

## **Tax: A Vertical Perspective**

**Software publishers are making life easier for tax preparers with industry niches.**

*By Richard McCausland*

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William Cook Jr., CPA, no longer has to make those long, long drives to the airport to deliver a bundle of tax returns—including a good number for the El Dorado, Ark.-based firm's oil and gas clients—for data inputting and processing at a center in Texas. Nor does he have to phone or fax in corrections to those complex filings, then drive out again to the airport to pick them up.

Life has gotten a lot easier for Cook, now managing partner of William P. Cook & Associates, since those days back in 1981. For one thing, CCH's ProSystem fx Tax is as near as the closest desktop PC. Every bit as valuable to his firm is the fact that ProSystem fx Tax includes calculations and forms to address specialized requirements within the oil and gas sector, a specialty niche for the practice.

Seated at their desks, Cook tax associates can tackle such intricacies as excluding a nonproductive property's expenses from the gross deductions allowable to oil and gas properties, or limiting the percentage depletion on oil and gas properties to 65 percent of taxable income. The optional ProSystem module encompasses a total of eight forms and statements.

Cook praises the module for its efficiency, ease of use, and the ability to thoroughly track each oil well's production history. Not having it "would mean a great deal more time required for inputting data and record-keeping and maintenance," says Cook. "And that would mean a lot more intensive work for our office staff."

Providers of tax compliance software recognize that they need to do a better job of accommodating their customers' niche specializations.

Within the UltraTax user base, "there are many firms that offer specialty services," such as oil and gas, not-for-profit, real estate, professional services, retail, and food and beverage, says Arthur Ruzzano, marketing director for Dexter, Mich.-based Creative Solutions. CPAs serving these clients "typically have established their specialty niche by using other CSI accounting and auditing products for financial reporting, fund accounting, and the like," he explains. Of course, all of these products integrate with UltraTax for final compliance preparation.

UltraTax itself contains, "at no extra charge," a built-in Data Mining module that interrogates virtually any aspect of client data and produces reports specifically identifying potentially affected clients, like those within an industry segment that use a particular IRS form. "In reaction to changes imposed by [the Jobs and Growth Tax Relief Reconciliation Act of 2003], we delivered specially packaged searches to our users to enable them to pinpoint segments of their client base," notes Ruzzano.

Furthermore, accountants are able to hone their specialization skills by accessing the tax research tools available through CSI's sister company, RIA. For instance, Tax Alerts can function as an information filter, sorting through news about recent tax changes and displaying those that would be of particular interest to the practice's niche clients. The tool indicates which forms may be affected by a new or potential change, provide links to related materials in the Web-based Checkpoint tax research library, and recommend actions to address the issue.

For subscribers to RIA's GoSystem Tax Remote Server or InSource Express RS compliance services, reports are created showing a list of filed returns that are potentially affected by the tax development.

Meanwhile, RIA's InSource operation, which targets corporate accounting departments, will begin rolling out a planned series of industry-specific sales and use tax packages in June. First out the door is a Food and Beverage Returns bundle. "Most of these taxes are applied at the local level," notes InSource product manager Bob Irving. The initial states to be covered include Illinois (17 forms), North Carolina (six), South Carolina (24), and Virginia (38).

RIA/InSource is responding to customer demand, according to Irving. It's not unusual to hear clients say, "These [sales and use forms] are not in your regular package. We'd like to see you add them." The company is already looking at adding other vertical packages; telecoms and auto leasing are two candidates. "Our [InSource] software is becoming more sophisticated," notes Irving. "We're adding a level of complexity to handle these niches."

### Going Grocery Shopping

Citing a "pretty big" installed base of oil and gas companies that use ProSystem fx Tax, Riverwoods, Ill.-based CCH has already seen fit to offer a module targeted to that industry. The company plans to step up its vertical initiatives, according to ProSystem fx marketing manager Jerry Connor.

CCH recently released the ZIPsales Food/Medical Database and Look-up, which provides detailed sales and use tax data specific to the grocery industry. It encompasses all federal, state, county, city, and special taxing jurisdictions in the U.S. and its territories. Examples include the Vermont and Maine meals tax, as well as the reduced food rates in Illinois, Virginia, and Missouri.

Features include a Taxability Matrix for identifying specific food items that are subject to sales or use taxes in every jurisdiction. There's also granular coverage of food products, designed to clarify taxability decisions relating to multiple varieties of similar items.

This database tool covers more than 50 "main categories," from general merchandise and snack foods to alcoholic beverages and non-prescription medications. Each of these categories may contain anywhere from 1 to 16 sub-categories, with their own specific exemption/taxability rules and corresponding rates.

Similar vertical databases are under development to address the tax needs of additional industries. "Some of our strengths are in these very specialized areas," such as utilities and communications, comments Connor. In some cases, "they're very small verticals, but there are very large companies in them." CCH is currently developing the necessary calculator engines. "We'll be integrating all that within our ProSystem infrastructure," notes Connor.

CCH also provides a Tax Tracker News service as part of its Tax Research Network, to make it easier for financial professionals to stay informed about new developments related to their vertical practice niches.

### Getting the Right Data to the Right People

It's not just tax software developers that are scouting for vertical marketing opportunities. At least one aggregator of corporate financial data, Concord, Mass.-based OneSource Information Services, is leveraging its flagship AppLink Pro to provide customized solutions targeted to industry sectors such as financial services, legal, and insurance.

