



# The Future of 1040 Tax Prep

## Strategies to Protect and Build Firm Value

# The Agenda



- Digital vs. Paper firms: cost analysis and long-term exit value of the firm
- Understanding seasonal labor costs and staffing flexibility
- Security and compliance (Circular 230, Publication 4557, etc.)
- Demonstrating immediate implementation strategies (Liscio DEMO)
- Short-term and long-term ROI and firm value implications (what is a paper-based firm worth compared to a digital firm?)

# About Brian Tankersley



- Consultant specializing in advising US firms and companies on accounting technology issues.
- Over 25 years of professional experience in accounting, auditing, technology, and education.
- Frequent speaker at continuing education courses for **K2 Enterprises**.
- Publishes a nationally recognized blog on accounting and technology: [www.cpatechblog.com](http://www.cpatechblog.com).
- Served as the technology editor for a major accounting industry publication.
- Has been with **K2 Enterprises** since 2005.



# About Chris Farrell



- CEO of Liscio
- Passionate about the challenges that firms face today
- CPA (Arthur Andersen)
- 11 Years in Practice
- 13 Years developing software for accountants (Tallie, SpringAhead, Liscio)



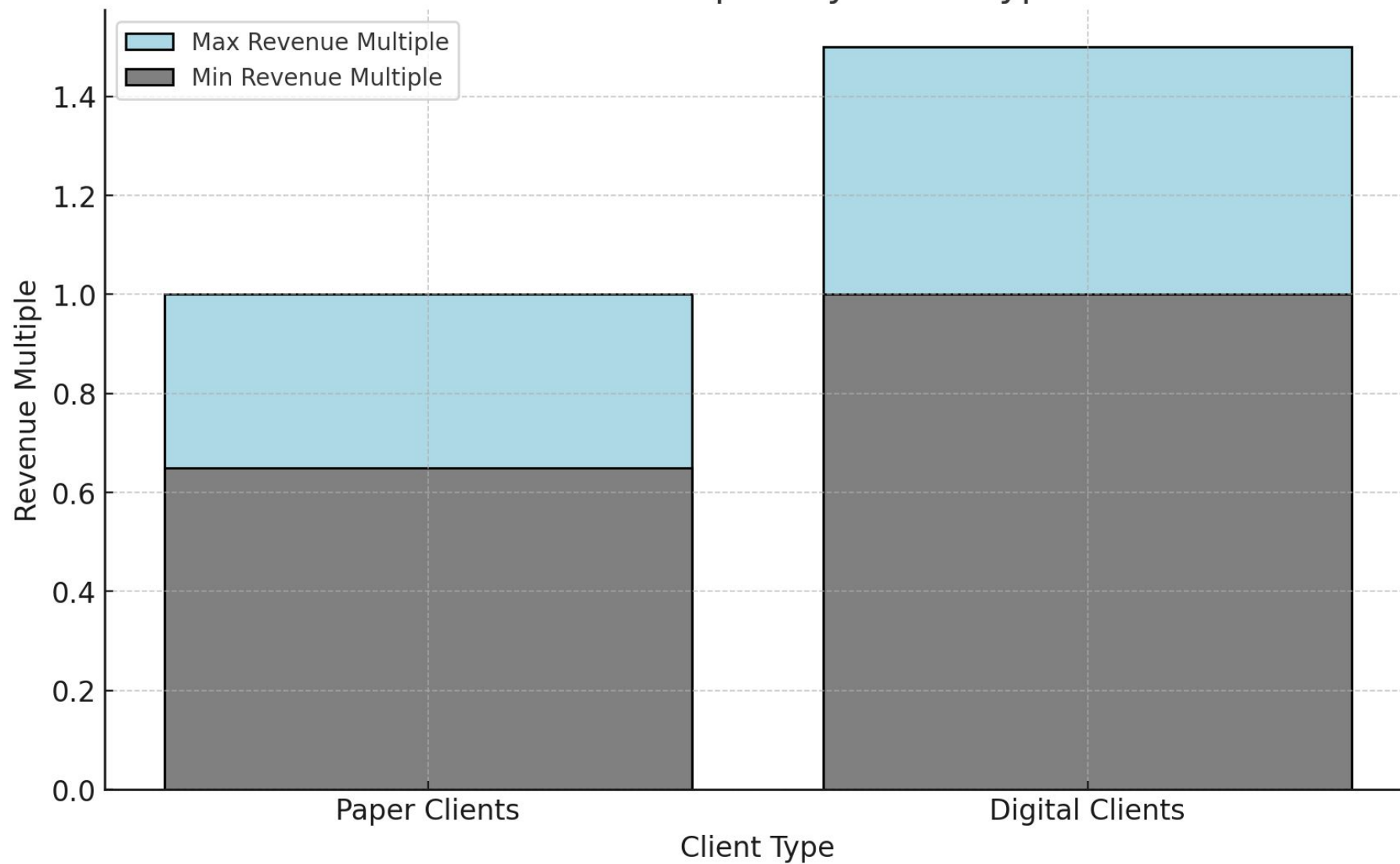
A photograph of a herd of elephants in a savanna landscape. The elephants are in the foreground, and the background shows a vast, open plain under a bright sky. The text is overlaid on a semi-transparent white box.

***The elephant in the room:***

Firm value is directly tied to the proportion  
of online vs. offline tax clients.

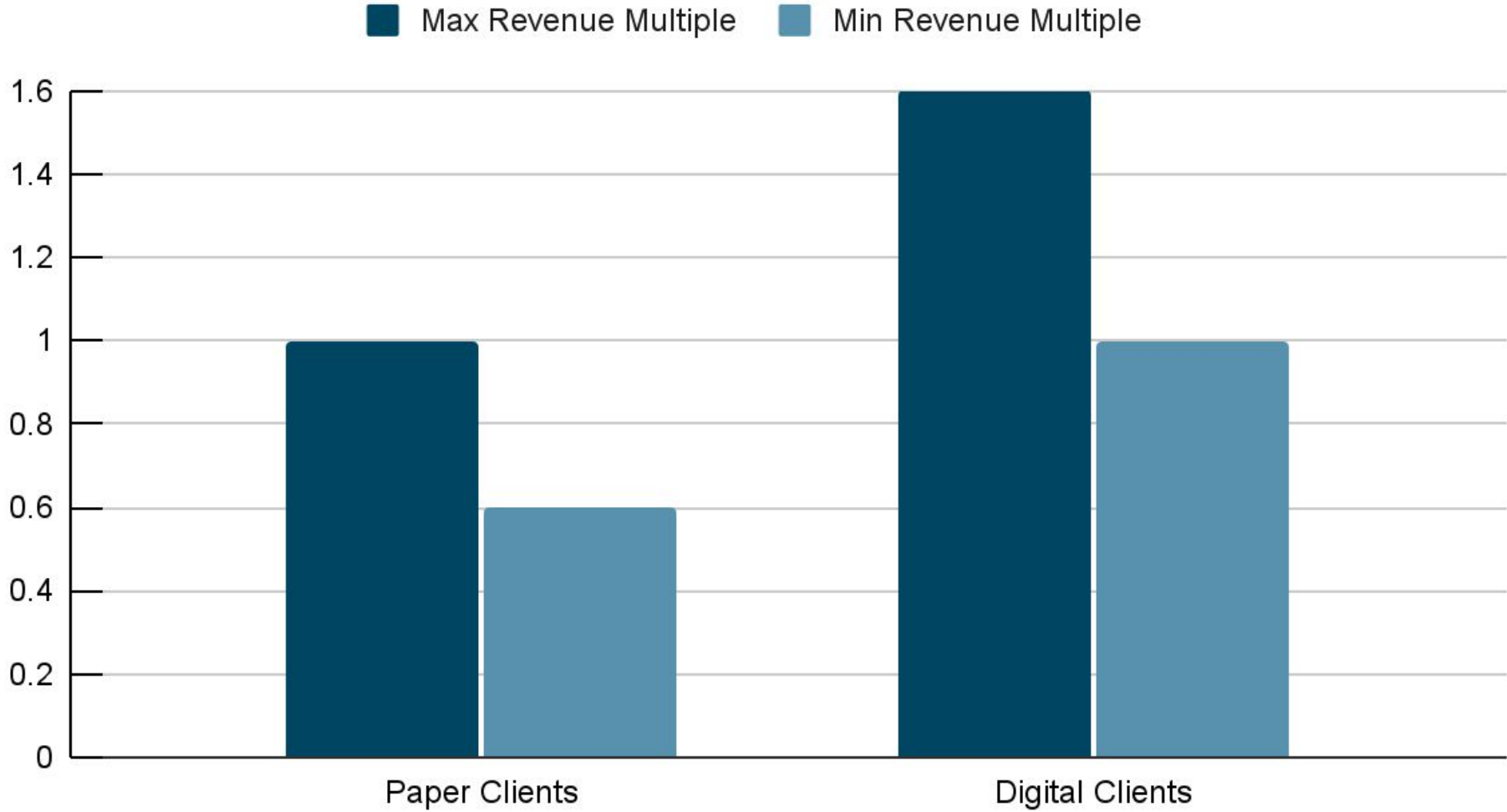


## Revenue Multiples by Client Type





# Revenue Multiples by Client Types





The value difference between paper-based and digital clients is expected to grow as human-in-the-loop automation solutions reduce non-billable administrative time, increasing per-return profitability.



# Today, we'll explore three ways firms can protect and grow their value:



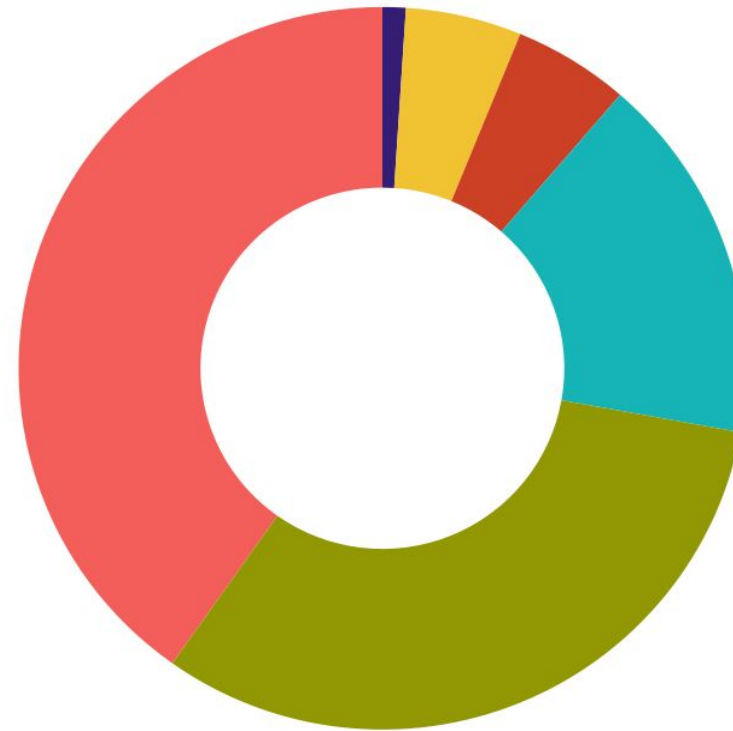
1. Increase the percentage of digital clients vs. paper-based clients.
2. Use automation to boost per-return profitability.
3. Minimize exposure to top digital liability risks.



# Achieving a 70% digital adoption rate is feasible

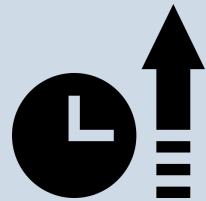
**70%** of baby boomers primarily use online banking. Younger generations are even higher.

- Online - 39%
- Mobile - 31%
- Branches - 16%
- Telephone - 5%
- ATM - 5%
- Mail - 1%



*Baby Boomers (1946-1964)*

# The supply / demand imbalance has put pressure on firms of all sizes.



Tax preparers typically work 60-70 hours a week during tax season, with **20-30 hours of overtime**. For firms managing complex returns or short-staffed, weekly hours can exceed 80 during peak periods.



Between 2020 and 2022, over 300,000 U.S. accountants and auditors left the profession, a **17% decline**.



