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Winning Strategies to Transform TCJA into a Growth Driver



WHITE PAPER

The Tax Cuts and Jobs Act (TCJA) was signed into law by President Trump in December 2017 and is one of the most critical changes facing the profession — impacting individuals and businesses on a level not seen in more than three decades.

Are you Future-Ready?

Research by the Business Learning Institute and the Maryland Association of CPAs (BLI-MACPA) shows the number one reason clients stay with their CPAs and accountants is that they are offering proactive advice and insights. Yet that same research shows the top issues facing CPAs and accountants are:

- Doing more with less
- Being reactive versus proactive
- Lack of time
- Talent recruitment and retention

BLI-MACPA President and CEO Tom Hood adds, “...the only way to escape this trap is to flip these challenges into opportunities. The Future-Ready tax professional will actually look for leverage points with learning, technology, and knowledge of their clients to seek opportunities.

“This means the trend of increasing tax legislation like the TCJA and the cascade into state tax laws are a perfect opportunity to provide future-focused value to your clients. The future-ready firm is leveraging the hard trends of increasing laws and regulations and the increasing availability of exponential technologies like cloud, mobile, and big data to do things that were impossible only a few years ago.”

Many individuals and businesses are still wading through the complexities and trying to unravel exactly what the tax law changes mean for them. As a trusted advisor, they look to you for guidance and strategic advice.

How ready is your firm to address your clients’ questions and transform the tax law changes into growth opportunities? Read this guide and reflect on whether your firm is ready for the next tax season. Plus, learn more about the tools and resources that can help differentiate your firm, increase profitability and, ultimately, strengthen client relationships.

Does your firm provide tax planning?

Clients are looking for trusted advisors who provide proactive advice and guidance to help them navigate the complexities of today’s regulatory and legislative environment. Failure to provide such services places your firm at a significant competitive disadvantage, especially given the recent passage of the TCJA.

According to research from the Tax & Accounting business of Thomson Reuters, more than half of accountants surveyed (53%) believe their time spent on tax planning, consultancy, or specialist advice will increase by 2028.¹

A separate survey² found that 52 percent of millennial business owners said they must have a firm that provides strategic insight and guidance for their organizations. Effectively providing proactive advice is obviously important to clients of any age, but the data does offer insight into the priorities of emerging business leaders and what they desire in an accounting firm. It’s an important factor to consider given that millennials are the largest generation (35%) in the US work force.³

The sweeping changes under TCJA are no doubt transforming tax planning into a multi-year, multi-dimensional experience. With these changes, however, come tremendous opportunities for today’s accounting professionals to work with their clients to develop tax planning strategies.

¹ “Accountancy Firms Poised for Major Transformation of the Profession by 2028.” Thomson Reuters, September 4, 2018, www.thomsonreuters.com/en/press-releases/2018/september/accountancy-firms-poised-for-major-transformation-of-the-profession-by-2028.ht

² “2017 Millennial Business Owner-Accounting Firm Survey.” Bill.com, 2017, cashflow.bill.com/millennials-accounting-report.html

³ Fry, Richard. “Millennials Are the Largest Generation in the U.S. Labor Force.” Pew Research Center, April 11, 2018, www.pewresearch.org/fact-tank/2018/04/11/millennials-largest-generation-us-labor-force/

In fact, a tax reform survey⁴ conducted in January 2018 found that many Americans said they were in the dark on tax reform and what it would mean for them, and about one-quarter of Americans didn't even know a tax reform bill was signed. According to the findings, most Americans (74%) said they knew changes were brewing under the new tax law, but not everyone understood what that meant. The survey also found that 50% of Americans said they didn't understand how their income tax bracket would change under the new tax law.

Help your business and individual clients navigate tax complexities with highly valued tax planning services. Implementing a robust tax planning solution that is continuously updated throughout the year as new laws and regulations are enacted — many of which may be unknown to your clients — enables you to extend your planning capabilities well beyond the basics, and ensures your clients are fully prepared.

