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DEPARTMENT OF ACCOUNTING

EVALUATING THE RELATIVE MERITS OF COMMERCIAL TAX SOFTWARE

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ABSTRACT

It was not that many years ago that come tax filing season, most Americans would hunker down at their desks, manually enter data on paper forms with a calculator by their side, and eventually mail their income tax returns to the Internal Revenue Service. Today that image is becoming a distant memory. According to the 1040 Instructions for the 2012 tax year, “nearly 80% of all tax returns are now electronically filed.” This paper will analyze the effectiveness and merits of the three most popular commercial tax software programs: H&R Block At Home®, TaxACT®, and TurboTax®.

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Chapter 1

Introduction

Alfred E. Neuman, the pride of Mad Magazine, once joked, “It takes more effort to make out the income tax form than to make the income (Income Tax Quotes).” While that statement can be seen by some as a bit of an exaggeration, even the Internal Revenue Service (IRS) acknowledges that completion of an income tax return requires a significant effort. In its 2012 Instructions to Form 1040, the IRS estimates that “the time burden for all taxpayers ... is thirteen (13) hours, with an average cost of \$210.00. This average includes all associated forms and schedules, across all preparation methods and taxpayer activities.”

Table 1-1 below sets forth the estimated average taxpayer burden for individuals by activity as determined by the IRS in the 2012 Instructions to Form 1040.

1-1: Estimated Average Taxpayer Burden for Individuals by Activity
2012 Instructions to Form 1040

Primary Form Filed	Percentage of Returns	Average Time Burden (Per Hours)					Average Cost (Dollars)**
		Total Time*	Record Keeping	Tax Planning	Form Completion and Submission	All Other	
All Taxpayers	100	13	6	2	4	1	\$210
1040	69	16	8	2	4	1	\$270
1040A	19	7	3	1	3	1	\$90
1040EZ	12	4	1	***	2	1	\$40

*Detail may not add to total time due to rounding

**Dollars rounded to nearest \$10

*** Rounds to less than 1 hour

In an effort to ease that burden, more and more taxpayers are choosing to electronically file their returns. Since 1990, the IRS has processed more than one billion electronically filed tax returns (1040 Instructions: 2012). According to the IRS, nearly 80% of all Americans now file their returns electronically (1040 Instructions: 2012). Some taxpayers have been able, or have chosen, to use the IRS e-file system because of its security features, flexible payment opportunities, greater accuracy, and faster refund processing, all at no charge. Still other taxpayers have resorted to commercial tax software programs. This thesis will attempt to evaluate the relative merits of these competing programs.

In analyzing that question, Chapter 2 of this thesis includes an anonymous survey sent to more than 100 people. The purposes of the survey were twofold: (1) Did the respondents file manually or electronically, and the reason(s) why they made that decision; and (2) Which software program did people choose, the reason(s) for that decision, and their level of satisfaction from that decision.

To further assess the market of tax software program selection, Chapter 3 includes comments and opinions from three tax professionals, each of whom uses one of the three most popular commercial tax software programs: H&R Block At Home®, TaxACT® and TurboTax®. Each of them offered their own critical analysis of the respective programs, including aspects which they found helpful and those which they found to be weak.

In Chapter 4, a hypothetical factual scenario was created, and then used to electronically prepare a tax return. Under various control methods, each of the tax software programs were used to create tax returns. The programs were then compared and contrasted with one another based on detailed, specified criteria.

Next, in Chapter 5, these three programs were then studied from a nontechnical, performance perspective. An analysis of other factors, such as customer support, product availability and marketability, pricing, was performed to further highlight the differences in the products.

Finally, Chapter 6 addresses the ultimate question of the extent to which commercial software products improve the tax preparer chore.

Chapter 2

Survey

To better understand which tax products or services consumers use and their satisfaction with their choice, an anonymous survey was conducted using SurveyMonkey®. Respondents were asked whether they filed manually or electronically, and the reason(s) why they made that decision. Over one hundred (100) people were asked to complete the survey; via email and through a Facebook message link. The Adult Learners of Penn State (ALPS) were also invited to complete the survey. Those who elected to complete the survey were reminded that participation was completely voluntary and that they could skip any question which they felt uncomfortable answering.

The survey was sent out twice to ascertain whether there was a non-response bias. Since there were no major differences in the way people answered questions from the first to the second set of responses, it was determined there was little non-response bias. Seventy-nine (79) individuals responded to the survey. The results were then analyzed through several metrics to understand trends within the data.

The survey contained ten (10) questions, and is set forth in its entirety in Table 2-1 below.

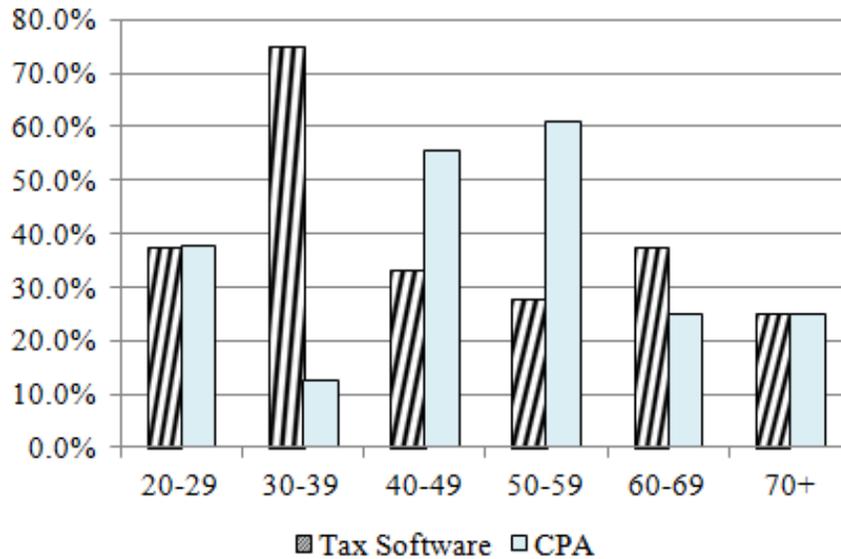
2-1: Questions for Anonymous Survey

What is your age and gender	20-29 30-39 40-49 50-59 60-69 70+ Male Female
What is your average annual income and filing status	\$0-\$50,000 \$50,000-\$100,000 \$100,000 Single filer with no dependents Single filer with dependents Married couple filing jointly with no dependents Married couple filing jointly with dependents Head of household
How do you currently complete your taxes (If your answer was other than “tax software program”, skip to the third to last question)	Tax software program Individually Preparation Firm CPA Attorney Friend or family member
Which tax software program do you currently use	H&R Block At Home® TurboTax® TaxACT®
Why did you choose your tax program	Price Reputation Recommendations Research
Was it as easy to use as claimed	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult
Level of Satisfaction	Exceeds Expectations Meets Expectations Considered Using a Different Program
If you discontinued use of a tax software program or switched tax software programs, what is the main reason you no longer use it	Cost Simplicity Tax Savings Audit Never used a tax software program
If you do not currently use tax software, what is your main reason for not using it	Too expensive Too complicated Time consuming I don’t have confidence it will be accurate I will get better tax savings using my current method I prefer using a tax accountant I prefer completing my taxes on my own
How do you file your taxes and why	E-file because it is faster E-file because of quicker refunds Mail because it is cheaper Mail because it is more trustworthy and secure

Survey Results Analyzed Through Age Categories

The figures below summarize the results of the survey based upon age. The age categories were as follows: 20-29 (31.6%), 30-39 (11.4%), 40-49 (11.4%), 50-59 (22.8%), 60-69 (11.4%), and 70+ (11.4%). Figure 2-1 compares the use of a tax software program and a Certified Public Accountant (CPA) which were noted as being the two most common methods for preparing returns by all respondents.

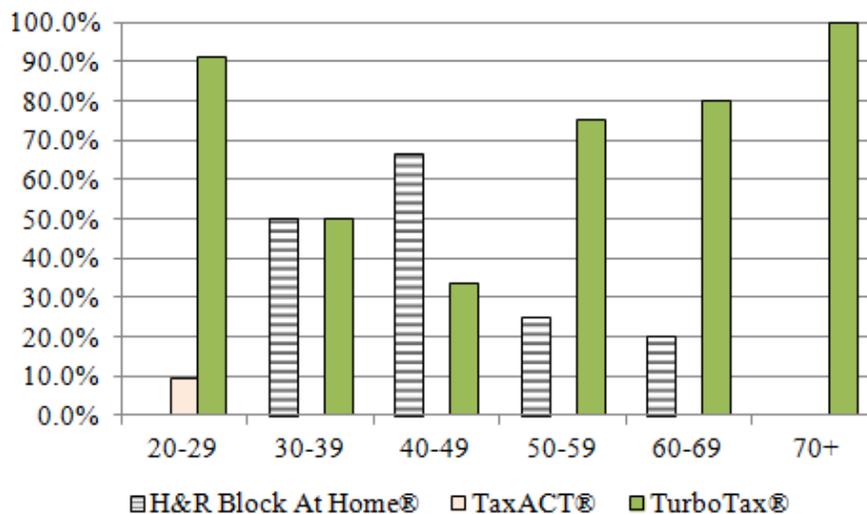
Figure 2-1: Top Assistance Methods per Age Category



From this side-by-side comparison of age categories, the use of tax software and a CPA was equal in both the youngest and oldest age categories. However, in the middle age categories, there was a strong difference between the use of a tax software program and a CPA. Individuals in the 40-49 and 50-59 age category were more likely to use a CPA; yet individuals in the 30-39 and the 60-69 age categories were more likely to opt for a tax software program. One could explain this difference through the fact that the age categories of 40-49 and 50-59 were more likely to have complicated tax scenarios, and as a result, would feel more assured using a CPA. Also, the results show that a significantly higher percentage within the 30-39 age classification used a tax software program. Perhaps, this was a reflection of their keener ability to utilize technology.

