

The Smart CPA's Guide to Outsourcing Tax Preparation



Overcome short-term challenges and focus on growing your business.

Contents

Introduction	1
In-House vs Tax Preparation Outsourcing	2
The Perks of Tax Preparation Outsourcing	4
Professionally Qualified Staff	4
A Resilient Business Model	4
Improved Productivity	4
Increased Revenue Stream	4
More Focus on Strategy and Less on Tax Preparation	5
No Worry of Volatile Tax Landscape	5
Identifying the Right Tax Preparation Outsourcing Firm	6
Tech Stack/IT Infrastructure	6
Data Protection & Compliance	7
Infrastructure	7
Clear Communication	7
Preparing for Tax Preparation Outsourcing	7
Working with Your Tax Preparation Firm	8
What After Tax Return Outsourcing	8

Introduction

As a business owner of a CPA, EA, or dedicated accounting leader, tax season can be pretty taxing, literally and metaphorically. Between managing the day-to-day operation of the business, like dealing with customers, employees, or vendors, it can take a lot of work to focus on tax preparation. In such a busy part of the year, business owners can easily get overwhelmed by just the amount of stuff on their plate. Sleepless nights become a part of your everyday life, and you find it hard to stay on top of your management game.

If you are someone who is going through such a period, tax preparation outsourcing is precisely what you need. It not only helps you manage your business operations effectively but also help you meet all your tax preparation obligations in the limited time you have on your hand. All this while leaving you enough time to get a whole night's sleep and focus on the growth initiatives you have identified for yourself and your business alike.

This guide is designed to help you understand tax preparation outsourcing as an effective solution to address all your tax season woes at once. Whether you are running a small to medium CPA firm or are a head of a finance function at a large conglomerate, outsourcing can help you achieve more this tax season. By simply outsourcing your tax preparation work to a trusted partner, you can generate more revenue and maximize business profitability while keeping your overheads in check.

So, let's have a closer look at what tax preparation outsourcing is different from your in-house tax preparation, what are the benefits associated with you, how to choose the right tax preparation partner, and all other aspects related to it.