# The number of Americans working in public accounting is expected to decline over the next 5-10 years

- **Retirements:** A substantial portion of the accounting workforce is approaching retirement. The AICPA has indicated that approximately 75% of its members are at retirement age.
- **Mid-Career Departures:** Between 2019 and 2021, over 300,000 accountants and auditors left their positions, a 17% decline in the workforce. This exodus includes not only retirees but also mid-career professionals seeking opportunities in other sectors such as finance and technology.
- **Early-Career Turnover:** Younger professionals are also leaving the field at historic rates. A report found that accounting and finance professionals aged 18 to 36 experienced a 39% turnover rate over a recent 24-month period, with 26% considering leaving their current job within the next year.



Firms have been turning to nearshoring and offshoring.



While **offshoring** appeals for its cost efficiency and scalability, many firms and clients still favor **in-house data management** due to concerns over security, compliance, and trust.



# Regulatory compliance has also been weighing on firms

- **Firms need to encrypt messages with PII. This creates two problems:**
  - Encryption can be challenging for staff
  - Most clients won't/can't encrypt when sending email to the firm
- **SMS is a key issue for most firms**
  - Photos in text messages frequently contain PII which can walk out the door
  - Use business texting. Better yet, use business texting with secure file requests
- **Your 4557 WISP is key for qualifying for/maintaining cyber insurance**
  - Cyber insurers are disqualifying firms at a record rate
  - Maintaining a quality WISP and complying with it is now table stakes

# We see two divergent paths





# The Gap of Firm Values is Likely to Widen at an Accelerating Pace

Human-in-the-loop automation stands to widen the gap between “traditional” and “digital” firms.

