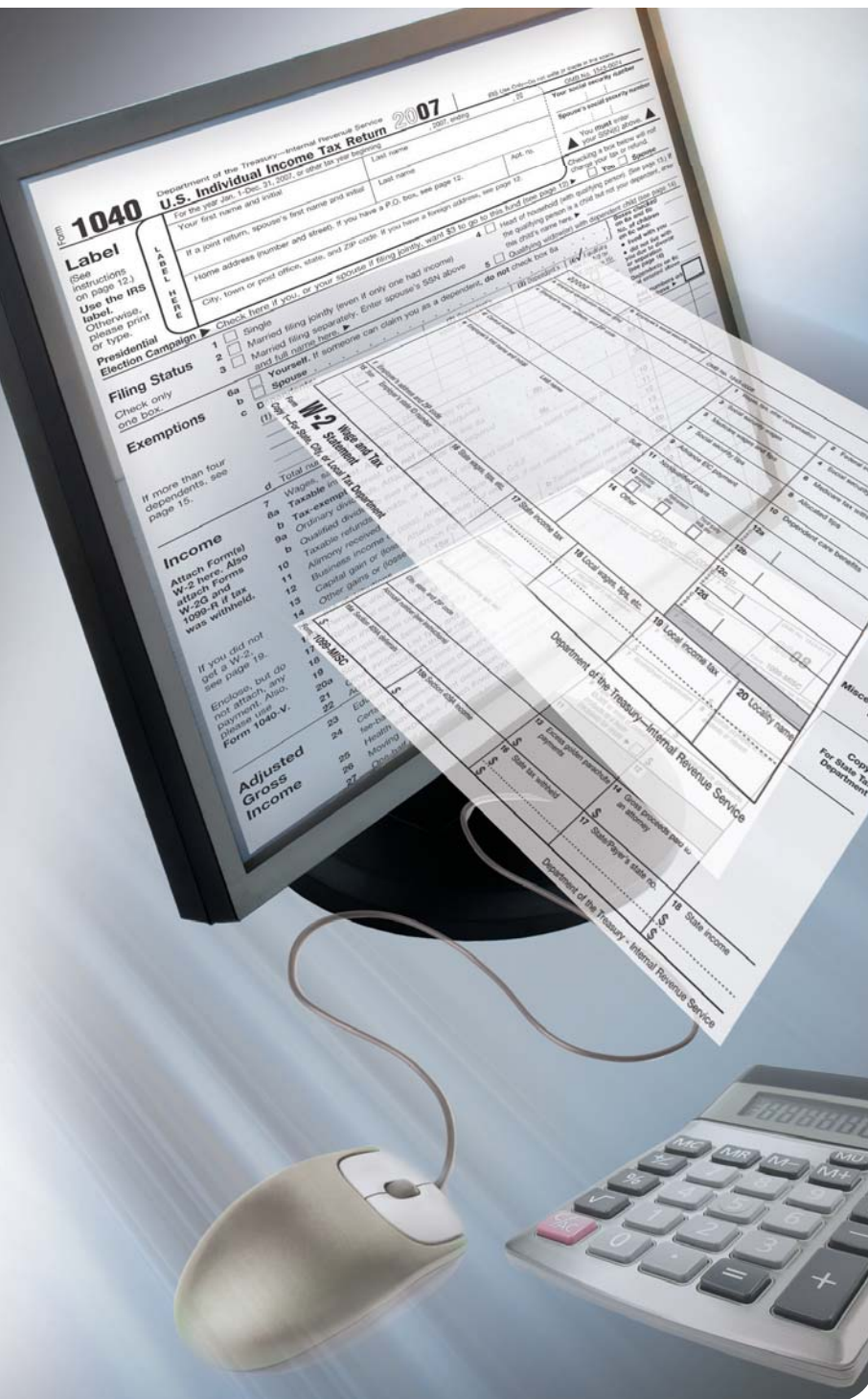


TAX TECHNOLOGY CONTINUES TO ADVANCE

Make Your Life Easier and Your Tax Practice More Profitable.

By Isaac M. O'Bannon



Tax reform is nothing new, but one fundamental law of taxation hasn't changed over the past half century: *A new technology that transforms tax preparation evolves every decade.*

Tax professionals who willingly embrace these technological quantum leaps are rewarded handsomely, indeed.

Until the 1950s, pencil, paper, and erasers were the tools available for tax preparation. That began to change with the advent of electronic calculators in the 1960s, and tax preparation hasn't been the same since. For the past half century, constant technological revolutions have literally transformed tax preparation—mainframe service bureaus in the 70s, PC's with DOS in the 80s, and Windows in the 90s. And today we're in the decade of the Internet.

Until now, tax technology has primarily impacted three areas of tax preparation—tax computations, tax research, and tax filing. Advances in these areas are well known and virtually every accountant takes advantage of them, at varying levels.

While it's easy to see how far we've advanced, now's the time to really fasten our seat belts. Because, as the classic tune from Bachman Turner Overdrive says, "you ain't seen nothing yet."

Recent advances you can benefit from now

The two areas that are the focus of the most recent and near future advancements are accountant-client interaction, and minimizing and ultimately eliminating manual data entry of all common tax documents.

