

INTUIT Accountants

Tax Planning and Advisory Insights

2021



Introduction

Tax planning and advisory services are an important extension of tax compliance services. The avalanche of new tax legislation over the past five years and the impact of COVID-19 on firms and clients heighten the importance of proactive tax planning and advisory services.

In August, 2021, Intuit Accountants commissioned an industry-wide survey of 786 tax professionals, who currently provide tax planning services or are considering providing tax planning services in the next two years, to learn more about tax planning and advisory services.

The insights in this report are educational in nature, and may be helpful to benchmark planning and advisory services against peers in the tax professional community.



Key Findings from Your Peers



74% provide tax planning services, but only **62% charge** for the work.



The average fee charged for these services: **\$2,351** per year, per client



1 in 3 clients receive tax planning and advisory services.



1 in 3 preparers are strongly considering adding tax advisory.



63% use **hourly billing model**, while **28%** use **value billing**.



18% of tax advisors say they lead with tax planning and advisory services.



2.3 hours is the average time spent preparing a "typical" tax plan.

Planning and Advisory: The Natural Progression

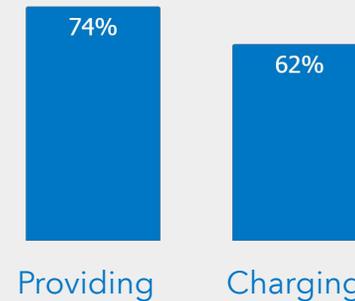
Tax planning and advisory are a natural growth from tax preparation services for tax-only and multi-service firms.

Tax planning includes tax projections to estimate future liabilities, incorporating assumptions, ensure compliance and help mitigate surprises over the following year. Tax planning services are typically done once a year.

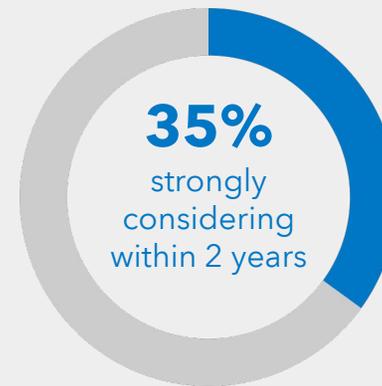
Tax advisory includes proactive, personalized tax strategies to minimize taxes and quantify savings, over the short and long term, with ongoing consultation throughout the year.

Firms who say they provide tax planning services but do not receive income, may have an opportunity to separate advisory services from compliance to better communicate tax-saving strategies and showcase the value of their tax advisory expertise.

Missed Revenue



1 in 6 firms say they are not getting paid for the tax planning services they provide.⁽¹⁾



Firms that currently do not provide tax planning and advisory services are strongly considering adding them as part of their growth plans.⁽²⁾



Almost 1 in 5 advisory firms message proactive tax planning and tax-saving strategies as their primary service.⁽³⁾

(1) Response from tax professionals (n=923)

(2) Response from tax professionals not currently providing tax planning services (n=616)

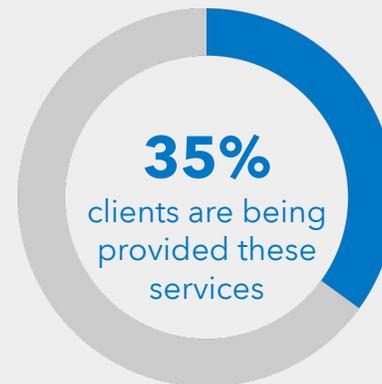
(3) Response from tax advisors and tax planners (n=683)

Clients Want Proactive Advisory

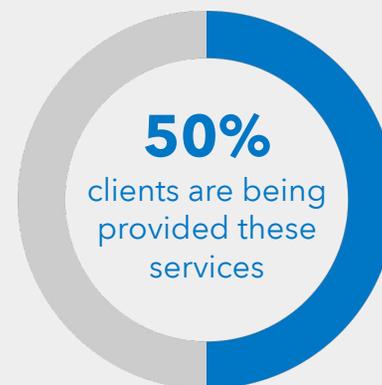
Tax advisors say business owners are ideal for tax advisory because there are a plethora of tax-saving strategies available, owners value planning, and they're used to paying for expert services. Advisors say current business owner clients already trust their compliance advice and almost always welcome proactive tax planning and advisory services.

High-net-worth individuals and those with more complex financial situations are also great candidates for tax planning and advisory services. Clients often incorrectly believe that transactional tax preparers are optimizing their tax situation. With education, most welcome the opportunity to align their goals with proactive tax-saving strategies that help them achieve financial success.

A growing number of firms are adding financial planning services or partnering with financial advisors as part of tax advisory.



Firms that provide tax planning and advisory, do so for 1 in every 3 clients.⁽⁴⁾



The top 27% of advisory firms are delivering these services to more than half their clients.⁽⁴⁾

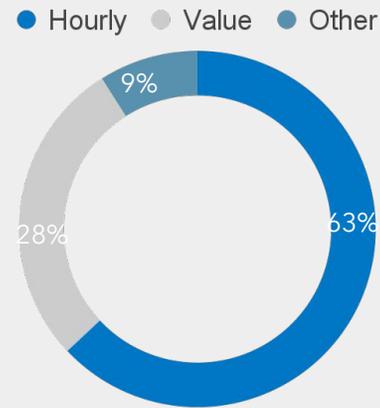
Value Billing: A Growing Business Model

While the majority of planning and advisory firms use an hourly-billing model, more firms are embracing value-billing models. Firms say communicating the savings from tax strategies provides a compelling comparison to support value billing models.

