



The Accountant

Official Publication

of the North Carolina Society of Accountants

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April 2006

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A Message From The President

Florence W. Black

“Beware the Ides of March!” the soothsayer warned Julius Caesar. Well, Caesar failed to heed that warning, and look at what some local senators did to him. Our legislators surely do not plan to do us any harm, much less kill us. However, unless we make them aware of who we are and what services we provide our clients, they may unwittingly severely restrict or even terminate our right to practice accounting. I know that all of you are busy, but please remember the fund-raising letter concerning NCSA’s legislative fund. As you begin to reap some of the benefits for all your hard work during this tax season, please remember to invest in your professional future by supporting our efforts to replenish our legislative funds so that we can continue to monitor issues regarding our right to practice accounting in North Carolina.

I hope that you have reviewed the flier for the Spring Professional Accounting Seminar (Spring PAS) to be held in Durham on May 18-19. Paula Brown, John Rhatigan, Yvette Horne, and Cheryl Hudson have worked very hard to bring a wonderful slate of speakers to this event. In addition to the speakers, this PAS includes some great food. Registration covers breakfast, lunch, and breaks, including a chocolate fantasy. Reserve your hotel rooms early because the number of blocked rooms is limited. Everyone is invited to attend the NCSA Board of Directors meeting at 5:30 p.m. on May 18.

Again, as far as upcoming events are concerned, mark your calendars for the 2006 NCSA Convention in Wilmington on June 25-27. Remember that eight hours of CPE are being offered at the Convention. Paul Bumgarner will lead the morning session, and in the afternoon workshop, David Hooker will guide participants through the QAR process, using actual examples. On the lighter side, if you have not found that special outfit for the Retro70’s and Disco themed party, keep looking. The party will be great fun if we all participate. Maybe Paul Bumgarner and Harold Hinton can dig out those casual suits with the silk shirts and wide white belts.

Thank all of you for your support, and I hope to see you at Spring PAS.



Florence W. Black

Form 8453

A reminder, if you have to mail a Form 8453 and the electronic return was transmitted to Andover or Kansas City, mail the form to:

Internal Revenue Service
Attn: Shipping & Receiving, 0254
Receipt & Control Operations
Andover, MA 05544-0254

If the return was transmitted to Austin, Fresno, or Philadelphia, same address as above except the last line should be:

Austin, TX 73344-0254

Chapter News

Hickory

The January meeting of the Hickory Chapter took place at Prime Sirloin in Hickory on January 30, 2006. There were 7 members and 1 guest in attendance. The chapter voted to send \$200 to the legislative fund in response to the Legislative Fundraiser. Fifty dollars will be sent to Hospice of Catawba County as a memorial to Durene Dietz, wife of member Everett Dietz. Durene passed away on December 28, 2005.

The February meeting featured the tax roundtable, and took place at the Olive Garden in Hickory on February 27, at 6:30 pm. There were 12 members and 6 guests in attendance. Denise Hammond led the discussion and gave a state update on schools and convention. Rena Laws spoke about corporate E-filing. Lynn Gray and Alene Dale spoke on tax issues.

The March meeting was held at the Fire Mountain Restaurant in Hickory, with 7 members. The speaker was Carl Cline, speaking on asset building and retention. Mr. Cline is associated with Raymond James Financial Services.

Charlotte

The February meeting was held February 27, at Captain's Galley Restaurant, with Marva Adams and Norman Little of the NC Department of Revenue as speakers. They updated the chapter on North Carolina changes to withholding, sales and estimated taxes. There were 12 members and 4 guests attending.

The March 27th meeting was held at Captain's Galley Restaurant. Seven members and one guest attended. David Rollins discussed ways to grow the chapter and state membership.

Future programs will include:

April 17 – After Tax social

May 22 – Legislative update with Curt Lee

June -- Installation of new officers

Cape Fear

The meeting was held on January 16, 2006, 6:30 pm, at the Barn Restaurant in Fayetteville. Twelve members and 1 guest attended. Bill Fischer spoke on "Identity Theft—Protect your Clients and Yourself." Florence Black and Marsha Wheeler spoke of the Right to Practice fundraiser.