The newly-launched OneSource Underwriter's Worksheet is a customizable tool that can extract detailed financial, executive, and industry data from the vendor's "information warehouse," enabling insurers to perform more thorough interim reviews of existing accounts and to evaluate new applicants quickly and accurately. AppLink Pro allows access to financial data for more than 1.7 million companies worldwide.

The OneSource Anti-Money Laundering tool is designed to allow legal and financial service companies to quickly identify the risk level of a potential client. It allows the user to review pertinent financial filings, scrutinize the prospect's corporate structure, and ensure there are audit safeguards in place to prevent money laundering.

Finally, the OneSource Synergy Solution for Sales and Marketing allows the user to integrate financial data extracted via the AppLink Pro into their own customer relationship management system or customer-facing portal. This makes it easier for the user—the sales and marketing departments within an organization, or its external media relations partner—to amass corporate profiles of potential customers, formulate competitive analyses, and shape targeted marketing campaigns.

A firm can target specific industry news by using custom search terms—for example, “auto dealerships” or “hotels.”

Searches are run every day, and are automatically available via the My CCH tab in Tax Research Network. Search results also can be delivered via email every morning. “This is how a lot of our customers keep up with their specialties,” says Connor.

For pretty much every industry sector, keeping on top of new and changing tax rates is an ongoing challenge. According to a report from Berwyn, Pa.-based Vertex, U.S. municipalities last year raised 412 rates and created 476 new sales and use taxes, while lowering 66 rates.

Tax software specialists are attempting to help preparers and end users alike cope with these trends. “Typically, our business has been geared to the broad, non-vertical-based tax preparers,” notes Charles Ter Bush, president of STF Services, the East Syracuse, N.Y.-based developer of self-calculating SuperForm tax forms. However, last summer, the BNA subsidiary came out with a Sales Tax Rates/Forms bundle that covers thousands of taxing jurisdictions. Industry-specific forms may easily be located by conducting a search using a keyword, form type, or number.

The new sales package “has put us into more of an industrial customer base,” says Ter Bush. As a result, “We’ve been getting more requests from vertical industries, such as telecoms and energy, for specialized forms.” The company is still investigating how deeply it wants to push into particular industry sectors. For now, “We’re trying to establish the broad [sales and use] beachhead before we go into the niches,” he explains.

### **Find the Form, Put It In**

With its ZillionForms, Caribou, Maine-based ATX incorporates a slew of industry-specific federal, state, and local forms targeted to sectors as diverse as not-for-profits, life insurance companies, and real estate concerns—“all those specific reporting entities that have specialized forms,” says Dave Olsen, ATX director for product and business development. “We take the approach that if [a form] exists out there and we can find it, we’ll put it in.”

ATX even offers sector-specific packages, such as a 990 bundle for tax-exempt organizations (encompassing a hefty 118 forms) and a 5500/Pension Benefit Guaranty Corp. bundle (38 forms) for use by benefit administrators and actuaries. “We have people who just buy that group of forms,” notes Olsen.

A case in point: Arnold Warshavchik, an actuary in Brooklyn, N.Y., who purchases the 5500 bundle. “It comes in at the beginning of the year,” he says. “You have to have the disk to get started, but as soon as the forms are ready, you can download those and then roll over all the information from the previous year. It’s a reliable program.”

All the ATX forms are integrated with the company’s Saber/Max tax preparation and Kleinrock tax research products. Olsen explains, “For most returns, you can go from a line item to the research. That functionality provides the tailoring needed by people specializing in certain areas.” If necessary, users

### **Going by the Book**

Besides its industry-specific software and online tax research, CCH has developed a print library of resources for tax professionals who have developed niche specialty areas. A sampling of volumes includes:

- \* *Agribusiness Accounting and Taxation* (2nd edition)—This newly-revised reference is designed for farmers, ranchers, and other agribusiness owners and managers, and the accountants, lawyers, and bankers who serve them.
- \* *Equipment Leasing: State Income and Franchise Tax Considerations*—This reference volume also includes discussions of important non-tax legal and regulatory issues surrounding equipment leases.
- \* *Manufacturers’ Tax Alert*—This work covers all the major taxation issues that affect manufacturing firms, in addition to tips for reducing compliance headaches, dealing with auditors, and reducing tax expenses.
- \* *Miller Manufacturing, Distribution and Retail Guide*—This volume deals with the accounting, consulting, and taxation issues that confront accountants and auditors who advise these types of companies.
- \* *Oil and Gas: Federal Income Taxation* (2003 edition)—This handbook is for accounting, tax, and legal practitioners concerned with financial issues related to oil and gas industry tax law.

also can create industry-specific worksheets in Excel and import those into the tax return, or they can create a spreadsheet-based worksheet right within the return.

A Tax Warehouse tab on the Return Manager home page displays reported or calculated values of various items (the tax itself, the relevant tax bracket, key deductions, etc.) on those returns saved by the user. Queries and sorts may be applied using these item-specific fields, and can be exported as a Client.xls file. The tax practitioner can use this view to analyze client demographics and determine which clients would be affected by certain tax law changes—an especially handy tool for practices looking to develop niche specialties.

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