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**FIRM MANAGEMENT**

# 2012 Review of Professional Tax Compliance Systems (Advanced Workflow)

The tax season may be over, but if you're considering changing programs, now's the time.

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The advanced tax workflow products reviewed in this section represent the top-tier product offerings by their respective vendors. (A review of traditional tax preparation systems starts on page XX.)

All tax solutions reviewed are fully mature products and are generally capable of handling most complex calculations and business entity structures. Full return preparation for federal, and most state and local jurisdictions, is supported as well. Although targeted for larger firms and organizations, small firms and even sole-practitioners may benefit from the capabilities of these applications.

The biggest changes integrated into the current year tax solutions center around electronic filing. This time last year many some tax professionals were exposed to

electronic filing for the first time. For the current filing season, the rules have changed and require most tax professionals preparing more than 11 individual or trust returns to use electronic filing. Each vendor has taken this new mandate and incorporated it deeply into their product offerings. Multiple states were added by each tax solution this year and most states accepting returns filed electronically are now fully supported.

Although the current mandate is for individual and trust returns, most vendors have also started incorporating electronic filing capabilities for business income tax return modules as well. Other tools have also been added to aid tax professionals with electronic filing. Many reports and diagnostics have been integrated to ensure that each return is free of errors to ensure the returns may be properly filed.

There are currently two systems in place for electronic filing and each of the advanced tax workflow solutions supports both systems. The legacy system works through batch filing returns, which oftentimes creates delays in processing the returns. In 2004, the IRS started a migration from this legacy system to the Modernized e-file (MeF) platform. Over the past several years, MeF has added electronic filing capabilities for corporation, partnership and non-profit returns.

For the current tax filing season, MeF added full support for all individual tax returns and now accepts nearly all returns and extensions electronically. Although not all of the advanced tax workflow products fully support the MeF platform, each reviewed product offers some support for MeF in the current software version.

Product integration remains a significant focus for each vendor. With tax solutions at the center, each vendor has created an integrated suite of products to complement and enhance the tax software. A growing number of professionals and accounting firms rely on one vendor to create and maintain vertical software solutions. Each vendor has also implemented scan-and-populate technology options to help reduce manual data entry, but often do not heavily promote these solutions. Currently, third-party integration is usually restricted to Microsoft Excel for importing data and export bridges to BNA for tax planning.

One additional area of growth is in hosted and web-based product offerings, or software as a solution (SaaS). Each of the vendors offers a browser-based solution or a hosted product within their lineup, although some offerings are not as robust as the traditional desktop solutions. SaaS and hosted service offerings could potentially save firms significant upfront costs in both hardware and software license costs.

These SaaS solutions are also ideal for firms with multiple locations as it reduces the amount of IT staff and knowledge necessary to configure and maintain complicated server configurations. A couple of downsides to the current SaaS offerings are the heavy reliance on Internet Explorer and the inability to effectively access data through smartphone or tablet technology.

Each of the advanced tax workflow solutions reviewed offers powerful calculation capabilities and offers a number of tools to ensure returns are prepared as accurate as possible. Rich diagnostic feedback and assistance based on current IRS rules and historical statistics are available during review. Most vendors also offer a high-level research service that is directly accessible from within the software. These and many other tools are provided to help practitioners ensure client tax returns are prepared and filed accurately.

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