

Benefits of Using Cloud-Based Software to Automate Payroll Tax Compliance

Using On-Demand Cloud Solutions to Automate Your In-House Payroll Tax Compliance Process

Introduction

The pressure for organizations, in the public or private sector, to reduce costs is constant. At the same time, companies have to maintain or improve user productivity to stay competitive. This is even further magnified during challenging economic times, as organizations face struggles to sustain or grow revenue. Innovative technology is one area companies can look into to help lower expenses. Specifically with respect to technology, many companies are taking advantage of the Cloud to help reduce spending, while simultaneously improving productivity. It is fair to say that the use of Cloud computing has gained a firm foothold among companies of all sizes.

This white paper will focus on on-demand (SaaS) cloud computing as it applies to automating payroll tax compliance. Typically, the Human Resources and Payroll industries have not had the reputation for being in the forefront of technology development. However, moving into the Cloud is a forward-thinking stance which will make the jobs of payroll tax professionals much easier.

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The Former Way

Historically, a company's IT department acquired, deployed, and maintained networking applications, such as network management software. Such new applications often required the purchase of additional hardware, including servers. That led to not only more capital expenditures, but also to the increase in support time that must be devoted by IT personnel. IT departments are often already stretched thin. When trying to deploy and maintain networking equipment and on-premise applications, the costs and support time needed by IT are compounded further.

Alongside that is the fact that payroll teams are frequently short-staffed and multi-tasking. Ensuring that payroll taxes are compliant with countless Federal, State, and local regulations only puts more strain on already-overworked teams.

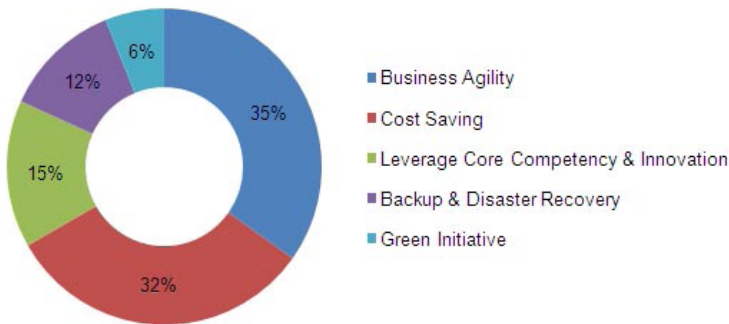
The Software as a Service (SaaS) market grew to 18% by 2013, up from 6% of software sales in 2007, according to Gartner technology research estimates.

The Better Way – Cloud Computing

The more you know about Cloud computing, the more you will understand why it has received so much attention in recent years. Also referred to as hosted computing, Cloud computing generally refers to a complete on-demand software solution that your company can access over the web. It uses a centralized data center, which is a facility used to house computer systems and associated components, such as telecommunications and data storage systems. Cloud computing provides protected anytime-access and a high level of security and data privacy. It also has the potential to increase efficiency and productivity.

To Be Sure.

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Reasons why corporations consider Cloud computing.

As opposed to traditional in-house computing resources, on-demand Cloud computing services provide a huge upside and workload shift for IT departments. These teams no longer have to spend significant amounts of money on purchasing dedicated software to run business applications. Additionally, the time spent on configuring, maintaining, and updating data is eliminated.

Benefits of In-the-Cloud Solutions:

- **Reduced costs** – Corporations pay incrementally for Cloud computing software, saving firms money and making budgeting easier and more predictable.
- **Safer data** – Cloud computing offers an unprecedented level of physical protection against fire, flood, data theft, and other issues.
- **Anytime/anywhere data access** – You can access hosted data at anytime from anywhere. You can also control which level of access to give your employees.
- **Increased storage capacity** – You can likely store more data than on company-hosted servers, and storage capacity is easy to upgrade when needed.
- **Scalability** – Capabilities can be rapidly provisioned, to quickly scale out and scale in.
- **Worry-free maintenance** – Hardware, software, and security upgrades are handled automatically by professional data center staff. You will always have the latest, most secure technology, with no additional cost.

A recent survey by Gartner showed that 55% of small- and medium-sized businesses in the US use one or more hosted/managed services, and the likelihood of businesses moving to the Cloud increases with company size.

The reasons given by businesses vary, with just under one-third using these services for minor applications, one in four for security applications, one in five for CRM/ ERM systems and 27% saying they use hosted services for network monitoring and redundancy.