Figure 2-2 shows the tax software programs used by each age category.

Figure 2-2: Tax Software Programs Used per Age Category

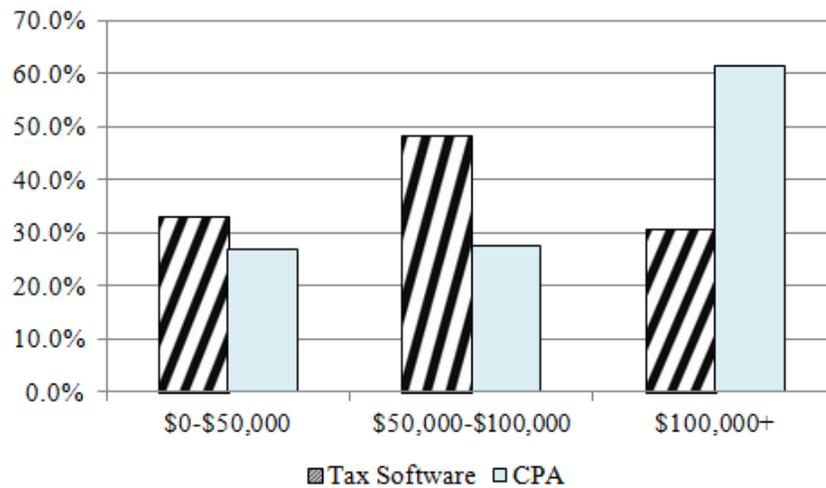


From the results of the survey, several conclusions can be drawn. Firstly, TurboTax® was the most widely used program, followed closely by H&R Block At Home®. Yet, in the 40-49 age category, the number of people who used H&R Block At Home® exceeded those who used TurboTax®. Interestingly, this was one of those age classifications which tended to use a CPA rather than a tax software program. Perhaps, those same people felt that the H&R Block At Home® Deluxe program was preferred over TurboTax® Deluxe because of their more complicated tax situations. Secondly, TurboTax® was overwhelmingly used by the younger and older age classifications. Thirdly, while TaxACT® is a strong tax software program, its overall usage is low. Only people in the 20-29 age category stated that they used the program. Fourthly, respondents in the 70+ age category only used TurboTax®. As will be detailed in Chapter 5 later, these percentages may directly correlate with the marketing strategy used by each of the three companies.

Survey Results Based Upon Income

The following figures analyze the results according to income. The income categories were as follows: \$0- \$50,000 (22.4%), \$50,000- \$100,000 (39.4%), and \$100,000+ (28.2%). Figure 2-3 illustrates the comparative usage of a tax software program and a CPA based upon income.

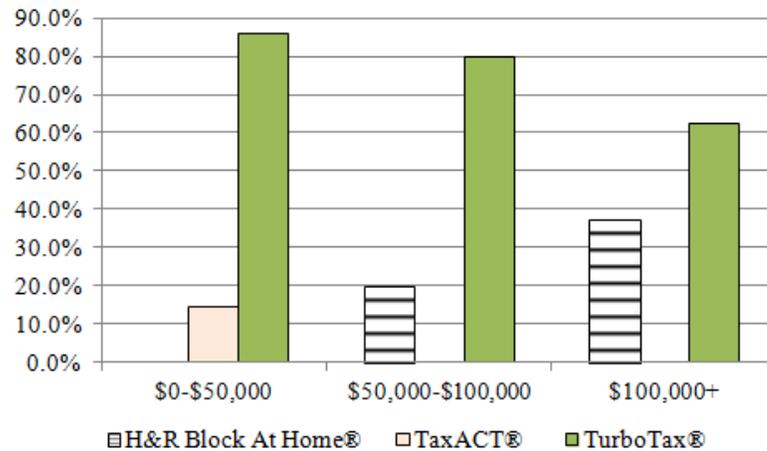
Figure 2-3: Top Assistance Methods per Income Category



Overall, as income increased, taxpayers were more likely to use a CPA than a software program. The use of tax software programs varied only slightly over income levels.

Figure 2-4 shows the tax software programs used by each income category.

Figure 2-4: Tax Software Programs Used per Income Category

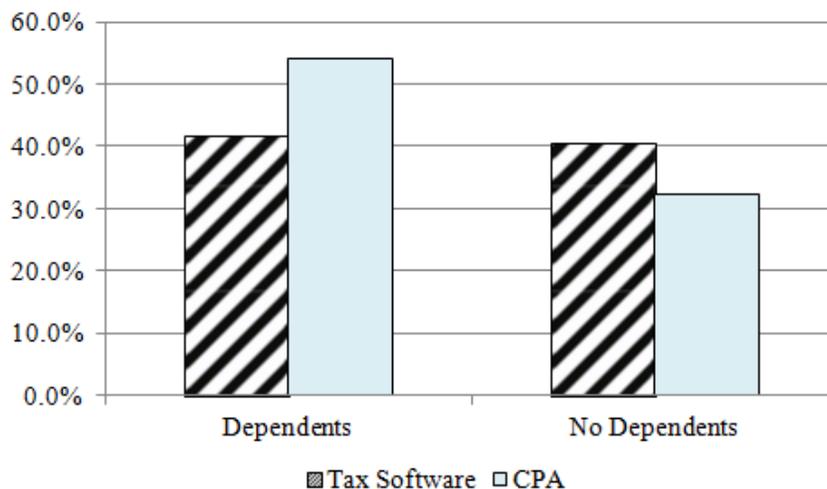


In general, as income increased, users were more likely to use H&R Block At Home® and less likely to use TurboTax®. Also, no one with an income above \$50,000 used TaxACT®.

Survey Results Comparing Those With and Without Dependents

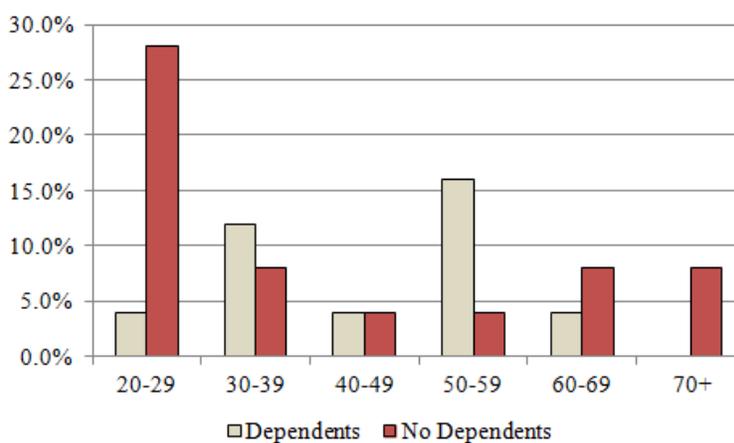
The following figures compare and contrast the survey results between those with and without dependents. Those with dependents accounted for 39.4% of the respondents. Those without dependents represented the remaining 60.6%. Figure 2-5 compares usage of a tax software program and a CPA for these subgroups.

Figure 2-5: Top Assistance Methods (Dependents vs. No Dependents)



Filers with dependents used CPA services more often than those who did not have dependents. Again, this result may be a product of the complexity of the tax return and/or higher income levels. The level of tax software was consistent between those who had dependents and those who did not have dependents. Figure 2-6 further breaks down the level of tax software used by those with and without dependents in all age categories.

Figure 2-6: Tax Software Use per Age Category (Dependents vs. No Dependents)

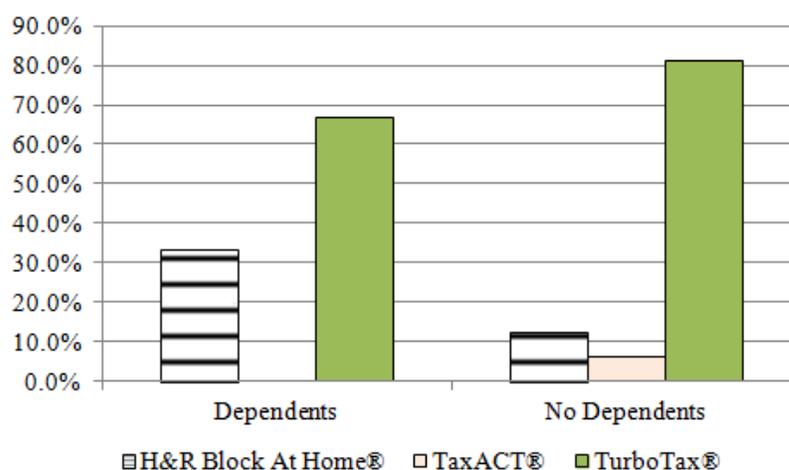


The youngest age bracket was far more likely to use tax software when they did not have dependents. The middle age brackets used tax software more often when they had dependents than those who did not have dependents. The oldest two age brackets used tax software more

often when they did not have dependents. However, this is to be expected as it is less likely for respondents in the 60-69 and 70+ age brackets to have dependents.

Figure 2-7 differentiates the tax software programs based upon whether or not the taxpayer had dependents.

