



Tax Preparation Software Providers Focus More on Practice Management Than in the Past

Tax preparation is now inextricably tied to the software on which preparers rely to complete their clients' returns. A practice that tries to maximize the flow of clients necessarily relies on robust, easy-to-use software to make the process easier. Tax preparation software developers are cognizant of the needs of tax practices of all sizes, resulting in some consistency in their product offerings. Most tax software companies focus on developing solutions that are easy to use, well-designed, and generally help accelerate the process of completing client tax returns.

Fundamental to the ease with which most tax preparation software can be used is how well the software is designed. Clear screen designs are popular. This entails layouts that are not crowded, with fields that are labeled intuitively and are identifiable. Additional aspects of well-designed tax preparation solutions include buttons with graphics that correspond to functionality, softer colors and comprehensive menus. Most tax preparation software providers claim to offer intuitive user interfaces. They understand that this requirement is foremost among the needs of tax preparers.

Tax preparers are split between those that prefer to enter data directly into IRS tax forms and those that use interview-based data entry screens provided by the tax preparation software. The more effective tax preparation software solutions tend to offer a choice between interview forms and the original IRS tax forms. For tax preparation solutions that do not offer a choice, preparers should select the solution that best aligns with their practices' specific needs.

The business of tax preparation is, of course, a business. Consequently, tax preparation software providers are focusing more on practice management than they have in the past. Practice management focuses on measuring the performance of tax practices in terms of client volume, revenue and preparer efficiency. While practice management does not contribute directly to the completion of client tax returns, it does contribute to the overall mission of the tax practice—to generate profits. The better tax preparation software packages provide robust features such as client schedulers, client financial reporting and tax associate productivity.

Reporting is the language by which practice managers communicate a firm's activity to clients, associates and other members of the management team. The packages evaluated this year all contain robust reporting capabilities that allow practitioners to analyze client activity, track the value of clients and even develop marketing strategies. Extensive reporting functionality facilitates all aspects of practice management.

Tax preparation software providers have a dual focus: improve the efficiency of the tax preparation process while facilitating the more efficient management of the tax firm. The business of preparing taxes is enmeshed with the actual process of generating returns for clients. The packages that we have reviewed this year provide all the functionality needed to manage both the completion of returns and the profitability of your practice.

—Tom Johansmeyer

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TaxACT: Tax Preparation With a Helping Hand



By Tom Johansmeyer

TaxACT by 2nd Story Software is great for novice tax preparers who may need a helping hand in getting through the hectic weeks of February, March and April. Providing a great design and navigation that helps users through the tax interview process, TaxACT makes generating returns as easy as possible. Seasoned tax preparation veterans may dismiss this application as cartoonish or even beneath them, but novices will appreciate the plentiful utilities designed to assist them in generating returns. TaxACT is perfect for entry-level professionals who may not be able to draw on years of experience to answer tough client questions.



TaxACT has the fastest and easiest installation process of all the software I evaluated.

Features

TaxACT's look and feel is consistent with the tax preparation software industry's trend toward carefully designed user interfaces. The software is designed to feel more like a website, with the judicious use of color, web-looking fields and hyperlinks. Forms are easy to navigate and all screen elements are labeled intuitively. Finding tax forms in the software is slightly more challenging, but this is a secondary concern. TaxACT's primary aim appears to be to have tax preparers use the "Q&A" interview form.

Most tax preparers do not think about the ease with which tax preparation software can be installed—until it's too late. Most tax applications have clumsy installation processes that can take a long time to load, frustrating users. TaxACT, on the other hand, has the fastest and easiest installation process of all the software I evaluated. The install wizard is easy to follow and never appears to "hang." While installation is an off-season activity that occurs only once a year, it *can* be a frustrating process. TaxACT makes installation a bit more manageable.

TaxACT streamlines navigation by focusing on process. Newer tax preparers tend to think of return preparation in terms of the client interview process instead of by tax form. TaxACT's intuitive interview-based process gives tax preparers guidance according to the issues that clients face (home owner-

ship or self-employment income, for example). Tax preparation via the IRS forms, themselves, is possible within TaxACT. In fact, users are prompted to select either interview-based or tax forms-based navigation.

