

## [What Do You Need? The Right Tax Software](#)

You are new to the tax preparation field. You have your degree in accounting, maybe even a masters degree. You have been prepped on the most current tax laws, may even have passed a state-required certification process to prepare taxes, and are ready to open your own practice. Now the real question: What software should I use for my tax preparation?

In a competitive world, a hand-prepared return is not only passive, it is downright non-productive. Tax software increases the speed and ability to process returns while increasing accuracy at the same time.

Nevertheless, the differences are strong and numerous in the type of software that can be purchased over the counter at your local store, and the type sold at society and industry trade shows and in their respective trade journals. In addition, unbelievably, some 'professional' preparers start their practice with these low-end, over-the-counter software products.

Some long-standing, brand name programs are available at many supermarkets and office supply stores with a price range from \$30 to \$50. BE AWARE: these products are designed for simple returns, have limited, or no flexibility, and are designed for the average person who does not need hand holding. In short, they are not made for professionals who work with complex situations.

Professional packages may run the gamut of a limited use product to unlimited 1040 system use, to business and state programs, and will run from \$400 to \$10,000 per year. Is the high price worth it?

I recall talking to a CPA a few years ago who said her neighbor brought over the family's tax return that they'd prepared on a store boxed product, then wondered if she might simply check it for errors before they submitted it to the IRS. The CPA ran the return scenario through her own, more professional program and proudly noted she had calculated an extra \$3,000 for refund this family was planning to receive.

Why the big difference? Over-the-counter programs are progressively getting better at finding and alerting the user to available credits and benefits. However, these programs do not have the empirical wisdom of human expertise and evaluation, nor do they have the depth of utilities available in professional software. YOU, the professional, have the advantage.

You are in an industry that intimidates the average soul. In addition, this may be one area where the old adage: You get what you pay for, hits the bull's eye. Professional programs can easily spot non-claimed credits, errors, or obstacles that simply are not programmed into the low-end, store boxed products.

Moreover, a professional program is packed with utilities to do just that ' assist the tax practitioner with increasingly complex computations. Most professional packages include:

- \* An integrated Asset Manager. Some even perform like-kind exchanges, partial dispositions, and have management tools to track basis, depreciation, and a host of related information.
- \* More sophisticated Audits. This more intensive audit programming can suggest alternatives to even the most confusing issues.
- \* Tax Practice Management. This critical program can categorize and analyze the various types of returns processed, amounts of income invoiced, help create client organizers, and track client trends and pertinent return information.
- \* A Scheduler program; which helps the practitioner maintain the tight schedule necessary during the short 1040 individual filing season.
- \* Comprehensive Libraries; which may include Zip Code directories, and customized employer directories which auto-fill to specific forms and schedules.
- \* The ability to key in Overrides. A viable part of the professional package; making overrides in program entry fields may be needed when alternative calculations become necessary.
- \* Toll-free support. Usually these free services come with the purchase of the professional program.
- \* Detail statements. These statements usually comprise more detailed information regarding a line item entry. Such statements may break out the total

into multiple items, or can provide information that might otherwise raise an eyebrow or two at the IRS without such an explanation.

Of late, another member has been muscling into the domain of professional practitioners; online tax prep. Though these too are gaining in popularity, the issue of return access, re-access, or amending is something to consider. As with the over-the-counter programs, these online products may also be limited in the scope and complexity of returns they can handle.

One question that often comes from those not familiar with professional software however is "Why do I need an EFIN (electronic filer identification number) from the IRS to file returns electronically?" My store bought package did not require one.

Since the over-the-counter programs limit the user, input and do not allow overrides, the vendors (software manufacturers) takes responsibility and liability for the accuracy of the return. The IRS allows purchasers of store bought products to file up to five returns with this software without having an IRS assigned EFIN.

Because of the flexibility of professional software in overrides, detail statements, and overall user knowledge of the tax law allowed to manipulate the program, the IRS requires the user to apply for their own EFIN (submission of IRS form 8633).

Simply put, if you ARE a paid professional tax practitioner using an over-the-counter program, you are not only harming the accuracy of your client's return, you may be harming your own reputation. The costs are certainly higher, but putting out the extra bucks will pay for itself in the number of clients you obtain and retain.

### About the Author

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