

Magazine

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TuesdayWorklife

Take a byte out of your tax workload

By Reid Goldsborough
FOR THE INQUIRER

April 15 strikes fear in the hearts of law-abiding citizens each year. It's time to settle your tax bill with Uncle Sam.

Is there anything worse than mucking through that shoe box of receipts and filling out those all but indecipherable IRS forms? A lot of people dump the whole mess off with their accountant or tax preparer.

But if you have a personal computer, you can retain control of the tax filing without pulling your hair out in the process. And you may save some money to boot.

Tax-preparation software for popular personal computers — IBM compatibles and Apple Macintoshes — isn't for everyone. Some tax situations are just too complex for even sophisticated computer programs. But today's programs are surprisingly powerful and easy to use.

Top packages walk you through the tax mumbo-jumbo with personalized questions and answers, clear and occasionally witty English, and the automatic calculation and placement of numbers. Using automated features, they can even teach you how to minimize your taxes and how to avoid an IRS audit.

The top programs play the role of a knowledgeable tax consultant. Meca Software's TaxCut is especially good at this. Available in versions for DOS, Windows and the Mac, TaxCut can make you feel as if there's an in-the-flesh

See TAXES on C4

Tax-preparation software can make job easier

TAXES from C1
tax expert sitting right there inside your computer.

Say you're about to get married. "Some two-career couples get married in December," advises the program on your computer screen, "so they can file jointly and get a lower tax than on two single returns. If this is a bona-fide marriage

(intent to remain married till death do you part, and all that), the December timing is perfectly legal. If your incomes are high enough, the tax savings can help pay for the wedding."

Sure beats the tax advice you get on those IRS forms.

Behind this wry advice is Daniel Caine, a Harvard-educated tax attorney and MBA. "Filling out your taxes can be taxing enough," said Caine in a telephone interview. "We try to keep it human." Other programs, such as the ChipSoft's popular TurboTax for DOS, TurboTax for Windows and MacInTax for Macintosh, have similar help features.

Top tax programs have an optional interview feature that asks you questions and, based on your answers, decides which tax forms you need, what information you need to provide and where this information should go on each of the forms. They automatically add your figures and transfer them from one form to another.

These programs also let you do "what if" analyses to quickly figure out, for instance, if it's better to take the standard deduction or itemize your deductions.

Perhaps most impressively, tax software can determine if your tax return is missing any necessary information and if one or more aspects

of your return might provoke an IRS audit. TaxCut even checks your totals and alerts you if they're out of line with national averages.

Different tax programs come with varying numbers of federal forms, schedules, worksheets and state income

tax modules. TaxCut has 85 different federal forms, while TurboTax has more than 90. Most programs have state modules for Pennsylvania and New Jersey but often not Delaware. TurboTax for DOS, however, does have a Delaware module, while TaxCut for Macintosh has no modules for any nearby states except New York.

Compared to the cost of an accountant, tax software can be a bargain. Local software stores such as Egghead and computer superstores such as CompUSA charge between \$40 and \$50 for the federal versions of TaxCut, TurboTax and MacInTax and less than \$30 for the state modules. Make sure you get the final, IRS-approved versions, not the "early bird" or pre-release versions, which

are useful only for tax planning. You can also order directly from the manufacturer (Meca Software: 800-288-6322, ChipSoft: 800-944-8890).

If you buy any of these programs this year, you'll get a discount if you buy the updated version of the same program for next year's taxes.

Another option is to try out a tax program for free before you buy it. One major program, AM-Tax for DOS, is available in a "shareware" version. This means you can look at the program for free and legally share it with others, but if you use it you promise to send the company a "registration fee."

AM-Tax's registration fee is \$20. AM-Tax is more limited than most other programs though. It doesn't have extensive help features, and the shareware version has only Form 1040 and Schedules A, B, C, D, E, F, R, and SE. But you can't beat the price.

You can obtain a copy of AM-Tax in person from the Philadelphia Area Computer Society (PACS), even if you're not a member. PACS meets at Drexel University, Matheson Hall, 32d and Market Streets. The next meeting is set for March 20.

Show up between 10 a.m. and 2 p.m.,

— for the disk copying fee of \$5 — you can take AM-Tax home with you. Is a tax-preparation program for you?

"If you don't already have some tax knowledge, these programs can be dangerous," says Mary Ann Thomstatter, Philadelphia district manager for H&R Block. These sentiments are echoed by Les L. Moore, a certified tax professional for Moore & Associates of Glenside. "You can make mistakes, maybe bringing on an audit, and you might miss some deductions," he says.

But both H&R Block and Moore & Associates now use tax-preparation software themselves.

Even tax programs, however, warn you to consult a tax professional under certain circumstances. And if you need more than tax advice and preparation, you should consider consulting a CPA (certified public accountant), CFP (certified financial planner), or attorney.

As Michael J. Amato, a CPA and CFP in Holland, points out, "Minimizing your income taxes is just one aspect of maximizing your net worth."