



The Accountant

Official Publication

of the North Carolina Society of Accountants

Post Office Box 1126, Conover, NC 28613

828-695-2520 or 866-755-NCSA FAX: 828-695-2522

April 2007

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Mark
Your
Calendars

NCSA
Fall PAS

September
21-22, 2007

Marriott Durham
at the Civic Center
Durham, NC

A Message From The President

Wayne O. Parker

Hello all; are we still having fun? I hope everyone is enjoying a very prosperous tax season and staying healthy. With another month behind us we are on the down slide now with April 15th rapidly approaching. However, this year due to the holidays it won't be over until the 17th. Are we impressed or what? Then we could get some rest, but of course quarterly reports are due shortly. Does it ever end?

Spring is in the air, but it feels more like summer to me! “Have you ever been stopped in your tracks by the majesty of a great old tree or the power of the ocean? Natural wonders like these help reshape our definition of joy. It's easy to tune up your senses to be more observant of the joy around you. When you do, you begin to realize the world is at your fingertips.”—William Blake. “The best and most beautiful things in the world cannot be seen, nor touched...but are felt in the heart.”—Helen Keller

Don't forget to mark your calendars, the next BOD Meeting will be May 18, at the Embassy Suites, Winston Salem.

Did you mark your calendars for June 20th to 24th? Plan to attend the Summer PAS and Annual Convention at the Embassy Suites, Winston Salem.

Have you made your investment in your professional future? Don't forget the NCSA's legislative fund-raising letter. We need to replenish these funds in order to continue monitoring our rights to practice as we do today in North Carolina. With that thought the Sales and Excise Tax Modernization Subcommittee, Chaired by Tom Ross, 308 Tenney Circle, Chapel Hill, NC 27514, phone 800-443-8319, email tomr@zsr.org has been asked to identify ways to broaden the sales tax base. The Subcommittee has tentatively agreed on the concept that North Carolina's general sales and use tax should be broadened to cover services (e.g., accounting, legal, architectural, dentists, doctors, nurses working outside hospitals, medical labs, and all other services). However, the Subcommittee has not yet determined how this should be implemented. This will put the burden of sales tax filing on many small businesses not currently required to pay sales tax.

Please make every effort to support your local chapter. The chapter officers work hard to put the monthly meetings together and we should support them with our attendance.

Thank all of you for your support.



Wayne O. Parker

Chapter News

Sanford

The meeting was held on January 16 at the office of Elizabeth Kelly. The chapter discussed chapter promotions and changes for 2007. Six members attended.

The next meeting will be February 20, at the office of Elizabeth Kelly at 6:00 pm. The topic of discussion will be tax problems and questions.

Burlington

The January meeting will be held of January 25, at 6:30 PM, at Kimbers Restaurant in Gibsonville. The speaker will be Ms. Jan J Humble of American Benefits Corporation, discussing employee benefit and retirement plans.

The Burlington chapter will hold a roundtable discussion at the Kimbers Restaurant on Thursday, March 27, at 6:30 pm. Officers for the coming year will be elected.

Charlotte

The Charlotte chapter met at Captain's Galley Restaurant on January 29, with 16 members and 4 guests. Avery Henline, Senior Stakeholder Liaison with the IRS discussed the highlights and tax law changes in 2006 and also talked about how to use the IRS site more effectively.

Norma Jean Rector spoke on Health Savings Accounts at the February meeting. It was held on February 26 and attended by 11 members and 1 guest.

The chapter voted to send \$50.00 to the Humane Society in memory of Clyde Karriker.

Rev. Dee B. Martin was accepted as an honorary member and Chaplain of the Charlotte Chapter.

Central

Central Chapter met on January 22 at the Pavillion Restaurant in Greensboro, with 5 members and 2 guests attending. The speaker was Jonetta Appling of the NC Department of Revenue. She gave an informative overview of some of the changes and a review of the North Carolina tax law. She pointed out that the underpayment penalty has been reclassified from "penalties" to "interest," making it impossible to be waived.

The February meeting was at the Pavillion Restaurant on Vandalia Road in Greensboro on February 26. Ron Powell gave a presentation on Tax Forum Questions and Answers. Four chapter members attended. There was also a discussion of various Federal changes for 2006. Ron covered the residential energy credit and the 1098-T tuition statement as well as other changes.

The next meeting will be March 26, 2007, with a site to be announced.

