TECHNOLOGY

2009 Review of Professional Tax Compliance Systems

It seems like tax law changes are coming almost every week, and while this makes the professional's job a little more challenging, it also helps ensure the need for experienced preparation services. Here is this year's review of professional tax preparation systems.

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2009 Review of Professional Tax Compliance Systems

Tax Compliance Continues March into Murkier Waters

From the April/May 2009 Issue

Major changes in the tax code used to be an occasional event, occurring every five or 10 years. Those days are obviously long gone. Although the economic stimulus acts over the past few years don't really come close to being as revolutionary as the last really big change back in 1986, they still pose a significant challenge for practitioners.

Increasingly faced with fewer staff and offering more services to clients, it seems like these professionals can't read the news without finding out that their job just got a bit tougher. Of course, this is good news, too. After all, if professionals find it challenging to stay abreast of the constantly evolving tax code, then lay taxpayers are at least doubly challenged. Hopefully, this results in an increased call for the services of real tax professionals.

The latest in the recent line of tax code changes is, of course, the recently passed American Recovery and Reinvestment Tax Act of 2009. The bill provides new or modified credits for first-time home buyers, parents, education and businesses for new hires, plus another AMT band-aid and continued changes to bonus depreciation and Sec. 179 expenses. And then, of course, were the new Treasury regulations regarding disclosure (TR 7216).

Fortunately, most of its provisions go into effect for the 2009 tax year, which gives you more time to learn about these changes. It also gives the technology vendors who develop tax compliance software plenty of time to implement them and make the processes as transparent as possible.

In this way, technology has proven to be a Catch-22: The professional tax and accounting systems on the market today all provide good basics, with the major differences coming in the way of workflow optimization tools and practice management functions. These tax technology vendors perform major system enhancements each year to keep up with tax law changes, which make compliance processes much easier for the professional.

The complexity of tax law and the frequency of changes make it virtually impossible to process anything more than an EZ without using a computer program. The irony here, of course, is that without these technologies, there is no way the Treasury and IRS could implement such a complex system, or monitor it. In other words, taxes are complex because technologies enable professionals to handle it.

And tax preparation technologies continue to evolve. Over the past couple of years, many of the professional tax compliance systems on the market have added scan-and-populate features, where an intelligent program looks at a scanned source document, recognizes what kind of form it is (W-2, 1099, K-1, etc.), pulls the financial data off the form and fills in a client return with it. Early attempts at the process resulted in some reworks, and most systems now use a verification step for ensuring data accuracy. But for the most part, these systems have been welcomed by professionals looking to speed data-entry processes.

Other significant trends include the continued adoption of client portals and new workflow management optimization. Most often offered by vendors of full accounting and tax suites, the portals provide a secure online location for tax and accounting firms and their clients to share, transmit or store files. This includes scanned in source documents, PDF copies of final returns, write-up files, financial statements and other data.

The workflow optimization subject is a bit broader in concept, but often is centered on automated workpaper compilation into PDF versions that are bookmarked and ready for preparation tasks. Overall, the focus is on reducing time spent on unskilled administrative tasks because they take away time from more profitable tasks.

Tax compliance will likely not get easier any time soon, which is a positive factor to those of you who provide tax services. It also means you must stay on top of your CPE and other training. And you must use effective technologies in your practice in order to maximize efficiency, which directly leads to your profitability.

As I noted earlier, all of the major tax preparation systems generally provide the same basic computational capabilities. But choosing the right package for your practice is a matter of determining your workflow processes, the nature and complexity of your clients, your firm's managerial style, and the value you may or may not realize from integrated suite-based systems.

In short, what works best for a 50-person practice is probably not the best system for a practice with 3 to 5 preparers. So if you feel you may be lacking in productivity, check out a few of the systems reviewed here. All of the vendors provide online demos or can send you a CD to try it out. Now's the time to either renew your current package for next year or to begin evaluating a replacement system.

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BNA — BNA 706 Preparer & BNA 709 Preparer

> Well-known for its research, wealth management and tax planning solutions, BNA Software also offers two compliance packages: BNA 706 Preparer and BNA 709 Preparer systems for estate and gift tax reporting.
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CCH, a Wolters Kluwer business — ProSystem *fx* Tax

> Designed for accounting and tax practices of all sizes, ProSystem *fx* Tax provides a comprehensive compliance system for professionals, with support for all entities at the federal, state and local levels.
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CCH Small Firm Services — ATX

The ATX MAX system offers federal and state compliance for all entity types, includes unlimited e-filing, and has line-by-line integration with Kleinrock tax research. Designed for smaller practices, CCH also bundles in a W-2/1099 and payroll compliance system.

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CCH Small Firm Services — TaxWise

Offered by CCH's Small Firm Services division, the TaxWise system is designed for firms that, while they may be small in terms of staff, manage high volumes of primarily individual returns.

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Drake Software — Drake Tax

Drake Software continues to be the most successful tax vendor outside of the big three (Thomson, Intuit and CCH), offering its popular tax preparation system as an all-inclusive package with compliance options for all federal and state entities and free e-filing.

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HC Sharp — 1040 Review

Sidebar Article: Although most of the tax programs on the market now provide their own built-in analysis tools, the true science of 1040 return diagnostics was mastered by H.C. Sharp Software, which offers the 1040 Review system. The program does exactly what its name implies, providing a reliable third-party diagnostic check of a return. It supports Form 1040 and Schedules A, C, D and E.

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Intuit, Inc. — Lacerte

The Lacerte professional tax compliance system is geared toward mid-sized and larger practices, as well as smaller firms with more complex client needs. The program offers preparation and electronic filing for all major tax entity types, along with all states and municipal entities.

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Intuit, Inc. — ProSeries

Designed for tax-oriented firms, ProSeries offers a comprehensive compliance system that includes preparation and filing capabilities for all entity types, with support for most states and local income taxing jurisdictions.

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Orange Door, Inc. — Orange Door Tax Suite

The fully web-based Orange Door Tax Suite Pro was introduced three tax seasons ago, and since then has evolved into an advanced professional compliance system that supports all major taxable entity types.

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RedGear Technologies — TaxWorks

The TaxWorks suite of tax and practice management applications from RedGear Technologies was initially developed as a service bureau system in the 1970s, evolved into a comprehensive professional compliance system in 1985 that supports all taxable entities at the state, federal and local levels.

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TaxSlayer Pro — TaxSlayer Pro

TaxSlayer Pro has been around since the late 1980s, when the system was initially developed by an accounting and tax firm for internal use at its multiple offices. Within a few years, it was offered to other practices, and has since grown a loyal user base attracted to its all-inclusive pricing, multi-state capabilities and friendly user interface.

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Thomson Reuters — GoSystem Tax RS

The GoSystem Tax RS platform was the first completely web-based system designed for large tax and accounting firms managing the compliance needs of complex client bases, and it is still the premier package on the market.

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Thomson Reuters — UltraTax CS

UltraTax CS provides professionals with a broad collection of compliance tools supporting all taxable entities with reporting requirements, at federal, state and local levels, including 1065 and 1120 Puerto Rico returns.

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2009 Review of Client Write-Up Systems — Comparison Chart

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