When opening TaxACT, the user immediately sees the Client Manager window, simplifying the process of working on an existing tax return. Through the toolbar at the top of the screen, a new return can commence. Consequently, a preparer can start any task from the initial screen. Finding existing returns is accelerated by the list in the Client Manager. For larger practices, robust search functionality can help narrow the list of clients from which to choose.

Most tax prep solutions provide a variety of reports that deal with client tax returns and the performance of the tax practice; TaxACT is not an exception. Some of its reports, though, are designed to provide preparers with additional information that can benefit their clients, reinforcing the value of visiting a professional tax preparer. One report compares the impact of filing separately versus jointly to facilitate the decision-making process. Loan and savings calculators can help clients make better financial decisions.

Summary

TaxACT may be too "easy" for experienced tax professionals, but for preparers new to the profession, it remains a reliable choice. TaxACT helps tax preparers through the process of generating returns, resulting in a subtle aid to client satisfaction. TaxACT's ease of use helps newer preparers work quickly and accurately. TaxACT is ideal for the entry-level tax preparer who has not had extensive experience with the IRS tax forms.

2nd Story Software

www.taxact.com/products/prep1040_overview.asp
800-573-4287

ProSystemfx Manages All Aspects of Tax Prep

By Tom Johansmeyer

With ProSystemfx Tax, CCH developed the most comprehensive tax preparation business tool on the market. It is not just software that helps produce tax returns, but also helps manage all aspects of a tax preparation business, from completing returns to sophisticated customer data mining. While most tax preparers focus myopically on tax forms, ProSystemfx Tax serves as a stark reminder that tax preparation is a business to be managed.

Features

ProSystemfx Tax has a clean, easy-to-follow interface for interview-based data entry and entering data directly into IRS tax forms. The screens look and feel like web pages in the interview sections, providing an environment with which most people are familiar. [The vendor stated that the software emphasizes the Worksheet view rather than the Interview form view. This view is more feature-rich and generally easier for all new users as it is more intuitive.] All fields are clearly and intuitively labeled, and font sizes are large enough to be easily read. Calculations are accurate and reliable, though preparers should always verify the accuracy of their returns.

While the software's screen design is welcoming, ProSystemfx Tax would benefit from bigger buttons in the toolbar at the top of the application. This limitation is balanced by the consistent design of menus. Unlike most tax software products, ProSystemfx Tax does not make you choose between the interview form and the tax form. When entering tax data through the interview forms, the tax preparer can view the data on the tax form at the bottom of the screen through a split window. The top half consists of the interview form, while the bottom shows where the data is placed on the tax form itself.

ProSystemfx Tax's Client Manager module represents a small customer relationship management solution. Tax preparers and practice leaders can use this feature to gather client information, including addresses, names, fees paid to the tax



Client Manager module represents a small customer relationship management solution.

practice and the number of years the client has been retained. More sophisticated analysis, based on client tax details, also is available. The analysis facilitated by Client Manager allows for accurate marketing and practice financial analysis. DataScan Plus adds to the client analysis functionality with the ability to do complex client data modeling.

ProSystemfx Tax's Office Manager module deals with practice administration and overhead tasks. The tax practice manager can use this module to track expenses against revenue to determine the tax practice's profitability. Such analysis helps practice managers make important decisions regarding whether to keep clients, hire additional staff or institute cost-cutting measures.

For larger practices, the Production Processing module permits the collection of data for large print jobs. Production Processing allows preparers to create comprehensive print queues based on large volumes of tax returns to be printed. For preparers who do a considerable amount of mail-in returns for clients not local to the preparer's office, Production Processing reduces the time needed to print returns while putting order into the process.

ProSystemfx Tax's different modules are all integrated; the tax preparer does not need to juggle a variety of different software solutions. ProSystemfx Tax also integrates with other accounting features, extremely helpful for full-service practices. For example, the software integrates seamlessly with General Ledger features to drastically reduce the effort needed to prepare corporate tax returns.

