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planning.

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From the September 2007 Issue

Every year, millions of Americans collectively groan when confronted with their taxes. For the growing number that are self-filing, well ... you get what you pay for. But even those who use a tax professional or accountant often forgo one of the most effective means of minimizing their tax burden or increasing their refund — planning.

Planning ahead for anything makes a difference, whether preparing for a road trip, constructing a building or booking a wedding hall. Knowing what the potential variables are and how they interact is essential to achieving the desired final result — a fun vacation, a new home, a perfect ceremony ... or lessened tax liability.

In a market where tax preparation is becoming an increasingly commoditized, low-revenue-yielding service, tax planning offers firms an opportunity to offer a more valuable, higher profile and more visible role in their clients' financial matters. Unfortunately, the profession has thus far failed to fully capitalize on tax planning services. Why? Communication is a key factor.

Click Your clients know that strategic investment planning helps them grow wealth for in the long term. They know that estate planning helps to preserve their full wealth at the end of the “long term.” They need to realize that effective tax image.planning will help them keep more of their wealth in the comparably short term — the next tax season (or the next several tax years). By proactively preparing for expected or potential variables that can influence a client's tax burden, the client not only benefits from having a forecast of their liability, but also can work

with their financial and tax professionals to take steps to mitigate these factors,

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That's where tax planning systems like the ones reviewed here come in. These systems allow a tax professional to input a client's real and anticipated future financial data. Most of the systems allow planning several years out, allowing the professional to input expected salary increases, potential low and high income years, farm income, projected unearned income variations, investment interest limitations and carryovers, medical and personal casualty loss deductions, passive losses, capital gains and losses, investment interest for alternative minimum tax purposes, and planned charitable giving. There are so many variables involved. By working on the current tax year, you may be able to help prevent a client from moving up a bracket because of just one of them, but the value in planning further out is also significant.

With the client's data, the tax planner systems then build scenarios that can be easily changed to see the effects of one variable on tax over a period of time. With the professional's tax knowledge and the planning program's built-in tax information and ability to quickly crunch numbers, the professional can produce a client-ready plan that shows them where they are, what they can expect and what they need to do in order to get their taxes to the ideal scenario.

Most tax and accounting professionals don't use a true planning system and instead rely upon their previous year tax system and inputting varying sums in areas that could help the client ... if they do any planning at all. True tax planning systems go well beyond this and alert the professional to potential beneficial actions and incorporate the latest tax law information for the coming years.

Of the professionals who have embraced planning, the service has shown to be profitable and helps to strengthen client relationships. When choosing a system, it may be efficient to use a tax planning system from the maker of your tax preparation package (if they make one) because it will likely offer integration features that can help reduce data-entry time. But there are several programs on the market, and they range from basic programs that are better suited to planning more simple returns to

robust systems that can delve more deeply into client data using advanced

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tax planning to be between September and early November, when it is still early enough for your clients to take necessary actions, but late enough in the year that they feel more urgency to take those actions. □

BNA Software — BNA Income Tax Planner

The BNA Income Tax Planner offers planning capabilities for federal taxes and has an option to add planning for all income taxing states. In addition to scenario building and forecasting functions, the program includes various analytical tools and return review processes. BNA Software does not offer an income tax preparation system, but bridges exist for integration between the system and major tax preparation programs

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CCH, a Wolters Kluwer business — ProSystem fx Planning

A part of CCH's ProSystem fx suite of integrated programs for financial professionals, ProSystem fx Planning offers accounting and tax professionals individual income tax planning and estimating functions for federal returns as well as state tax planning, with preconfigured rates, deductions, exemptions and credits. The system allows the creation of multiple years with multiple scenarios each, calculating for differences in variables and allowing the user to easily see the corresponding effects on tax, AMT, capital gains and other end results.

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Intuit Lacerte — Lacerte Tax Planner

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tax preparation system that can also function separately as a stand-alone system. The program includes planned federal tax law phase-outs and phase-ins of future changes to tax and deduction rates, IRA contribution limits, capital gains, AMT and other items.

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Thomson Tax & Accounting — Planner CS

Formerly under the Creative Solutions brand, which is now part of Thomson Tax & Accounting, Planner CS is part of the CS suite of tax, accounting and practice management programs. Planner CS provides individual income tax planning for federal and all states with an income tax and also supports non-resident income tax for most states.

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