



## Ten Questions to Ask When Considering Tax Document Automation

### Summary

Solutions that automate the organization and indexing of client tax data can provide immediate improvements to productivity and profitability this tax season. The following guide provides 10 simple questions that can be used to help evaluate these solutions and the potential benefits they can provide for your firm.

### Ten Questions to Ask When Considering Tax Document Automation

There is surging interest in automating data entry for 1040 returns. Tax firms face chronic shortages of preparers and support staff during the peak tax season. A recent [Copanion](#) survey found that most tax practitioners spend more than 40% of return preparation time organizing client files and entering tax data. Accounting and tax firms are looking for solutions to reduce or eliminate the grunt work of organizing client source documents, keying data into tax preparation software, and checking numbers.

Solutions from tax compliance suite vendors like Intuit, Thomson and CCH, as well as best-of-breed players like [Copanion](#), start with scanning or uploading client source documents. The next step is recognizing and organizing each set of client source documents into one categorized, bookmarked PDF file. Then data is extracted from the documents and “pushed” or entered into tax preparation software. Finally, documentation and tools may be generated that speed up the partner review process.

With a range of solutions available, how can professional tax preparers choose the option that best fits their practice? After surveying over 350 active tax professionals nationwide, from sole practitioners to the largest regional firms, [Copanion](#) developed the following ten questions for firms considering tax form automation. The answers can help determine both whether and which solution to adopt.

### Does Tax Document Automation Make Sense for Your Firm

The following questions can help you assess whether tax document automation solutions make sense for your firm. Answering “yes” to at least two of the following questions suggests that your firm has the potential to achieve rapid return on an investment in automating tax data entry this tax season.

- 1) Is the average number of 1040 returns completed by each professional tax preparer greater than 30 each tax season?**

Evaluate both the number of returns handled by each tax preparer in your firm and the total number of returns processed by your firm. An automated solution for organizing and indexing tax documentation provides opportunities to centralize these responsibilities with administrative assistants while freeing up tax professionals to focus on finishing more returns.

**2) Is the average number of client source documents per return greater than 10?**

Source documents include IRS government forms, tax organizers, brokerage statements, and the thousands of possible variations that preparers might receive.

**3) Is the average 1040 return prepared by your practice of moderate complexity or greater?**

You can assess the complexity of your tax returns by the numbers of hours that it takes to complete a return and how much you charge for processing a return.

**4) Has your firm already invested in commercial grade scanners, dual monitor computers, and/or a document management system in an effort to go “paperless”?**

A scanner and dual monitor computer system will help you get the most out of a tax document automation solution. If you already own this equipment, then you could potentially start using a tax document automation solution with very little investment.

## **Evaluating Which Tax Document Automation Solution Fits Your Needs**

There are a number of solutions that can improve your productivity and profitability this tax season through organized and indexed client tax documents. The following questions will help you compare vendor solutions across key capabilities.

**5) Does the solution organize client source documents, populate tax return data and/or create supporting review documentation?**

While all three functions are useful, firms need to decide where to start and how broadly to automate. One possibility: Incremental adoption, starting with source document automation.

**6) How accurately does the solution identify tax documents and data contained on those documents?**

Less than 70% accuracy may reduce the file preparation time, but increase overall processing time with potentially additional time spent checking for errors and reviewing. Greater than 90% accuracy can reduce overall time significantly.

**7) How many government forms, federal organizers and brokerage statements does the solution “understand”?**

Coppanion estimates there are roughly 2,000 common variations of tax source documents. Recognition of 1,000 suggests that approximately 50% of input client forms will be recognized. Recognition of 2,000 suggests that roughly 95% of client tax documents will be recognized.

**8) How intuitive is the end-user application interface and how easy is the overall experience?**

Ease of use means less training, faster adoption, fewer usage errors, and more frequent hand-off from professionals to support staff.

**9) How much incremental time and capital investment is required to be successful?**

Does the solution require new computers? How much IT support expertise, installation, configuration, and training are required to start using the solution? Solutions range from server-based licensed software requiring significant investment, to Web browser-based applications requiring no capital investment.

**10) How does the vendor ensure the security of your client source data?**

Internet-based solutions should employ at least 128-bit encryption with third-party certification from companies like VeriSign and HackerSafe.

In addition to these ten items, integration with your current tax compliance software and the cost of achieving that integration are key factors to consider. A lower cost solution with less integration may make more sense than an integrated solution that costs more. Many vendors offer the ability to try out these solutions so you can assess the solution within your existing tax workflow.

Solutions are available now to help speed your firm's ability to organize, index, and enter client tax data. And there's still time left to make an impact on your firm's productivity and profitability this tax season.

To learn more about how these solutions can help your firm this tax season, please visit [Copanion.com](http://Copanion.com).