The Accountant

Official Publication

of the North Carolina Society of Accountants

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August 2005

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A Message From The President

Florence W. Black

Florence W. Black

The 2005 NCSA Convention at Kingston Plantation, Myrtle Beach, South Carolina, was a great success. I enjoyed the fellowship, and I especially enjoyed seeing some of our past members that have not been to a convention in a long time. I really appreciate the effort given by Rhonda Marsh and Curt Lee, her convention chairperson, to end a good year with President Marsh and to launch my year as your president.

Since the convention your line officers and I have been busy traveling the state to visit local chapters. We have made eleven visits to seven chapters. We have had the honor to accept invitations to install officers at some of these meetings. Whether we are installing officers or just visiting, we enjoy touching base with the local chapters to hear from the membership and to comment on the activities of the state organization. In order to plan as well as we can, we ask that the secretaries of the local chapters send their meeting notices to the line officers and the board of directors so that we will know where and when local meetings will be held. We will try to visit each chapter as often as we can, and we welcome the opportunity to install your officers.

On July 23, 2005, thirty-two members from nine chapters attended the Leadership Conference/Committee Day. After my welcome and self introductions by all attendees, Vice-President Stephen Metelits led an open discussion of the responsibilities and duties of all leadership positions. After the Leadership Conference the various committees gave reports of their activities and future plans as far as they were known at that time.

As you arrange your activities for this fall, I encourage all of you to set aside October 28, 2005, from 9:00 a.m. to 2:30 p.m., to attend the Tax Forum at the Ramada Inn, Airport, Greensboro, North Carolina. This forum is our chance to learn about the Internal Revenue Service's processes and to have a *direct* input on improving them. Some of our past suggestions have actually been used by the IRS. Please attend the Tax Forum and help the IRS help us.

Thank all of you for all that you do.

Chapter News

Hickory

The June meeting was a cook-out at the home of Ken & Colene Cockrell in Taylorsville on June 18. Nine members and 15 guests enjoyed the lake, good food and the hospitality of our hosts. Kenneth Cockrell discussed Vacation Homes and Second Home Deductions.

The July meeting was held on Monday, July 25th at McGuffey's in Hickory and featured installation of officers by Florence Black, president of NCSA. Florence spoke on the importance of being a member of NCSA. The current officers will continue in their positions:

President – Alene Dale
Vice-President – Joyce Reese
Secretary – Denise Hammond
Treasurer – Susan Moore

After installation of officers, Denise Hammond presented information on Leadership/Committee Day, Chapter Cup criteria, E-filing refund cycle for 2006, and bankruptcy. There were 12 members and 5 guests present.

The Hickory Chapter will meet on August 29, with Paul Bumgarner speaking on Elder Care at a place to be announced. Future speakers and topics include: September 26 – James Helgreen – To be announced
October 24 – Pat Pitillo – Tax Issues for Ministers & Churches

Charlotte

The June meeting of the Charlotte Chapter featured Florence Black, President of NCSA, giving an update of state activities. Attending were 16 members and 2 guests. New officers were installed. They are:

President – Dottie Hoffman
Secretary – Janice Pope
Vice President – Lee Ezell
Treasurer – Pat Wiley

The regular meeting of the Charlotte Chapter was held Tuesday, July 26, at Captain's Galley Restaurant, with 15 members and 8 guests in attendance. The chapter welcomed 4 potential members to the meeting. The featured speaker was Paul Bumgarner, discussing Elder Care. He was assisted by Judy Biddix, a certified estate planner.

Future meeting speakers and topics include: September 27 –Denise McBride – Engagement Letters
October 25 – Brian Hubert - Quickbooks Problems

Cape Fear

The July chapter meeting was held on July 18, at 6:30 pm, at the Brass Lantern in Dunn. Paul Bumgarner spoke on Elder Care. He was accompanied by Judy Biddix, Certified Estate Planner, who emphasized the importance of planning for younger clients.

Congratulations to Cape Fear for winning the Chapter Cup for the third year!

The next chapter meeting is scheduled for August 22.

Central

Central Chapter met on July 25, with 8 members attending. Leadership information was shared and the events calendar for NSA/NCSA was given to each member. A discussion was held concerning tax advice at the mall for January 21, 2006. Central Chapter is looking at support for Randolph Mall, Asheboro and Four Seasons Town Center, Greensboro.