Cape Fear

The meeting was held on Monday, February 19 at 6:30 pm, at the Barn Restaurant in Fayetteville. John S. Ayers, CPA, spoke on Form 8913—Credit for Telephone Excise Tax.

The next meeting will be on Monday, March 19, at 6:30 pm.

Hickory

The Hickory chapter had a joint meeting with Western at the Countryside Bar-B-Que in Marion, with 5 members from Hickory present. Stephen Metelits gave a presentation on the Production Activity Deduction.

The meeting took place on February 26, at the Olive Garden Restaurant in Hickory. There were 9 members and 3 guests in attendance. The chapter had the annual tax round table with everyone contributing problems and solutions for the current season.

The March meeting was cancelled.

Raleigh

The meeting was held on January 24 with Stephen Metelits speaking on "An Overview of Accounting Standards and Financial Statements." There were 13 members and 1 guest in attendance.

The February meeting was held on February 27, and featured an informal discussion on tax research and case studies led by Robert Pia.

The next meeting will be on March 27.

Western

The January meeting was held on Tuesday, January 30, at Countryside Bar-B-Que in Marion. Stephen Metelits spoke on changes in the production activities deduction. There were 12 members from the Western Chapter, 5 from Hickory, and 7 guests in attendance.

No meetings are scheduled for February and March. Brent Dees, a professional business coach, is the proposed speaker for April's meeting. Time and place will be announced.

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 lfacct@bellsouth.net or fax to 828-438-8111.

New Address for Forms 1042

All 1042 forms (including Forms 1042, 1042-S, and 1042-T) should be mailed to the Ogden Service Center rather than to Philadelphia as in past years. The mailing address is:

Ogden Service Center
PO Box 409101
Ogden, UT 84409

The Ogden address is shown on the Forms 1042 and 1042-T instructions but not on the Form 1042-S instructions, which could not be updated in time to provide the new address.

Form 8109-B

The IRS frequently is asked, "Why can't I get a blank *Federal Tax Deposit Coupon* (FTD), Form 8109-B?" The answer is, under certain circumstances, blank coupons are available. However, blank coupons should be used only when absolutely necessary.

The IRS encourages employers to take advantage of the Electronic Federal Tax Payment System (EFTPS). For employers who are not going to activate their EFTPS enrollment and wish to begin making tax payments using the FTD coupons, they must call the IRS at (829) TAX-4933 to obtain additional coupons. Allow 5-6 weeks for delivery. If a payment must be made in the near future, an FTD coupon can be mailed to you and can take 7-10 days.

Employers currently using paper FTD coupons usually receive new coupon booklets automatically. If not, call (800) TAX-4933 to reorder.

Some tax professionals have a need for both themselves and their clients to make federal tax payments. For a tax professional in this situation, you should consider EFTPS as it allows both you and your client to enroll separately and make payments for all types of federal taxes. If your client applied for and received an EIN after January 2004, most likely they already are enrolled in EFTPS as part of the IRS express enrollment initiative for new businesses.

There are options for getting blank coupons. Local Taxpayer Assistance Centers (TACs) can provide an authorized individual, depending on their employer's deposit frequency, either 4 or 8 Forms 8109-B with the EIN and business name already entered. If there is not a local TAC in the area, call (800) TAX-4933 to request Forms 8109-B.

Another option for obtaining up to 25 blank Forms 8109-B is by writing the IRS National Distribution Center on company letterhead. Requests should be sent to:

Internal Revenue Service
National Distribution Center
PO Box 8901
Bloomington, IL 61702-8901

Blank Forms 8109-B should be used only in an emergency situation and should not be used on a continuing basis.

NC Filing Deadline April 17

The NC Department of Revenue has extended the deadline for filing state tax returns in 2007. The extended deadline conforms to a change made by the IRS which moved its deadline for filing tax forms to April 17, 2007. The IRS made this change because April 15 falls on Sunday and April 16 is Emancipation Day, a legal holiday in Washington, DC.

North Carolina follows suit and extends the state's filing deadline to ease the burden on taxpayers and reduce confusion. NCDOR will consider any returns and payments that would have been due on April 16 as on time if they are filed and paid by April 17. The change affects individual as well as corporate filers.

Postage

Postage probably will increase on May 14. The cost of the first ounce will go to 41¢, additional ounces and postcards go to 26¢, and priority mail for the first pound to \$4.60.

A "forever" stamp will be on sale for a limited time in 20-stamp booklets and 18-stamp sheets at 41¢. These stamps will be good for a one-ounce letter even if the rates go up in the future.

