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TECHNOLOGY

What are You Missing? Tax Utility Programs Offer Additional Tools

Special Feature from the 2007 Tax Season Survival Guide

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As the professional tax preparation market has seemed to grow smaller as a result of mergers and acquisitions, the capabilities of most of the programs on the market have actually grown considerably, with tax prep programs now offering all-in-one bundles where they used to offer modules for the various filing entities. Likewise, the vendors of these programs have added many tools, from improved data import functions to research integration and electronic management functions.

But there are always niche areas that accountants and tax professionals find their practices facing, and the more specialized the need, the less likely it is that the major tax preparation systems include a full-featured tool for managing that process. Enter tax utility programs.

Numerous products are available on the market, often (but not always) from smaller software developers that offer programs or online systems specifically geared toward meeting special needs, whether providing more detailed deduction tracking for individuals, performing cost-basis calculations and tracking,

minimizing

IRS interest and penalties, to amortization and analysis functions.

For every need, there is a program out there, sometimes even developed by a tax professional who faced the same need and created a solution to solve it. Some of the functions in these programs will likely end up integrated into the major tax packages in the future, while others will stay third-party programs. Either way, the tools they provide offer tangible value to accountants by helping them avoid the fallback method of creating mile-long spreadsheets or spending days researching cost-basis and securities payment information.

CCH, a Wolters Kluwer business — GainsKeeper Pro

Offered as a stand-alone system or one that can be integrated as an add-on to CCH's ProSystem *fx* Office (<http://tax.cchgroup.com/default>),

GainsKeeper Pro is a web-based investment portfolio management system designed for use by tax professionals in servicing their individual clients. The system offers cost-basis tracking, automated Schedule D preparation and tax lot accounting. In addition to the benefits gained through integration with ProSystem *fx*, the system is composed of two primary components: GainsTracker and GainsAdvisor.

Because the process of tax lot accounting can be arduous when performed manually, the GainsTracker function is exceptionally useful in limiting the amount of time professionals need to spend on this task. The GainsTracker module offers the core monitoring functions, and, since it is an online system, it has the unique advantage of being able to import client portfolio data from their brokerage (GainsKeeper Pro works with more than 30 retail brokerages), automatically performing capital gain/loss calculations as well as complicated cost-basis adjustments for corporate actions like splits, reverse splits, spin-offs and mergers, as well as to help clients avoid wash sales. The system produces Schedule D, and, for users of ProSystem *fx* Tax, client information can be easily transferred into the client's return.

Using the various analytical tools included in the GainsAdvisor component, tax professionals can analyze buy-sell options, showing the effects of such actions on tax liability. It also provides several tax minimizing utilities, such as a tool to help spot opportunities that can minimize capital gains, and

the ability to identify which holdings offer the greatest sell benefit. A variety of client-ready reports with charts and graphs complement this function. As noted above, the GainsKeeper Pro system is web-based, which allows professionals to access the system from anywhere they have an Internet connection. Many professionals

also choose to allow their clients direct access to the system to maintain their data throughout the year, and then the accountant can automatically transfer it into their return engagement. It just depends upon the level of service and involvement the professional offers.

TimeValue — TaxInterest & PayrollPenalty

TimeValue Software (www.timevalue.com)

offers a variety of programs intended to enhance professional tax practices, including TaxInterest and PayrollPenalty. TaxInterest fills a niche in most tax prep packages by offering tax and accounting professionals an automated system for calculating interest on tax deficiencies and penalties, following all IRS rules for those computations. As a preventive tool, the system can also be used to verify IRS calculations, ensuring that tax, interest and penalties are correct.

TaxInterest includes the required IRS interest rates and calculation methods from 1954 to present, including the underpayment rate, refund rate (with GATT), motivated rate, and large corporate underpayment rate. The system can calculate multi-year deficiencies, handle interactions between penalties, and automatically computes failure-to-file, failure-to-pay, negligence, fraud and substantial understatement amounts. It also includes most state rates. TaxInterest prints reports that document all interest and penalty calculations and costs \$149 for a single-user license; networked licenses are also available.

TimeValue's PayrollPenalty is a web-based system for tax professionals who handle payroll reporting for their clients. When penalties are incurred, professionals can use the system to decrease the penalty incurred by benefiting from IR Procedure 99-10, which allows for the use of various calculation methods. PayrollPenalty performs more than 250 alternative calculation methods to identify the most appropriate one that also results in the lowest penalty.

The online system sports an easy-to-use interface that simplifies data entry, instantly performs the calculations, and then displays the recalculated amount.

Users then have the option of printing an IRS-ready report and letter. TimeValue claims the average penalty savings is over 45 percent — a believable number considering how often the IRS makes errors in its calculations. The company also reports 100 percent acceptance of its calculations by the IRS with no reasonable cause required for a client to qualify for this relief. The online program costs \$149 per year per login ID.

Intuit — TurboTax ItsDeductible

In late 2003, Intuit acquired ItsDeductible (www.itsdeductible.com), a charitable donation tracking system for individual filers. Shortly thereafter, Intuit added the feature as an option to its TurboTax self-filing system. But even before the Intuit acquisition, tax and accounting professionals had recommended or even resold the system to their personal tax client bases because individuals often underestimate the value of the non-cash donations they make to various groups.