Implementing the right solution not only helps with tax planning by analyzing multiple scenarios over multiple years, it also provides polished presentation-ready materials to wow clients with comprehensive, professional plans.

Whether it's just knowing the highlights so you can touch on items at cocktail parties or getting into the detailed planning opportunities for individuals, small business owners, or those qualified for the new business income deduction, it's important to have the right knowledge to advise and advocate for your clients.

Is your firm providing advisory services?

Bringing in new clients is a top concern for many CPA firms.⁵ The good news is that your firm may not need to. Offering advisory services to existing clients strengthens client relationships and can also help ease the headache — and expense — of attracting new clients.

According to the 2017 CPA Firm Top Issues Survey sponsored by the AICPA's firm practice management section. "One way to address recurring problems is to rethink the way you do business. Many firms may determine that current solutions continue to suit their needs, but considering what new approaches might mean for the firm could lead to valuable insights and ideas."

A growing number of firms are, in fact, rethinking their approach. For many, advisory services are the answer, as evidenced by a 2016 global study⁶ of small to mid-size practices. The survey cited advisory/consulting services — along with accounting, compilation, and other non-assurance/related services — as areas of growth.

Furthermore, research from the Tax & Accounting business of Thomson Reuters revealed that 82% of accountants surveyed believe that advisory is a knowledge area that will be critical for them to understand in the future. The survey also found that 61% of accountants believe their advisory work will become more complex over the next 10 years.⁷

There's no doubt that the TCJA is opening the door to a wealth of consulting and advising opportunities. Consider the following:

Form W-4 (federal): Form W-4 has turned into a bit of a rollercoaster ride. With the enactment of the TCJA came news that the Treasury Department and the IRS would be revising the wage withholding system and Form W-4. A draft version of the new form was released in 2018, but it quickly sparked concern and criticism among groups like the AICPA.

"Taxpayers need a Form W-4 that is easy to understand and simple to complete, thereby reducing compliance burdens and minimizing the risk of tax underpayment and penalties," wrote Annette Nellen, chair of the AICPA Tax Executive Committee, in a letter addressed to the Treasury and IRS.⁸

⁴ "2018 Tax Study: Most Americans in the Dark on Key Deductions and Rules." NerdWallet, www.nerdwallet.com/blog/taxes/2018-tax-report/

⁵ "Staffing Concerns Are Dominant Issue for CPA Firms in 2017, AICPA Survey Finds." AICPA, June 14, 2017, www.aicpa.org/press/pressreleases/2017/staffing-concerns-are-dominant-issue-for-cpa-firms-in-2017-aicpa-survey-finds.html

⁶ "IFAC Global Survey Reflects Growing Accountancy Talent and Technology Challenges." IFAC, March 16, 2017, www.ifac.org/news-events/2017-03/ifac-global-survey-reflects-growing-accountancy-talent-and-technology-challenges

⁷ "Accountancy Firms Poised for Major Transformation of the Profession by 2028." Thomson Reuters, September 4, 2018, www.thomsonreuters.com/en/press-releases/2018/september/accountancy-firms-poised-for-major-transformation-of-the-profession-by-2028.html

⁸ "AICPA Urges IRS and Treasury to Simplify Draft Form W-4 and Instructions." AICPA, July 12, 2018, www.aicpa.org/press/pressreleases/2018/aicpa-urges-irs-and-treasury-to-simplify-draft-form-w-4.html

In addition, the Government Accountability Office released a report projecting that 21% of taxpayers would be under-withheld and will owe money on their 2018 tax returns, filed in 2019.⁹

Given the concerns, the Treasury Department announced in September 2018 that the IRS will implement a redesigned W-4 form for tax year 2020, allowing more time to further refine the approach for the form.

“Launching the redesigned form in 2020 will allow the Treasury and the IRS to properly implement changes to the withholding system and ensure taxpayers have a positive and simplified experience,” said Secretary Steven T. Mnuchin in a press statement.¹⁰

For tax year 2019, the IRS will release an update to the Form W-4 that is similar to the 2018 version.