Figure 2-7: Tax Software Programs Used (Dependents vs. No Dependents)

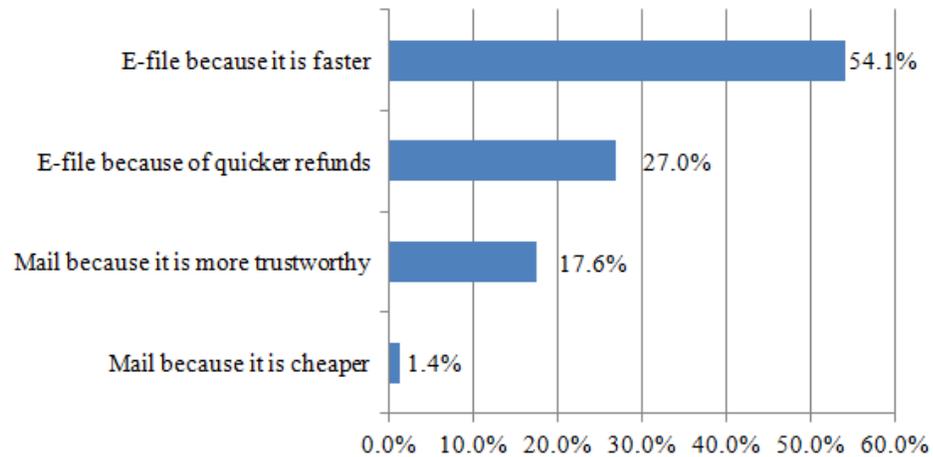


Overall, those with dependents were more likely to use H&R Block At Home® than those without dependents. In addition, while TurboTax® was popular for taxpayers with and without dependents, its popularity rose for those taxpayers without dependents. Lastly, none of the taxpayers with dependents used TaxACT®, which may correlate to the previous findings that it was used only within the lowest age and income categories.

Consumer Preferences

The following figures analyze the general preferences of consumers. Figure 2-8 shows whether taxpayers electronically filed or mailed their returns, as well as the reason(s) why they made this decision.

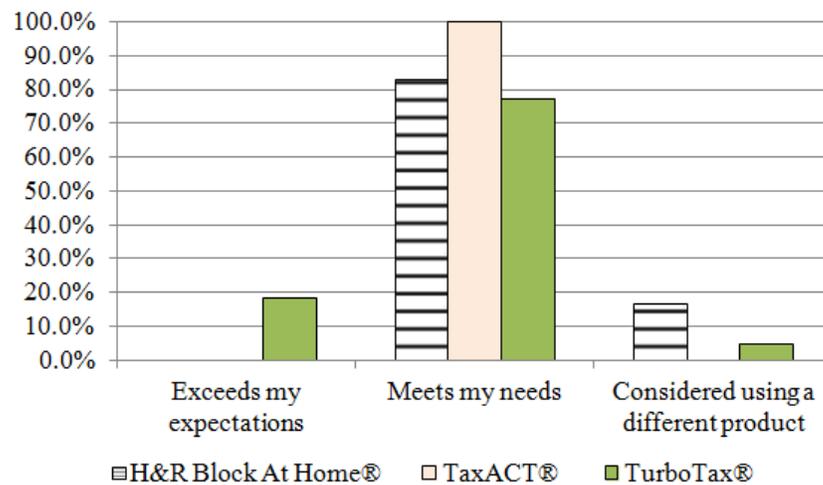
Figure 2-8: E-file or Mail



The survey determined that 81.1% of respondents electronically filed their returns because it was either faster for the IRS to receive them or quicker to receive a refund. This fact compliments the IRS statement that roughly 80% of taxpayers now electronically file. One additional reason the electronically filed rate is around 80% is that “Starting January 1, 2012, any tax return preparer who anticipates preparing and filing 11 or more Forms 1040, 1040A, 1040EZ and 1041 during a calendar year must use IRS e-file [subject to certain exceptions] (IRS E-File).

Figure 2-9 highlights how satisfied respondents were with their tax software programs.

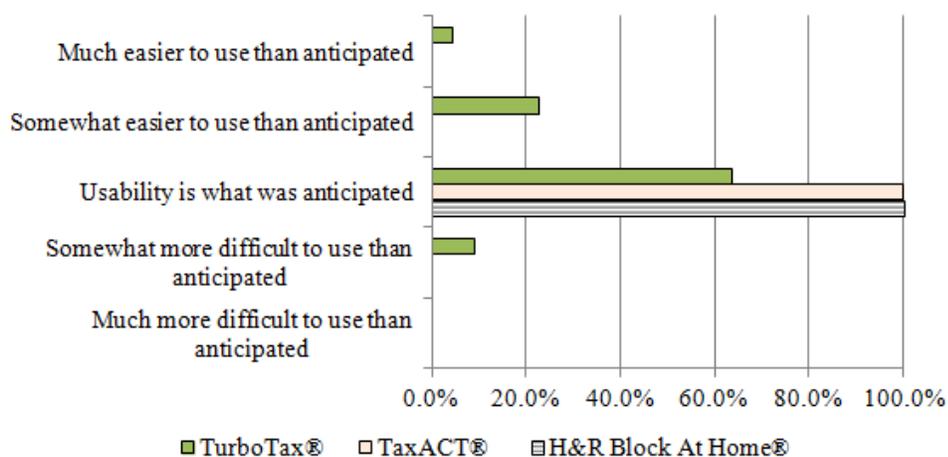
Figure 2-9: Satisfaction with the Tax Software Program



Overall, most consumers felt that their tax software product met their needs. However, almost 20% of H&R Block At Home® users reported that they considered using a different product. This is a troubling figure because customer loyalty is important in such a competitive industry. At the same time, almost 20% of TurboTax® users felt their product exceeded its expectations. This is a promising figure for TurboTax® considering that none of the other tax software companies even approached such a result. All TaxACT® users felt that their product met their needs.

Figure 2-10 rates the consumers' ability to easily use the program against each of the company's marketing slogan concerning ease of use.

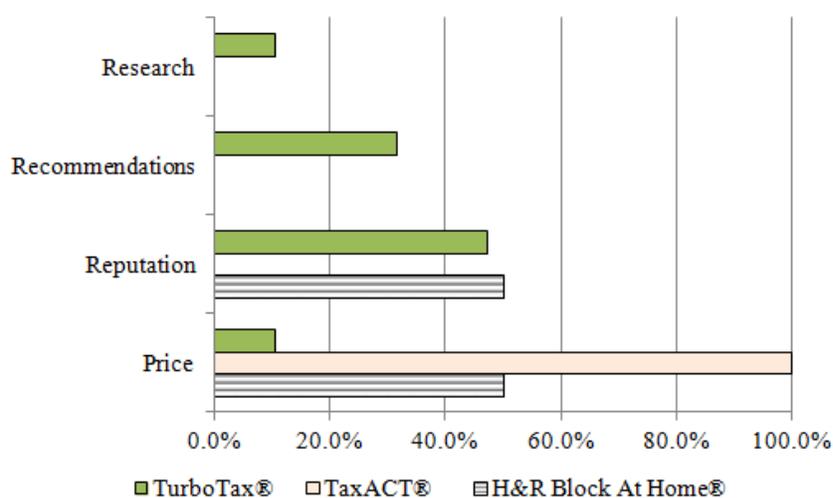
Figure 2-10: Ease Compared to Claimed Ease of Use



While consumers at TaxACT® and H&R Block At Home® felt that their ease of use corresponded exactly with each of the programs statements regarding ease of use, TurboTax® users generally had a more diverse and positive experience with usability. Nearly 91% of TurboTax® users felt that usability was anticipated or easier than expected.

Figure 2-11 represents the most important reason consumers choose a particular tax software program.

Figure 2-11: Main Reason for Choosing Tax Software



TurboTax® users seemed to be making the most informed choice based on all four factors, whereas TaxACT® users selected their product based solely on price. H&R Block At Home® users split their decision based upon reputation and price.

Summary of Survey Results

Based upon the survey results, several conclusions can be reached. Firstly, TurboTax® was the most widely-used tax software program and its users had a positive experience with it. Almost 20% of users felt that TurboTax® exceeded expectations and approximately 90% stated that the product was easy or easier to use than expected. Secondly, H&R Block File At Home® was a popular program as well. As income increased, respondents were more likely to use H&R Block File At Home® than TurboTax®, and those with dependents were more likely to use H&R Block File At Home® than the other tax software companies. However, there were indications that not all users were content with H&R Block File At Home®. Almost 20% of users considered

using a different tax software program. Finally, only a small percentage of users utilized TaxACT®, and their decision was simply based upon its low cost. From the survey results alone, TurboTax® was the best tax software program currently available.

Chapter 3

Tax Professionals

Three accounting professionals of similar age and experience were interviewed about each of the three tax software programs. Each utilized a different tax software program to complete his/her personal returns for the 2012 tax year. Each is employed at a large international accounting firm, and asked to remain anonymous. The interviewees were given the same eight (8) questions, many of which were also asked as part of the anonymous survey discussed in Chapter 2. These individuals, however, did not complete the survey, and therefore, were eligible for this interview. To maintain consistency, each was emailed the questions and asked to complete the questionnaire at his/her convenience. Table 3-1 details the questions asked.

3-1: Interview Questions for Accounting Professionals

Product:	
Why did you choose your tax program	Price Reputation Recommendations Research Other_____
Was it as easy to use as claimed	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult
Level of Satisfaction	Exceeds Expectations Meets Expectations Considered Using a Different Program
How do you file your taxes and why	E-file because it is faster E-file because of quicker refunds Mail because it is cheaper Mail because it is more trustworthy and secure
What do you like about your tax program?	
What is your favorite feature about your tax program?	
What do you not like about your tax program?	
If you could change one thing about your program, what would it be?	

H&R Block At Home® Interview

The first interview completed was with an accounting professional who used H&R Block At Home®. The results of the interview are summarized in Table 3-2.

