

How many income tax returns do you prepare? Unless you are an accountant or in the tax preparation business it is unlikely that you prepare more than your federal and state returns. In addition to my own taxes, I have the "privilege" of preparing tax returns for two of my three daughters.

I always prepare my own tax returns first because frankly I have more at stake than my daughters do. When I finally got to work on daughter Katie's return, I wanted to make sure that she was able to file her returns for free and file electronically. Since I used Turbo Tax for my own taxes, it was easy for me to enter Katie's information into the same program. Finishing up with the federal portion of the return, I was pleased to see that she was in line for a nice refund. As I put the finishing touches on the state information and was ready to hit submit, I was glad I stopped.

Katie's state refund was calculated to be \$21 and Turbo Tax wanted to charge her \$35 to file for her refund. Not a good exchange in my mind. So I went looking for a program that would allow Katie to file both returns electronically for free. Looking on the State of Iowa Department of Revenue's web site I found another program and proceeded to enter all of Katie's information. After I finished with the federal portion, I was pleased because the refund amount matched exactly with what Turbo Tax had calculated.

Katie's state refund had swelled to a whopping \$775! Of course Katie wanted me to file immediately and take advantage of that big refund. I couldn't bring myself to do it with such a big discrepancy between the 2 programs, so I decided to sleep on it. The next day I decided to find what had to be my input error. Every piece of information was examined, and I was still befuddled because the federal refunds matched. After an hour or so I really got mad and went back to the State's web site.

Once there, I decided to try and calculate Katie's return by hand, making the third time I had worked on her stinking state return! Calculating the return by hand I came up with a refund of \$11. Not the same as either computer program, but a lot closer to Turbo Tax. I wanted to find out why the other program was so different so I downloaded the Iowa tax tables. Actually I wanted Katie to get the bigger refund and was trying to justify a way to use the other program. After more hours of trying to find my mistake, the only reason I could come up with for the difference was that the other program was referencing the wrong place in the Iowa tax tables. No big refund for Katie.

As small business owners and managers we often have to depend on software and software vendors to help us manage our businesses. Since I am an optimist, I think that most people are honest and trusting and believe that when they buy software, it will perform as intended. I also think that most software developers honestly try to make their software perfect. That doesn't relieve us of testing the output before putting our trust in the results. The cost of not doing that is too high. We have to take the time to make sure our vendors are doing their job. As Ronald Reagan said, "Trust but verify".

I am afraid to think what would have happened to Katie's tax return if I had used the other program first, and she got audited. It would have scared both of us to death and I probably would have stopped doing my daughter's taxes, and my own!

Small Business Today is a bi-weekly feature written by Tom Friedman, president of First National Bank, Ankeny.