

# CPA Practice Advisor

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*Today's Technology for Tomorrow's Firm*

## What's Next for the IRS?

FROM THE **TRENCHES:**  
Your Firm and  
Your Providers

**FEATURE:**  
Daniel Werfel Nominated  
as Next IRS Chief

**BRIDGING THE GAP:**  
Creating an Effective  
Client Intake Process

The Inflation Reduction Act was enacted on Aug. 16, with a provision to allocate roughly \$79.6 billion to the Internal Revenue Service over the next 10 years

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**TEAM COLLABORATION STRATEGIES FOR REMOTE FIRMS**  
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**NOMINATIONS OPEN FOR MOST POWERFUL WOMEN IN ACCOUNTING AWARDS**  
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- Wrangling and Taming Property Tax Compliance Returns and Filing
- The Key to Empowering Staff with Tax Workflow Automation
- The Nuts and Bolts of Building Your Small Firm's Ideal Tech Stack
- The Suite Life: Empower Staff with Automated Processes





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## If I Were the IRS Commissioner...

ONE OF THE most prominent complaints we hear regarding why people are reluctant to join the accounting profession is that the hours are grueling, particularly during what we lovingly refer to as busy season. When I started as a shiny new accountant, I spent my first three years at Deloitte in exchange for the right to be licensed as a CPA.

At that time, in my home state of Illinois, in addition to passing the CPA exam, one needed to log three years in public accounting in order to get that license. Now, Illinois only requires one year of experience to be licensed, and an accountant can be a Certified Public Accountant without ever having worked in public accounting. Times change.

It wasn't just three years of full-time work. Busy season in the tax department meant we started working Saturdays the first week of January and continued through the middle of April. We worked long days during the week – usually until 9 or 10 p.m. each night (although sometimes on Fridays we would call it a day around 7 p.m. and all go out for pizza – it was Chicago, after all). Often as the March and April deadlines approached, we would work Sundays as well. Most of us would log at least one or two 100+ hour weeks during the spring.

Exhausting? Sure. But grueling? Not really. There was a sense of camaraderie in our office. We were all in it together and that made it easy to put in the hours. We were a team, a pack, a group that cared about each other like an extended family, and we all had each other's backs. We laughed about the long hours, about

the food crumbs all over our desks where we ate most of our meals, about the piles of file folders that covered our office floors (this was in the pre-paperless era).

But that was then, and just like the CPA licensing requirements that change, so too do people's attitudes about how, and how much, they are willing to work. And so, getting back to the title of this editor's note, if I were running the IRS, I would look to the model set out by the motor vehicle bureaus in the states. In my state, as well as in many if not all other states, your license plate is due for renewal in a particular month of the year, depending on the first letter of your last name.

If the IRS were to change its filing dates so that 1/12 of the taxpayers had tax returns due each month, instead of 100% of the taxpayers having tax returns due in the same month, accountants could spread out their tax work over the course of the year instead of having to try to get it all done in the spring. Furthermore, the government would have a steady stream of revenue all year. It seems like a win-win situation.

There would be problems – such as how would we do estimates and extensions

– and the transition would be difficult, but it wouldn't be impossible and it would probably be worthwhile.

Interestingly, I suspect there would be those accountants who so embrace working long hours that they would just take on more clients so it would be busy season all year long, instead of keeping the same workload as before and spreading it out over 12 months. But for those who crave stability in their work life, it just might be a good solution. ■



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client trust



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Find yours at **Domains.cpa**







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# Your Firm and Your Providers

THE FALL CONFERENCE season has been enlightening. Perhaps you attended the CCH User Conference in Tampa, the Thomson Reuters Synergy conference in Washington, DC, Digital CPA in Austin, QuickBooks Connect, Ensuring Success, the Unique CPA conference, or one of the K2 conferences in your state. Of course, if you didn't attend, you can look at the innovations announced in press releases. Still, the benefit of these conferences is only partially what you learn about product direction. In addition, you benefit from the interaction with your peers. Unfortunately, these personal interactions were more difficult during the COVID pandemic. Partners and team members have been starving for innovation despite being exhausted from the compliance work of PPP, PPP2, ERTC, tough tax deadlines, and more.

When Wolters Kluwer CEO Jason Marx was asked about his favorite business insight at the close of the CCH User Conference, he responded that it was watching CPAs experience the augmented reality lab using Microsoft HoloLens 2. I was fortunate to experience using Microsoft HoloLens 2 setup myself and to simulate how augmented reality could help review a tax return. Wolters Kluwer wanted its customers to appreciate the potential of these new technologies. It was a good use of my time.

One word of caution, the marketing engines are in full swing. As a result, the solutions sold aren't necessarily in the best interest of your team, the partners, or clients. On the other hand, we must have software tools, like tax software, to provide our compliance services. However, caveat emptor (buyer beware) is as accurate now as I've seen at any time in the last four decades. Between public company profitability, private equity demands for performance on their investments, technology stack recommendations

without independence, automation opportunities that frequently don't work as advertised, and staff shortages, partners and managers may be in the most challenging (dare I say interesting) time of managing professional firms that I have ever observed.

## WHAT ARE SOME OF THE TOP IDEAS?

Each major publisher has made efforts to improve its portfolio, and I appreciate them. Every practice area has experienced change:

practice management, tax, audit, document management, workflow, portals, client accounting services, and advisory. We've written about these items in prior columns, or spoken about them in *The Technology Lab* podcast series ([www.cpapracticeadvisor.com/podcasts](http://www.cpapracticeadvisor.com/podcasts)). One thing that has not changed is your firm's decision to purchase most of your products from a single provider, such as Wolters Kluwer (CCH) and Thomson Reuters, or to acquire best-of-breed solutions from Intuit, IRIS, or smaller competitors. Be thoughtful about your one suite or best-of-breed approach.

Also, as presented at the Wolters Kluwer conference, survey results suggested the top issues for CPA firms are: 1) Late or unprepared clients, 2) Keeping track of new or emerging regulations, 3) Working with the IRS, 4) Servicing clients effectively, 5) Economic uncertainty, and 6) Retaining and attracting top talent.



## WHAT ARE SOME OF THE TOP TOOLS?

You can find up-to-date information on the website CPAFirmTech.com. Consider the K2 Quality award winners in the announcement at <https://tinyurl.com/t7abrbj84>. All, some, or none of these may help solve issues in your firm. In his latest book, "Starry Messenger," Neil deGrasse Tyson suggests that there are fewer discrete issues (yes or no, black or white), but problems tend to be along a continuum. Beyond (and including) these winners, consider these best-of-breed solutions sorted by these categories:

### ■ Portals, document management, and PBC (prepared by client lists)

- Doc-It Suite Cloud
- e-Courier
- Liscio
- SafeSend
- ShareFile
- SmartVault
- Suralink

### ■ Automation

- CCH Axxess IQ (now with state information)
- Corvee (tax planning)
- Forms gathering and recognition
  - Dext
  - Hubdoc
  - Sage Autoentry
- Ledgible Crypto Tax Pro by Verady (for cryptocurrency)

### ■ Payments

- Corpay One
- CPACHarge
- QuickFee

### ■ Tallyfor (for Trial Balance)

### ■ Practice Management

- AccountantsWorld by IRIS
- Aiwyn
- Clarity Practice Management
- CCH Axxess Workflow
- Digilence

- TPS Cloud Axis
- Jetpack Workflow

### ■ Accounting Software

- Accounting Power
- AccountingSuite
- Acumatica
- NetSuite
- QuickBooks Online
- Sage Intacct
- Spire Systems
- Xero
- Zoho

### ■ Services from others

- Hosting
  - Ace Cloud Hosting
  - Cetrom
  - Right Networks
  - Network Management Group, Inc.
- Outsourcing
  - AdvanceTrack
  - BooXkeeping
  - SurePrep
  - TOA Global
  - Taxfyle
  - Xpntax
- CPA.com
  - BILL
  - Biz2Credit
  - .CPA top-level domains
  - Jirav
  - LukkaTax for Professionals
  - OnPoint A&A Suite
  - Paychex
  - RIVIO
  - Sage Intacct
  - Vertex

These issues and these solutions may be reasonable short-term AND long-term solutions. While *The Technology Lab* podcasts can give you a tactical view of product solutions, co-host Brian Tankersley and I have many strategic discussions and thoughtfully advance individual solutions for your technology stack. Please listen in to hear our latest takes on solutions of all kinds.

In the last few years, innovations, consolidations, and strategic changes have occurred. It has become appar-

ent to my colleagues and me that it is time to rethink our technology stacks from top to bottom. While a December column would frequently predict or suggest changes for the coming year, it is time to take a longer view. 2023 will become the year of the stack as we make strategic recommendations that we believe will be different from what you have seen in the past. We expect to build toward the new technology of the future, including the business use of the metaverse, which includes evolving concepts like self-sovereign identity, Web 3.0, blockchain, and augmented reality. Most important will be the business reasons accounting professionals should use the technologies with their clients.

Of course, we'll add sprinklings of the latest and most significant advancements and other announcements at the Consumer Electronics Show. But we'll also be mindful of the practical use of the technologies while being innovative.

## SO, WHAT DO I DO NOW?

OK, I understand you have a firm to run and another season to prepare for. But first, if you have not taken some downtime at a conference, on vacation, or in some other way to disconnect, do it now. The holidays are upon us, and schedule some time now to take extra days off with family and friends.

Look at your most pressing issue or the item taking you or your team the most time. How can you solve or eliminate that problem? Consider if fewer tools that you learn to use better would serve you better. The annual Wolters Kluwer survey suggested that 26% of firms use less than 50% of the software products they own. In my experience consulting with firms, I think it is far less. How do you solve your most pressing problem? Focus on solving just that one item before your busy time.

Secondarily, consider one item

you would consider helpful to know more about. Then, either schedule a CPE course or time to focus on learning more about that one item. While your newfound knowledge may save you time, I'm confident that learning something new will help recharge your batteries for your coming workload.

Finally, consider something you are doing that you should stop doing. Ceasing a time-consuming activity can be done either from work or at home. The goal of eliminating something is to immediately net more time in your day. One friendly piece of advice I received 40+ years ago was not to watch the news. It can take 30-60 minutes, is frequently bad, and will depress you, and if something is noteworthy, others will tell you about it anyway. Alternatively, consider one highly summarized news briefing like Semafor, 1440, the Skimm, or Axios. Don't read the details of any more than one item.

You'll be surprised that you'll know "the big stuff" and have extra hours back in your day. While I enjoy reading *The Wall Street Journal*, *The Financial Times*, *The Economist*, *Time Magazine*, and *National Geographic*, these can all be time-consuming. Perhaps a better use of your time is spending your reading time on books you have thoughtfully selected. Years ago, I was taught that the value of printed material declined with the frequency of publication. In other words, newspapers are less valuable than magazines are less useful than books. Consider the effort, thoughtfulness, and thoroughness of what you are reading in today's digital world.

With the three pieces of guidance above, I hope you'll still find my columns and podcasts of the past and future providing valuable ideas. You see, I want the time you spend reading one of my columns or listening to one of our podcasts to save you more time than you spent or to give at least one or more executable ideas. So, for now, celebrate, relax, and have a profitable future. ■





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# New Movement Advocates for Major Shift in Accounting Profession

By Alina Nikishina

FORMED AND LED by two former honorees of *CPA Practice Advisor's* "40 under 40" and "20 under 40" Awards, the Accounting Alchemy Network (AAN) movement is advocating for a major shift in the accounting profession by empowering accountants to be a force for positive change in the world.

Ingrid Edstrom and Mathew Heggem founded AAN as a response to the acknowledgement that the current financial narratives in our culture and, by extension, the practices of the accounting profession are unsustainable. According to Edstrom and Heggem, accounting professionals are in a uniquely powerful position to steward forth a new regenerative story of money and finance that is not extractive of our planet or exploitative of our people, leveraging practices that take into consideration our impact as a

profession on issues like climate change, racial equity, and intentional economic structures. The AAN vision is to create a world where accounting professionals are a positive force in developing a sustainable and regenerative global ecosystem and culture.

"Simply and bluntly put – 'business as usual' practices are not only destroying our planet, but they're also outdated and need to change if we want to be financially abundant, attract the best talent, and provide the best service to the clients of today," said Alina Nikishina, an inactive CPA and one of AAN's leading supporters and founding members.

"Being a force for positive change in the world" sounds like a mission that's easy to support, yet questions remain: Where does one start? How does one actually do this?

***"Together, we are building the playbook for how accountants and their clients can make positive change by simply increasing their awareness of the key issues facing our world and using that awareness to make more intentional decisions on a daily basis. We don't have all the answers now, but we have a lot of brilliant people in our network who are collaborating to uncover the problems and create possible solutions."***

— INGRID EDSTROM

AAN officially opened its doors to founding members in March 2022 and has already attracted attention and support from major players and

## lyceum

[ lah-yee-uhm ]

noun

an institution for popular education providing discussions, lectures, concerts, etc.



thought leaders, both in and out of the accounting profession, who are in alignment with the mission, including CPA Practice Advisor editor-in-chief, Gail Perry, CPA.

***“I was honored to be included in the inaugural Lyceum for the Accounting Alchemy Network, and I’m excited to see where this goes. The world is ripe for change right now, and accountants are being tasked with understanding, measuring, and accounting for various sustainability initiatives in today’s business environment. As with any change, this is only going to go forward. Hats off to the AAN team for creating an environment for the sharing of ideas and creating the opportunity to team with others who are like-minded.”***

— GAIL PERRY, CPA

AAN mobilizes and engages its members in multiple ways, focusing on a combination of virtual events and asynchronous conversations through various social media platforms. One of the cornerstones to the AAN programming is monthly educational “Lyceums,” named for the venue where Socrates and Plato would gather with their compatriots to philosophize and debate as a form of education. In AAN Lyceums, participants share insights and offer guidance on what it looks like to create positive transformation in the world through their practices as industry professionals.

For example, AAN’s October 2022 Lyceum with Harvee Pene, founder of the firm Life Changing Accountants, 2x TEDx speaker, and author of several books, inspired the AAN members to tithe 1% of their time, income, or profits to help end world poverty. Other Lyceum discussions have been around diversity, equity and inclusion (DEI), environmental, social, corporate governance (ESG), the “Infinite Mindset,” and other topics relevant to accounting practitioners.

In addition, AAN has proudly partnered with a

nonprofit organization, the Pachamama Alliance, to bring eye-opening education to its members through the Awakener and Game Changer Intensive (GCI) programs. This powerful education shines light on the reality of the current state of affairs, framing our ecological and social crises, and offers insight into what each of us can do to help change the course of our trajectory.

***“My experience of GCI was life changing. It connected all the dots between environmental sustainability and social justice as well as the inescapable conclusion that everyone of us has a role to play in the solutions no matter what our skill set.”***

— JOAN RALL, RETIRED PARTNER AT EY AND CPA, AND ONE OF THE LATEST GCI PARTICIPANTS.

In addition to the monthly Lyceums, webinars, and educational programs, AAN hosts social forums for peer-to-peer connection and group discussion, and supplements all of this by keeping the conversation alive in their social channels.

The AAN has also begun to facilitate these conversations beyond the AAN network. For example, Intuit’s QuickBooks Connect Conference in December 2022 will host a panel discussion titled, “Transform Tomorrow: Sustainability for Accountants,” moderated by Mathew Heggem and featuring several leaders within the AAN community.

What’s most exciting about all this? AAN has only just begun, and as the movement continues to grow, even more accounting professionals are stepping forward to take the stand for positive change. AAN members are leading conversations in the network and participating on panels as advocates for some of the key issues being addressed within the AAN.

This is just the beginning of what is needed to see the kind of change that is greatly needed in the accounting industry and in our world.

***“One of my favorite parts of the Awakener and Game Changer Intensive education provided to our AAN community by the Pachamama Alliance is that it poses the questions to each of us, ‘What did you do once you became aware of these issues?’ and ‘What is yours to do?’ Sitting back and continuing as things are is no longer an option. It is time for change. We are creating a space where it is safe for each of us to explore what that change looks like in our lives and to choose the actions that are in best alignment with our personal values and goals.”***

— INGRID EDSTROM

For those interested in getting involved, it’s free to become a member of AAN. The AAN is particularly seeking individuals who wish to learn and expand their current awareness around our world’s most pressing issues by participating in the upcoming offerings of the Awakener and Game Changer Intensive courses, which are offered through the AAN by the Pachamama Alliance on a donation basis.

To join, visit [accountingalchemy.net](http://accountingalchemy.net) and sign up for the newsletter. Upon signing up, you’ll receive instructions on how to join the AAN’s Facebook and LinkedIn groups. This will give you access to all of the past events and resources, as well as information about upcoming initiatives.

If, in your heart of hearts, you know that something needs to change in this industry, and you want to be a part of that change, you don’t have to figure out “the how” alone. You can join the Accounting Alchemy Network’s like-minded, open, and judgment-free community to become empowered with the support and tools you need to make that happen. ■

*Alina Nikishina is an inactive CPA, entrepreneur support Coach, mentor, and hypnotist. [www.AlinaNikishina.com](http://www.AlinaNikishina.com)*



## COULD PAYROLL BE A PROFIT CENTER FOR YOUR FIRM?

By Mary Girsch-Bock

IF YOU'RE LOOKING for a new profit center for your accounting or tax firm, one area you may want to consider is payroll.

If you're already handling other financial services such as taxes and financial planning, adding payroll to the mix may be the logical first step. And unlike other services your firm may offer, payroll is a service that nearly all of your business clients use, making it beneficial for both you and your client if payroll services were added to the mix.

### WHY OFFER PAYROLL?

Payroll can be a pain point for many small business owners who are overwhelmed with the many legal and tax requirements that managing payroll requires. Add to that the time it takes to fix payroll mistakes, and a small business owner can quickly become overwhelmed with processing payroll in-house.

According to a survey completed by Sure Payroll, 42% of small businesses still use in-house, do-it-yourself methods to process payroll. Even more alarming, only 36% of small business owners said they were familiar with FICA, which is a necessity for processing payroll. Mistakes are another issue, with 32% of small business owners admitting they've made payroll mistakes, typically underpaying an employee.

With results like these, it's likely that many businesses would be happy to forego processing payroll by turning the complete process over to an accounting firm. If offering payroll as a service is starting to sound better, you might want to use an online payroll service that does most of the heavy lifting for you: processing checks and direct deposits and ensuring that taxes are handled properly.

### ISN'T PAYROLL TOO EXPENSIVE?

Traditionally, payroll wasn't a viable option for most CPA and accounting firms to offer, because it required a lot of hours to process and brought in too little revenue. But with payroll services now offering online services,

the time it takes to prepare payroll has been significantly reduced. Today's online payroll services are all-inclusive, offering automated payroll runs, employee self-onboarding, automatic tax calculations and payments, and adherence to all updated rules and regulations; both state and federal.

Even better, many of these same payroll services offer an accountant version designed specifically for firms looking to add payroll services to their menu of offerings. If you're interested in payroll services, it's important that any online service you consider offers the following features:

- **A user dashboard** – All payroll services offer an administrative dashboard. Make sure the service you're interested in offers one that can manage multiple clients.
- **Portals** – Portals are used for everything from submitting payroll information to allowing clients and their employees access to documents such as paystubs and historic pay records. Portals can also be used to update personal information or to change tax or direct deposit information.
- **Multi-user login** – If you're looking at payroll services, make sure that any service you're considering allows both you and your clients to access the system. This is particularly important if you're interested in letting your clients have some control over the payroll process.

Instead of payroll services being all or nothing, consider customizing services and pricing for your clients, basing pricing on the necessary work level involved. For example, if your client's business is mainly hourly employees who are paid weekly and earn tips, the cost of offering payroll should be higher than for a business with salaried employees who are paid twice a month.

### PAYROLL SERVICE PROVIDERS

Here are just a few of the online payroll service providers that offer special pricing and programs for accounting professionals.

- Paychex
- Sure Payroll
- OnPay
- Rippling
- ADP
- AccountantsWorld Payroll Relief
- Gusto

Of course, these aren't the only online payroll applications available, so be sure to do your own research before committing to any program.

### THE PLUS SIDE OF OFFERING PAYROLL

While you will be taking on additional work, you'll also be adding a year-round revenue stream to your firm. And there are other benefits to offering payroll services for both you and your clients.

- For your firm:
- The ability to offer new clients an all-in-one financial package
  - Adding payroll can strengthen an existing relationship
- For your clients:
- Reassurance that payroll is being handled properly
  - Less administrative work and data entry
  - Complete integration with other financial management tools

If offering payroll services to your clients is on your radar, why not take the first step and contact online payroll services before the end of the year? ■

*Mary Girsch-Bock began her career as an accountant and later made the switch to writing full time, concentrating on software reviews. A former QuickBooks beta tester, Girsch-Bock currently specializes in business and technology with a focus on small businesses. Her work has appeared in The Motley Fool, The Blueprint, Property Manager.com and she currently writes a monthly business and technology-related blog for PLANERGY, a Procure-to-Pay platform designed for mid-market organizations.*



# How to WOW Your Clients

*Artificial intelligence is helping create accounting tools that WOW your clients.*



In today's world of bookkeeping and accounting, the current tools are dull, outdated, and uninspiring for clients. The solutions aren't engaging to use, so operators don't dive into the numbers or avoid them altogether. There is hope on the horizon. Digits is a fintech company leveraging artificial intelligence and real-time data to build an entirely new class of financial tools to help solve the biggest pain points for the accounting profession. Tools that empower accountants and WOW their clients at every touch point in the process.

Their proprietary A.I. technology, the Digits Living Model, makes a new class of financial tools possible by using state-of-the-art artificial intelligence and advanced statistical analysis. These breakthroughs bring next-generation capabilities to traditional instruments such as financial reporting with live, interactive elements that run automatic analysis and provide auto-generated insights.

The platform ingests millions of data points to model a client's business finances in real-time, creating a digital twin of their accounts and financial details, including credit cards, revenue, subscriptions, and the transactions between them. The Digits Living Model is constantly learning, updating and adapting to every new change in the data in real-time.

**Q: But how does all this advanced A.I. power translate into wins for you and WOWs for your clients?**

**A:** Let's start with the ledger. They're plagued by errors of varying degrees, ranging from uncategorized transactions, miscategorizations, or even integration mistakes. These errors are costly because they create pains downstream in the form of client-facing issues or compliance and regulatory

problems.

Designed precisely to resolve these situations, Digits saves you hours of tedium cleaning up and closing the books. Its tools detect errors and code transactions for you. And if it can't, the system makes it easy to get answers from your client, WOWing them with the ease and flow of resolving issues fast with minimal back and forth. The A.I. will even suggest which questions to ask based on the context of a transaction. These are just a few of the ways new technology is redefining the way accountants and bookkeepers can WOW their clients, through better systems and super-intelligent tools.

**Q: So why doesn't the accounting profession have this yet?**

**A:** The overarching answer is fear. Fear that automation will replace and devalue the role of accountants. But the reality is that this doesn't have to be the case.

Other industries already use automation to protect and advance their workflows. New sales tools have transformed how teams engage with, follow up, and manage prospective clients. Leveraging A.I., sales teams can now get immense analytics from each call, helping them understand

who talked the most, what questions were asked, and insights into how they should follow up and engage with customers. These tools have all made practitioners more productive and leveraged their energy across occupations.

Thanks to the Living Model, accountants can now be too. Digits empowers accountants and bookkeepers with instant access to underlying transaction data and the ability to understand drivers and changes in their client's business finances over time. Auto-generated A.I. insights save hours of analysis and help individuals understand what is going on beyond the basic Profit & Loss statement or Balance Sheet.

Digits was meticulously engineered to win back time at every turn. On average, accountants who use Digits save 4-8 hours per client each month, and it only takes minutes to integrate with existing accounting tools.

**Q: So what will you do with your new superpowers and newfound time?**



DIGITS

[visit.digits.com](https://visit.digits.com)



What's Next for the

# IRS?

The Inflation Reduction Act was enacted on Aug. 16, with a provision to allocate roughly \$79.6 billion to the Internal Revenue Service over the next 10 years.

*By Jason Bramwell*

UNITED STATES

Internal  
Revenue  
Service  
Building



THE IRS HAS about 80 billion reasons to be thankful this holiday season. That's because President Biden signed the Inflation Reduction Act into law on Aug. 16, which includes a provision to allocate roughly \$79.6 billion to the tax agency over the next 10 years—what some observers say is the largest amount of funding the IRS has received from Congress that they can remember.

In a July 31 post on her blog, "Don't Mess With Taxes," (<https://tinyurl.com/2p8kj67h>) tax expert Kay Bell broke down how that money is expected to be distributed to the IRS over the next nine fiscal years:

- \$4,750,700,000 for business systems modernization;
- \$3,181,500,000 for taxpayer services;
- \$25,326,400,000 for operations support; and
- \$45,637,400,000 for enforcement.

The remainder of the funding will go to the U.S. Tax Court, the Treasury Inspector General for Tax Administration, and the Treasury Department's Office of Tax Policy. Treasury Secretary Janet Yellen asked the IRS in late August to produce a six-month plan (<https://tinyurl.com/2s4kyk94>) detailing exactly how the new resources will be deployed over the next decade.

"Treasury is going to be keeping a close eye on it because the agency has to succeed here, and we need to see something in this plan that instills confidence that the agency in fact has a plan, that it's a reasonable one, and that it's achievable. Here's where we're going, here's how we're getting there, and here are some intermediate milestones. This infusion of money is significant, and I think the stakes are so high that Treasury has to be involved," Robert Kerr, principal at Kerr Consulting, said during an appearance on the "This Week on Tax Notes Talk" podcast on Sept. 13 (<https://tinyurl.com/yadjjmtt>).

The problem is, we do not know

who is going to be leading the IRS six months from now. Charles Rettig's term as IRS commissioner expired on Nov. 12, and the new chief will have to jump right in and figure out a plan for the windfall the IRS will receive. Biden nominated Daniel Werfel, a former acting commissioner of the IRS during the Obama administration and the current global leader of the Public Sector practice at Boston Consulting Group, as the next IRS commissioner but that is pending confirmation by the Senate. Until then, IRS Deputy Commissioner Douglas O'Donnell will serve as acting commissioner.

So, what is next for the IRS? It is a question some tax experts tried to answer on a variety of podcasts recently along with trying to understand what this increase in the IRS's annual budget could mean for the upcoming tax season.

### HIRING TO FILL MANY NEEDS

According to an August Bloomberg report (<https://tinyurl.com/u872mfys>), the IRS has lost more than 23,000 employees since 2010—to 80,000 at the height of tax season this year—and it is estimated that the tax agency is going to lose approximately 50,000 more in the next five years due to retirement.

"We all know they're behind [on hiring], and that's part of the cause [for this funding]," Misty Erickson, a tax specialist at the National Association of Tax Professionals (NATP)

and a former auditor for the state of Minnesota, said during an NATP podcast on Sept. 1 (<https://tinyurl.com/2vza4uas>). But those retiring IRS employees are not what has made national headlines. What has are claims by some lawmakers that the IRS will use the new federal funding to hire 87,000 "agents" in an effort to increase audits of the middle class—both of which are not true, the IRS has said. The IRS and Democrats have attempted to reassure Americans that the additional audit activity will affect only those making \$400,000 or more.

"Eighty-seven thousand agents aren't going to show up on the IRS's doorstep the day the Inflation Reduction Act is signed. I don't think you'll be able to find 87,000 people who have the base level of competency required [that quickly]," Ed Zollars, CPA, an instructor at Kaplan Financial Education, said on the Current Federal Tax Developments podcast on Aug. 14 (<https://tinyurl.com/bddt397t>). "It's going to take quite a bit of time to ramp that up. I don't think I'm currently worried about the IRS knocking down the door of my clients' offices anytime soon."

So where did that 87,000 number come from? According to a September blog post (<https://tinyurl.com/3a2d547j>), Jesse LaGrossa, manager of business valuation, forensic and litigation support services at Marcum, wrote that *The American Families Plan Tax Compliance Agenda* published by the Treasury Department in May 2021 included a proposed IRS funding plan for the next 10 years. Page 16 of that report includes a proposal for funds of approximately \$79.2 billion—very close to the \$79.6 billion allocated in the Inflation Reduction Act. Table 3 on page 16 indicates that such an allocation of funds would allow the IRS to hire an estimated 86,852 full-time equivalent (FTE) employees (approximately 87,000) over the next decade.

"Did Congress appropriate more

federal funds to the IRS than in recent years? Yes. Those funds will presumably be used to hire additional staff at all levels, including revenue agents, revenue officers, special agents, and other professional staff—not just 'agents,'" he wrote. "While some of the estimated 86,852 FTE employees budgeted for will replenish staffing attrition due to retirement, career changes, etc., the hiring of approximately 87,000 FTE employees over a 10-year period can be construed as a significant expansion of the IRS."

The problem the IRS will face is the same problem anyone in business today who is hiring is facing right now: it is tough to find the right people, Mark Everson, former IRS commissioner and current vice chairman at Alliantgroup, said during an appearance on the "This Week on Tax Notes Talk" podcast on Nov. 1 (<https://tinyurl.com/f7rz79bh>).

"We have a shortage of workers right now for a variety of reasons, and I think that's very true across accounting and tax in the private sector. It's also of course true for the IRS. They've struggled to bring on people that they had authority to bring on with the COVID-19 relief funds," he said.

Fortunately for the IRS, the agency was given direct-hire authority, allowing it to quickly fill vacant positions, even offering jobs to qualified people on the spot. On Oct. 27, the IRS announced it has hired 4,000 new customer service representatives to answer phones and provide other services for the 2023 filing season. These new staffers were hired over the past several months and are being trained to provide assistance to taxpayers, including answering phone questions.

That's good—for both taxpayers and tax professionals—as hold times to get a question answered by an IRS representative have averaged 23 minutes. And that is if your calls to the IRS get answered—of the 282

million telephone calls the agency received in 2021, approximately 32 million, or 11%, were answered. With the addition of these 4,000 customer service representatives, the IRS anticipates phones will be answered at a much higher pace during the 2023 filing season.

“It absolutely should be a goal that whether it’s through phones or other forms of communication that, if people need to communicate with the IRS, they can do that efficiently, they can do that quickly, and they can get the right answer,” former IRS Commissioner Charles Rossotti said during the recent AICPA National Tax Conference in Washington, DC, according to the *Journal of Accountancy* (<https://tinyurl.com/3hd7h4jm>). “That is going to be a step-by-step process ... and within a few years, it should be massively better than it is today.”

## CLEARING THE PAPER RETURN BACKLOG

Last May, National Taxpayer Advocate Erin Collins revealed in her midyear report to Congress that the IRS had a backlog of 21.3 million unprocessed paper tax returns, an increase of 1.3 million over the same time last year, which she said is “creating unprecedented financial difficulties for millions of taxpayers and outright hardships for many” who were counting on refunds to supplement their incomes. She also said there were eight-month backlogs in processing taxpayer correspondence.

When asked on the podcast what his top priorities would be if he was the current IRS commissioner, Everson said one of the first things he’d want to do is “absolutely have to clear the backlogs, and that includes the correspondence.”

“Because as practitioners know, there have been lots of notices issued. People are confused. Until you clear the backlogs, including the correspondence, you’re still going to have untold volumes of people calling in because

they don’t know what’s happening. You have to get that all corrected and fast,” he continued. “They’ve done a good job of getting extra people to work who’ve done submissions processing in the past. But I would assign tag teams or teams of regular auditors and collections people, ship them out to the service processing centers, and have them work on two- to three-week rotating duties, if you will. Let go some of the other things that they’re doing, which are discretionary. They have to get this backlog cleared.”

The good news is some progress has been made, Collins said in a Nov. 10 blog post (<https://tinyurl.com/36zajw9f>). She wrote, “As of Oct. 21, the IRS had about 3 million individual returns and north of 4 million business returns awaiting initial processing, as well as about 2 million amended individual and business returns.” She added that the IRS deployed additional resources to address the processing backlog and has been processing between 900,000 to 1.1 million total individual and business returns a week. However, the IRS only has about a month or so left before it shuts down its systems to prepare them for the upcoming filing season.

The IRS also has about 4.5 million pieces of correspondence awaiting processing, Collins said, adding, “Many of these documents are scheduled to be worked by the customer service representatives who split their time during the filing season between answering phones and processing amended returns and correspondence.”

## MODERNIZING IRS INFRASTRUCTURE

During a recent Yahoo Finance segment (<https://tinyurl.com/4ucku4j5>) on the funding the IRS will receive from the Inflation Reduction Act, senior columnist Rick Newman described the current state of the IRS’s computer systems as, “The IRS

**Tax expert Kay Bell broke down how that money is expected to be distributed to the IRS over the next nine fiscal years:**

**\$4,750,700,000**  
Business systems modernization

**\$3,181,500,000**  
Taxpayer services

**\$25,326,400,000**  
Operations support

**\$45,637,400,000**  
Enforcement

has computers from the 1960s. They have equipment that is made by companies that are out of business. So, there’s nobody to service this stuff. They have computers running on Windows XP. No one has that in their house anymore. So, they desperately need some new technology, people to build that technology. And it’s going to take a long time. I mean, we’re talking about investment over a decade.”

Bringing the IRS’s antiquated systems into the 21st century will include things like development of callback technology, along with other technology that can provide “a more personalized customer service,” Kay Bell wrote.

In previous years, the IRS has had a “woe is me” mentality, Everson said, and has told Congress and taxpayers that, “We can’t do anything because we don’t have enough money.” The agency can’t use that excuse anymore.

“One of the things they really need to do here is communicate openly and regularly with the stakeholders about what they’re doing and why certain

things will take time before you’ll see certain improvements. That’s what they have to do because the expectations are higher,” he added.

The former IRS commissioner also said the tax agency has a problem with data security, most recently when it said last September that it mistakenly published confidential data for 120,000 taxpayers on its website before realizing the error and taking down the data. He also pointed to the ProPublica report last year in which tax information of well-known billionaires like Jeff Bezos, Elon Musk, and Warren Buffett was leaked to the news outlet. The source(s) of the leak have not been revealed.

“Data security is a terrible problem, and it’s a great concern to everybody,” Everson said. “Before they spend these billions of dollars on new systems, I think the American people and Congress are entitled to an explanation of what happened with the ProPublica leak. Was it inside? Was it contractors? They’re going to go out and have a lot more contractors doing many, many things. We better understand that they’re doing it right.”

He also stressed that the new IRS commissioner must make overseeing the development of this six-month implementation plan and building up the agency’s infrastructure while maintaining the operations an important part of his to-do list. “If you build up the infrastructure side, this plan will unfold with a lot fewer problems,” Everson said.

There is a lot riding on this “once-in-a-generation opportunity for the agency to modernize and to meet the expectations and needs of taxpayers,” said Robert Kerr. “Failure is not an option here; it simply has to succeed,” he added. “Frankly, it’s in everyone’s interest that the agency does. It’s in taxpayer’s interest; it’s in industry interest; it’s in tax professional interest. We should all be rooting for and doing everything we can to help.” ■





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Being an Empathetic Leader Builds Your Team's

THE EFFECTIVENESS OF a leader at an accounting firm involves much more than technical know-how or years of experience. If you want your employees to perform at their best, they need to feel valued, empowered and understood. And for that to happen, you need to be an empathetic leader.

## WHAT IS EMPATHETIC LEADERSHIP — AND WHY DOES IT MATTER?

Empathy is understanding and relating to what another person is feeling, thinking or experiencing. The proverb about walking a mile in someone else's shoes doesn't mean you must agree with their point of view. Instead, it's about being willing and able to appreciate what they are going through.

These are the key traits of an empathetic leader:

- **Authenticity** — They are always trying to learn more about who they are and how they can improve.
- **Transparent** — Whether communicating or making decisions, they believe in open dialogue and active listening.
- **Empowering** — They support and nurture employees, understanding how each person's experiences and motivations influence their work.

Why is empathy important? If you can understand and provide what employees really need, they will be better equipped to overcome challenges and handle pressure. Empathy builds trust between you and your workforce, strengthening relationships and, in the long run, boosting collaboration and productivity.

For example: suppose one of your direct reports has personal issues affecting their work. What should you do? Many managers might assume that the compassionate response would be to give the employee time off to resolve their situation. However, after talking to them and getting their perspective, you learn that coming to work gives your report a much-needed respite from dwelling on their problems. So, in this case, rather than a leave of absence, they might need more workplace support.

## FOUR TIPS FOR BECOMING AN EMPATHETIC LEADER

To be considered an empathetic leader, you'll need

to demonstrate this attribute in visible and concrete ways for the benefit of your employees and company. Just like many other leadership qualities, empathy can be learned, so consider these four approaches.

### 1. BE AN ACTIVE LISTENER

Identifying and solving problems is second nature for good leaders. Sometimes we can be too quick to jump to conclusions when what is really needed is for us to better listen to our employees so we fully understand their concerns.

Try these tips to hone your listening skills:

- Pay attention to nonverbal cues, such as facial expressions, gestures, tone of voice and pace of speech.
- Reserve judgment and ask for clarification on points you don't understand.
- Check your understanding by paraphrasing for them ("What I hear you saying is...").

### 2. SHARE YOUR OWN EXPERIENCES

Often, the best way to let a team member know you understand what they're going through is to say, "I've been there, too." You might worry that opening up about yourself could make you appear vulnerable. But the upsides are significant — employees who feel supported are more willing to share their concerns, allowing you to create solutions before bigger problems arise.

Tell your tale with compassion and humor. Perhaps it was an audit nightmare, a difficult client or a presentation that went off the rails. The goal is to show your human side while remaining professional, so remember to avoid off-limit topics such as HR issues, personal information or company secrets.

### 3. CHAMPION YOUR EMPLOYEES' NEEDS

Many employees hesitate before speaking up, often because they think they might not be heard or fear it might backfire on them. Take the return to the office

as an example. While many company leaders still struggle with the idea of employees working a hybrid schedule permanently, a survey for Robert Half's 2023 Salary Guide found that 75% of respondents said they want to work at least part of the time remotely.

How do you walk this fine line between the prevailing company mindset and your workers' needs? One way is to use data-driven evidence to persuade other leaders about the value and rewards of flexible work, whether higher levels of workforce productivity, reduced real estate costs or meaningful progress toward diversity, equity and inclusion goals.

### 4. WATCH FOR SIGNS OF STRESS OR UNHAPPINESS

Employee mental health is a pressing issue for organizations, as factors such as heavier workloads chip away at workplace well-being. A recent Robert Half survey found that around two in five (41%) workers report feeling more burned out than a year ago.

Look out for signs of overwork in your team before burnout becomes an issue. You might need to take a few extra minutes each week to check in and gauge how they're handling their current workload, especially during busy periods like tax season. If you have remote team members, make sure they know that communication channels are always open. A good rule of thumb is to talk one-on-one to employees two to three times more than you would in an office.

Empathetic leaders listen actively, build bonds by sharing their own experiences and support their employees' needs. And team members who see that their manager recognizes them as individuals rather than another cog in the wheel are more engaged and willing to go the extra mile. ■

## Moving a Business to a Different State

**Y**our clients might have many reasons to move their businesses to another state: better market opportunities, more prospective customers, or access to a more skilled workforce, to suggest a few. Or your client might prefer another state's small business tax breaks or incentives given to small businesses. The reasons for moving could be personal: to be closer to extended family, cheaper housing (or cost of living), or even a better climate.

Whatever the reason, your business client might not understand that the simplicity or complexity of moving a company to another state depends on the entity's legal structure.

### SOLE PROPRIETORSHIP AND PARTNERSHIPS

Moving a company to another state is relatively simple for clients running "non-entities," such as sole proprietorships and partnerships. Sole proprietorships and partnerships do not need to register with the state when they're founded. However, they are required to terminate local business licenses and permits and then apply for new ones in the new state and municipality to which they've moved. They must also cover other business obligations, such as paying outstanding debts like sales and employment taxes.

If the sole proprietorship or partnership operates under an assumed name—doing business as (DBA)—the owner will need to withdraw the name from the secretary of state's office. If the company owners want to use the DBA in the new state, they'll need to do a name search and reserve the name in the new state. Also, if the company's business bank doesn't have a branch in the new state, the business will need to close its business accounts and find a new bank to reopen them. Finally, the Internal Revenue Service (IRS) must be informed of the business's move to ensure the federal tax ID or federal employer identification number (EIN) on file

reflects the updated business address. Clients should use Form 8822-B to report the change of address.

And, of course, if the move is made mid-year, your client must submit tax returns in both states.

### CORPORATIONS AND LLCs

Because corporations and limited liability companies (LLCs) are required to register with the state in which they are founded, the process is a bit more complicated. Once your clients decide to move their corporations or LLCs to a new state, they have two options. They can either 1) dissolve the company in their former state and file to reform it in the new state, or 2) keep the original state as the company's home state and file for a foreign qualification in the new state.

Filing for foreign qualification makes sense if a company still plans to do business in both the state the business left and the state to which the business is moving. If that is the case, your client must contact the new state's secretary of state office to understand the process for foreign qualification. Typically, a business can register online or by mail for a certificate of authority and pay the appropriate fees. Some states require proof that the company is in good standing in its home state, which means it complies with incorporation protocol and has paid its taxes.

The business owner will need to provide details about the company, such as the corporation's name, list of corporate officers, the domestic state, stock information, the local mailing address, and the registered agent. Registered agents are people or companies with the authority to accept service of process (legal documents and government notices) on behalf of a company.

However, if your client does not plan to conduct business in the original state, it makes more sense for the

business owner to permanently close the business there and then register a new corporation or LLC in the new state.

Although closing-a-business protocols vary by state, most states require the following:

- All board members in a corporation or LLC must agree to the closure and move to another state. Also, the agreement should be recorded in the meeting minutes and signed by all parties.
- Incorporated entities must also file a "Certificate of Termination" or "Articles of Dissolution" with the secretary of state. Again, before a state dissolves a company, the business must be in good standing.
- The corporation or LLC must also pay all debts belonging to the company, and any remaining assets must be distributed to the members/owners. How the LLC files its taxes determines if taxes are due on the distributed assets.

Once the company has permanently been closed in the previous state, the business owner must re-register in the new state by reserving a business name, filing Articles of Incorporation, and acquiring the required business licenses and permits.

### STATUTORY CONVERSION OR DOMESTICATION

Another alternative for changing a company's state of formation is through a statutory transaction called a conversion or domestication; however, not all states offer this option.

Conversion/domestication (also referred to as redomestication) relieves the entity from having to start over and form a new LLC or corporation in its new state. After the business completes the conversion/domestication process, it no longer exists in the previous state.

In the states that allow redomestication, the process is straightforward. Companies apply for conversion/domestication in the new state by submitting Articles of Domestication—or Articles of

**By Nellie Akalp**

Continuance. Typically, the company must provide a Certificate of Good Standing from the original state of formation and a copy of the Articles of Dissolution form from the old state. Once redomestication has been approved by the new state, the company dissolves the business in the old state by filing Articles of Dissolution.

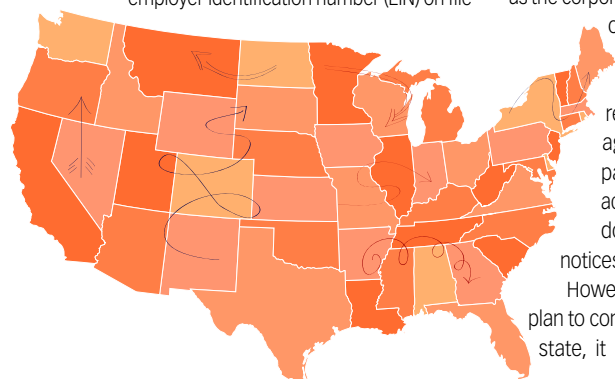
States allowing domestication include:

- Arizona
- California
- Colorado
- Delaware
- District of Columbia
- Florida
- Idaho
- Indiana
- Kansas
- Kentucky
- Louisiana
- Massachusetts
- Maine
- Mississippi
- Nebraska
- New Hampshire
- New Jersey
- Nevada
- Pennsylvania
- South Carolina
- South Dakota
- Texas
- Utah
- Virginia
- Washington
- Wisconsin
- Wyoming

### PAYROLL REQUIREMENTS

In most cases, if a business employs workers in a state, it is required to register the company with that state's department of finance and unemployment office. Employers must abide by the rules and regulations covering employees in every state where that worker earns money for the company, even if the business is not physically located in the state. Payroll tax responsibilities include reporting employee income tax to the state and contributing to payroll taxes, such as Social Security and Medicare. Every state also requires employers to contribute to the state's unemployment insurance tax (UI). UI is a federally-mandated, state-run program that provides temporary payments to unemployed workers whose employment status is not a result of their actions.

Some states have reciprocal agreements for multi-state employers. In those states, taxpayers who live in one state and work in another may file for tax exemption, which relieves them from paying taxes in both states. ■







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## 6 Tips To Help You Develop & Upskill Your Team

**ACCOUNTANTS ARE OFTEN** expected to wear many hats, making it difficult for them to focus on the individual development of their team members. However, it's important to understand that developing the skills of your staff members will positively impact their career progression and the overall success of your business.

If you don't allow your team the opportunity to learn new skills, your team members might stagnate and become less valuable as employees. This can lead to high turnover, which is bad news for your business and can negatively impact client relationships. The good news is that there are many ways to level up your team members and help them develop their skills. Here are six tips for developing and upskilling your team:

### 1 HELP EMPLOYEES UNDERSTAND THEIR STRENGTHS AND WEAKNESSES

It's important to understand what each member of your team excels at, as well as their weaknesses. Sit down with each employee individually or as a group and ask them what they like doing most or what they would like to see more of in their roles at the firm. Once you've identified each employee's strengths and weaknesses, put together a development plan for each person based on those results. This should include short-term goals for the next few weeks or months and long-term goals for the next year plus.

### 2 CREATE A CULTURE WHERE PERSONAL DEVELOPMENT IS VALUED AND PRIORITIZED

Create an environment where staff members know they have permission to take time off from their regular duties to pursue personal development projects. Consider offering training programs, including those that focus on improving general soft skills like communication, collaboration, and leadership — these skills are important for all staff members regardless of their role or specialty within the firm.

Have an open-door policy and encourage team members to discuss their aspirations and career goals. Make sure everyone knows they are welcome

to discuss any professional matters directly with you at any time — this will help build trust among colleagues and promote open communication within your firm.

### 3 ENCOURAGE EMPLOYEES TO TRY NEW THINGS AND KEEP LEARNING

Don't pressure employees with goals, but provide a direction for them to work toward. Ask them about their interests and hobbies; if there's an opportunity for cross-training (for example, if they have experience in marketing), then let them know. Reward them for completing training courses or certifications with bonuses or extra time off.

### 4 PROVIDE ONGOING FEEDBACK

Provide guidance when needed, but don't get involved too much. The best way for someone to learn something is by doing it themselves. So let them do it wrong first and then step in, if necessary, with advice and guidance afterward. Allowing people to learn from their mistakes will help them develop confidence too.

Set up regular performance reviews so that employees can discuss their progress with you and each other. This helps them identify areas where they need improvement, allowing them to receive constructive feedback on their performance so they can improve on it going forward.

### 5 PROVIDE OPPORTUNITIES FOR YOUR TEAM MEMBERS TO MENTOR OTHERS

In the accounting profession, mentoring has been proven to be one of the most effective ways to improve employee performance within a company. Mentoring your employees is a great way to help them learn new skills and acquire valuable experience. The more experienced

members of your team can act as mentors for junior employees, helping them build their confidence and develop their knowledge base.

Create opportunities for peer-to-peer learning through regular meetings or informal chats where staff members can share best practices, ask questions and get feedback on ideas they're exploring. These meetings should be scheduled at least once every quarter so everyone stays engaged.

### 6 RECOGNIZE EMPLOYEES FOR THEIR NEW SKILLS AND ACHIEVEMENTS

Accountants are a diverse group of professionals who have different reasons for wanting to upskill. The most common reason is to advance their careers, but many also have personal goals they're trying to meet. Being recognized by your employer as someone committed to learning new skills can be very motivating. Recognition not only boosts morale but also encourages employees to continue learning and growing within your organization.

If a staff member takes on a new role or project that requires additional expertise, recognize it by giving them a promotion or bonus. This will encourage them to continue developing their skills and might encourage others in the office to do the same.

These six tips should give you plenty to think about, but they're only the start of your journey. Developing your team members is a process that requires dedication, commitment, and organizational leadership. If you want your team to truly thrive, your best bet is to develop a unique approach that suits your business model, vision, and mission. When the employer invests in training, staff members will experience growth both as people and professionals, preparing them to take on new responsibilities. This growth can benefit the firm's bottom line and help create a culture of success that you and your team can be proud of. ■

## Navigating New Workplace Headwinds

EMPLOYERS ARE CURRENTLY experiencing an unprecedented set of headwinds. First, businesses are facing difficulties attracting and hiring a sufficient number of workers. As businesses attempt to resume full operations on the other side of the COVID-19 pandemic, consumers are likewise eager to return to their normal patterns of eating out, traveling, and shopping for more than essentials.

But a lack of workers has remained a thorn in the side of businesses and businesses have been forced to adapt to the extent possible. Restaurants have struggled to serve their returning customers. Grocery stores, fast-food establishments, and retailers have increased the use of self-checkout and self-service kiosks. Airlines have delayed or canceled thousands of flights due to pilot and attendant shortages. A lack of truck drivers has continued to snarl supply chains.

Employers' hiring woes should really come as no surprise upon considering some critical facts. The unemployment rate is near a multi-year low, at 3.7% for August. Not long ago an unemployment rate of 5.5% was generally considered full employment. The labor participation rate, the percentage of working-age Americans currently employed, on the other hand, is at its lowest level since the late 1970s.

Additionally, in what has been referred to as the Great Resignation, in the first several months of 2022, almost 4 million people per month voluntarily left their jobs. In most cases leaving one job was an attempt to improve compensation by moving to one of the 10 million or so open jobs in the country. However, not all departing employees moved to a new job. A good number left for other reasons, such as burnout due to the pressures of the pandemic, to address childcare issues, or to seek more formal education to improve employment opportunities.

There has been a slight glimmer of hope recently for employers trying to manage employee turnover. As many as 4% of the employees who left their employment during the Great Resignation have boomeranged back to their former employers. In addition, the deteriorating economy is forcing some baby boomers who retired early due to pandemic-related fallout to return to the workforce.

A second major headwind facing employers is a largely disengaged workforce. Currently, millennials comprise the largest segment of the workforce and millennials generally prioritize work/life balance. Employers' current shortage of employees and inability to expeditiously recruit and hire new employees undoubtedly is fueling millennials' perception that employers are not meeting their work/life needs and causing them to jump to jobs that address those needs. In the case of millennials, there is the added problem that they were already among the least engaged with their jobs.

Often, the primary reason employees stay in or leave a job stems from their treatment or the perception of their treatment by their supervisor or manager. Employees quit bosses, not companies. In a Hays study involving almost 2,000 employees, 43% said their company's culture was the primary reason they were looking for a new job.

Employees cited a lack of communication and the inability to provide feedback as creating the perception their opinions were unimportant and

not valued. Additional studies have shown that close to 80% of employees who quit their jobs point to a lack of appreciation as one of the primary reasons for leaving.

The challenge facing employers with employees who may become easily dissatisfied and consider leaving a job that they perceive as not meeting their expectations is not insurmountable. Adopting an employee-friendly culture is a simple and inexpensive fix. Expressing genuine appreciation and treating employees as the valued assets they are should be part of all managers' and supervisors' daily routine.

Sincere efforts to make employees feel like they are part of the company and to remain truly engaged with employees on a daily basis can reduce employees' motivations to move on for perceived greener pastures. The third and final headwind confronting employers is how to reconcile wage increases with currently high inflation rates, while not knowing how long high inflation will persist. Current estimates are that the median wage increase in 2022 will be 3.4%. In a survey of more than 1,400 companies conducted by human resources advisory firm Willis Tower Watson, employers anticipate pay raises in 2023 to average 4.1%.

With inflation averaging approximately 8% over the past year, peaking at 9.1% in June 2022, employees are rapidly losing ground. However, inflation remaining flat year over year in July 2022 may provide a small ray of



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hope that it may begin to decline soon. But even if the Fed's interest rate hikes are successful in reducing inflation over the coming months, inflation will still likely outpace the wage increases provided by many employers.

Once an employer grants a wage increase it is difficult if not impossible to claw back if economic conditions deteriorate. Thus, cautious employers are often slow to significantly raise wages based on the difficulty of determining long-term trends and their implications. According to compensation data and advisory firm Pay Scale, 51% of workers believe that they are paid below market even when they are paid at or above market rates.

This means that even without the impact of inflation, employees are likely to perceive their compensation as falling short. Employees who perceive themselves as underpaid are more likely to leave their job.

Employee raises have averaged 3% or so over the past 10 years. Unless inflation subsides to the 2% to 3% level, employers are going to see employee demands for wage increases far beyond this historical 3% average. In fact, some employee advocates are counseling workers to seek wage increases equal to inflation at a minimum and preferably 3% to 4% above the inflation rate to make up for lost ground. This is one headwind that will require deft maneuvering by employers in the midst of an uncertain business climate. ■



# Worker Shortages May Be Permanent

U.S. employers' most common complaint across almost all business sectors is an inability to find workers. The coronavirus pandemic and its aftereffects helped generate this continuing problem for many employers. Following the pandemic, roughly three million fewer workers are participating in the labor force today than in February 2020. In addition, more than 10 million job openings exist with fewer than 7 million unemployed workers to fill them.

The lack of workers presents a problem to more than just employers. It has impacted many across the country. Travelers have faced flight delays and cancellations due to a shortage of pilots and attendants. Understaffing at many hospitals has led to stressed and overworked nurses who are quitting, which further exacerbates the shortage.

A shortfall of 80,000 truck drivers has contributed to clogged ports, which in turn leads to limited supply and higher consumer prices. Staffing shortages have caused retailers, restaurants, and other service sector businesses to struggle to provide their standard level of service.

The reasons for the ongoing worker shortage flowing out of the pandemic are varied. Some have not returned to the workforce as the result of the government financial assistance received during the pandemic. It is estimated that 68% of workers were earning more on unemployment during the pandemic than they made while working, enabling some to add to savings. Other workers received pandemic-related bonuses and wage increases.

Combined with increasing home values and reduced mortgage payments, many found a greater level of financial security than before the

pandemic. Together these factors permitted some workers to remain out of the workforce longer than expected. Some chose to leave the workplace permanently. A substantial number of workers 55 and older, who comprised 25% of the workforce before, opted for early retirement rather than a return to a workplace.

Among those workers 65 and over, there were 7% more retirements than would otherwise have been expected in a given year. The loss of these older, experienced workers is especially difficult because a sudden loss of decades of institutional knowledge is difficult to replace.

The loss of so many older workers in the pandemic underscores the primary reason for the anticipated shortfall in the number of workers moving forward. We have an aging population and hence an aging workforce. And the U.S. is not alone in this. The age of workers in the manufacturing sector of several developed countries best illustrates the problem. In the U.S., 25% of manufacturing workers are 55 and older.

In Canada it's 22%, the U.K., 20%, and 30% in South Korea. In Japan, the majority of their workforce overall is between the ages of 45 and 54 and is expected to lose at least 20% of its workforce by 2040 due to aging. The

aging problem is easily explained. Birth rates in most of the developed countries have been falling for years. In the U.S. the birth rate in 1970 was 23 births per 1,000 people. Today, it is eight births per 1,000 people. By 2035, adults 65 and older will outnumber children under the age of 18 for the first time in history.

Other factors contributing to the shortage of U.S. workers coming out of the pandemic include laid-off workers took themselves out of the traditional workforce by choosing to become self-employed. To the extent that numbers are available, it appears these self-employed workers exceed 2019 levels.

has long been a focus of millennials, who comprise the majority of today's workforce.

The desire for flexibility in their job to permit sufficient time for family matters has caused some to remain on the sidelines awaiting that perfect job. Relatedly, the labor participation rate for women fell more than 3% during the pandemic and remains below the pre-pandemic level. In many cases the initial exit from the workplace of working mothers came with the closure of schools and childcare facilities.

