TAX SOFTWARE RED FLAGS:

How to identify them and what to do next

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How do you know when your firm needs to reevaluate its tax preparation software?

What red flags silently wave that are often overlooked (or are simply ignored)? Are you hoping that you'll just know when it's the right time to take the leap and invest in new technology that will help you better serve your clients?

The thought of switching tax software can seem daunting, or downright terrifying — especially before tax season. But it doesn't have to be a tedious, complex process.

In this white paper, we help you identify the red flags that indicate the time for change is now, what to look for when evaluating new tax software solutions, and how to successfully implement change. Gain insights and discover actionable steps you can take to move your firm forward with the technology you need to maximize efficiency, accuracy, and profitability.

Red flags: When is it time to change software?

How do you know when you need new tax software? Sometimes the signs are obvious, but other times they may be easy to overlook. To help your firm better understand when the time is right, keep watch for the following red flags:

- **Tax return review redundancies.** You have to review returns multiple times to identify errors and cross-check what needs to be updated before the returns are finalized.

- **Re-keying data and repetitive manual entries.** You spend a lot of time manually entering information into your current program (or multiple programs) because they don't integrate with each other.

- **Cumbersome new user training.** You spend a lot of time onboarding new staff and training them to use the software because it's not intuitive or user-friendly.

- **Disruptive software updates.** You find that software updates are pushed through at the most inconvenient times, disrupting your workflow and impacting your productivity. (Any time you are required to log out for an update is problematic.)

- **Microsoft Excel is your go-to worksheet.** You find yourself relying on Excel or paper to calculate data and prepare tax returns.

- **Utilization is low.** You are noticing a low utilization rate, or you've noticed a steady decline in billable utilization rates over the past few months.

- **Lack of time to focus on your business.** You are so busy working on and reviewing tax returns that you don't have time to work on your firm, develop higher margin, value-added services, spend time with clients or respond to client (and prospect) inquiries in a timely manner.

- **Software crashes impact productivity.** You realize that your software frequently crashes, freezes or stalls, which not only impacts your productivity but also clearly indicates a problem.

- **Security breaches.** Your current software or software vendor has been hacked at least once, putting your clients' and your firm's data at risk. Or, your software doesn't have the security protocols in place to ensure protection from external threats.

- **Mobile deficiencies.** The practice management and client collaboration tools that integrate with your tax software are not mobile friendly.

- **Lack of seamless integration.** Your current software doesn't integrate with your firm's other internal and third-party programs to enable data-sharing that support your workflow.

- **Hands-on update installation.** You have an IT manager who schedules and pushes out the manual installation of software updates, rather than having releases automatically downloaded and installed from the cloud to all of your devices.

- **Limited multi-user access.** Your software doesn't allow enough users to access it at the same time (possibly because it is installed locally, rather than on the cloud), minimizing productivity and requiring manual syncing after each use.

If any of these red flags ring true for your firm, it may be time to switch tax software solutions.

The top three reasons accounting firms resist change

There are many reasons why a firm may be hesitant to make the switch to a new software solution. After all, change is rarely easy. Sticking with the status quo may seem like the more comfortable option, but is it truly the best option for the profitability of your business, the efficiency of your staff, and the service of your clients?

No matter who we ask, these three reasons always seem to pop up as the top three most frequently cited reasons (or are they merely excuses?) why firms avoid change.

1. It's too difficult

You think that the data conversion and migration process, installation, and training is too cumbersome and challenging. It's daunting.

2. You're too busy

You are just too busy. In other words, you are too busy working in the business to work on the business. This can be a difficult cycle to break, but it's not impossible.

3. You're not sold on the value

You're not sure that changes like new tax software have much of an impact on your firm or add enough value for you or your clients. If that's the case, you may need to change your mindset.

Still not convinced it's worth the effort?

It doesn't have to be difficult, time-intensive or just another investment. First of all, you don't have to go through this process alone. Choosing and implementing a new software solution can be a challenge. There are so many options on the market for tax preparers and accountants. How do you know which one will be the best option for your firm? Consider a solution provider that provides consultative offerings and programs to help your firm take a critical look at operations and create the big-picture strategy needed to drive profitability and success. By partnering with the right software provider, your firm can receive the assistance needed for an easier transition.

You still don't think you have time to focus on researching, evaluating, purchasing, and implementing something so integral to your practice. Again, you don't have to do it alone. Consider a provider that offers access to a dedicated onboarding specialist who can help you navigate the transition and walk you through the data conversion process. The right solution provider will also guide you through training and implementation courses and materials, as well as provide access to that content during and after your first tax season.

