From the Aug. 2006 Issue

August is here, and for thousands of tax and accounting professionals that means time is running out on discounts for early renewal of their tax preparation software for next year. This is a no-brainer, right? Well, for the nearly 95 percent of professionals who remain with the same software vendor year after year, it would appear so. But is selecting your tax software something for which you want to turn off your brain?

Just because you’ve grown accustomed to the software doesn’t mean it best suits the needs of your practice. Firms change with time, client bases grow and often change characteristics, 1040 practices become more business focused, and new technologies come into the market that can increase productivity for some firms. In short, do you really know what would best suit your practice’s needs?

For those firms who have yet to make their purchasing decision for next year, consider the importance of tax services to your practice, both in terms of revenues and client service. There is still time to make an informed decision, whether it means staying with your current vendor or moving on. Surely this valuable component of your business is worth some of your valuable time, so develop a needs analysis and then explore the various systems on the market. For those who have already sent a check, consider the following for next year:

First, what do you need?

What do your clients want? Dozens of programs are on the market, and most have been around for many years. They have grown adept at the basics of calculations and basic 1040 preparation and generally include e-filing. For business clients, most packages include 1120/1120S and 1065 preparation modules. Often, the difference is not in the ability of the programs to create and file accurate returns, but

paperless (or at least less-paper) strategy, whereby the tax system maintains electronic copies (usually *.PDFs) of client returns and documents instead of requiring file cabinets for storage.

The need for integrated tax research is generally dependent on the complexity of a practice's client base, as is, conversely, the need for banking products such as refund loans. Online systems also provide an alternative to traditional tax software, freeing tax professionals from the chore of installing and maintaining files, while also offering anytime, anywhere access to client records. The manner in which data is entered and forms are viewed can also be a productivity-enhancing feature, with some systems providing direct entry of data to form replicas, entry onto system-guided interview sheets, or a combination of both.

What do you really need?

- Online client return access
- Online staff access to the program
- Pass-through K-1 data
- Paperless output of returns
- Large, medium or small client base
- Complex or fairly simple returns
- Integrated tax research
- Banking products

Most tax software vendors have perfected the science of tax preparation and now have set their sights on advancing the art of their software. Improved usability, enhanced client collaboration, integration with tax research and write-up programs, and the continuing procession toward the paperless office all provide benefit, but the cost-benefit analysis has to be performed by the firm.

Once you have assessed the needs of your practice, then you are ready to start filtering through the available tax systems on the market. Two recent issues of this magazine provided reviews of tax preparation systems. In the April/May

2006 issue, we covered full tax preparation suites — systems that handle

Choosing your firm’s tax compliance package should never be a no-brainer. Now is the time to find the solution that best meets all of your needs, not just your pocketbook.