The Chapter reorganized officer positions to combine the secretary and treasurer positions. New officers were elected and installed by Ron Powell, Secretary of NCSA. They are:

President – Erma Reynolds-Woodfin   Vice President – Sarah McCoy   Secretary/Treasurer – Lottie Neal

Piedmont

Congratulations to Piedmont Chapter for winning the Scholarship cup!

Raleigh

The next meeting will take place on Tuesday, September 27, with the topic to be announced.

Congratulations to Raleigh Chapter on winning the Membership Cup for 2004-2005!

Western

Western Chapter held its meeting on July 26 with 8 members and 10 guests in attendance. Officers were installed by NCSA President Florence Black. New officers include:

President – James N. E. Helgreen
Treasurer – Rodney Guffey
Vice President – Wendell Capes
Secretary – Jan Allison

Installation was followed by a program on Vehicle Contributions presented by Stephen Metelits.

The August 30th meeting will feature Jeffery Weller for Edward Jones.

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.

Pay NC Individual Taxes On-Line

Now you can pay various NC individual taxes on-line by bank draft and debit or credit card (Master Card or Visa). If you pay by plastic, there is a "convenience" fee of $2 for every $100 (or part thereof) of payment. Two business days after the submission, the NC Department of Revenue will send you an e-mail confirmation number which you should keep as proof of payment.

Each payment type has its own address:

- ◊ **NC-40**, Individual Estimated Income Tax, go to www.dornc.com/electronic/nc40.html;
- ◊ **D-410**, Application for Extension for Filing Individual Income Tax Return, go to www.dornc.com/electronic/d410.html; and
- ◊ **Bills and Notices** go to www.dornc.com/electronic/billandnotice.html.

The Accountant

Stephen Metelits, Editor

This is the August issue of *The Accountant*. It is one of 12 issues published each year. It is one of 6 issues that are printed each year.

For those of you new to the on-line issue, you might notice that some information is in purple. This information was in the previous issue and is included here for the benefit of those that only get the print copy. If you read the previous issue, you can skip the purple text without missing anything.

There have been some complaints that some cannot open the on-line issue. Please download the latest version of the Adobe Reader from the adobe.com website. It is free.

For those who get only the print issue, there is much more information available on-line. There is timely information in the July issue (sale tax holiday, for example) that is not included in this issue because it no longer is timely. Also, space limitations force us to drop some articles from the July issue because we only print 8 pages (the July issue was 9 pages and more articles have been added since then).

To get all the information in a timely fashion, make sure that our Executive Director has your current e-mail address. We want *The Accountant* to be a real source of news delivered to you in time for you to use it.

IRS to Accept Facsimile Signatures on Employment Tax Returns

The IRS has issued new rules allowing corporate officers or duly authorized agents to sign employment tax forms by facsimile, including alternative signature methods such as computer software programs or mechanical devices. The rules, outlined in Revenue Procedure 2005-39, will reduce the burden on business taxpayers by simplifying employment tax filing and lowering the number of returns rejected by the IRS because of signature issues.

Rev. Proc. 2005-39 applies to the following forms:

- Any form in the 940 series, including Form 940, *Employer's Annual Federal Unemployment Tax Return (FUTA)*; Form 941, *Employer's Quarterly Federal Tax Return*; Form 943, *Employers Annual Federal Tax Return for Agricultural Employees*; and Form 945, *Annual Return of Withholding Federal Income Tax;*
- Form 1042, *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons;*
- Form 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips;*
- Form CT-1, *Employer's Annual Railroad Retirement Tax Return;* and
- Any variant of these forms, such as Form 941c, *Statement to Correct Information;* Form 941-SS, *Employer's Quarterly Federal Tax Return.*

The IRS issued the revenue procedure in response to an Industry Issue Resolution submission presented to the IRS last year by the National Payroll Consortium.

