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*From the April/May 2007 Issue*

The past 12 months have been the most dynamic period for the professional tax preparation market in several years. We've seen new technology developments in many of the programs, as well as blockbuster business deals that have left three major companies in charge of the tax software used by more than 80 percent of tax and accounting professionals.

### **What's in a name?**

On the business and brand side of things, two major acquisitions last year and one early this year have really changed the dynamics of the professional tax market. CCH, a Wolters Kluwer business, acquired TaxWise and ATX. By taking these two brands into its fold, CCH, which produces the high-end ProSystem fx line of tax and accounting products, essentially tripled its number of users. CCH intends to continue to develop both of these products and has placed them in a new business unit that will oversee its new presence in the smaller practitioner market. In the third acquisition, H&R Block acquired TaxWorks, and also plans to continue the product. This essentially leaves Drake Software as the last independent professional tax software vendor with a notable market share.

Also of note, the Thomson Creative Solutions and RIA GoSystem lines have been under the Thomson Tax and Accounting wing for several years, and their names will soon reflect that, with the dropping of the Creative Solutions brand on

all products and the removal of RIA from the GoSystem line (RIA's research

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has the ProSystem fx, TaxWise and ATX brands). The remainder is headed by Drake, whose extremely loyal user base makes up just under 10 percent of the professional tax preparation market.

### **Technological Advances**

Most tax systems can do pretty much the same things when it comes to calculations and completing tax returns. Most have been on the market for 10 or 20 years, or even longer, and have long since ironed out the bugs in calculations. The difference these days between the higher-priced systems and the less-expensive ones is generally everything else that tax packages are now capable of doing — from data integration between various modules, like automatically transferring K-1 data and parent/child return information, to productivity tools, system diagnostics, research integration, support options and workflow design. Then comes integration with third-party programs like write-up, trial balance, practice management, Word, Excel, and other programs.

The continued quest for the “paperless office” has been one of the driving forces for technological evolution in many of these products, with increased tie-ins to digital document management and storage systems (which will be reviewed in upcoming issues). Various online options, which some of the higher-end products in this review offer, also have helped the paperless push, while at the same time enhancing client collaboration through secure online portals that also reduce filerom time for firm staff members.

Zero manual data entry is the latest goal of developers, using optical character recognition technology (OCR can read numbers and text on scanned documents) along with form recognition capabilities (to know what form is being scanned). Combining these two functions with a tax system will mean that forms can be centrally scanned and data automatically pulled by the system to populate returns.

Currently, Intuit's Lacerte and ProSeries are the only two tax programs

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technology purchase, but then it is often the most discussed issue. Well, the good news is that price levels have gone down significantly over the past few years for tax systems geared toward small firms, and pricing for the high-end products has remained fairly static. What this means for the professional is that if your smaller firm or practice has a fairly non-complex client base, then you can probably get a system "good enough" to meet most of your needs for less than \$2,000, and maybe even cheaper. For the bigger firms, this means you may be able to justify moving up to a full-featured system.

### **This Review**

For this review of tax preparation systems, we have recombined all of the products that perform year-end and special compliance reporting for the major entities into one review section. While most of the programs here are geared toward business and individual filing and support 1040, 1041, 1120, 1120S and 1065 returns and their state equivalents, many also support forms 706, 709, 990 and 5500. Each product is reviewed in the following categories: Learning Curve, Use/Workflow & Productivity Tools, Integration/Import & Export, Support/Training & Help System, and Relative Value. Every firm is different, and different software packages are geared toward the needs of these different firms. Therefore, the Relative Value section provides an overall assessment of how well the product meets the needs of its own target audience and which type of firm would see the greatest benefit from its use. Pricing information is included for each product, but please note the specific package for which the pricing is quoted, as many of the products offer additional modules or networking capabilities. Each review is capped by an overall rating.

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## 709 Preparer

 overall rating

Although these products do not offer income tax preparation, BNA's 706 Preparer and 709 Preparer products were included in this review because of their compliance support for estate and gift taxation. BNA Software offers a wide range of specialty compliance tools, including its Estate & Gift Tax line, which includes separate preparation systems for each compliance task as well as a combined estate and gift tax planning program.

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## CCH, a Wolters Kluwer

### business — ProSystem *fx* Tax

 overall rating

The ProSystem *fx* suite of tax, accounting and productivity software from CCH, a Wolters Kluwer business, is one of the most comprehensive offerings on the market for professional accountants, providing applications for virtually every aspect of client service and workflow, including write-up, engagement, year-end tax compliance, ...

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## Intuit, Inc. — Lacerte

### Tax

 overall rating

As one of the leaders in the mid- to upper-end tax preparation market, Intuit's Lacerte Tax system has not sat idly by, but rather has continued to evolve into one of the most fully featured programs on the market, offering support for every entity with year-end reporting requirements, as well as many productivity-enhancing professional tools and features like an integrated document management system, tax planner, tax analyzer, research and bank products.

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## Intuit, Inc. — ProSeries

 overall rating

ProSeries is one of the most widely used professional tax preparation programs on the market, geared primarily for tax-focused practices and with users in all types of firms, from small, primarily

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## Orange Tax Suite Pro

 overall rating

Orange Door is fairly new to the professional tax market, having made its debut for the 2006 filing year with Orange Tax Suite Pro, a fully web-based application that offers compliance for 1040, 1065, 1120 and 1120S, and for TY 2007 will include 706, 709 and 990, with e-filing support for all allowable entities, making it a comprehensive option for tax and accounting professionals.

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## Orrtax Software Solutions

### — IntelliTax

 overall rating

IntelliTax is a professional tax compliance system that includes modules for preparing and filing 1040, 1041, 1120, 1120S and 1065 returns, with bilingual client letters in the program and documentation including demonstration guides, tutorials and presentation CDs, and customer support for Spanish-speaking clients.

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## Full Review

### Thomson Tax & Accounting

#### — GoSystem Tax RS

 overall rating

Used by eight of the top ten U.S. accounting firms, GoSystem Tax RS may no longer be the only online professional tax preparation system in this annual review of tax products, but it is still at the top of the list when it comes to offering an exhaustingly comprehensive collection of compliance and integrated tax research functionality.

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### Thomson Tax & Accounting

#### — UltraTax CS

 overall rating

The Creative Solutions name has now been phased out and replaced by the Thomson Tax & Accounting brand, but don't be alarmed, this process has been in the works for several years and the uber-comprehensive CS line of integrated professional tax, accounting and business management programs is still going strong.

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ATX/Kleinrock was acquired last year by CCH, the developer of the high-end ProSystem line of tax, accounting and engagement products. The company also acquired TaxWise, and has pledged to continue to develop these two tax systems, placing them into a new small practice-focused business unit that essentially gives CCH offerings across the spectrum of accounting and tax practice sizes.

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## Universal Tax Systems, a CCH company — TaxWise

 overall rating

TaxWise, as well as ATX/Kleinrock, was acquired late last year by CCH Incorporated, the maker of the ProSystem *fx* brand of tax and accounting applications. The company has noted that TaxWise and ATX will continue as tax preparation software lines for the small and mid-market, with these two “power brands” being operated from a new business unit.

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