

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

is bad for us, we often ignore the message and continue down our current path. Whether it is smoking cigarettes, excessive drinking, texting while driving, you name it...

Nov. 05, 2014



By John Higgins, CPA.CITP

Life can be funny. There are times when no matter how much we are told something

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

behavior. Some call this the point of enlightenment. Perhaps one of the best examples of this is when you are on a diet and exercise regimen and all of a sudden your waist line or dress size is one size smaller. That is a point of enlightenment of the benefits of the new behavior.

So what does this discussion of enlightenment have to do with tax document automation (TDA) software? The tax preparation marketplace is littered with practitioners and firms who continue to execute a very paper and labor intensive process for preparing tax returns. As I reviewed the TDA solutions here, I couldn't help but to ask myself, "why doesn't every tax process use a TDA solution?"

I think it comes down to realizing the benefits of these tools through experience with them. I will provide you with a description all of the features and benefits of these tools and your challenge is to give one or more of them a legitimate try by signing up for a trial program and running a few engagements through them. As you try them out, keep an open mind about what their full potential is to help automate your workflows.

For those who are not that familiar with these tools, let me explain what TDA software is all about. There are basically five key features of these programs:

- Document scanning and organization
- Document review and annotation tools
- Paperless tax binder workflow
- Tax software integration and data transfer
- Schedule D transaction detail automation

Please realize that the feature set of the solutions reviewed here can vary significantly, so don't expect all of these features in every solution. **That is why you need to read the individual reviews.** Let's take a quick look at each review category to make sure you are up to speed on the concepts. Just keeping thinking about your

tax preparation process as these features are introduced and think about the

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

little or no advanced organization and the TDA software will create a well-organized PDF document with automatic bookmarks that will optimize your efficiency in moving through the documents in the preparation process. The TDA software will typically process an OCR (optical character recognition) conversion of the documents which ensures your ability to perform full text searches of the documents and increase the accuracy of data extraction.

This is a classic case of using automation to replace manual labor, which increases productivity and profitability. In addition, the TDA software will organize the documents consistently, so you will find that to be a nice by-product. You will have a more consistent organization of your 1040 work papers across all your engagements. I would also like to point out here that this freshly organized PDF document is an excellent output back to your client, preferably via your portal. They will appreciate seeing how nicely you have organized their documents and hopefully they will use it as a guide the following year, to make sure they have provided all of the appropriate tax documents.

### **Document Review and Annotation Tools**

Once you have the organized PDF document and are ready to prepare the tax return, the next step is to be able to review the supporting documentation and make notes and add tick marks along the way. So having good navigation and annotation tools are the key to success here. In my consulting work with practitioners, I can assure you that this is where the process can break down. The better the navigation and annotation tools, the more you will see the value of working with digital work papers. Alternatively, a lack of good tools will result in the decision to go back to your previous paper based process.

The key features to look for here are your ability and flexibility to add notes to the documents and preferably keep a conversation thread on the note to track all the communications related to it, as well as its status, i.e. in progress, closed, etc. The

ability to add stamps, i.e. reviewed, approved, etc. and tick marks, i.e., checked,

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

engagement management tool, i.e., if it's on the floor left of my desk, it's next in the queue, if it's on the floor on the right side of my desk it's ready to be forwarded for review, if it's on my credenza, I am waiting for client information. You get the point! With digital documents you never really have to move them, because everyone connected to the system knows where to access them. One of the key benefits of electronic work papers is the ability for multiple people to view them simultaneously. No more need to make photocopies.

The idea of a tax binder and workflow feature is to allow you to have a virtual container that provides direct access to all of the engagement work papers, rather than having to manually navigate to them in Windows Explorer. Rather than try to explain all the potential features in this category, a picture is worth 1,000 words. So I strongly encourage you to participate in a live demo from the various vendors to see how this feature works.

### **Tax Software Integration and Data Transfer**

The best way to describe this feature is; "cool." This refers to the ability of the TDA software to locate specific tax data in the source documents, i.e., W2 wages and compensation, and then transfer that data directly into your 1040 tax software. Think about that, taking data directly from what was originally a paper document and entering into your tax program for you. The key features to look for in this category are; which 1040 software does it integrate with, what verification and quality control features are available and how far does it go in terms of the scope of data that can be transferred.

### **Schedule D Transaction Detail Automation**

The requirement to show all of the capital gains transactions on the Schedule D can be very tedious, especially if you have to manually calculate the gain or loss on each individual transaction and enter them into the tax preparation software. Some of the

TDA software systems will do all of that for you automatically by transferring the

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

enlightenment with TDA software, as I discussed previously.

Automation • Income Tax • Software

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved