

TAX SOFTWARE



Industry consolidation continues.

by Stanley Zarowin

A record number of CPAs responded to our fourth annual professional tax software survey in which we invited AICPA members to disclose, among other things, what tax-preparation software they use and how they evaluated various aspects of their products.

In past years, only members of the Tax Section were included in the e-mail survey. This year, in an effort to get a more comprehensive assessment, we expanded the survey to include all Institute members. As a result, the number of responses ballooned from 2,248 last year to more than 6,000 this year.

This year, continuing the consolidation trend, CCH (a Wolters Kluwer business) acquired TaxWise Power Package and ATX/Kleinrock; however, both vendors will continue to function. So now three vendors dominate the tax software market: Intuit, with two products—Intuit Lacerte and Intuit ProSeries; CCH, with three products—ProSystem fx Tax, ATX and TaxWise; and Thomson, with two products— UltraTax and GoSystem Tax RS. For more details, see [Exhibit 2](#).

PRODUCT LOYALTY

One way to measure product satisfaction is brand-switching. This occurs when users move from one product to another until they find one that most closely matches their budget, needs, skills, hardware requirements and, most importantly, their comfort zones—which includes that intangible judgment of how the product *feels*.

This year 4% of the survey respondents reported they definitely plan to switch brands. By product, 14% of TaxWorks users and 13% of TaxWise users plan to switch. Products with the highest percentage of users for 2006 who switched from the 2005 tax year were TaxWise (17%), Drake (16%) and TaxACT (12%). For more details, see [Exhibit 3A](#) (Overview).

Among the 312 respondents who switched products, 36% listed price as one of their reasons and 24% listed a lack of necessary functions.

POPULAR PRODUCTS

The most widely used product, according to our survey, was CCH's ProSystem fx, with 30% of the 6,109 responses. Not far behind was Intuit's Lacerte Tax with 26%, followed by Thomson's UltraTax with 18%. That's one product each for the three companies that dominate the tax preparation market. See [Exhibit 2](#) for details. Broken down by parent company, here's how the tax software market appears to be divided:

Intuit	37%
CCH	36%
Thomson	23%
Other	5%

Exhibit 1

Tax Software Vendors

Vendor's name

Program name

Postal mail address

Telephone

E-mail address

CCH Small Firm Services 	ATX MAX	63 Sweden St., P.O. Box 1040 Caribou, ME 04736	877-728-9776	sales@atxinc.com
Drake Software 	Drake Software	235 East Palmer St. Franklin, NC 28734	800-890-9500	sales@drakesoftware.com
Thomson Tax & Accounting 	GoSystem Tax RS	2395 Midway Rd. Carrollton, TX 75006	800-726-1040	GoSystem.Sales@thomson.com
Orrtax Software Solutions 	IntelliTax	15395 SE 30th Pl., Suite 300 Bellevue, WA 98007	800-337-6507	sales@orrtax.com
Intuit 	Intuit Lacerte Tax	15601 Headquarters Dr. Plano, TX 75024	800-765-4065	ProTax_Sales@intuit.com
Intuit 	ProSeries	7535 Torrey Santa Fe Road San Diego, CA 92129	800-934-1040	ProTax_Sales@intuit.com
CCH, a Wolters Kluwer business 	ProSystem fx Tax	21250 Hawthorne Blvd. Torrance, CA 90503	800-739-9998	sales@prosystemfx.com
2nd Story Software, Inc. 	TaxACT Preparer's Edition	5925 Dry Creek Lane, NE Cedar Rapids, IA 52402	800-573-4287	support@taxact.com
TAX\$IMPLE 	TAX\$IMPLE	8 Emery Ave. Randolph, NJ 07869	866-729-7798	sales@taxsimple.com





TaxSlayer Pro 	TaxSlayer Pro	610 Ronald Reagan Dr. Evans, GA 30809	888-420-1040	nick@taxslayer.com
CCH Small Firm Services 	TaxWise Power Package	6 Mathis Drive NW Rome, GA 30165	800-755-9473	sales@taxwise.com
RedGear Technologies 	TaxWorks	350 North 400 West Kaysville, UT 84037	800-230-2322	sales@taxworks.com
Thomson Tax & Accounting 	UltraTax CS	7322 Newman Blvd. Dexter, MI 48130	800-968-8900	CS.Sales@thomson.com

