



# How firms are transforming tax season complexities into opportunity

WHITE PAPER

# **Is your head spinning from the consecutive tax deadline delays and the recent unprecedented changes impacting the tax profession?**

**If so, you're not alone.**

The COVID-19 pandemic has impacted so many industries in different ways and the tax profession is no exception. A rise in client demands; new pandemic-related legislation; a shift to remote work; and, for a second year in a row, another tax deadline delay has left many tax professionals reeling. But with challenges also come opportunities for growth.

To help firms, this white paper explores some of the complexities currently facing tax professionals and takes a closer look at the state of the industry, and how accountants can succeed and bring greater value-add to their clients during these trying times.

## The pulse of the profession

Just as the dust began to settle from the Tax Cuts and Jobs Act of 2017 (TCJA) — the most sweeping tax legislation since the Tax Reform Act of 1986 was signed into law — the COVID-19 pandemic hit. With it came a whole new set of changes impacting the tax profession.

Today, tax professionals are still dealing from the impacts of last year’s perpetual tax season, new pandemic-related legislation, the shift to remote work, and the economic blow dealt to many clients. Now throw into the mix another deadline delay for tax year 2020.

“It is tiresome when things continue to change and you don’t see where the end is in sight. ... I think at this point the profession just wants an end to some of this,” said Will Hill, Product Manager, Tax and Accounting Professionals Advisory at Thomson Reuters.<sup>1</sup>

Perpetual change and the unknown can no doubt be exhausting. And while some firms — especially those operating on outdated technology and resistant to change — may be struggling to sustain growth, there are many that are taking this time to focus on new ways of working and bringing greater value-add to their clients.

“The firms that have said, ‘I see where we can really bring some value to our clients through all of these changes,’ they have kind of re-invigorated themselves to focus not on the change but by focusing on what they are doing for their client. And while they’re still tired, that .... shift of focus helps bring them energy,” Hill said.<sup>2</sup>

This renewed focused meant that many firms found themselves dealing with Paycheck Protection Program (PPP) loans and, in general, helping clients navigate the new, often challenging, market dynamics. In fact, 71% of tax professionals said they experienced changes to their roles during the pandemic, according to a recent Thomson Reuters<sup>®</sup> Institute study.<sup>3</sup>



<sup>1</sup> Hill, Will, phone interview, April 1, 2021

<sup>2</sup> Hill, Will, phone interview, April 1, 2021

<sup>3</sup> Insights for Tax Professionals 2021 (Rep.). (2020). Retrieved [tax.thomsonreuters.com/content/dam/ewp-m/documents/tax/en/pdf/reports/insights-for-tax-professionals-2021.pdf](https://tax.thomsonreuters.com/content/dam/ewp-m/documents/tax/en/pdf/reports/insights-for-tax-professionals-2021.pdf)

Before the pandemic hit, tax advisors' strategic priorities centered on four main themes:<sup>4</sup>

- 1. Growth**  
Increasing revenue and attracting new clients
- 2. Talent**  
Attracting new people, developing and retaining existing people
- 3. Efficiency**  
Streamlining processes and leveraging technology with a view to increasing productivity
- 4. Client service**  
More effective communication, meeting deadlines, a more personable approach, and more rounded business advice

It likely comes as no surprise that, looking to 2021 and beyond, these priorities now reflect the experiences of working through the pandemic and adapting to the "new normal":<sup>5</sup>

- 1. Growth**  
More clients, more revenue
- 2. Talent**  
Recruit more people, develop people, and accommodate remote working
- 3. Efficiency**  
More streamlined processes, productive, move through work faster, invest in the right technology
- 4. Client service**  
An effective virtual service

## Tax deadline delays: A closer look

The Treasury Department and Internal Revenue Service announced in March that the federal income tax filing due date for individuals for the 2020 tax year would be automatically extended from April 15, 2021, to May 17, 2021.