The February meeting featured Greg Kline from Edward Jones, speaking on retirement plan types, limits, rule and deadlines for all business entities. The chapter met at the Barn Restaurant in Fayetteville on February 20, at 6:30 pm. Thirteen members and 2 guests attended the meeting.

Marsha Wheeler has made a basket to be raffled off for the scholarship foundation. The drawing will take place in April. Tickets are \$5.00 each.

On Monday, March 20, 6:30 pm, at the Barn Restaurant in Fayetteville, Bill Fischer will speak on the foreign earned income exclusion and lead a roundtable discussion on energy credits and other tax changes for 2006.

Central

The February meeting took place February 27, at NASCAR Café at 6:30 pm. There were 6 members and 3 guest present. Jenkins Crayton, Tax Director for Guilford County and Pat Miller, Tax Assessment and Collection office in High Point, brought information on listing personal property in Guilford County.

The 9th meeting of the fiscal year will be March 27, at 6:30 pm, at the NASCAR Café in Greensboro. The speaker will be Tommy Faggert with Edward D. Jones. He will speak on Tax and Financial Investments.

Raleigh

The January 24th meeting was attended by 16 members and 4 guests. Tim Hinton of Wachovia Bank discussed new business programs provided by Wachovia Bank as well as 401K's and other retirement plans.

The February meeting featured Cheri Meyers of the NC Secretary of State's office. Her topic was LLC's and Dissolution Notices. Eleven members attended the meeting.

The next meeting will be held on March 28. The topic will be announced.

Burlington

The February meeting will be held on Thursday, February 23, at Kimber's Restaurant at 6:30 pm. Stephen Metelits will speak on Medicare, Part D.

The March 23rd meeting will be held at Kimber's Restaurant in Gibsonville at 6:30 pm. An open discussion will be featured.

(Chapter News continued from page 2))

Western

The December meeting of the Western Chapter was held at the Black Forest Lodge on December 13. President Helgreen announced the passing of member Robert Chessher, who was approved in October. It was decided that his dues should be refunded. A Christmas get together followed the meeting.

The Western Chapter met at Ryan's Steakhouse in Asheville on January 31. There were 13 members and 12 guests in attendance. Artis Moser and Michael Grove with the North Carolina Department of Revenue spoke on state changes.

The February meeting was held on the 28th at Ryan's Steakhouse with 8 members and 3 guests attending. One new member was approved. There was an informal discussion of tax problems, problem forms and questions were presented with supporting answers.

There will be no meeting in March. The April meeting will be on "Probate and Afterwards," presented by two attorneys from Black Mountain.

**NEWS IS A FLEETING THING. WE CAN ONLY REPORT WHAT WE ARE TOLD.
PLEASE MAKE SURE YOUR CHAPTER IS SHARING WITH THE ACCOUNTANT .**

Please e-mail information to lfgacct@bellsouth.net or fax to 828-438-8111.

Suspicious e-mails

Phishing, as it is called, is the act of sending an e-mail to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used in identity theft. According to the Federal Trade Commission, phishers send an e-mail or pop-up message that claims to be from a business or organization with which you may deal. The message may ask you to "update," "validate," or "confirm" your account information. Some phishing e-mails threaten a dire consequence if you don't respond. The messages direct you to a Web site that looks just like a legitimate organization's site. But it isn't. It's a bogus site whose sole purpose is to trick you into divulging your personal information so the operators can steal you identity.

The IRS can use the information, URLs, and links in the suspicious e-mails you forward to trace the hosting Web site and alert authorities to help shut down the fraudulent sites. If you receive an unsolicited e-mail communication claiming to be from the IRS, please forward the message to phishing@irs.gov. The IRS is very concerned and aware of suspicious e-mails or phishing schemes. You may not receive an individual response to your e-mail because of the volume of reports, but the IRS thanks you for your submission.

Do not open any attachments to questionable e-mails, which may contain malicious code that will infect your computer. Please be advised that the IRS does not initiate contact with taxpayers via e-mail. Also, the IRS does not request detailed personal information through e-mail or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

Miscellaneous from the IRS

In Revenue Ruling 2006-17, the IRS emphasizes that inserting "*nunc pro tunc*" on a return or other document submitted to the IRS has no legal effect and does not validate an invalid return, make a delinquent return timely, invalidate a signature, create a claim for refund of taxes previously paid, or reduce one's federal tax liability.

