

Difference Between CPA and Enrolled Agent



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The Watson CPA Group employs both Certified Public Accountants and Enrolled Agents. We get the “what is the difference between CPA and EA” question all the time. Let’s explore that a bit.

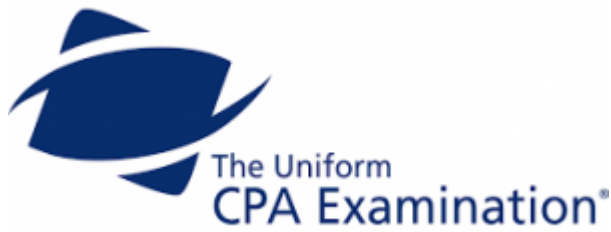
First and foremost, please keep in mind that a credential does not make someone smart or necessarily capable. We’ve all experienced bad doctors and bad lawyers, and accountants are no different. Bridges still fall down even when designed by credentialed and experienced engineers. So, not being smart or not being capable or not being a professional is not fixed by going to CPA school.

People can breeze thru school and exams by simply being good memorizers. You teach them to make a peanut butter and jelly sandwich... and you teach them to make a ham and swiss sandwich... but they can’t make a meatball sandwich without specific and detailed instructions. Reason and deduction are rare qualities; take skill A and take skill B, and create skill C. For some, Yes, but not for all.

We are all human... and prone to all the things humans do. But learning must take place... and we must better today than we were yesterday to be deemed a capable professional. Credentials and no credentials, that is just good practice of your craft. We digress...

Difference Between CPA and EA Examination

The CPA exam is a four-part test comprising of Financial Accounting and Reporting (FAR), Audit and Attestation (AUD), Business Environment and Concepts (BEC) and Regulation (REG). Back in the day, Tina Watson, CPA, founding Partner for Watson CPA Group will tell you the story of going into a huge room with rows and rows of tables. People are crying. People are puking. All four parts proctored in two days. Yuck.



Today you get to pick which sequence of tests to take, and you can spread it out over 18 months. Once you pass your first part, you must complete all four parts in 18 months. If you fail a part, you must wait until the next testing quarter. First time passing rates on each part is right around 45%. Yes, below half. Did we mention that it was a hard test?

The Enrolled Agent exam is a three part test comprising of mainly tax issues similar to the CPA exam's Regulation part. Each of the parts are separately focused on individual taxation, corporate taxation and representation. It too is a brutal test since the questions can be odd such as "At what gross vehicle weight does excise tax begin?" Really!?! Memorizing that silly number runs the risk of kicking something important like anniversaries and birthdays out of the brain. Google doesn't run that risk.

Education Difference Between CPA and EA

This is probably where the biggest difference between CPA and EA occurs. Enrolled Agents do not have a college education requirement. However, Certified Public Accountants must have right around 150 credit hours from a college or university with a bunch of accounting classes in the mix. Essentially all new CPAs must have a Master's degree in business.

Each state is slightly different in their education requirements. For example, Colorado CPAs have one of the highest threshold of accounting classes and credits, and the [Colorado State Board of Accountancy](#) doesn't necessarily give credit for introductory classes such as Accounting Principles or other classes that schools use to weed out students.

Functional Differences

When it comes to matter of tax law, CPAs and EAs are essentially the same. Recall what we said earlier about being smart and not smart- if your tax professional is not smart, sending them to CPA or EA school is not going to fix the problem. Being a great CPA or EA means a) smarts, b) hard work and c) the desire to continuously improve your craft.

Once of the primary differences between CPA and EA is Compilation, Review and Audit work. This is assurance and attestation services where a CPA or a CPA firm is "assuring" that the financial statements are not misrepresented and free of material errors. Enrolled Agents cannot perform assurance and attestation services unless they are also CPAs. Most people don't need assurance services; they need tax preparation and planning services.

Since Enrolled Agents are federally credentialed, they actually have a wider latitude in tax practice and representation. Conversely, Certified Public Accountants are credentialed by each state, and can only represent matters in that state. When a client comes to the Watson CPA Group for in-person tax representation, we have to typically transfer the case to our local Colorado Springs IRS office to resolve the matter. The good news is... most tax matters are resolved with letters and phone calls regardless of location or state.

The [National Association of Enrolled Agents](#) answers the "What is an Enrolled Agent?" question with the following-



An enrolled agent (EA) is a federally-authorized tax practitioner who has technical expertise in the field of taxation and who

is empowered by the U.S. Department of the Treasury to represent taxpayers before all administrative levels—examination, collection, and appeals—of the Internal Revenue Service. In addition to taxpayer representation, enrolled agents often provide tax consultation services and prepare a wide range of federal and state tax returns.

Choosing Between CPA and EA

You should never choose someone based on his or her credential. There are plenty of Enrolled Agents who simply cannot become Certified Public Accountants because of the education requirement. For example, many smart people shied away from business school but later in life discovered their affinity for accounting (or they lost a bet). Going back to school and taking 12-15 business and accounting courses just to sit for the CPA exam might be nearly impossible- people settle into life, kids and chores.

Pick someone who appears to be your advocate; someone who will help explain tax matters, and leverage what they know about the tax code and your tax world to minimize your tax consequence. You need a tax professional who facilitates effective communication, and approaches the client relationship as a collaboration.

Jason Watson is the Managing Partner of the Watson CPA Group, a business consultation and tax preparation firm, and is the author of [Taxpayer's Comprehensive Guide on LLC's and S Corps](#) which is available online.