



Tax & Accounting

Modernizing tax to drive better bottom lines

Here's a relatable definition for "frustration": The difference between *expectations* and *experiences*. Or, put more simply, "the difference between what I *thought* I was going to get and what I *actually* got."

If your organization has added tax to the portfolio of financial services you provide clients, you've likely already put some elements of tax automation to work. The natural follow-up, then, becomes this: Are your experiences in using tax automation solutions matching your expectations? Are you:

- Creating a single source of truth for tax?
- Reducing errors and identifying problems earlier in your process?
- Implementing a scalable solution that's primed to grow as you grow?
- Engineering a more modern client experience?
- Improving the efficiency of your tax team and optimizing its time?
- Enhancing tax collaboration amongst your team, other internal stakeholders, and clients?
- Bridging gaps in your processes by integrating and automating throughout the company (and, in turn, "catching up" to modernization in your organization's other service lines)?

If you answer "no" to any of these questions you have an ideal opportunity to make tax automation work harder – and deliver more value – for your team.



Put simply, the inherent challenges of low-automation processes are making them an increasingly unattractive option for managing complex returns, especially for high-net-worth clients whose diverse investment strategies generate source documents aplenty.

Identifying Current Levels of Tax Automation

SAE International has identified six steps on the path to total automation, adapted here to reflect tax automation for financial services organizations:¹

- *0 – No Automation:* Your staff is keying in data by hand, managers review printouts, and clients provide paper documents in person or through the mail.
- *1 – Human Assistance:* The system offers assistance to staff, including notifications that help remind staff of work that needs to be done and electronic documents that make collaboration easier.
- *2 – Partial Automation:* Technology is performing basic functions like data import and populating default data based on mapping and templates, but staff must activate and monitor the system.
- *3 – Conditional Automation:* Some of the data imports and info gathering that used to require staff to actively participate can now be set to work automatically. Staff intervention is only needed when errors occur.
- *4 – High Automation:* Data moves between systems and tasks are completed with almost no user intervention required, except for out-of-the-ordinary situations.
- *5 – Full Automation:* The fully automated process is performed without human intervention. Your staff can focus on other, higher-value client work.

If you're relying on spreadsheets to manage tax, you're hovering around the "0" or "1" level of automation. Electronic spreadsheets, after all, have been tiring eyes on computer screens since 1979, when VisiCalc software first shipped with Apple II computers.² And while the power and sophistication of spreadsheet software has advanced exponentially since then, using it for tax returns retains a bit of a disco-era vibe (and not in a positive, carefree, dance-the-night-away way).

Put simply, the inherent challenges of low-automation processes are making them an increasingly unattractive option for managing complex returns, especially for high-net-worth clients whose diverse investment strategies generate source documents aplenty. The proverbial "productivity wall" comes up hard and fast.





By automating tasks that don't add value to your organization – but do free you to contribute higher-order thinking to your clients – you establish new habits that naturally reinforce why clients have come to trust you.

That, in part, has spurred some tax teams to adopt automation for at least some of their most routine tasks. They may still rely on spreadsheets to organize or track basic information, but they've also opted to embrace initial modernization steps to power greater efficiency, generate “stickier” client relationships, and/or grow their businesses.

Laddering Up: Taking Automation Forward – and Upward

Whether they've fully or partially automated their efforts, financial service providers that have modernized how they manage tax have discovered that they can capitalize on:

- *Greater efficiencies:* More automation translates into less manual data entry, which generates critical time savings (see sidebar).
- *Fewer errors:* One-time data entry that populates values throughout the system eliminating the need for re-entry, or electronic data feeds – channeled through optical character recognition of scanned documents, spreadsheets, or APIs that automatically import data from other systems – dramatically reduce input errors typically associated with manual data entry.

- *Improved stability:* Cloud-based automation software can provide data center-level security and reliability (two features that are quickly becoming *must-have* rather than *nice-to-have* attributes).
- *Enhanced accountability:* Automating reviews and signoffs positions a tax team – even one operating with remote, geographically dispersed team members – to keep returns moving briskly through the process.
- *Greater flexibility:* With automation, tax and compliance professionals are more likely to be ready, willing, and more-than-able to deliver the kind of seamless, anytime/anywhere experience those clients expect.
- *Improved talent management and retention:* Automation can take tasks off already overloaded plates, supporting efforts to curb stress and generate better work-life balance.
- *Less paper, more paperless operations:* Automation can make tax department operations truly paperless. In addition to demonstrating a commitment to environmental responsibility, it can promote better work organization, enhanced security, and the other benefits noted in the list above.



Having reputable, robust software for preparing and filing 1040/1065 returns is critical, but you'll also want to have a solution at hand that helps you handle partnerships, K1s, allocations and apportionments.

Getting to the Heart of Modernization

If you can envision how modernizing tax can generate better opportunities to serve clients and strengthen your organization's bottom line, then you've already taken a crucial first step.

Next up is evaluating your complete tax process. Are there any tasks that you haven't yet automated, but should? Similarly, what have you already automated that hasn't delivered on execution?

Then examine what's holding your team back. Is an outdated infrastructure or culture (i.e., "that's just the way we've always done it" syndrome) standing in the way? Do you know of change agents in adjacent areas across the organization (e.g., in family office management, real estate, insurance, etc.) who have taken their automation to the next level and can share lessons learned?