3-2: Interview Response for H&R Block At Home®

Product: H&R Block At Home®.	
Why did you choose your tax program	Price Reputation Recommendations Research Other_____
Was it as easy to use as claimed	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult
Level of Satisfaction	Exceeds Expectations Meets Expectations Considered Using a Different Program
How do you file your taxes and why	E-file because it is faster E-file because of quicker refunds Mail because it is cheaper Mail because it is more trustworthy and secure
What do you like about your tax program?	<ul style="list-style-type: none"> • Streamlines complex processes into a logical series of simple steps • Automatically generates the tax forms • Can e-file for a reasonable fee
What is your favorite feature about your tax program?	<ul style="list-style-type: none"> • Easily hones in on issues of interest • Displays a general list of potential deductions and asks additional questions on deductions that were checked as relevant
What do you not like about your tax program?	<ul style="list-style-type: none"> • There were still questions that the program did not anticipate • Lack of a completely customized experience that would be received from consulting a tax professional
If you could change one thing about your program, what would it be?	<ul style="list-style-type: none"> • Ability to import the W-2 form and automatically populate the various fields

The interviewee explained that even though there were two issues he/she did not like about the program, it did a great job explaining the filing process to a relatively new taxpayer and first-time user.

TaxACT® Interview

The next interview was with an accounting professional who used TaxACT®. The results of the interview are summarized in Table 3-3.

3-3: Interview Response for TaxACT®

Product: TaxACT®.	
Why did you choose your tax program	Price Reputation Recommendations Research Other
Was it as easy to use as claimed	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult
Level of Satisfaction	Exceeds Expectations Meets Expectations Considered Using a Different Program
How do you file your taxes and why	E-file because it is faster E-file because of quicker refunds Mail because it is cheaper Mail because it is more trustworthy and secure
What do you like about your tax program?	• It was easy to use and had a good user interface
What is your favorite feature about your tax program?	• It emailed and sent a text stating that the IRS accepted the e-filed return
What do you not like about your tax program?	• It does not tell users that it costs an additional \$14.95 to e-file the state return until the end
If you could change one thing about your program, what would it be?	• Free state e-filing

The interviewee then offered additional information about several of his/her answers. As for the specific tax program selected, the interviewee stated that he/she initially used the free software editions of both H&R Block At Home® and TurboTax®, but did not like the results of either program. The interviewee explained that he/she had done her taxes manually before using the programs, and therefore, knew the correct refund amount to which he/she was entitled. Neither H&R Block At Home® nor TurboTax® provided that amount. As a result, the interviewee decided to visit the IRS website for a free program for electronic filers. Because TaxACT® was listed first, the interviewee decided to try it, and was happy with the results. TaxACT® was the only program that accurately calculated the education credits. The interviewee did note, however, that he/she was initially confused regarding the free filing status of TaxACT®.

It was only upon further investigation that he/she learned that the two most basic federal versions advertised on the TaxACT® website were free, but that there was an additional fee for electronically filing a state income tax return.

TurboTax® Interview

The final interview was completed with an accounting professional who used TurboTax®. The results of the interview are summarized in Table 3-4.

3-4: Interview Response for TurboTax®

Product: TurboTax®.	
Why did you choose your tax program	Price Reputation Recommendations Research Other _____
Was it as easy to use as claimed	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult
Level of Satisfaction	Exceeds Expectations Meets Expectations Considered Using a Different Program
How do you file your taxes and why	E-file because it is faster E-file because of quicker refunds Mail because it is cheaper Mail because it is more trustworthy and secure
What do you like about your tax program?	<ul style="list-style-type: none"> • Able to e-file right away • Very user friendly • Lot of Help Sections available • Able to import W-2 automatically
What is your favorite feature about your tax program?	• The running calculation of the refund
What do you not like about your tax program?	• Trouble entering information regarding a savings account with small interest
If you could change one thing about your program, what would it be?	<ul style="list-style-type: none"> • Website could be updated to better help users with specific questions • Update the section that dealt with the interest account

The interviewee provided additional details to several of his/her responses. As to why TurboTax® was chosen, he/she explained that his/her employer provided a discount for TurboTax® because many of its employees have to file several state returns. It is important to

note that both H&R Block At Home® and TaxACT® have options to file multiple state returns. However, as this program was preferred by his/her company and offered at a discount, the interviewee chose TurboTax®. The only issue that the interviewee had with TurboTax® was entering interest earnings from a small savings account. Because the interest was so small, the interviewee did not receive a 1099-INT form. Yet, this information still needed to be entered. Without the 1099-INT form, the interviewee was uncertain as to where he/she should enter the information within TurboTax®. When the interviewee reviewed all of the many Help Section features available, none were able to help him/her determine which boxes corresponded to the boxes on the 1099-INT form. The interviewee resorted to “Google” to determine which boxes were the appropriate boxes for the information. The interviewee also noted how impressed he/she was by the speed of electronic filing. The return was electronically filed on a Sunday at 6:00pm, and only 20 minutes later, he/she received a notification that the return was accepted by the IRS.

Synopsis of the Interviews

Each of the interviews provided a unique perspective of and experience with each of the tax software programs. All of the professionals reported usability was what was anticipated or easier. In addition, each felt that their current tax software program met their needs or exceeded his/her expectations. All of the interviewees electronically filed his/her returns because it was either faster or he/she would receive quicker refunds. However, their answers were more diversified in regards to what each liked and disliked about the product. Curiously, the H&R Block At Home® interviewee wanted a better system for importing standard documents, such as a W-2 form, whereas the TurboTax® interviewee indicated that the ability to import information was a strong feature of the TurboTax® product. By simply entering a code from the top of the W-2 form, the TurboTax® interviewee had a screen automatically populated with wage data. Most

interestingly, only the TaxACT® interviewee completed his/her own investigation of each product by manually completing a tax return, and then electrically preparing a return with software from each company. TaxACT® was the only tax software program to provide an accurate refund total. Assuming no human error, this is troubling for both H&R Block at Home® and TurboTax®. Solely from the interviews, TaxACT® was the best product available. However, that conclusion must be viewed with caution because only one of the three interviewees used all three programs, so the other two had no basis to compare and contrast programs. Moreover, each of the interviewees did express disappointment with some aspect of the tax software program he/she used; however, in the end each felt that it met or exceeded expectations.

Chapter 4

Technical Analysis

To compare and contrast the three tax software programs, a hypothetical fact pattern was created from which tax returns were then electronically prepared. The scenario was selected because it was most representative of a typical family, yet offered a few unique twists. Through the entering of data and the completion of the tax return, each tax software program was evaluated based upon the specified criteria set forth in Table 4-1 below. A score of ten (10) was the highest value possible and a score of one (1) was the lowest ranking possible. The tester also took note of the features of each program and their impact on the tax return prepared.

4-1: Criteria to Assess Each Tax Software Program

Product:	
Time to complete tax return:	
Refund given:	
Ease of usability	1 2 3 4 5 6 7 8 9 10
Ease of on screen directions	1 2 3 4 5 6 7 8 9 10
Level of satisfaction	1 2 3 4 5 6 7 8 9 10
Level of accuracy	1 2 3 4 5 6 7 8 9 10
Clearness of instructions	1 2 3 4 5 6 7 8 9 10
Availability of help	1 2 3 4 5 6 7 8 9 10
Was it as easy to use as claimed	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult

To assure the most accurate results possible, certain control measures were established. Firstly, one tester entered, prepared and evaluated each of the tax software programs. Secondly, the tester had no prior experience with any of the three tax return programs. In fact, the tester had never electronically prepared and submitted tax returns in the past. Therefore, the tester had no preconceived prejudices or opinions concerning any of the products. The products were tested in alphabetical order to avoid any order bias. Thirdly, because each of the programs comes in several versions, research was conducted to identify comparable versions of each program.

Ultimately, H&R Block At Home® Deluxe, TaxACT® Deluxe, and TurboTax® Deluxe were deemed to be similar versions of the different programs. Fourthly, the tax returns were prepared and replicated under as similar conditions as possible. Each return was prepared on separate days, at the same time of day, and at the same computer. Immediately after each return was prepared, the criteria were evaluated and the programs assessed. Using one program each day helped to slow down the learning curve that may have been gained during the testing process.

The hypothetical facts are summarized in the three tables below. Table 4-2 describes information about Emma and Michael Partridge, a married couple who are filing a joint tax return. Table 4-3 includes information about their children. Table 4-4 contains information about additional people living within the household.

