COMPUTERIZED INVESTING

The Most Popular Tax Preparation Services Used by AAII Members

TurboTax is the most used service among AAII members, followed by H&R Block. Members particularly favor TurboTax Premier and H&R Block Deluxe.

BY RYAN REEH

AAII members were recently surveyed about which tax preparation service they use and what their opinion about that service was. TurboTax and H&R Block topped the list. TaxAct was also among the services listed. This article focuses on the online offerings for these three, though downloadable software offering similar features is available for each.

One advantage of using a tax preparation service is that it can take the puzzle out of the sometimes byzantine tax rules and inevitable changes that are made every tax season. This year, these services may be particularly helpful, since 2018 is the first filing year with the Tax Cuts and Job Act (TCJA) in force. Among the changes in the new law are higher standard deductions, the elimination of the personal exemption and a $10,000 cap on state and local income, sales and property taxes (aka, SALT).

Along with the new law, Form 1040 was revised. The new form is shorter but comes with six new schedules. Forms 1040-A and 1040-EZ were eliminated as part of the revision. For more about rates and schedules under the new tax law, we encourage you to read "The Individual Investor's Guide to Personal Tax Planning 2018" in the December 2018 *AAII Journal*.

Tables 1 and 2 compare the main features for the free and premium versions of the three services. The information used was gathered from each of the company's websites in early February 2019. Table 3 compares the prices of the three services. We report the standard full prices; promotional prices may differ, so check each provider for the most current information.

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TABLE 1

Comparison of Online Free Editions of Tax Preparation Services

Feature	TurboTax	H&R Block	TaxAct
Import W-2	X	X	X
Self-help tools	X	X	X
Access to technical support		X*	X
Import last year's return from any other tax service		X	
Import 1099-INT	X	X	X
Import 1099-DIV	X	X	X
Import 1099-R	X	X	X
Schedule B	X	X	X
Schedule A		X	
Import of last year's return			$5
Store and access returns			X

** chat only*

TABLE 2

Comparison of Online Premium Editions of Tax Preparation Services

Feature	TurboTax Premier	H&R Block Premium	TaxAct Premium
Import W2	X	X	X
Import last year's tax return from other tax prep services	NM	X	NM
Self-help support	X	X	X
Access to technical support	X	X	X
Import 1099-INT, 1099-R and 1099-DIV	X	X	X
Import of last year's returns	X	X	X
Schedule C-EZ	X	X	X
Store and access returns	X	X	X
Schedule D	X	X	X
Schedule A	X	X	X
Schedule B	X	X	X
Schedule E	X	X	X
Import or enter charitable donations	X	X	X
Schedule C	X	X	X
Schedule F	X	X	X
Schedule SE	X	X	X
Import 1099-B investment income including cost basis	X	X	X
Schedule K-1	X	X	X

NM - not mentioned

Tax Service Preferences Among AAII Members

Most individuals who took the survey use the Premier version of TurboTax or the Deluxe version of H&R Block. Fifteen percent hire a certified public accountant (CPA) to prepare their taxes for them.

A majority of respondents cited ease of use and the ability to carry over last year's tax data as major advantages of the tax prep service they use. Some of the shortcomings cited were fees associated with filing additional state-related forms and not being able to handle nonstandard situations [such as master limited partnerships (MLPs), excess Medicare withholding, alternative minimum tax (AMT), etc.].

When asked about what they look for most in a tax preparation service, respondents cited:

» Ease of use and a reasonable price,
» Comprehensiveness/completeness,
» Accuracy,
» Clearly stated instructions and easy lookup of additional information through available links and resources,
» Easy download of last year's tax information and
» Ability to handle relatively complex tax situations without significant time and effort.

The same reasons also commonly drove the decision to switch from one service to another.

TurboTax

Intuit's TurboTax (turbotax.intuit.com) is the most popular tax preparation software among AAII members, even though it is the most expensive of the major online offerings. The company's free edition provides free federal and state filings for most basic tax situations.

TurboTax provides an extensive list of the employers and payroll service companies that users can directly download and import their W-2's from (www.partner.turbotax.com/top_partner_list.html). We could not find a similar list for TaxAct or H&R Block.

Fifty-four percent of members who answered the *AAII Journal* Tax Software Survey use TurboTax. Of those, 67% use the downloadable version, while 19% use the online version (13% were unsure about which version they use). Forty-five percent of TurboTax users opt for the premier version of TurboTax, while 24% use the deluxe version.