You can find a software provider that serves as your technology partner and help you navigate the implementation and training, making sure you – and your staff – are fully ramped up and ready to tackle your next busy season with the new software.

If you're still not seeing the value of a software change, create a firm vision by asking yourself the following: "If I were starting a firm today, what would I do? Which types of clients would I serve? What services would I offer? And what technology ecosystem would I utilize to achieve those goals?"

From there, you can then work backwards to determine the steps needed to make that vision a reality. Once again, consider a software solution provider that provides consultative offerings and programs to help you create a big-picture strategy and become a future-focused firm.

"I would strongly encourage every firm to remember that, even though a change seems risky at times, making no change is often the riskiest decision to make. Making no change, or not making a significant enough of a change, is a decision in and of itself," said Corey Greene, customer proposition strategy lead at Thomson Reuters Tax and Accounting.

> *"Everyone has reservations when switching to a new software. You think you're going to have a huge learning curve before you can get up and running. Honestly, you're not going to have any of that with UltraTax CS. You're not going to have any issues with conversion. We switched in December 2014. We started the 2015 tax year with new people learning the software, getting trained and getting our data input from ProSeries. Honestly, it was one of our better tax seasons. I would say, take a leap. Don't hesitate. You won't be sorry."*
>
> **— Chasity Hooks Richard, CPA**
> Managing partner, Hooks CPA, LLC

What to look for in a new tax software program

Now that you know the red flags that may indicate the need for a new tax software solution, how do you know what to look for? What are the "must-haves" for your new software? We have listed a few of them in this checklist.

☐ **Installation:** Easy migration and installation process

☐ **Interface:** Intuitive and easy-to-use interface, even for beginners

☐ **Software updates:** Automatic updates don't disrupt your workflow, even during busy season

☐ **Regulatory changes:** Real-time updates provide regulatory and legislative updates when they occur

☐ **Affordability:** The total costs are commensurate with the value received and do not burden your firm; consider software costs, annual fees, and cost-per-return / cost-per-user fees, as necessary

☐ **Accuracy:** The accuracy rating of the software you're evaluating is the leader in the industry, minimizing risk and redundant work

☐ **Integration:** Technology integration is key in today's digital environment; your tax software should integrate with your research program, your client relationship management application, practice management program, bookkeeping, accounting and audit tools, as well as your clients' data sources

☐ **Data importing:** Automate some of the data entry, including importing data from QuickBooks or Excel, extracting data from source documents using scan-and-fill technology, and downloading clients' tax data directly from financial institutions

☐ **Technical support:** Available by phone, email or live-chat technical support when you need it

☐ **Diagnostic tools:** Reduce the risk of human error with accurate diagnostic tools that check for errors

☐ **Electronic file sharing and client portal integration:** Gather information from clients through an online organizer or questionnaire, and send finalized tax returns to clients digitally via a secure client portal

☐ **Electronic signatures:** Send out tax returns and engagement letters for digital review and signature

☐ **Electronic payments:** Send out a digital invoice for clients to pay electronically

☐ **Barcode scanning:** Scan in documents with bar codes, including Forms W-2 and Schedules K-1

☐ **Customer reviews:** Customers have overwhelmingly positive reviews of the software

Evaluate tax software through a holistic lens

While the above checklist is a good starting point, you need to keep your entire firm in mind when you're evaluating new tax software solutions.

What does that mean? Rather than trying to solve for a single pain point (i.e., inefficiencies in the data entry or tax prep process), which may inadvertently create additional complications and bottlenecks, consider taking a holistic approach and establishing a technology ecosystem. This helps ensure that everything is integrated, and that every step of the workflow and each application complements the other.

"If you're thinking about switching tax software, consider how the new options impact your firm's administrative tasks and your ability to collaborate with your clients in the way that they want to work with you. Think about how well the different tax software options connect to all the other applications your firm uses in its day-to-day workflow," said Greene. "Is the new tax software you're evaluating the centerpiece of a technology ecosystem that the vendor might offer? Can you, through either an all-in-one or phased implementation, switch your entire tech stack over to a tightly integrated or seamlessly connected group of programs, rather than just looking at the tax software in a silo?"

It is also important to consider the needs of your staff when evaluating new software solutions. Not only does a happier staff mean happier clients, but the ability to attract and retain top talent remains a leading concern for many firms and it shows little signs of slowing.

This means considering all of the factors at play, including the ease and use of efficient tax research and the ability to seamlessly offer flexible work options, whether permanent or temporary. Empower your staff to work independently, eliminate bottlenecks, and differentiate your firm from the competition by leveraging the right technology solutions.