Summary

ProSystemfx Tax is ideal for tax preparers who have large practices with a number of associates. While novices can benefit from the intuitive interview-based data entry functionality, the number of features—and corresponding price tag—of this solution make it more appropriate for larger, full-service practices.

CCH, a Wolters Kluwer business

www.tax.cchgroup.com

847-267-7000

Drake Software Is Ideal for Veteran Tax Preparers



By Tom Johansmeyer

Drake Software continues to buck the trend in tax preparation software. Instead of focusing on tools that make tax preparation “easier” through interview forms, Drake focuses its enhancements on preparers who work directly on IRS forms.

The application is the ideal solution for those who use the software simply to catch tax data—not to walk them through the preparation of returns.

Drake also provides robust practice management functionality to aid supervisors and managers in tracking and growing their businesses. *[The vendor stated that the focus of the software is on speed and accuracy. A tax preparer can prepare a return with minimal key strokes, and without moving his/her hands back and forth between keyboard and mouse.]*

Features

Drake’s rendering of the IRS tax forms is effective. The software is well designed, easy to navigate and familiar to preparers who have deep tax knowledge. Anyone who knows “forms” will have

no trouble completing tax returns with this software.

Drake specializes in meeting the needs of preparers who could complete their clients’ returns by

hand. Veteran preparers have a substantial knowledge of the tax code and an intimate familiarity with the forms that most software products try to hide. Conversely, Drake brings the actual tax forms to the forefront, providing tax calculations in the background. *[The vendor stated that the software is not forms-driven, but instead it’s a menu-driven software. Preparers do not enter tax information directly on a tax form.]*

While forms-based tax navigation is clear, the overall design of Drake needs improvement. Drake relies on Microsoft (MS) Windows design themes that appear dated. The industry is trending toward designs that look and feel more like web pages. Screen elements—including fonts, fields and checkboxes—are small and require more mouse-click precision than other solutions.

E-filing, which continues to proliferate, represents one of



Practice management remains Drake’s salient advantage over other products.

Drake’s more prominent strengths. The software offers e-filing with the IRS through the application. Preparers can identify errors more quickly and reduce the rate at which their returns are rejected by the Service. Drake offers free e-filing as part of its price, a trait distinguishing it from the field of other tax prep vendors.

Practice management remains Drake’s salient advantage over other products. The company’s practice management module features a client scheduler, a number of reports and review workflow functionality, making it easy for a practice manager or supervisor to check the work of associates. Practice managers can use Drake to ascertain the effectiveness and productivity of associates by viewing how many returns they have completed, as well as the corresponding revenue generated by the associate for the tax practice. In addition, the review functionality encourages error-checking before filing the return. The client scheduler helps the supervisor manage workload across the practice.

Drake is not for tax preparation newcomers. Preparers who have not mastered the fundamentals of the tax code will struggle with this program. The interview-based approach to tax preparation software, which the industry has embraced, clearly is not Drake’s focus. Novices cannot rely on the application to guide them through complex returns. *[The vendor disagrees, stating that it has many preparers new to the industry who appreciate the ease of data entry that Drake offers, regardless of their familiarity or lack of tax form knowledge.]*

Summary

Seasoned tax preparers will appreciate Drake’s tax form-centric approach. Preferred by preparers who do not want software to “think for them,” this program requires deep knowledge and experience to navigate. On the flip side, Drake may frustrate newer preparers who rely on the software to guide them through thornier tax issues or even basic questions. Any preparer, however, who has stared at the computer monitor and wondered where a particular form is by its number, will find Drake to be a refreshing change from the emerging norm.

Drake Software
www.drakesoftware.com
800-890-9500



Intuit: One Size Does Not Fit All

By Tom Johansmeyer

Intuit responded to its constituency, the company asserts, by adding features to ProSeries and Lacerte that accelerate tax return preparation. Continuing its commitment to three versions of ProSeries, in addition to its large-practice Lacerte product, Intuit emphasizes workflow improvements for 2005.