Where financial conditions permitted, many formerly working mothers made the decision to stay home

permanently. Finally, the continued implementation of advanced technology increasing automation of the workplace eliminates some jobs and creates jobs for new skill sets that many workers do not currently possess. The U.S. is not unique in this regard. Across the developed world more than 10 million manufacturing jobs remain vacant because of a worker skills gap. While

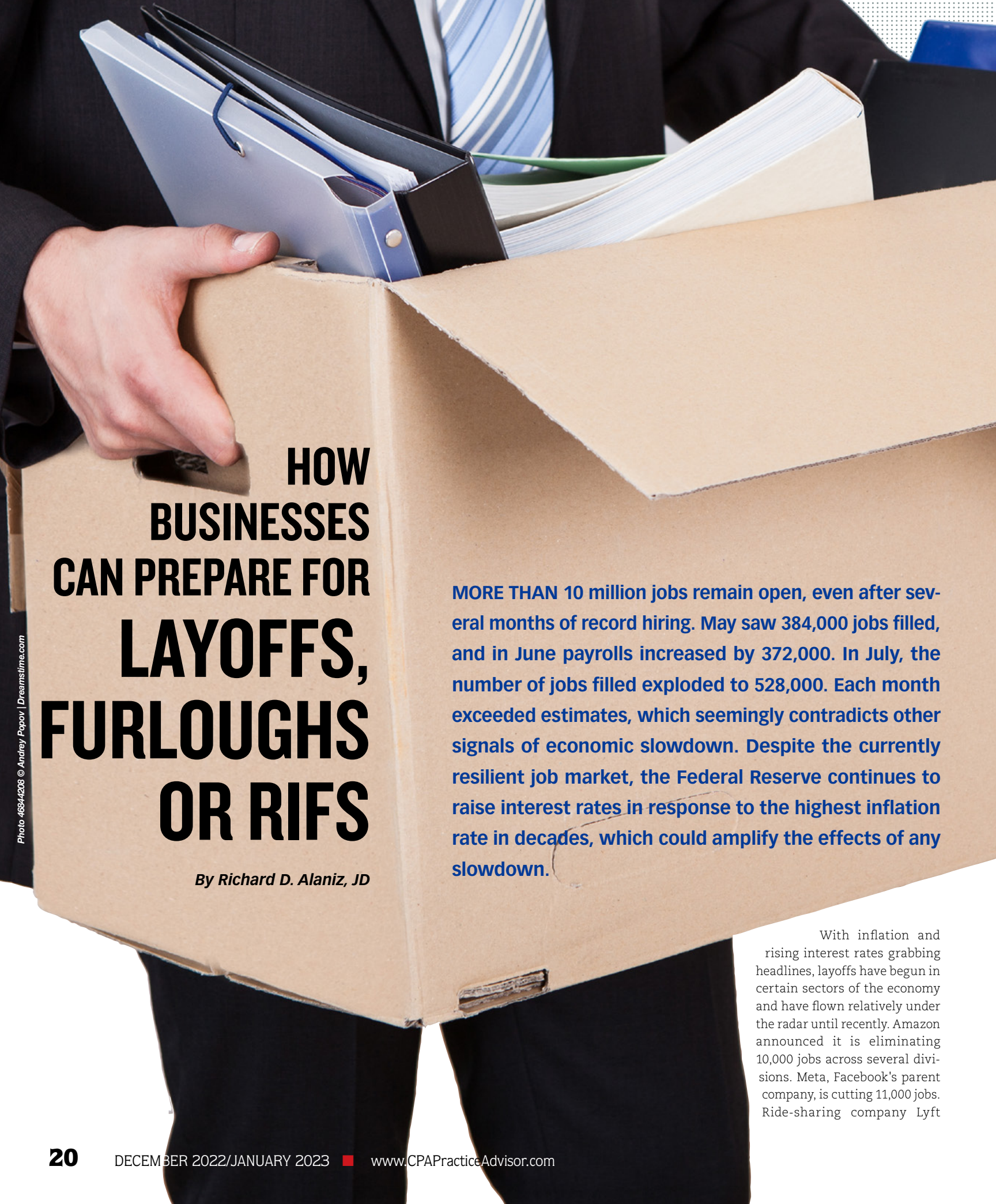
many employers are investing in reskilling and upskilling, it will take time to sufficiently train a more modern workforce, but regardless, automation of the workplace grows by leaps and bounds in the meantime.

When we consider all the factors that impact the labor participation rate, along with long-term trends that may reduce the overall number of workers, employers could be facing a permanent struggle to find workers. ■



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It is possible that the seemingly looming recession could result in at least some of those workers returning to the workforce as their new small businesses struggle. Secondly, the frustrating and exhausting experiences of many workers during the pandemic, including the stresses of working in understaffed workplaces operating under COVID protocols, the stress of school closings and childcare issues, caring for elderly relatives, and similar daily challenges, resulted in a greater focus by many on work/life balance. Work/life balance



# HOW BUSINESSES CAN PREPARE FOR LAYOFFS, FURLOUGHS OR RIFs

*By Richard D. Alaniz, JD*

**MORE THAN 10 million jobs remain open, even after several months of record hiring. May saw 384,000 jobs filled, and in June payrolls increased by 372,000. In July, the number of jobs filled exploded to 528,000. Each month exceeded estimates, which seemingly contradicts other signals of economic slowdown. Despite the currently resilient job market, the Federal Reserve continues to raise interest rates in response to the highest inflation rate in decades, which could amplify the effects of any slowdown.**

With inflation and rising interest rates grabbing headlines, layoffs have begun in certain sectors of the economy and have flown relatively under the radar until recently. Amazon announced it is eliminating 10,000 jobs across several divisions. Meta, Facebook's parent company, is cutting 11,000 jobs. Ride-sharing company Lyft



mately 6% of its workforce. RE/MAX has announced that it will lay off 17% of its workers by year's end. The trend of layoffs may continue rippling through workplaces and additional sectors such as retail, hospitality and manufacturing could be affected.

If the need to reduce staff reaches your workplace, there are a number of issues that you must carefully evaluate before taking action. First, you must decide whether to furlough employees or implement a layoff/reduction in force (RIF). Despite the terms sometimes being used interchangeably, there is a difference. A furlough is an involuntary, temporary period of reduced hours or time off that carries an expectation that employees will return when business conditions improve. Furloughs are unpaid, but many employees use accrued vacation or other paid leave.

Unemployment benefits are also generally available to furloughed employees. Furloughs permit employers to temporarily cut labor costs but still retain trained employees who will be needed when business rebounds. A layoff or RIF, on the other hand, is intended to be a permanent termination of the employment relationship. Unless the expected downturn in business is temporary, no more than several months at most, a layoff/RIF is probably the preferable business decision and may alleviate some of

the complicating factors that come with more permanent action.

There are several significant issues that must first be addressed in deciding upon a possible layoff or RIF. An important and basic first step should be to examine and document the business case for a layoff/RIF. Such documentation could become critical evidence in the event of later legal claims. It should provide a big picture summary of the reason(s) for the layoff, its extent, as well as the financial impact, or more specifically the cost of the layoff versus the anticipated savings. The documentation should include a description of the planning and analysis done in considering the need for a layoff and in particular the proposed selection process.

In the reduction process, you should look at roles or positions rather than the individuals filling them. Compare the various incumbents based upon pre-determined objective criteria that are consistently applied. One topic of potential legal concern in the layoff selection process is the possibility that you are disproportionately selecting for employees in a protected class. One example is a selection process that produces a group of selectees primarily made up of employees aged 40 and above. This could constitute a prima facie case of age discrimination under the Age Discrimination Employment Act (ADEA).

Once selections for layoff have been made, the next concern is whether the number of employees laid off triggers the requirements of the federal Worker Adjustment and Retraining Notification (WARN) Act or an applicable state WARN act. The requirements of these laws are strictly enforced. Generally, for the federal WARN Act to apply, the company must have at least 100 employees and the layoff must affect at least 50 employees. State WARN Acts may have different

thresholds for coverage. Because of the complexity of steps for compliance, this is one issue on which you should address with the involvement of legal counsel.

In addition to ensuring WARN Act compliance, an employer must also comply with the state law requirements for final pay, accrued vacation time, and similar matters. This then raises the related question of whether severance pay will be provided to laid-off employees. While severance benefits are often mandated by collective bargaining agreements, there are few statutory requirements to offer severance pay. If you offer severance pay, it should without question be conditioned upon a full release of all potential legal claims by the employee to receive severance pay. In the case of employees age 40 and above, the release must comply with the provisions of the Older Workers Benefits Protection Act (OWBPA). The advantages of obtaining a full release of potential claims are often well worth the cost of at least some severance payout.

It remains to be seen whether economic conditions will ultimately cause significant layoffs across various industry sectors. Hopefully we will not see a repeat of the circumstances that prevailed in 2008-2009. Nonetheless, it is not too soon to at least give some consideration to how you would approach employee reductions should such a need arise. ■

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announced it's reducing its workforce by 13% following recent 2% cuts. Carvana has announced plans to cut at least 12% of its staff, or 2,500 employees.

Mortgage startup Better.com laid off about 4,000 people in the first three months of 2022, and recently followed up with another 3,000 layoffs. J.P. Morgan has recently confirmed that it will lay off more than 1,000 employees in its home-lending department. Real estate brokerage Compass is laying off almost 10% of its workforce and Redfin, another brokerage, is laying off approxi-



## How to Help Your Clients Prepare Their Business to Sell

By Christopher Hayden, CPA, CMA, CGMA

AT SOME POINT, business owners must make the hard decision to either step down from their position or sell the business. For many, the sale of their business allows them to achieve their goals for retirement or the next chapters in their lives. You can do several things to help your clients prepare their businesses to sell and reach their life goals in the process.

### HOW TO HELP CLIENTS PREPARE THEIR BUSINESS FOR SALE

Preparing a business to sell is a multi-step process that should start with your client's goals. From here, you can develop a plan to help your clients achieve those goals and ensure a successful sale.

### WHAT ARE THEIR END GOALS?

The first step is to determine your client's end goals. There are two important questions to consider here:

- Does your client want to sell? If so, is it in the next three to five years, or further down the road?

- What is your client's next chapter? After your client sells the business, is the client planning the next stage in life and retirement? How much money will the client need? Does the client plan to pass the money to family or donate to charity?

Understanding a client's end goals is an important step because it will help you better prepare the business for sale. If a client wants to sell a business and travel the world for a few years while also paying for grandchildren's college tuition, the client will need to get the business into a position where the sale will accommodate these expenses.





## To achieve the desired goals, the business needs to be financially solid.

### WHERE IS THE CLIENT AT NOW?

Once you understand your client's goals, you can start looking at where the business is now. To achieve the desired goals, the business needs to be financially solid. Consider:

- The business' current value
- Other personal investments/income

Once you know what the client's goals are, you can create a plan to get the client from point A to point B.

### DEVELOP A PLAN

Creating a plan will help your client prepare for the sale of the business and achieve the client's end goals. When developing a plan, there are a few important things to consider, including:

### ARE CHANGES NEEDED TO REACH THE GOALS OF THE SALE?

In many cases, business changes will need to be made to reach the goals of the sale. Consider which must be implemented.

- Does the business need to increase revenue, cash flow, or profitability?
- Does it need more staff?
- Does it have standard operating procedures (SOPs) in place? SOPs make it easier for the owner to step down without interrupting operations.
- Does it need to invest in more marketing?

Once you have identified what needs to be done to get the business into position for a sale, you can develop a plan to implement these changes. If the client plans to sell the business in 10 years, it may not be necessary to be aggressive with changes. However, if the goal is to sell in the next few years, more significant changes may need to be made in the short-term to ensure staff is in place

and the business is profitable enough to fetch the desired price.

### IS THE CLIENT WILLING TO FINANCE? IF SO, HOW MUCH?

Consider whether the client is willing to finance, and if the client is open to the idea, how much would the client be willing to finance? For example, a buyer may want to put down 20% and pay 10% per year for the next eight years. Is this an arrangement worth considering? What is the risk tolerance? Financing can make the business more attractive to buyers, but there is always the risk that the business may go under before the balance is paid.

### ARE THERE POTENTIAL BUYERS THE CLIENT CAN APPROACH?

Does the client know of any potential buyers who can be approached about the sale? Potential buyers could be competitors, trade organizations, suppliers, or even key employees. If the client is having difficulty pinpointing potential buyers, a broker can help. Once you have a plan, it's important to review it regularly and make changes as needed until it's time to put the business up for sale.

### KEEP A TIGHT LID ON THE PLAN

When preparing a business for sale, it's important to be cautious of whom your client shares the details with. The timing needs to be right. If word spreads that your client is looking to sell, an employee might leave and take some critical knowledge or key customers along with them.

With the right plan and strategy, you can help your

client prepare the business for a successful sale. Understanding the client's goals and the current state of the business can help you develop a plan that gets the client to the goal. ■

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The graphic features the Zoho logo at the top, followed by the headline "Go Beyond the General Ledger". Below this is a circular diagram with "Finance Plus" in the center. The diagram is surrounded by various business processes: Taxes, Quote, Sales Order, Payment, Expense Reporting, Financial Reports, Subscription Management, Invoicing, and Order & Warehouses. At the bottom of the graphic is the URL "zoho.com/cpa".

# 2023 EXECUTIVE PREDICTIONS & YEAR IN REVIEW 2022

ADVERTORIAL



With another year coming to a close, we at Intuit QuickBooks have been reflecting on 2022 and looking forward to what 2023 holds. 2022 was an exciting year - filled with new partner integrations, the expansion of features, and the introduction of new products across the QuickBooks platform. We're committed to our shared mission of powering prosperity and helping small business owners succeed - and we're excited about what the future holds for both accounting professionals and their small business clients. With this in mind, Jeremy Sulzmann, vice president and general manager of the Intuit QuickBooks Partners Segment, shared his thoughts on what lies ahead in the coming year:

#### What is on the horizon for accountants' role looking ahead to next year?

Inflation has been a hot topic in 2022, along with concerns of a looming recession, and these are trends that will likely continue into the New Year. It's clear that inflation has already taken a significant toll on small businesses. A QuickBooks report from earlier this year found that 99% are concerned about the impacts of inflation. Because of this, accountants' role will become even more important. In fact, we're already seeing the positive impact accountants can play in helping small businesses navigate inflation, with 87% of businesses stating their accountant or bookkeeper helped limit inflation's impact on their business this year. This is a true testament to how vital accountants are to the small business community, particularly during difficult economic times. With the combined power of the QuickBooks ecosystem and the expertise of accountants, we can accomplish our goal of ensuring no small business fails while using our platform - even while navigating macroeconomic challenges like inflation.

#### How is technology shifting and what will that bring in 2023?

It's no secret that there has been a significant digital transformation since the onset of COVID-19. These shifts impacted the accounting industry greatly - pushing more accounting professionals to embrace cloud solutions that provide real-time insights to drive strategic counsel. At QuickBooks, we are constantly innovating towards this end - helping accountants to grow their practice and scale their impact by providing the valuable advice small businesses need. With an integrated, seamless platform that offers deep insights and benefits like workflow efficiencies and time savings, accountants can continue to be a hero to their small business clients. By staying ahead of the latest trends and tech advancements, from artificial intelligence and omnichannel commerce to virtual experiences and digital money offerings, we can ensure we're constantly evolving our platform to help accountants and their clients grow and thrive in 2023 and beyond.

