SmartVault

Why Your Revenue Doesn't Match Your Hours

What loose scope and gut-feel pricing cost accounting firms every season, and where the fix starts.

Contents

Introduction: The Problem May Show Up in April, but It Started in October

When tax season ends, most firm owners do the same thing: look at what they billed, compare it to the hours they worked, and try to make sense of the gap between the two. They put in the hours and the effort — *their entire team did, all season long* — but somehow the revenue number staring back doesn't reflect it.

The instinct is to look at rates. Should you raise them? Repackage them? Finally get serious about restructuring them? Exploring those questions feels like the obvious solution — *not making enough money? Then charge more, of course!* But those questions are a distraction, and you won't get to the root of the problem if you start with them.

If it's not the rates, then what is it?

Most of it boils down to the decisions you made during engagement, the stage where scope gets defined, pricing gets set, and the terms of the relationship get established. Firms generally give this stage less attention than any other in the workflow because it feels like admin work; it's simply the paperwork you get through before the real work starts.

But this is also where the money starts to go missing, oftentimes long before you start the work.

PART 1

What the Engagement Stage is Costing You

The most visible cost of a weak engagement stage is the revenue. The billing gap is right there at the end of every season. But two other costs accumulate at the same time: one to your team, and one to your client relationships.

The Revenue You Can't Invoice

Scope creep starts small: a return that comes in a little more complicated than last year, an email that's faster to answer than to redirect, or a quick check-in call that drifts into tax planning — what are you going to do, end that call with *"This chat was an additional $75, due in 30 days"*? Your client won't appreciate that surprise.

Each one of these scenarios is small enough that pushing back feels like an overreaction, but then the season ends, and you realize: all those *small* moments turned into one big number — a number that shows just how much work you gave away for free.

Underneath that number sits something firm owners find a bit uncomfortable: the majority of their clients are meaningfully underpriced. The gap — between what you billed and the hours you worked — comes from underpricing fees, scoping engagements too loosely, and quoting too early, season after season.

What It's Doing to Your Team

During a rare New York earthquake that hit in the middle of peak busy season, an accountant at a Big Four firm texted *Accounting Today* strategist Drew Carrick: "I thought this was the end. I was like, finally, no more deadlines." An earthquake felt like relief.

Carrick's response put words to something most people in this industry know but rarely say out loud: that pervasive, all-consuming dread eats away at you, day after day. It's what accumulates when a firm carries more than it should, with no end in sight and no one ever identifying where the weight comes from.

Scope creep is a meaningful part of that weight.

Think about what your staff carries through a season. They field questions that are outside of scope, handle complexity that creeps in, and complete work that was never part of the original agreement — all while doing the work that *was* part of the agreement.

By the end of the season, those absorbed hours turn your high-functioning team into a group of people running on empty.

What It's Doing to Client Relationships

The clients who get the most work for free are the ones who have been with you the longest. You absorb the extra questions and handle the complexity because you care about that client, and you don't want to let them down. Saying no to someone you've known for a decade — or perhaps someone you're related to — feels different, so you answer the question, and the next one, and the one after that.

What you're teaching them, one answered question at a time, is that your expertise is free — that all of it is just part of the annual fee, available whenever something comes up. You can't blame them if they keep coming to you with more questions because you've answered everything so far like it was no big deal.

And when you eventually try to draw a line, it lands as you taking something away, not setting a new policy, and that conversation almost never goes the way you want it to.

Meanwhile, your other clients — the ones waiting — feel the consequences of that dynamic. By absorbing one client's scope creep, you're letting down the twenty other clients sitting in the queue behind them. They may not be upset yet, but they notice when response times slow down or they're waiting weeks for something that should have taken days.

A practice runs on trust and referrals, and clients who've watched the service slip stop recommending you.

PART 2

Why It Stays Broken Year After Year

You already know your pricing is off — you've probably known since April. The plan, as it is every year, is to fix it in the off-season. Then the off-season fills up (it always does), and next January arrives running mostly the same pricing as last January.

So what's keeping it stuck?

You Price Before You Know What You're Getting Into

The intake call is going well: the prospect describes their situation, you get a general feel for the work involved, and somewhere near the end of the call, they ask the question: "So what would you charge for something like this?"

You give them a number — of course you do, because *"I'll get back to you next week"* feels like it might kill the momentum, and maybe the whole deal with it.