1. Hours worked
2. Client retention
3. Growth
4. Security posture
5. Firm value



# Automating Manual Tasks is Low-Risk/High Reward

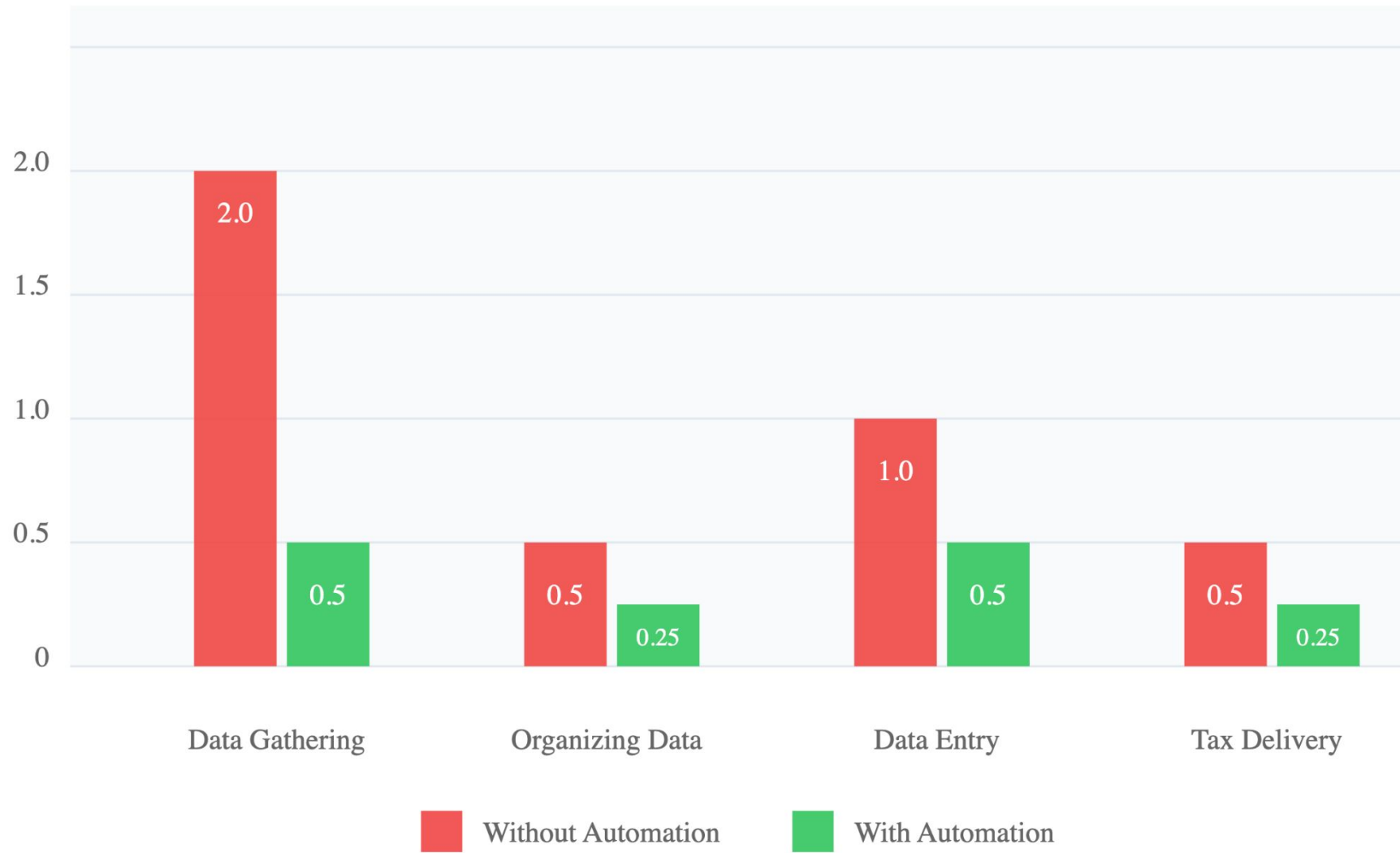


## **Non-value-add activities that are ripe for automation**

- Gathering information from clients
- Organizing documents
- Data entry
- Delivering returns & gathering signatures



## Average Labor Hours per Return





# HOW Firms are Making the Transition

## Perform a “waste walk” in your firm?

- Gathering information from clients
- Organizing documents
- Data entry
- Delivering returns & gathering signatures



# How Smart Organizers Transform Gathering

## Client Experience

- Pre-filled answers for Personal and Contact information
- Personalised document request list shows all documents provided in the prior year
- Responsive questions
- Supports the full range of mobile devices (iPad, mobile web browser, apps)
- Mobile Scanner

## Firm Experience

- Easy to create, review and download
- Track progress and add documents received outside of the organizer
- Immediate return on investment



# Smart Organizer Demo



# Smart Organizer Key Benefits

- Uplifts both the client and firm experience
- Works with the systems firms already use
- Minimal setup and deployment time
- Responses and Documents are clear and organized



# Smart Organizer Unit Economics

## Clear ROI for firms of every size and budget

- \$5 per send
  - Saves \$8 - \$10 vs. paper
  - Saves 1-2 hours per return
- Rollover protection for unopened organizers
  - Learn which clients will embrace the online organizer without financial risk



# How Smart Delivery Works

## Client Experience

- Personalized walkthrough (summary, signatures, payments)
- Quarterly estimate reminders