The delay, however, was not exactly well received. Many within the profession argued it was too selective and, perhaps of even greater concern, is the longer-term impact it may have on the profession. Let's take a closer look.

This year marked the second consecutive tax season that the filing due date was delayed. Last year, federal tax filing and payment deadlines were postponed to July 15 due to the COVID-19 pandemic.

---

<sup>4</sup> Insights for Tax Professionals 2021 (Rep.). (2020). Retrieved [tax.thomsonreuters.com/content/dam/ewp-m/documents/tax/en/pdf/reports/insights-for-tax-professionals-2021.pdf](https://tax.thomsonreuters.com/content/dam/ewp-m/documents/tax/en/pdf/reports/insights-for-tax-professionals-2021.pdf)

<sup>5</sup> Insights for Tax Professionals 2021 (Rep.). (2020). Retrieved [tax.thomsonreuters.com/content/dam/ewp-m/documents/tax/en/pdf/reports/insights-for-tax-professionals-2021.pdf](https://tax.thomsonreuters.com/content/dam/ewp-m/documents/tax/en/pdf/reports/insights-for-tax-professionals-2021.pdf)



“This continues to be a tough time for many people, and the IRS wants to continue to do everything possible to help taxpayers navigate the unusual circumstances related to the pandemic, while also working on important tax administration responsibilities,” said IRS Commissioner Chuck Rettig in a press statement announcing this year’s deadline delay.<sup>6</sup>

The extension, however, did not apply to first-quarter individual estimated tax payments, due April 15, 2021.

Unlike last year’s tax deadline postponement, which was a predictable event given the impacts and uncertainty of the pandemic, this year’s delay caught some off guard and proved more difficult for tax professionals to plan around. Furthermore, some industry leaders had hoped for a longer extension to June 15 (this year’s filing season started later than usual on Feb. 12), and feared that not including estimated tax payments canceled out much of the benefit of a postponement.

“While we appreciate the IRS’ recognition that a filing deadline postponement is indeed necessary, the announcement is far too selective in who is receiving relief,” said AICPA President and CEO Barry Melancon in a press statement. “In fact, the taxpayers who are most likely to benefit from this additional time are taxpayers who are able to meet the original filing deadline.”<sup>7</sup>

Added Melancon, “This selective decision by the IRS unfortunately creates more bureaucracy and confusion and is out of sync with real world stresses that taxpayers, tax practitioners, and small businesses are dealing with.”<sup>8</sup>

Furthermore, these worries piled onto an already difficult tax season riddled with questions and concerns on regulatory changes and retroactive items. These included:

- The American Rescue Plan Act, which included changes that retroactively affected 2020 returns, including the retroactive provision that made the first \$10,200 of 2020 unemployment benefits nontaxable
- Paycheck Protection Program (PPP) loans and other pandemic-related items
- A heightened focus on cryptocurrencies
- Continued material changes to Form 1040

What may be of even greater concern to some is the longer-term impacts of the deadline delays and the ripple effect the delays may have on the profession, as tax professionals now face less time for post-tax season strategic planning.

“I’m worried that this is going to delay the strategic decision-making process at a lot of firms. That they will subsequently delay the strategic investment in their firm that they would have otherwise made. Whether that be reimagining their tech stack, ... expanding their business into providing a new service, hiring new staff, opening a new office or new location. ... And the result of all that would be a loss of talent and a loss of opportunity, and those are two things that firms cannot afford to lose right now,” said Corey Greene, Customer Proposition Strategy Lead, Tax and Accounting Professionals at Thomson Reuters. “My hope is that firms are looking at this through a holistic lens and thinking about prioritizing the future over the near-term pain, and understanding how important it is to stay on track when it comes to focusing on their business with business planning, strategic initiatives, etc.”<sup>9</sup>

<sup>6</sup> IRS. (2021, March 17). Tax Day for individuals extended to May 17: Treasury, IRS extend filing and payment deadline [Press release]. Retrieved from [irs.gov/newsroom/tax-day-for-individuals-extended-to-may-17-treasury-irs-extend-filing-and-payment-deadline](https://www.irs.gov/newsroom/tax-day-for-individuals-extended-to-may-17-treasury-irs-extend-filing-and-payment-deadline)

