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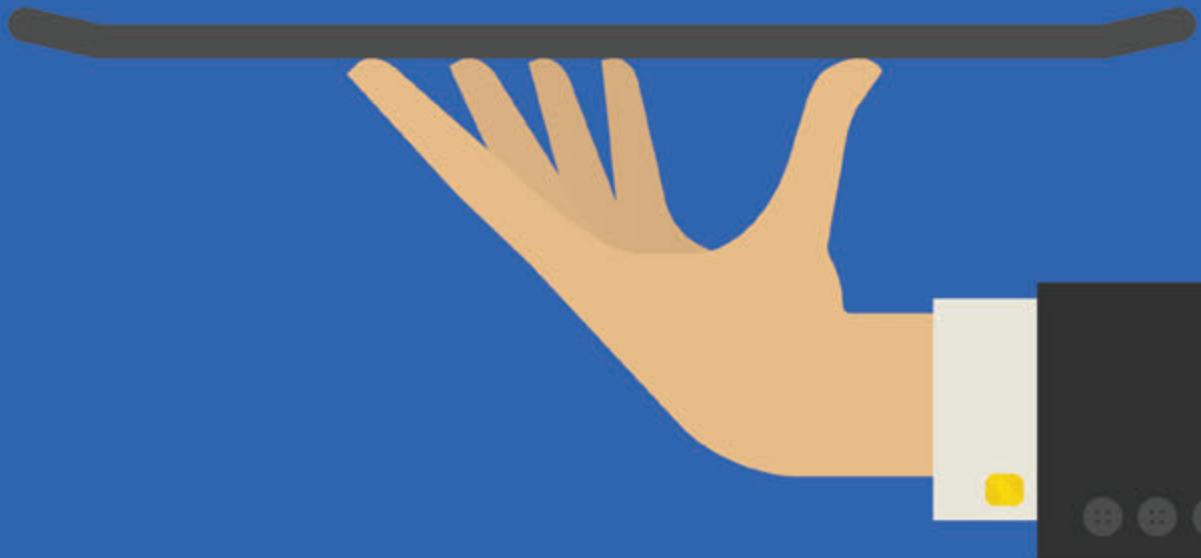
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# Effortless payroll service offerings



Experts explain how payroll  
providers can help CPAs  
help their clients.

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**A**s trusted advisers, CPAs are often the professionals small business clients turn to for payroll advice and services. CPAs, however, must have access to resources and expertise that would enable them to offer their clients the payroll services they need. At the same time, CPAs must keep current with the latest laws and regulations and payroll technology. How can CPA firms benefit from partnering with payroll providers and be assured their clients' needs are being met?

In this Special Focus Report, experts in payroll services discuss their ideas about what CPA firms should expect from payroll partners, integration questions CPA firms should ask their payroll providers, the best ways to propose payroll services to clients, the effects of the Patient Protection and Affordable Care Act (ACA) and other laws and regulations on payroll, and future technologies.

Contributing to the report are Andrew Childs, vice president of marketing at Paychex Inc.; Karen Peacock, vice president and general manager, Employee Management Solutions, at Intuit; Andy Roe, general manager of SurePayroll Inc.; Chris Rush, division vice president, Small Business Strategy, for ADP; Laura Clenney, vice president of marketing and product development at BenefitMall; and Jeff Gramlich, president of AccountantsWorld.

### What types of offerings should a CPA firm look for from a payroll partner?

**Andrew Childs, Paychex:** When evaluating a potential payroll provider, it's important to consider what offerings are going to add the most value to the client. Aside from providing payroll and benefits expertise, are they offering other services that will not only benefit your clients, but also benefit your practice? Payroll is increasingly becoming part of solutions that address broader human capital management (HCM) needs, which naturally include payroll. Seeking a payroll provider that takes an HCM approach will fully integrate the hiring, onboarding, employee benefits processes, and more. Mobile applications and online data access work hand-in-hand with HCM solutions, which gives you and your clients the ability to conduct business where you want, how you want, and when you want.

**Karen Peacock, Intuit:** CPA firms should look for the following offerings from payroll partners: (1) DIY [do-it-yourself] payroll, where the payroll provider makes it easy for the client to set up, run payroll, and file taxes themselves; (2) full-service payroll, where the provider helps with setup and files and

pays quarterly taxes for the client, and the client simply enters the hours; and (3) compliance services, such as workers' compensation insurance and labor law posters. CPA firms should use and recommend the products that best enable them to work with the types of clients they are targeting to grow their practice.