4-2: Emma and Michael Partridge Data

Emma Partridge	Phone: 610-399-1234
SSN: 167-39-4824	Sold IBM stock for \$5,000.00 on 8/1/2012 which she bought on 1/31/2007 for \$3,000.00
Born: 7/8/1969	Self-employed consultant (administration and support, other support service) with gross earnings of \$26,583.00
	Her business had \$300.00 of returns/allowances
	Paid \$2,000.00 in estimated federal taxes
	Paid \$250.00 in estimated state taxes. \$50.00 in estimated local taxes.
	Lives and works at: 123 Anyname Street, Notown, PA 18888
	Business expenses of \$13,200.00
	Joint medical expenses of \$1,100.00
	Joint home mortgage interest of \$1,000.00
	Joint real estate taxes of \$4,000.00
	Joint sales tax of \$800.00
	Jointly donated \$1,500.00 to Penn State THON
	Jointly donated \$500.00 to their local politician
	The couple filed jointly for the 2011 tax year and took the standard deduction.
Michael Partridge	Gross earnings of \$50,000.00
SSN: 148-95-3482	\$4,000.00 of federal income tax withheld and \$1,250.00 in state taxes withheld. \$250.00 in local taxes withheld
Born: 8/7/1968	Contributed \$1,500.00 to his 401(k) plan through a payroll deduction
	Works at: Carpentry Co. (EIN:12-3434343) 12 Low Lane, Noname, PA 18888
	Bought \$200.00 of carpentry uniforms, \$150.00 of which he will not be able to wear on a regular basis
	Car (Hyundai Elantra) was vandalized on 6/6/2012 when it was worth \$12,000.00
	Vandalized car was bought on 9/9/2007 for \$16,000.00
	The couple received \$3,000.00 from insurance for their vandalized car that sustained \$4,500.00 in damages

4-3: Joe, Mary and William Partridge Data

Joe Partridge	Full time student at PSU
SSN: 293-43-2912	Tuition \$15,000.00
Born: 6/5/1992	No income or scholarships
	Did not take the American Opportunity Credit freshman year.
Mary Partridge	Attends Centre County Area Elementary School
SSN: 183-23-4672	
Born: 5/6/2003	
William Partridge	
SSN: 192-48-2832	
Born: 8/9/2012	Died 2 days after birth in the hospital

4-4: Additional Family Member Data

Joanne Sodear	Emma's sister
SSN: 139-39-2847	Lived with the family for 4 months of the year
Born: 2/3/1967	Earned \$12,400.00 during the year
Bob Partridge	Married to Molly
SSN: 294-47-2482	Blind
Born: 3/6/1944	Unemployed and lived with the family for the entire year
	Michael's father
Molly Partridge	Unemployed and lived with the family for the entire year
SSN: 204-29-2489	Joint medical expenses with Molly of \$1,300.00
Born: 3/9/1941	Michael's mother

H&R Block At Home® Deluxe

The first program assessed was H&R Block At Home® Deluxe. Table 4-5 summarizes the evaluation results.

4-5: H&R Block At Home® Deluxe Results

Product: H&R Block At Home® Deluxe	
Time to complete tax return: 1 hour 6 minutes	
Refund given: \$4,642.00	
Ease of usability	1 2 3 4 5 <u>6</u> 7 8 9 10
Ease of on screen directions	1 2 3 4 5 6 <u>7</u> 8 9 10
Level of satisfaction	1 2 3 4 5 <u>6</u> 7 8 9 10
Level of accuracy	1 2 3 4 <u>5</u> 6 7 8 9 10
Clearness of instructions	1 2 3 4 5 <u>6</u> 7 8 9 10
Availability of help	1 2 3 <u>4</u> 5 6 7 8 9 10
Was it as easy to use as claimed	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult

The biggest challenge faced by the tester was how to input the death of William, who died two days after birth. The Help Section stated that for a child who died in 2012, “Your child is not your qualifying child unless he or she lived with you for more than half the time he or she was alive and may not be your dependent.” However, because William died in the hospital, he technically did not live with Emma or Michael at any time in his life. Therefore, the tester was left unsure as to how to account for this situation. The Help Section provided no further information, which contributed to the low score of four (4) for the availability of help. The tester ultimately decided that based on the information presented, William could not be taken as a dependent, reducing the refund to \$4,642.00. Had William been claimed as a dependant, the refund amount would have been \$6,212.00.

The second issue the tester confronted was how to handle the uniform expense. Michael paid \$200.00 for new uniforms during the year; however, \$150.00 of those uniforms could not be

worn on a regular basis. When the tester reached the Miscellaneous Expenses Screen, there was no box specifically for uniforms so the tester opted to input this expense under “certain other expenses.” To ascertain how much should be entered, the tester searched the Help Section available within the tax return itself. When the tester could not find any additional information regarding how much could be deducted, the tester decided to input the entire \$200.00. This, however, is not the correct amount because only \$150.00 should have been deducted (IRS Publication 529). Without any additional tax help, the tester was left with no guidance. While this decision did not impact the overall refund amount because the standard deduction was chosen rather than itemizing deductions, this dilemma should not be ignored. This issue helped to confirm the low rating of four (4) given for help.

H&R Block At Home® Deluxe did provide the tester with ten (10) two minute video clips describing the general components of the 2012 tax laws. Animations were used to describe and demonstrate the laws in a simplified manner. While these videos displayed beneficial instruction, the amount of information supplied was overwhelming. The videos did not provide the tester with any greater sense of assurance that the return would be completed correctly. Had the videos referred to specific screens utilized by H&R Block At Home® Deluxe, they would have been more useful to demonstrate how the general laws applied to the filing process.

The tester noted several positive features of the H&R Block At Home® Deluxe program. One nice feature was that the program automatically saved itself every ten minutes which provided assurance to the tester that previously entered information would not be lost. In addition, the tax software product “flagged” numbers that it deemed to be inappropriately large given the information already entered. Finally, whenever the tester logged into the program, the product suggested that the tester check for updates as the tax laws were evolving and may have changed

since last use. These three aspects helped to contribute to the tester's score of six (6) in satisfaction.

Overall, the weaknesses of H&R Block At Home® Deluxe outweighed its strengths. The key to future success for H&R Block At Home® Deluxe is strengthening its Help Section features. With more specific help available, the tester would have made more accurate decisions and not have been left with substandard guidance. Given the stated purpose of its tax software program is to provide the most accurate refund possible, H&R Block At Home® Deluxe did not meet its goal.

TaxACT® Deluxe

The second program reviewed was TaxACT® Deluxe. Table 4-6 summarizes the evaluation results.

4-6: TaxACT® Deluxe Results

Product: TaxACT® Deluxe	
Time to complete tax return: 1 hour 7 minutes	
Refund given: \$6,212.00	
Ease of usability	1 2 3 4 5 6 <u>7</u> 8 9 10
Ease of on screen directions	1 2 3 4 5 6 <u>7</u> 8 9 10
Level of satisfaction	1 2 3 4 5 6 <u>7</u> 8 9 10
Level of accuracy	1 2 3 4 5 6 <u>7</u> 8 9 10
Clearness of instructions	1 2 3 4 5 6 7 <u>8</u> 9 10
Availability of help	1 2 3 4 5 6 7 <u>8</u> 9 10
Was it as easy to use as claimed	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult

The only issue faced while using TaxACT® Deluxe was that the tester missed the screen for inputting the sale of stock. The tester quickly realized after finishing the income section that this information had been missed. Upon review of the income section, the tester noticed that the

screen “Investment Sales” referred to stock. There, the tester observed under this heading that the sale of stock was one subcategory of “Investment Sales.” However, the explanation was below the button that the tester clicked to state there was no Investment Sales, and therefore, the tester had missed this description. Had the explanation been above the button, the tester would not have missed entering this information on the first attempt.

TaxACT® Deluxe was able to handle the extraneous data that was provided to the tester through its Help Section. The Help Section feature provided allowed the tester to determine that only \$150.00 of the \$200.00 spent on uniforms should be deducted. The program was also able to help the tester determine that William could be claimed as a deduction as permitted by the IRS (IRS Publication 501: 2012). TaxACT® Deluxe explained what forms needed to be submitted to prove the child had died, even in circumstances where no social security number had been issued. Due to the information the tester gleaned from the Help Section, TaxACT® Deluxe received a score of eight (8) in the availability of help category.

The tester was satisfied with other aspects of TaxACT® Deluxe as well. TaxACT® Deluxe had a better breakdown of education expenses than H&R Block At Home® Deluxe. The tester had several categories in which education expenses could be entered, including room and board and course materials. The tester was also instructed that after claiming all possible dependents, it was possible to claim a child’s interest and dividend income even if the child had to file his or her own income tax return, provided certain conditions were met. While the tester was not provided with information related to this topic, the tester noted that TaxACT® Deluxe made suggestions in an attempt to maximize the potential tax refund.

One feature that could be improved in TaxACT® Deluxe would be the “Dependent Quiz Guide.” This guide allowed the tester to view information on each page and determine whether

the dependent met those guidelines. While the information was easy to evaluate, the guide could be more effective if the tester had even more interaction with the program and did not have to evaluate several questions at once. For example, one page of the questionnaire asked “Was the child: (1) Under the age 19 at the end of 2012 and younger than you (or your spouse, if filing jointly)? OR (2) Under age 24 at the end of 2012, a student, and younger than you (or your spouse, if filing jointly)? OR (3) Any age and permanently and totally disabled?” By using a more simplified question-by-question format or checking the appropriate “yes” or “no” box, the tester would have felt more assured in determining whether an individual could be classified as a dependent.

Overall, the tester had a more positive experience with TaxACT® Deluxe than H&R Block At Home® based upon its more expansive Help Section tool which allowed the tester to enter data more accurately. The product was easy to use and thorough in ensuring the tester received all possible deductions. The strengths of the product far outweighed its weaknesses, which were small and did not affect the tester’s overall experience. TaxACT® Deluxe successfully met its goal of providing the highest and most accurate refund possible.

TurboTax® Deluxe

The last program analyzed was TurboTax® Deluxe. Set forth in table 4-7 below are the results of that evaluation.

4-7: TurboTax® Deluxe Results

Product: TurboTax® Deluxe	
Time to complete tax return: 1 hour 12 minutes	
Refund given: \$6,212.00	
Ease of usability	1 2 3 4 5 6 7 8 9 10
Ease of on screen directions	1 2 3 4 5 6 7 8 9 10
Level of satisfaction	1 2 3 4 5 6 7 8 9 10
Level of accuracy	1 2 3 4 5 6 7 8 9 10
Clearness of instructions	1 2 3 4 5 6 7 8 9 10
Availability of help	1 2 3 4 5 6 7 8 9 10
Was it as easy to use as claimed	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult

TurboTax® Deluxe was both easy to use and provided a strong Help Section. The format of TurboTax® Deluxe was simple; ask one question at a time. Even on its first page, TurboTax® Deluxe only asked for the tester's first name and referred to the tester by that first name on the next page, which helped to make the program more personalized. TurboTax® Deluxe also provided a plethora of support for the tester. In addition to the Help Section displayed on the side of each page, the community section at the bottom of each screen posed commonly asked questions by other users which were answered by TurboTax® experts. These Help Section features were beneficial to the tester as it allowed for the most accurate return possible and contributed to its high availability of help rating of nine (9).

