



A supplement to *accountingtoday*

A turning point for payroll

The COVID-19 pandemic has greatly magnified clients' needs for these services

Hitting a turning point

The COVID pandemic and the Great Resignation have clients more interested in payroll and HR services than ever before

By Antoinette Alexander

Payroll is far more than a paycheck and ensuring compliance with payroll taxes. It is part of a larger employee experience that businesses can offer to remain competitive, especially in today's employment environment, with many businesses competing for top talent and grappling to meet increasing worker demands for greater flexibility and more competitive benefits. For a growing number of accounting firms, this equates to an expansion of payroll services and opportunities to help clients drive efficiencies and attract, retain and engage workers.

"I think payroll services are taking on a huge transformation right now. There are quite a few players ... who have entered the market and are looking at the market a lot differently than the traditional payroll processor, and they are really seeing partners, like accounting firms, and how they can equip partners to be better at what they do. So, you're going to see a lot more creative approach and partnership between payroll processors and service providers that you haven't seen in the past," said Michael Ly, CEO of Burlington, Vermont-based Reconciled, which provides online accounting and bookkeeping services.

Said Erron Stark, division vice president of channel sales for small business services at ADP, "What we're now seeing is how important payroll information continues to be from an advisory standpoint and being able to have direct access to trends and analytics that they can then provide in a digestible form to their clients to continue to navigate through this ever-changing landscape. ... Now, we're in this new environment as far as, 'How do I attract talent? How do I retain talent?' Having access to not just the direct payroll information but a lot of the peripheral elements that touch payroll is now probably more important than ever."

Underscoring this point, ADP's report, "The potential of payroll: Global payroll survey 2021," found that the pandemic exposed payroll weaknesses for many companies. While many of these problems existed already, the pandemic magnified the inefficiencies and added greater complexities. In fact, 75% of businesses said they were unable to manage payroll 100% effectively. And nearly half (47%) said they were unable to answer most of the payroll-related questions asked of them in order to support strategic decision-making.

And, despite the experience of the pandemic, more than 70% of businesses said they still feel unprepared for future disruptions or major regulatory change, according

to a payroll survey carried out by independent research agency Vanson Bourne. For these businesses, there is a realization that things must change, with the majority (75%) of respondents saying they are ready to consider outsourcing all or most of their payroll processes.

Payroll: A firm's treasure chest

Many in the accounting profession have historically viewed payroll as a labor-intensive loss leader. However, thanks in large part to advancements in technology, more and more accountants have been rethinking their approach to payroll in recent years. The pandemic kicked that shift in mindset into overdrive.

"The importance of payroll has elevated to a point that I think it is probably at its peak because of the availability of government stimulus. It started with the Paycheck Protection Program loans and has now really bled into the Employee Retention Tax Credit, both of which are driven by payroll data. So, having a strong partnership with a payroll and HR provider, I think, is now more important than ever for firms across the United States," said Tom Hammand, vice president of corporate strategy and product management for Paychex.

This shift comes as little surprise when you consider the treasure trove of client data that resides within payroll. When leveraged with the right tools and technologies, payroll data can provide firms a more holistic view of a business client's financial health and enables them to deliver more high-value, strategic services.

One firm that is seeing the benefits of providing payroll services firsthand is Dillon CPAs, an outsourced accounting firm based in Katy, Texas. "Our model is very relational with clients, where we try to address the pain points that they'll have throughout the year and not just the commodity of a tax return. With that, there are a lot of pain points that exist around payroll and the payroll process," said firm president Marcus Dillon.

As explained by Dillon, the firm has offered payroll in some form since its inception about 10 years ago. Up until a few years ago, however, the firm used multiple solutions to serve clients, and clients often dictated the payroll services and software solutions that were used. Seeing a need for greater efficiencies and standardization, the firm transitioned staff and clients to a single tech stack, which includes ADP Run Wholesale. Today, clients who opt into its all-inclusive services are assigned a team of three

Spotlight on

AccountantsWorld



Div Bhansali
Vice president of marketing

How can accounting firms leverage payroll offerings to growth their practice?

Traditionally, payroll has been considered a low-margin

service. But the reality is that many accountants are making more money per hour of their time with payroll services than their peers are making from tax, accounting, or audit. Their secret? A relentless dedication to automation and efficiency. By reducing the costliest component of payroll processing — labor cost — to a bare minimum, these processors have been able to realize 50-70% gross margins from payroll services. In addition, they've realized that payroll is one of the "stickiest" services they can offer, and that it dramatically improves long-term client retention and satisfaction.