<sup>7</sup> AICPA. (2021, March 17). AICPA: Many Taxpayers Will Not Benefit from IRS Tax Deadline Extension [Press release]. Retrieved from [aicpa.org/press/pressreleases/2021/aicpa-many-taxpayers-will-not-benefit-from-irs-tax-deadline-extension.html](https://www.aicpa.org/press/pressreleases/2021/aicpa-many-taxpayers-will-not-benefit-from-irs-tax-deadline-extension.html)

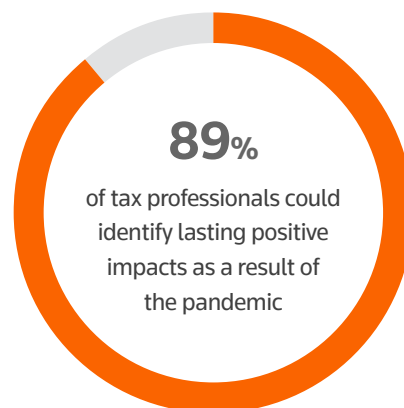
<sup>8</sup> AICPA. (2021, March 17). AICPA: Many Taxpayers Will Not Benefit from IRS Tax Deadline Extension [Press release]. Retrieved from [aicpa.org/press/pressreleases/2021/aicpa-many-taxpayers-will-not-benefit-from-irs-tax-deadline-extension.html](https://www.aicpa.org/press/pressreleases/2021/aicpa-many-taxpayers-will-not-benefit-from-irs-tax-deadline-extension.html)

<sup>9</sup> Greene, Corey, phone interview, April 8, 2021

## A time of change

In general, the profession has undergone a good deal of change in recent years thanks, in large part, to advancements in technology. The pandemic, however, has accelerated change and, in many cases, it's been for the better. As mentioned earlier, many firms are sharpening their focus on new ways of working and bringing greater value-add to their clients.

Underscoring this point, 89% of tax professionals said they could identify lasting positive impacts as a result of the pandemic, according to Thomson Reuters Institute research.<sup>10</sup> Let's explore some of these positive impacts.



### Realignment of value

Clients today want an accounting professional who will provide them with proactive advice — a demand that was no doubt further accelerated by the COVID-19 pandemic.

In fact, 95% of tax professionals believe their clients want business advisory services.<sup>11</sup>

As clients sought advice about everything from applying for PPP loans to how to manage their finances to keep their businesses afloat, many tax professionals experienced changes to their roles. Those firms that pivoted to become more of a strategic business advisor, especially during these challenging and unprecedented tax seasons, have been able to strengthen client relationships and sustain greater growth.

"[Tax professionals] who put their head in the sand with PPP, they still have their head in the sand with advisory stuff. People who pulled their head out of the sand with PPP and said, 'Let's see what we can do to kind of help,' I think that put them into this rhythm of advisory." said Hill. "... To me, this isn't about: how much did you charge? To me this is about: have you used this opportunity to reposition the value you bring to your clients in that business-to-business relationship?"<sup>12</sup>

<sup>10</sup> Insights for Tax Professionals 2021 (Rep.). (2020). Retrieved [tax.thomsonreuters.com/content/dam/ewp-m/documents/tax/en/pdf/reports/insights-for-tax-professionals-2021.pdf](https://tax.thomsonreuters.com/content/dam/ewp-m/documents/tax/en/pdf/reports/insights-for-tax-professionals-2021.pdf)

<sup>11</sup> Insights for Tax Professionals 2021 (Rep.). (2020). Retrieved [tax.thomsonreuters.com/content/dam/ewp-m/documents/tax/en/pdf/reports/insights-for-tax-professionals-2021.pdf](https://tax.thomsonreuters.com/content/dam/ewp-m/documents/tax/en/pdf/reports/insights-for-tax-professionals-2021.pdf)

<sup>12</sup> Hill, Will, phone interview, April 1, 2021

### Renewed focus on technology, staff

Even before the pandemic hit, many firms were heading into 2020 with an eye on better leveraging technology to drive greater efficiencies and boost revenues. For many firms, however, the pandemic upended these goals, forcing them into survival mode and remote work environments.

