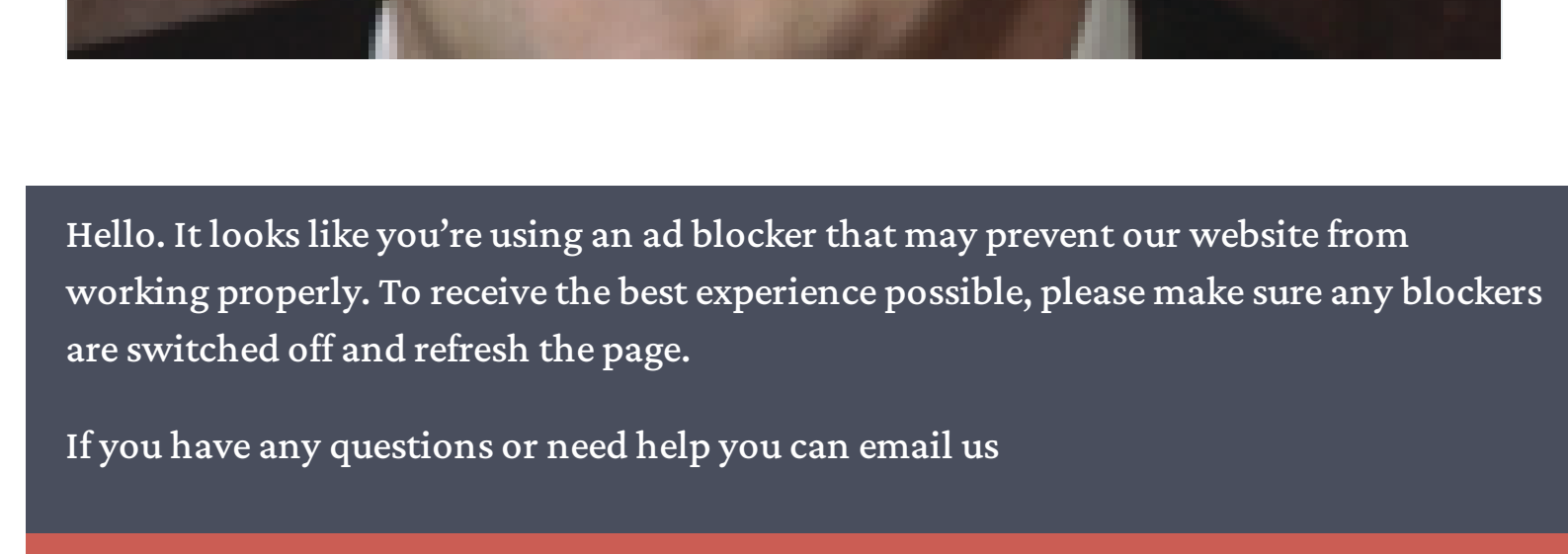


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Dustin Wheeler • Nov. 22, 2011





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In hypothetical man-on-the-street interviews asking tax practitioners what they wish they could spend more time doing, I'm pretty sure none of them would say, "I'd like to spend more time checking for qualified dividends or typing hundreds of capital gain transactions into tax software." I imagine that most of the responses would be value-added activities such as spending face time with clients, discussing tax strategies, and developing their tax practices. Many would like to work less and be able to spend more time on hobbies and recreational activities with family and friends.

For a growing number of tax and accounting firms, today's tax document automation utilities act like a genie in a lamp, granting the wishes of accountants. Although a tax practitioner can't relax on the beach while tax returns magically complete and file themselves, these automation tools bring the profession closer to that accounting firm utopia than ever before.

The key technology behind each of the software packages covered in this review is Optical Character Recognition (OCR). From scanned images of tax documents, OCR converts the printed text into electronic data, which the tax document automation software uses to perform its other functions. The first of these functions is to automatically *organize* the tax documents, which some software packages put in a single bookmarked PDF file, while others drop them in a folder structure within an integrated document management system. The second common function is to *populate* the text and numbers that the OCR derives from each source document into the appropriate input screens of a tax software. Some of these software packages offer

a separate module to extract trades from brokerage statements and either export it to

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process for preparing a tax return. While some firms and clients may have security concerns about indirect download, there are many firms implementing it successfully, and it may be a very common method of tax preparation in the future.

Tax document automation utilities have dramatically improved over the past few years at a faster rate than other tax and accounting software. My first exposure to tax document automation occurred when I attended the AICPA Information Technology Conference in June 2008. I recall a speaker in one of the sessions asking for feedback from attendees who had implemented tax document automation software in their firms. Understandably, the responses were mixed as tax document automation tools were in their infancy at that time. Since then, OCR technology has advanced in its accuracy and its programming to recognize a greater number of forms. Vendors that were revolutionary in the market have added features and integrations. Many practitioners are satisfied with how these tools have improved from year to year. Firms that evaluated tax document automation tools several years ago may be pleasantly surprised to see how they have evolved.

However, it is important to have realistic expectations of what the software can accomplish. Although tax document automation utilities have dramatically progressed, they may only be able to get a tax return 80 percent complete, for example. Each of the vendors recommends that human eyes verify the amounts captured by the OCR software and ensure that they are properly reported on the tax return.

Successfully adopting a tax document automation product requires more than simply purchasing the software. A firm should invest in a good document scanner and make sure that documents are scanned at a good enough quality level for the OCR to properly read the text. The “garbage-in, garbage-out” phrase certainly applies to the scanning step of tax document automation. Firms will also need to map out

new workflow procedures and processes. The roles and responsibilities of both

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wand that instantly completes tax returns without human effort, they provide timesaving tools that help many firms become more efficient and profitable.

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