Exhibit 2

Ratings and Market Share

Rating the tax software			Satisfaction 1 = very satisfied, 4 = very dissatisfied								
Products	Survey respondents	Percentage of responses	Satisfied with the installation process?	With the ease of learning?	With the ease of use?	With the way the software ran on your network?	Overall product rating	Percentage who said the product contained all the necessary forms	If you switched to a new product this year, did you run its conversion package?	How good was it (1=good, 4=poor)?	
ATX	315	5%	1.2	1.5	1.5	1.5	1.5	97%	94%	1.7	
Drake	166	3%	1.2	1.4	1.4	1.1	1.4	88%	92%	1.8	
GoSystem	259	4%	1.6	2.5	2.4	1.7	2.2	70%	79%	2.5	
Intuit Lacerte	1,568	26%	1.4	1.6	1.6	1.4	1.5	83%	87%	1.8	
Intuit ProSeries	681	11%	1.3	1.5	1.5	1.5	1.5	69%	81%	2.1	
ProSystem fx	1,808	30%	1.8	2.1	1.9	1.3	1.6	85%	94%	2.3	
TaxACT	33	1%	1.0	1.2	1.3	1.0	1.5	82%	*	*	
TaxWise	72	1%	1.4	1.7	1.7	1.3	1.7	88%	75%	2.2	
TaxWorks	87	1%	1.5	1.5	1.5	1.3	1.6	85%	100%	2.8	

UltraTax	1,120	18%	1.4	1.8	1.6	1.3	1.3	92%	91%	2.1
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* TaxACT does not have conversion software

How three companies share the market

Parent company	Product	Number of survey hits	Subtotals	Product market share	Company market shares
Intuit	Lacerte	1,568		26%	
Intuit	ProSeries	681		11%	
			2,249		37%
CCH	ATX	315		5%	
CCH	ProSystem fx	1,808		30%	
CCH	TaxWise	72		1%	
			2,195		36%
Thomson	GoSystem	259		4%	
Thomson	UltraTax	1,120		18%	
			1,379		23%
Total for 3 parent companies		5,823			95%
Total for entire survey		6,109			



All the categories of product satisfaction (ease of installation, learning, use and network operation) were about the same as last year. UltraTax scored highest in overall satisfaction with a 1.3, followed by Drake with 1.4. For ease of installation, TaxACT led with a perfect 1.0. (However, use caution in assessing the results for TaxACT because it was rated by only 33 users.) ATX and Drake tied for second place with 1.2. TaxACT also scored first for ease of both learning and use, with 1.2 and 1.3, respectively. GoSystem came in last, with a 2.5 for ease of learning and 2.4 for ease of use.

Operation of programs on users' networks, which for years was problematic for many, no longer appears to be a serious issue. GoSystem, with a 1.7, while still considered satisfactory, was rated the lowest.

