Honest Feedback from Real Users of Tax Planning Software

Tax Planning

Serve Clients Throughout the Year with Tax Planning

Suggesting additional withholding in July may be unwelcoming news, but it's much better than explaining a five-figure tax bill in March.

By Tom Johansmeyer

Most clients need projections, even if they don't ask for them. Buying a house, getting a divorce or sending a child to private school can change a client's tax world. Tax planning software takes the sting out of life changes; you can work with your clients as these major events occur rather than playing messenger months later. With the tax planning software packages featured this month, you can model the potential impacts of different decisions and offer your clients a realistic view of what their tax burdens are likely to be – as well as tax mitigation strategies that can make April 15th less odious.

Robust Features Offer a "Crystal Ball." You cannot see into the future; even with predictable tax events, there usually are many variables for you and your client to consider. You may be operating without a crystal ball, but tax planning software is a pretty good replacement. The point is to be directionally correct rather than accurately predict, which is why most tax planning solutions allow practitioners to model a number of different scenarios. Compare the different outcomes on the screen – right next to each other – to show clients the effects of their current actions on their next tax returns, as well as those for future years.

Planning and Return Preparation Linked. Through user feedback, most practitioners cite the integration of tax planning and tax preparation software as one of the major benefits. Instead of entering information from scratch, you can pull your client's last return into tax planner and model different situations based on real data. Instead of "guesstimating" remaining depreciation or capital loss carryforwards, you can use the numbers that will appear on the client's next tax return. Using integrated tax planning software, it is possible to assess the actual impact of a rental property purchase or the likelihood of Alternative Minimum Tax coming up on the next tax return. A client's last tax return becomes the basis for all planning, as it is for all future returns.

Prepare for the Unexpected. Too often, a client greets you with, "I got married last month," or "I cashed out my IRA." With a significant life change, many clients don't realize their tax obligations will change as well. Tax planning software allows you to end every appointment with, "If you do anything big this year – get married, change jobs … anything – call me. Let's see if you'll have to do anything different." Suggesting additional withholding in July may be unwelcoming news, but it's much better than explaining a five-figure tax bill in March.

Tax Engagements Streamlined Through Planning Effort

"The number one benefit with ProSystem fx Planning is that it brings in everything from the prior year, including some rather sophisticated pieces of information."

ProSystem fx Planning allows professionals to streamline tax planning engagements, quickly review multiple tax scenarios and expand their services.

Comprehensive tax capabilities include federal calculations for regular tax, AMT, capital gains, underpayment of estimated tax penalty, tax on lump-sum distributions, tax on premature distributions, farm income averaging and many others.

Benefits and Features

- Users can forecast up to 30 tax scenarios per plan, easily pinpointing plan differences by percentage or dollar amounts.
- Includes many integrated state tax computations.
- Complete calculation of the deductibility of IRA, SIMPLE, SEP and KEOGH contributions.
- Phase-out calculations for itemized deductions, personal exemptions and AMT exemption for high-income taxpayers.
- All filing status calculations.
- Extensive limitation and carryforward calculations.
- Complete Federal estimated tax and penalty calculations, including the ability to produce estimated payment vouchers.

What Users Say

During tax season, **James E. Reynolds, CPA**, of Tustin, Calif., processes 220 returns in 10 weeks, and does tax planning for a minimum of 50 clients each year, many of whom are selling homes. Because making AMT projections is important, Reynolds says, "The number one benefit with fx Planning is that it brings in everything from the prior year, including some rather sophisticated pieces of information. It is also able to accept information from the tax return on carryforwards. Without having the complex computations going in the background, I wouldn't get the answer I need. It is very complex in how it works and yet simple to enter the information."

Summary

ProSystem fx Planning integrates with ProSystem fx Tax, allowing users to start their planning with base-year amounts already set up by importing pertinent data directly from ProSystem fx Tax.

CCH, a Wolters Kluwer business
www.CCHGroup.com
800-739-9998

Tax Planner Helps Predict Financial Status

"It really saves time when it comes to calculations for things like estimated payments."

The Drake Tax Planner is a valuable tool for increasing revenue and assisting clients to make informed decisions. Tax Planner can be used to predict how a client's tax liability will be impacted by financial decisions, change in marital status, change in dependencies and many other circumstances.