In Revenue Ruling 2006-18 and Revenue Ruling 2006-20, the IRS emphasizes that any argument that Forms W-2 only record and report payments made to federal employees, or that only federal employees or residents of the District of Columbia or federal territories and enclaves earn wages subject to tax, has no merit.

In Revenue Ruling 2006-19 and Revenue Ruling 2006-21, the IRS emphasizes that an individual cannot escape taxation by attributing income to a purported trust. The IRS will take vigorous enforcement action against frivolous arguments relating to trusts.

NCSA 2006 CONVENTION REGISTRATION FORM

PLEASE PRINT LEGIBLY TO AVOID ERRORS AND DELAYS ON-SITE

Name (To appear on Badge) _____

Spouse/Guest Name _____

Children's Names _____

Street Address _____

Address should be the billing address of your credit card, if you decide to pay by credit card.

City/State/ZIP _____

Phone _____ **Fax** _____

Hilton Riverside Wilmington

Plan your family vacation now in conjunction with the NC Society of Accountants Annual Convention!

Special group room rates are available as follows:

All rooms in the group block are in the Hilton Wilmington Riverside and are priced per night single or double.

NCSA Group code for reservations is **SAC**.
Each room is \$99 per night.
Guaranteed riverfront room
subject to \$10 additional charge per room.

\$5 per day parking fee will apply to all overnight guests and daily attendees

The above rates will only be available until **May 24, 2006. Make your reservations early, this room block is expected to sell out fast!** Once this block is sold regular rates will prevail *if* rooms are available.

Make your room reservations by contacting the hotel at 1-800-EMBASSY (362-2779) and mention you are with the NCSA group.

TOTAL FEES BEING SUBMITTED WITH THIS FORM

Amount \$ _____ **Method of Payment:**

Check # _____ Visa _____ MC _____ AE _____

Make checks payable to NCSA and return with this registration brochure to:

Post Office Box 1126, Conover, NC 28613

Credit Card # _____ Exp. Date _____

Signature

Registration Fees* *Registration Fees Include all Convention Events EXCEPT Golf and CPE (make your hotel reservation separately)

	# Attending	Registration (Prior to June 1st)	Registration (After June 1st)	Total
Members	_____	\$160.00	\$185.00	_____
Spouse/Guest/Children (16 & older)	_____	\$120.00	\$140.00	_____
Children Age 6 to 15	_____	\$100.00	\$115.00	_____
Children under 6 are free	_____	\$ 0.00	\$ 0.00	_____
Golf	_____	\$ 60.00	\$ 60.00	_____
CPE: 8 hours <i>(includes continental breakfast)</i>	_____	\$ 30.00	\$ 30.00	_____
Separately Paid Items				
Business Session	_____	\$ 30.00	\$ 35.00	_____
Luncheon Honoring Past-Presidents	_____	\$ 30.00	\$ 35.00	_____
Theme Dinner—Adult	_____	\$ 50.00	\$ 55.00	_____
Theme Dinner—Child (6 to 15)	_____	\$ 35.00	\$ 40.00	_____
Installation Banquet—Adult	_____	\$ 60.00	\$ 65.00	_____
Installation Banquet —Child	_____	\$ 35.00	\$ 40.00	_____
Total Amount being submitted				\$ _____

SPRING PAS

The Spring PAS will be at the Durham Hilton near Duke University, 3800 Hillsborough Road, Durham. A block of rooms is being held until April 17. The room rate is \$95 per night, double or single. Reserve now because the number of rooms is limited. To get the group rate, call (800) 445-8667 and tell them you are with the North Carolina Society of Accountants. The three letter code is "NSA."

The classes will be held May 18-19. Susan Wiedman, CPA, will speak on Accounting for Retirement Plans; Skip Easterly from the NC Department of Labor, will speak on Conflict Resolution; Cheri Meyers, head of the Corporations Division for the Secretary of State, will speak on Corporations and Annual Reports; John Ayers, CPA, will speak on Accounting for Corporate Liquidations and also Statement of Cash Flows; James Blackburn's talk is entitled "Ethics: The Unforgiving Minute;" and David Johnson from the NC state bar will speak on Practicing Law Without a License.