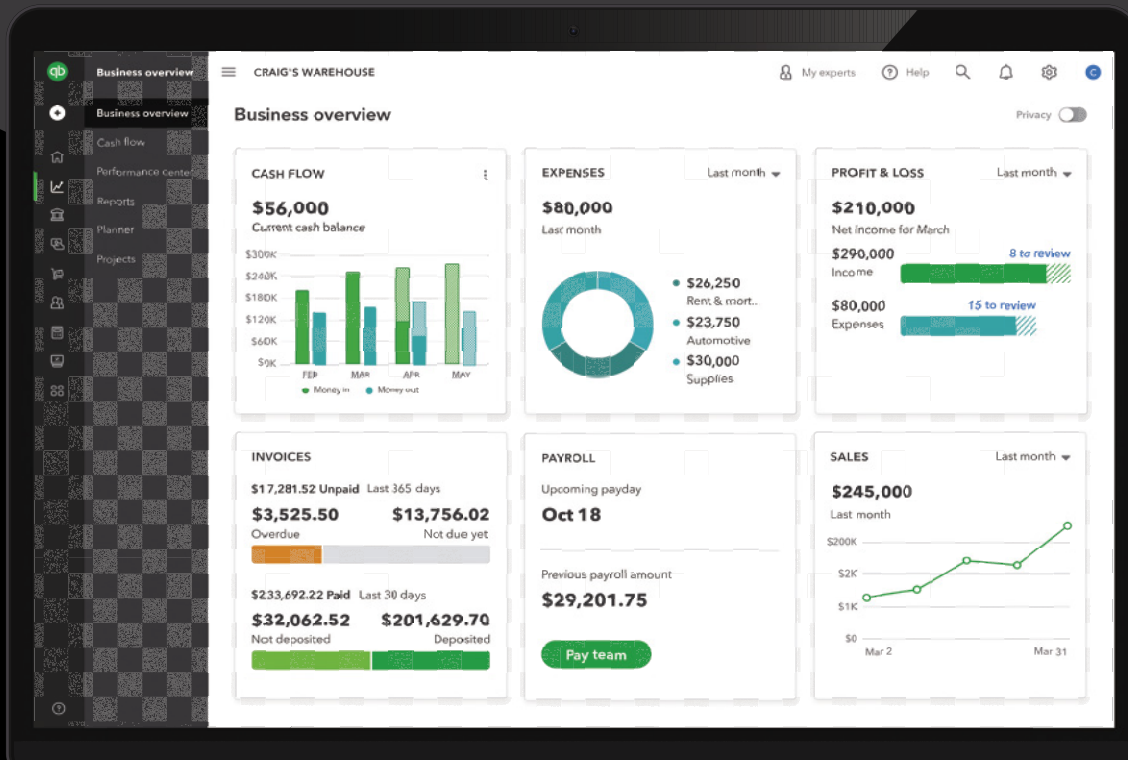
#### How will QuickBooks evolve its partnership with accountants in the New Year?

Each month, we receive more than 10,000 product feedback inputs from accounting professionals. We've recently implemented new processes that uncover the critical themes among that feedback, prioritize what to change, and implement the improvements accountants need the most at speed and scale. We kicked off a new series called "Your Feedback in Action" - where we provide ongoing updates on how we are directly addressing your greatest challenges. For example, we heard that migrating desktop clients to online was frustrating because not all of the data transferred over. As a result, bank rules will soon also transfer from desktop to QuickBooks Online. Accountants also are asking us to prioritize app integrations that meet mid-market and vertical needs and to play a more active role in evaluating these integrations. We will continue to listen and learn across the thousands of feedback touchpoints we receive, prioritizing and implementing top requests in 2023 and beyond.

*The world is quickly changing, and small businesses will continue to rely on their accountants and bookkeepers to help them navigate this dynamic environment. And while 2023 will bring continued change, our commitment to our partnership with the accounting community and the shared goal of driving small business success will remain constant.*



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## When Flipping Burgers Beats Being an Accountant, You Know There's a Problem

IMAGINE A WORLD where a CPA enjoyed his time working at a fast-food restaurant more than he enjoys working at his current large regional accounting firm. That's exactly the story that was shared with me this fall as I led a leadership training program, and this comment stopped the entire training program right in its tracks, and for good reason.

I think we can all agree that something just doesn't seem right about having a better work experience at a fast-food joint than an esteemed accounting firm, but sadly this story is far too common. His experience illuminates an issue pervading our entire profession: accounting firms are suffering from poor workplace culture and show no signs of making any changes.

### WORKPLACE CULTURE

Isn't it enough that this young man now makes infinitely more than minimum wage while surrounded by well-educated professionals; shouldn't he enjoy working at an accounting firm more? He looks back at the outstanding culture at the fast-food restaurant and especially the franchise owners. Contrast this with partners in an accounting firm, who are far too focused on getting work done and billable hours to look outside that narrow focus.

As *Forbes* describes it, "Culture is the environment that surrounds us all the time. A workplace culture is the shared values, belief systems, attitudes and the set of assumptions that people in a workplace share."

There are many benefits to a positive workplace culture, including better teamwork, increased morale, improved productivity and efficiency, and

enhanced retention of employees. Things like job satisfaction, collaboration, and work performance all benefit from a strong workplace culture, and employees report feeling less stressed in a positive work environment.

As leaders in our profession, it's incumbent upon us to make sure that our employees feel connected to our firms, or at the very least, that they enjoy accounting more than flipping burgers. The costs of not doing so are high, including lower productivity, and worse yet, employee turnover.

### SIGNS THAT YOUR CULTURE NEEDS IMPROVING

Internet searches for the term "quiet quitting" have surged in 2022, and while this term is a new fad, the underlying trend is nothing new. Our profession has been suffering from staffing shortages for as long as most can remember and the suggestion that improving firm culture to curb this issue is nothing new.

Quiet quitting is a new term to describe disengaged employees who show up to work and perform at the minimum level necessary. Typically these employees report feeling unmotivated and undervalued, sentiments you can gauge at your own firm. If you notice these feelings or attitudes in your own employees, it's time to consider bumping culture to the top of your to-do list.

As Peter Drucker so aptly said, "Culture eats strategy for breakfast." Note he did not say billable hours and SALY (same as last year) eats culture and strategy for breakfast. While billable hours and SALY may create more revenue, their primary focus comes at the expense of your team, leading to a downward cycle characterized by short-staffed firms, unhappy offices, and poor client service.

### FIXING THE PROBLEM

First, and I cannot stress this enough, the solution to this problem is not to pay your people more money. Employees at all jobs want a fair wage and I recommend paying them fair wages; however, independent

research around the world has shown that paying people more than a fair wage doesn't impact their job performance.

Unfortunately, there's no silver bullet to fix a suffering company culture, but a good place to start is by asking your employees what they value. The good news is the solution isn't complicated; it requires a change in focus among the leaders of accounting firms. The first step is to really think about the purpose behind the work the firm does, how that is accomplished, and make achieving that purpose the goal of the firm. Getting this purpose ingrained into everything you do and talk about takes steady and consistent communication and effort. Having an annual firm meeting where it is touched on for five minutes will not work.

Returning back to our story for a moment, he shared that at the fast-food restaurant, everyone felt that the store owners truly cared about each and every employee, cared about the mission of the fast-food restaurant, and had more integrity than at his accounting firm.

With that in mind, will you continue on as you have and let your culture erode to the point where it's costing you, or will you take some simple steps to make your firm the office that accountants like better than working at a fast-food chain? Much research has been done on how to create or overhaul a company culture. There are probably a few articles on it in this magazine, and a quick Google search will help you find hundreds more.

### THE PATH FORWARD

It's time that we stop playing hooky with ourselves, our firms, our employees, and our futures. The consequences of inaction are far too high, as are the rewards of rising to the occasion. Armed with the internet, there is no excuse for inaction. Fortune favors the bold, and bold leadership is what's required for accountants of the future. ■



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# 6 Tips for Meeting New IRS Information Return Reporting Requirements

By Wendy Walker

IN THE LAST several years, the American workforce has seen a major shift in worker classifications. Sovos reported a 33% increase in 1099-K forms filed from the tax year 2020 to 2021, and a 17% increase in 1099-NEC tax forms, both signaling a significant increase in gig and contract work. With new tax reporting requirements taking effect in 2023, it is imperative that SMB owners understand the tax implications of those recent workforce changes, as well as the practices for managing any new tax obligations.

Below are six tips to help SMB owners tackle the latest updates in tax reporting and filing thresholds:

**1 Be prepared to receive a 1099-K** - maybe for the first time. The IRS reporting threshold has dropped for Forms 1099-K, which means online platforms will be issuing forms for anyone with transactions totaling more than \$600. Closing the tax gap is a high priority, as evidenced by the \$80 billion the IRS received in the Inflation Reduction Act this year, more than half of which is earmarked for enforcement. Small business owners will need to be vigilant about compliance.

**2 Be mindful of gross amounts reported on 1099 forms.** If small businesses are using online platforms to source work, they'll need to be mindful of the discrepancy in the gross amounts reported on Forms 1099-K vs what they actually received from the platform company. The amount reflected on their 1099-K likely includes business-related expenses including fees and credits. Small businesses should get a copy of all the transaction details that make up the amounts reported on the 1099 so that they can properly identify and account for deductible business expenses.

**3 Don't use business accounts for personal transactions.** Online platform systems cannot distinguish between personal and business transactions - which means the 1099-K they report could include amounts that aren't even business related. And, when amounts reported by third parties on 1099s don't match amounts reported by the small business on their income tax return, it can cause a red flag with the IRS (and states) and even lead to unnecessary penalty notices. While taxes aren't due on those personal transactions, the headache of proving that out isn't worth the risk.

**4 Remember the increased volume of tax reporting forms.** With the IRS lowering the threshold to report earnings and payment transactions for gig workers, freelancers and contractors, businesses must now complete hundreds of thousands more tax forms by January 31, 2023. Be prepared for the delays this is likely to cause and don't expect anything to happen quickly.

**5 Missing or incorrect information can be very expensive.** Improper tax documentation collection and validation processes often lead to incorrect information being reported

on tax forms, which can lead to incorrect filing penalties and trigger withholding obligations for organizations, amounting to \$280 per form, with a cap of about \$3.4 million.

**6 Zelle is not the same as Venmo.** Zelle is an ACH payment network. Banks partner with Zelle to participate in the network and if your bank participates, you can use it to transfer funds via ACH to participating bank accounts. ACH networks are not subject to 1099-K reporting. Venmo is a digital wallet like PayPal- you can store money in your account, and you can reload the Venmo account with funds from various sources like credit cards, and you can transfer money out of your Venmo account to other digital wallets. Venmo is considered a third-party payment network for 1099-K reporting purposes. ■

*Wendy Walker is solution principal at Sovos, where she uses her market expertise to create and implement product and solution strategies that help customers meet the demands of a constantly changing regulatory environment.*

# Intuit Unveils New Product Experiences and Celebrates 25 Years of the ProAdvisor Program at QuickBooks Connect 2022

A NEW SOLUTION to ease business-to-business transactions, and another to keep inventory organized, were revealed at QuickBooks Connect (QBC) in Las Vegas, Dec. 7-9. QBC celebrated its first in-person event since 2019 in a new host city with a trio of big-name speakers: tennis legend Serena Williams, journalist Malcolm Gladwell, and author Simon Sinek.

Restaurateur and chef Carla Hall emceed as Williams, Gladwell, and Sinek inspired a sold-out crowd of more than 3,000 QuickBooks partners at the ARIA Resort and Casino in Las Vegas. The live, three-day event teemed with exciting updates for accountants, bookkeepers, and solutions providers, all of whom were able to connect with one another through sessions, interactive booths, and QBC's signature brain dates.

## NEW TO QUICKBOOKS: THE BUSINESS NETWORK AND COMMERCE AUTOMATION IN QUICKBOOKS ONLINE

From the mainstage to the exhibit hall, leaders across the Small Business Self-Employed business showcased improvements across the QuickBooks platform. Recognizing the ongoing friction in B2B transactions, Rania Succar, CEO of Intuit Mailchimp and leader of the Money Movement Business, announced the QuickBooks Business Network.

"This network will enable millions of QuickBooks businesses and contractors to connect to each other in order to automatically sync invoices as bills and send payments without needing to exchange sensitive account information," she said.

Invoicing, billing, and bill pay workflows are gaining expanded capabilities in conjunction with the network, and compliance for W-9s and 1099s is simplified when working with in-network contractors.

Cassie Divine, senior vice president of the QuickBooks Platform, brought to life how QuickBooks



Commerce Accounting seamlessly connects Amazon, Shopify, and eBay sales channels to QuickBooks, curtailing the need for manual data entry.

"Accountants and customers can save time with accurate data to grow and manage their business in one place," Divine said. "Once connected, QuickBooks becomes the source of truth for inventory and order management."

The pair also announced improvements to accounting, reporting, and workforce solutions — including smarter transaction matching, custom reporting emails, employee bulk imports, and self-serve paycheck corrections.

## A SILVER ANNIVERSARY FOR QUICKBOOKS PROADVISORS

2022 marked the 25th anniversary of the QuickBooks ProAdvisor Program, which currently includes 600,000 global partners who help small business owners thrive.

"While the program has evolved over the years

to reflect the evolution of our QuickBooks platform, one thing remains the same: You are the backbone of the QuickBooks community," said Ted Callahan, QuickBooks accountant partnership and strategy leader.

Another new addition is the ProAdvisor customized training portal, designed to help you learn new skills, grow your practice, get product updates, and serve clients with confidence. Included in the portal are personalized training paths, a certification hub, and a training library.

The impact of a good partnership is clear. Nine out of 10 small business owners working with an accountant or bookkeeper credit them with their business' success, a recent QuickBooks survey found. The survey also said small business owners who worked with professionals have reduced the impact of inflation this year.

"Our vision for you is to be your number one partner that helps power the prosperity of you and your clients, worldwide," said Callahan.

## STAY CONNECTED WITH YEAR-ROUND OPPORTUNITIES TO LEARN AND CONNECT

The best partners are there for you day in and day out, which is why some of the best sessions that happened at the in-person event won't be staying in Vegas. QuickBooks is helping partners continue learning year-round with free on-demand videos on the QuickBooks Connect website.

Explore the benefits of becoming a QuickBooks ProAdvisor to support others in their business — and to grow your own. And stay tuned for announcements about future QuickBooks Connect events. ■

The ProAdvisor Spotlight is sponsored by





# Your Firm and Your

By Randy Johnston

FINALLY, ANOTHER TAX extension season has ended, and most deadlines are behind us. It is now that many of us make the changes to prepare for next year. In other columns, I have discussed strategic planning or your needs, but for the moment, I'd like you to think tactically.

What issues have you and your team dealt with or worked around in the last few months that you can work on over the next few weeks and months? What can you do now to improve client and firm experience? How can you adjust your firm's capacity?

## WHAT ARE THE TOP ISSUES YOU NEED TO ADDRESS?

While I hope you know how much I appreciate you reading my columns, you must stop for a moment and prepare to take notes. While I know many of you are intelligent and probably can remember most things, this column will have an exercise that may take a bit more proactivity from you than usual. So whether you keep notes on paper or in other platforms like OneNote, Evernote, Google Keep, iPhone Notes, Excel, Word, GoodNotes, Notability, or others, get ready to use the place where you warehouse your ideas.

First, please stop and write down the top issues you are dealing with now and in the past few months. I wasn't kidding! How many are on your list? You didn't stop to make a list? Take the time now to come up with items in your firm, your life, your clients, or anywhere else that needs your attention. Then, before you stop making that list, take one last look at the items for your firm, your life, and your team. Did you get them all?

It is nice to have you back from making your list. Second, take the time to sort these in priority order. If you put the issues needing attention on paper or in your head, that may take more or less time, but if they are in any electronic format, sort them out. I'll wait for you to do that.

