
 The Radical CPA

IMPLEMENTING TAX TECHNOLOGY

Best Practices

BY JODY PADAR, THE RADICAL CPA



Nine billion dollars. That's the amount of money K1x estimates is wasted annually on K-1s. Think about the amount of time you spend hunting down electronic documents through portals or equivalents. Then, consider the time staff spends opening K-1 PDFs to extract data, entering the data into Excel and then re-entering it again into tax software. That's a lot of manual time. A lot of back and forth. A lot of wasted time and money that could be put to better use!

The good news is that technology is available to make your life easier. However, you first must understand the pain that you are looking to solve. When it comes to a K-1, the repetitive copy-paste-paste scenario is so commonplace that it often goes without comment (like complaining about summer heat). And there's the pain of receiving K-1s at the last minute. You didn't have the time to really think about the data and give it the attention it deserves — especially considering the tsunami of K-1s you received all at once, of which all required immediate action.

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A K-1 PDF was intended to make everything easier, but it just created a different problem. And that's the problem that you need to solve for now. If you forget that pain firsthand, go talk to your staff. They don't love that part of their job — no one wants to do the K-1 grunt work. Plus, when they

are already working 14-plus hour days, it's hard to focus on anything but getting the work done. They are tired and just want to go home. And, frankly, many of those team members may end up looking for another job where they aren't tasked with plugging numbers into a spreadsheet all day. Given

the staffing challenges in the profession, is that a risk you're willing to take?

But what if a K-1 could be processed in just seconds? Eliminating 90% of data extraction and data entry? That's where AI-powered automation technology comes into play!

When it comes to implementing new technology, don't just look at the challenges it will solve, look at the opportunities it will provide. You can eliminate the work no one wants to do to begin with and redeploy your talent to focus on the higher-value

work your clients want and are willing to pay for. Look for the tech that will help you elevate yourself so you can give more to your clients...and your staff.

This whitepaper explores how you should adopt new technology. You will discover that some recommendations will appear straightforward enough. Others may seem counterintuitive (or dare I say "radical"), but all are shared with an eye toward maximizing your ROI.

FIRST GET BUY-IN FROM THOSE DOING THE WORK

Technology solves pain. That pain must be strong enough and the benefits great enough for people to accept the change. Individuals early in their careers know technology solutions exist that would make their lives easier, and they want to use them. Look for those areas that involve lots of manual data processing, like the K-1, as that is often the easiest work to automate.

Too often in firms, technology solutions are demoed and decided on by IT staff and firm leaders, but that's a mistake since they aren't the ones doing the work. **You want to make sure any solution you are considering is test-driven by those people doing the work**, day in and day out, regardless of title or level in the firm. Turn to those who are frustrated with the status quo and the lack



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of technology. They are best equipped to share how the solution will help them directly.

You also want to consider including those who are involved in the process before and/or after those who do the work directly. The right tech will make things easier for those who delegate the work and those who pick up and run with it afterward.

Keep an open mind throughout this process. Listen to where others struggle and how the technology will help. Ask what features will

have the most immediate impact and where others might have problems implementing them. This doesn't have to be a long, drawn-out process, but this feedback is an important part of the decision process as these people will advocate for the solution you pick. You aren't picking technology for the sake of it being technology. **You're picking a solution that will move your team forward in their personal development and allow them to provide exceptional customer service.**



Your team will trust the words of someone who has similar job responsibilities sharing how this solution will solve the pain they all feel.

ADVOCATE FOR CHANGE AT ALL LEVELS OF THE FIRM

Now that you have the buy-in from those doing the work, be sure to communicate firm-wide about the upcoming technology rollout. Set goals and objectives for the technology so your people are clear about when it should be used and how success will be measured. Whenever possible, tie any technology solution back to firm-wide strategies.

Explain the “why” in terms they care about. This means what’s in it for them and not what’s in it for you specifically. While your fellow partners will be excited to hear about any increase in firm profitability, those doing the work want things to be easier and less time-consuming.

Those team members who were involved in analyzing the solution now become your champions. Have them share their experiences with others. Your team will trust

the words of someone who has similar job responsibilities sharing how this solution will solve the pain they all feel. It's an important step to reaching full adoption.

