

Tales of the 2009 Tax Season

Written by Brian Tankersley for The Progressive Accountant

No matter how you feel things went for you during Tax Season 2009, one thing is certain: It's now officially over. Whether you spend the next week catching up around the house, sending bills to clients, or vacationing somewhere nice and tropical, tax season 2009 is one for the record books. With new client disclosure requirements for outsourced tax returns taking effect for the 2009 tax season, many firms reduced the number of returns sent offshore, causing staffing headaches early in 2009. Other firms implemented new technologies such as scan and organize (or scan, organize, and populate) applications to better organize the source documents for personal income tax returns before those documents are given to the preparer. Finally, as happens every year, Mother Nature had some surprises in place for some CPA's and firms, bringing unexpected challenges during the busiest time of the year.

Regulations Cause Some Firms to Rethink Outsourcing, Adopt New Technology Tools

Tax season 2009 began with many practitioners worrying about the impact of new IRS regulations under IRC section 7216, and causing some firms to rethink their outsourcing plans for 2009. According to Mark Albrecht, CPA, CEO of Xpitax and XCM Solutions (a major outsourcing and workflow solution firm serving the accounting profession), concerns about changes in the offshoring regulations (also known as the "7216" regs) reduced the number of firms outsourcing 1040's for 2009. "Many of the firms read the wording of the required disclosure, and decided to bring hundreds of previously outsourced returns back in house," said Albrecht. While this may sound like bad news for Xpitax, the firm's diversification into other services, such as corporate and bookkeeping services has helped them thrive in the midst of this recession. "Demand for our XCM workflow product was unprecedented this year, and the rest of 2009 is looking even better." In January 2009, XCM received word that they had been selected to provide their workflow solution to three new "Top 100" firms - for the 2009 tax season. "We rarely had interest from CPA firms in implementing anything in January, but the ease of implementing XCM allowed these firms to reap the benefits of a workflow solutions this busy season instead of having to wait another year. Firms are discovering the efficiency benefits to organizing, distributing, and tracking projects electronically instead of using paper files and routing slips, and they are getting more work done as a result."

Mark and his team are also investing in new service offerings to help the profession do more with less. In addition to the outsourced tax return preparation, Xpitax also offers offshore bookkeeping, financial analysis, and year end audit preparation. Albrecht summed it up as follows: "The problem of workload compression in the accounting profession is not going away, and to avoid burning out their staff people and maintain quality of life, firms are looking at outsourcing work or using technologies such as XCM to make themselves more efficient. We have great solutions for both approaches to the problem."

Anecdotal reports from many firms indicate that those who implemented scan and organize applications (such as Copanion's Gruntworx application, SurePrep's 1040 Scan, Intuit's Document eSort, CCH's ProSystem fx Scan, and the tools in ThomsonReuters UltraTaxCS and GoSystem RS applications) were satisfied with the results. Although some users won't be happy until the tax return prepares itself, all indications are that more firms used these tools to organize tax forms and other information used to prepare individual income tax returns such as IRS form 1040.

North Dakota Flooding Hits Some Firms

In early March, some CPA's in Fargo, North Dakota got challenges from Mother Nature which weren't in their plan for surviving busy season. Eide Bailly's Fargo office was spared direct damage from the flooding, but the challenges didn't end there, according to Eide Bailly Communications Director Liz Stabenow. Stabenow writes:

In March 2009, the Red River along the North Dakota and Minnesota border brought record flood levels to the area, rising to almost 41 feet in less than five days—nearly 23 feet above the flood stage. While many people in the community worked to save their own homes, countless others—from near and far—volunteered to help neighbors, friends and even strangers. The flood brought our communities to a near standstill, when city officials encouraged businesses to close.



Eide Bailly is proud to be a part of the Fargo-Moorhead community. While the Firm's operations remained safe and dry during the 2009 flood, our people were active in fighting the flood. Some lost their own homes, only to turn around and help others continue the fight. This promises to be a tax season that goes down in history as being one of the most challenging:



- Many had to balance their tax work with the need to protect their homes and neighborhoods
- School was cancelled for nearly 2 weeks, challenging our professionals to juggle their schedules to take care of work and kids

- Many home-owners had to relocate furniture and belongings to upper levels, creating chaotic living spaces
- Some families were evacuated, so they moved to new accommodations – relatives, friends and hotels – a few lost the fight and their home
- When the city shut down businesses for two days, our professionals worked remotely to get their clients' work done

We are now days away from April 15 and, while the government has given us a tax deadline extension, Eide Bailly continues to work hard to “wrap up” the season on time. Our people are amazing; we are proud of them!

(disclosure: Executive Editor Greg LaFollette, CPA.CITP practices with Eide Bally in Sioux Falls, South Dakota)

Some practitioners were also helped by their software publishers as well. In response to the crisis, CCH put in place a disaster recovery plan for customers whose businesses and practices were affected by ice or flooding. According to CCH's Leslie Bonacum, this special assistance included the following:

- Free access to Global fx, the online version of ProSystem fx Tax, hosted on CCH servers.
- Optional service center printing of tax returns at no charge.
- ProSystem fx replacement software, at no charge.

Thomson Reuters website indicated that they have a similar policy for firms whose business is interrupted, and most other tax software companies make special accommodations in hardship cases.

Although we've understandably not heard a report from any of the affected firms (it's busy enough during this time of the year without having to deal with relocating offices, etc.), it's good to know that there are options for firms who lose systems at the wrong time of the year.

As we mentioned earlier, tax season is now officially over, but for those of you who love the challenge, we remind you that as of today (April 15, 2009), there are only 132 work days remaining until October 15th.