**Andy Roe, SurePayroll:** Forward-thinking firms know that technology allows them to approach client relationships in a less transactional way and act in a more consultative role. That's a breath of fresh air for many CPAs. Enhancing the consultative relationship and outsourcing the transactional operation to a quality payroll partner serve well those firms that want to deepen client relationships, but avoid significantly increasing hours spent on payroll, which has historically been a time-intensive function. CPAs should look for a payroll partner that can meet not just one, but all of their small business clients' payroll needs. Whether it is a new business with zero employees or a small business that is scaling and adding ancillary services like 401(k), CPAs need to be able to depend on their payroll partner to help address payroll and payroll-affiliated activities. It's becoming clearer that online payroll is the way to



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answer payroll for all types of businesses and allows firms to maintain control.

**Chris Rush, ADP:** A payroll partner is most beneficial to the CPA if it offers the breadth of products and services to meet the varying needs of their clients: from a new startup that might need help with an employee handbook to a more established client that would like to integrate a 401(k) solution with its payroll. Given the vast amount of regulatory changes that occur every year, accountants need to have a partner who can keep them apprised of changes to laws, codes, and rates. Partners can help accountants be more efficient and effective by providing online tax guides, continuing education, and access to a dedicated accountant help desk to address complicated payroll issues.

**Laura Clenney, BenefitMall:** Payroll is an essential and critical component of every business. When looking for a payroll partner, a CPA firm should look to a payroll service provider that offers a breadth of products and services to fit a variety of clients' needs—from simple to complex, and online to full service. Furthermore, it is advantageous to partner with a payroll provider that offers additional products that are complementary to the payroll solution, such as time and attendance, paycards, workers' compensation, and 401(k). Finally, a payroll partner should have resources who understand federal, state, and local payroll tax laws and other compliance issues that might arise.

**Jeff Gramlich, AccountantsWorld:** The right payroll partner must offer features that meet the needs of the firm's clients. It is important for the firm to understand the breadth and depth of the payroll system's capabilities in order to match it with the needs of its clients. A key attribute that the firm should look for is a system that is fully automated in every aspect of payroll processing, from data entry, to deposit of payroll checks, to filing of taxes, to name a few.

### How does profit for client payroll services compare to that derived from other services?

**Andy Roe, SurePayroll:** Technology has truly jump-started the profit potential of payroll for CPAs, offering an unprecedented level of control of client payroll without the increase in hours spent on tracking, processing, and delivering checks. When firms feel confident that payroll can be run effectively and accurately, they can begin to consult on payroll-affiliated activities like hiring, employee benefits, and other essential client growth decisions. We can start to think of payroll not just as a steady revenue stream, but as a way to improve the overall client ex-

perience and open the door to other types of services. Couple that with technology that allows advanced markup and billing capabilities, and payroll becomes an easy and reliable profit center.

**Jeff Gramlich, AccountantsWorld:** Profitability from payroll services comes from two key areas: (1) selecting a system that is fully automated, and (2) getting the client (employer) set up correctly. When these two items are handled appropriately, the profitability from payroll services can be comparable to or even better than tax and accounting services, because payroll requires far less professional time. You should also design your internal work flow in a manner that scales up quickly and easily. This is a volume business, and the better the processes, the better the financial results.

### What integration questions should firms ask payroll services providers?

**Andrew Childs, Paychex:** Does the payroll provider's solution play well with others? Or does it uniquely possess the related services within a single application, mitigating the need for many separate solutions? These are the key questions to consider. The demands on your time and that of the business owner are not declining. Along with that comes an increased desire for an integrated, single-platform solution that offers a streamlined approach to human capital management. The market is shifting from offering payroll-only solutions to rolling out much more robust and integrated options. When considering an integrated solution, does it cover applicant tracking and onboarding? How about benefits and retirement administration? Does it offer an intuitive interface and have the mobile capabilities to allow you to work smarter? These are all important questions to keep in mind for payroll service providers.