Are you done? Excellent! Now add a few characteristics to each item. If you made your list in Excel, you'd get a bit of an advantage here because you'll add just a few more columns. I believe it is best to estimate 1) the amount of time needed, 2) how much it will cost, 3) others to have

involved, and 4) when you would like this done. You may use these attributes to help with 1) blocking the calendar to allocate the time to complete items, 2) making sure you have enough money, 3) delegating or collaborating, and 4) setting timeframe goals. I hope you have time to get everything done before the holidays. But there is no time like the present to get things done.

## WHAT IDEAS CAN YOU GIVE ME?

You know that I always like to have you start with a strategic and technology plan, but that's not the goal of this article. Further, this may not be the time to select a new technology tool. Instead, it is time to identify what you can do NOW to improve things. We must buy time to solve other issues by eliminating the time wasters and working on the highest priority items first.

Your list is way more important than my list or any other bright light idea to follow. However, I wanted to provide a list of items that are concerning or on other firms' to-do lists. Of course, other people's priorities are not your priorities, and their solutions may not be your solution, but what others consider an issue may be an idea for you to consider.

What are common issues and the best of class solutions for firms now?

- People recruitment (lack of capacity) – if you can't find resources locally, you can get short-term labor with services from AdvanceTrack, BooXkeeping, TOA Global, Taxfile or Xpita
- Ease of client document exchange – if you can't quickly get the supporting documents you need for projects from your PBC (prepared by client) list from your clients, consider tools like Liscio, SmartVault, Suralink, or e-Courier
- Quote to cash (collection or proposals to engagement to a completed project to billed work to money in the bank) – many firms are struggling with this entire cycle.



While work has been plentiful, the steps to get this done easily have been too painful. Look at what is causing the issue in your firm and try to address it. It may take a holistic view to solve correctly, but perhaps a few band-aids, for now, will overcome most of the issues. While you can apply many solutions in this process if the problem is with engagement letters, try Knuula

- For workflow or project management, try Clarity Practice Management, CCH Axxess Workflow, Doc-It Suite Cloud, TPS Cloud Axis, or Jetpack Workflow
- Too much keying of data, try Dext, Hubdoc, or Sage Autoentry
- Too much time in trial balance to tax or client accounting to tax, try Tallyfor
- For getting paid, try CPACHarge, or QuickFee
- For paying bills, try Corpay One
- For technical support issues, try Ace Cloud Hosting, CETROM, Right Networks, or Network Management Group, Inc. If you already use one of these companies and they ARE the problem, please email or phone me directly.
- For learning/CPE needs, try *The Technology Lab*, The Grove, K2 Enterprises or CPEToday
- CAS and payroll software, try AccountantsWorld by IRIS
- For accounting software for your clients, try tools like Accounting Power, AccountingSuite, Acumatica, NetSuite, QuickBooks Online, Sage Intacct, Spire Systems, Xero, or Zoho

These issues and these solutions may be reasonable short-term AND long-term solutions. While *The Technology Lab Podcast* can give you a tactical view of product solutions, co-host Brian Tankersley and I have many strategic discussions and thoughtfully advance individual solutions for your technology stack. Please listen in to hear our latest takes on solutions of all kinds. Just as important, if you want to hear about a solution or have a problem area you would like us to address, please email that

idea to me directly. I continue to learn about new products and solutions from readers like you every day.

## SO, WHAT DO I DO NOW?

Take one final look at the list that you have now developed. While it may seem overwhelming, remember to focus on first things first. In previous columns, I have mentioned the value of Zig Ziglar's Wheel of Life (Health, Career, Love, Spirituality, Family, Money, Fun, and Friends). Don't let your list focus too much on work! While many people speak about work/life balance, you'll find you are much more content if you have a to-do list that includes something important in each of these areas. My partner of 30 years had many catchphrases that he liked to use, like "happy wife, happy life." COVID-19 made me more aware than ever of the importance of health and family. It also made me value fun and friends more than ever before.

It may be time to go back to that list one more time and add an extra column that includes the Wheel of Life attributes. OR you could create a separate list now with your top goals in each area. Focus on what is important to you, and make sure you take time to block the calendar to focus on your top priorities in each Wheel of Life item. You probably realized long ago that the only person you can really control is you. While you can influence others, only you can control yourself (and I'm sure at times you wonder if you are getting that done well). I'd encourage you not to be too self-centered or "me first" because I believe you'll get the most satisfaction if you help others. For many practitioners, that's why we are in public practice. We wanted to help others with our accounting skills.

With this and every column, I intend to help you stop and think about what is best for you, your firm, and your life. So, what choices can you make today to make for a better tomorrow? ■

## Unprofitable Startups May Owe 2022 Taxes

By Vanessa Kruze, CPA

A LARGE NUMBER of unprofitable startups are going to have a surprise tax bill on April 18. A little discussed provision in the Tax Cuts and Jobs Act (TCJA) changes how tax law treats research and development expenses, dramatically reducing how cash expenses are accounted for – pushing many money losing startups into owing taxes. Ernst & Young estimates that this will reduce U.S.-based spending on R&D by \$4.1 billion in the first few years.



Photo 150506989 © Andrii Yalanskyi | Dreamstime.com

### MANY VC-BACKED STARTUPS WILL OWE TAXES – EVEN THOUGH THEY ARE LOSING MONEY

My firm works with 750+ venture-funded startups and our data suggests that 10% to 20% of revenue-generating startups that are losing money will end up showing positive net income on their tax return – thus having to pay federal taxes! This will have a disproportionate impact on startups that are generating revenue, yet investing heavily in research and development. (We analyzed money-losing, VC-backed startups generating over \$1 million in revenue to get the 10% to 20% estimate.)

The TCJA forces companies to capitalize their R&D expenses, recognizing them over a five-year schedule. The way the calculation will work is even more punitive in the first year, when only one-tenth of the first year's R&D will be counted. It's even worse for a company that does some innovation outside of the U.S., as the amount that can be recognized is even lower. Because many VC-backed startups invest heavily in R&D, many startups that are generating revenue will be caught in a situation where their cash expenses are meaningfully higher than their tax expenses.

Let's take a look at how this might impact a hypothetical startup aggressively investing in R&D. Imagine a startup generating \$2 million in revenue, spending \$500,000 on non-R&D expenses, and another \$5 million on R&D expenses. This company is losing \$3.5 million a year – a healthy burn rate for a VC-backed company. Ordinarily it would not owe any taxes, because it has negative net income.

Of course, the TCJA changes that. In 2022, this hypothetical company would only be able to deduct one-tenth of its \$5 million in R&D expenses – that's only \$500,000. That means that, for tax purposes, the company will generate \$1 million in pre-tax profit and will end up owing over \$200,000 in federal taxes. That's enough for the business to hire one additional software engineer! Assuming the company's financials are stable the subsequent year (not a good assumption for a VC-backed startup, but good enough for this exercise), the startup deducts one-fifth of its R&D expenses, \$1 million, leaving it with \$500,000 in taxable income and just over a \$100,000 tax bill.

The most exposed category of startups to this change are largely software businesses ranging in size from 10 to 1,000 employees. With the recent slowdown in venture funding and the looming recessionary environment, these surprise tax bills could not be coming at a worse time. These types of startups tend to lead on many of the tech innovations in development right now, providing a disproportionate amount of the competitive advantage to the U.S. There are thousands of revenue-generating startups heavily investing in R&D in the U.S. that will now have to consider how their research spending impacts their tax position.

### DOES CONGRESS WANT TO PROMOTE INNOVATION – OR TAX IT?

Recently Congress passed the Inflation Reduction Act, which doubled the R&D tax credit, in an attempt to promote innovation in the United States. The R&D tax credit is a powerful incen-

tive that helps money-losing startups spend on U.S.-based research. But the TCJA clearly moves against this incentive – Ernst & Young estimates that the TCJA will reduce employment in the U.S. in R&D by over 23,000 per year.

Moreover, according to the Information Technology and Innovation Foundation (ITIF), the U.S. is now one of only a few countries that doesn't allow immediate expensing for R&D costs. As of 2020, the ITIF noted that tax support for research and development in the U.S. ranked 24th out of a comparison group of 34 countries in the Organization for Economic Cooperation and Development (OECD), along with China, Russia, India, and Brazil. The ITIF notes that this new R&D amortization rule (assuming that states follow the federal government's lead) will bring the U.S. ranking down to 32 out of 34 countries.

There are currently Senate and House bills with significant bipartisan support that would eliminate the R&D amortization requirement. If Congress really wants to promote innovative research, canceling the R&D capitalization rule is a good first step. ■

*Vanessa Kruze, CPA, is the founder and CEO Kruze Consulting, providing startup CFO consulting, including accounting, tax and HR services, to startups in San Francisco, Los Angeles, and New York City. Prior to establishing her firm in 2012, Kruze began her career with Deloitte Tax and is a University of San Francisco alum.*



# Daniel Werfel Nominated as Next IRS Chief

By Jason Bramwell, Sr. Staff Writer

DANIEL WERFEL, A former acting commissioner of the IRS during the Obama administration and a current managing director and partner at Boston Consulting Group, has been nominated by President Biden as the next head of the IRS.

People familiar with the search had said the Biden administration wanted an IRS commissioner with deep management and business experience as opposed to a tax attorney, like former IRS Commissioner Charles Rettig, who can help to lead and transform the sprawling agency that processes more than 150 million individual tax each year, Bloomberg reported in September.

Treasury Secretary Janet Yellen said in a statement on November 10 that Werfel fits that description.

"I strongly support President Biden's intent to nominate Daniel Werfel to serve as the next commissioner of the IRS," she said. "Danny's prior service under both Democratic and Republican administrations, his deep management experience, and his work directing significant transformation efforts, make him uniquely qualified to lead the agency at this critical juncture.

"After decades of underfunding, the IRS now has the resources it needs to improve services for taxpayers and modernize outdated technology and infrastructure. Danny's deep commitment to fairness and making sure government works for all will also be invaluable as we improve the taxpayer experience and eliminate a two-tiered tax system. In addition, Danny's leadership will be critical to effectively and efficiently implement the clean energy tax incentives that will increase production in the United States and lead to significant job creation," Yellen continued. "I urge the Senate to act swiftly to confirm Danny and look forward to working with him in the years ahead."

If his nomination is approved by the Senate, Werfel will take over an agency that just received an influx of funding thanks to the Inflation Reduction Act, which was passed by Congress in August. The \$80 billion in funding the IRS will

receive over the next 10 years will be used to hire more personnel—including tax agents and customer service representatives—and to update the agency's antiquated technology.

Earlier in his career, Werfel worked for the federal government under both Republican and Democratic administrations. He began his career at the Office of Management and Budget in 1997 during the Clinton administration as a policy analyst in the Office of Information and Regulatory Affairs. He continued his work at the OMB during the Bush and Obama administrations.

After serving as OMB deputy controller, Werfel was nominated by President Obama to be controller of the OMB in 2009, a post he served in for four years before becoming acting commissioner of the IRS on May 22, 2013.

Werfel followed Steven Miller as acting commissioner of the IRS after Miller resigned on May 15 of that year. Miller departed after the IRS admitted to improperly scrutinizing the federal tax-exempt status of some conservative groups. Werfel stayed on as acting commissioner until John Koskinen was nominated and confirmed as IRS commissioner later in 2013.

Werfel joined Boston Consulting Group in 2014 and is currently the global leader of the consulting firm's Public Sector practice. He previously led BCG's Public Sector practice in North America.

If confirmed by the Senate, he will succeed Rettig, whose four-year term ended on Nov. 12. Rettig said in a statement that his time as commissioner "has given me an even deeper appreciation of what our workforce is capable of achieving."

He continued: "I have been constantly amazed at the accomplishments of IRS employees during what has been a challenging and historic time for our nation. Time and again I have seen them deliver for taxpayers under tight timeframes and difficult circumstances—responding in a manner that demonstrates the importance of every American to the IRS and the IRS to every American. With the recent funding commitment to the IRS for the next decade, people should know that this important work to transform and improve the agency will be guided by employees dedicated to public service and delivering for our great country."

Until Werfel's confirmation, IRS Deputy Commissioner Douglas O'Donnell will serve as acting commissioner. ■



## How Syndicated Content Hinders Website Rankings

By *Becky Livingston*

IF YOU SUBSCRIBE to a syndicated content resource for your blog, your firm is at an SEO disadvantage. Here's why.

When duplicate content is found in a search query, search engines don't know which URL to show. If they get it wrong, it negatively impacts their search quality, which could damage their brand. So, they don't do it. According to Portent, "Google does not impose a penalty for duplicate content. However, it does filter identical content, which has the same impact as a penalty: a loss of rankings for your webpages."

### DUPLICATE CONTENT TYPES

Duplicate content comes in a few forms, including:

- The same content posted on several websites, e.g., blog content.
- Duplicate content on the same website, e.g., landing pages mirroring blog posts.
- Duplicate meta title and description tags on more than one page.

### HOW TO IDENTIFY DUPLICATE CONTENT

There are few remedies you can use to identify when your content is being duplicated, such as:

- Copyscape
- PlagSpotter
- DupliChecker
- Siteliner
- SmallSEOTools

In addition, the Digital Marketing Institute shared this tip.

"Google recommends copying around 10 words from the start of a sentence and then pasting it with quotes into Google. If you test this for a page on your website, you would expect to see only your webpage to show up and

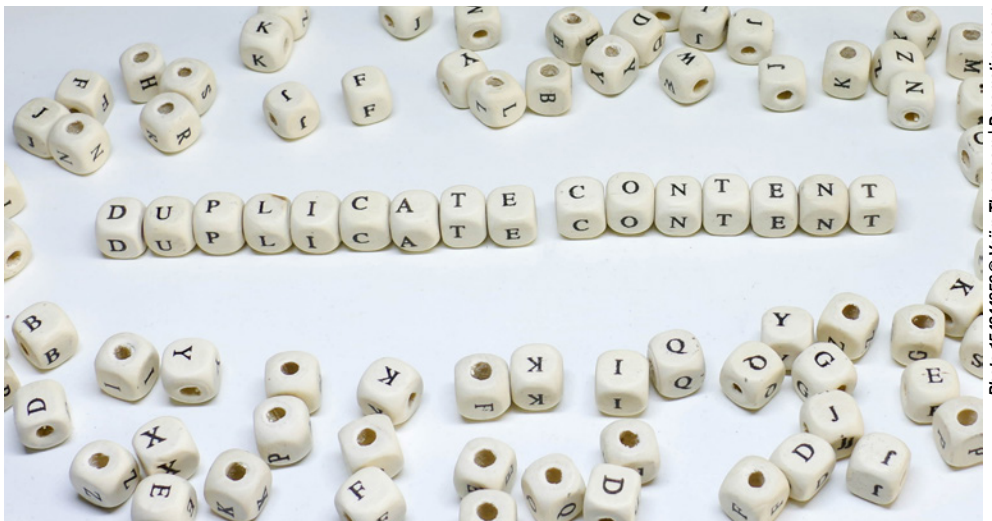


Photo 154344856 © Vajira Thongsom | Dreamstime.com

ideally with no other results. If other websites show as well as your site, Google hints that it thinks the original source is the result it shows first. If this isn't your website, you may have a duplicate content issue. Repeat this process by testing a few random short sentences of text from your webpage into Google."