REGISTRATION

Registration includes breakfast, lunch, and breaks for both days.
The PAS will conclude Friday afternoon with a Chocolate Fantasy treat!
You will not want to miss it!

Please complete and return this form to the NCSA office:

NCSA, Post Office Box 1126, Conover, NC 28613

Phone: 866-755-6272 Fax: 828-695-2522



	Before May 1 st	After May 1 st
Member	\$220.00	\$245.00
Non-Member	\$280.00	\$305.00

10% discount available for each additional registration from the same firm if registration is received before May 1st

Name _____

Address _____

City, State, Zip _____

Telephone _____

Credit Card Number _____

Exp. Date _____

Billing Address for Card _____

Signature _____

METHOD OF PAYMENT:

_____ Check (Make payable to NCSA)

_____ Visa

_____ MasterCard

_____ American Express

Spring PAS

Energy Credits

Guidance was issued in Notice 2006-26 on the certification that homeowners may rely on when they claim credits for purchases that make their homes more efficient. During 2006, individuals can make energy-conscious purchases that will provide tax benefits on 2006 tax returns. The credit also will be available for purchases in 2007. Manufacturers offering energy efficient items such as insulation or storm windows can assure their customers that their energy efficient items will qualify for the tax credit if certain energy efficiency requirements are met.

A recent tax law change provides a tax credit to improve the energy efficiency of existing homes. The law provides a 10% credit for buying energy efficiency improvements. To qualify, a component must meet or exceed the criteria established by the *2000 International Energy Conservation Code* (including supplements) and must be installed in the taxpayer's main home in the United States. The following items are eligible:

- Insulation systems that reduce heat loss/gain
- Exterior windows (including skylights)
- Exterior doors
- Metal roofs (meeting applicable Energy Star requirements)

In addition, the law provides a credit for costs relating to residential energy property expenses. To qualify as residential energy property, the property must meet certification requirements prescribed by the Secretary of the Treasury and must be installed in the taxpayer's main home in the United States. The following items are eligible:

- \$50 for each advanced main air circulating fan
- \$150 for each qualified natural gas, propane, or oil furnace or hot water heater
- \$300 for each item of qualified energy efficient property

The maximum credit for all taxable years is \$500—no more than \$200 of the credit can be attributable to expenses for windows.

Additionally, the new law makes a credit available to those who add qualified solar panels, solar water heating equipment, or a fuel cell power plant to their homes in the United States. In general, a qualified fuel cell power plant converts a fuel into electricity using electromechanical means, has a an electricity-only generation efficiency of more than 30% and generates at least 0.5 kilowatts of electricity. Taxpayers are allowed one credit equal to 30% of the qualified investment in a solar panel up to a maximum of \$2,000, and another equivalent credit for investing in a solar water heating system. No part of either system can be used to heat a pool or hot tub. Taxpayers also are allowed a 30% tax credit for the purchase of qualified fuel cell power plants, and the credit may not exceed \$500 for each 0.5 kilowatt of capacity.

The items must be placed in service after December 31, 2005, and before January 1, 2008.

Form 944

Under Reg-148568-04, for those employers with a total FICA and federal withholding of less than \$1,000 per year, the IRS wants them to use the new Form 944 to report their FICA and withholding annually instead of quarterly on Form 941. The look back period used to determine if the amount is less than \$1,000 is the last July through June reporting periods.

The IRS supplies written notification to employers who qualify for Form 944 and annual tax deposits. This does not include users of Form 943 or Form 1040 Schedule H.

If a notified employer wishes to continue using Form 941 and making more frequent deposits must notify the IRS in writing that it will file Form 941 electronically instead of the Form 944 or the employer anticipates annual employment tax liability will exceed \$1,000. Employers otherwise meeting the criteria of the Form 944 filing will be permitted to file Form 941 only if they receive written notification from the IRS that their filing requirement has been changed to Form 941.