PLAN A ROLLOUT STARTING WITH THE MOST IMPORTANT FEATURES

There are a lot of bells and whistles that come with technology solutions. It's easy to be distracted by everything the software can do on day one. This is where you want to use judgment and start smart. According to a BCG study, more than half of all technology projects didn't meet desired outcomes and provided less value than predicted. That won't be you if you follow this plan!

Start with implementing the feature(s) most needed. Once those are successfully used,

you then layer on additional features the technology can provide. Then do it again. Keep going until you are utilizing all the features that make sense for your firm. The 80/20 rule applies here. Picking the top features you need right away and deploying those first will set you up for success.

So, what does this method look like? Let's look at K1 Aggregator as an example. **If you were to implement this solution, you might want to start with these features:**

1. PORTFOLIO MANAGEMENT

This is the listing of your K-1s. It gives you the ability to track when they are received and change the status as they move through the prep and review process. This will help with the project management of all your K-1s. For anyone who's ever had to chase down those K-1s at the last minute, this is a godsend.

2. DATA EXTRACTION

The K-1 Reader is what quickly, comprehensively and automatically extracts the K-1 data. It includes the federal face page and all federal line-item details. In addition to the federal, it pulls out from the K-1 what is needed for all 42 state taxing jurisdictions. This is the first step in digitizing a K-1 so it can

be structured and organized. The patented AI-powered reader goes way beyond yesterday's optical character recognition (OCR). This is way more than digitizing files; it's extracting data from PDF-based K-1s — it's the start of creating your digital workpapers!

3. INSTANT AGGREGATION AND REPORTING

(aka the Digital K-1 work paper)

Get multiple Excel-based reports at your fingertips containing federal, state and foreign information for easy analysis and risk review. There is no need to create or update the workpapers. And gone are the mistakes that come with entering or updating data. Now, you can just make sure the technical tax is right. Instead of taking days or weeks, depending on the size of the tax return, you can tie data out in a couple of hours. To be able to do this, however, your process will have to evolve as well. You can't just put new tech on an old process. You should use the technology to enable the right automated process to evolve your firm.

PRO TIP

Document your before and after workflows, looking to remove any unnecessary process steps before you automate them.

4. TAX SOFTWARE INTEGRATION

With the data finally out of the PDF and digitized, you might as well automate the process of getting the data into your tax software, like Wolters Kluwer and Thompson Reuters.

Starting with those basics will put you on a path to successful implementation. You can refine your process, add additional training, adjust for unforeseen challenges and foster a more positive reception. You can then incrementally add new features when it will be less disruptive. People will have adjusted to the new technology, making it easier to see what else it can do for you.

The bigger an impact a technology solution has on your overall firm operations, the more time you need to implement it. But not all new technology takes months to kick off. K1x

**K1X HAS BEEN
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even with staffing
shortages

has been implemented in days, even when firms have been in a panic with staffing shortages. For those firms not in a panic, it's typically rolled out easily in just weeks using the K1x 2-2-2

Methodology (more on that later).

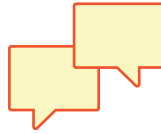
It becomes even easier when you can train a centralized team (of admins, paraprofessionals or even interns) to do the dragging and dropping and then move into the first level of validation. By the time the tax engagement team is ready to do their review, it's already in the tax prep software and ready to be reviewed at a higher level.

DON'T FORGET THE TRAINING



While technology is designed to make life easier, it is still necessary to show people how to use it, and then reinforce that training over time. Even with the buy-in of your champions, you will likely still face some resistance. Change is hard and some people just dig their heels into the ground and fight it. The following are some tips to help:

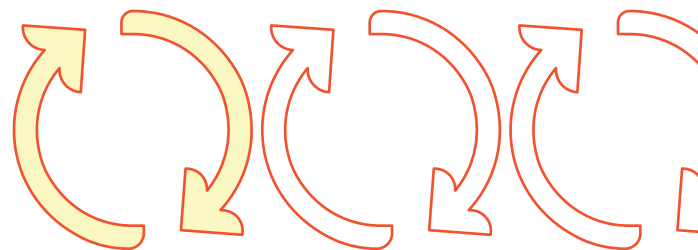
- **USE PEER-TO-PEER LEARNING.** Utilize your champions to show team members what they are doing and how they are doing it. Let team members ask questions and your champions can dive deep into the weeds to share what exactly they need to do.
- **PROVIDE REAL-LIFE EXAMPLES.** Use real client information to show people what the tech does. It's easier for them to relate to and see the outcome of what they are doing.
- **SHARE RESOURCES.** Create a video, a guide or a document that walks people through the steps so they can be referenced in the future by whomever needs them.



- **TALK THROUGH IT TOGETHER.** Have your team member walk through a process with one of your trainers or champions. As your staff is in the driver's seat, you can oversee where problems might occur so you can offer further training or communications around it.
- **SET UP A SUPPORT SYSTEM.** Make sure people know where to turn with problems or questions. This could be your champion, IT helpdesk or someone who assisted in the training.
- **TURN TO YOUR TECHNOLOGY PROVIDER.** The technology company itself should have training material they can provide you or your staff to facilitate

training. K1x uses a guided process they call the “2-2-2 Methodology” to onboard new clients. Experienced specialists guide the structured onboarding to provide access in just two days. **Value is unlocked in just two months, after about 15 hours of training and configuration spread out over two weeks.** Be sure you get a detailed implementation plan that shows the steps, when they will be done by whom and how much time it will take. Check out K1x's First Two Months below. Tech providers should make onboarding digestible over a short timeframe like K1x does. Doing so translates into an easy learning curve for you as you balance implementation and client work.





2-2-2 Project Summary

Making onboarding digestible over two weeks—easy learning while balancing client work

Ongoing support is an instrumental part of the implementation and training program. You want to make sure people are comfortable with what they are doing before the pressure of a tax deadline is put upon them.

	Outcome	RESPONSIBLE PARTY	TIME REQUIRED	COMMUNICATION VENUE
Value Mapping	Process & Workflow Evaluation	K1x & customer	2 hours	Zoom/Teams
	Product Test Drive	K1x & customer	2 hours	Zoom/Teams
	ROI Report	K1x & customer	1 hour	Email
	Solution & support Recommendations	K1x	1 hour	Zoom/Teams
	Change Management Recommendations	K1x	1 hour	Zoom/Teams
Kickoff	K1x Success Team Introduction	K1x & customer	1 day	Email
	Champion Group Selected	K1x & customer	1 hour	Zoom/Teams
	Meeting Cadence Scheduled	K1x & customer	1 hour	Email
	Users Identified	K1x & customer	.25 hours	Zoom/Teams
	Tenant Setup	K1x	.5 hours	Zoom/Teams
	SSO Connection	K1x	.5 hours	Zoom/Teams
	Training Schedule Outlined	K1x		
	Custom Configurations	K1x		
Assess	Training Content & Approach	K1x	1 day	Email
	Support Resources Defined	K1x	1 hour	Zoom/Teams
	Champion Group Trainings	K1x	1 hour	Email
	Data Migration [As Needed]	K1x & customer	.25 hours	Zoom/Teams
	Standard Integrations Configured	K1x	.5 hours	Zoom/Teams
	Custom Configurations Executed	K1x	.5 hours	Zoom/Teams
Go Live	K1x Resources Available	K1x	Varies, based on volume	Zoom/Teams
	Champion Group Deep Dive	K1x	1 hour	Zoom/Teams
	Full Group Deep Dive	K1x	.25 hours	Email
	Admin-Level [As Needed]	K1x	2–4 hours	Zoom/Teams
	Work-Flow Optimization	K1x	.25 hours	Email
Value	Structured & Ad Hoc Comms	Customer	Ongoing	K1x software
	Champion Group Touch Points	K1x & customer	.25 hours/week	Email
	Ongoing Technical Support	K1x	1 hour	Zoom/Teams
	Ongoing Product Support	Customer	1 hour	Zoom/Teams
	Process Improvement Advisor	K1x	.25 hours/month	Zoom/Teams
	Communities	Customer	.25 hours/week	K1x software

PLAN TRAINING BETWEEN PEAK CLIENT DEADLINES

When deadlines loom and you're facing a staff shortage, technology can be the answer. It's a great way to gain efficiency, but you are still dealing with a human element. People can learn quickly, but when it comes to technology, the goal should be for them to know it well and be comfortable with it. The biggest contributing factor is the complexity of the technology itself. The more complex it is, the longer it will take to learn and the more time you will need to train.