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Our award-winning cloud payroll software, Payroll Relief, was designed specifically to allow accountants to process payrolls faster and easier than any other system. Payroll Relief eliminates compliance headaches for accountants by automatically handling direct deposits, making tax payments, and e-filing all federal and state tax forms. The results speak for themselves — over 60% of our users have migrated from other systems, and 75% experienced at least 25% improvement in their payroll processing after switching to Payroll Relief.

For 20 years, AccountantsWorld has been committed to helping accountants regain control of core accounting and payroll services. Stronger control of these services helps firms build stronger client relationships and raise their profits. Today, AccountantsWorld offers a complete suite of cloud software for accountants, including professional accounting, client accounting and advisory services, payroll processing, document management, client portals, after-the-fact payroll and practice management. AccountantsWorld never sells its products or services directly to accountants' clients. For more information about any of AccountantsWorld's cloud-based solutions, please visit accountantsworld.com.





Payroll is an important service for your firm. Naturally, you need and expect the full support of your payroll software provider behind you. But unfortunately, you are never going to get that from your current provider, since they themselves are in the business of providing payroll services to small businesses like your clients.

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professionals to meet their needs throughout the year.

"That client service manager serves them throughout the month and even weeks by assisting with payroll and doing the monthly bank reconciliations, the monthly closeouts. The controller reviews them and gives some guidance on a monthly basis. And then that CFO-level professional reviews the whole team, reviews the engagement, and has bigger consulting and business planning conversations and tax planning conversations with the clients on a quarterly basis," said Dillon. "We can scale that a little bit easier and if we have turnover within our team, obviously we have some consistency with two of the three people continuing on that engagement and can continue to serve the client really well."

He added, "We're talking through restructuring of debt, additional locations, growth plans, staffing needs, what budget looks like. So, payroll is a really important part of that conversation. ... Because we're involved in that process on an ongoing basis, it helps us really get a feel for the whole practice, or for the whole business or office. ... We'll look at retirement plans and other fringe benefits that go hand in hand with payroll, and also just best practices with payroll itself."

Turning the payroll function over to the firm not only enables clients to focus on other aspects of their business, but also provides the firm with easy access to that client's payroll data. Dillon noted that this has proven especially beneficial: "It allowed us to have better relationships with our clients and it also allowed us to develop additional revenue sources for our firm in assisting them with PPP, with PPP forgiveness, with Employee Retention Credit claims. Ultimately, we have stronger relationships with the clients and healthier clients because they were able to qualify and get that money when they needed it most."

A focus on people

Lance CPA Group, a virtual accounting firm that serves craft breweries and digital agencies, has also benefited from an overhaul of its payroll services and, as a result, is enjoying a roughly tenfold increase in firm revenues. As explained by managing director Joshua Lance, the Chicago-based firm has provided payroll services since its launch about seven years ago. Once provided as essentially an add-on service to bookkeeping, payroll today is a standalone service outside of bookkeeping — a move that has enabled the firm to unlock more growth opportunities and boost revenues.

"Especially with the pandemic, we've been getting a lot more questions from clients around things related to HR-type things, people-type services. They are asking questions about furloughs and layoffs, and asking questions about, 'How do we do benefits and what does that look like?' Asking questions about how they can be better managers of their people," said Lance. "At first, we

were [doing] that as an ad hoc-type service and advising as we go, but we really crafted that into more of a defined service. Some of the catalyst of that, too, was Gusto's People Advisory service offerings."

People Advisory is a consultative service that uses payroll as a gateway to broader and deeper advisory services. As explained by Gusto, with People Advisory, firms are enabled to confidently integrate revenue-driving advisory services related to people operations into their practice. Gusto also unveiled its People Advisor Certification program, which aims to provide accountants with the skill sets needed to further support small businesses and deliver people-focused advising.

"It's really kind of taken the idea of payroll as just being a compliance-based service to get their people paid to looking at people management more holistically," according to Lance, who said that this includes, but is not limited to, looking at KPIs like revenue per employee, quarterly or monthly HR calls, and employee surveys.

Also leveraging Gusto's platform and its People Advisory service is Reconciled. Much like the firms previously mentioned, Reconciled has been offering payroll processing services since its start about six years ago. More recently, however, the firm began to rethink its approach to payroll and payroll-related services.