By using ItsDeductible, which is essentially an electronic Blue Book for donated items, individual filers can more accurately assess the value of the non-cash items they donate as they make them throughout the year, thereby increasing their deductions. The system also serves as a central location for recording other tax-deductible expenses such as mileage and cash. ItsDeductible can still be used independently of TurboTax, which has many tax professionals continuing to advise their clients to use it.

The key to the system is that the fair market values it assigns to items are based on the IRS's own database of the agency's accepted values for thousands of items, depending upon the age and condition of the item, whether clothing, furniture, electronics, computers or other household items. ItsDeductible was originally a manual workbook, then evolved into a computer or workbook method, and now is available as both a traditional software program or as an online system. Users simply enter the type, quantity and condition of donated items using pull-down selection lists and other intuitive features. The system then automatically assigns the value and totals the deductions. For added convenience and confidence, users have the ability to attach digital photos of items they enter.

At the end of the year, if the total of non-cash charitable deductions exceeds \$500, ItsDeductible automatically prepares Form 8283, populating all necessary fields. This report can then either be provided to the individual's tax professional or the system can send the data into the individual's TurboTax filing. ItsDeductible also includes IRS publications related to charitable deductions, including 526 Charitable Contributions, and 561 Determining the Value of Donated Property. The system costs \$19.99, and a single copy can be used for multiple individual filers or MFS filers who share the same residence.

XciTek — XciTax

Borne from a partnership between Standard and Poor's Corporation and New York software developer XciTek, the XciTax (www.XciTax.com) system helps streamline the process of gathering accurate cost-basis and securities payment information for tax compliance purposes. The system, which also used to be marketed under the name Portfolio Tax Analyzer to users of the ATX tax system, received an honorable mention in the 2005 Tax and Accounting Technology Innovation Awards.

As a web-based system, XciTax is especially useful for tax professionals who have clients with active stock and bond portfolios, simplifying research and calculation tasks required for tax reporting. Among the system's capabilities, it provides a Schedule B Income Summary with every dividend or payment detailed over the holding period, including ST/LT/Ordinary Income/Return of Capital and Qualified/Non-Qualified status. It also provides a Schedule D Capital Gain/Loss report that shows adjusted gain/loss calculated for cash-out events during the holding period, and shows resulting positions that include any cash and securities that may have come out of the original security with allocated costs. XciTax also provides a Detailed Transaction Ledger that lists all events that affected the cost basis of securities, with linked access to further information, including tax law analysis and opinion.

Recently added tools include a Family Tree feature that integrates with the Cost Basis Calculator to ease the process of tracing back through mergers, acquisitions, spin-offs and distributions. Additional Tax Lots in the Cost Basis Calculator also allow for recurring "new money" contributions to be factored into a cost basis lookup. XciTax allows all results to be output to Excel spreadsheet

format with a single mouse click, and, since the program is web-based, it is accessible from virtually any location. XciTax is available in tiered pricing that starts at \$50 and is based upon the number of various types of lookups the user performs (such as lookups for dividend, mutual fund payments, bond interest, DRIP calculations, etc.) The \$50 package would be able to perform a combination of up to 16 dividend, mutual fund or bond interest lookups; 10 stock-basis calculations or DRIP calculations; 25 historical price lookups, or 50 cost basis event details. More on the pricing structure is available at the company's website.

Pro-Ware — Accountant's Helper

Offered by Pro-Ware (www.proware-cpa.com),

Accountant's Helper is a collection of various tools for accountants and tax professionals, providing various analysis, amortization and calculation functions with a very easy-to-use interface that can be a useful addition to a practice during tax season.

The system simplifies the process of creating and managing amortization schedules, automatically performing calculations based upon variables input by the professional.

Accountant's Helper allows payment adjustments to be made at any time during the loan, allowing for loan payoffs, balloon payments, interest rate changes and payment amount changes. Summary and detail schedules can be viewed and printed. The program supports the creation and storage of an unlimited number of loan amortization schedules for an unlimited number of clients, with simple client/schedule lookup screens and search functions. Amortization schedules can be totaled on a quarterly, semi-annual or annual basis.

The analysis features in Accountant's Helper include a Five-Year Loan Analysis for all client loans selected, as well as a ratio analysis function that allows the entry of up to 10 years of client financial data. The system can then generate up to 37 predefined ratios and 10 user-defined ones, which can be used to produce financial statements, budgets or other business materials. Various analysis reports are available, including Ratio Information, Ratio Detail, Ratio Data, Ratio Data Input Worksheets, and a Ratio Yearly Comparison report. The system offers a print preview function for all of its analysis and ratio

functions. Among the system's other tools is a Time Value of Money function that lets users calculate an unknown variable for lump sum deposits and annuities.

Accountant's Helper offers a customizable and intuitive interface that simplifies data entry and location of client data files, as well as producing summary or detailed analyses or amortization schedules that can be printed or viewed on-screen. Shipping is free with pricing for the system at \$129 for a single-user license and \$259 for multi-users.

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