But now that number is the anchor, and you set it before you knew what the work was. When the full picture turns out heavier than the call suggested, going back with a higher figure means irritating the client you were trying to win. Will they take their business elsewhere? Leave a review? Maybe — and rather than find out, you just eat the difference.

The way out is having packages defined before the call ever happens. When someone asks what you charge, the answer becomes *"let me show you the options"* — no number invented on the spot or commitment you can't walk back.

You're Not Asking Enough Before You Price

The typical intake call covers the basics. It's just enough to produce a quote, and nowhere near enough to understand what the client is trying to do.

A client planning to sell their business in three years and a client who just wants to stop being surprised at filing are not the same engagement, even when their returns look similar. A few deeper questions take five minutes to ask, and they routinely change the fee conversation — in the firm's favor, and in the client's too, because the package they land in is the one that fits. Here are six questions to ask before you quote:

"What changed for you this year?"

New entity, new property, new headcount — the complexity that breaks last year's quote surfaces here, before you've committed to a number.

"What are you trying to accomplish in the next twelve months?"

A planned sale, an expansion, a retirement — the client's goal tells you which package fits, not just which return to file.

"When's the last time a tax bill surprised you?"

A recent surprise means nobody's doing planning. That's an advisory conversation waiting for a package to say yes to.

"What keeps you up at night about your finances?"

The answer is what they value most — and what they'll gladly pay to have handled.

"What have you been meaning to get help with but haven't?"

Clients carry a list of things they assume are outside what you do. Ask, and they'll hand it to you.

"Who do you talk to before a big financial decision?"

If the answer is "nobody," you just found the gap your top tier exists to fill.

You're Pricing Based on Last Year

Somewhere in every accounting firm is a mental model of what things cost — built up over years of quoting similar work, adjusting when clients pushed back, and settling on numbers that most clients accept without hesitation.

The trouble is that model was calibrated in the past. Fees set by memory don't naturally rise on their own.

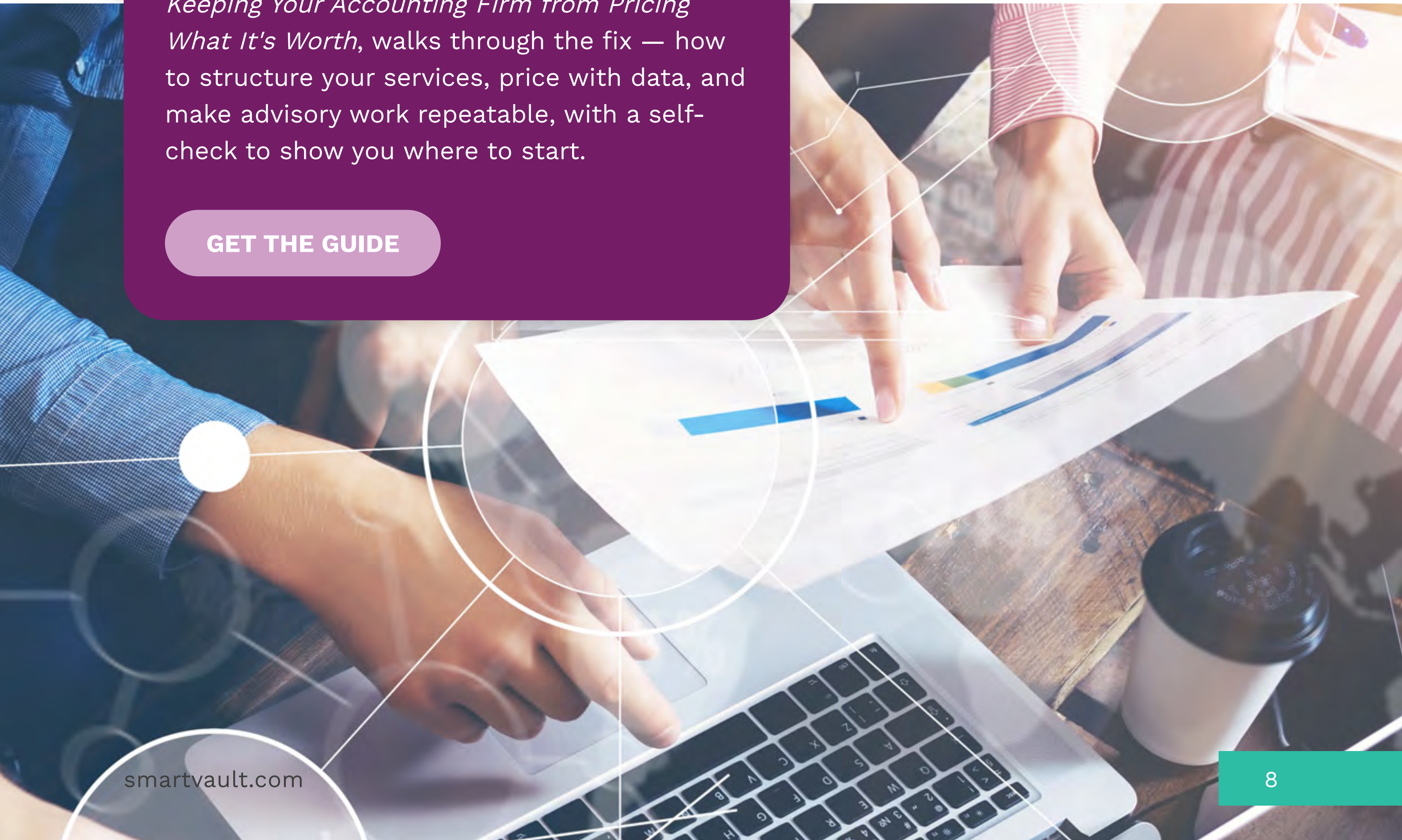
There's data all around this. According to industry pricing survey data reported in CPA Practice Advisor, most firms cluster their individual tax return fees in the $400–$799 range, and those numbers have barely moved year over year.