During the past few years, the Internet has greatly enhanced accountant-client interaction—a profound development whose importance is only beginning to be realized. Accountant-client interaction greatly enhances client satisfaction and results in significant time savings. If you aren't taking advantage of the Internet for advancing your tax practice, wait no longer.

Tremendous development is also taking place to simplify and minimize manual data entry. By freeing the tax professional from the endless drudgery that has existed since 1913, these advances will provide an unprecedented opportunity for tax pros to provide true value-added client services. In fact, noteworthy progress has already been made in this area and some of these technologies are now ready for primetime.

The Internet: just the beginning

Having redefined tax research and simplified e-filing, the Internet still remains poised to help tax pros in many ways we couldn't even imagine just 10 years ago. Through accountants' websites that now act as virtual offices, the Internet has made collaborating with clients and finding information instantaneous and convenient, while also enabling the development of many other new technologies that further improve client service and productivity.

Today's websites: much more than online advertising

Not long ago, accountants' websites were little more than glorified online business cards or listings in a virtual Yellow Pages directory. Today, professional accounting firm websites have become one of the most important marketing and client service tools for accounting practitioners, extending well beyond a simple means for prospects and clients to learn more about an accounting practice.

Well-designed professional websites now offer clients and prospects access to libraries of useful tax information—from financial news to tax and financial calculators, tax due date calendars, and even tax planning tips. Clients can even find the status of their federal and state tax refunds quickly and easily anytime. And informative online financial content helps educate clients and can even drive them to seek additional services. Many website building tools are available to accountants from companies with a proven record of serving accounting professionals—AccountantsWorld, CCH, Creative Solutions—and these tools make it easy to create and maintain a professional site for any accounting practice.

Online portals: better client service and lower costs

Professional accounting websites may even include client collaboration tools like online portals that work just like a secure mailbox. Clients simply log into their online personal portal where their tax professional gives them access to files or select services, including online tax organizers for clients to complete. Accountants nationwide already realize that even if only a few clients use these simple organizers, it can be a great time saver, especially during the peak of tax season.

Online document management: the paper chase ends

One of the most useful new technologies, online document management is gaining widespread acceptance among accounting firms. These systems have

Accountant-client interaction, and minimizing and ultimately eliminating manual data entry of all common tax documents: these are the double focus of most recent and near future advancements.

proven particularly valuable during tax season by freeing firm staff from performing administrative tasks and giving clients secure, 24x7 access to their prior and current year tax returns, financials and other documents.

CyberCabinet, which is included with AccountantsWorld's Accountant's Practice Online, exemplifies how these tools are changing the rules of tax practice. When a tax return is completed, the tax professional simply uploads it to CyberCabinet for the client's review, and an e-mail automatically notifies the client. The client reviews the return and sends it back with comments. Once the return is complete, it is simply filed electronically, and a copy is saved in CyberCabinet for easy future retrieval by the accountant or client. For many firms, this has reduced the costs associated with retrieving paper files, while simultaneously improving client service.

Dual screen monitors: a new view toward higher productivity

About five years ago, a few forward-looking accounting professionals started connecting an additional monitor to their computers. Later a Microsoft study established that financial professionals could be 20-50 percent more productive with multiple monitors. Systems are now available with dual, triple, and even more monitors, letting tax professionals view their tax programs and client documents simultaneously. "Multiple monitors are a must for offices trying to go paperless," said Michigan CPA Tony Perna. "I know I am more efficient, especially when preparing client returns. Instead of looking at a file with last year's return, I can simply view that return on one screen while completing this year's return on the other."

OCR, scanning and forms recognition: let your scanner do the data entry

Optical Character Recognition (OCR) has been around quite a while. Simply put, when you scan a document, it takes a picture of the document, treating it as an image. For a computer, the letters and figures on a scanned document are no different than a

picture. OCR software identifies letters and numbers and converts them into a format like PDF that a computer can recognize.

Recently, new OCR technology has emerged that reduces manual entry of many tax documents such as W-2s, K-1s, and various 1099s. Imagine never having to enter data from these client documents again. The programs work by automatically recognizing a form when it's scanned, grabbing information from each of the form lines and boxes, and transferring the data into the client's return in the practitioner's tax preparation program.

SurePrep and Scan&Fill are two currently available OCR programs. SurePrep's 1040Scan (www.1040scan.com) works with most professional tax systems, recognizing about two dozen forms. New to the market this year is the Scan&Fill system, for users of ATX (www.atxinc.com) and TaxWise (www.taxwise.com). Technology in this area is evolving, but promises the potential that OCR and forms recognition will be great time-savers for tax professionals.

The future: it ain't what it used to be!

As you know, most tax data, such as W-2 and 1099 information, is stored on payroll service providers' and financial institutions' servers. If this information could be pulled into tax preparation software, it would eliminate almost all data entry! But while bank transactions can be downloaded directly into many accounting systems, no solution is yet available that allows individual tax information to be downloaded into professional tax systems. The irony is that this technology already exists and is even available for low-cost consumer tax systems like TurboTax. It's only a matter of time until this technology will also be made available in professional tax systems, saving you enormous time and effort.

There are great things ahead, but the only way to prepare for them is to keep an open mind and explore new solutions. Once you put today's tax technology to work for you, April 15th will truly be easier and more profitable than ever.