

THE TAX PICTURE

What To Consider When Choosing Tax Software

(NAPSA)—According to the IRS, the number of self-prepared and e-filed tax returns last year increased 14.2 percent over the previous year. Use of do-it-yourself tax preparation software is expected to continue rising, thanks to increasingly user-friendly and convenient options, as well as readily available tax help.

“Tax preparation software gives consumers a fast, easy and affordable way to do just about everything related to their taxes,” said Jessi Dolmage, spokesperson for TaxACT. “From one-on-one tax help and e-filing, to checking on the status of your returns and refund, taxpayers can do their taxes from the comfort of home.”

Software has become the more affordable alternative to professional and storefront preparation, with most ranging in price from free to well under \$100. The National Society of Accountants’ 2011 survey of nearly 8,000 tax preparers found the average fee for a Form 1040 with Schedule A and state return was \$233. The average fee for a nonitemized Form 1040 and state return was \$128.

Deciding between software and a professional may be easy, but choosing a software brand and product can be confusing. Here are some tips for making that decision less taxing:

Tax preparation websites provide 24/7 access to your returns wherever there’s an Internet connection, and allow you to print and save a copy of your return. Many are even optimized for use on an iPad. Some sites tend to load faster than others, so take that into account if you procrastinate. Online products typically don’t require payment until printing or e-filing, so Dolmage recommends testing a couple of brands.

Downloadable software requires space on your computer, flash drive or other storage device and costs a little more. However, downloading is likely the faster and more cost-effective option if you have a slow Internet connection or are preparing additional returns for family and friends. Look for products that include a money-back guarantee.

All products save your data as



When considering tax preparation software, make sure you’re comparing apples with apples.

you go, allowing you to stop and resume at any time. Look for extra tools that can save time and increase your refund, such as data import of last year’s return and investment files. If you itemize deductions and donate household items, find a product with a tool that calculates the fair market value of your donations. Many also offer extra tax guidance for life changes such as marriage, addition to the family and moving.

The overall look and feel of user interfaces may differ slightly but probably not enough to be the deciding factor. The main difference between brands is price. The more complicated your return, the more expensive the software tends to be. Remember to research the total cost for all the products and services you need, including federal software, state software, e-filing and tax help. Some brands offer “free” phone or chat help, but their software costs more, so you pay for help whether or not you use it.

Several brands offer free federal products for “simple” Form 1040EZ and nonitemized returns, but TaxACT Free Federal Edition is the only one that includes all e-fileable forms for simple and complex returns. Unlimited tax and technical help via e-mail is also free.

The bottom line is you may find that a fee or two in addition to the product price still costs much less than an all-inclusive product. Carefully research product websites and read expert reviews in top technology and software publications.

Visit www.irs.gov for the latest tax information and learn more about TaxACT at www.taxact.com.