Features

To meet the varied needs of different tax practice types, Intuit offers four distinct products: ProSeries Basic, ProSeries Express, ProSeries Professional and Lacerte. Intuit has matured each of these products separately in accordance with the operating models of each product's constituency. Intuit recognized that its user base consists of practices with different needs. As a result, Intuit balances global improvements to the user interface with enhancements tailored to each practice type.

ProSeries Basic addresses the needs of novice tax preparers by providing guidance through the preparation of each return.

This year's enhancements target the ease with which a novice preparer navigates the software, and Intuit redoubled efforts to improve the accuracy of calculations. Return preparation speed, which pervades Intuit's 2005 enhancements, comes from improvements to the interview interface—used in lieu of IRS tax forms. ProSeries Basic strives to make life easier for new preparers; seasoned tax preparation veterans should, instead, consider ProSeries Express or Professional.

Intuit markets ProSeries Express to practices that generate a high volume of straightforward returns. To facilitate the efficient completion of "commodity" returns, Intuit equipped ProSeries Express with an EIN (Employer Identification Number) database to accelerate W-2 data entry. According to Intuit, ProSeries Express is designed for practices that seek to complete the average return in less than 15 minutes—simply because they do so many returns every tax season. Features such as the EIN database are intended to reduce data entry and the corresponding time needed to complete these commodity returns.

Tax preparers with larger practices—including year-round



Ease of use and efficiency changes in all four tax products constitutes the largest change.

accounting services—would use Intuit ProSeries Professional, which offers limited practice management functionality in tracking returns and mining customer data. Intuit indicates that practice management is not a near-term priority for the ProSeries Professional (or Lacerte) product, citing faster network speeds as an important improvement over last year's version.

Lacerte represents Intuit's solution for large, full-service practices that have a broad range of clients with diverse tax and accounting needs. Lacerte—Intuit's enterprise solution—features enhanced client tracking functionality for 2005, as well as the ability to store and recall frequently used addresses. The latter feature can be particularly useful in regional practices where many clients will use similar addresses for multiple forms (e.g., the Goodwill address for charitable contributions). *[The vendor stated that the enhanced client tracking functionality is not to simply store frequently used addresses, but rather store associated pieces of data that are frequently used including addresses, bank names and routing numbers, employer information and EINs, etc...]*

Intuit emphasized that the two primary drivers behind the 2005 enhancements are ease of use (primarily through an improved user interface) and a stronger commitment to customer service and support. Larger font sizes in all four tax programs constitute the biggest salient change to the user interface. The effectiveness of customer support cannot be verified until tax season arrives, but based on the reactions of Intuit's customer base over the last two years, its service would represent a response to the most significant concerns of the Intuit user community.

Summary

Intuit targeted operational efficiencies with 2005 enhancements, and while the company has made general improvements to the user interface, most changes are specific to each of its four tax preparation products. Intuit emphasizes its improved customer service above all else, though such claims are impossible to verify until tax season.

Intuit

www.proseries.com

800-934-1040

www.lacertesoftware.com

800-765-7777

TaxWise Automates Flow-Through Aspects of Tax Prep



By Tom Johansmeyer

TaxWise differentiates itself through the subtleties that can impact a tax practice's productivity. While it offers the same tax preparation features as the rest of the market, what makes it different is the ease with which tax preparers can figure out how to quickly use TaxWise. CPAs and accountants who prefer to use IRS forms in preparing tax returns will be disappointed, though TaxWise's interview forms are consistent with the IRS forms they represent.



Their most recent addition is the ability for K-1 data to flow directly to the tax returns of a partnership's members.

Features

TaxWise separates itself from the rest of the tax preparation software market with its clear, easy-to-follow screen design. TaxWise does not offer the original IRS tax forms, but the software's tax interview forms (used for client data entry) follow the conventions of IRS tax forms. Field names correspond to names on the IRS forms and appear in the same order. Data entry forms focus on tax preparer speed; this is as close as you

can get to entering data into the IRS forms without actually using them.