"Adopting technology that integrates with your staff's lives, connectivity without sacrificing convenience, can be a meaningful difference-maker," Greene said.

> *"While finding ways to make our firm more profitable, we evaluated our processes and realized that by integrating our programs, instead of choosing a program for each task, we could look at our practice as a whole and quickly identify areas that could be streamlined effectively. In this business, efficiency equals profitability. Utilizing technology and a total system approach is necessary for firms moving into the future."*
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> **— Larry Gray, CPA**
> Owner and partner Alfermann, Gray & Co., UltraTax CS and CS Professional Suite user

Implementing change

You are ready for a change and have identified the tax software that will best meet the needs of your firm. That's great, but now is when the rubber meets the road. How can your firm successfully make the switch? And when is the right time to do so?

One of the more successful approaches to implementing change is to take a phased approach. When formulating your plan, start with your firm's vision and then detail the steps needed to realize that vision, which may be supported by journey mapping and/or staff and client surveys.

As you embark on your journey, be sure to remember these helpful tips:

1. Share the firm's vision.
This helps ensure that everyone within the firm understands the vision and is aligned on how to get there. You want to make sure there's complete buy-in throughout the firm, and that everyone is moving in the same direction.

2. Assign champions.
Action items must be well documented and should have assigned champions or owners to help ensure follow-through and drive engagement.

3. Communicate how roles are impacted.
Consider the impact of the technology solution on your staff. Does it significantly change what their current roles are? Support your staff, especially those who have had significant time working in the legacy product. Convey that they aren't valued by the knowledge they have about the old technology solution. This is crucial messaging, as buy-in to the change is critical to the success of the overall transition.

4. Set deadlines and define milestones.
This is important to help ensure that you continue making progress once the wheels of change are set in motion. Breaking the process down into smaller, digestible steps can also make the change seem less cumbersome and intimidating.

5. Celebrate milestones.
This can help ensure that staff remains energized and engaged throughout the process.

6. Be prepared to pivot.
This will be a learning process and you will know more tomorrow than you do today. Therefore, it is important to remember that the plans are not etched in stone and you must be prepared to pivot.

7. Don't reinvent the wheel.
Make the transition less stressful and easier for your firm by leveraging the resources that are available. This means, for instance, connecting with peers that have gone through a similar transition or are well-equipped to provide guidance, reaching out to industry consultants, and working with your technology partner. Why reinvent the wheel if you don't have to?

8. Determine the impact of efficiency gains.
Evaluate staffing needs given the efficiency gained by implementing the new software. Depending on your plans for staffing, be clear and direct about the impact on the staff.

9. Don't wait.
Timing is another factor to consider. How do you know when the time is right to make the switch? Unfortunately, there's no easy answer, especially as the downtime between client deadlines increasingly dwindles. This means that firms need to make the time — now.

"If you wait until you feel like you have enough extra time, that day will never come," said Greene. "If you're serious about improving your firm in a meaningful way, then you have to make time now. Of course, the day before a deadline might not be the right time, but as soon as you feel like it's even remotely feasible, that's when you should take action. The important thing to remember is that that action needs to be digestible, based on the timing."

Conclusion

There's no doubt that change can be scary. Fortunately, migrating to a new tax software solution doesn't have to be.

Recognizing the signs that it's time for a change and what to look for when evaluating software solutions are important starting points, but it doesn't end there.

Partnering with the right software provider can truly set your firm on the right path and provide you the guidance and resources needed for an easier and successful transition. Are you ready?

"UltraTax CS has fueled our growth and we've really leveraged it to increase our efficiencies. Our revenue has increased. We're able to take on more sophisticated work, which we charge more for. The staff are happier because they're not doing a whole lot of data entry. Profitability is up, it allows me to engage my staff more, and it allows me to pay them a little bit more. UltraTax CS is key."

— Peter Gurian, CPA
Managing member, Gurian, PLLC

Recommended solutions from Thomson Reuters

Professional tax software for tax preparers and accountants

UltraTax CS professional tax software automates your entire tax workflow and delivers powerful, timesaving tools. UltraTax CS seamlessly integrates with other Thomson Reuters solutions, including CS Professional Suite and Onvio cloud software, so you never lose any billable hours to manual processing. Meet all of your tax workflow needs with a customized, end-to-end solution built on cloud computing, advanced data sharing, and paperless processing. Learn more

GoSystem Tax RS is the tax software of choice for large firms and corporate tax departments, relied on by the top 100 CPA firms and designed to support all tax return types with unrivaled scalability. Learn more

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