**Karen Peacock, Intuit:** There are several software integrations that can make an accountant's life much easier. The following are some of the most popular:

1. Accounting software: Some payroll solutions can perform data sync with accounting software, where payroll data appears in the accounting general ledger when the client activates the sync. Other payroll solutions are embedded and built inside of an accounting solution. With those types of solutions, payroll is deeply integrated in the accounting software from setup to paycheck and taxes, enabling the data to flow between the two products automatically, without requiring any client action.
2. Time tracking: Time-tracking software can make running payroll much faster for clients, as they don't have to manually enter employee hours.
3. Employer compliance products (like workers'



## THE DAYS ARE GETTING SHORTER, BUT YOUR CLIENTS' TO-DO LISTS AREN'T.

As summer fades to fall, that means getting back to business for many of your clients. And chances are they look to your firm for more than just tax advice. If that includes complex HR issues like ACA compliance, health plans and overtime exemption regulations — that's what we do best. We're here for you, so you can be more for them.

See how ADP can provide a more human resource for your small business clients: [adp.com/backtobiz](http://adp.com/backtobiz)

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compensation insurance): Some payroll solutions offer convenient services like pay-as-you-go workers' compensation, helping clients manage cash flow by having them pay monthly on their actual labor force, instead of annually based on an estimated labor force.

**Andy Roe, SurePayroll:** Integration is twofold for CPAs working with payroll service providers. First of all, when clients hand over payroll to their accountants to manage, the CPA should have easy access to things like payroll reports. Also, if multiple clients are using the same payroll service, the CPA should be able to manage all of those clients from one online dashboard. Secondly, if the firm is handling payroll in-house, it should be able to white-label and offer the service under its own branding, with its own pricing, etc. Everything a payroll service should offer should be bundled for the CPA, so they're able to add value for existing clients. Small business clients are becoming less tolerant of piecemeal solutions. An important question that firms must ask about new tools is, "How will this fit with my current service offering, and how can I ensure that time spent doesn't start to cut into profits made?"

**Jeff Gramlich, AccountantsWorld:** CPAs should look for integration that allows the payroll numbers to flow directly into their accounting package and should also look for the payroll system to be complete end-to-end integration—for example, auto-file the taxes, batch processing options, auto-generate W-2s and 1099s at the end of the year, and a robust report system complete with alerts and monitoring tools to help you help your clients stay on top of key dates and events in an automated and timely fashion.

**What have been the main effects of the ACA on payroll? What other legal and regulatory changes have affected payroll—and how so?**

**Andrew Childs, Paychex:** For accountants to maintain their standing as their clients' most trusted adviser, having the necessary knowledge to navigate regulatory issues impacting the payroll industry is critical. The Affordable Care Act and its employer shared-responsibility (ESR) provisions are on top of that list. The bottom line is, ESR has complex requirements that can be overwhelming. Many providers have recognized this and developed solutions that will bridge any gap in knowledge and alleviate the burden altogether. With that in mind, this legislation presents an opportunity for accountants to differentiate themselves and leverage the chance to demonstrate proactive client care as

business owners' needs expand.

**Chris Rush, ADP:** Many Affordable Care Act calculation, recordkeeping, and reporting requirements appear to fall squarely within the payroll department's responsibilities. This has resulted in the adoption of three related administrative tasks:

1. Determining full-time employees: Large employers (average of more than 50 full-time and full-time-equivalent employees) need to keep tax records documenting the monthly full-time status of each employee.
2. Reporting health coverage information to the IRS: Each employee that was full time for at least one month must be reported to the IRS annually. The first reports (Forms 1094-C and 1095-C) are due in January 2016.
3. Assessing affordability: Employees will be eligible for premium tax credits to purchase coverage in a Health Insurance Marketplace if employer coverage is not offered or does not meet affordability or minimum value requirements. The payroll department will play a key role in regularly assessing affordability.

**Laura Clenney, BenefitMall:** The Affordable Care Act has implemented many regulations surrounding both the employee benefit and payroll domains. Understanding the number of hours worked by employees compared with the number of part-time and seasonal workers is critical to determining a company's applicable large employer status for the ACA. Additionally, pay rates and health insurance deductions directly affect the affordability regulations embedded in the ACA. Other regulatory changes occur frequently on a local, state, and national level. From minimum-wage requirements to paid sick leave laws, an employer needs to understand how these regulations affect their company. With a qualified payroll provider, companies can rely on them to ensure they are staying compliant with these payroll and tax laws.