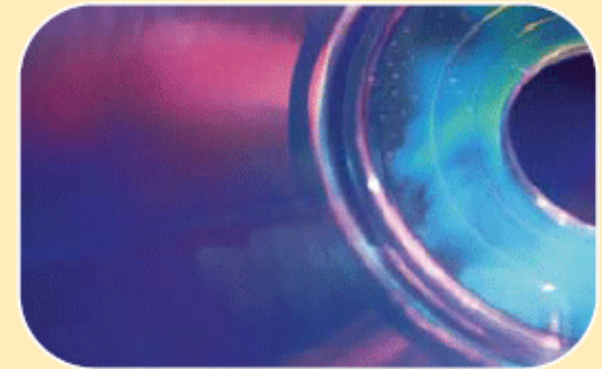
Exhibit 3

Product Selection

Staying with a product, converting to, from and reasons for switching

A. Overview Do you plan to use the same product next year?

Products	Number of respondents	Percentages of responses	Yes	No	Not Sure	Did you switch brands for the 2006 tax year?
ATX	315	5%	91%	4%	5%	5%
Drake	166	3%	91%	5%	4%	16%
GoSystem	259	4%	77%	7%	16%	9%
Intuit Lacerte	1,568	26%	88%	4%	8%	2%
Intuit ProSeries	681	11%	88%	2%	10%	6%
ProSystem fx	1,808	30%	91%	3%	6%	4%
TaxACT	33	1%	85%	9%	6%	12%
TaxWise	72	1%	82%	13%	6%	17%
TaxWorks	87	1%	78%	14%	8%	10%
UltraTax	1,120	18%	94%	3%	3%	7%



B. What product do you plan to switch to?

Current user:	ATX	Drake	GoSystem	Intuit Lacerte	Intuit ProSeries	ProSystem fx	TaxACT	TaxWise	TaxWorks	UltraTax
Total of those who plan to switch:	13	8	18	65	15	50	3	9	12	31
Product they plan to switch to:										
ATX				3%		6%			8%	3%
Drake	23%			9%	20%	4%	33%	22%	17%	23%
GoSystem						4%				6%
Intuit Lacerte	15%	38%	17%		20%	30%		11%	17%	10%
Intuit ProSeries	8%	25%	6%	2%		8%		33%	8%	10%
ProSystem fx	15%		50%	31%	20%		33%	11%		23%
TaxACT						4%				
TaxWise	8%			2%						6%

TaxWorks		13%		2%						6%
UltraTax	8%	13%	6%	43%	13%	36%			25%	
Other	23%	13%	22%	9%	27%	8%	33%	22%	25%	13%

C. Why did you switch?

	ATX	Drake	GoSystem	Intuit Lacerte	Intuit ProSeries	ProSystem fx	TaxACT	TaxWise	TaxWorks	UltraTax	Overall
Price	88%	85%	13%	41%	30%	9%	100%	75%	78%	32%	36%
Hard to use or install	13%	12%	8%	23%	19%	15%	25%	0%	22%	9%	14%
Poor support	6%	0%	4%	26%	14%	15%	25%	0%	0%	17%	13%
Lacked necessary functions	19%	4%	38%	26%	35%	30%	25%	17%	11%	17%	24%
Was not accurate	0%	0%	4%	13%	12%	15%	25%	0%	0%	3%	8%
Other reasons	25%	23%	54%	41%	35%	56%	25%	25%	11%	66%	47%

How size of firm affects choice of tax software

Vendors	Software products used by survey respondents	Sole proprietor	Local Firm	Regional Firm	National Firm	Big four firm
ATX	315	83%	17%	0%	0%	0%
Drake Software	166	70%	30%	0%	0%	0%
GoSystem Tax RS	259	9%	39%	18%	15%	19%
Intuit Lacerte Tax	1,568	41%	56%	3%	0%	0%
Intuit ProSeries	681	66%	33%	1%	0%	0%
ProSystem fx Tax	1,808	18%	61%	17%	4%	1%
TaxACT	33	100%	0%	0%	0%	0%
TaxWise Power Package	72	61%	39%	0%	0%	0%
TaxWorks	87	47%	51%	2%	0%	0%
UltraTax CS	1,120	30%	66%	4%	0%	0%
Total	6,109					