As firms waded through the pandemic and the complexities of the tax seasons, the greater use of technology emerged as the biggest lasting positive impact (41% of respondents), according to Thomson Reuters Institute research. Going forward, professionals expect this to continue to be a driving force in their work with the shift to remote work, and 10% expect greater efficiency due to the increased reliance on technology.<sup>13</sup>

The profession has also seen a renewed focus on flexibility, talent development, and leadership skills as associates juggle work/life responsibilities in a remote work environment, while also helping clients navigate the new, often challenging, market dynamics.

It's interesting to note that developing talent is among the top strategic priorities for firms in 2021, and beyond, according to Thomson Reuters Institute research. When asked what they believe makes the best tax professionals stand out, respondents not surprisingly said tax expertise (22%). However, the next two — strong/clear communication (20%) and social skills/likability (18% — were unforeseen.<sup>14</sup> Does your firm provide training and coaching support for how to communicate and interact with clients?

The study also found that 26% of respondents referred to remote work as now being an “accepted practice,” overcoming the previous need for presenteeism. Nine percent are expecting the flexibility to stay.<sup>15</sup>

When it comes to effective leaderships skills, soft skills rose to the top — with flexible and humane/caring topping the list of core leadership strengths.<sup>16</sup>

### What makes the best tax professionals stand out



**Tax expertise**  
22%



**Strong/clear communication**  
20%



**Social skills/likability**  
18%

<sup>13</sup> “Where Opportunity Meets Value: Business Model Trends for Accounting Advisory Services” (Rep.). (2020). Retrieved from [accountants.bill.com/business-model-pricing/cpacom-billcom-hinge-businessmodelsurveyreport](https://accountants.bill.com/business-model-pricing/cpacom-billcom-hinge-businessmodelsurveyreport)

<sup>14</sup> “Where Opportunity Meets Value: Business Model Trends for Accounting Advisory Services” (Rep.). (2020). Retrieved from [accountants.bill.com/business-model-pricing/cpacom-billcom-hinge-businessmodelsurveyreport](https://accountants.bill.com/business-model-pricing/cpacom-billcom-hinge-businessmodelsurveyreport)

<sup>15</sup> Knighton, Michael, phone interview, March 18, 2021

<sup>16</sup> Insights for Tax Professionals 2021 (Rep.). (2020). Retrieved [tax.thomsonreuters.com/content/dam/ewp-m/documents/tax/en/pdf/reports/insights-for-tax-professionals-2021.pdf](https://tax.thomsonreuters.com/content/dam/ewp-m/documents/tax/en/pdf/reports/insights-for-tax-professionals-2021.pdf)

### Greater sense of “togetherness”

Today’s complex and shifting environment has also fostered a greater sense of “togetherness” within the industry as firms look to stay informed and drive the profession forward.

“I believe firms are now more cooperative with one another than ever before. ... All firms are in a very rough spot and things change so fast that we’re better to work together and find out the answers for all of our clients than to try and put ourselves in a silo and only talk to our clients and not work with our peers,” Hill said. “This profession needs everyone to work together to help bring things forward, and then to be able to collectively escalate on things to the lawmakers. ... So, that togetherness, I think, is also part of a new trend that I’m seeing.”

*“A lot of firms out there they are appropriately prioritizing technology both for their internal needs as well their clients’, the taxpayers’, needs. But most of the firms in the profession are just putting more and more workload on their staff instead of investing in technology [that delivers] more automation.”*

## Have the right tools in your toolbox

Many firms updated their technology during the pandemic. However, did they review their processes? Do they have a clear understanding of where the efficiencies really are? If not, it’s important to take a step back and ensure the right technology and processes are in place to drive greater automation, streamline workflows, and enhance collaboration among both staff and clients.

