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ENTERPRISE

CPA Woos Low-Income Taxpayers Trouble With IRS

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A CPA FINDS opportunities in low-and middle-income taxpayers.

J.K. Harris & Co., a tax-resolution company founded by 45-year-old John Harris of Charleston, S.C., is thriving by eagerly wooing customers with shallow pockets who are in trouble with the Internal Revenue Service.

“We were the first to aggressively go after the taxpayer that the lawyer and accountant didn’t want to represent,” says Mr. Harris.

The reason? The potential market is huge. After whittling a client’s \$90,000 back-tax bill to less than half that, Mr. Harris realized there was money to be made in tax resolution. But, he discovered that of an estimated 50 million outstanding delinquent IRS accounts, most were held by people who couldn’t afford the \$5,000 to \$15,000 that most lawyers, CPA’s and retired IRS agents charge to take on the federal tax agency.

“Ninety percent of the people who needed help couldn’t afford me,” says Mr. Harris. “We knew that volume was the key to it.”

He put an ad in a local paper seeking help from a retired IRS agent. Bob J. Mickey, a veteran of 30 years at the IRS, responded to the ad and came to meet Mr. Harris. “He said [tax resolution] was a wide open business than one can handle,” Mr. Harris recalls.

So Mr. Harris set up shop, establishing an average fee of \$1,850. He required that a client pay 15% up front. To help the cash-strapped foot the rest of the bill, he established J.K. Harris Financial Services, a finance company to provide loans - at a whopping 18% interest rate.

Today J.K. Harris, whose employees include a stable of retired IRS agents, has become far and away the most successful tax-resolution company. It boasts 150 offices in 19 states, has served 6,600 clients and has projected revenue this year of \$15 million. Meantime, its closest competitor has just a handful of offices and revenue of about \$3 million.

Russell Yates, a 30-year-old subcontractor in Charlotte, N.C., represents Mr. Harris’s bread-and-butter client. He owed about \$30,000 in taxes to the IRS, and though he was frightened by letters from the tax agency threatening seizure of his property, he couldn’t afford help. “My CPA was going to be too much money, about \$6,000,” he says.

Then he saw an ad for J.K. Harris in the Charlotte Observer and met with one of its tax counselors. “He put me at ease,” says Mr. Yates. “You sleep at night.”

Much to his delight, Mr. Yates settled with the IRS for under \$5,000. His bill from J.K. Harris was \$1,500. “It got my life turned around,” he says.

J.K. Harris has proven particularly helpful to proprietors of small businesses, who like Mr. Yates, are prone to extra trouble because they often don’t incorporate their business. “Often a small-business person’s tax problem has become a family of problem,” explains Mr. Harris. “When they come to us we get hem set up to be taxed as an S-Corporation. That means there’s a separation between the family and the business.