



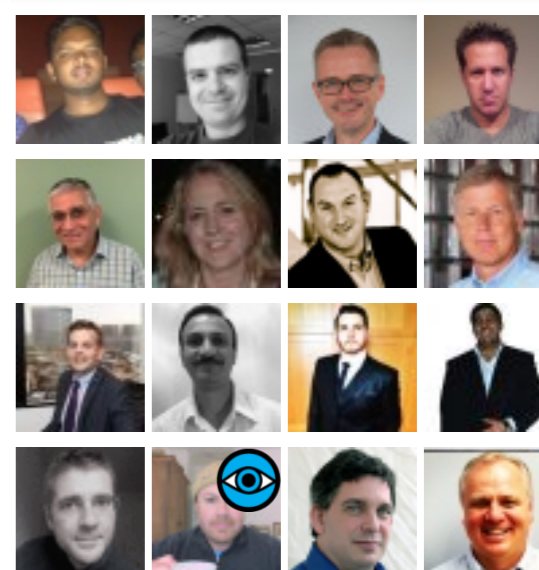
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Taking a Stuffy Industry Into the 21st Century

Posted by David McKeegan on September 19, 2014 at 12:57pm [View Blog](#)



Some industries tend to innovate faster than others. Usually, “sexy” or “fun” industries innovate first, most likely because the people attracted to these industries are young and creative and driving the change. This is wonderful, but there are other, arguably “stodgy” or “boring” industries that are also ripe for innovation and in need of change.

Traditionally, tax businesses fall squarely in the “boring” and “stodgy” category and thus have fallen behind on innovation and progress. This is slowly changing, precipitated not only by changes to the IRS’ behavior and legislation, but also as a result of the rapid evolution of customers’ needs, led by Americans living abroad.

When most Americans think of filing taxes, they have two scenarios in mind.

Scenario 1: You walk into an accountant’s office, shoebox in hand and dump it on his/her desk. You sit and chat, have a coffee, and your accountant learns all about you. They try to figure out how to save you money and prepare your tax return. In the end you get a nicely prepared tax return, you submit to the IRS, and a bill (most likely for more than you thought it would cost).

Scenario 2: TurboTax, here you come. You dread it, you put it off... you try to justify the expense savings with the amount of time... you convince yourself your situation is “easy” and “simple” (at least simple enough for you to handle). And the day before the deadline, you sit, confused and frustrated, and muddle through your taxes... and then worry that 1) you haven’t gotten as much of a refund as you could have and 2) that the IRS is eventually going to realize that you have no idea what you just filed and will come after you.

If you add in the tax filing complexities for an American living abroad, this quickly becomes almost unpalatable. US expats not only have more legislation to contend with, making the Turbo Tax scenario nearly impossible, they also lack the ability to sit in front of a US CPA. So, it’s no wonder that innovation has been essentially forced on the tax industry for these audiences.

In either situation: Ugh. Sigh. There must be a better way. And thus the need to innovate.

Our Business

When we started our business, Greenback Expat Tax Services, we decided to eliminate two “givens” in the tax prep industry -- surprise pricing (i.e. you get a bill at the end of the process without knowing how much it will cost at the beginning of the process) and the in-person contact.

In 2008 while living in London, Carrie (my business partner and wife) and I decided to start a business. We decided the business should solve a problem that we, and many of our American friends in the UK, shared -- US tax preparation. By way of background, Uncle Sam taxes your worldwide income. Regardless of where you live or earn this income, it still needs to be reported to the IRS and you don’t get any of the tax benefits of living abroad until you file your taxes. As you would imagine, there are not a whole boatload of US CPAs or IRS Enrolled Agents living abroad and so individuals had three primary options:

1. Hire a “Big 4” style firm which typically costs \$2000 or more for a fairly standard expat tax return
2. Try to file themselves (which often leads to errors, as expat tax returns are more complex than a standard US return)
3. Ignore the US tax side of things and pretend the IRS would never care to look for you.

Recent laws such as the Foreign Account Tax Compliance Act (FATCA) and stricter enforcement of the Foreign Bank Account Report (FBAR) have made the “just ignore it” option much less attractive (impossible really). Paying an arm and a leg or getting your return wrong, thereby risking an audit, are equally poor options.

Our Innovation

Our first innovation was to eliminate a “bad” surprise -- the huge tax prep bill. I believe we were the first company focused on US expats to not only list our pricing clearly on our website, but we also set a flat fee price for a very comprehensive “Standard” tax return. Our Federal Tax Return pricing is aggressively low and includes all of the most common forms that an American living abroad would need. Best of all, at \$357 it costs about 18% of what the “major” companies charge for the same Federal Tax Return. How can we offer this type of pricing when the major players are charging so much more? That leads us to our second and arguably more interesting innovation.

We are a 100% virtual company and, what some people would call, a Micro Multinational. We have been able to leverage technology platforms to build our entire business in the cloud. This includes secure client portals, a CRM system to manage our clients, another CRM system for managing the day to day business operations, online training and “hangout” areas where the team can leverage the full group’s experience and get to know each other. This has been necessary because our team consists of 25 Accountants (and growing), 8 management team members and 2 co-founders. Only my wife and I (the co-founders) work from the same location -- Indonesia. The rest of the team is spread across 5 continents, 8 countries and 15 US states. More interestingly we service thousands of clients living in over 115 countries around the world.

This provides both challenges and advantages. For example, scheduling a full team meeting is difficult! Often we need to run two separate meetings to accommodate people in different time zones and more often than not Carrie and/or I attend meeting late at night or early in the morning. An advantage is that when hiring we are able to tap into the worldwide talent pool, our entire company has the flexibility to work from anyplace in the world as long as there is an internet connection.

This is an advantage over all the brick and mortar companies out there trying to hire within a 60 mile radius. This is also a huge perk for anyone who would rather not spend hours each day commuting to work. Plus, we love the concept of working where its “geographically undesirable.” Need to travel with your spouse for his/her job? No problem. Prefer to live in an idyllic small town out of reach of the big city? No problem. Still want to a challenging dynamic career despite any geographical restraints? No problem.

Why does this matter? The tax industry is sometimes referred to as the “second oldest profession” and it is arguably one of the stodgiest industries around. But like many traditional industries there is ample room to flip the old business model on its head and create something new and different that will serve clients in a new way. A seemingly small shift in how people are charged or how the work force functions can disrupt an industry and allow entrepreneurs to grow very successful businesses. There is an added advantage if it’s an industry that has not been the target of much innovation in the past.

What are other “traditional” industries that are ripe for disruption?

David McKeegan is the co-founder of Greenback Tax Services.

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