Section 199A: The pass-through deduction, or Section 199A, is one of the most talked about provisions enacted by the TCJA. As noted by Thomson Reuters, Section 199A allows non-corporate owners of sole proprietorships, S corporations, and partnerships a deduction of up to 20% of their net qualified business income from each qualified pass-through business. In addition, it allows taxpayers to deduct up to 20% of real estate investment trust dividends and publicly traded partnership income. For some clients and their accountants, the burden of complying with Section 199A and loss of time and productivity could be significant. It is estimated that the average annual burden hours per respondent could vary from 30 minutes to 20 hours, depending on individual circumstances, with an estimated average of 2.5 hours. The estimated total annual reporting burden: 25 million hours.¹¹

“The IRS says 199A has added a total of 25 million hours in new reporting requirements, and this is per year,” said Shaun Hunley, technical editor with Thomson Reuters. “...The point here is this is a huge burden on taxpayers as far as compliance is concerned. But it’s a huge opportunity for practitioners because now, realistically, they are going to have to up their billings because it will be a lot more hours for them. The IRS actually estimated that over 10 years it would cost \$1.3 billion in compliance costs. So, this is a huge deal.”

This is, obviously, a small sampling of changes under the TCJA but it does illustrate some of the opportunities for practitioners.

When offering advisory services there are three critical factors to keep in mind:

1. Be proactive. That’s what your clients desire and expect. Taking a reactive approach and waiting for clients to come to you with problems or concerns puts you at a significant disadvantage. In fact, research has found that most clients (70%) said the top reason they would change CPA firms is because of “poor client service, attentiveness.”¹² Leveraging data mining tools, which enable you to query your firm’s tax databases for specific data and client characteristics, can be an effective way to proactively uncover advisory and consulting opportunities. You can then send targeted communications to those clients.
2. Spread the word. To successfully grow your advisory business, clearly define your service offerings and ensure that your firm is monetizing the services and educating clients on why the services are valuable. This leads to greater profitability and stronger client relationships.
3. Leverage innovative tools and resources. Consider investing in a consulting and content offering that will provide a proven model on how to define your advisory services to help you improve margins, drive growth, and elevate client service. One such example is Practice Forward® from Thomson Reuters, a consulting and content solution that includes an assortment of tools like presentations, discussion points, and calculators to help jump-start your practice advisory services.

⁹ “Treasury and IRS Should Document the Roles and Responsibilities for Updating Annual Withholding Tables.” GAO, 2018, www.gao.gov/products/GAO-18-548
¹⁰ “Treasury and IRS to Launch Redesigned W-4 Form in 2020 to Ensure Smooth Taxpayer Experience.” US Department of the Treasury, September 20, 2018, home.treasury.gov/news/press-releases/sm490

¹¹ “Qualified Business Income Deduction.” Federal Register, August 16, 2018, www.federalregister.gov/documents/2018/08/16/2018-17276/qualified-business-income-deduction

¹² “5 Often-Overlooked Keys to Client Retention.” Capstone Marketing, March 11, 2018, capstonemarketing.com/resources/articles/5-often-overlooked-keys-to-client-retention/



“Practice Forward has been a success story for us in driving in new revenue. Within the past 8 months, we have focused in on the advisory work rather than just the compliance work. The compliance work is always there. Practice Forward has allowed us to serve our clients differently in many different ways. The relationships that you build with your clients lets you understand what they’re doing, where they want to go. That synergy allows you to be one step ahead of the game.”

Jason Palaia, CPA

Partner

Bearoff & Associates, LLC

To learn more about the innovative tools and resources that can prove game-changing for your firm and how offering advisory services can be a gateway for greater opportunities, check out the Advisory Services: A Differentiator in an Evolving Profession white paper.

Has your firm adopted value billing?

Traditional hourly billing still accounts for the vast majority of all fees the profession collects (about 85%)¹³ but a growing number of professionals are recognizing the significance of shifting to a value-based billing model.