Meanwhile, overhead costs — software, insurance, staffing — increase roughly 10% annually. Eventually you realize that you're running at the same revenue as three years ago, but you have meaningfully higher expenses.

Ready to fix your pricing?

This eBook shows you where the problem lives. Our companion guide, *The 3 Decisions Keeping Your Accounting Firm from Pricing What It's Worth*, walks through the fix — how to structure your services, price with data, and make advisory work repeatable, with a self-check to show you where to start.

GET THE GUIDE



You Soften the Number Before You Say It

Nobody becomes an accountant because they love selling. The fee conversation — presenting a price, announcing an increase, holding steady when a client tries to negotiate—carries an undertone of salesmanship that most owners find genuinely uncomfortable. So you hedge with *"it depends"* and *"we can be flexible."*

You pre-discount in your head, knocking a bit off before you've said the number out loud, softening against a reaction that may never have come.

> Pricing strategist Casey Brown, who has studied this dynamic across thousands of businesses, puts it plainly: **Quote $10,000 on a package worth $12,000 and you've taxed yourself for fear.**

Structure beats willpower here. Presenting one number and asking a client to accept it puts you in selling mode, with a negotiation waiting on the other side. You should instead present options. That way, you're not asking them to accept one price — you're asking them what level of support they want. That's an entirely different conversation because now you're helping them choose.

You Present One Option When You Should Present Three

The standard accounting proposal goes like this: here's what we'll do, here's what it costs, let us know if you'd like to move forward. One scope, price, and decision. That structure traps the conversation. If the number feels high, there's nowhere to go but down; if you've underpriced, there's no way back up.

When you present three tiers, it changes what the client is deciding. Instead of judging whether your fee is worth it, they're choosing which level of engagement fits what they're trying to accomplish.

> Research cited in the accounting industry shows clients are up to seven times more likely to say yes when given structured options.

The psychology behind this is well documented. When three options are presented, most clients gravitate toward the middle. The premium tier makes the middle look reasonable. The entry tier makes the middle look substantive. This isn't about manipulating — clients are genuinely finding the option that fits, and the structure helps them get there faster.

Pricing Your Tiers: The Spacing is the Strategy

Three options only work when clients can feel the difference between them.

Too close together

$150

$250

$350

The options feel interchangeable. The client can't tell the tiers apart, so they stall or default to the cheapest.

Real Separation

$150

$500

$1,500

The tiers read as different levels of relationship. Most clients confidently pick the middle, and the ones who want more can finally find it.

PART 3

What It Looks Like When Engagement Works

In SmartVault's tax prep workflow, engagement is Stage 1 of five — Engage, Collect, Prep & Review, Deliver, and Archive. Everything you've read so far is what Stage 1 looks like when it's neglected. Here's the whole workflow when it's done right, starting with the stage itself.

