.8-million firm,

Thankappan has developed a number of specialties, including tax issues for physicians, incorporation, pension plans, and providing comptroller and HR services to small, fast-growing firms that lack a bureaucracy.

which also has offices in Bel Air, are \$125-\$165 for partners, \$80 for senior managers, and \$50 for more junior accountants.

Thomas and her associates boast a long list of specialties: construction, nonprofits, options liquidations, financial institutions, wholesale/retail distribution, manufacturing, and service.

"I think a lot of times I try to put myself in my client's shoes before I give advice, and I try to treat them as if they're the only client I have," says Thomas. "Maybe we're not always the best business people, because we so often give clients the benefit of the doubt [on billing and extended payment terms], but we want long-term relationships."

Jeffrey Dennis Ring, Jeffrey D. Ring and Co., 10500 Little Patuxent Pkwy., Suite 640, Columbia, 410-995-1522.

We wanted at least one CPA on the list who was an expert on estates and trusts. A few years ago, Jeffrey Ring was recruited by a lawyer down the hall who had a lot of clients dropping dead on him and who needed a CPA who could do tax work on estates and trusts. So Ring took on the job,

learning more about the government's propensity to pick the pockets of the deceased than anyone would ever want to know. Dozens of such projects later, he's an expert. Most of his 550 other clients, though, are still breathing, and making roughly \$100,000 per year. He also does work for a couple hundred businesses ranging in size from start-up to about \$3 million.

He's our quintessential small operator: There's one other CPA and a secretary in his office, he's got 15 years of experience, and charges \$90 per hour. Ring and his staff bill about \$400,000 a year, with nearly all the business coming from word-of-mouth testimonials.

"I do next to no advertising outside of my kids' school yearbook and the Yellow Pages," says Ring. "Every year I think about canceling the Yellow Pages ad, and then I'll get one new customer from it, so I keep it," says Ring.

David I. Katz, Katz & Kamm, 1777 Reisterstown Rd., Suite 40, Baltimore, 410-602-2266.

Like the rest of our bargain number-crunchers, David Katz does accounting work across the whole spectrum of the market—from individuals in the \$150,000 range to corporations up to \$40 million. But this CPA, whose practice was founded by Dad, has developed an unusual specialty in his 26 years of accounting: tax preparation and planning for religious nonprofits of all denominations and from all over the country. With help from two partners, one staff CPA, three bookkeepers, and an office manager, his firm also offers expertise in the specialties of estate and trust planning, retail supermarkets, insurance companies, real estate management, and the death-care industry. Rates range from \$130 for principals to \$90 for senior accountants to \$60 for bookkeepers.

"We keep our clients because we're attentive to their needs and we're always trying to improve our knowledge of their businesses and their industries," says Katz. "We like it when we have a client that calls us about a decision . . . and asks our opinion. And we don't usually send them a bill for those sorts of quick calls. Over a lifetime of relationships, you'll get that billing back. Nobody likes to be nickel-and-dimed to death like the telephone company." 🐛