2005 TAX PROFESSIONALS SEMINARS

Did you have a successful filing season? As a busy tax professional, it is important to get an early start on the next filing season, to make sure it is even more successful! **In the IRS press release issued on April 28, 2005, over 66 million tax returns had been filed electronically. This was an over 10 percent increase in e-filing.**

The IRS believes that your organization is a part of this sweeping trend. We have spoken with many of you and have found that while e-file is good, it can be better. The IRS recently introduced the availability of e-Services to include Transcript Delivery (TDS), Electronic Account Resolution (EAR), and Disclosure Authorization (DA). We hosted several seminars giving you some general information about each system and how it would benefit your organization. Now we would like the opportunity to walk you through the use of these systems. We have scheduled several seminars that will show you, step by step, how to access and use the three incentive services. Regardless of your level of e-service expertise, the 2005 Tax Professional Seminar will provide valuable information on moving your business forward.

The IRS Taxpayer Education and Communication offices in Charlotte and Greensboro are sponsoring Tax Professional Seminars on August 10th and August 16th. The seminars are designed to educate tax practitioners on many important IRS topics such as:

- Access and successful use of the e-Service incentives: EAR, TDS, and DA
- Highlights of e-Service and e-File Updates for Tax Year 2005
- Circular 230 discussion
- Updates from your Taxpayer Advocate

The seminars begin at 9 am and end at 3:30 p.m. Enrolled Agents and Certified Public Accountants (subject to approval by your state board) can earn Continuing Professional Education (CPE) Credits.

Attendance at this no cost seminar is available on a **first-come basis**. Space is limited so call today! To register, send e-mail (***preferred method***) with your name, business name, street address, city, state, zip code and phone/fax number to Evette.Davis@irs.gov (Charlotte), Eugenia.Tabon@irs.gov (Jamestown), or by faxing the enclosed registration form to:

Internal Revenue Service, SBSE, TEC
Attention: Evette Davis, Seminar Coordinator
(704) 566-5395

Wednesday, August 10, 2005 *9:00 a.m. – 3:30 p.m.*	*Tuesday, August 16, 2005* *9:00 a.m. – 3:30 p.m.*
Guilford Tech Comm. College Jamestown Campus Sears Applied Tech. Center Auditorium 601 High Point Road Jamestown, NC 27282	Central Piedmont Comm. Col. 3210 West Campus Drive West Campus Auditorium near (airport) Charlotte, NC
Registration Deadline: Friday, August 5, 2005	Registration Deadline: Friday, August 12, 2005

Highway Use Tax Installment Payment Option Eliminated

The IRS reminded truckers and other owners of heavy highway vehicles that the installment option for paying the federal highway use tax will no longer be available. This change was included in the *American Jobs Creation Act of 2004* and applies to filers of Form 2290, *Heavy Highway Vehicle Use Tax Return.*

Beginning with the Form 2290 for the tax year that begins on July 1, 2005, and ends on June 30, 2006, the balance due shown on the form must be paid in full by the due date of the return. In most cases, the deadline for filing the return and paying any tax due is August 31. Payment can be made by check, money order, or electronically through the Electronic Federal Tax Payment System (EFTPS).

In previous years, taxpayers who timely filed Form 2290 could choose to pay the tax in up to four equal installments. Ordinarily, these installment payments were due on the last day of August, December, March and June. "About 148,000 taxpayers chose this option last year," the IRS said.

In general, the highway use tax applies to trucks, truck tractors and buses with a gross taxable weight of 55,000 pounds or more. Ordinarily, vans, pick-ups, and panel trucks are not taxable because they fall below the 55,000-pound threshold.

State governments are required to receive proof of payment of the federal highway use tax as a condition of vehicle registration. Schedule 1 of the Form 2290 is stamped and returned to filers for this purpose. This process remains unchanged.

In addition, the Jobs Act made electronic filing mandatory for taxpayers who file highway use tax returns for 25 or more vehicles. The availability of electronic filing for Forms 2290 is pending. Taxpayers should continue to file paper returns. The IRS will notify taxpayers when the electronic filing program is available.

The electronic payment option continues to be available, and the IRS urges taxpayers to enroll in EFTPS and pay their tax obligations this way.

The new Form 2290 and its instructions are now available on irs.gov, the tax agency's Web site. The form and instructions will be mailed automatically to taxpayers who filed last year.

Reorganization at Taxpayer Education and Communication

David Yeskoo currently is the Territory Manager in Richmond, VA, for Taxpayer Education and Communication (TEC). TEC has partnered with a number of practitioner organizations in a wide range of activities.

