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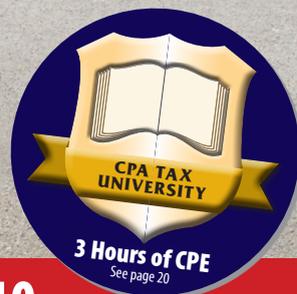
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David E.
Taylor, CPA



TOP 6 DOCUMENT MANAGEMENT SOLUTIONS 2010

ROLLING THROUGH TAX SEASON

BY T. STEEL ROSE, CPA, AND JASMINE TEMARES

Tax season is high time for almost all main street CPA firms. It is the most productive time of the year. Gearing up for tax season is a matter of having all the right personnel in place as well as flex time and tax season-only professionals and para-professionals to assist with the heavy volume of traffic. 2011 will be significant as it will be the focal point for the landslide of tax changes in 2010, along with the onslaught of problems with expiring provisions in 2011 and the Health Care Act changes needed to comply in 2013.

Tax season tips include becoming more efficient before and during tax season. The age-old tax organizers are only one tax aid to streamline tax season with the right technology tools and processes to increase throughput from the interview of new clients to meeting with existing clients, acquiring all necessary data, preparing documentation to delivery and receiving payment for the return.

Accepting credit card payments or electronic checks at the time the return is presented to the client will save a lot of headaches later. The value of the return is never as high as when it is presented. Now is the time to make sure you can swipe a card or enter the credit card number into PayPal or accept checks with immediate verification of funds. Tax season is also a perfect time to use the 1040 as a roadmap to financial planning. As Sidney Kess remarked recently, "All CPAs do financial planning, for some, it's just called tax planning."

To get the best tried and true tips, we turn to CPAs in public practice who have earned their stripes managing and preparing tax returns through several tax seasons. Depending on the size of the firm, the following questions are provided to get you thinking about the myriad of different ways you can make tax season more efficient.

This issue, Douglas Farrington, partner-in-charge at Marcum LLP in Boston, MA; David E. Taylor, CPA, tax partner at Anton Collins Mitchell LLP (ACM) in Denver, CO; and Philip Drudy Esq., CPA, partner at Smolin Lupin in Fairfield, NJ, offer tips on how to make this the best tax season ever.

CPA Magazine: How long have you been involved in tax, what got you into it in the first place and what do you like best about it?

Drudy: I have been involved in tax for about 28 years, and I find it to be much more interesting than auditing. There is more client consultation and more creativity involved in dealing with tax issues than financial reporting and auditing.

Farrington: I have been practicing tax since I interned as a college junior in 1981. During my sophomore year, I was interviewed by a tax partner from one of the Big 4 (Big 8 at the time) firms for a Connecticut Society of CPA's scholarship. The following summer, I received a call from that same partner and to my surprise he was not calling about the scholarship but to offer me an internship during the upcoming tax filing season. I gladly accepted the internship and have been addicted to the tax season rush ever since.

There are many aspects of tax practice that have kept me engaged. First and foremost, the satisfaction of helping a client achieve their



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"Like most firms, we use tax organizers. ACM also has a portal that allows clients to securely send information." **David E. Taylor, CPA**

objectives or solve a problem is second to none. The term "trusted advisor" is probably over used but being that for a client is a great feeling. The other side of the equation is the camaraderie of a tax group who works many long hours in the trenches together. Anyone who has done this for a while knows what it feels like to work together as a team to get through the busiest of times. I have been fortunate to work with a lot of great tax people over the last nearly 30 years.

Taylor: When I started working with a small CPA firm 27 years ago, we did a little bit of everything; auditing, tax and general accounting. Then the 1986 Tax Act happened, drastic changes occurred within our profession and I became fully engaged.

With all the rules changing there were amazing opportunities for accountants who desired to become experts in the new Internal Revenue Code. Advancement possibilities were more readily available and the new regulations hastened the departure of some that were approaching retirement. There was tremendous value in understanding the old regulations and becoming an expert in the new Act.

I enjoy the diversity of tax work. On Monday morning I can be working tax planning for a partnership, international tax in the afternoon and on to state and local tax issues over morning coffee on Tuesday.