Recurring meetings can create more accountability to follow through with tax plans. Most firms said they meet with planning clients 2-4 times a year. Virtual client meetings are more efficient, more convenient and are becoming the standard.

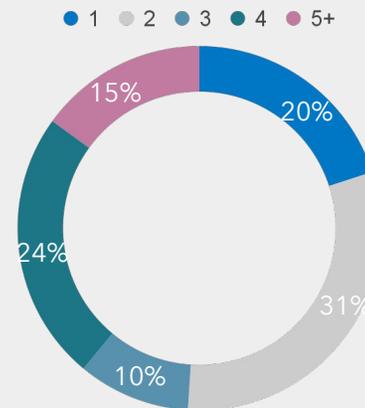
Most firms use a collection of tax planners, spreadsheets and other tools to deliver services. Leveraging technology and standardizing tax advisory processes can improve productivity and help create capacity to scale services to more clients.

Billing Models



Most advisory firms use an hourly billing model, while about a quarter use value billing. ⁽⁵⁾

Meeting Frequency



31% of advisors meet with tax planning clients twice a year and 24% meet quarterly. ⁽⁶⁾



50 minutes is the average meeting time and 2.3 hours is the average time spent preparing a "typical" tax plan. ⁽⁶⁾

⁽⁵⁾ Response from tax professionals who receive income for tax advisory or tax planning (n=582)

⁽⁶⁾ Response from tax advisors and tax planners (n=683)

Diversifying and Boosting Revenue

Tax planning and advisory services have significantly higher fees and client value than compliance services. \$2,351⁽⁷⁾ is the average annual fee for tax planning and advisory services, compared to average individual tax preparation fees of \$459.⁽⁸⁾

Planning and advisory engagements work best with recurring calendar appointments where advisors can understand short and long term goals, develop a plan, educate the client about potential strategies and communicate regularly how they are doing implementing the plan.

Advisors also find that planning engagements dramatically simplify tax preparation and eliminate tax-time surprises.



Tax planning & advisory fees, on average, are

5X

more than tax preparation fees.

The keys to positioning and delivering tax advisory services.

- 1 Communication**
Listening to the client's goals and providing options.
- 2 Education**
Educating clients about tax-saving strategies and the importance of being proactive.

(7) Response from tax professionals who receive income for tax advisory or tax planning (n=582)

(8) \$459 is the average fee for preparing a 1040 with schedules A, C, D, and E. (2019 NATP survey data)

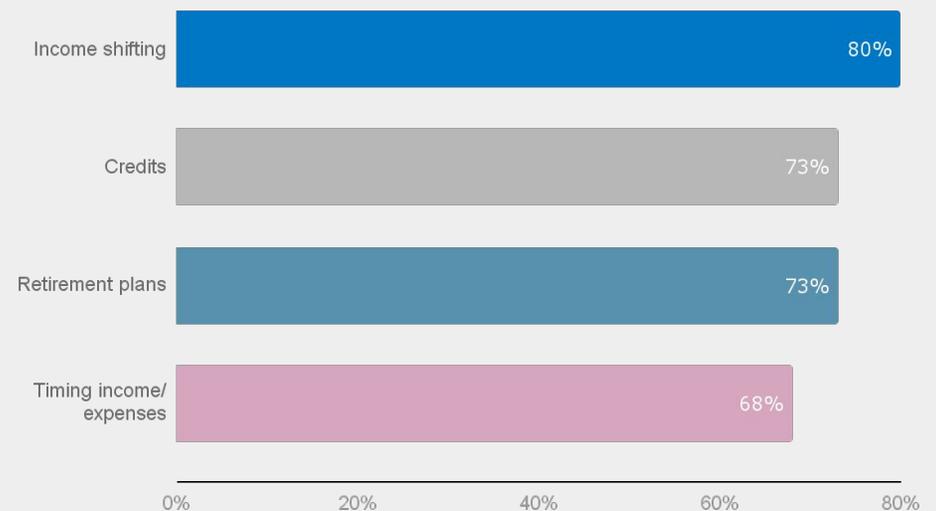
Planning and Advisory Strategies

The tax strategy categories most commonly used by tax advisors include income shifting, credits, retirement plans, timing of income and expenses.

The most commonly cited tax-savings strategies include using S- corporation entities to minimize self-employment taxes, bonus depreciation, section 179 expense, retirement plan contributions, paycheck protection plan loans, and certain tax credits.

The more advisors focus their practice on a certain type of client or niche, the more they tend to standardize the group of tax strategies they commonly apply to their clients.

Tax Strategy Categories Used



80% of tax advisors regularly use income shifting strategies with clients, including business entity analysis. ⁽⁹⁾

(9) Response from tax professionals, who currently provide tax planning services or are considering providing tax planning services in the next two years (n=786)

Sample and Methodology

Radius distributed an online questionnaire for Intuit Accountants in August, 2021.

786 tax professionals, who currently provide tax planning services or are considering providing tax planning services in the next two years, completed the 30 question survey.

Survey respondents are:

- 88% are firm owners / partners;
- 81% are multi-service firms and 19% are tax only firms;
- 28% are sole proprietors, 40% have 2-5 employees, and 32% have 6 or more employees;
- On average, respondents have 130 business clients and 403 individual clients;
- On average, respondents have 17 years of experience, with 9% of respondents having 3 years or less experience;
- About 45% of respondents used an Intuit professional tax preparation program and 55% used other tax preparation programs;
- 51% of respondents are CPA's, 24% are Enrolled Agents, 25% are Intuit ProAdvisors, 17% have an MBA, 5% are Certified Financial Planners, 6% are Registered Investment Advisors, 3% are Certified Tax Coaches;
- On average, respondents said 63% of firm revenue is tax related and 19% is accounting related.

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