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Developing the Knowledge Base of New Tax Professionals

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Developing the Knowledge Base of New Tax Professionals

By Paul onald Samelson and Paul G. Schloemer

In Brief

Practical Guidelines for Staff Development

For years, the research of cognitive scientists has produced practical insights into the learning process, many of which can be applied to accounting. Specifically, accounting researchers have found a strong connection between knowledge and performance: A practitioner's level of knowledge, whether the result of an advanced degree, CPE, or years of specialized experience, is a good predictor of performance in accounting tasks. Thus, methods that enhance knowledge can increase performance, benefiting both practitioners and their firms.

This article presents the results of a study investigating the means by which tax practitioners most effectively acquire knowledge. The characteristics of those practitioners with higher knowledge should be of interest to new practitioners wishing to succeed in their careers, as well as to any firm that benefits from the expertise of its tax professionals. Research has shown that knowledge accounts for performance differences between practitioners when using their professional judgment. Knowledge can be a better predictor of performance than years of professional experience. In other words, professional experience alone does not generate knowledge. Management of the specific education and experience that lead to knowledge acquisition is critical to improving professional performance.

In general, practitioners begin the knowledge acquisition process by building a knowledge base of facts, concepts, instructions, and examples. Professionals must also develop the ability to apply this knowledge base to fact patterns encountered in practice. The ability to apply their knowledge base to real-world situations is possibly the single most important characteristic of a successful practitioner. Recognizing practitioners that already demonstrate this ability can be invaluable in hiring successful new tax professionals.

Study Results

Tax practitioners from four public accounting firms (international, national, and regional) responded to a questionnaire that measured their ability to apply tax law to specific examples on 12 issues commonly encountered by C corporations. Practitioners were then grouped based on their questionnaire score. They also answered eight questions taken from the GRE examination to assess their problem-solving ability and provided extensive information about their education, training, and work experiences. The common characteristic of practitioners with higher knowledge scores proved to be the ability to *apply*—not just remember—tax concepts.

As expected, the 10 practitioners with the highest knowledge score (at least 75% correct) held the rank of senior or above and shared common education, training, and work experiences. The top 10 practitioners at the staff level also had characteristics that distinguished them from their peers with lower knowledge scores, demonstrating that it is possible for relatively new staff to acquire a high level of technical tax knowledge. Methods of quickly developing high knowledge in entry-level practitioners could accelerate the career of a new professional to everyone's benefit.

Comparison of three groups. Significant differences were found between the 10 practitioners with the highest knowledge scores, the 10 staff with the highest knowledge scores, and the 10 staff with the lowest knowledge scores. An analysis reveals the areas where training and changes in assignments could enhance the knowledge of new tax practitioners and where the education and work experiences of staff in the low knowledge group could be improved.

([Exhibit 1](#)) provides general descriptive information about the three groups. The high knowledge practitioner group had an average score of 82%, the high knowledge staff group had an average score of 52%, and the low knowledge staff group had an average score of 18%. Differences in knowledge scores among the three groups cannot be explained by differences in

innate ability; there is no significant difference in GRE problem-solving ability scores across the groups. Years of experience in tax practice also fails to account for the difference in knowledge scores between the two staff groups, which have essentially the same level of experience. Thus, differences in education, training, and work experience may provide a better explanation.

Education and Certification

Staff with higher knowledge excelled beyond their peers in two areas generally associated with education: First, a significantly higher percentage had passed the CPA exam ([Exhibit 2](#)). Thus, firm incentives to pass the CPA exam appear to be warranted for reasons other than a requirement for promotion. Second, the knowledge of this group may have been enhanced through post-baccalaureate education; 30% have a master's degree, the same percentage as the high knowledge seniors, managers, and partners. In contrast, no one in the lowest knowledge group possessed a master's degree in accounting or business.

Prior research reveals that practitioners with a graduate degree upon entering public accounting believe that they are more adequately prepared than those entering with only an undergraduate degree. This study provides additional evidence of the benefits of post-baccalaureate education. As expected in a study assessing tax knowledge, subjects in the high knowledge groups were more likely to have a master of taxation degree or JD than an MBA or master of accountancy degree.