TEC has been consolidated into a new organization, Communication, Liaison, and Disclosure (CLD). It remains part of the Small Business/Self Employed Operating Division. TEC is being renamed Stakeholder Liaison. As part of this reorganization, there will be substantial staff reductions mandating a more focused mission. While some of our activities will have to be re-evaluated in terms of our involvement, the new organization is making a continued commitment to the practitioner community as one of our most important stakeholders.

David has assumed management responsibilities for Stakeholder Liaison activities in Maryland, the District of Columbia, Virginia, North Carolina, and South Carolina. Our primary contact is Eugenia Tabon, Senior Tax Specialist, in Greensboro with a phone number of (336) 378-2434. A secondary contact is Avery Henline, CPA, in Charlotte at (704) 566-5090. There also are other staff that will be providing assistance to our organization as necessary.

New Officers and Board

Elected at the Convention in Myrtle Beach were: Wayne Parker, President-Elect; Stephen Metelits, Vice President; Ronald Powell, Secretary; and Denise Hammond, Treasurer. Florence Black, elected President-Elect at last year's Convention, now is President.

Elected to the Board of Directors were: Clinton Bryan, Gail Champie, Lynanne Gray, Dean Gunter, David Hooker, Curt Lee, Lottie, Neal, Steve Pace, Robert Pia, Pat Pittillo, Margie Strider, and Dorothy Tyson.

Tax Woes? IRS Offers Free Help

If your clients are having trouble with the IRS, your best resource for assistance might be the Taxpayer Advocate Service which is an independent part of the IRS.

Some taxpayers encounter problems with the IRS that they just can't seem to resolve. At this time of year, issues arise regarding non-receipt of refunds; lost or misapplied payments; dependents and Earned Income Tax Credit problems. Many practitioners aren't aware the IRS has an office designed specifically to help in these types of situations.

If you have tried everything to resolve a tax problem with the IRS for your client and are still experiencing delays or are facing an economic burden or hardship due to IRS actions, your client may qualify for the assistance of the Taxpayer Advocate Service.

In situations where IRS actions are preventing your client from providing for basic necessities such as housing, transportation, or food; or if you client owns a business and are unable to meet basic expenses such as payroll, you may request the assistance of the Taxpayer Advocate Service. A delay of more than 30 days to resolve a tax related problem or no response by the date promised may also qualify your client for assistance from the Taxpayer Advocate Service

The Taxpayer Advocate Service in North Carolina has a staff of 19 people to work on problems. Last year, this office worked 2,263 cases. The top issues that they had to resolve dealt with assisting in processing amended returns, working to get levies released in hardship cases, and expediting refunds in hardship cases.

If you need assistance, the Taxpayer Advocate Service has a toll-free number, (877) 777-4778. The number for the North Carolina Taxpayer Advocate Service is (336) 378-2180.

Toyota Highlander Hybrid Certified for the Clean-Fuel Deduction

The IRS has certified the model year 2006 Toyota Highlander Hybrid as being eligible for the clean-burning fuel deduction. This certification means that taxpayers who purchase one of these hybrid vehicles new during calendar year 2005 may claim an income adjustment of up to $2,000 on Form 1040.

Under the *Working Families Relief Act of 2004*, the clean-burning fuel deduction is limited to up to $2,000 for certified vehicles first put into service in 2005 and $500 for vehicles placed in service in 2006. No deduction will be allowed after 2006.

Federal law allows individuals to claim a deduction for the incremental cost of buying a motor vehicle that is propelled by a clean-burning fuel. By combining an electric motor with a gasoline-powered engine, these hybrid vehicles obtain greater fuel efficiency and produce fewer emissions than similar vehicles powered solely by conventional gasoline-powered engines.

This one-time deduction must be taken in the year the vehicle is originally used. The taxpayer must be the original owner. Individuals do not have to itemize deductions on their tax return to claim this deduction. This benefit is taken as an adjustment to income on the Form 1040.

The amount of the deduction for Highlander Hybrid was set after the manufacturer, Toyota Motor Sales, U.S.A., Inc., documented for the IRS the incremental cost related to the vehicle's electric motor and related equipment.

Taxpayer Advocate's Annual Report

According to IR-2005-71, National Taxpayer Advocate Nina Olson has delivered a report to Congress that discusses the central role taxpayer services plays in facilitating voluntary compliance with our tax laws and cautions that excessive focus on enforcement at the expense of taxpayer service could have the effect of both reducing voluntary compliance and alienating taxpayers.