You also want to lean on the advice of your technology solution advisors. They work to successfully implement their technology into companies, and they know how to do it and how long is needed for what you are specifically aiming to do. They have seen implementations go quicker than others and can share what factors contributed to that. You can then compare yourself to their scenarios to determine how long it might take your firm. Just make sure you give your people time to fully understand new technology. Abrupt changes can overwhelm them without a good plan.

PRO TIP

Lean on your vendor to show you a detailed rollout plan early in the evaluation process.



From a top-level standpoint, it's time to make risk decisions, tax decisions and your out-of-scope consulting decisions. It's easier when the data is right there at your fingertips!

Today, right from the start, K1x automation will give you back more time. **Think of the 90% of the time you currently spend on data extraction and data entry.** From a reviewer's standpoint, that's time to focus on the major

issues. From a top-level standpoint, it's time to make risk decisions, tax decisions and your out-of-scope consulting decisions. It's easier when the data is right there at your fingertips!

BE OPEN TO CHANGE

Adding a new technology solution to your firm will be exciting to many on your team. And remember, change is a process. People may need time to adapt. You'll want to foster a positive attitude and encourage others to be open to new experiences.



CELEBRATE SUCCESSES

What are those milestones or key performance indicators (KPIs) worth celebrating? Determine what they are and communicate progress. Also, be sure to recognize team members who are contributing to the success. Consider incentives for participation, proficiency, mentoring, etc. Positive reinforcement reinforces a culture of adaptation.



LEARN FROM FAILURES

No major technology roll-out goes without a hiccup or two. The key is how you adjust to them and refine the process to eliminate them. If you are open to the fact that something might not go according to plan, you'll be better equipped to deal with whatever comes your way.



ADDRESS CONCERNS QUICKLY

You know how quickly water cooler talk can spread throughout the firm. If there is a concern, be proactive in responding to it. It helps build trust and make others less resistant to change.



SHARE PEER STORIES

Let those who do the work tell their stories. What does their personal usage look like? What sort of response did they get from a client? What have they learned along the way others should know? It's a good way to show the benefits of hard work and the value of teamwork.

This should go without saying, but in case you need to hear it — you, as a leader in your firm, have a critical role in setting the tone for change. Be enthusiastic. Be visible

in using it. Show a commitment to successful implementation. Others will be looking at you and your actions will impact their willingness to adapt.



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THE DANGERS OF THE “TEST PILOT” MENTALITY

Earlier I hinted that some recommendations may seem counterintuitive. Let's explore what this means by comparing new tech in the tax space to the world of aviation. Test pilots literally have their lives at stake (and maybe the lives of people on the ground, too) when testing out new aircraft or enhancements. The stakes are not as high with off-the-shelf software — it's not a “life & death” decision. Viewing

yourself as a test pilot today is downright counterproductive considering the proven and substantial gains that come with most new technology. **Honestly, implementing tested software isn't even a risky career move.**

ROUGHLY
300%
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Take K1x for example. Their technology was developed by CPAs and has been in use for more than a decade. The people who took risks with the company did so all those years ago. Oh, and they even have a patent for their unique automation approach and

capabilities. Today, the benefits are proven and firms are reaping the merits. There's one firm that receives 500 K-1s and gets \$44K in annual direct and indirect economic benefits.

By streamlining a manual 15-step process into eight steps, they are seeing a roughly 300% ROI. Or there is the firm that processes

5,000 K-1s and sees \$343K in annual economic benefits. And it's not just benefiting accounting firms. Companies with alternative investment portfolios like insurance companies, banks and other major financial institutions enjoy a similar financial upside.