“The smallest of firms are taking the lead in implementing various billing protocols, with a median of 25% of all fees in firms under \$500K coming from something other than hourly billing. Seeking efficiencies in the billing process, managing cash flow and managing client expectations are driving the slow but steady growth of alternative methods of billing,” according to the 2016 AICPA PCPS/CPA.com National Management of an Accounting Practice (MAP) Survey. Of all respondents that answered questions about billing protocols, 28% said they use value-based billing.

Shifting to a value-based billing model is becoming increasingly important as firms look to enhance automation and workflow efficiencies. Leveraging technology can free up valuable time that can then be spent providing clients with higher-value services.

To help ensure that your services — and the value they provide — are properly priced, consider implementing a consulting and content solution to help transform your firm’s business model, as well as a firm management software solution.

The ideal firm management software solution serves as much more than a time and billing system. It’s a workflow hub for your firm, bringing together all of the key information and resources you need to effectively manage your practice. With the proper systems in place, your firm can gain valuable insight into the business, deliver a higher level of client service, and ensure peak productivity.

Consider a firm management software solution that offers such features as:

- Unprecedented control over your office workflow, enabling you to track and monitor due dates and manage and track your firm’s projects and tasks right from your desktop
- Customer Relationship Management (CRM) capabilities to strengthen client relationships and deliver greater customer service
- Customizable features that can easily be modified to suit the individual needs of your firm
- The ability to quickly and easily manage and track staff benefits and comp time, staff budgeting and targets, staff scheduling, and more

Your time and expertise are valuable. As you navigate clients through the TCJA maze, as well as other tax and accounting issues, ensure that your services and the value they provide are properly priced and you have the proper infrastructure (software) in place for efficiency.

¹³ “2016 AICPA PCPS/CPA.com National Management of an Accounting Practice (MAP) Survey,” AICPA PCPS/CPA.com, 2016, www.aicpa.org/InterestAreas/Private-CompaniesPracticeSection/FinancialAdminOperations/NationalMAPSurvey/DownloadableDocuments/map-executive-summary.pdf

What percentage of your firm's revenue comes from 1040 returns?

In the face of tax reform changes, tax returns for basic 1040 wage earners will simplify. That's good news for filers, but firms that rely heavily on 1040 work can expect to see 1040 revenue dwindle. Firms can be more relevant and profitable by offering higher-value services.

"The Tax Cuts and Jobs Act of 2017 made several significant changes to the individual income tax, including reforms to itemized deductions and the alternative minimum tax, an expanded standard deduction and child tax credit, and lower marginal tax rates across brackets," wrote Erica York and Alex Muresianu in a Tax Foundation article.¹⁴ "These changes simplify the individual income tax for millions of households, as 28.5 million filers would be better off taking the newly expanded standard deduction, instead of itemizing various deductions, reducing compliance costs."

And, in June 2018, the US Department of the Treasury and the IRS announced that Americans will be able to fill out their individual income tax returns on a single postcard-size form for the 2019 tax season. The 2018 IRS Form 1040 replaced the current Form 1040, as well as Form 1040A and Form 1040EZ.

"As part of the historic Tax Cuts and Jobs Act, this Administration committed to making taxes simple and fair for American families. We are delivering on this promise," said Secretary Steven T. Mnuchin in a press statement.¹⁵ "The postcard-size Form 1040 is designed to simplify and expedite filing tax returns, providing much-needed relief to hardworking taxpayers."

The reality is that taxpayers who historically used a CPA to itemize deductions may now migrate to self-service options since it's simpler, therefore bypassing a firm's services altogether. Again, firms that provide higher-value services and effectively communicate their value are ideally positioned to retain clients and battle the commoditization of tax.