Benefits and Features

- Export current year information, including demographics and financial data from Drake directly into the tax planner.
- Save the tax planner file and report into the Drake Document Manager to help maintain a paperless office.
- Prepare multi-year or multi-scenario projections.
- Print colorful easy-to-read reports for your clients.
- Run automated calculations that use future year indexed amounts.

What Users Say

I do taxes for 28 different states, several of which withhold for cities," reports **Wendy A. Yellina,** owner of her own bookkeeping and tax services company in New Albany, Ind. "I have used Drake for 17 years and shopped around, but I renew every year. For what they offer, the price is amazing." Tax Planner is an important add-on for her business. "I don't know why more people don't use it. I am able to make accurate projections, assist clients in making financial decisions about what to sell and what would be most beneficial. It really saves time when it comes to calculations for things like estimated payments."

To get the most benefit from the latest features, she tries to attend the update school every year and uses Drake's electronic training center, another benefit. "As my business grows, I've added a couple of people who help me. I have them complete the ETC course before they use the software."

Summary

Each year, Drake Software adds new features and fine-tunes many existing products.

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

Integration of Tax Data Saves Significant Time

"If the preparer is the Lacerte user, this is a natural bridge."

Lacerte Tax Planner helps accounting professionals create accurate, customized tax-minimizing strategies that instill trust and confidence.

Benefits and Features

- Automated integration of tax data from the Lacerte tax application saves significant time creating the tax plan.
- The program includes built-in future tax rates, exemption and phase out amounts to reduce the amount of time required to prepare the plan.

What Users Say

Bryce Forney, of Forney Accountancy Corporation in Pleasant Hill, Calif., switched to Lacerte Tax Planner four years ago. "It saves so much time and makes tax projections drop-dead fast; I know it is accurate and I can rely on the calculations." Forney says the interface has room for improvement. Recently, he attended a web seminar training session "to validate that it was dorky and it wasn't just me. It is difficult. The time to create a tax plan file is, by and large, about getting the data in there. Still, Tax Planner is a huge win. If the preparer is the Lacerte user, this is a natural bridge. If not, the value is in the integration and not in the feature set. It has weak reporting and weak user interface."

"Because of Lacerte, we are able to do twice the volume of firms with 15 people," says **Steve Sabba,** CEO and founder of TaxPro Financial Network in New York City. Serving more than 3,000 individuals and 100 small businesses, including taxes, accounting and bookkeeping, Sabba says, "Training is pretty self-explanatory. As a company, Intuit makes it easy to be a customer. All of these people are 100 percent approachable."

Summary

Lacerte Tax Planner allows accounting professionals to help clients minimize their tax liability by providing guidance on the actions they take throughout the year.

Intuit
www.lacertesoftware.com
800-765-7777

Mistakes Kept to a Minimum Through Accuracy Checks

"For every return that TaxWorks generates, we re-enter the information in TaxPlanner on another computer."

TaxPlanner, a TaxWorks product, is an easy-to-use planning tool for accountants, attorneys and tax practitioners. This program allows users to compare five different tax scenarios or projected years on the screen at one time. It incorporates new tax laws as they are available.

Benefits and Features

- Information in the TaxWorks client file may be imported into the TaxPlanner.
- The user-friendly spreadsheet format allows drill-down access to underlying worksheets.

What Users Say

Ken Adams, president of Adams Tax Service in Dewey, Ariz., has used TaxWorks' TaxPlanner for eight years. "The main thing we use it for is to check returns for accuracy. For every return that TaxWorks generates, we re-enter the information in TaxPlanner on another computer. If both people on separate computers get the same result, we know we have a good return." Using this procedure for 20 years, Adams has kept mistakes to a minimum.

"TaxPlanner is generic as far as the state return is concerned. It is not nearly as comprehensive as the one we used to use, which had individual tax tables for every state." But, he reports, TaxWorks is improving the detail that is carried from the federal to the state portion of TaxPlanner. "Very seldom do I need to contact technical support. TaxPlanner is pretty straightforward. Infrequently, I've needed to call tech support with TaxWorks, but when I have, I'm pleased with them."

Summary

TaxPlanner is a limited feature software program and does not attempt to process to the depth that TaxWorks' tax preparation software does. It is, however, comparable to other tax planner products on the market and an excellent tool for quick tax planning.

