

Office Dwellers: Jake Jacobs, foreground, with staffers at Rose Snyder & Jacobs in Encino.

PHOTO BY DAVID SPRAGUE

# BUSY TIMES FOR CPA FIRMS

Valley accountants must navigate increased demand amid changing rules, digital technology and staff shortfalls in the wake of the pandemic.

By **ANTONIO PEQUEÑO IV** Staff Reporter

**V**alley accounting firms are navigating an industry in flux, as new laws increase demand, technology enhances services and labor shortages impact their operations as well as their clients.

One piece of legislation on accounting firms' radars is Assembly Bill 150, which created an election that allowed taxes on pass-through income to be paid at the entity level. The bill created a workaround for the \$10,000 limitation on the deduction for state and local taxes.

**Jonathan "Jake" Jacobs**, founding partner at **Rose, Snyder & Jacobs**, No. 12 on the Business Journal's list of Accounting Firms, said the original bill was too onerous to implement for a lot of people and did not make sense prior to recent corrections in the

form of Senate Bill 113.

The corrections repealed the tentative minimum tax limitation of the Passthrough Entity Elective Tax Credit and greatly increased the number of business entities eligible to make the pass-through entity tax election, according to **PricewaterhouseCoopers**.

"They basically made AB 150 way more advantageous for a lot of people than it was when it was first enacted," Jacobs said. "So now we're scrambling. It's February and we have one month to decide whether you want to pay the taxes for 2021 for each entity. Rather than preparing tax returns, people are thinking about 'Should we adopt AB 150?'"

The single law has impacted the Encino-based firm and changed its course of action, according to

Jacobs.

Rose Snyder & Jacobs has decided to implement AB 150 when it makes economic sense for eligible taxpayers.

"That's a really short-term thing, obviously, but it requires a lot of energy right now," Jacobs explained.

## Time-consuming work

**Holthouse Carlin & Van Trigt** Partner **Greggory Hutchins** has noted a very high demand for the firm's services.

"There is more and more work that needs to be done more, more client demands and more requirements

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from the government in terms of regulatory requirements on the tax side, that just make tax compliance and tax consulting so much harder and time consuming," Hutchins said.

The firm, which has an office in Westlake Village, ranks No. 2 on the list.



Steve Landsman

**Stephen Landsman** is a partner at Baker Tilly, a Chicago-based public accounting and consulting firm with offices in Woodland Hills and Encino. He said that as taxpayers and federal and state legislatures have grappled with the economic fallout of COVID-19, it has spawned new

legislation and programs. The changes have spurred accounting firms to assist clients in getting help and remaining in compliance.

"The people in public accounting have had a lot to deal with because we're trying to help our clients comply with the rules that are new and changing," said Landsman, whose firm ranks No. 4 on the list.

Landsman added in a follow up email that with less than two, and in many cases, one month to go before individual and business entity tax returns are due before extension, the Internal Revenue Service and Franchise Tax Board are unable to accept many types of electronically filed income tax returns. The ability to file returns has been delayed due to new forms, according to Landsman.

One development that directly impacts the finance industry rather than the clients is the introduction of K-2 and K-3 forms that require CPA firms and tax preparers to report items of international tax relevance. Both forms were added during the middle of this month.

"People had a K-1; now there are these new forms, K-2 and K-3, whereby CPA firms or tax preparers have to disclose more information and there's uncertainty about what needs to be included on those returns," Landsman said.

Landsman added that Baker Tilly is also keeping an eye out for what happens next with President Joe Biden's Build Back Better plan, which if passed, will bring about several tax rule changes. Hutchins at Holthouse Carlin & Van Trigt also worked at tracking the bill.

"Everybody was expecting that Build Back Better was going to become law, so we were scrambling to try to plan for what happens if it passes," Hutchins said. "We've spent tons of time on all these 'what if' analyses and then of course, it was all for naught because it hasn't passed yet."

To keep its professionals informed, Holthouse Carlin & Van Trigt, which numbers around 700 employees in total, hosts moderator-led check-in calls for its tax department. The calls function as a place to discuss tax legislative and regulatory developments, such



Partner: Jake Jacobs sees growing need for accounting firms that cater to startups.

PHOTO BY DAVID SPRAGUE

as the K-2 and K-3 forms or AB 150.

The firm has also implemented an internal tax knowledge database that employees can use to gather information on topics that have been posted or connect with others. For example, if another employee across the country needed an expert on an international issue, the database could be used to identify an in-firm expert that could then be contacted.

"It's so much more important now than ever before. Previously, I'd have 50 people on my tax team in the Westlake Village office and so the 50 of us could talk on any given day," Hutchins said. "But 50 is a far cry from 400 tax people."

#### Open geography

Hutchins' firm, like Jacobs' and Landsman's, has benefited from the COVID-19 pandemic laying waste to the geographical barriers that once limited employees to working for firms close to home. The firms' embrace of remote work has given employees more freedom and helped the firms access different talent pools.

The offices of Rose Snyder & Jacobs can accommodate up to 60 people, but on any given day only around 10 to 15 employees show up.

The Encino firm finds it tough to hire people locally, said Founding Partner **Tony Rose**. So much so that it had to hire people in Northern California, Idaho, Colorado, Ohio, Texas, Arizona and Pennsylvania.

"So now instead of having everyone in Southern California, we have them in other states," Rose said.



Tony Rose

The firm's head of corporate tax lives in Pennsylvania, while its chief estate and trust expert lives in Colorado. Closer to home, the head administrator for the support staff lives in Bakersfield.

"We wouldn't even think of that as a possibility three years ago," Rose said.

What makes all this work for the firm is connectivity and the ability to use remote servers and other technological advances, Rose said, adding, "that has been a godsend and a lifesaver."

Rose Snyder & Jacobs size is a small firm working in the face of increasing firm consoli-

dations, but that has not deterred it from trying to execute its mission.

"What COVID has done is that it has caused a lot of people to leave their jobs and a lot of them are becoming entrepreneurs, particularly in Los Angeles, where there are tens of thousands of companies that are entrepreneurial," Jacobs said. "And there needs to be smaller accounting firms or local regional accounting firms to handle those people."

Jacobs added that being a smaller firm allows for a more personal experience for clients, something that Baker Tilly tries to deliver through what Landsman called "boutique services."

Baker Tilly has thousands of employees and a global presence, but what Landsman believes is the firm's differentiating factor is the firm's small office size that can also provide global expertise.

Landsman sees mergers and acquisitions as something that will continue in the accounting industry. However, he thinks firms in the future will find different reasons for combining. He said Baker Tilly's strategy is not to just grow in size, but in quality.

"The ability to allocate and efficiently distribute resources allows firms to provide higher-value services," Landsman wrote in his email. "At the same time, local teams have strong networks and deep roots, which I don't see changing."



#### ROSE SNYDER & JACOBS

**HEADQUARTERS:** Encino

**FOUNDING PARTNERS:** Tony Rose, Jake Jacobs

**BUSINESS:** Accounting firm

**LOCATIONS:** 1

**EMPLOYEES:** About 60

**NOTABLE:** Maintains office and remote presence for services.