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## TECHNOLOGY

# Tax Technologies: Win, Lose Or Draw?

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I suspect that all of you are pleased to have the 2008 tax season behind you. Whether this was the most successful season in memory or a complete disaster, now is the best time to stop and have a debriefing with your tax department and administrative staff. Ask about the things that have gone right and wrong, the changes that worked (as well as those that didn't work), and what your people would change if they could do things differently. Your junior staff (and future new hires) will benefit from investing time in mapping the Firm's processes. If you have documented your procedures in prior years, then the junior staff should confirm and update those documented procedures based on immediate past experience.

Once your procedure maps are updated, then you are ready to look for products IF you have made a determination that new or different products are needed. Innovative firms annually review the next best competitive product via a webinar, even if this only helps you appreciate and discover new features in your own product. If you review, select and implement a new product, make sure to revise your procedures to accommodate the new product. That being said, I do realize

that firms change tax software about as often as individuals change doctors or religions.

I believe that once you have allowed your mind to clear, the time is right to begin researching products that can help you in the 2009 filing season. You should be able to improve your tax department effectiveness and profitability by applying current technology and techniques.

Many technologies have made notable progress in recent years, including the following: 1040 Workpaper products that scan, organize and populate tax returns; engagement managers that automate and streamline the transfer of data from client software to tax software; online contextual tax research; document management and distribution systems; workflow management and tracking systems; e-filing, and, of course, the improvements in the application suites themselves. This article highlights some of the leading products in each of these categories.

### **1040 Workpaper Products**

One area that has made significant progress in the past three years is the product genre that scans, organizes and populates tax returns from client documentation. These products take W-2s, 1099s, K1s, brokerage statements, organizers and other documents that have been run through a production quality scanner, and produce a bookmarked PDF. Some products can then take the organized documentation and extract numbers for automated entry into your tax software (“populate”).

For example, SurePrep’s 1040Scan application enters the data into ProSystem *fx* Tax, Lacerte and GoSystem RS. SurePrep has approximately 500 business rules that allow things like cost basis information to be retrieved from brokerage statements. CCH has made good progress this past season with its ProSystem *fx* Scan product after implementing more sophisticated capture software. This system improves productivity with an annotation tool called PDFlyer. A new player to this space, Copanion, is using a complete new recognition technique and has had its web-hosted system available for limited use this year.

Not to be outdone, Acct1st has introduced a product to ease annotations of PDF files called Tick, Tie and Calculate. (Of course, outsourcing can be an alternate way to handle tax processing loads.) Major competitors in this category include SurePrep 1040Scan, CCH ProSystem *fx* Scan, Copanion GruntWorx and Thomson GoFileRoom TaxSort.

## **Engagement Managers & Integration of GL or Trial Balance into the Tax Applications**

Many firms have set standards that dictate that all corporate returns must be processed through an engagement manager or trial balance product. The trick to making this productive is to set up templates and automate as many of the interfaces as you can. Specifically, you want GL data (like that from QuickBooks) to import into the engagement manager, and export the tax data directly into your tax software.

Engagement managers like CCH's ProSystem *fx* Engagement or Thomson's Engagement CS help your tax department organize work, and, if you can coordinate with your auditors, much of the tax organization can be done by the audit teams. When the mapping codes are set up correctly in CaseWare, the process of importing QuickBooks data, producing a trial balance and importing the key numbers into your tax software normally takes only a few minutes. Additionally, if you don't use an engagement manager, your Trial Balance software should feed the tax return easily, as well. Major competitors in this category include CCH's ProSystem *fx* Engagement, CaseWare Working Papers and Thomson Engagement CS.

### **Online Contextual Research**

Online, web-based research has simplified contextual research. The major publishers look for more ways to integrate the research products into applications. For example, CCH@Hand uses the context menus of Microsoft Office to make tax information readily available. Additionally, the news services offered by these vendors can inform you of major changes automatically, or on a recurring basis. Major competitors in this category include CCH, RIA Checkpoint, BNA Tax Management and Tax Analysts.

### **Document Management**

Maintaining your final published work product and destroying it when an appropriate retention policy is reached are the major advantages of document management products. Rapid retrieval of information for better client service is another key benefit. Delivery of documents through web portals is another very helpful feature and a competitive advantage your firm should consider. Major competitors in this category include Acct1st EDRMS, Doc.It DMCCH, CCH ProSystem *fx*

Document, Interwoven Worksite, Thomson FileCabinet CS and Thomson GoFileRoom.

## **Workflow**

Workflow is the ability to electronically move documents through an organization. Sometimes workflow is more important than document management and should be implemented first. Current workflow vendors not only assist with assigning, moving and monitoring work, but also help with due-date monitoring and scheduling.

The two competitors with the largest market share in this space are XCM Accounting Workflow and Thomson's GoFileRoom ClientFlow. Executive Editor Greg LaFollette and I will be discussing the topic of workflow in a CPE-eligible webcast on May 8, 2008 (see page 63 for more information).

## **Tax Suites**

With tax law getting more complex, few practitioners could accurately prepare a tax return today without a tax preparation product. Major publishers of tax software have different capabilities and ease of use. A fatal flaw of many firms is not taking the time to retrain on a product they have used for some time, which could result in the firm missing out on dozens of features as well as easier and faster ways to process the returns. One example for users of CCH's ProSystem *fx* Tax would be using the worksheet view.

Major competitors in the tax suites category include CCH ProSystem *fx* Tax, CCH Small Firm Services TaxWise, Intuit Lacerte, Intuit ProSeries, Thomson UltraTax CS, Thomson GoSystem ES, Drake Software, and the other vendors in the tax compliance suites review that starts on page 8 of this issue.

## **Other Considerations**

e-filing can drive costs out of your practice. This feature is available from all of the major software publishers. You should be cautious that your final tax return image is captured at the time of the e-filing. You'll need someone to watch the status of e-filed returns to ensure that exceptions are handled promptly.

Additionally, remember to review your fundamental technology. For most tax departments, we recommend three monitors, desktop computers, and production-quality scanners from Fujitsu or Canon for maximum productivity. This year, you can expect significant retraining because of Vista and Office 2007 implementations.

Our normal recommendation is that you consider using a single publisher to improve your chances of good integration between applications. However, if you can't find one publisher that does everything you need, consider the products here as possible solutions for your tax practice. And as you know from years of experience, if you keep doing the same thing you've been doing, you are going to get the same results. Do you want to make the next tax year easier and better?

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