Firms that need guidance and access to tools and resources in their journey from a compliance-based business model to more consulting and advisory services should consider leveraging a consulting and content offering, as well as a tax planning solution like Planner CS® from Thomson Reuters. In doing so, look for a solution that includes such features as:

- Proposal templates, value illustration tools, and content pieces to help you successfully implement a client engagement strategy
- Client-facing tools to help jump-start your advisory services offerings
- Robust pricing calculators to help you increase your compensation for the value you bring to your clients
- Comprehensive tax planning insight at both federal and state levels for as many years forward as desired
- The ability to assist clients in deciding between multiple "what if" scenarios with numerous tax planning alternatives per client

How comfortable do you and your associates feel about the tax reform changes?

As noted earlier, many of your clients, especially smaller business clients, are likely still confused about the tax reform changes and what it means for their business. Having the right tools and resources in place to confidently and accurately consult with clients is essential.

Poring over mounds of research and sifting through endless internet search engine results (many of which may not be reliable or up to date) to help your clients navigate the complexities of tax law is not an effective use of your time. Implement a robust research and guidance solution, like Thomson Reuters Checkpoint®, to ensure that your clients have a clear understanding of the tax reform changes.

¹⁴ York, Erica, and Alex Muresianu. "Tax Cuts and Jobs Act Simplified Filing Process for Millions of Households." Tax Foundation, August 14, 2018, taxfoundation.org/the-tax-cuts-and-jobs-act-simplified-the-tax-filing-process-for-millions-of-households/

¹⁵ "Treasury, IRS Announce Development of Postcard-Size Form 1040 for 2019." US Department of the Treasury, June 29, 2018, home.treasury.gov/news/press-releases/sm421

When you combine intuitive search technology with the latest tax law changes updated in Checkpoint, you can be sure you'll quickly find the accurate answers you seek, and have the tools and guidance to take the next steps. Plus, news on critical tax topics and updates from Reuters and industry experts always keep you informed on what you need to know about the latest tax reform headlines.

For business tax-related issues, Thomson Reuters Checkpoint Catalyst™ delivers helpful guides — like diagrams, decision-trees, charts, and calculators — within the context of a discussion around tax law for added color and clarity.



“One of the reasons I prefer Checkpoint is that it’s very easy to use and very easy to pull data for quite a number of states and display it in a very easy to read format. You can leverage that time you’ve saved to research additional topics and find additional opportunities for tax savings. Checkpoint has really helped me focus on the strategic issues associated with tax. As I mentioned, any time savings we get, we’re able to spend that time focusing on the real strategy-based decisions. And anytime we can get our compliance faster, that’s where we see the most value.”

Zachary Tant

State and Local Tax Supervisor
UPS

How comfortable do you and your staff feel about staying apprised of future and ongoing tax reform changes?

Keeping up with the changes and complexities of tax laws is a top concern for many firms and, looking ahead, many firms expect that regulatory issues will continue to have a significant impact on their practice.¹⁶ Now throw tax reform into the mix. In today’s fluid regulatory environment, staying up to speed on tax law changes and taking advantage of educational resources is paramount.

With the passage by Congress, one of the biggest issues now facing practitioners is the fact that many states are working to react to the federal rules. Staying apprised of the developments could prove burdensome.

“By now, most policymakers are aware that federal tax reform can have significant implications for state revenues, leaving states with three options which you might call the Three Rs of Tax Conformity: Retain, Return, or Reform,” wrote Jared Walczak, senior policy analyst with the Center for State Tax Policy at the Tax Foundation. “...Some states, however, would prefer not to make that choice just yet, and hope to postpone any action until next year.”¹⁷

Staying on top of key developments from the states, IRS, Treasury, Congress, courts, and elsewhere is essential. Strategically seek out learning resources to help you understand new and proposed regulations most pertinent to your specific areas of focus. Don’t focus simply on meeting CPE requirements.

Today’s practitioners are becoming increasingly mobile; therefore, it is important to leverage a learning solution that offers various learning formats — such as in-house training, print-based courses, webinars, and online and mobile courses — for greater convenience and success.

Checkpoint Learning™ provides multiple options for individual and team-based learning, including 24/7 access to online courses, a CPE Network monthly subscription for insights and practice pointers on tax guidance and cases, Gear Up seminars and self-study for practical annual updates, and popular webinars that bring experts to your desk.