PRO TIP

Request from your technology provider a detailed ROI analysis to share with your key stakeholders and decision-making committee.

Now, before you think about rolling out new tech with a small pilot in the corner of a larger organization, you might want to reconsider. While it might sound reasonable, it could also introduce multiple risks in terms of opportunity costs. When the solution you're considering is proven, you're missing out on time savings, cost savings and even staff

retention. It's also likely that there will be a lack of commitment risk, where the pilot project gets forgotten altogether — sidelined due to a lack of skin in the game. In the context of a competitive environment, slowing technology adoption hampers top-line growth, damages bottom-line growth and risks further staff attrition.



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PRO TIP

To ensure maximum technology adoption across the organization, work with your provider to create a mutual success plan to carry you beyond the onboarding phase.

TECHNOLOGY PRESENTS OPPORTUNITIES

What does an investment in technology get you? It comes down to this — more time. That's time to do whatever you need to do like adding more value to your clients or getting your nights and weekends back. And those benefits extend to your team as well. It all results in more time. You can't make more time so it's a precious commodity to value.

Technology also lets you stay away from SALY (same as last year). Why do you want your people to do things the same way as before when there is technology out there that will make your team happier and you more profitable? Technology is advancing so quickly today, in part because of AI, that the solutions will keep getting better, providing you with even more opportunities in the future. It's a snowball rolling downhill...opportunity is growing by the day.

Find the technology that solves pain in your firm. Start with data extraction, data entry and those repetitive tasks your staff don't enjoy doing. Get them to buy into the solution and help sell it through the firm. That's one of the key steps in change management. And, ultimately, any investment in new technology is an exercise in change management. Getting leadership support, training and effective communications are the other pieces to include. Don't be afraid to start with the basics — they are your 80 in the 80/20 rule.

Technology increases efficiency, it gives you a competitive advantage and it will help you find the time to do things you aren't doing today. The sooner you can get everybody on board and connected, imagine how much easier your life will be. Now, are you going to do more for your clients or head home early? There is no wrong answer to that one!



ABOUT THE AUTHOR

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Jody Padar, CPA, also known as The Radical CPA, is one of the accounting profession's foremost visionaries and pioneers. **A well-known advocate for tech adoption and general forward-thinking behavior inside the profession, she has been consistently named one of the Top 100 Most Influential to the Profession by Accounting Today.** She is the author of Radical Pricing which will be published in the summer of 2024 as well as two other books, **FROM SUCCESS TO SIGNIFICANCE: THE RADICAL CPA GUIDE**; and **THE RADICAL CPA: NEW RULES FOR THE FUTURE-READY FIRM**. She is a regular contributor to a number of industry publications, including Accounting Today and CPA Trendlines, where she offers practical tips and advice on running a next-generation firm.

Since her days as a small firm owner, she has advocated for bringing the accounting profession into the digital age and leading the next generation of accounting professionals to a better life where they can go home on time, give more to their clients and foster their passion for the industry. Jody loves the idea of using AI and automation to transform accounting, and she's excited to help develop, evolve and share a simplified and pleasurable experience for firms and their customers alike.

Padar is married with two adult children and currently resides in Door County Wisconsin. She earned her BBA from Saint Mary's College and MST from Northern Illinois University. Follow her on LinkedIn, X, Instagram, TikTok and Facebook.

ABOUT K1X, INC.

K1x is the leading data distribution platform for alternative investments.

K1x is the leading data distribution platform for alternative investments. The fintech company's patented, AI-powered SaaS solution digitizes and distributes data seamlessly—connecting investors, advisors, tax software, portals, accounting firms, IRS and state taxing authorities—simplifying complex processes, accelerating filings, reducing costs, and delivering greater control,

transparency, and accessibility. K1x is battle-tested by the best, and trusted by more than **8000** organizations including **44 of 100** largest institutional investors in the US, **15 of the top 25** accounting firms, **11 of the top 100** private foundations, **36 of the top 100** university endowments, and **8 of the top 40** health systems. Visit us at [K1x.io](https://k1x.io) and follow us on [LinkedIn](#).