TurboTax® Deluxe was also advanced in regards to the nature of the questions it asked in determining whether an individual could be claimed as a dependent. After the tester entered the

ages of the two children, Joe and Mary, TurboTax® Deluxe recognized that Joe was of college age. Therefore, it prompted the tester to include the amount of time Joe was away at college to calculate how many months he lived with his parents. TurboTax® Deluxe also realized that Mary was not of college age, and therefore it prompted the tester to calculate the number of months she lived with the parents, without any mention of college. TurboTax® Deluxe also questioned whose name appeared first on the 2011 joint tax return. TurboTax® Deluxe explained that the names of the joint filers should be in the same order as the previous year.

TurboTax® Deluxe had two other positive features that the tester noted. Due to partnerships with other entities, TurboTax® Deluxe had the ability to import a large variety of forms. For example, when the tester went to enter the sale of the stock, TurboTax® Deluxe asked if the tester wanted to import the relevant form or use Mint.com to import the information. TurboTax® Deluxe also completed several checks to ensure that the tester received all possible deductions for Emma, the self-employed consultant.

The tester only noted two small weaknesses. First, while TurboTax® Deluxe was very simplistic, the tester became concerned after it did not ask for last names or social security numbers for several screens. Eventually these screens did appear and the tester filled out the necessary information. Second, the tester was prompted several times to upgrade, which was not only distracting, but made the tester concerned about the adequacy of the TurboTax® Deluxe program.

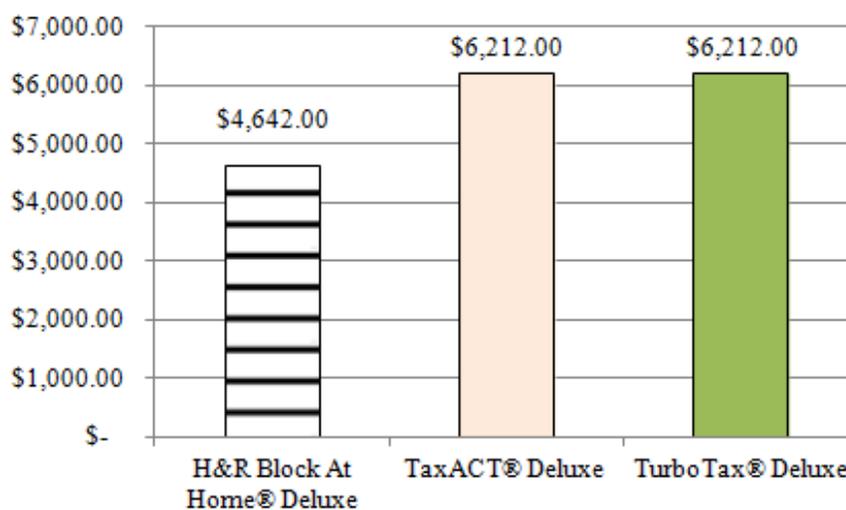
Overall, TurboTax® Deluxe was a strong tax software program with a wide variety of tools. The Help Section features allowed the tester to make the most accurate decisions regarding the tax situation provided. The simple questions and advanced capabilities of the program allowed the tester to have a personalized experience. The many positive features of TurboTax®

Deluxe far outweighed the minor weaknesses and allowed the tester to receive the highest and most accurate refund possible.

Side-By-Side Comparison

The two figures below are comparisons of all three programs. Figure 4-1 shows the refund given by each of the programs.

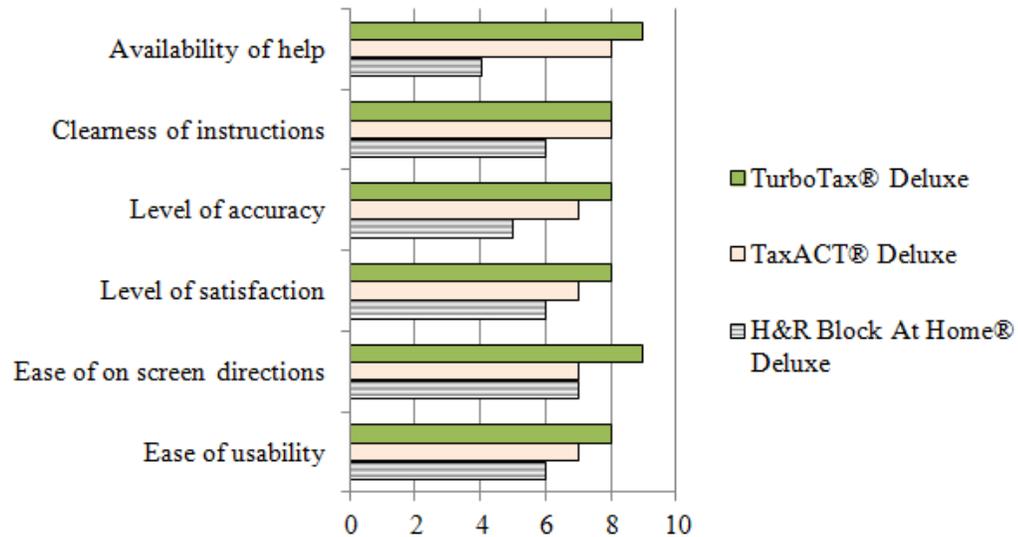
Figure 4-1: Federal Refund per Program



Had the tester taken William as a deduction in H&R Block At Home®, all three would have the same federal refund. However, due to the lack of appropriate guidance, William was not taken as a dependent. This accounts for the discrepancy between the refund amounts.

Figure 4-2 compares the criteria upon which each program was evaluated.

Figure 4-2: Criteria to Assess Each Program



In general, after comparing the three products through a side-by-side quantitative analysis, TurboTax® Deluxe scored much higher than the other two programs. TurboTax® stood out in the areas of availability of help, level of accuracy, level of satisfaction, ease of on screen direction, and ease of usability. In short, the tester simply felt more comfortable using the TurboTax® program and more confident in its results. Solely from a technical perspective alone, TurboTax® Deluxe is the best tax software program available.

Chapter 5

Nontechnical Factors

Evaluating each of the tax software programs cannot be determined through a quantitative analysis alone. Other factors may bear upon that decision which are nontechnical in nature. This chapter will examine the customer support system, product availability and marketability, and pricing of each of the three programs.

Customer Support

To evaluate customer support, three difficult tax questions were posed to the customer support teams of each company using the telephone number noted on their respective websites. To create consistency, a new question was asked of each company on three separate days. A prepared script was developed and posed to each company. The script was then read by the same tester. The answers were also researched before contacting the customer support teams, so that the accuracy of the answers could be checked. Each of the question and answer sessions was evaluated by the criteria in Table 5-1 below. A score of ten (10) was the highest value possible and a score of one (1) was the lowest ranking possible. The scores were averaged between the three calls.

5-1: Customer Support Evaluation Criteria

Product:	
Date and time called:	
Number times phone rang before prompts	1 2 3 4 5 6 7 8 9 10
Number of prompt options	1 2 3 4 5 6 7 8 9 10
Was it easy to determine prompt choice	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult
Response time after determining correct prompt choice:	
Length of time on phone with employee:	
Accuracy of response	1 2 3 4 5 6 7 8 9 10
Understandability of employee	1 2 3 4 5 6 7 8 9 10
Courtesy of employee	1 2 3 4 5 6 7 8 9 10
Knowledge of employee	1 2 3 4 5 6 7 8 9 10
Willingness to help	1 2 3 4 5 6 7 8 9 10

The first question posed was whether \$4,000.00 of veterinary expenses could be deducted for a Seeing Eye dog. The correct answer to this question was “Yes” according to IRS Publication 502 (2012). The second question asked was whether an additional deduction or exemption could be claimed for a dependent who was blind. The correct answer to this question was “No” as stated by IRS Publication 502 (2012). The final question posed was to explain the difference between the American Opportunity Tax Credit (AOC) and the Hope College Credit. According to the IRS Publication 970 (2012), the correct answer to this question was as follows:

The AOC modifies the existing Hope Credit. The new credit [is] available to a broader range of taxpayers. It also adds required course materials to the list of qualifying expenses and allows the credit to be claimed for four post-secondary education years instead of two. Many of those eligible will qualify for the maximum annual credit of \$2,500 per student.

The first tax software program contacted each day was H&R Block At Home®. The average scores of the customer support phone calls are summarized in Table 5-2.