### DUPLICATE CONTENT REMEDIES

If you're buying content for your blog or website, here are some simple things you can do to fix duplicate content issues.

- Change the title; this is the most impactful tip.
- Ensure there are links to reputable sources within the content when posted in your blog/page.
- In the page or blog post meta title and description fields, add a keyword phrase and unique description. See example below.
- If an image is incorporated, change the file name to a term that reflects the topic. Then upload the image to your site and include an alt tag with a keyword phrase. If it's your own image (non-stock), apply the same practice and add an image description.

### EXAMPLE

- Purchased Content Title: Inflation Reduction Act's Individual & Small Business Tax Credits
- Image provided by seller.
- No links within the content.

Take these actions before the content is posted to your site.

- Change the title, making it very relevant to your audience, e.g., How the Inflation Reduc-

tion Act Impacts Realtor Tax Credits.

- Change the image file name to "inflation-reduction-act-realtors.png." Because it is a stock image, there's no need to add a description. But add an alt tag, like Inflation Reduction Act for Realtors.
- Add links to reputable sites within the content.
- Adjust any copy to focus on your target market.
- If you have more than one article about this topic, at the bottom of your post, include an "Additional Resource" bulleted list of similar content. It helps to keep visitors on the site longer.

In addition to the steps you can take, Moz offers advanced technical remedies your website developer can put into practice to help you avoid the duplicate content issues.

With busy season right around the corner, using a syndicated resource to provide content for your site might seem like a win. If published as provided, you may miss out on valuable search rankings. Avoid duplicate content syndrome and pack your content with links, relevant images, and keywords for your specific audience. ■

*Becky Livingston is the President and CEO of Penheel Marketing, a NJ-based firm specializing in social media and digital marketing for CPAs. With over 25 years of marketing and tech experience, she is the author of "SEO for CPAs - The Accountant's SEO Handbook" and "The Accountant's Social Media Handbook." In addition to being a practitioner, she is a dog lover, an active on the Association for Accounting Marketing (AAM) social media committee, an adjunct professor, and a speaker/trainer. Learn more about Becky and her firm at <https://Penheel.com>.*



# Is Podcasting Right for Your Firm?

By *Becky Livingston*

HAVE YOU EVER considered the amount of time you've spent giving the same advice to people? What if you could capture that in a "bottle" and repurpose it? You can in a podcast.

## WHAT IS A PODCAST?

A podcast is an audio-only episodic series that features one or more hosts talking about a particular topic. No video is needed, unless you want it. That alone may make you more inclined to leverage this technology.

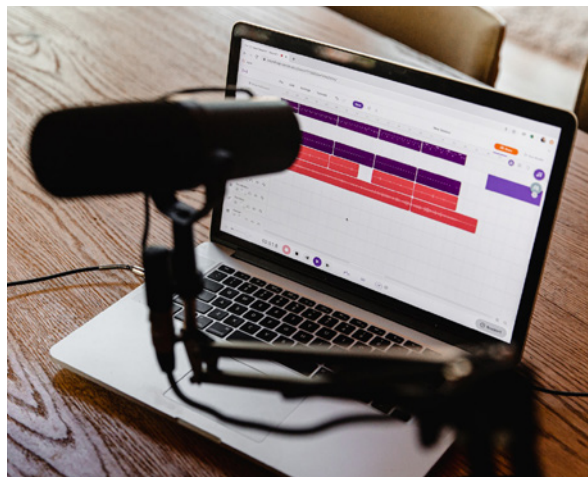
## WHY WOULD I START A PODCAST?

There are a lot of reasons to start a podcast. The main reasons are to share information, generate brand awareness, build credibility as an expert in your industry niche, and increase your network reach.

## WHAT WOULD I TALK ABOUT?

The beauty of a podcast is that you don't have to do all the talking. You can invite guest speakers to share their insight and knowledge about a topic, trend, case study, and more. Here are some ideas to help you create a list of topics.

- Industry trends
- News topics
- Common questions clients ask
- Pain points within an industry
- Client experiences
- Best practices
- Summary about a new regulation



The list goes on and on. It's only limited by your imagination.

## HOW DO I START A PODCAST?

Forbes crafted a five-step process for starting a podcast. Though the steps seem pretty simple, they go into a good amount of detail about each of these steps in their post.

- Define your niche or topics.
- Build your brand and online presence by naming your podcast.
- Source recording equipment and editing software.
- Record and edit the first podcast.
- Promote the podcast.

## DO I NEED SPECIAL PODCAST SOFTWARE?

Generally, no. But if you want a quality podcast, the answer is yes. Fortunately, there is podcast software available. In a recent forum, several Association for Accounting Marketing members claimed Riverside.fm, Branch Out, SquadCast, Zoom, Zencast, and Anchor were among their favorites.

## IS ANYONE ELSE DOING THIS?

Conducting a quick search on Google using "accounting firm podcasts," I was able to find 51 accounting-related podcasts with titles like Pulse of the Practice, Sons of CPAs, Blood Sweat & Balance Sheets, The Abundant Accountant, Taxgirl Podcast, and more. Search to see what's out there; maybe you listen to a few of them already.

## IS IT JUST ANOTHER TIME SUCK?

It might feel like this is just another task on your already overflowing to-do list. And it will feel that way if you go into it without a strategy. To maximize your effort, I recommend

posting the script on your blog with a link to the podcast.

Slam Agency writes that less than 20 percent of podcasts last longer than one year. What can you do to avoid failing at this initiative?

- Stay focused on connecting your brand's purpose to your client's purpose. If it's irrelevant, failure will ensue.
- Create a good-quality recording. Keep in mind, you're just getting started, so interview successful podcasters to find out what you should be doing.
- Keep consistent. Podcasts take time, preparation, and consistency.
- Plan to distribute your podcast where your customers are so they can find it easily.

## 10 TIPS FOR SUCCESS

Riverside.fm shared over 20 podcast tips for success, including these 10 favorites:

1. Start with the what. What is it about. How to get the message across. Why it matters.
2. Think about the how, including style, structure, and tone.
3. Ask yourself why you're doing this? Think beyond a side hustle or sponsorship dollars. Rather, define a deeper goal or purpose.
4. Know your target audience, including their age, business interests, job level, geography, and goals.
5. Define the value you provide to your audience's lives.
6. Decide how long each episode should be.
7. Organize your workflow, including outline, research, booking guest speakers, recording, editing, and uploading.
8. Stick to a consistent release schedule.
9. Find guests you're really interested in speaking with (and people your audience will enjoy).
10. Produce in batches to save time, increase efficiency, and avoid missing scheduling dates.

If you want to launch a podcast, work with a skilled podcast agency or marketing professional to help you launch the initiative. After all, 424 million podcast listeners can't be wrong. ■

*AICPA News is a round-up of recent announcements from the Institute.*

## AICPA Honors William Balhoff with the Gold Medal of Distinction

The American Institute of CPAs recently announced that William “Bill” Balhoff CPA/CFP, CGMA, is the recipient of the 2022 AICPA Gold Medal Award of Distinction.

The Gold Medal is the highest honor granted by the AICPA. Since 1944, it has been bestowed upon CPAs whose influence on the accounting profession has been especially notable. Jack Finning, CPA, CGMA, and chair of the AICPA awards committee, presented Balhoff with the award during the fall meeting of AICPA’s Governing Council.

Balhoff’s volunteer positions with the profession and AICPA include AICPA board of directors chair and AICPA Council member. He is a former member of the Private Companies Practice Section (PCPS) Peer Review Committee and former chairman of the PCPS Executive Committee. At the state society level for the Society of Louisiana Certified Public Accountants (LCPA), Balhoff served as chairman and Leadership Team member, and he has been a member of the board of directors and past president of LCPA’s Baton Rouge Chapter.

■ Currently, Balhoff is a director at Postlethwaite & Netterville, APAC (P&N) in Baton Rouge and has been instrumental in helping P&N grow into the largest Louisiana-based accounting firm. He has been named among the “Top 100 Most Influential People” in the accounting profession by *Accounting Today Magazine* and served as a member of the Financial Accounting Standards Advisory Council. Balhoff is an international speaker on numerous topics, including professional standards updates and managing practices. ■



## AICPA CREATES PROCESS FOR REPORTING ERC MILLS

Following an announcement from the Internal Revenue Service (IRS) acknowledging concerns over third-party vendors promoting improper Employee Retention Credit (ERC) claims, the AICPA applauded the announcement and new reporting process as a positive step by the IRS. The form – Form 3949-A, Information Referral – will provide a vehicle for individuals, firms and CPAs to anonymously report questionable ERC mills. The form has been previously available for use to anonymously report fraud and has now been earmarked to report ERC fraud as well.

The ERC was established nearly three years ago as part of a larger COVID-19 relief package in an effort to help businesses pull through the pandemic. More recently, the AICPA has heard from members

concerned with the rise of non-CPA ERC vendors taking inappropriately aggressive positions. These vendors submit claims on behalf of businesses that are either unknowingly unqualified or qualified for a much smaller credit, charging upfront contingency fees of up to 25 percent of the claimed credit. These claims, if audited by IRS, could result in drastic reductions to the improperly obtained credits, costing the business significantly.

To report tax-related illegal activities relating to ERC claims, submit Form 3949-A, Information Referral. You should also report instances of fraud and IRS-related phishing attempts to the Treasury Inspector General for Tax Administration at 800-366-4484. ■

## AICPA & CIMA Offer Resources for COVID Relief Funding Audits

Thousands of state and local governmental agencies, nonprofits and businesses that received funding from federal pandemic relief programs are subject to audits that focus on their compliance with laws and regulations governing that money. Leaders of such organizations should understand their responsibilities and engage CPAs who have the specialized knowledge and experience to.

AICPA and CIMA are offering several resources to help organizations subject to “single audits” or similar compliance engagements, including a list of tips, an on-demand webinar and a primer on procuring audit services.

Single audits under Office of Management and Budget Uniform Guidance regulations are generally required when organizations spend \$750,000 or more of federal funds in a given fiscal year. Before the pandemic, some 34,000 to 38,000 single audit engagements were performed each year, but the trillions of dollars authorized for COVID relief funding are expected

to significantly increase that number. For example, the \$350 billion Coronavirus State and Local Fiscal Recovery Fund program was provided to thousands of small units of local government, many of which may be inexperienced in managing federal funding and preparing for a single audit.

Among the basic steps organizations should take if they’re required to undergo a single audit:

- Make sure your auditor is qualified to perform engagements of this kind.
- Pull together information your auditor will need.
- Perform any necessary steps once the single audit is complete.

More detailed information for organizations is available through the AICPA Governmental Audit Quality Center, and are free and available to the public. To access them, users must register for an online AICPA account, which anyone can establish. To learn more, please visit [aicpa.org/gaqc](http://aicpa.org/gaqc).



**JON HUBBARD**

Shareholder/Consultant, Boomer Consulting, Inc.

# Creating an Effective Client Intake Process

**MANY FIRMS FOCUS** on improving their client onboarding process, but there's a crucial step that must happen before client onboarding: deciding whether to take the client. This is a step we like to call client intake.

Despite its importance, few firms put much energy into optimizing their client intake process. They identify their ideal clients, spend time packaging and pricing their services and hone their marketing messaging. But with a weak intake process, they bring in clients that aren't the kind of clients they want or need to grow the firm or meet their goals.

Below, I share four steps for improving your client intake process that will allow you to increase your conversion rate for ideal clients and ensure you're not bringing in clients who aren't the right fit for your firm.

## STEP 1: DEFINE THE TYPES OF CLIENTS YOU WILL (AND WON'T) TAKE

It's common for every partner in the firm to have his or her own definition of the ideal client. For example, one might only accept 1040 clients if there's a related business return, while another accepts any individual tax client willing to pay a minimum amount. The problem is, all those clients utilize the same firm resources, so you need a firm-wide definition of "acceptable client."

What services do those clients purchase? What is the anticipated annual fee? What industries or niches will you work with? What's the client's minimum annual revenue to work with you? Get very clear on the types of clients you

will and won't take so there's less confusion amongst partners and staff.

## STEP 2: CENTRALIZE THE INTAKE PROCESS

When every partner and manager handles the intake process for their own referrals and prospects, it's tough to adhere to the rules established in step one. You'll have much better results when you centralize the process as much as possible.

Bring in a person or a small team to pre-screen clients. When a potential new client calls or fills out an interest form on your website, they're routed to this team for pre-screening.

Your pre-screener doesn't have to be an accountant—but he or she will need to ask questions based on the criteria you've established. Many firms leverage marketing or admin team members for this step in the process. Then, if the prospect meets these basic qualifications, the pre-screener can schedule a meeting with a partner or manager who can dive deeper into the prospect's needs.

## STEP 3: DETERMINE HOW YOU'LL COMMUNICATE TO CLIENTS YOU WON'T ACCEPT

If you do steps one and two and end there, you'll still have less-than-ideal clients slipping through the



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cracks. This is because it's awkward to reject a potential client without a script.

Develop clear communication and messaging for wrong-fit clients, including where to refer them.

It can be as simple as, "Thank you so much for reaching out. After reviewing your info, we believe you'd be better served by {XYZ firm}. We're focused on {your focus niche or services}. If at a later date you need those services, we'd love to have another opportunity to work with you."

While we support establishing a minimum price, that should be an internal metric rather than something you communicate to prospective clients.

## STEP 4: WATCH OUT FOR ASPIRATIONAL CLIENT ACCEPTANCE

We recently worked with a firm on their strategic planning, and client acceptance was one of the issues that came up during our discussions. One partner in the firm was

taking on all kinds of wrong-fit clients. When asked about it, they said they accepted these clients because they could turn into ideal clients.

However, when we asked how many of those wrong-fit clients had blossomed into ideal clients, they couldn't name one. Yes, they'd increased fees for these clients over the years, but they were still underwhelming and required a lot of work for a very small percentage of the firm's annual revenues.

Watch out for the tendency to accept wrong-fit clients hoping they'll win the lottery or be the next unicorn startup. If they're the wrong fit today, they reduce your firm's capacity to go after and serve today's ideal clients.

Many firm leaders have been guilty of growing their firms in a way that makes work and life more difficult for them and their team members. Any firm can grow—the goal is to grow smarter, not harder. A strong client intake process ensures you achieve the right kind of growth. ■



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