Engage

Six months into a typical engagement, somebody is looking at a client relationship that no longer matches the agreement sitting in the file. The work expanded a little at a time, the way it does — and now the pieces of the story are scattered across an introductory call nobody fully documented, a fee that was quoted before anyone saw the full picture, and a handful of email threads that would take an hour to reconstruct. When a question comes up about scope or pricing, people start digging through all of it hoping to find something definitive.

Engagement done right runs in a different order. The discovery conversation happens before any number does, so the quote follows the scope instead of anchoring it. The price comes from data — what firms like yours charge, what clients accept — instead of memory. The client sees a tiered proposal and chooses the level of support that fits, rather than reacting to a single figure. And the moment they choose, everything gets locked in writing: the scope they selected, the engagement letter they signed, the payment they authorized, all attached to the client record before the first document is requested. Every problem from the last two parts — the early quote, the stale fee, the single option, the vague boundaries — gets settled here, at the start, when fixing them costs a conversation instead of a season. This changes what every later stage inherits.

Collect

Every firm knows this scenario: the client uploads most of their documents, then emails the brokerage statement three weeks later because they forgot it existed, and by the time everything arrives you've spent more time chasing stragglers than the original request took to send.

The request itself can make things worse if engagement never determined what the client actually needed to send. A generic organizer sent to every client regardless of situation generates questions and follow-up that a more specific request would have avoided.

A connected engagement changes some of that before collection starts. The client has already used the portal — they signed there, they saw their next steps there — so the system isn't foreign to them when documents are due. And a request built from prior-year returns means the client with rental properties and a K-1 isn't staring at the same generic organizer as someone without rental properties, which means fewer confused emails before collection even gets moving.

Prep & Review

There's a difference between opening a tax file and being able to work on it. When the file isn't ready, prep becomes a search — usually for the source document that got emailed instead of uploaded, sitting in somebody's inbox rather than the client folder where the preparer assumed it would be. That time never shows up on a timesheet. It just disappears into the day.

Run engagement and collection through the same system and the file is assembled before anyone opens it: documents and information from intake through collection go straight to the correct client folders and compiled into bookmarked, review-ready workpapers. The reviewer's job goes back to being reviewing the return, not confirming they're looking at the right version of everything.

Deliver

By delivery, the technical work is done and nothing left should be too hard — yet this is exactly where a lot of firms stall. The signature hasn't come in, payment hasn't processed, and a finished return sits in limbo over administrative steps that should have been locked in at the start.

A client who's been inside the same system since engagement doesn't need a new process explained at the finish line. They know where to go. The 8879 gets signed through KBA-compliant eSignatures, signed documents save back to the client record, and payment was tied to the agreement months ago — nobody releases the return and then hopes the invoice works itself out separately.

Archive

Archive is invisible until the October phone call: a question about a return finished six months ago by a team member who no longer works there.

If the engagement letter, source documents, and signed forms were never connected to begin with, answering that call means archaeology — digging through old email threads, asking around the office, reconstructing decisions that should have been on record from the start.

When the workflow stayed connected, the answer is sitting in the client record next to everything else, audit trail included, and clients can even pull their own prior-year returns without calling the office at all.

Compliance benefits from the same setup. IRS Publication 4557 and the FTC Safeguards Rule require real controls around how client data is stored, accessed, and retained, and when the workflow runs through a compliant platform from engagement through archive, those controls live inside the day-to-day process rather than as one more thing the firm maintains on the side.

Closing:
The Fix is at the Start

The engagement stage is easy to neglect because the damage doesn't show up right away. Nothing breaks in October when you set a vague scope or quote a return before you've seen the full picture; the break shows up in January, in April, in the revenue number at the end of the season — by which point the cause is months behind you.

SmartProposal is built into SmartVault to make Stage 1 do its job: service packages built around the way your firm works, pricing benchmarked against real conversion data from over 2,000 firms across the US, and three-tiered proposals your clients can choose from, sign, and pay through in one flow.

And because it's part of SmartVault, what gets established at engagement carries through everything after it. The scope the client chose is the scope your team works from, the portal they signed into is where their documents go, and collection, prep and review, delivery, and archive all run off what was set at the start — instead of being rebuilt at every handoff by whoever happens to be holding the pieces that day. SmartVault also connects with leading tax prep solutions, including Intuit Lacerte, Intuit ProSeries, Intuit ProConnect, Thomson Reuters UltraTax CS, Drake, and CCH Axcess, so the connection runs all the way through the software your firm already uses.

Learn more about SmartProposal + SmartVault