5-2: H&R Block At Home® Customer Support Evaluation

Product: H&R Block At Home®	
Date and times called: 3/4/2013 at 2:20pm; 3/5/2013 at 3:10pm; 3/7/2013 at 3:50pm	
Number times phone rang before prompts	<u>1</u> 2 3 4 5 6 7 8 9 10
Number of prompt options	1 2 3 4 5 6 7 8 9 10
Was it easy to determine prompt choice	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult
Response time after determining correct prompt choice: 36.1 seconds	
Length of time on phone with employee: 2 minutes 13 seconds	
Accuracy of response	<u>1</u> 2 3 4 5 6 7 8 9 10
Understandability of employee	1 2 3 4 5 6 <u>7</u> 8 9 10
Courtesy of employee	1 2 3 4 5 6 <u>7</u> 8 9 10
Knowledge of employee	<u>1</u> 2 3 4 5 6 7 8 9 10
Willingness to help	1 2 3 4 <u>5</u> 6 7 8 9 10

Overall, the customer support of H&R Block® was very unimpressive. The first time customer support was contacted regarding the Seeing Eye dog inquiry, the representative directed the tester to contact his/her local H&R Block® office because the contact person was not a tax professional. Upon calling the local H&R Block® office, the tester learned that an appointment could be made within the week if the return was not relatively complex. If the return was complex, the tester could have an appointment the following week. In addition, there would be a fee for this appointment because H&R Block® does not use the H&R Block® Deluxe software that the tester had purchased. The second time the tester called H&R Block® customer support to ask about the blind dependent, the tester was informed that each H&R Block® user had one free question on the online Help Section. The representative then clarified that the tester could ask unlimited questions regarding that topic; however, any questions relating to a new topic would cost \$9.95 per question. The third time the tester called customer support to ask about the difference between the AOC and the Hope College Credit, the tester was directed by the H&R Block® customer support team to “Google” the answer. Each of the answers provided by customer support was unsatisfactory and on each occasion directed the tester to a different source for a proper response. In reality, there was no customer support.

The second tax software program contacted each day was TaxACT®. The average scores of the customer support phone calls are summarized in Table 5-3.

5-3: TaxACT® Customer Support Evaluation

Product: TaxACT®	
Date and times called: 3/4/2013 at 2:40pm; 3/5/2013 at 3:20pm; 3/7/2013 at 3:55pm	
Number times phone rang before prompts	<u>1</u> 2 3 4 5 6 7 8 9 10
Number of prompt options	<u>1</u> 2 3 4 5 6 7 8 9 10
Was it easy to determine prompt choice	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult
Response time after determining correct prompt choice: 7 minutes 42 seconds	
Length of time on phone with employee: 5 minutes 31 seconds	
Accuracy of response	1 2 3 4 5 6 7 8 <u>9</u> 10
Understandability of employee	1 2 3 4 5 6 7 8 9 <u>10</u>
Courtesy of employee	1 2 3 4 5 6 7 8 9 <u>10</u>
Knowledge of employee	1 2 3 4 5 6 7 8 <u>9</u> 10
Willingness to help	1 2 3 4 5 6 7 8 9 <u>10</u>

Overall, the customer support of TaxACT® was impressive. Every time the tester called or was transferred to a different representative, his/her customer ID was verified to ensure that correct responses were given based on the account information and that the conversation would remain confidential. TaxACT® provided a very strong response to the question regarding the Seeing Eye dog. In fact, to assure the tester that the expenses could be taken as a deduction, the customer support team referenced the corresponding IRS publication. However, their second answer, while mostly correct, was not entirely accurate. The representative correctly stated that the tester could not take the blind dependent as an additional deduction; but then added that the tester could check the box claiming that the dependent was “permanently and totally disabled.” The representative clarified that this would not change the deduction amount. However, the agent went on to state that while the IRS may challenge checking this box, the dependent is blind, and therefore “permanently and totally disabled” to a certain extent. However, this is not an entirely accurate statement. According to the IRS 2012 Instructions for Schedule R, one of the criteria for determining whether a person is “permanently and totally disabled” is that “he or she cannot

engage in any substantial gainful activity because of a physical or mental condition.” Because the customer support representative would not have known if this was the case and did not follow up with an appropriate inquiry, he/she should not have guided the tester to check the box. With respect to the third question, customer support accurately explained the difference between the AOC and the Hope College Credit.

While the tester was far more impressed by the customer service of TaxACT®, there were two issues of concern. Firstly, the support telephone number was a (319) number and not a toll free (1-800) number. This is problematic for individuals who do not have free long distance. Secondly, every time that the tester called and asked a question, the tester was immediately transferred and placed on hold. The first person to answer the telephone call never answered the question and each time a second person dealt with the tester. This also contributed to the concern raised about the lack of a toll free telephone number.

The final tax software program contacted was TurboTax®. The average scores of the customer support calls are summarized in Table 5-4.

5-4: TurboTax® Customer Support Evaluation

Product: TurboTax®	
Date and times called: 3/4/2013 at 2:20pm; 3/5/2013 at 3:10pm; 3/7/2013 at 3:50pm	
Number times phone rang before prompts	<u>1</u> 2 3 4 5 6 7 8 9 10
Number of prompt options	<u>1</u> 2 3 4 5 6 7 8 9 10
Was it easy to determine prompt choice	Very Easy Somewhat Easy Easy Somewhat Difficult Very Difficult
Response time after determining correct prompt choice: 12 minutes 15 seconds	
Length of time on phone with employee: 4 minutes 40 seconds	
Accuracy of response	1 2 3 4 5 6 7 8 <u>9</u> 10
Understandability of employee	1 2 3 4 5 6 7 8 9 <u>10</u>
Courtesy of employee	1 2 3 4 5 6 7 8 9 <u>10</u>
Knowledge of employee	1 2 3 4 5 6 7 8 9 <u>10</u>
Willingness to help	1 2 3 4 5 6 7 8 9 <u>10</u>

In general, the tester was very impressed by the responses of the customer support team, but unimpressed by the amount of time that was spent on hold waiting to speak with a representative after choosing the correct prompt choice. For example, the third time the tester called, the tester was on hold for over twenty-two (22) minutes. However, ignoring the long wait times, the responses were accurate. As to the first question regarding the Seeing Eye dog, the agent correctly noted that the tester could deduct the expenses as an itemized deduction. The representative however did not cite the IRS publication to validate the answer. Interestingly, the agent went on to explain that depending on the testers' income, the tester may end up using the standard deduction, in which case, the tester would not see the effects of this itemized deduction. The tester was impressed with the representative's ability to apply the answer past the basic response. Customer service accurately answered both the second and third questions regarding the blind dependent and the difference between the AOC and the Hope College Credit.

Product Availability and Marketability

Each of the three products has a distinct marketing strategy and level of product availability. After reviewing their websites, available financial data, and visiting stores, it was easy to see the differences between their product availability and marketing strategy.

The first product analyzed was H&R Block At Home®, created by H&R Block®. According to its investor relations website, it is the country's largest tax services provider (H&R Block). H&R Block® states in its Annual Report 10-K (10-K) for the year ended 2011, its company "offer[s] a comprehensive range of online tax services, from tax advice to complete professional and do-it-yourself tax return preparation and electronic filing, through our website at www.hrblock.com." H&R Block prides itself on the variety of services available to clients. In an attempt to further grow its online tax services, H&R Block® sought to acquire 2SS Holdings,

the maker of TaxACT® in 2010 (Ramirez). The goal behind this merger was to gain both younger customers and improve its online products (Ramirez). However, the Department of Justice blocked this attempt as it would have created a duopoly between H&R Block® and TurboTax® (Ramirez). To attract new clients and maintain customers in the lower income brackets, H&R Block® joined the Free File Alliance (FFA) which “allows qualified filers with adjusted gross incomes of less than \$57,000 to prepare and file their federal return online at no charge” (H&R BLOCK, INC. FORM 10-K). This strategic move could fill the same gap which was apparent with the survey responses noted in Chapter 2 which showed H&R Block® users tended to have higher incomes. In 2011, H&R Block® became committed to the tax software sector and made several changes to it during the year. In its 2011 10-K, the company describes the new commitment to this sector as well as changes to grow the tax software portion of the company as follows:

We fully committed to this space by investing capital to improve our product, our website, and our marketing. With these improvements, we drove significant traffic to our website, and more importantly, we converted that traffic into clients. Our digital client base grew by nearly 800,000 and we gained 90 basis points of market share in online and 60 basis points of share in software.

The company continued making changes after making this statement to better support its customers. In response to organizational issues, the company announced on April 25, 2012 that it would be realigning “to create a more cohesive end-to-end client experience, to drive better efficiency and accountability throughout the organization, and to align its resources to balance long-term client and revenue growth” (H&R Block). While the entire effects of this realignment have not yet been realized, the company is making efforts to better serve its customers.

Customers can find the H&R Block At Home® products at any major retail store, including Staples and BestBuy. Each of these stores has a small kiosk which offers all versions of

the tax software program. Figure 5-1 shows the display of the H&R Block At Home® products at Staples. The photo on the right shows a closer up image of the top right corner of the display.

Figure 5-1: H&R Block At Home® Kiosk



The second product analyzed was TaxACT®, sponsored by 2nd Story Software®, and owned by InfoSpace. TaxACT® introduced the first free federal tax preparation and filing solution during the 2005 tax season (TaxACT®). Today, it remains the only free product that includes forms and schedules necessary for many complex returns filed by millions of customers each year (TaxACT®). According to the InfoSpace Quarterly Report 10-Q (10-Q) for the Quarterly Period ended March 31, 2012, revenue is generated through three primary sources: “the sale of state and upgraded federal income tax preparation software and online services to consumers, the sale of ancillary services to any user, paid or not, and the sale of its professional edition income tax preparation software to professional tax preparers.” Because TaxACT® is known for its free filing program, it uses this as its marketing strategy. For example, the tagline of TaxACT® is “The most complete tax solution for everyone.” This slogan is carried throughout its marketing efforts which have focused mostly upon television and online advertising (TaxACT®).

In that same Quarterly Report, InfoSpace states the “free [product] differentiates TaxACT’s offerings from many of its competitors, and offers a valuable marketing proposition.” InfoSpace, however, does not underestimate the importance of the customer and providing the best product available at the lowest price. This can be seen in that same Quarterly Report which states:

Our financial results will suffer if we cannot continue to offer software and services that have quality and ease-of-use that are compelling to consumers; market the software and services in a cost effective way; offer ancillary services that are attractive to users; and develop the software and services at a low enough cost to be able to offer them at a competitive price point.