**What is the best way for CPA firms to pitch payroll services to clients? What types of clients should CPA firms target?**

**Karen Peacock, Intuit:** CPA firms should first target the types of clients they want to help them build and grow their practice, then determine which payroll solution is best for them. Some clients are very comfortable setting up and running payroll themselves and value a lower cost, but they want an accountant to check their work before filing and paying taxes. For these clients, a DIY payroll solution works well. Other clients want their accountant to handle payroll



A woman with blonde hair, wearing a dark blue pinstripe blazer over a white collared shirt, is smiling and looking towards the camera. Her hands are clasped in front of her. In the background, three other people in business attire are blurred, suggesting a professional office setting.

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for them. For these clients, a full-service payroll solution works best because the payroll provider does most of the heavy lifting, allowing the accountant to focus on value-added, consultative services. In some cases, the full-service provider offers wholesale billing, which can make payroll a source of revenue for the CPA firm.

**Andy Roe, SurePayroll:** As CPAs realize how sticky payroll can be as an initial or additional offering, they are doing everything from pitches in client meetings to in-market advertising. It's about finding the right payroll fit for small business clients, depending on their need. Finding clients that clearly benefit from the firm's payroll offering and can benefit from other services that the firm provides is the recipe for a long-lasting and deep client relationship.

**Chris Rush, ADP:** As a trusted adviser, the CPA firm is uniquely positioned to speak with its clients about payroll and the benefits of outsourcing. Clients with more complex needs are more likely to appreciate how outsourcing payroll can help them to focus on their core business, to mitigate risk with enhanced compliance, and to improve their cash flow. Fast-growing businesses and enterprises requiring temporary or full-time labor are ideal. Additionally, startups and companies adding their first employees would also benefit from the advice that a payroll partner can provide.

**Laura Clenney, BenefitMall:** An accountant is one of the most important trusted advisers for a business. Many companies look to their accountant as a trusted adviser for references and recommendations when it comes to business-related services. Many times a CPA is the starting point in a conversation about payroll due to the connection of payroll and taxes. There are two ideal time frames accountants should consider when approaching their clients about payroll. The first is during the onboarding of a new client. When bringing on a new client, it is important to understand how they currently process their payroll, whether in-house or through a payroll service provider. Tax season is also a great time to discuss payroll with clients. Knowing that your clients process their payroll through one of your preferred companies will reduce strain and minimize work when it comes to tax season and reporting. Additionally, with reporting requirements as a result of the Affordable Care Act, companies with more than 50 employees should always utilize a payroll service, and smaller growing companies (25–50) should highly consider outsourcing prior to growth that more strictly regulates their ACA compliance.

## What is the biggest technological hurdle or challenge in providing outsourced payroll?

**Andrew Childs, Paychex:** It's imperative that your payroll solution has the speed and agility to implement new technologies as they become available, as well as having the data storage and access to support such advances. Business technology changes at a fast pace, and you need a partner who can keep up. On the positive side, technology solutions that allow you and your clients the flexibility to do business when, where, and how you want are an important consideration. Mobile solutions and customization opportunities further offer you the ability to handle payroll administration on your terms. In order to meet such complex needs, it's best to partner with a reputable, national provider that is bonded and insured and has a strong business-continuity plan already in place.

**Laura Clenney, BenefitMall:** One of the biggest challenges we see is shifting people's mindset. In the past, payroll processing was cumbersome. That is not the case any longer. Today, most payroll offerings are a cloud-based or SaaS [software as a service] solution, which allows for a more versatile and convenient experience for processing payroll. With today's technology, users have the ability to access their payroll from anywhere, including tablets and smartphones.

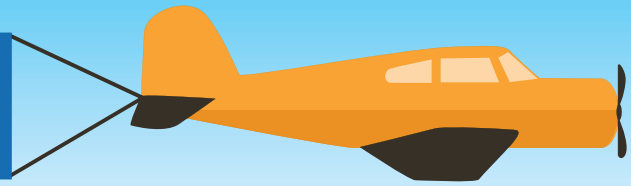
**Jeff Gramlich, AccountantsWorld:** Payroll systems of the past have been "all pain and no gain." True cloud-based systems have changed this dramatically by automating the process. From entering time each pay period, through automated reports and compliance requirements, a true cloud-based system has virtually eliminated this technology hurdle. Basically any firm (and its clients) with access to the internet has overcome the technology challenge. It is really more about setting up the right processes inside the firm that make this a profitable opportunity.