¹⁶ “Staffing Concerns Are Dominant Issue for CPA Firms in 2017, AICPA Survey Finds.” AICPA, June 14, 2017, www.aicpa.org/press/pressreleases/2017/staffing-concerns-are-dominant-issue-for-cpa-firms-in-2017-aicpa-survey-finds.html

¹⁷ Walczak, Jared. “States Can’t Just Hit Pause on Implications of Federal Tax Reform.” Tax Foundation, May 10, 2018, taxfoundation.org/states-cant-just-hit-pause-implications-federal-tax-reform-2/

Is your staff able to easily and quickly identify clients who will be heavily impacted by the TCJA changes?

Unless you possess superhuman memory recall capabilities, quickly identifying all of your clients who are significantly impacted by the tax reform changes, as well as their contact information, is no small feat. That's why it is critical that practitioners have access to strong data mining capabilities.

"When you have a few hundred clients it is hard to know who is impacted by certain things," said Louie Calvin, senior product manager, payroll for the Tax & Accounting business of Thomson Reuters. "So, we've built some really nice planning reports and data mining capabilities that identify those clients who are impacted. We have even helped firms by creating communications they can send to those clients to get them into the office and sit down to have a session and consult on the impact.

Data mining, which is available within the best tax compliance solutions, is a feature that enables you to query your firm's tax databases for specific data and client characteristics. With data mining, you can easily and quickly identify your client's tax accounting needs, pinpoint tax savings opportunities for your clients, prepare estimate reminder letters, and target communications with your clients.

Example of a data mining process:

1. Decide what information you want to search for. Which characteristics must a client have in order to be included in the search? For instance, are you searching for clients whose data includes a specific range of calculated amounts, numbers, or dates?
2. Select a database to search. You can select the appropriate client database from a drop-down list. Remember to always double check you have selected the correct database before beginning data mining tasks.
3. Choose what you want to produce. Do you want reports and/or letters, mailing labels, or export reports? Both predefined and custom reports and letters are available.
4. Select a search or choose to create or modify a search. Do you want to perform a simple search or a complex search? There are also many predefined search criteria that you can use to create a search formula.
5. Review the search results.
6. Decide how to use the information. After you review the search results, you can use the information in a variety of ways. For instance, you can produce reports and/or letters, print them, store them in an electronic file cabinet, send client letters via email, export search results to a file for use with other applications, or generate mailing labels for clients who passed the most recent search all in a single process.

As noted earlier, having a tax compliance solution that offers robust data mining capabilities helps you quickly identify those clients who will be heavily impacted by the tax reform changes. It can also be an effective way to uncover advisory and consulting opportunities.



"I would recommend UltraTax CS® to another firm because in my mind, there is no other tax prep software. I fully understand there's many competitors out there, but there's none that do it to the level that UltraTax CS does. It's integrated. It's fairly straightforward. It's easy to implement. It also offers a lot of depth on the back end for those techie geeky users like I am to go data mine and go find information to offer value added services."

Chris Papin, CPA
Partner, Founder
Papin CPA, PLLC

Conclusion

There's no doubt that the impact of the TCJA is profound. It's important to remember, however, that your impact as a trusted advisor is also profound. Firms that implement the proper tools and resources and re-evaluate their business model to offer clients higher value services are ideally positioned to turn tax law changes into a significant growth opportunity.

Recommended guidance, resources, and solutions from Thomson Reuters

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Stay apprised of future and ongoing tax reform changes

Checkpoint Learning has a number of TCJA-related and CPE-eligible courses to keep you and your team informed and up to date on the new tax law.

- [Tax Cuts and Jobs Act – Overview](#)
- [49 Things Individuals and Small Business Owners Need to Know About the New Tax Law](#)
- [Repercussions of the Tax Cuts and Jobs Act on Individual Filers](#)
- [Qualified Business Income Deduction](#)

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