- Year-round portal

## Firm Experience

- Easy to create, review, and send
- Enhanced IRS compliance (clients confirm they reviewed and accepted the return)
- Automatic reminders and progress tracking
- Save 15+ minutes on each return





# Smart Delivery Demo



# Smart Delivery Unit Economics

- \$5 per return without KBA, \$7 with KBA
- Saves 15 minutes or more per return
- Delightful client experience

# Comparison of Traditional Firm vs. Human-in-the-Loop Automation



Time spent per return	Traditional	Human-in-the-Loop
Gathering documents	1-2 hours	.5 hours
Data entry	1 hour	.5 hours
Reviewing the return	1 hour	1 hour
Communicating with clients	.5 hours	.5 hours
Delivering documents	.5 hours	0.25 hours
<b>Total:</b>	<b>4-5 hours</b>	<b>2.75 hours</b>





# Liscio Summary

- Liscio firms are seeing a ***76% reduction in wasted admin time***
- Year-one adoption rates are high\* (>70%) and grow from there.
- Security is built in and feels effortless to clients
- Time-to-value is less than 4 hours

*\*does not include paper-based clients who do not use email.*



# Liscio Onboarding Process is Fast and Easy

1. Liscio imports Client and Contact data from your tax system
2. Liscio custom brands the portal for the firm
3. Liscio trains the firm (live and/or self service)
4. Firm announce their new portal
5. Firm sends organizers



# The future for Tax Prep is Bright.

- Human-in-the-loop automation will eliminate wasted admin time
- Clients will have a better experience
- Security loopholes that firms haven't gotten around to will close
- Firm profitability and exit values will multiply

*We expect this to drive a wave of both new firms and a accelerating acquisitions of firms with digital clients.*



**Q&A**

