CPA Practice Advisor

Isaac M. O'Bannon • Sep. 12, 2011

Last year at about this time, many small businesses and their accountants were

6.2% Social Security withholding rate to 4.2%. Hopefully your clients were aware of this, but if not, their employees will be able to claim a credit on their 2011 1040.

Changes such as those are less frequent, however, than procedural changes, such as the continual implementation of the e-file mandate. For federal reporting, it remains the same this year, requiring e-filing of W-2s and 1099s for entities preparing more than 250 such forms. Fortunately, the companies that make W-2 and 1099 preparation software have all finally recognized the need for e-filing and have made it a central component of their systems or offer it as a module.

Among other ongoing issues for those who manage the year-end compliance needs of multiple businesses is the processing of the actual forms. Even though e-filing of the federal copies of returns has become standard, recipient copies are still generally produced on paper. For some companies, this can mean hundreds or even thousands of forms to prepare, print and mail. And for professional firms with multiple clients, the output needs can swell dramatically. This has led to a return of service-bureau style offerings from several of the providers in this market. Through these services, the firm handles the processing, but all printing and mailing, including postage, is handled by the software publisher.

The most important factor, as with most professional systems, is ensuring that the programs can actually do the job you need them to do.

1) E-filing is now offered by all of the programs for Federal forms. However, state e-filing capabilities vary based on the application.

2) Does the solution include all of the federal, state and local forms your clients need?

3) Can the application print to plain paper, or does it require preformatted paper?

4) Can users import data from various bookkeeping and payroll systems?

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