CPA Magazine: What else do you use, such as tax organizers, to help clients gather all their tax data so the return can be prepared without several requests for information?

Drudy: Normally we provide individuals with tax organizers to gather their information. We then meet with them in person or over the phone to go through their information from the previous year and ensure that we capture everything. We get a handle on what's changed to make sure there are no new transactions or information missing.

Farrington: Organizers are obviously the most effective tool for this purpose, but they are only as good as the client's willingness to use them. All clients are encouraged to complete them and many do. We have begun to have some success with an electronic orga-

nizer. Because so many people are tracking their information electronically these days, this alternative can be attractive. For those who do not complete the organizer, the key is to work with the client to find what does work for them and go with it.

Taylor: Like most firms, we use tax organizers. ACM also has a portal that allows clients to securely send information. Everyone is very involved in client work and we will also send someone out (be it a paraprofessional or a partner) to help clients make sure they have their information together.

CPA Magazine: How do you streamline documentation and work papers for notes for subsequent years' tax prep?

Drudy: We have a process where we roll forward general information from the prior year. We also have a permanent file where we keep the documents and records we think we'll need for a subsequent period.

Farrington: We have had success with the use of an electronic file storage vehicle called GoFileRoom or "GFR." By scanning and storing tax workpapers, they remain easily accessible for any subsequent need. Once again, any product like this is only as effective as its users. We have adopted very specific policies and procedures for use which make this a very effective tool.

Taylor: We maintain a separate Caseware file for each client that contains everything; meeting notes, past returns, perm file items, e-mails and workpapers. This keeps all the information in one place from year to year.

CPA Magazine: Do you use multiple screens or data entry personnel or other time saving processes or technologies? Which do you use and why?

Drudy: We are moving toward a paperless environment and in that platform we are using multiple screens. The majority of our tax preparers have at least two screens and some of the review staff have three screens. We use a paperless tracking system for tax returns and projects. We also use electronic data storage systems and data storage binders.

Farrington: There are a number of practices we have adopted that have definitely streamlined our processes and increased efficiencies. The use of dual monitors is certainly one. The ability to have workpapers and preparation software on screen at the same time increases efficiencies for both preparers and reviewers.

While we do not utilize data entry personnel, we have had great success with the use of scanning software. We have used a variety of programs and most recently have used a program called GruntWorx which allows us to scan and bookmark workpapers and in some cases, begin to populate return software.

We have also achieved efficiencies by using a feature of GFR called Firm Flow to route returns around the office electronically. This feature allows everyone in the firm to quickly and easily get their respective arms around what is "at their desk" by simply monitoring everything online. You no longer have people running around the office looking for files as they can be located immediately with the push of a button.

We have also found this to be extremely helpful in a multi-office environment by enabling us to route files electronically from office to office for preparation or review. Once again, this can be a big time saver as well as a great way to maximize the use of staff resources.

Taylor: We use multiple screens to increase productivity. We use a scan software for individual tax returns that organizes the data in the same order as it appears on the tax returns.

CPA Magazine: Tell us an interesting tax season story without naming names.

Drudy: I've had situations where the IRS has come to a client who didn't pay their payroll taxes or some other significant tax and wanted to close the company down. We've had to address those kind of emergency issues the first couple weeks in April. With some standard audit and response notices we're normally allowed an extension of time to address those issues.

Farrington: One of the keys to a successful

tax season is knowing your client's whereabouts at all times as the deadline approaches. I learned this the hard way about four years ago with one of my favorite clients. I met with Mr. and Mrs. M in late February, as I typically did to gather their information and start their return preparation. When I obtained an estimate for one of their K-1s in early April, it had significant unanticipated income.

We computed an amount due, and I placed a call to my clients to apprise of the pending payment. After a couple of days of no response from Mr. & Mrs. M or their family, I finally reached out to their investment advisor. He knew exactly where they were! Mr. & Mrs. M were on a golf trip and were not expected to return before the filing date.

I began to sweat as a payment was due, and I couldn't let my clients end up in a penalty position. The next day, I got a call from Mr. & Mrs. M's daughter who gave me the hotel information, and I was able to connect with them. They had completely forgotten about their tax return filings. With a day or two to spare, the clients, their investment advisor and I worked together to get the payment made and disaster was averted. After that experience, I absolutely make it my business to know where my clients are as deadlines approach.