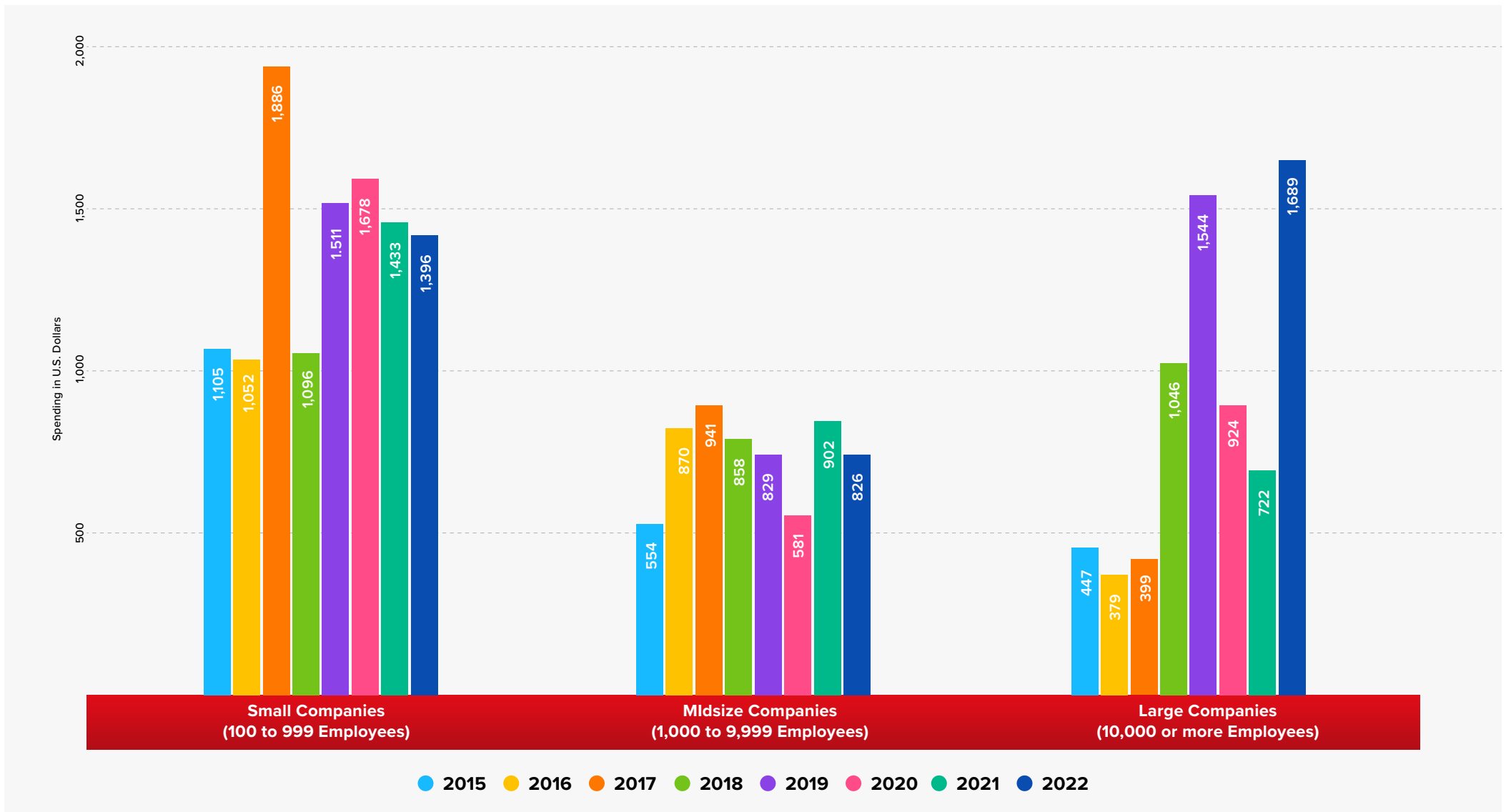
In-house Vs. Outsourced Tax Preparation

Perhaps, the biggest argument made against outsourcing, in any field for that matter, let alone tax preparation, is that the in-house tax expert gives you more control over the overall proceedings. It allows you to interact with them daily, overlook their work, and rectify or modify any changes that need to be done. So, you are always in control, which some might say is not the case with outsourcing.

However, when such arguments are made, they need to consider the overhead costs that come with building a team of experts. The time, effort, and cost that goes into building a team of in-house tax preparation experts far exceed the cost of getting an outsourcing partner to handle your tax-related tasks. It would be best if you considered their salaries, the tools, and technologies needed for them to do their task effectively, the recurring costs, and the cost you will incur for training them and converting them into tax preparation experts. Let's look at the training expenditure incurred by organizations in the recent past.

This makes offshore tax preparation services a tempting alternative to building a team of in-house tax experts. In contrast to having in-house experts, tax preparation outsourcing allows you to have a team of tax experts sitting in their own office, in a different geographical location than yours, and delivering all your tax-related tasks just the way you intended them to be delivered. Yes, the naysayers might say that "where's the personal touch?" but to those, we say look a couple of years back, and you will realize that the personal touch was missing from all our lives.

Communication with this virtual team of tax experts of yours take place online, but with the advent in technology and the mode of communication that have surfaced in recent times, you will never feel the distance and perhaps might not even miss the personal touch.



The modern tax preparation outsourcing service providers are well versed with the tax regulations of all geographies; they have the experts in all departments, the technologies that help them execute their job with utmost perfection, and most importantly, business models to cater to CPAs and F&A function of all sizes. To top it all, the huge discounts and transaction structure that these service providers offer can save you a huge amount of time and effort that otherwise can be spent on your business growth initiatives.

The Perks of Outsourced Tax Preparation

The perks of outsourcing tax preparation are just too many to list in one document. Depending upon the nature of the business you run or own, these benefits might vary, their also can be certain benefits associated only with a specific industry or across all industries. But here we have taken the liberty to list down some of perks of tax preparation outsourcing that are universally applicable and are lauded across all industries.



Professionally Qualified Staff

As mentioned in the above eBook segment, building a team of professional tax experts has a huge cost attached to it, and even if accounting and taxation is your core competency, it can still be quite plaguing for your business. However, if you partner with a qualified outsourcing partner, you can help your business acquire the required talent at nearly 50% of the cost that it will take to build an in-house team. You can also put forward any specific need, such as Bookkeeping, that you might want to outsource to these partners, and their team will oblige.



A Resilient Business Model

Businesses with even slight incompetence are destined to fail in the modern market. This is why building a resilient business model that can withstand any economic or global market trend is strongly recommended. Outsourcing allows you to do so by allowing you to focus on your growth initiatives as opposed to overlooking your day-to-day tax preparation duties. When you outsource your tax preparation, you gain an additional team of experts that allows you to focus more on your core competencies and evolve into a sustainable and resilient business.



Improved Productivity

Quick Turn Around Time (TAT) is something that is frequently associated with outsourcing. Even in the busiest of tax season, you can expect your outsourcing partner to meet all the deadlines and leave very little to no work until the very last moment. This allows your in-house team to focus on other areas and accomplish more from the time saved due to outsourcing. So, you can expect improved productivity levels across the business spectrum.



Increased Revenue Stream

When you save lots of time from outsourcing, you can dedicate that time to growing other business areas. Combine that with all the cost that you save from outsourcing and you are looking at an overall increased revenue stream.



More Focus on Strategy and Less on Tax Preparation

More often than not, your business growth strategy takes a back seat in favor of tax returns or any other accounting duties. Outsourcing allows you to put all that to rest and focus primarily on your strategy. The professional outsourcing partners have a plan of action all well laid out for businesses of all nature and sizes; they will have a checklist of critical dates, documents, and deadlines for faster tax preparation. This allows you to gather all the essential information from your clients at once and accomplish more in less time.