Embassy Suites Hotel

Winston Salem

Reservation Information

The Embassy Suites Downtown Winston - Salem NC hotel in the Twin City Quarter connected to the Benton Convention Center is walking distance from the Stevens Center at the North Carolina School of the Arts and the Winston - Salem Arts District. This full-service upscale all-suite hotel is just minutes from the campuses of Wake Forest University & Winston - Salem State University, historic Old Salem NC - home of the Old Salem Children's Museum, the Southeastern Center for Contemporary Art - SECCA, SciWorks, Diggs Gallery and the Hanes Shopping Mall. The hotel is located ten minutes from the Smith-Reynolds Airport and 20 minutes from the Piedmont Triad International Airport. Guests of the Embassy Suites Winston - Salem hotel stay in spacious two-room suites and receive a complimentary full cooked-to-order breakfast and a nightly manager's reception. Wireless high-speed internet access is available throughout the hotel. The hotel offers 24-hour room service.

Make your hotel Reservation: Call the Embassy Suites Winston Salem reservations at 1-800 696-6107. Please ask for the North Carolina Society of Accountants group rate: Single or Double \$119 per night.

How to Get There: Business I-40 to downtown Winston-Salem. Take the Cherry Street Exit. Hotel is on your left.

North Carolina Society of Accountants 2007 Tentative Convention Agenda

Thursday, June 21

Registration - 8am-1pm
CPE 8am-12pm
Lunch
CPE 1pm-2:45pm
Break 2:45-3:00pm
CPE 3:00-4:45pm

Friday, June 22

Registration – 7:00am to 12:00pm
CPE – 8:00am to 11:40am (4 hours)
Lunch 11:40am to 1:00pm (On your own)
Golf – 12:00pm *or mini golf tournament*
CPE – 1:00pm to 4:40pm (4 hours)
Social Time – Cash Bar – 6:30pm to 7:00pm
Theme Dinner – 7:00pm to 11:00pm
Nominating Committee Meeting – 9:00pm to 11:00pm

Saturday, June 23

Opening of the 61st Annual Convention – 9:00am
General Business Session – 9:30am
Past Presidents Luncheon – 12:00pm to 2:00pm
General Business Session – 2:00pm to 5:00pm
Social Time – Cash Bar – 6:30pm to 7:30pm
Banquet and Installation Ceremony – 7:30pm to 10:30pm

Sunday, June 24

Board of Directors Meeting—9 a.m.

Tax Hints—Practitioner's Guide to the Filing Season

The IRS has published the 2007 version of *Tax Hints—Practitioner's Guide to the Filing Season*. Look on the IRS web site, tax professionals, and search for 2007 tax hints.

While hardly timely this late in the filing season, it is full of things we should have known and lots of links. It is worth reading to see if you did things right.

NC Law Update

A bill before the Legislature would update NC tax law to conform with the Internal Revenue code as of January 1, 2007. This would take care of some of the problems caused by Congress passing a tax law in early December 2006 that extended some deductions that expired at the end of 2005 that should have been extended much earlier. The federal deductions were retroactive to January 1, 2006. This bill is sponsored by Representatives Carney, Brubaker, Church, Hill, Wainwright, and Wilkins.

New Offer in Compromise Form

In IR-2007-50, the IRS announced the newly revised taxpayer application for an offer in compromise, Form 656, is available now. The Form 656 package was revised last in 2004 to help taxpayers correctly and completely prepare an offer and reduce the chances of the offer being returned for omissions. The new form retains the taxpayer burden reduction features while adding significant changes as a result of the *Tax Increase Prevention and Reconciliation Act of 2005*. These changes include:

- New payment terms and submission rules;
- A new matrix to assist in determining the number of Forms 656, \$150 application fee, and required payments to submit to the IRS depending on the number of individuals submitting the offer and the types of liabilities being compromised;
- A checklist, redesigned as a result of the act, to help taxpayers determine if they are eligible to file an offer before they invest time in form preparation;
- Revised Section V defining the contractual terms of the offer;
- Application Fee and Payment Worksheet to determine eligibility for claiming exception to the payment of the \$150 application fee and the mandatory offer payments imposed by the law;
- Form 656-PV, *Periodic Payment Voucher*, a removable form designed to be used to remit the required payments to the IRS while the offer is under investigation; and
- Form 656-A, renamed *Income Certification for Offer in Compromise Application Fee and Payment*.