H&R Block

H&R Block (www.hrblock.com) was the second-most-used service among surveyed AAII members, with 18% of survey respondents listing it. H&R Block's free online filing works well for basic tax filings. It also lets taxpayers file the new 1040 Schedules 1 through 6. Those whose situations have complexities beyond the basics will need to pay for one of the other versions or visit a local H&R Block office.

Eighteen percent of surveyed AAII members use H&R Block. Of those, 77% use a downloadable version, while only 20% use an online version. Sixty percent use the deluxe downloadable version, while 15% use the deluxe online version.

TaxAct

TaxAct (www.taxact.com) is generally cheaper than similar offerings. Its support options aren't as in-depth as TurboTax or H&R Block and some of their help links lead directly to IRS documents.

In our survey, TaxAct was the third-most-used tax prep service, with just 3% of respondents opting for it. TaxAct also ranked behind using a CPA (15%). Comparatively, TaxAct's interface is barebones and lacks the visual panache of its rivals, but the data-entry process is similar.

It's best for those with basic filing needs or who need little support and are simply looking for a way to file taxes electronically.

Conclusion

If you are already using a tax service you are comfortable with, don't change it. If not, it may be worth consid-

TABLE 3

Cost Comparison of Online Tax Preparation Services

TurboTax	Free		Deluxe	Premier	Self-Employed
Federal	$0		$59.99	$79.99	$119.99
State	$0		$39.99	$39.99	$39.99
Federal + State	$0		$99.98	$119.98	$159.98
H&R Block	**Free**		**Deluxe**	**Premium**	**Self-Employed**
Federal	$0		$44.49	$69.99	$104.99
State	$0		$36.99	$36.99	$36.99
Federal + State	$0		$86.98	$106.98	$141.98
TaxAct	**Free**	**Basic+**	**Deluxe+**	**Premier+**	**Self-Employed+**
Federal	$0	$9.95	$30.95	$39.95	$59.95
State	$0	$19.95	$39.95	$39.95	$39.95
Federal + State	$0	$29.90	$70.90	$79.90	$99.90

Prices quoted are regular full prices; promotional prices may differ. Current pricing can be found on the following webpages:
TurboTax: https://turbotax.intuit.com/personal-taxes/compare/online
H&R Block: www.hrblock.com/online-tax-filing
TaxAct: www.taxact.com/taxes-online

Reviews of the Big 3 Services

Comprehensive reviews of the most recent versions of the three tax preparation services discussed here can be found at these websites:

Nerd Wallet
www.nerdwallet.com

PC Mag
www.pcmag.com

The College Investor
thecollegeinvestor.com

ering whether one of the other options might be right for you. TurboTax, H&R Block and TaxAct offer the ability to enter information before paying for the service with their online versions.

Most respondents to our tax software survey reported being satisfied with their tax service. On a scale of 1 (not satisfied) to 5 (very satisfied), 49% described themselves as being very satisfied, while 39% described themselves as being satisfied.

The right tax software will come down to a person's particular needs, comfort and experience level with filing taxes. A fair number of respondents reported that they did not need to use these services or filed their return themselves for free. Additionally, members who reported switching their methods or services did so primarily for cost reasons, because the software didn't work on their computer anymore or for a specific tax situation that they felt their prior choice didn't handle as well. Switching was not common, however: Three-quarters of respondents have been using their tax service of choice for more than five years.

In the online version of this article at AAII.com/journal, you can see member comments about each service and view sample screenshots of the various interfaces.

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The Individual Investor's Guide to Personal Tax Planning 2018, December 2018

Personal Investments 2018 Tax Guide, December 2018

Retirement Planning Strategies Following the 2017 Tax Act by William Reichenstein and William Meyer, March 2018

MUTUAL FUNDS (CONTINUED FROM PAGE 17)

advantage of it. Since both are required, the margin for error is small.

Many fund managers will enjoy periods of favorable returns. This most often occurs when there are factors beyond their control influencing their returns. When these factors turn against the funds, shareholders can vote with their feet and create potential tax problems for those investors who choose to stand pat.

The benchmark comparisons further show the difficulty of selecting a fund solely based on five-year returns. It's not that five-year returns themselves are a poor indicator, but rather they are merely a starting point for further research. Reviewing the year-by-year returns, the fund's objective, the factors driving the returns and the expense ratios are all important steps to take. Investors may also find themselves identifying their asset allocation needs first and then finding the right fund to fit instead of looking at performance first to narrow the down the list of mutual funds to consider.

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