The Advocate's report urges the IRS to focus more broadly on steps to increase voluntary compliance. "Today, the IRS's explicit and primary focus is on increasing its enforcement activity. While this goal is laudable, it is very narrow," Olson writes. "As Congress noted in RRA 98, the IRS is far more than an enforcement agency–it must serve all taxpayers. Thus, the IRS should specifically state that its primary organizational goal is to increase voluntary compliance."

The report identifies four areas for the Advocate's particular emphasis in FY 2006:

1. **Private debt collection initiative.** Olson's office will work with the IRS on the design and implementation of the private debt collection initiative that was authorized by Congress.
2. **Collection Due Process (CDP) hearings.** While many taxpayers use the CDP for the reasons intended, some seek CDP hearings simply to delay the collection process. Olson expresses concern that steps under consideration by the IRS to address these abuses may have the effect of impeding legitimate uses of the process.
3. **Offer-in-Compromise (OIC) process.** Research indicates that the IRS only collect 13% of tax debts that are more than two years old. By contrast, accepted offers bring in 16% of tax debts owed, and a recent study showed that about 80% of taxpayers whose offers are accepted remain in compliance during the subsequent five years.
4. **Taxpayer service research.** The Advocate's report suggests a number of areas for research to enable the IRS to identify and quantify the relationship between the variety of taxpayer services the IRS delivers and the impact of those services on taxpayer compliance.

The Advocate's report also discusses the relationship between the Taxpayer Advocate Service and the IRS, noting that the relationship potentially can follow either a partnership or an adversarial model. Olson expresses a strong preference for a partnership relationship. However, she notes that when IRS employees are placed under pressure to quickly produce quantifiable results, there is a tendency to view the Taxpayer Advocate's Service's participation in program development as interference rather than assistance.

District IV

Wanda Goodson

The North Carolina Society of Accountants will graciously host the Fall District IV networking meeting. It will be held in conjunction with NCSA's annual Tax Forum with the IRS on October 28 in Greensboro. Those attending the networking meeting will meet informally for cocktails around 5 pm with a 6 pm group dinner at a nearby restaurant.

The District IV meeting will start Saturday at 9 am and should end around lunchtime. We welcome anyone who is interested to attend.

Leadership Conference and Committee Day

Vice President Stephen Metelits

The annual NCSA Leadership Conference and Committee Day was held on July 23 at the Ramada Airport Inn in Greensboro. Attendees represented all but one chapter and all but one committee. Many ideas were exchanged, and everyone learned something that they can take back to their chapter.

NCSA Schedule of Events

2005

August 25-27–**NSA Annual Convention**–Las Vegas, NV

September 26-27–**National Tax Symposium**–
Baltimore Convention Center–Baltimore, MD

October 7-9–**NSA LNC & LSC**–
Radison Stapleton Plaza—Denver, CO

October 28–**Tax Forum**–Ramada Inn Airport,
Greensboro–9 am to 3 pm

October 28-29–**NSA Fall District IV**–
Ramada Inn Airport, Greensboro

November 3—**Introductory Tax Workshop**—
McKimmon Center, Raleigh—8:30 am

November 14-15–**National Tax Symposium**–
Harrad's Las Vegas–Las Vegas, NV

November 14–**Board of Directors Meeting**–
Greensboro, NC–4 pm

November 15-16–**PTI**–Clarion Hotel, Greensboro Airport

November 16-17–**PTI**–Four Points Sheraton, Charlotte Uptown

November 17-18–**PTI**-Ocean Reef Resort, Myrtle Beach, SC

November 28-29—**NCSU Tax Schools**—Renaissance Hotel,
Asheville, & Holiday Inn I-95, Fayetteville—8:30 am

November 30—December 1—**NCSU Tax Schools**—Adams
Mark, Charlotte & Hawthorne Conference Center,
Winston Salem—8:30 am

December 5-6—**NCSU Tax Schools**—City Hotel, Greenville &
Greensboro Coliseum, Greensboro—8:30 am

December 7-8—**NCSU Tax Schools**—McKimmon Center,
Raleigh & Hilton Riverside, Wilmington—8:30 am

December 12-13–**National Tax Symposium**–
New Orleans Doubletree–New Orleans, LA

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