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From the April/May 2008 Issue

For many firms, annual tax compliance services represent the largest single revenue stream, often amounting to more than half of their annual gross. Individual return preparation, primarily involving clients who visit the office one time per year, make up the bulk of these receipts.

With such an important part of their practice's income at stake, many professionals have been concerned with the perceived "commoditization" of preparation services. That is, with the continued encroachment of online do-it-yourself filing programs now even extending into business returns, to many the profitability of tax services looks threatened.

If preparation services existed in a vacuum, if a professional preparer offered only the same service as one of these programs, and if return preparation processes stayed static, then that might be a just concern. But tax professionals offer much more, in terms of both service options and the quality of those services, and improved workflow processes continue to make practices more productive.

Of course, the value of professional preparation starts with training and expertise, in addition to access to resources that can help clarify complex situations. This year's Congressional SNAFU with the AMT reminded many consumers of how little they know when it comes to their taxes. But the value of the professional runs much deeper, and professional tax compliance systems have evolved greatly over the last few years.

Program developers once strived to provide accurate calculations and forms

Executive Summary

The Tax Prep Market

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professionals who use their programs. This has resulted in new and enhanced features that not only improve and streamline workflow processes for the professional practice, but also offer client service and communication improvements.

workflow.

- Integration between modules, other programs.
- New technologies like OCR and auto form population.
- Streamlined review processes.

For clients, one of the more visible of these added-value features also serves as a continuation of a practice's paperless office strategy: Online client portals and data organizers. Giving clients online on-demand access to electronic versions of prior-year returns and other documents is a convenience factor and reduces the filing and storage requirements in the firm.

Integrated tax planning capabilities has also enhanced client service. Having the ability to explain why a client's return turned out a certain way is a cornerstone of the tax engagement, but being able to proactively help them reduce their exposure and liability is a tangible benefit the client can readily see. For one-visit clients, this benefit can easily lead to an additional engagement in the middle of the year to revisit their taxation issues and develop strategies to help them. Some programs even offer client-ready reporting functions with graphical elements to help explain current and projected scenarios.

Technological innovations in workflow processes have similarly enhanced efficiency and productivity within practices, enabling tax offices to handle more returns in less time while increasing managerial supervision and ensuring quality. Among the most recent and most dramatic workflow innovations has been automated scanning and form population tools that allow the professional or an administrative staffer to scan a client source document, with the data flowing directly into a client's

electronic folders for import into returns and then awaiting review. The first

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Client communication tools, in addition to providing client-deliverable copies of returns and reports, have been enhanced to include automatic generation of client letters that can include pre-populated checklists or reminders of missing data. This is an added value to both client and firm, as it reduces the number of visits a client may have to make to the office, and also reduces the manual compilation of notes related to missing client information.

Additionally, review processes have also been improved, decreasing the time spent on the administrative part of the process, such as gathering workpapers, which frees senior staff to provide more valuable services. Likewise, improved diagnostics and research systems have grown to automatically alert users to potential difficulties and give quick access to expert analysis of tax code.

The services that tax and accounting professionals provide clients goes well beyond data entry and submission of returns, and the key to finding the best professional tax compliance system is to find one with features that not only help provide client service but also increase the efficiency and productivity of the practice. These factors vary with each practice and their client base, but the general philosophy does not: Giving clients what they need (not what they think they need), and doing so in a way that maximizes firm resources, enables the practice to be more responsive to clients and to be more profitable.

BNA Software – 706 Preparer/709

Preparer

The BNA 706 Preparer and 709 Preparer systems provide a valuable resource to practices involved in estate planning and who need

a more specialized program for handling complex gifting and generational

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jurisdictions.

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[Review](#)

[CCH Small Firm Services – ATX](#)

Under the arm of CCH Small Firm Services for two years now, the ATX MAX tax preparation system has long been popular with small, tax-focused firms, providing a very user-friendly interface and bundled packages that include virtually all aspects of tax preparation.

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[Review](#)

[CCH Small Firm Services – TaxWise](#)

TaxWise is now offered by CCH's Small Firm Services group, along with the ATX tax system, both of which have been popular with smaller tax practices, but for different reasons.

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[Review](#)

[Drake Software – Drake Tax](#)

Drake Software's all-in-one tax preparation system has a very loyal following of professional users who have enthusiastically voted for the system in our annual Readers' Choice Awards, making it the most favored tax prep system for two years running.

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[Intuit – Lacerte Tax Software](#)

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and ProSeries Professional (the focus of this review) for small to medium-sized tax-focused practices with diverse client bases.

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[Review](#)

Orange Door, Inc. – Orange Door

Tax Suite Pro

In a not-so-distant future, professional practices and individuals will have very few traditionally installed software programs. We've been trending in this direction for years, but remotely hosted, online applications provide so many benefits to users and the vendors, that it will continue to progress.

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[Review](#)

Orrtax Software – IntelliTax

Orrtax offers several bundled versions of its IntelliTax system for professional preparers, from a 1040-focused bundle to a complete individual and business suite as well as an option for practices with multiple offices.

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RCS – TaxSlayer Pro

The TaxSlayer Pro preparation system from Rhodes Computer Services provides a full complement of compliance tools that supports all entities with annual income reporting requirements, including individual, 1120, 1120S, 1065, 1041, 990 and 5500.

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[Review](#)

[Thomson Tax & Accounting – GoSystem](#)

[Tax ES](#)

GoSystem Tax ES is widely viewed as the premier tax compliance system and is used by all of the Big 4 firms and most of the top 10. Although it originated as a CD-based product two decades ago, it evolved as an online program, which gives the benefit of automated updates and no maintenance.

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[Thomson Tax & Accounting – UltraTax](#)

[CS](#)

UltraTax CS is the comprehensive professional tax preparation system offered by Thomson Tax & Accounting, which also offers a full array of accounting and firm management programs under the CS brand.

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[Programs Add Value To Tax Services](#)

Not every professional tax compliance system provides every possible feature, which is probably a good thing, since this could likely result in overly cluttered programs that would be harder to navigate with a negative effect on productivity.

H.C.

[Sharp Software — 1040 Review](#)

— This program is an affordable addition to any practice that

wants the peace of mind that comes with third-party checking and validation

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from leadsheets when reconciling return data, thereby streamlining the review process.

XCM Solutions — XCM Accelerated

Workflow Automation — XCM's Accelerated Workflow Automation system is a remotely hosted management program designed to help reduce the inefficiencies of manual processes within accounting and tax practices.

Technology

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