NC Settlement Initiative

The NC Department of Revenue has announced a settlement initiative directed at certain transactions which create tax benefits, deductions, or losses the Department considers improper. Taxpayers under audit and any other taxpayers which have engaged in eligible transactions may elect to sign an *Election to Participate in Settlement Initiative* before June 16, 2006, and pay all tax, penalty, and interest before December 15, 2006.

The details are too numerous to list here. Go to www.dornrc.com/settlement-initiative to read all of the documents and a list of questions and answers if you (or any of your clients) feel guilty.

Form 7004

In IR-2006-29, the IRS states it has simplified the process for business taxpayers filing for an extension. All business taxpayers who previously filed extension Forms 8800, 8736, 7004, and 2758 now only have to file the revised Form 7004, *Application for Automatic 6-Month Extension of Time to File Certain Business Income Tax, Information, and Other Returns*, to request an automatic six-month extension of time to file.

For the 2005 filing season, business taxpayers must file Form 7004 by the due date of the return in order to receive an automatic extension of time to file. The extension period is calculated from the due date of the return.

New regulations make this option available to most non-corporate business taxpayers, including partnerships and trusts. Previously, only corporations could request an automatic six-month extension. All eligible non-corporate business taxpayers had to request an initial three-month extension and, if more time was needed, then had to request another three months.

Changes also have been made to the processes for obtaining extensions for filing estate and gift tax returns. Revised Form 4768 allows a single six-month extension for all Form 706 return filing. The request must be made on or before the due date of the Estate Tax Return.

A revised Form 8892 must be filed for 2005 extension requests when the taxpayer extending Form 709 only without extending the Form 1040 or when the taxpayer is paying a gift tax liability. It may be used to request an automatic six-month extension for filing Form 709 in those cases where a Form 4868 was not filed. A new tear-off section, Form 8892-V, includes a voucher for paying a gift/GST-tax liability.

Free Publications

The IRS announced that Publications 1518 and 3207 now are available on-line. You can order a supply for your office from www.irs.gov/business/small/article/0,,id=101169,00.html.

Remember, these products as well as the shipping and handling are free. You may wish to provide them to some of your customers. If you require more than the 5, the distribution center allows you to order, e-mail your request.

The Tax Calendar for Small Businesses and Self-Employed, Publication 1518, now is available. This 12-month wall calendar is filled with useful information on general business taxes, IRS and SSA customer assistance, electronic filing and paying options, retirement plans, business publications and forms, and common tax filing dates. Each page highlights different tax issues and tips.

The Small Business Resource Guide, CD-ROM provides critical tax information to small businesses including forms, instructions, and publications. The CD also provides valuable business information from a variety of government agencies, non-profit organizations, and educational institutions. The CD contains essential startup information needed by new small businesses in order to be successful. The design of the CD makes finding information easy and quick and incorporates file formats and browsers which can be run on virtually any desktop or laptop computer.

NCSA Schedule of Events

2006

May 5—**District IV Networking**—
Holiday Inn—Jekyll Island, GA

May 6—**Low Country Tax Release**—
Holiday Inn—Jekyll Island, GA

May 18—**NCSA Board of Directors Meeting**—
Durham Hilton near Duke University-5:30 pm

May 18-19—**Spring PAS**—
Durham Hilton near Duke University-8 am

June 2—**ACAT Examinations**

June 25—**NCSA Board of Directors Meeting**—
Wilmington Hilton Riverside—Wilmington—4 pm

June 25-27—**Annual Convention**—
Wilmington Hilton Riverside—Wilmington

July 22—**Board of Directors Meeting**—
Clarion—Greensboro—9am

July 22—**Leadership Conference & Committee Day**—
Clarion—Greensboro—10:30 am

August 17-19—**NSA Convention**—Providence, RI

November 28-29—**PTI**—Embassy Suites—Greensboro

November 29-30—**PTI**— Best Western Uptown—Charlotte

November 30—December 1— **PTI**—
Ocean Reef—Myrtle Beach, SC

2007

January 24—**Legislative Reception**—Sheraton—Raleigh

June 22-24—**Annual Convention**—Winston-Salem

August 16-18—**NSA Convention**—Portland, OR

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