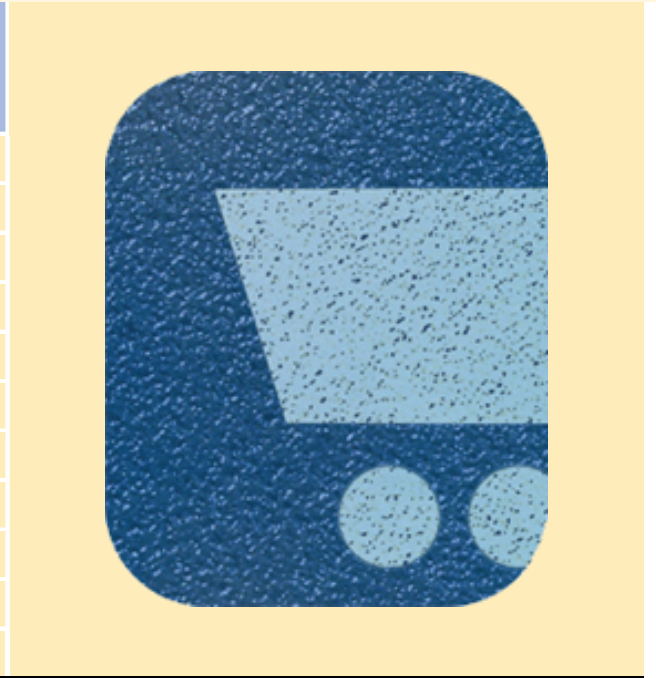


Exhibit 4

Technical Support

Technical support assessments

Vendors	Needed technical support from your vendor	What was your experience in reaching your vendor for technical support? (1=good, 4=poor)	How good was it? (1=good, 4=poor)	Did you receive telephone support?	Did you receive e-mail support?	If you received telephone support, how good was it? (1=good, 4=poor)	If you received e-mail support, how good was it? (1=good, 4=poor)
ATX	70%	1.5	1.6	69%	58%	1.6	1.8
Drake	82%	1.2	1.3	80%	63%	1.3	1.5
GoSystem	89%	2.1	2.1	89%	54%	2.1	2.2
Intuit Lacerte	82%	1.6	1.6	79%	54%	1.6	1.8
Intuit ProSeries	61%	1.7	1.7	60%	33%	1.7	1.9
ProSystem fx	90%	1.5	1.6	90%	43%	1.6	1.7
TaxACT	27%	1.3	1.4	18%	18%	1.2	1.7
TaxWise	89%	1.4	1.6	88%	75%	1.5	1.7
TaxWorks	89%	1.4	1.6	86%	67%	1.5	1.6
UltraTax	83%	1.4	1.4	82%	61%	1.4	1.5

NEED HELP?

The products that received the highest marks for technical support were Drake, with 1.3, and TaxACT and UltraTax, each with 1.4. The help desk with the fastest response to users' calls was TaxACT, with 1.2; it was rated fastest last year, too. When there's a choice, most users opt to ask for help via the telephone rather than e-mail.

For Filing Statistics, see [Exhibit 5](#)

For Product Details, see [Exhibit 6](#)

DATA LIMITATIONS

Whether or not you're shopping for a new product, we think you'll find this data of value. But use the information as a starting guide—not a definitive arbiter of which product is best for you. While the assessments of your peers are not unimportant, what suits them—even most of them—may not meet your needs. Hard as it is to do, the only effective way to assess whether a product is best for you is to put it to the test. That means loading a sample of the software and adding live data to see how it works for you.

Also, while surveys can be useful tools, they also can be dangerous, because unless you determine their source and how they're calculated, they can be misinterpreted. This survey is no exception.

While we strive to report the numbers accurately, be aware that some numbers have more significance than others because questions that target a subset of respondents have a larger margin of error. This is not to say the reported result is inaccurate, just that it's more likely to be inaccurate. That's why we add a column to many of the tables that shows the total responses for each question. Use that as a guide in assessing the statistical validity of responses. □

Products Included, Excluded

The *JofA* identified 13 tax profession programs for this survey and invited their vendors to submit detailed data on the products. However, when the 6,198 survey responses were tallied, only 10 products received enough hits to be included in the rating results. These 6,109 responses were the basis for the calculations in the tables.

We determined that a product needed at least 30 hits for the ratings to be calculated with relative validity. The three products that missed that mark were IntelliTax, Tax\$imple and TaxSlayer Pro. Although we did not include the three in the product ratings, we did keep them in [Exhibit 1](#) (Tax Software Vendors) and [Exhibit 6](#) (Product Details) for readers who are interested in examining those products in more detail.

Due to rounding, percentages in all tables may not add up to 100.

Stanley Zarowin is a contributing editor to the *JofA*. His e-mail address is stanley.joatech@gmail.com.

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