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For all the recent talk and hype about Web 2.0 and cloud computing, Software-as-a-Service

(SaaS) has yet to really bloom in one of the most important areas of all for tax and accounting professionals. Where is professional-level online tax prep?

Yes, there are a few options on the market, most notably the web-only GoSystem from Thomson

Reuters and Orange Door Pro, and also a hosted version of UltraTax CS through Thomson Reuters' Virtual Office CS. But none of these web-based systems have yet achieved a significant market share.

And there are a handful of others that try to market their self-filer programs to professionals, but have not really designed the system for professional use. One that comes to mind has no real client directory list, communication templates, billing functions or research options, and even uses the same terminology as for self-filers (Such as, "Did *you* receive any wages this year?"). While these systems might be able to handle simple 1040s and even a few 1065s and 1120s, they simply aren't capable of managing more complex client returns and firm workflow processes.

But as willing as individual taxpayers have been to file online (the IRS lists about 20 online tax programs geared for self-filers), professionals haven't made the jump to online tax programs in large numbers. This is because of several factors, including the lack of professional-level products for small and mid-sized

practices, a previous lack of faith in online security and concerns about having

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This fear could be greatly diminished if the tax software vendors who currently control most of the market offered online/SaaS versions of their traditional programs. These vendors are Intuit (Lacerte and ProSeries), CCH (ProSystem fx Tax, ATX and TaxWise), Thomson Reuters (UltraTax CS and GoSystem), and Drake Software (Drake Tax). The GoSystem product is a hosted program, but it is geared toward high-end firms, with extensive collaboration tools and research integration, and a price point that's fairly steep for most small and mid-sized practices. I'm sure that Thomson Reuters would point out that firms can select only the options they need and trim the cost down a bit, but even without the extra options it is still a Rolls Royce.

CLIENT DATA SECURITY

Professionals are justly concerned about the security of their client data. It is their livelihood, after all, and negligence could open them up to legal consequences and even the loss of their practice. But I believe most professionals have overcome at least most of their concerns about the security of data when it is used through an online program.

Yes, there are threats, but there is a greater threat to your client's data when it is hosted on your own servers or on your own office PCs. Fire, weather events, theft, system crashes, unauthorized users, etc., all are much more likely to affect your office computers than they are secure hosting facilities. These facilities, with high-level technological and human security measures, also automatically back up data at multiple locations around the country, which virtually eliminates the possibility that it will be lost due to any disaster or computer glitch, meaning you can get back up and running even if your office experiences problems. You can't say that about your computer if it crashes on April 1.

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updates are automatically performed by the vendor on their end. While most tax packages now include tools for checking and downloading updates from the web, a few still require several CD updates. With the hosted model, the need to maintain and update the tax program would be gone.

SAAS BECOMING MORE POPULAR

Although professionals have been reluctant to move to online tax prep, they haven't been shy about using hosted programs for other client services and firm management functions. Research was a no-brainer, of course, since finding Treasury Regulations, rulings and opinion is much quicker and more comprehensive using online systems. But many professionals are also using, and recommending to clients, online accounting programs, including NetSuite, Intacct and QuickBooks Online, plus add-ons for QuickBooks like SmartVault's document storage utility. AccountantsWorld offers an online suite of accounting products, including professional write-up, payroll, practice management and an integrated online small business program.

Dozens of online payroll systems are available, most geared toward small businesses, but also some designed for professionals who provide the service to many clients. These include PayCycle (just acquired by Intuit), ADP, AccountantsWorld, Ceridian and Paylocity, among others. Likewise, there are several professional document management and storage systems available. Practices and small businesses can also use online payables systems like the one from Bill.com. And there are many online sales and use tax applications, some run by the states and others by vendors, helping to simplify this potentially complex area.

‘STAY TUNED’

But alas, there are still only two professional tax compliance systems for handling individuals, partnerships, corporations and other entities. With TurboTax

dominating

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available (Thomson Reuters also recently announced that it is offering a SaaS-based, monthly subscription model of its full CS Suite, including UltraTax.)

The key movement in this area seems to be not a competitive stance between technology vendors, then, but rather one in which each of the vendors are going to try to move their current users over to a web-based tax compliance solution. And whichever of the mid-level professional accounting products is able to do so most effectively will then have an advantage when it comes to the ongoing battle of wooing users of other systems.

Professionals are ready for online tax compliance. They've shown it through their adoption of other SaaS products. They want more options than the few systems currently on the market, and they will likely stay brand-loyal nearly as much as they have with their traditional tax compliance software.

Technology

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