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REVIEW

## Tax-Help Software: Two Test Drives

By PAUL J. LIM

IN its television ads, [H&R Block](#), maker of the tax software program TaxCut, reminds do-it-yourself preparers that if they run into problems using the program, they've "got people" who can help.

In other words, TaxCut users should feel confident that Block's nationwide network of 90,000 tax preparers stands ready to assist with tax advice or even audit support should the [Internal Revenue Service](#) flag their returns.

I was briefly reminded of this ad campaign when I sat down to do my taxes using a rival program, TurboTax from [Intuit](#). I ran into a minor technical problem while loading updates to the program. When I tried looking up the number for customer support, the program informed me that the support desk was temporarily closed "due to high contact volumes."

This seemed strange, since I tried calling at around 5 p.m. Pacific time last Sunday — in the middle of the Super Bowl. And I can't imagine that that many Americans do their taxes on Super Bowl Sunday.

Having more "people" at the ready would seem like a good thing. Of course, at the end of the day, it's the quality of the help that these people provide that's important. It should be noted that the New York attorney general's office recently refiled a suit against H&R Block contending that some of its people steered tax clients into individual retirement accounts that charged higher fees than they paid out in interest. Company officials said that hundreds of thousands of clients benefited from the accounts, especially when the tax advantages were also considered.

It also dawned on me, shortly after my computer problem resolved itself on its own: While it's great to have the assurance of live support, that is not the primary reason to buy programs like TaxCut or TurboTax. If it were, software users would bypass these off-the-shelf programs altogether and go directly to the humans.

The fact is that many do-it-yourselfers prefer software precisely because they don't want to interact with people. That is why I did not seek any tax advice from a Block representative. I wanted to test drive the software, not the slogan.

So I asked myself this question: Which of the major software programs does the best job of answering questions and maximizing deductions on its own? This year I'd have to say the answer is TurboTax.

In the previous two years, I reviewed both TaxCut and TurboTax and much preferred TaxCut. Back then, I found TaxCut to be much easier to navigate and thought that it offered more intuitive guidance for help with home-office deductions and filling out a Schedule C.

But this year, Intuit overhauled TurboTax and improved it significantly.

BOTH TurboTax and TaxCut come in various versions, depending on whether you use the online or desktop software. I recently test-drove the Premier desktop edition of TurboTax and the Premium desktop edition of TaxCut.

In the past, one of the most appealing aspects of tax software was that it interviewed you, in much the way a human tax preparer would. The questions — with yes-or-no answers in many cases — were meant to ensure that you did not forget miscellaneous sources of income or miss out on any deductions.

But TurboTax now acknowledges that many do-it-yourselfers have general knowledge of their taxes and want a quicker way to complete them.

This year, TurboTax gives users a choice of two paths. The first is the interview process, which you can start by asking TurboTax to “guide me.” Experienced hands can avoid this journey by clicking on the “select specific topics” tab. This shows all the different types of income, deductions and credits you will need to address, in list form. You can click on only those sections that apply to you, in any order you choose.

As I gathered my tax documents this year, I knew I had only a few forms of income to report. So I chose the specific-topics tabs in the income section of the program and filled out just the applicable boxes. It saved a considerable amount of time.

But I did not want to leave deductions on the table. So when it came to the deductions-and-credits section of TurboTax, I chose to go through the formal interview. By doing so, I was reminded of small credits that I had forgotten I was eligible for, like the telephone tax refund for excise taxes paid on long-distance calls from March 1, 2003 to July 31, 2006.

Investors will also like another addition from TurboTax this year: free access to BasisPro, a service from the GainsKeeper division of [Wolters Kluwer](#) Financial Services that helps determine the cost basis of securities bought many years ago. If you bought shares of a stock in 1998 but forgot how much you paid, on a split-adjusted basis, the service will determine the average price paid for the stock on that day nine years ago. This is extremely helpful when trying to determine the original cost basis for stocks bought before a series of mergers and acquisitions.

This is not to say that TaxCut is deficient. The program is still quite intuitive when it comes to answering complicated questions about home office deductions and Schedule C, for small-business owners.

But Intuit has gone to great lengths to improve navigation in TurboTax, allowing users to search easily for tax forms and topics, see constantly where they are in the tax return and to get an overview of those portions they have already completed and those they still need to tackle.

For its part, TaxCut can claim a couple of big advantages. The first is access to the “people” mentioned in Block’s ad campaign.

If you buy TaxCut’s Premium+State+E-File edition, for example, you get one free session with a tax professional by phone or e-mail. In addition, should you be audited, Block says it will provide free support, ranging from assistance in collecting the proper documents to having a Block-enrolled agent represent you before the I.R.S. This free service is good only for those who file their returns electronically and for audits pertaining to the tax year

for which TaxCut software was used.

The second big advantage is price. In retail stores like Staples or [Best Buy](#), the Premium+State+E-File version of TaxCut can be bought for \$59.99. (Some retailers have been offering a \$5 rebate, bringing the price down to \$54.99.) This includes a free advice session and one free federal and state e-file.

By comparison, TurboTax Premier's desktop version sells in stores for \$74.99, and includes federal and state returns. And if you want to e-file, that will cost an additional \$14.95 (times two, if filing both a federal and state return). What's more, if you want to ask a tax professional for help by phone or e-mail, that will cost an additional \$39.95 through TurboTax.

If you go with TaxCut's online version, rather than the desktop software, you'll save even more. TaxCut's online Premium+State+E-File version costs just \$39.95, but it allows only one return. (The desktop versions of both TaxCut and TurboTax allow you to fill out multiple returns.) TurboTax also offers a Premier online version for \$49.95 but charges an additional \$25.95 to complete a state return; e-filing is free.

IF you are truly cost-conscious — and do not require the hand-holding that TurboTax or TaxCut provide — you might consider a cheaper, yet solid alternative: TaxAct Deluxe+State. This basic program, offered by 2nd Story Software, charges just \$15.95 for federal and state returns, including e-filing if the program is used online (\$19.95 if the program is downloaded to a desktop).

TaxAct even offers a basic version of its program that lets you prepare, print or e-file federal taxes at no charge.

Though many people may not be aware of it, most American households are eligible for the I.R.S.'s Free File program. This four-year-old partnership with around 20 different tax preparation companies generally allows taxpayers with adjusted gross incomes of \$52,000 or less — that's 70 percent of taxpayers — to prepare and e-file their taxes free.

Free versions of TurboTax, TaxCut and TaxAct are all part of the Free File service.

But be aware that you will not learn about this free service on these private Web sites. The only way to find out about the program is to visit [www.irs.gov](http://www.irs.gov).

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