## How do you foresee payroll and payroll-related applications changing over the next five years?

**Andrew Childs, Paychex:** Technology remains at the forefront of change, in the payroll space and beyond. It's already driven many payroll partners to offer a robust, integrated human capital management solution that includes preemployment screening, onboarding, payroll, benefits, and more. This development has provided insights into clients' business operations like never before. Leveraging such data to offer business advice and guidance will not

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**Karen Peacock, Intuit:** Over the next five years, payroll providers will continue investing in improved experiences by helping CPA firms and their clients:

- Move their practice into the cloud, where they can benefit from expanded product integrations, improved mobility, and multiple-user access.
- Benefit from zero data entry, through new features such as open platforms that allow clients to switch to new providers without losing their data and some of the services (such as workers' compensation insurance) that they wish to keep.
- Enjoy the conveniences that will come from wearable computing—for example, employers could use wearables to track workers' time more accurately and conveniently.

**Andy Roe, SurePayroll:** Winning firms will take their transforming role a step further and leverage tools that not only make their consultative role easier to fulfill, but that help to quantify the value for clients. Showing clients that the firm is leveraging technology that streamlines payroll processing, integrates with other essential services, and unifies the billing experience makes a compelling case for even the most skeptical prospective client. Add security and data transparency into the mix, and CPAs are in a great position to address the most complex of client payroll problems.

**Chris Rush, ADP:** Technology is evolving at a rapid pace, and we are seeing an increasing need for nimble solutions that are more robust, accurate, compliant, and user-friendly. We expect the strong shift away from desktop software to continue as more applications move into the cloud. We also expect to see mobile technology become an even more common avenue for doing business, far less paper, and a greater focus on integration with other systems. Additionally, as the Baby Boomer generation heads into retirement and Millennials are entering the workforce, we expect working digitally and self-service technology will be front and center.

**Laura Clenney, BenefitMall:** The implementation of cloud-based software and computing enhancements in operational platforms will continue to make outsourcing a more popular and practical solution for businesses of all sizes. In the near future, payroll systems will be further integrated with other business-related processes such as HR and benefit administration. As these workforce solutions become more widely available, companies will be able to

streamline efficiencies when it comes to managing the administrative process for their employees and more effectively manage their compliance with regulations that entail a combination of these employee solutions.

**Jeff Gramlich, AccountantsWorld:** Payroll systems will continue to automate the process, especially in states that currently do not have up-to-date processing. Human capital management features and systems are a natural extension, and we are starting to see some of these already. Features that allow CPAs to help their clients better optimize their human capital resources using payroll data will be a natural extension. For CPAs with access to this data in a manner they have never had before, understanding the human capital spend on a more granular level will also allow consulting opportunities for the firm.

### What kinds of value-added analytics can firms provide clients based on payroll data?

**Karen Peacock, Intuit:** CPA firms can get important insights for their clients from payroll data, such as:

- Better visibility into payroll costs. Having payroll that's integrated with accounting software enables firms to better assess how their clients are doing and answer important questions like which jobs, products, or services are most profitable.
- Assessing clients' wage competitiveness by comparing wages of like workers in similar geographies.
- Helping clients manage cash flow.
- Managing their clients' exposure to HR compliance laws by ensuring their clients have required products like workers' compensation insurance and labor law posters.

**Chris Rush, ADP:** As small businesses embrace new technology to help them grow, we are seeing a far more analytics-driven approach to their business decisions as well. Payroll data is no exception as it can be used for benchmarking, where employers can see how they stack up against others in their space. For example, by comparing your payroll data anonymously against the industry, you can see if you are paying more or less for your employees. Payroll data can also help determine if you are getting enough productivity out of your employees, or if you need to hire to fill any gaps. From an employee retention perspective, you can also look at the benefits you provide. Are your retirement or insurance benefits sufficient? What are your employees paying out of pocket for health benefits compared to the industry?