The end of tax season is an ideal time to take a pause and consider the following:

- Does your firm have a clear understanding of the efficiencies gained with technology?
- Is your staff internally aligned so everyone is using technology the same way?
- Is there a similar expectation across the staff so that no matter who is doing what work it’s getting done the same way?
- Do your clients have a consistent experience no matter which staff member is performing the work or communicating with them?

“A lot of firms out there they are appropriately prioritizing technology both for their internal needs as well their clients’, the taxpayers’, needs. But most of the firms in the profession are just putting more and more workload on their staff instead of investing in technology [that delivers] more automation,” Greene said.<sup>17</sup>

<sup>17</sup> Greene, Corey, phone interview, April 8, 2021

The answer: Consider implementing a cloud-native platform (i.e., designed and built in a cloud infrastructure) that provides a comprehensive solution to fulfill your firm's tax compliance, management, and advisory needs. Having a single source of truth across all integrated applications will help your firm improve efficiencies, increase profitability, and better serve clients from anywhere at any time.

Some features to consider when looking for an integrated platform include:

- A user-friendly, central database for staff, clients, and projects that is easy to navigate from a home page and client dashboard
- Enables easy collaboration between staff and the client to request and review documents and approval tasks, plus provides secure eSignature and online bill pay capability
- Creates a customizable folder system to manage documents with full text search and document annotations options
- Provides visibility into firm projects and staff assignments to drive productivity and confidence with the client
- Provides in-the-moment decision support to your clients
- Helps advise clients on tax scenarios to plan for the upcoming tax year
- Links to research and guidance tools to provide tailored advice

"We are seeing a lot of firms just force themselves back into the office because they don't have the toolset ... to function in a virtual world, and they're not yet ready to invest in technology that enables that virtual interaction," said Greene. "...Because client attrition and staff attrition are two of the top concerns facing the industry today, they are terrified. The answer is to turn to technology."<sup>18</sup>

<sup>18</sup> Greene, Corey, phone interview, April 8, 2021

**During these trying and unprecedented times, keep in mind that with the difficulties also comes significant growth opportunities.**

While some firms — especially those operating on outdated technology and resistant to change — may be struggling to sustain growth, there are many that are taking this time to focus on new ways of working and bringing greater value-add to their clients. This includes ramping up their strategic advisory services and leveraging modern technology to improve efficiencies and collaboration among both staff and clients.

For tax professionals who are feeling overwhelmed and exhausted, it is important to remember that you are not alone. In addition to networking with your peers, turn to a trusted solution provider, like Thomson Reuters, who can help set your firm on the road to success in today's challenging tax environment.



---

### Checkpoint® Edge

Checkpoint Edge is the next generation of our Checkpoint research and guidance tool for tax and accounting professionals. It delivers the latest in artificial intelligence, cognitive computing, and machine learning technologies, combined with the tax and accounting expertise of our editorial staff. It enables you to find fast, accurate answers with a more fluid and intuitive user experience.

Learn more at [tax.tr.com/checkpoint/edge](https://tax.tr.com/checkpoint/edge)

### Thomson Reuters® UltraTax CS

UltraTax CS professional tax software automates your entire business or individual tax workflow and delivers powerful, time-saving tools. You'll access a full line of federal, state, and local tax programs including 1040 individual, 1120 corporate, 1065 partnership, 1041 estates and trusts, multi-state returns, and more. UltraTax CS seamlessly integrates with other Thomson Reuters solutions, including CS Professional Suite and Onvio® cloud software, so you never lose any billable hours to manual processing. Meet all of your tax workflow needs with a customized, end-to-end solution built on cloud computing, advanced data sharing, and paperless processing.

Learn more at [tax.tr.com/ultrataxcs](https://tax.tr.com/ultrataxcs)