

CPA Firms Become Savvier About Raising Billing Rates

Hourly billing rates continue to climb for CPA firms of all sizes. This is good news, as most firms still bill primarily on an hourly basis.

AOMAR maintains—as we always have—that CPA firms should feel freer to raise rates, though some firms are still reluctant to do so from a fear of losing clients who might object to higher rates. But more firms are getting braver and savvier about increases, adopting the very wise view that satisfied clients will pay for value received, especially clients who have a long and strong relationship with their CPA firm.

The accompanying tables set forth our findings regarding billing rates from the annual *CPA Firm Practice Management Survey*. As always, these findings indicate trends—not absolutes—and we encourage our readers to consider as many sources of information as possible.

Owners' billing rates. The average per hour billing rate for CPA firm owners among survey respondents is \$229; for non-CPA owners it is \$207, and for nonequity owners it is \$235.

As expected, rates charged by owners tend to rise with the size of the CPA firm, both in terms of the responding firms' average gross fees billed (see Table 1) and the total number of personnel at the firms (see Table 2).

For general comparison—although different firms participate in each year's survey—owners' per-hour rate last year averaged \$214; non-CPA owners, \$215; and nonequity owners, \$210.

Staff billing rates. Supervisor and manager rates now average \$167, while seniors are at an average \$121 per hour, juniors at \$102, and juniors who have not passed the CPA exam at \$91. Other staff data appear in Tables 1 and 2.

Though it would seem that staff rates would rise with firm size as seen in the owner rates, this is not so in all cases. The reasons may be because of the differences in staffing make-up at CPA firms, which is becoming more marked as firms continue to struggle to find staff in the middle years of practice.

There are also discrepancies in billing practices depending on the type of practice. For instance, a firm that has large specialty practices with high revenues is likely to have a different billing structure than a generalist firm focusing on traditional audit and accounting services. These factors may explain why, for example, the average rate billed by supervisors and managers is \$130 in firms with one to five people, but is slightly lower, an average \$126 an hour, at firms with six to 10 people.

For comparison, last year's research found the overall average rate billed for supervisors and managers was \$152; for seniors, \$114; for juniors, \$94; and for non-CPA juniors, \$86.

For more information:

To place your order now for early December delivery of *CPA Firm Statistical Analysis Reference Handbook 2008*, contact IOMA Subscriber Services at 800-401-5937, ext. 2 and ask for product #2639M. Price: \$449.

Table 1. Billing Rates, Overall and by Gross Fees

	Overall	< \$1M	\$1M to \$1.99M	\$2M to \$2.99M	\$3M to \$3.99M	\$4M to \$9.99M	\$10M to \$19.99M	\$20M +
CPA owners	\$229	\$172	\$200	\$222	\$211	\$241	\$293	\$300
Non-CPA owners	207	109	NR	150	NR	168	NR	298
Nonequity owners	235	120	148	205	NR	218	274	287
Supervisors/managers	167	151	129	146	136	165	205	204
Seniors	121	107	104	105	106	124	141	140
Juniors	102	99	94	92	88	95	113	117
Non-CPA juniors	91	77	88	80	78	90	106	104
Consulting staff	176	141	NR	95	140	180	192	206
Firm administrator	99	70	81	72	63	101	147	154
Marketing director	115	NR	NR	NR	NR	80	132	129
Paraprofessionals	81	67	66	73	66	87	104	91

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

Table 2. Billing Rates, by Number of Personnel

	1 to 5	6 to 10	11 to 15	16 to 20	21 to 35	36 to 50	51 to 100	> 100
CPA owners	\$164	\$197	\$203	\$211	\$238	\$243	\$279	\$290
Non-CPA owners	87	95	128	NR	125	210	297	247
Nonequity owners	NR	145	135	NR	192	224	279	279
Supervisors/managers	130	126	132	145	153	190	193	196
Seniors	97	107	105	108	113	136	131	137
Juniors	65	92	85	95	93	93	115	116
Non-CPA juniors	65	77	84	75	85	72	104	102
Consulting staff	100	NR	NR	90	146	205	189	194
Firm administrator	70	72	88	63	90	128	135	107
Marketing director	NR	NR	NR	NR	145	90	118	109
Paraprofessionals	49	75	82	68	76	97	95	86

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

5 Tips to Help Raise Your Billing Rates

Thanks to the main story, you have the latest data on billing-rate trends. But now you'd like to boost your firm's hourly rates—and right before the start of busy season is a good time to make changes.

Here are five pointers we have picked up in discussions with CPA firm leaders and advisers about the always-sensitive "dance" of how and how much to raise rates:

1. Do the math. Your costs have risen this year, as the costs of a business always do: salaries, facilities, travel, equipment, software upgrades—all of those expenses involved in running a business have probably gone up. An overall assessment of higher costs can

help your firm get a sense of how much firm revenue needs to increase to cover these costs.

2. Consider an across-the-board hike—or not. There's no law that says *all* hourly billing rates must go up—or that the rates must increase the same amount for every biller or in every billing category. For example, a fast-growing niche that produces tremendous demand for your firm's services is practically asking for higher rates, since you are delivering exceptional and desirable value. You may want to raise those rates but make the increase a modest one. Or, you may raise the niche rates while staying flat with audits where you have strong competition from other local firms. Your strategic plan will help you consider these issues.

You can also assess whether this is a good time to add more set fees or value-based billing to your mix—which also will affect your billing-rate mix.

3. To surcharge or not to surcharge. That's a question that many firms continue to bat around, and it is a good one. There is no right answer to whether or not you should list a separate charge for technology, mailings, or other activities. Local custom may help guide you—if you are the only one to try it, it may be well received. Try an experiment with one client group this year and see how it goes before converting the whole firm to a surcharge scenario.

4. Don't apologize. CPA firms should take a tip from their lawyer friends and colleagues—law firms tend to be a lot firmer about price increases, and they don't hang their heads. Yours is a professional and expert firm, and its owners and staff deserve to be compensated for your expertise, your knowledge, and your trusted adviser contributions to your clients' success.

5. Communicate, communicate, communicate. Depending on the client, the market, and the increase, you may want to let clients know the price is going up this busy season. You have the client relationship, so you know best who may want more details about the increase, which clients may benefit from a more detailed bill, or who will simply accept that the best costs more. Always make sure to put increases in writing.

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