TaxWorks
www.taxworks.com
800-230-2322

39-Point Tax Planning Comparison Chart

	CCH ProSystem *fx* Planning *www.cchgroup.com* 800.739.9998	**Drake Software** Drake Software *www.drakesoftware.com* 800.890.9500	**Intuit** Lacerte Tax Planner *www.lacertesoftware.com* 800.765.7777	**TaxWorks** TaxPlanner *www.taxworks.com* 800.230.2322
I. Data Entry & Integration				
Data import bridges available	Import from ProSystem *fx* Tax and Gainskeeper	Yes	Direct integration with Lacerte, bridge from Lacerte to BNA Tax Planner	Yes
Batch data entry available	No	Yes	NA	Yes
Merge file capability available	No	No	Yes	Yes
Dynamic linking (DDE) feature available for data exchange with Excel/Word	No	No	No	No
II. Planning Years				
How many (future and past)	One prior and two future years	7 future	10 years	Five years
How far back can application handle calculations	One year	0	3 years	Can import prior and current year
III. Filing Status				
All statuses, including estates and trusts	S, MFJ, HOH, QW, MFS - live together, MFS - live apart, S - dependent of another	S, J, MFS, HOH, QW	Individual tax planning only	All 1040 statuses
IV. States				
Resident states support	Yes	No	AZ, CA, CO, CT, GA, IL, IN, LA, MA, MD, MN, NJ, NY, OH, OK, OR and WI. For the remaining states, generic state calc.	Generic state worksheet
Nonresident states support	No	No	None	Generic state worksheet
V. Trusts and Estates				
Handles charitable contribution limitations and carryovers for public charities and private foundations?	No	N/A - don't handle trusts & estates	N/A, No tax planner for trusts and estates	N/A
VI. Calculations				
Automatically computes charitable contributions, casualty gains and losses, short- and long-term carryovers beginning with the year of the analysis?	Yes	No	Yes	No
Determines the appropriate holding period and calculates the gain/loss for each transaction item entered on a worksheet?	Yes	No	Yes	No
Supports farm income averaging?	Yes	No	Yes	No
Supports annualization?	No	No	Yes	No
Election to optimize amount of capital gain?	No	No	Yes	No
VII. Analysis				
Years within cases	4	No	Yes (up to ten)	Yes, five
Cases within years	Max cases = 30	Yes	Yes (up to ten)	Yes, five
Adjustment analysis	No	Yes	Yes	Yes
Difference analysis	No	Yes	Yes	Yes
Taxpayer/spouse analysis	No	Yes	Yes	No
Estimated tax annualization analysis	Yes	No	No	No
Minor child analysis	No	Yes	No	No
VIII. Special Features				
Produces 1040-ES estimated payment vouchers for individuals and 1041-ES vouchers for estates and trusts?	1040-ES	No	No	No
Client letter template	No	No	Yes	No
Custom letter creation	No	No	Yes	No
Watch Window	No	Yes	Yes	Main summary page visible at all times
IX. Graphs & Reports				
Choice of graph to show taxpayer's income distribution?	No	Bar and line graphs only	Yes	No
Graphs customizable and instantly updated with changes?	No	Customizeable - No, Instantly Updated - Yes	Yes	N/A
Preview reports and graphs onscreen before printing?	Yes	Yes	Yes	Yes
Create output files from data (Excel, Adobe Acrobat, txt) reports and graphs?	No	Yes	Yes, .txt and PDF	PDF creation
Email reports and graphs in PDF format that can be sent from within program?	No	Yes	Yes	No
X. Documentation & Online Help				
Extensive help messages for each item including references to IRC?	No	No references to IRC	No IRC references	No
Online help completely indexed with hypertext?	No	No online help	Yes	Yes
Includes Operations Guide and Tax Reference Guide?	Yes	Yes	No tax reference guide	Operations Guide
XI. Network Support				
Supports single-user and network installations with ability to provide network access to authorized workstations?	Yes	Yes	Yes	Single-user installations only
XII. Pricing				
Initial single license	$480	$995-$1395	Federal Only: $415; Federal w/all States: $500	$225
Initial additional licenses		Call for details	N/A	No additional charge
Renewal single license	Call for details	$995-$1395	$125	$225
Renewal additonal licenses	Call for details	Call for details	N/A	No additional charge