"I knew that small-business owners and small-business leaders perceive payroll processing as part of the accounting back office. Most small-business owners don't have a dedicated HR and payroll department, they aren't big enough to. So, they really clump payroll processing and payroll services into larger bookkeeping and back-office functions of their company, and, generally, when looking for an outsourced provider were looking for that piece," said Ly, who noted that the firm currently provides payroll services for about 75 clients. "We usually package the payroll services alongside our bookkeeping services, and other core accounting services, as one package. So often a client will see one proposal that generally has core accounting services in it, with payroll services coupled alongside that."

Today, the firm leverages Gusto for its payroll and people management services, and integrates that with its accounting platform, QuickBooks Online. Said Ly, "Even before the pandemic, the No. 1 question we would get from our clients outside of accounting was related to payroll and HR. That was probably the second most-asked question in regard to topic areas when clients were talking to our team. So, we saw the writing on the wall because, before the pandemic, talent and people were probably the biggest challenge for any growing small business, keeping talent and attracting talent. ... And we actually started looking at how we could provide more than just payroll services and really focus on the people aspect and the people growth aspect of our clients."

With about half its team certified through the People

Spotlight on

Paychex



Chris Parks
Director of
channel marketing

How can accounting firms leverage payroll offerings to growth their practice?

The traditional lines between accounting and HR have blurred, and the complicated regulatory environment surrounding the COVID-19 pandemic has only accelerated that trend. Programs like the PPP and the ERTC have resulted in clients seeking counsel from their accountants on business decisions related to human capital management. The advisory opportunity this creates goes beyond payroll to encompass all aspects of HR, from developing strategies to quickly hire and onboard new talent, to comprehensive solutions that manage labor costs.

How are you helping them do that?

One accountant at a time. Every firm, accountant and client is different. Our cloud-based HR technology platform, Paychex Flex, allows accountants and their clients to customize services. In addition, AccountantHQ, our award-winning dashboard for accounting professionals, provides access to client data, robust reporting and advanced analytics for enhanced advisory opportunities. Finally, Paychex offers an unmatched level of support, with dedicated service for accountants, more than 200 compliance professionals, 600 HR consultants and 24/7 personalized client service. Paychex provides the analytics, tools, knowledge and support to enhance every accountant's role as a trusted advisor.

Paychex makes it simple for accountants to meet the ever-changing needs of their clients by relieving the complexities of payroll, HR, benefits, and insurance administration. Through our unique combination of industry-leading technology and personal service, we work with clients the way they want — online or via their mobile device, over the phone or in-person, and we extend that same level of service and flexibility to our accounting partners. With five decades of experience and more than 710,000 clients, we're proud to be the preferred payroll, retirement, and human resource services provider for CPA.com, a division of the AICPA.





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Special Report: **Payroll** and your practice

Advisory program, the firm not only provides clients payroll processing and accounting services, but can also help in payroll-adjacent or people management areas like developing a successful employee onboarding experience, the financial impacts of offering employee benefits as a client's business grows and adds more staff, and how to strategically shift to a remote work environment to help attract talent, etc.

"The last 18 months have been incredibly challenging for businesses and accountants alike. As we all emerge from the depths of the crisis and are now facing the 'Great Resignation,' a huge opportunity has emerged around people," said Will Lopez, head of the Accountants Community at Gusto.

Taking a slightly different approach to providing payroll services is Specialized Accounting Services. Through its referral partnership with Paychex, the Pleasant Prairie, Wisconsin-based firm refers clients to the payroll services provider. While Paychex handles the payroll processing needs, the firm is able to access client payroll data via an online portal. "We do have our own website that we go to, our own portal, where we can download all of the information we need to service our clients. ... We can just go out and grab the information any time we want to better serve the client. We want to make it easy for the client to work with us, so they don't have to go out and send information to us," said Jamie Hogan, CEO of Specialized Accounting Services, which focuses on serving the franchise industry.

Hogan said having access to payroll data enables the firm to help clients in a variety of ways, such as ensuring they are receiving the right tax credits, the appropriate amount of tax credits, performing data analytics, and running internal KPIs. To further drive efficiencies and better serve clients, the firm also developed internally a set of artificial intelligence tools that can go out and grab the necessary information to run data analytics.

"Payroll is just a big component of our clients' business and we help guide them from an advisory perspective in terms of: Where are they high and where are they low? Where do they have opportunities to improve their business from a payroll expense perspective?" Hogan said.

Tech must-haves

Implementing the right tools — including solutions that drive automation and efficiencies, are cloud-based, and leverage advanced technologies — is undoubtedly critical to making payroll and payroll-related services a profitable growth driver for today's firms.

