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TECHNOLOGY

2008 Review of W-2/1099 Compliance Programs

Managing Year-End Information Returns Is A Chore, But It Doesn't Have To Be

Oct. 01, 2008

From the Oct. 2008 Issue

In our August 2008 issue, we reviewed payroll systems

(www.CPATechAdvisor.com/go/2080)

that are geared toward professionals who provide payroll services to their clients. The relationship between professional accountants and payroll processing is a peculiar one, to say the least. For many years, firms found the offering valuable, but then the national processing companies entered and virtually swallowed the entire market.

But since many clients prefer to deal with a live person instead of a phone, fax or computer, many started coming back to their accountants for the service. And this makes sense since accountants are generally the most trusted business advisor a small business owner has. The professional already has a relationship with the entrepreneurs or management, and the firm is often already managing many of the compliance and accounting issues for the business. Add these factors to the reality that most business owners just don't want to do their own payroll, and you've got a perfect fit, whether the firm opts to provide the service after-the-fact or live.

Still, there are many professional practices that prefer to stay away from payroll, and many clients who keep the task in-house. And while these clients may keep up with the routine tasks associated with payroll, such as managing withholding liabilities, paying third parties and other issues, they often aren't prepared for the year-end compliance functions, so once again, they turn to their accountant.

Key among these functions, of course, are preparing forms W-2, 1099 and 1098 for employees or other recipients, as well as forms W-3, 1096 and 5498. While many full payroll programs include capabilities for wage reporting issues, few offer 1099 and 1098 options or tools to meet annual compliance for these forms. Even very small businesses can be required to produce hundreds or more of these forms, and the penalties can be considerable, so finding a compliance solution is necessary. While numbers were not yet available breaking down the small business contribution, according to the IRS, more than 1.8 billion information returns were filed in TY 2007. Talk about a mountain. But thanks to advances and mandates related to e-filing, 1.1 billion of these were filed electronically.

Fortunately, several technology vendors have developed specialty programs focused almost exclusively on preparing W-2s, 1099s, 1098s and their related reports. While the tasks aren't necessarily related during business processes, they come together at the end of the year when they need to be sent to the IRS and SSA, so it is intuitive for these programs to handle both projects. Most of these systems are from smaller vendors, but many have been on the market for decades. Some larger accounting and payroll providers are starting to see the potential market, however, and are adding modules to address these needs.

Each of the programs here approaches these year-end tasks in different ways and provides varying reporting tools and specific form support, often related to the depth of the payroll capabilities within the system. They also vary in their support for state filings, but all of them now offer electronic filing of year-end information returns, a requirement by the IRS and SSA for filers with more than 250 such returns.

Annual information return reporting is one of the biggest challenges of payroll, especially for small business owners who may not know the requirements and potential pitfalls. So these businesses will, for the foreseeable future, continue to

rely on their accountant for these services, and accountants will continue to need a specialty W-2/1099 preparation program.

1099 Express – 1099 Express

Enterprise 2008

The name of 1099 Express fairly well sums up the primary purpose of the system, which is designed for generating year-end 1099s, 1098s and form 5498. An optional add-on to the system, W-2 Express, is offered to provide wage reporting functions.

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American Riviera Software Corp.

– MagTax Professional

Designed for annual W-2 and 1099 information return reporting, the MagTax system is available in three versions: Lite, Standard and Professional. All three versions offer import from QuickBooks (the top two also import from Excel) and can print to plain or pre-printed stock.

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Advanced Micro Solutions – 1099-Etc

The 1099-Etc program was initially designed for producing forms in the 1099 series. It has since been developed to include full support for W-2s, along with options for generating laser forms, electronic filing, a comprehensive forms library and an after-the-fact payroll module that can actually manage live payrolls.

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AccountantsWorld – After-the-Fact Payroll

AccountantsWorld offers one of only two web-based W-2/ 1099 compliance system in this review section via its After-the-Fact Payroll (AFP), which provides full support for all states and federal annual compliance.

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CCH Small Firm Services – ATX

& TaxWise W-2/1099

CCH Small Firms Services offers the W-2/1099 & Payroll Compliance system under both the ATX and TaxWise brands, both of which were acquired by CCH about two years ago.

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Convey Compliance Systems, Inc.

– 1099Convey Software

Convey Compliance offers the 1099Convey Software, a wage and information reporting system designed for use by accounting professionals or as an in-house corporate solution. The program offers compliance capabilities for all federal and state reporting requirements.

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EG Systems, Inc. – The W-2/1099

Filer

EG Systems' W-2/1099 Filer is a comprehensive wage and employment reporting program that supports all federal and state filing requirements for year-end and quarterly information returns, as well as providing electronic filing to the IRS and SSA.

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Form Magic, Inc. – Tax-Mate 1099

The Advisor version of Form Magic's Tax-Mate 1099 is designed for tax and accounting professionals, banks and other businesses that manage higher-volume preparation and filing of year-end wage reporting and information returns.

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Greatland Corporation – FileTaxes.com

For small businesses or professionals helping small businesses with lower numbers of 1099 or W-2 filings, FileTaxes.com offers an extremely easy-to-use web-based system for filing forms 1099 (MISC, INT, DIV, R, S), W-2, W-2C, 940, 941 and 944.

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Greatland Corporation – Winfiler

Plus

Greatland's Winfiler Plus offers a professional W-2/1099 compliance system that supports an unlimited number of payers and payees, providing preparation for all 1099s and 1098s, along with forms W-2, W-2C, W-2G, W-3, 5498 and the 940 series, along with quarterly reports for 48 states.

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IDMS, Inc. – Account Ability

Tax Form Preparation

IDMS has offered the Account Ability system to professional accounting firms and businesses for more than 20 years. The program offers full wage and information reporting to federal and state entities, enabling preparation of all 1099, 1098 and W-2 returns.

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Spokane Computer, Inc. – MAG-FILER

For 22 years, Spokane Computer has offer its MAG-FILER program, designed for electronically filing all forms in the 1099 series, as well as forms 1098, 1098E, 1098T, W-2, W-2G, 1042S, and 5498/SA/ESA. It also supports paper filing, with the ability to print to blank paper or special form stock.

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2008 Review of W-2/1099 Preparation Systems — Comparison Chart

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