“Red Flags” on Schedule C Returns Could Trigger IRS Audits

In an effort to reduce the estimated \$345 billion “tax gap” in the United States (the difference between what taxpayers voluntarily pay and what they really owe) the National Society of Accountants (NSA) reports that the IRS is stepping up audits of small businesses run by sole proprietors.

NSA says the IRS believes there is a large underpayment of taxes by sole proprietorships. Therefore, the IRS is focusing its efforts and resources on individual tax returns that report business income and expenses on Schedule C.

Some of the red flag areas of “Schedule C” businesses are:

- **Using the Wrong Accounting Method** – Cash, accrual, or hybrid accounting methods are used by various businesses. But companies that have inventory should usually use the hybrid method.
- **Lack of Documentation of Auto Expenses** – Individuals can choose to deduct the standard mileage rate for business trips in their personal vehicles (44.5 cents per mile in 2006 and 48.5 cents per mile in 2007) or total all their actual expenses and depreciation for the auto and multiply the total by the business use percentage. Many rules and limits applied to automobile deductions, but the main one is to keep good records of business miles. The good news is that there are new additional deductions for business-related parking fees and tolls, and the business percentage of interest and personal property taxes on the automobile.
- **Improper Meal and Entertainment Expenses** – Expenses for entertaining clients, customers, or employees may be deducted if they are both ordinary and necessary. The main purpose of the expense must be directly related to the conduct of business. There are record keeping rules and generally only 50 percent of the business meal and entertainment expenses can be deducted.
- **Unqualified Home Office Deductions** – To qualify for deductions, the area in the home used for business must be used regularly and exclusively as the principal place of business, as a place to meet with clients, or in connection with the business if it is a separate structure not attached to the taxpayer’s personal residence. Storage of inventory or product samples and Day Care Facilities have special exclusions.
- **Paying Family Members** – Employing family members is deductible only if the work is done in connection with the trade or business, the family member actually renders the services, and payments are actually made. Small business owners should make sure they have documentation to demonstrate that they meet these criteria. Tax Tip: Paying wages to a child can be an effective income-shifting strategy for a taxpayer who owns a business. A child who is under age 18 and employed by the parent in a Schedule C business is exempt from Social Security and Medicare tax withholding.
- **Improper Classification of Employees** – Small businesses need to pay close attention to whether the people they hire can be classified as independent contractors or employees. This is one of the most misunderstood and abused areas of the tax law, and the IRS has this on their “Top Ten” list. The repercussions of misclassifying an employee as an independent contractor can be devastating to a business.

Cram Course for the ABA Exam

If you are looking to earn the Accredited Business Accountant credential, here's a way to jump start your study preparation and take the exam when you are most prepared to tackle it. Sign up for the ABA Crash Course and Exam. The course and exam will take place August 13-15 at the Portland Marriott Waterfront, Portland, OR, immediately preceding the NSA Annual Meeting.

This two-day cram course will help reinforce and expand your knowledge of the five topics covered by the exam. You will have the opportunity to take a sample exam, receive tips and tools from expert facilitators, and build the body of knowledge needed to successfully pass the ABA exam. Then, when you are all prepared, the ABA exam will be administered on the third day.

The cram course is a comprehensive coordinated program designed to fully prepare you with the knowledge and test-taking skills to pass the ABA test. You will receive a copy of the ACAT Prep Book, a two-binder set covering all five aspects of the 200-question exam:

- Accounting
- Business Consulting
- Business Law
- Ethics
- Taxation

You'll have two full days with skilled facilitators giving you strategies for answering questions and time-tested hints on test-taking skills. This cram course will touch on the exam's topics, but its main focus is preparing you to take the test, not teaching you accounting.

Those taking past cram courses have done extraordinarily well on the ABA exam with a significantly higher than usual past rate.

Though registrations will be accepted until July 31st, to maximize your results and give you the most preparation time, we strongly encourage you to register by May 1.

Fee: \$295 members; \$395 nonmembers; With ATP Option: \$370 members; \$500 nonmembers. Registration includes all course materials including \$185 ACAT Prep Book, study guide, sample exam, breaks, and the \$200 registration fee for the exam.

Time: Monday and Tuesday, August 13-14: 9:00 a.m. – 5:00 p.m. Wednesday, August 15: 7:45 a.m. – 5:00 p.m.