"This is a profitable segment as long as you can minimize the manual work and maximize the implementation of automation that is now possible in payroll," advised Hitendra Patil, head of customer success at AccountantsWorld, whose suite of cloud-based solutions includes Payroll Relief. "Look at your current technology

stack. ... If you [have], for example, pure desktop solutions for your taxes or your accounting, you might want to consider going to the cloud so that integration possibilities between the softwares [including payroll software] can increase. ... You are not going to create the same data over and over again in different softwares. So, that's one part of the equation, just processing and producing the payroll service."

In light of the challenging labor market many businesses are currently facing, it is also key to keep in mind the importance of enhancing the employee experience for clients.

An example of one firm that is reaping the benefits of advancements in technology is FIC Tax and Accounting, a Chicago-based full-service firm. Today, the firm leverages AccountantWorld's Payroll Relief and Accounting Power products. Being a turnkey services firm for

'Where are they high and where are they low? Where do they have opportunities to improve their business from a payroll expense perspective?'

clients and providing a broad range of offerings including payroll isn't easy, said CEO Ahmed Al-Beheary, but with a solution like Payroll Relief, fulfilling the firm's promises to clients and ensuring client satisfaction is made easier.

"A turnkey service is tough, I'm not going to lie. It's a tough approach that you cannot attain easily because you are telling the client, 'I'm going to do everything for you A to Z.' In order to make that promise you have to have [a solution] like Payroll Relief," said Al-Beheary. "Payroll Relief allows me to be able to keep my promises. ... [Also] Accounting Power has an integration that happens with Payroll Relief that makes my life easier as well, even on the bookkeeping side. So, having both integrated with after-the-fact payroll and being able to make the adjustments easily all from one place is a dream come true. We needed that."

Added Paul Epperlein, vice president of channel sales at ADP, "As you get a little bit into the more middle-market client who might have more additional needs around HR or is just looking to understand the business better ... I think the cloud-based platform that has integrations with, hopefully, multiple different ERPs is important. I think that you want to find platforms that are generating insights for you to use in your conversations and your engagements with your clients. I think you want to look

for specific features and capabilities like dashboards and mobile. And, right now, I would be remiss if I didn't call out return-to-work technologies, which includes vaccination tracking and just overall sentiment tracking around returning to in-person work."

Pricing and marketing

When it comes to pricing, there are a number of options for firms. For instance, they can provide payroll stand-alone to their clients for a fee, or they can bundle payroll as part of their overall client accounting services.

When providing payroll services stand-alone, firms can offer multiple packages to best fit their clients' payroll needs. Services can range from basic payroll to comprehensive solutions delivering streamlined employee onboarding, general ledger integration, automatic state and federal tax law updates, and a suite of HR tools.

Firms can also bundle payroll with their existing accounting services. According to ADP, firms looking to bolster their cost model may want to consider charging for capabilities above and beyond core payroll, such as for clients reaching staff count thresholds or using enhanced services like fully automated payroll. Dillon CPAs, for example, sets a monthly fee for clients, enabling clients to budget accordingly. Meanwhile, Ly at Reconciled said that it couples payroll processing with additional service offerings such as bookkeeping or accounting, and bills clients a monthly rate for the bundle.

Meanwhile, Samah Ayesh, a bookkeeper at Memphis, Tennessee-based Atlas Bookkeeping, said pricing varies by client depending on the complexity. "We really suggest that having a flat rate is not practical and we price according to the level of difficulty and labor [that's involved]," said Ayesh, whose firm uses ADP.

When asked about pricing payroll services, Jaclyn Anku, partner education manager at Gusto, cautioned against bundling them with bookkeeping: "The first step that accountants need to take is to pull payroll out of bookkeeping services and position it as its own practice."

Advised Darren Root, founder of Rootworks, a firm-improvement organization that serves accounting professionals, "Payroll ought to be productized. ... So, from a best practice perspective, a firm needs to get super clear on what they are offering. Then, I think second best practice is to build out the sales-enablement material (i.e., their website, a presentation for clients, etc.) to support the product that the firm wants to sell."

And when it comes to marketing and finding new payroll clients, many sources agree that the best place to look is within your current tax and accounting client base. To help identify payroll processing opportunities, consider asking clients questions like: Are you happy with your payroll processing? What is causing you stress with payroll? It is also important to remember that current clients are a great source for referrals. **AT**