Specialization

Two items from the study reveal that specialization enhances technical knowledge ([Exhibit 3](#)). First, staff members with higher corporate tax knowledge spent a significantly greater percentage of time in the corporate tax area over the past 12 months than staff with lower knowledge. Consistent with other research touting the benefits of developing specialized skills, this item underscores the dangers associated with being a generalist. In the tax area, being a generalist is particularly dangerous because of the tax law's volume, complexity, and frequent revision.

Second, staff with higher knowledge encountered topics examined in the study more frequently. For each of the 12 topics tested, the average exposure to corporate tax issues for staff with higher knowledge is significantly higher than that of staff with lower knowledge. Even though high knowledge staff had relatively short experience, they received a wealth of different experiences in the corporate tax area that led to greater knowledge and higher performance.

Staff with higher knowledge not only spent a greater percentage of time in the corporate tax area, but also had repeated exposure to common corporate tax issues. This result has implications for the way firms guide the careers of their employees and assign them to jobs. First, encouraging staff to select an area of specialization early in their careers accelerates the development of knowledge in that area. Second, assuring that all professionals receive adequate exposure to important issues within their area of specialization contributes to the development of their technical competence. In the medical profession, for example, specialization is the norm, and the number of times a doctor has performed a procedure is an important indicator of expertise. Apparently, the benefits of specialization are also applicable to tax professionals.

Although education is an important part of the learning process, the results of the study reveal the importance of practical implementation in assimilating tax concepts into a base of knowledge that practitioners can readily apply to client situations.

On-the-Job Experience

Traditionally, tax practitioners begin their careers with extensive experience preparing tax returns. As they become familiar with common issues, they are assigned responsibility for tax return review, legal tax research, and tax planning. This process was evident in the sample of study participants. ([Exhibit 4](#)) shows that high knowledge seniors, managers, and partners spent a significantly greater percentage of time in tax return review and tax planning, and significantly less time in tax return preparation. Differences between the two staff groups provide additional evidence about the effect of job tasks; staff in the high knowledge group spent significantly more time in tax research and less time in tax return preparation than the low knowledge group. Knowledge can be enhanced through performing "higher level" job tasks such as research, return review, and planning.

Because the level of expertise necessary to perform return review is relatively high, it may not be practical to expect inexperienced practitioners to gain extensive experience in this area. Participation in researching legal tax issues and tax planning engagements may provide the best opportunity to promote knowledge development among staff. New tax practitioners can perform much of the initial information gathering and calculate the outcomes of different alternatives in tax planning engagements. With some basic instruction in tax research techniques, staff can perform much of the legal research involved in resolving client issues. Proper review and supervision of these activities can ensure that clients receive quality advice while the new practitioner receives knowledge-building research and planning experience by participating in these activities.

Tax planning and research activities provide good opportunities to develop the knowledge of new tax practitioners. Although experienced tax practitioners often find it less expedient to assign these tasks to less-experienced staff, a commitment to involving them in research and planning activities is a worthwhile investment.

Continuing Professional Education

([Exhibit 5](#)) provides some evidence that the CPE of practitioners in the high knowledge group is unique, both in terms of numbers of hours and content. In this study, high knowledge seniors, managers, and partners had received significantly more hours of CPE training over the preceding two years. They also devoted a significantly lower percentage of their CPE hours to in-house training than the low performance group. It appears that a larger proportion of the high performing group's CPE involved training by state societies and professional associations.

Certainly, the fact that the highest knowledge group had almost twice as many CPE hours as high knowledge staff is an indication that additional CPE hours for new tax practitioners should be considered.

Essential Developmental Strategies

- Specialization in one area and adequate exposure to essential issues within each professional's area of specialization appears to contribute to the development of knowledge.
- Tax planning and research activities may provide the best opportunity to develop the knowledge of new tax practitioners.
- CPE training enhances the development of knowledge.
- External CPE provided by state societies and professional organizations leads to more knowledge acquisition than in-house programs.

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