Speakers

Al Giovetti, CPA, ABA, ATA

For over 25 years, Giovetti has been in partnership with his wife, Christine, in an accounting and tax firm in suburban Baltimore, MD. Al has passed the CPA examination and the IRS Special Enrollment Examination and is one of the authors of the *ACAT Preparatory Course Manual*. Al has taught the ACAT Prep course for over 10 years, and has also taught the IRS Special Enrollment Examination (EA) preparatory course, as well as college accounting, computer and other courses at both graduate and undergraduate levels. Al is a regular contributor to the *Free State Accountant*, *NPA Magazine*, and a variety of other publications.

Bill Parrish, ABA, ATA, ATP, ECS

Bill Parrish is an accountant and tax professional serving clients in several states and is the founder and chief operating officer of (oneplusone)³. Additionally, he works for his wife, Cheryl, at her practice in Overland Park, KS. He has spoken at seminars for the Internal Revenue Service, accounting societies, and banking groups. He received the Golden Quill Award from the National Society of Accountants, their annual award for the best member-written article for their national publications and their highest annual award, the Distinguished Service Award. Bill has received the District Director's Award twice from the Internal Revenue Service, has served the Public Accountants Association of Kansas in numerous positions including President. He is a past member of the NSA Board of Governors and past Chairman of the Accounting Standards Committee. He is also past president and a past member of the ACAT Board of Directors.

Attend the NSA Annual Meeting

Extend your stay and attend the National Society of Accountants' Annual Meeting, August 16-18. For more information, visit nsacct.org/profdev.asp

Sign-up Now

For more information and a registration brochure, email Peg Kirkpatrick, NSA; pkirkpatrick@acatcredentials.org; or call 888.289.7763

NCSA Schedule of Events

2007

- May 18—**Board of Directors**—Embassy Suites—
Winston-Salem, 4 pm
- June 21-22—**Summer PAS**—Embassy Suites—
Winston-Salem—8 a.m.
- June 23—**Annual Convention**—
Embassy Suites— Winston Salem—9 a.m.
- June 24—**Board of Directors**—Embassy Suites—
Winston Salem, 9 a.m.
- July 21—**Leadership Conference & Committee Day**—
Holiday Inn Airport—Greensboro, 9 a.m.
- August 16-18—**NSA Convention**—Portland, OR
- September 21—**Board of Directors**—
Marriott Durham at the Civic Center, Durham—5 p.m.
- September 21-22—**Fall PAS**—
Marriott Durham at the Civic Center, Durham
- September 28-30—**NSA Leadership**—Tampa/St Pete, FL
- October 19—**Practitioners' Forum**—
Holiday Inn Airport, Greensboro—9 a.m.
- October 19—**Board of Directors** —
Holiday Inn Airport, Greensboro—4 p.m.
- October 20—**District IV**—
Holiday Inn Airport, Greensboro—9 a.m.
- 2008**
- May 10—**Board of Directors Meeting**—
Zoo—Asheboro, 10:30 a.m.
- June 19—**Board of Directors Meeting**—
Marriott Durham at the Civic Center, Durham—4 p.m.
- June 20-21—**Spring PAS**—
Marriott Durham at the Civic Center, Durham—8 a.m.

2006-2007 OFFICERS

PRESIDENT – WAYNE O. PARKER

3617 Old Lexington Road
Winston Salem, NC 27107
336-784-4160

PRESIDENT-ELECT – STEPHEN METELITS

77 Fearington Post
Pittsboro, NC 27312
919-933-0724

VICE-PRESIDENT – DENISE J. HAMMOND

P.O. Box 938
Morganton, NC 28680-0938
828-437-7058

SECRETARY – RONALD D. POWELL

350 South Cox Street, Suite A
Asheboro, NC 27203-5715
336-625-1427

TREASURER – SUSAN S. MCLEAN

P.O. Box 1028
Jamestown, NC 27282-1028
336-454-3136

IMMEDIATE PAST PRESIDENT – FLORENCE W. BLACK

P.O. Box 53488
Fayetteville, NC 28305-3488
910-484-3800

ASSOCIATION OFFICE

Candace Cansler, Executive Director
866-755-NCSA(6272) toll-free
828-695-2520 (v) 828-695-2522 (f)

THE ACCOUNTANT EDITOR – STEPHEN METELITS
metelits@usa.net

North Carolina Society of Accountants
Post Office Box 1126
Conover, NC 28613
www.ncsainc.org *Address Service Requested*