Taylor: One of my hardest tax seasons ever was when we merged firms, moved offices and installed a new computer and phone system on February 1st. The computer system was the worst part because the tax prep software didn't like the new operating system. Pro Systems crashed multiple times each day until finally, on April 10th, it crashed for three days. I used this time to recalibrate my attitude by visiting a client in Las Vegas but it made for a brutal busy season.

CPA Magazine: What have you utilized to assist data capture like the document management or tax software that captures 1040 and 1099 information?

Drudy: We try to make our process as paperless as possible. We have a program that allows us to scan information for individual tax returns, W-2s, 1099s and then review it to make sure it is accurate. The program can directly populate a tax return without having an individual key-punch the information. On larger projects and larger returns, we achieve more efficiency this way.

CPA Magazine: What do you think about using off-shore tax prep outsourcing services?

Drudy: I'm not an advocate of using off-shore tax preparation and I don't believe it's in the best interest of the profession. Junior staffers aren't able to learn how to prepare and it is hard for them to become tax professionals if they're not given access to returns.

Farrington: While we had used off-shore outsourcing in the past, we do not currently utilize such services. We have found that by utilizing many of the tools noted in the responses to earlier questions, that we can effectively manage the tax preparation process within the confines of our offices. We have also found that by doing so, it is a positive factor in the training and development of our staff.

Taylor: ACM's philosophies on client service and career growth dictate that tax prep be handled in house. ACM's business model demands a very high level of client service. Our clients know they have multiple points of contacts if they need quick answers. Our staff is trained to work with clients and identify needs and opportunities that will benefit the client. It is critical that our people are trained in all aspects of tax prep in order to fully understand the process and have the skills to become the managers of the future.

CPA Magazine: How do you manage accepting payment for tax services efficiently?

Drudy: In dealing with clients that we feel are credit-worthy, we extend them credit and expect them to pay us within a reasonable time. With clients that are less credit-worthy, we work off of retainers.

Farrington: Managing the payment of fees for tax services continues to be a challenge facing practitioners, particularly in trying economic times. We have adopted several practices in order to facilitate this process and provide flexibility to clients. One such practice is the acceptance of credit card payments. This method is often attractive to clients for a variety of reasons.

We have also instituted a practice of collecting a portion of the fees up front in the form of a retainer. This benefits the client by enabling to spread the payment of their fees over time and benefits the firm by enabling us to collect fees while the work is being done as opposed to waiting until after

all the work is complete.

Taylor: We accept multiple forms of payment and scan checks to the bank eliminating time consuming bank trips.

CPA Magazine: Do you provide tax planning and financial planning with clients during tax season? If so, what is the most common advice, such as a Roth IRA conversion, and what is the most esoteric, such as Generation Skipping Trusts, for example?

Drudy: We do planning throughout the year for our clients, especially our high net worth individuals. Tax return preparation is a window into a client's financial situation and helps us evaluate what their needs are.

For example, this could take the shape of a succession planning process, estate planning process, or an evaluation of their retirement plans to make sure that they're on the right track. There are some areas that are outside our expertise because we are accountants, but we do work with investment advisors and financial planners to make sure that our clients are being serviced properly.

Farrington: For our tax clients, tax planning is a continuous process, before, during and after tax season. During the season, planning opportunities often center on the use of retirement vehicles such as IRAs and SEPs. Roth conversions are obviously a hot topic now as well. The other hot planning topic right now is helping clients manage the impact of the changing regulatory landscape that is ahead. With the certain change in tax rates, clients need to closely examine both the income and expense side of their affairs to determine what opportunities exist.

Taylor: Tax season is a great opportunity to meet with clients because they are focused on their finances and discussing tax saving opportunities. During tax season we work with clients and offer sound fundamental financial planning guidance. This may include discussions on funding 529 plans, funding IRAs, recognizing the possibility of R&D credits or making an impromptu introduction to our wealth management group.

If issues are not time sensitive, we will schedule time to fully understand the client's needs and goals. Some planning issues that require more time and focus to accomplish are estate planning, business succession structuring and non-qualified plans for highly compensated individuals. ☺