Like most solutions on the market, TaxWise accurately calculates most tax information, although relying on the software is no substitute for the tax preparer's diligence. The limitation of most tax software, though, entails the ability for tax data to flow from one form to another. This is often where a tax solution errs and tax preparers become frustrated. TaxWise automates most flow-through aspects of the tax preparation process—and it works. Their most recent addition is the ability for K-1 data to flow directly to the tax returns of a partnership's members. For practices that prepare returns for partnerships and have the constituent partners as clients, this feature increases accuracy and saves a considerable amount of tax preparer time.

Depreciation calculations are also improved in the latest version. The assets interview form is easy to follow. Selecting a specific approach to depreciation brings the tax preparer to the

appropriate section of the tax form. Navigation is enhanced within the form, not just within the application. In addition, erroneous calculations are less likely to occur because TaxWise automatically selects the recommended depreciation method based on the type of asset that is entered.

TaxWise's reporting functionality is extensive, offering e-filing acknowledgement reports for tracking client filing statuses. A variety of client-oriented reports help practice managers identify opportunities for more targeted marketing, as well as greater practice trends that should be considered for future workflow and management decisions. Additional reports track returns by forms and schedules, refund anticipation loans or state filings. Users can easily customize reports, as well.

TaxWise distinguishes itself with some interesting ancillary features. During off-season, TaxWise makes an e-filing practice lab available to its users, a process designed to improve speed and accuracy when tax season arrives. This lab is especially helpful for firms that train preparers before tax season. In addition, TaxWise University offers a variety of online tax preparation courses, as well as videos and other knowledge materials.

Summary

Rapidly, efficiently and accurately completing tax returns is key to managing a successful tax practice. TaxWise facilitates success with a software solution that is easy to use. Tax preparer accuracy is supported by form navigation and data flow features, and the intuitive user interface helps increase the speed with which returns are completed.

Tax software should not get in the way of doing business. TaxWise apparently recognizes this fact and offers a solution that helps tax preparers with appropriate functionality and intuitive features.

TaxWise

www.taxwise.com/products/index.html
800-755-9473

TaxWorks Enables Client Management

By Tom Johansmeyer

TaxWorks provides the requisite tax preparation functionality, practice management features and e-filing capabilities you would expect to find in today's marketplace. While design is sufficiently easy to follow and reporting is ample, TaxWorks represents a typical tax prep program without bells and whistles. For most tax preparers, this style is exactly what they need.

Features

A tax preparer's relationship with tax preparation software begins at installation; TaxWorks was among the longest to install of the tax preparation solutions evaluated; during the installation process a screen instructed the user to wait 5-15 minutes for the software to load. For larger practices, especially those with year-round operations, such a lag can have a noticeable impact on associate productivity.

The limitations of the installation process, fortunately, are only a problem once a year. Upon opening TaxWorks, the user encounters efficiently-designed interview-style data entry screens that make the extensive data entry entailed by tax season fast and easy. The interview screens correspond to the tax forms, not to a synthetic client interview process designed by the software firm. The fields on the interview forms tend to correspond to those on the tax forms.

TaxWorks includes a number of features that help accelerate the tax return preparation process while reducing minor tax preparer errors. Most prominent is a zip code lookup feature. The preparer simply enters the zip code, and the city and state are populated automatically (the city and state fields appear after the zip code is entered). For multiple cities or towns covered by the same zip code, a dialogue box allows the preparer to select the correct one. I entered my zip code and was allowed to choose between my city (New York) and borough (Manhattan). The zip code lookup function is available on any form that



Cities and states are populated automatically through the zip code lookup feature.

requires an address.

The other feature that tax preparers will find particularly useful is a real-time calculation box in the lower left corner of the screen that keeps a running tab of key figures. Throughout the preparation of a tax return, the preparer can track changes to Adjusted Gross Income (AGI), the amount owed (or anticipated refund) and deductions. The running deductions total, for example, helps tax preparers decide between itemized and standard deductions. Most important, however, is the ability of the preparer to answer the client's most frequent question, "How does it look so far?"

TaxWorks does not offer extensive practice management functionality, but smaller practices will find everything they need. Where TaxWorks does excel, though, is client management. TaxWorks makes it easy to mine a wealth of client information. Regardless of a tax practice's size, it is of paramount importance for practitioners to know their clients. The client manager features facilitate finding information and generating reports based on personal and tax return data.