Unlike the other two programs analyzed, this product cannot be bought at retail stores. Those interested in using TaxACT® must use the program online or download it. Those interested in receiving the product as a CD can do so by ordering the product through the TaxACT® website.

The last product analyzed was TurboTax® owned by Intuit®. TurboTax® markets itself as the #1-rated tax software company. Even H&R Block® acknowledged in its 2011 year end 10-K that Intuit® was its largest competitor with Intuit® having the highest level of tax returns filed each year. According to the Intuit Annual Report 10-K year ended 2012 (10-K), the company focuses on the following competitive factors: “ease of use, product features, size of the installed customer base, brand name recognition, value proposition, cost, reliability, and product and support quality. Access to distribution channels is also important.” Success however cannot happen without a strong marketing campaign. Intuit® uses several different marketing campaigns in order to reach a wide array of consumers. These marketing strategies are highlighted in that same 10-K as follows:

[We use] web marketing and targeted advertising, such as search engine optimization and purchasing key words from major search engine companies; placing and promoting our mobile applications in "app stores;" direct-response mail and e-mail campaigns; telephone solicitations; newspaper, magazine, billboard, radio and television advertising; social media campaigns; and coordinated promotional offers with major retailers. We also use workflow-integrated, in-product discovery in some of our software products to

market other related products and services, including third-party products and services. In addition, we create marketing campaigns that attract new users through free promotional offerings that are designed to ultimately convert them to paying customers.

Like H&R Block At Home®, TurboTax® products can be found at any major retail store.

From the stores visited, the kiosks for TurboTax® tended to be much larger than those of H&R Block At Home®. Figure 5-2 shows the display of the TurboTax® products at Staples. The photo on the right shows a closer up image of the left part of the display.

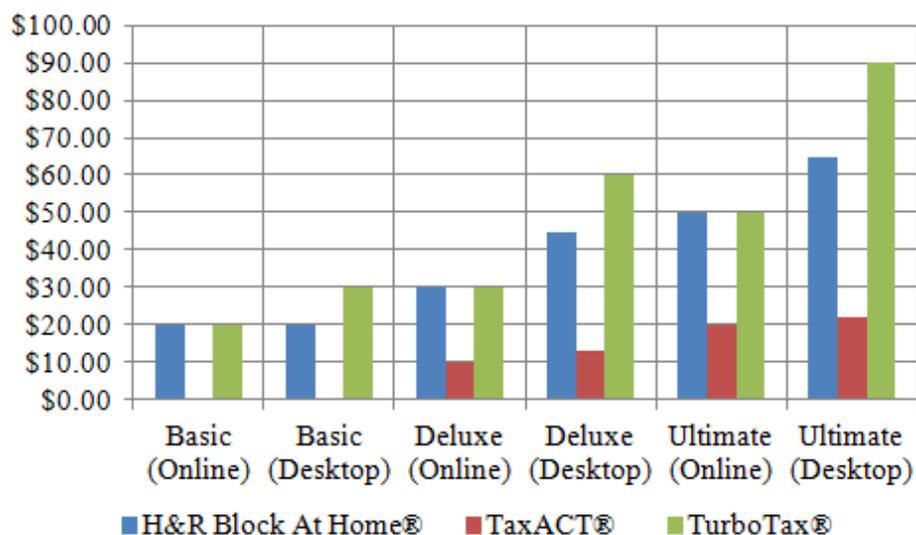
Figure 5-2: TurboTax® Kiosk



Pricing

The last nontechnical feature examined was pricing of the various products. Figure 5-3, lists pricing information for the different products. Each tax software program also offers a free federal version, which is not included in the chart. In addition, TurboTax® offers a product for those who have both a Home and Business, which is not included in Figure 5-3. The online version of this product lists for \$74.99 or users can buy the desktop software for \$99.99.

Figure 5-3: Prices of Tax Software Products



In accordance with its slogan, TaxACT® offers the lowest priced tax software products available to consumers. For the online products, TurboTax® and H&R Block® programs sell for the same price. However, for the desktop products, TurboTax® is always more expensive. The price difference between the desktop product increases greatly as the level of the product becomes more complex.

Review of Nontechnical Factors

This chapter analyzed each of the products by three important nontechnical factors which bear upon the assertion of TurboTax® that it is the #1-rated tax software program: customer support, product availability and marketing, and pricing. For customer support, TurboTax® provided the most accurate answers, although it did require the longest response time. These delays reduced the overall satisfaction experience. TaxACT® had less wait time but one of their responses was not entirely accurate. Also, the tester was always transferred from one customer service representative to another and the telephone number was not toll free. For the marketing

and product availability of each product, TurboTax® had the best strategy of the companies. TurboTax® uses a variety of marketing strategies across different settings in order to gain new customers and maintain existing customers. Products are easily accessible and can be found in any major retail store. Pricewise, consumers can get the best deals with TaxACT®. Even their most complex tax software product can be purchased online for \$19.95 and \$21.95 for the desktop version. H&R Block® and TurboTax® have the same prices for online products, but TurboTax® is more expensive for all of its desktop products. There can be no doubt that despite the extra cost of some of its versions and the delay in its customer support service time, TurboTax® runs a far more massive and effective marketing campaign, and more importantly, a superior customer support service program. Therefore, based on nontechnical factors alone, TurboTax® is the best tax software program.

Chapter 6

Conclusion

At one time in history, some may have snickered in agreement with Alfred E. Neuman's joke comparing the time needed to complete an income tax with the time needed to make the income. But that notion is now a thing of the past. With a wide variety of commercial tax software programs available, an overwhelming majority of Americans now electronically file their tax returns. And among the three (3) most widely used programs, H&R Block At Home®, TaxACT®, and TurboTax®, the research has shown that TurboTax® has distinguished itself from the others and substantiated its claim to be the #1-rated tax software program.

That conclusion should not be viewed as a criticism of either TaxACT® or H&R Block At Home®. Indeed, both programs have proven themselves to be acceptable and offer particularly attractive features. In particular, TaxACT® survey respondents found that the program generally met their expectations. The accounting professional found it easy to use and provided accurate results, both of which were validated by the tester. Customer support was adequate, and the program was offered at the cheapest price. As for H&R Block At Home®, more survey respondents found that the program met their expectations than any other program. The accounting professional found that the program did a great job explaining the process to a first-time user, which result was not validated by the tester, especially with regard to its Help Section features and customer support system.

But, on balance, TurboTax® stands alone among its closest competitors. And while no doubt TurboTax® benefits from an aggressive marketing strategy, its overall product is superior in three distinct ways. Firstly, the ability to import data from external sources is a unique feature

of TurboTax®. Indeed, the accounting professional was critical of the inability of one of the other programs to offer that service. This advanced capability of its program complements nicely with the personalized simplicity of the program seen by the survey respondents and the tester.

Secondly, survey respondents found that the TurboTax® program exceeded their expectations more than any other program. That finding was corroborated by the tester. The program was simple with easy to view screens. Thirdly, both the Help Section features of the program and the customer support service was found to be superior. The ability to ask simple questions, provide detailed explanations, offer community support within the program itself, proved most beneficial. Not only were these features attractive, but the competent customer system was both reliable and accurate. For these reasons, TurboTax® does deserve to be recognized as the #1-rated tax software program.

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EDUCATION

- The Pennsylvania State University, University Park, PA* Anticipated May 2013
Smeal College of Business, Liberal Arts College
- Major: Accounting BS, Spanish BS
 - Minor: International Business
- Schreyer Honors College* Anticipated May 2013
The Pennsylvania State University, University Park, PA Anticipated May 2013
Master of Accounting
- Universidad Complutense de Madrid, Spain* September 2010 - December 2010
-

WORK EXPERIENCE

- Ernst & Young, Tax Intern, Philadelphia, PA* January 2012 - March 2012
- Assisted with tax provision of multinational company
 - Conducted research for potential clients
- ParenteBeard, Audit Intern, Allentown, PA* June 2011 - August 2011
- Audited various business and nonprofit entities throughout the Lehigh Valley
- Dorney Park, Revenue Accounting Intern, Allentown, PA* May 2009 - August 2010
- Reviewed employee sales, comparing register information with cash counts
 - Prepared financial statements detailing sales cash overages and shortages
 - Created accurate and timely reports for distribution to Cedar Fair management
-

ACTIVITIES

- 2011 Finance Captain Penn State Homecoming* February 2011 - October 2011
- Managed various committee budgets and fiscal reports for 2011 Homecoming
- Phi Gamma Nu Business Fraternity* September 2008 - Present
Secretary (Fall 2009)
- Ensured effective communication between all members
 - Compiled, organized and updated current members' contact information
 - Provided an accurate record of attendance for chapter meetings and mandatory events
- Standards Board (Fall 2009)*
- Enforced Phi Gamma Nu bylaws
 - Determined discipline for chapter members disregarding bylaws
- Active Member*
- Selected as a member of the professional business fraternity, serve as active member
 - Finance Committee, Rush Committee and Parents' Weekend Committee member, assisted in planning, coordinating and implementing programs and fundraising
- Lion Scouts Tour Guide* October 2008 - Present
- Chosen to conduct tours for students interested in The Pennsylvania State University
-

ACHIEVEMENTS

- Phi Kappa Phi Honor Society* January 2012 - Present
- Beta Gamma Sigma International Business Honor Society* March 2011 - Present
- Golden Key International Honor Society* September 2009 - Present
- Phi Eta Sigma Honor Society* May 2009 - Present
- Dean's List for The Pennsylvania State University* August 2008 - Present