Just over half (56%) said they used these services over on-premise solutions because of easy Internet access and scalability, while 26% pointed to the lower costs involved. A total of 16% said that faster deployment was a key consideration.

The use of hosted/managed services, however, was not without its concerns, with 62% stating that application performance, lack of data privacy/security and systems failure/redundancy were very high concerns.

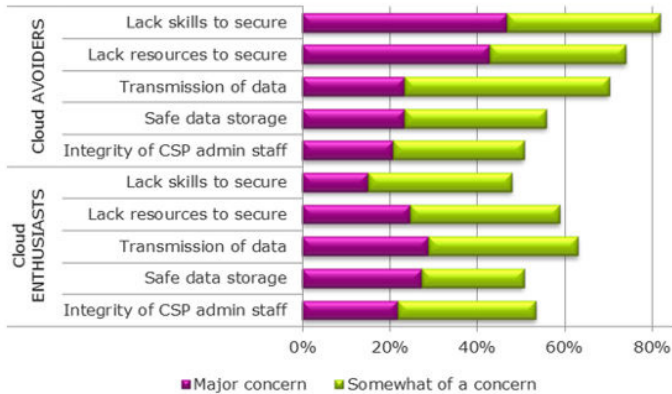
Cloud Computing for Payroll Tax Professionals

Yet with all these advantages, on-demand Cloud computing for payroll tax automation still makes some companies uncomfortable, simply because it requires us to think about our data in a different way. How do we know data – especially sensitive payroll data – is safe if we cannot see it? Can we trust a third-party with such important information?

If executed correctly, yes. In fact, on-demand (SaaS) Cloud computing offers a level of physical and electronic security that an on-site server cannot match. Due to the fact that they can operate with large economies of scale, data centers can be surprisingly affordable, offering large or small payroll departments a level of security far beyond what they could have achieved on their own.

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Security concerns



Typical security concerns surrounding a switch to an on-demand Cloud model.

The management of employee withholding allowance certificates (W-4s) and W-2s is an essential task for all employers. W-4 forms must be collected from each employee during the new hire process, and W-2s must be provided at year-end. If you are an employer that is currently using manual, paper-based processes to capture and manage this information, it's likely that you often find these procedures to be overly complex and time-consuming. In short, they are proving to be a strain on your already limited resources.

The good news is that technological solutions exist that can help you streamline these processes at every step. Using on-demand Cloud-based software to automate payroll tax compliance introduces a new way to deploy, operate and manage distributed networks. It delivers enterprise-class capabilities via a Cloud infrastructure that requires little to no capital investment for applications or IT resources. Unlike traditional hardware-based legacy solutions, Cloud networking automates the payroll tax compliance process to make it extremely simple, enabling companies to have centralized control.

The on-demand (SaaS) delivery model offers a cost-effective alternative to the on-premise version and includes the same robust features.

The Cloud offers a steep drop in information technology costs, since applications are hosted by the vendors and provided on-demand, rather than via physical installation and licenses. It is also a forward-thinking stance for the payroll profession, which traditionally has not had a reputation for being in the forefront of technology development.

For companies that can afford to manage their data internally, the concern with Cloud solutions has always been that the information will be less secure if stored off-site. However, many companies small and large find that Cloud solutions make it affordable to achieve the necessary level of security, especially given the new Federal and State regulations for protecting customer data.

2014 will be the first year when the majority of IT workloads shift to the Cloud – 52% of all IT workloads, versus 48% in the traditional IT space.

Payroll tax professionals have to keep their finger on the pulse of constantly changing tax regulations and make sure they are applying these changes. SaaS payroll tax solutions eliminate the need for customers to spend time researching regulatory changes, as all this is performed and updated automatically.

The on-demand (SaaS) delivery model offers a cost-effective alternative to the on-premise version and includes the same robust features. Using on-demand (SaaS) solutions, with automatic updates, greatly minimizes the risk of fines and penalties, with the added benefits of lower maintenance, dedicated support and faster access to product enhancements.

About BSI

Business Software, Inc. (BSI) is a leading provider of North American tax filing, tax calculation, compliance onboarding and supporting solutions in the Cloud. Leveraging 35 years of experience, BSI offers the largest array of solutions in the industry that are used by clients to process more than a half billion transactions annually. Thousands of organizations – including many of the world's best-known companies – use BSI to minimize their compliance risks, reduce labor costs, maintain regulatory compliance, improve workforce productivity and increase employee satisfaction. For more information, please visit www.BSI.com.

Reference: Technology Business Survey (2013) Gartner, Inc.