Summary

TaxWorks focuses on increasing tax preparer efficiency. A clean user interface and helpful features accelerate the tax return completion process. The summary window provides a great reference point on which preparers can rely to keep clients engaged. While practice management functionality is generally light, the client tracking tools offer tax preparers significant insight into a practice's clients. The installation process could be problematic for larger practices. Overall, though, TaxWorks does offer a reliable solution for rapid tax return preparation.

TaxWorks Professional Tax Software

www.taxworks.com

800-230-2322 ext. 2

UltraTax CS Generates Cover Letters and Appointment Reminders



By Tom Johansmeyer

UltraTax CS is part of Thomson Creative Solutions' comprehensive tax and accounting suite. UltraTax CS offers a complete solution for individual and business tax returns, as well as robust practice management functionality. Many of UltraTax CS's advanced features will be of little use to single practitioner tax firms, thereby reducing the value of the solution for smaller practices. *[The vendor states: Many of the productivity features of UltraTax CS are highly beneficial to sole practitioners and small firms. The productivity gains of the UT features are more important in firms where labor is in very short supply].*



UltraTax CS provides an automated information feed from corporate and partnership tax returns to those of individuals associated with the corporate entity.

Features

UltraTax CS opens with a search window, making it easy for practitioners to find active clients. As tax preparation practices mature, the ability to search for existing clients becomes more important. The number of existing clients continues to grow, and a mature tax practice is likely to have many more repeat clients than new clients. UltraTax makes it easy to find clients, accelerating tax preparer productivity. A variety of utilities exist for managing returns, tracking tax preparer productivity and managing e-file status.

A well-designed tax preparation software package is easy to use, resulting in a lower error rate. Intuitive systems are also easier to learn, reducing the costs associated with introducing a new system into the business environment. UltraTax CS's look and feel is adequately designed. Forms are easy to find, and the functionality is labeled clearly. Buttons and tabs are intuitively designed.

UltraTax CS provides a comprehensive tax preparation solution, including the ability to handle all federal entities including individual, corporate, partnership, trust, employee benefit, non-profit, gift and estate returns. The software supports tax returns from more than 200 state and local jurisdictions, encompassing all 50 states. With UltraTax CS, tax preparation

professionals can complete tax returns quickly and easily for any filing entity, including individuals and businesses.

Extending the notion of the full-service tax practice, UltraTax CS provides an automated information feed from corporate and partnership tax returns to individuals associated with the corporate entity. For example, partnership tax return data can flow to the individual returns of the partnership's members.

Tax preparers enter client tax data into UltraTax CS either through the IRS tax forms or through the UltraTax CS interview forms. The interview forms are easy to navigate, and the fields correspond directly to those on the IRS tax forms. The IRS tax forms are exact matches to what preparers find on IRS.gov. Finding forms, though, is quite easy, given the forms' navigation window offered at the left side of the UltraTax CS window.

UltraTax CS has interesting client management utilities, including a feature that generates cover letters and appointment reminders. The software also creates and prints a variety of mailing labels. General client information that would not be entered into a tax form is also stored in UltraTax CS, ensuring that tax preparers can keep a centralized, consistent record of client details that may be useful in providing services in the future.

While UltraTax CS responds fairly quickly to user requests in the software, there is a noticeable delay. Other tax solutions move between screens more fluidly, while UltraTax CS appears to pause for a second. The screen turns white, albeit briefly, before showing the screen the practitioner requested. This does not represent a significant barrier to effective tax return preparation, but it can be frustrating.

Summary

UltraTax CS is a robust tax preparation solution that provides the ability to enter client tax data either through interview forms or directly into the IRS tax forms. UltraTax CS offers comprehensive tax preparation functionality that is easy to navigate. Much of UltraTax CS's functionality is effective for firms of all sizes. *[Vendor adds: Creative Solutions exclusively serves small and mid-size firms. UltraTax CS is designed for these firms.]*

Thomson Creative Solutions

www.CreativeSolutions.Thomson.com
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CREATIVE SOLUTIONS