

PYMNTS.com

<https://www.pymnts.com/news/b2b-payments/2019/small-business-tax-reform-human-accountants/>

SMB Tax Complexity Preserves Role For The Human Accountant

By **PYMNTS**

Posted on March 15, 2019

Anxieties that automation will replace humans have waned in the accounting sector, as industry players begin to realize that technology can actually help accountants play a more important role for their small business (SMB) customers as advisors and guides, rather than replacing their roles outright.

With the first tax season post-tax reform nearing completion in the U.S., the small business accounting sector has seen even more evidence that the advisory role of SMB accountants remains of prominent importance. Ongoing regulatory changes and persistent uncertainty mean that that importance will continue even outside of tax season, with challenges that even the most automated of accounting software solutions cannot always tackle.

Andre Kattoura, head accountant at small business accounting and tax services firm **AccuAlly**, explained to PYMNTS the friction SMBs face when they don't outsource the accounting function.

“Some of the biggest challenges that small business owners are facing [involve] maintaining neat books without stretching their budget[s] with either an in-house accountant or the traditional accounting firms,” he said, adding that service providers must address both small businesses' accounting needs and their budgetary restrictions.

For some entrepreneurs, those restrictions may lead them to automated software that pulls the accounting function within a company's walls. While doing so may be more cost-effective than hiring a big-time accounting and consulting firm, there are inevitable points in the accounting process that cannot be managed with automated software alone, meaning small business owners must take on the burden of figuring out complex processes that even CPAs can struggle to manage.

Tackling Tax

Tax reform in the U.S. has brought on a slew of changes in the small business community, and uncertainty persists even for professionals.

With tax season well under way, tax professionals and accountants have urged policymakers to clarify several aspects of the new legislation and how it applies to their SMB clients. In January, reports said CPAs had urged the Internal Revenue Service (IRS) to further **clarify the rules**, despite having issued previous guidelines to address some of the uncertainty.

"There's a lot of conflicting advice out there," said RLB Accountants CPA Jeffrey Berdahl in an interview with the publication at the time. "It's going to be like the Wild West."

One area that appears to be posing the greatest trouble to small firms and their accountants is the tax break the legislation offers to sole proprietors and owners of so-called S corporations. The rules provide a 20 percent tax deduction on qualified business income for firms with less than \$157,000 in taxable income, though the language of the legislation includes an array of caveats and restrictions.

Another CPA, Marcum's Ed Reitmeyer, told the publication that the lack of clarity could make a tax extension a favorable option for some SMBs and their accountants, though he noted, "it may take well into the summer to gain any clarity at all."

However, it's not just tax reform tripping up the small business accounting space. Last year, the Supreme Court's **ruling** in *South Dakota vs. Wayfair Inc.* opened the door for states to collect sales tax from businesses that aren't even physically based in that state, with massive implications for online retailers. Reports in ***The Washington Post*** in June noted that the government missed out on a combined \$13.7 billion in tax revenue in 2017, according to a Government Accountability Office (GAO) audit.

The effects of the ruling continue to ripple for small firms — 86 percent of which are apparently not prepared to manage the tax implications of the Supreme Court's decision, researchers at the National Association of Enrolled Agents (NAEA) found in the **2019 Enrolled Agent Tax Season Survey**.

The CPA Steps In

According to the NAEA, while these disruptions may trip up small businesses (and even a few accountants), they are also bringing light to the continued importance of the human CPA.

“When combined with tax reform uncertainty, 59 percent of those surveyed believe this perfect storm of doubt will drive more taxpayers to their firms,” the NAEA found in its survey. In other words, the ongoing uncertainty surrounding tax reform, the Supreme Court ruling and other regulatory shifts are driving small businesses to accountants' services.

According to AccuAlly's Kattoura, these trends do not imply that automated small business accounting and tax management platforms are unnecessary. Indeed, they can not only help small businesses, but help entrepreneurs decide to outsource the accounting function and let a professional manage the complexities of tax compliance.

“The future of bookkeeping will be automated,” he said, but added that small businesses are not interested in bringing that automated process in-house. Rather, these tools can

be helpful to the CPAs themselves, as part of the bigger picture of small business accounting services.

“Automation and AI now help many accounting firms to cut the work time and, therefore, the cost” of their services, he said. “However, with communication now being at our fingertips, many SMBs want engagement and customization. The SMB wants to maintain the human connection with parties who handle their financial records.”