No Worry of Volatile Tax Landscape

The tax landscape is highly volatile, as we have seen recently. It would be best if you stay updated on many parameters, from IRS guidelines on tax issues associated with tax filing to changes in local, federal, and state tax, sales tax, and so much more. This is a huge mountain to climb for any organization, irrespective of its size. Add the constant client inquiries and changes in their tax filing requests, and you are virtually looking at a nightmarish scenario. Outsourcing allows you to pay the needed attention to all these aspects while staying on course to your business growth.



Identifying the Right Tax Preparation

Just as with partnering with any other business, identifying the right tax preparation outsourcing firm to requires you to do the necessary research. While a good brand name in the market and a proven track record are good indicators of a suitable outsourcing partner, those should not be your only criteria when selecting an outsourcing partner. Here are some key indicators or parameters that define a good outsourcing firm. When partnering with an outsourcing firm, you need to consider these parameters.



Tech Stack/IT Infrastructure

For seamless tax preparation, you will need much help from the technology and if you're outsourcing partner is short on any of the prerequisites, it's not a great start. You need an innovative and scalable accounting service that can address all your accounting needs, from data analysis and reporting to reconciliation, multi-currency and multi-company accounting needs. You will want your outsourcing partner to have Cloud accounting, accounts production, and ERP platforms. Here is a glimpse into our capabilities across software platforms.





Data Protection & Compliance

Financial information of any sort is most prone to attract cyberattacks. When most of our work gets done virtually or on Clouds, it's essential to ensure that your outsourcing partner has the tools and guidelines to safeguard your sensitive information. A reliable outsourcing partner will deploy secured perimeter protection using suitable firewalls and security policies to ensure that all the data in transit is safe. They must also be compliant with all global data protection guidelines such as GDPR and CCPA.



Infrastructure

While most of your outsourcing work will happen virtually, you will want to ensure that your outsourcing partner has a state-of-the-art work infrastructure to provide 24x7 connectivity and a healthy working environment for their teams. In recent times, much attention has been given to business continuity plans, so you should enquire about your partner's business continuity plan should one arise.



Clear Communication

Primarily the outsourcing partners are based out of an entirely different geographical location than yours. There is bound to be a cultural mismatch and, sometimes, a linguistic mismatch. So you must ensure that clear communication is established at all times. Your partner should be comfortable delivering business outcomes in your language of choice, or any language agreed upon.

Getting Ready for Outsourcing Tax Preparation

Once you have identified the right tax preparation outsourcing partner for your business, you must prepare your business for outsourcing. A good start will be collating all your financial documents, such as business tax returns, financial statements, and any other relevant documents. You also have all the information associated with your company, such as the tax identification number and further corporate details.

Once you have all your financial information ready, it's time to ask important questions to different organizational stakeholders. Some of the good questions to ask are -

- Which are the tax returns that are most profitable to outsource?
- Do we need a dedicated tax return preparation team or a freelance tax expert?
- How much turnaround time should we expect?
- What accreditations and certifications our outsourcing partner must have?
- Are there any other services that can leverage outsourcing?

Working with Your Tax Preparation Partner

Once you have all your prerequisites ready for outsourcing, it's time to start the work. Your tax preparation outsourcing partner will have questions and requirements of their own; they will need additional information on top of the one you have already provided them. So be patient with their requests and help them with all the information they might need from you.

You also want to have a closer look at all clauses in your contract and raise questions right during the pilot phase as opposed to waiting for the project to get on the floor. It's always beneficial to be transparent and honest with your outsourcing partner. The better you communicate, the better will be the business outcome.

Also, always explore any additional outsourcing opportunity available with your outsourcing partner. This will help you free up more space on your plate just by simply outsourcing any mundane or repetitive task that might be consuming too much valuable time and effort for your organization.

What After Tax Return Outsourcing

Outsourcing, while it takes away the work from your plate it, does not necessarily make you free. You must always be on top of your game to ensure that the outsourcing partner is not taking advantage of your business needs. Once the tax return is prepared, it is advised to have your teams randomly review it for quality assurance and for any shortcomings that might befall. It is also good to keep copies of all your clients' documents for quick reference.

Outsourcing tax return preparation is a fairly simple and relatively easy task to outsource when you compare it with other finance and accounting tasks that can benefit from outsourcing, so it's your turn now to identify all those tasks and see how you can outsource them. But most importantly, the goal of outsourcing was to allow you to focus more on your strategic initiatives, so get back to the drawing board and see how you can take your business to the next level.



About Datamatics Business Solutions

Datamatics Business Solutions is a technology-driven outsourcing partner for leading global enterprises. With our technology enabled CPA services, we help CPA firms achieve their business goals with absolute ease. With a perfect balance of a highly scalable and secure ecosystem comprising of some of the most acclaimed accounting & ERP software and human ingenuity to go with, we have been able to retain 100% of our clients in over a decade of our operations.