Alignment with near- and long-term organizational goals will also be critical: If you're planning to grow your tax offering, can your current solution grow with you, both in terms of volume (of users and/or returns) and calibration with constantly changing tax regulations?

At Wolters Kluwer, as we've helped our clients take their next natural step in modernizing tax by implementing our CCH® Access™ platform, we've noticed they have a special affinity for:

- *A proven solution:* Having reputable, robust software for preparing and filing 1040/1065 returns is critical, but you'll also want to have a solution at hand that helps you handle partnerships, K1s, allocations and apportionments.
- *An open integration platform:* Long gone are the days when a piece of productivity software could sit on an island, isolated from the rest of your systems. Instead, your tax solution should leverage APIs to pull in data that both eliminates (or at least substantially reduces) the need for manual entry and, equally important, positions your tax team to provide more

effective, timely, and informed counsel to guide client financial strategies.

- *A fully cloud-based solution:* Security. Stability. Anywhere/anytime data access. The same attributes that you entrust the cloud to deliver to other parts of your organization should be expected of your tax solution, as well.
- *Flexible data conversions:* Your next tax solution doesn't necessarily have to create a historical record or replicate your original returns, but it should allow data conversions of key variables (like personal information, major IRS schedules, federal carryover amounts, etc.) from your existing tax software.
- *Modular components:* Your tax solution should have add-as-you-want-it modules that let you integrate the features you need, as you need them.
- *Complete workflow integration:* Every step of your process – including complete review and signoff procedures – that could be considered for higher-level automation should be. For example, your tax system should have an ability to link supporting workpapers to trial balance and support a "change it once, change it everywhere" capability that makes it easy for a data change to populate across all key tax functions. And having a client portal that facilitates more consistent, transparent communication with clients about tax helps engender the kind of trust that generates "stickiness."
- *Onboarding and ongoing support:* Robust onboarding (including training and conversions) is a must-have. U.S.-based support can be advantageous, as well, and so too are features like extended hours during tax seasons, online support through active user communities, and frequently updated FAQs.



Having Patience with the Process

Beware of anyone suggesting to you that planned organizational change is all sunshine and roses. It isn't. Clouds and thorns can appear from time to time. Being realistic about the true dynamics at work during tax modernization can better position your team for long-term success.

For example, adopting full tax automation can take time. Tax software providers can only convert federal numbers, so you'll have to key in state information manually. You may have to teach your team members – each of whom may have a different degree of natural tech savviness – new processes. And even a modest increase in cost can invite internal debate.

But the end result is worth the investment, which is why so many financial service providers don't look at tax modernization as a cost center but instead as a revenue driver. Whether they're new to automation in general or looking to notch up their current capabilities, they aren't content to just "check boxes" with tax. They want to give it the same kind of maturity and value yielded by solutions that deliver effective automation in other parts of the organization. They know that achieving that aim in tax will lead to happier employees, more satisfied clients, and healthier bottom lines.

In their *New York Times* bestselling book *Switch: How to Change Things When Change is Hard*, authors Chip and Dan Heath explain that, "When people try to change things, they're usually tinkering with behaviors that have become automatic."³ And therein lies the benefit of mastering tax modernization: By automating tasks that don't add value to your organization – but do free you to contribute higher-order thinking to your clients – you establish new habits that naturally reinforce why clients have come to trust you.

How Tax Modernization Can Pay Off

Automating routine tasks doesn't just make good common sense, it also makes good financial sense. Here's an example of what saving 30 minutes a day over a year's time could mean for the bottom line:

30 minutes a day saved
(x) 230 working days a year
= **6,900 minutes saved**

6,900 minutes saved
(x) 50 employees
= **345,000 minutes saved**

345,000 minutes saved
/ 60 minutes per hour
= **5,750 hours saved**

5,750 Hours
(x) \$220 hourly billable rate
= **ROI of \$1,265,000 (billable time)**

Tax and Workflow Solutions from Wolters Kluwer

High-performing advisors see tax for what it really is — an essential yet underappreciated factor in successful financial services management.

And just as so many public accounting firms do, they trust tax and accounting solutions from Wolters Kluwer to give them the clear perspective into a client's tax dynamics so that they can transform data into decisions with ease.

Tax Software

Built to maximize efficiency, our powerful tax software lets you leverage advanced technologies and integrations to smooth your modernization of tax.

CCH® Axxess™ Tax, iQ, Financial Prep
CCH® ProSystem fx Scan, PDFlyer
CCH® AnswerConnect

Workflow Software

Standardize, optimize, and automate your processes with workflow solutions that enable your team to spend more time on your highest-value tax services.

CCH® Axxess™ Workflow, Document, Practice, Portal, Client Collaboration

- 1 *SAE International Taxonomy and Definition of Terms. 2016.*
- 2 *Meet the two guys who invented the first-ever spreadsheet. Business Insider. Oct. 17, 2017.*
- 3 *Switch: How to Change When Change is Hard. C. Heath & D. Heath. Broadway Books. 2010.*

For more information, please visit

<https://www.wolterskluwer.com/en/solutions/tax-accounting-us/corporate-tax-software/financial-services-providers> for more information.

Contact information:

Wolters Kluwer
2700 Lake Cook Road
Riverwoods, IL 60015
United States
800-739-9998