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ADVISORY

How Firms Can Use Payroll to Build Trust with Clients

Having insights into payroll also can allow accountants better insight into tax credits that clients may qualify for.

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By *Max Pearlstein.*

Accountants have more tools at their fingertips to grow their advisory services than ever before, and the pandemic underlined the importance of using those tools to help their clients. Today's accountants are helping their clients navigate a rapidly changing labor and regulatory landscape. PPP loans, a tight talent market, the hybrid workplace, and changing tax laws are all combining to put incredible pressure on small- to medium-size businesses. As a result, expectations are changing for accounting firms – what accountants expect of themselves, what their staff expects and certainly what their clients expect. As a result, more firms are exploring how they can do more for their clients with aim is to find services that are needed year-round. Payroll is one of those opportunities.

Why get involved in payroll?

Payroll processing is an entry point to many additional advisory services. Accounting firms are looking to create touch points with clients as often as they can and to advise clients on as much as they can. Payroll has the benefit of being a high-touch service that can help create a closer relationship between accountant and client.

For some accounting firms that may mean directly managing a client's payroll, usually with the assistance of payroll software. Many firms feel that this creates a high visibility relationship year-round with clients, where they communicate more frequently and on a wider range of topics. Through building this relationship, it has the added benefit of increased retention for clients who look to their accountants for support all year.

For firms concerned about adding extra services, partnering with a full-service payroll provider can avoid any potential issues. Additionally, whether the firm enters a wholesale relationship with the provider or refers clients, it makes life easier for both the client and the accountant. It also gives accountants visibility into the client's business and provides opportunities to build into additional data-based advisory services.

How payroll can build advisory services

Once you open the door and have the conversation about payroll, accountants can gain insight into services that can streamline that client's life. That could include advising on a worker's compensation solution, a retirement services solution, or an integrated timekeeping solution to make sure their payroll is tight and accurate.

Insights gained from payroll services allows accounting firm to leverage that pay data for further in-depth conversations about the business beyond payroll. By partnering with a company that can give you those insights, you're able to have those educated conversations proactively with the client or answer those questions when the client comes to you with them.

For example, accountants may have clients calling about HR-related issues. A payroll provider that bundles HR services into a payroll product means the firm can offer clients more functions and support. Maybe the client is experiencing a lot of staff turnover. By using data-based insights from payroll provider that offers comprehensive, real-time compensation benchmarking accounting firms can address discover how their clients can be more competitive on pay. Both the client and the accountant can see what other businesses in the geography and industry are paying, what benefits they are offering and how the client's offer compares. This is an essential value-added service for businesses in today's tight labor market.

Having insights into payroll also can allow accountants better insight into tax credits that clients may qualify for. Accountants can advise their clients on credits like the [Work Opportunity Tax Credit \(WOTC\)](#), [Employee Retention Tax Credit \(ERTC\)](#) and [Research & Development \(R&D\) tax credit](#) to see how they can qualify to reduce their tax burden

Accountants can also offer advisory services on recently passed legislation and regulations at the local and federal level. For example, they can advise clients on legislation like the [Secure 2.0 Act](#) that was passed by Congress in December 2022. Accountants can explain how the law can make it less expensive for small businesses to offer retirement benefits. For example, it authorizes a tax credit for small employer pension plan startup costs. It also allows for automatic enrollment in retirement plans, withdrawals for certain emergency expenses and treatment of student loan payments as elective deferrals for purposes of matching contributions. Integrated payroll vendor should include the latest legislative changes so that you can help your clients do more and remain competitive.

Two Ways to Incorporate Payroll into Your Practice

Whether you want to do payroll in-house or recommend a third-party vendor to your clients, a comprehensive payroll provider should offer these two options.

Wholesale. In this scenario, the accounting firm forms a relationship with the vendor to access the platform at a discount in order to process payroll for their

clients. Because the firm is offering this service, they usually add a small margin to the cost, with the ability to bundle in other services they are offering.

Referral. The accounting firm can also refer the client directly to the payroll vendor. In this case, the firm receives a referral fee from the vendor. The client negotiates price directly with the provider. But even here the firm can advise the client. If the accounting firm has a partnership with the vendor, they can weigh into the negotiations and help make sure the client gets the services needed with the best deal possible.

Here are some examples of how these options can play out. A firm may process the payroll internally if it's easy and predictable like salary. But if it's a more complicated, let's say with employees in multiple states and jurisdictions with hourly wages that are paid weekly or every other week, it may be easier to refer the client to a preferred payroll provider. When you partner with the right payroll vendor, there's ways to meet the expectation of the firm and their clients wherever they might be.

If today's accountants wish to expand their advisory services, [payroll can be the door](#) to those opportunities. Partnering with the right payroll provider will give you the resources, insights, and tools to be the best trusted advisor to your clients.

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