



The Accountant

Official Publication

of the North Carolina Society of Accountants

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A Message From The President

Wayne O. Parker

On July 22, we had a very successful Leadership Conference, lead by NCSA Vice President Denise Hammond. I would like to say thank you to all who attended, for your input and participation. To those who missed it, all we can say is you should have been there; it was time well spent. Denise Hammond, your dedication and preparation time paid off; thank you for a fantastic job.



Wayne O. Parker

An important date to put on your calendar is September 22. The Fall PAS will be in Winston Salem at the Embassy Suites Hotel. Make your plans now to attend; let's have the largest turn out ever.

Also another date to remember is October 27. The Practitioner's Forum (formerly Tax Forum) will meet with the IRS in Greensboro. Location will be announced.

I am sure we all have many things to do, however let us work together to make each Chapter the best it can be. To help strengthen our Society, it is to our advantage to set aside some time each month for our chapter meetings. Hopefully you will find the time to join fellow members at your local chapter meeting this month. Everyone loves to hear and share their experiences with friends, and our time together is a great way to do this! Let's show we care enough to give our time to help each other to be better informed and help one another through professional development. I am sure each of us has something new to learn and something old to teach a fellow member. Let's care for each other more than as fellow members of an organization but as friends with a goal to help by caring for our families, clients and our State Society. I want to encourage the Line Officers and Board Members to get out to as many chapter meetings as time will allow.

Thank all of you for your support; I hope to see each of you at your chapter meeting and especially at the Fall PAS.

Chapter News

Hickory

The annual cook-out was held on June 17th at the home of Kenneth and Colene Cockrell. Fifteen chapter members and 19 guests enjoyed barbeque, chicken and a variety of side dishes. Boat rides and fun in the water were the order of the day. Kenneth Cockrell spoke on Vacation and Second Homes.

The next meeting will be held July 31, at 6:30 pm, at Fire Mountain in Hickory. Denise Hammond, Vice President of NCSA, will install new officers and speak on EA and ACAT exams as well as Senate Bill 832 and 1321.

Charlotte

The June 19th meeting featured installation of new officers. Wayne Parker, President of NCSA, spoke on Taxation of Ministers to 8 members and 3 guests.

The chapter dropped 5 members.

Cape Fear

The May 22nd meeting featured Cheryl Hudson speaking on Ethics. She led the chapter in discussion with examples and questions on different situations. The meeting was attended by 11 members and 2 guests.

The June 19th meeting featured Gwen Robinson of the Secretary of State's office speaking on annual reports. The meeting was attended by 10 members and 3 guests.

The chapter met on July 17th in Dunn, NC. Sixteen members and 5 guests attended. Florence Black and Cheryl Hudson spoke about chapter promotions and membership. Wayne Parker, President of NCSA, installed new officers:

President: Glenwood Crocker

Vice-President: Florence Black

Secretary: Cheryl Hudson

Treasurer: Marsha Wheeler

The next meeting will be the annual legislative meeting with Representative Rick Glazier speaking. It will take place Monday, August 21.

Central

Nascar Café was the location for the May 22nd meeting of Central Chapter. There were 8 members and 5 guests in attendance. Paul Bumgarner spoke on Elder Care and the need for additional funds for long-term care.

The June meeting was held on June 19, at the Nascar Café at 6:30 pm. Stephen Metelits, Vice President of NCSA, spoke on QAR.

The Pavilion Restaurant in Greensboro will be the site of the July 24th meeting. The speaker will be Glen Capel with Merrill Lynch, discussing investment principles.

Raleigh

The April 25th meeting featured Rusty Russell, CFP of Infinet Advisory, Inc., who discussed the importance of having a business succession plan in place prior to a business owner or officer's retirement or death. There were 10 members and 2 guests present.

The May meeting was held on May 23. The speaker was Christopher Walker, discussing 'Repairing Your/Your Client's Credit.'

Burlington

The May 25th meeting of the Burlington chapter was held at Kimbers Restaurant in Gibsonville. Stephen Metelits, NCSA Vice President, installed officers.

The July meeting of the Burlington Chapter will be held on July 27, at Kimbers Restaurant in Gibsonville at 6:30 pm. Stephen Metelits will speak on the production deduction, IRC Sec 199.

Sanford

The Sanford Chapter met on June 27 with 9 members attending. The chapter discussed energy credits for homeowners and the production deduction. The tax strategist monthly publication was reviewed and continuing education was discussed.

Stephen Metelits was the featured speaker at the July 18th meeting. Seven members and 3 guests attended. Stephen spoke on the production deduction. Also present was Florence Black, Past-President of NCSA. She spoke on membership and reporting obligations, and presented the chapter with a plaque for acquiring the most new members in 2005-2006.

(Congratulations, Sanford!!)

Piedmont

There was no meeting in June.

The July meeting of the Piedmont Chapter was held July 27th, with 10 members and 1 guest attending. Election and installation of officers were held, officiated by Wayne Parker, NCSA President. New officers are:

President – Susan McLean

Vice President – Larry Matthews

Treasurer – Joyce Workman

Secretary – Nina Livengood

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.

Personal Postings

Pat Pittillo

Lots went on at the State Convention besides electing new officers....You had to see it to believe it! The theme dinner one night was "The Seventies" and **Cheryl Hudson** showed up in an Afro hairdo. Lots of tie-dyed shirts were in evidence. **Larry Black** tucked his shirt into his jeans and was quickly informed by **Ron Powell** that no free spirit of that era would ever be seen in a neatly tucked tee. **Marsha Wheeler** danced in platform shoes (I always have looked up to her!) Of course, **Harold Hinton** shimmied around some and called it dancing. He has attended 42 conventions and danced at all of them....**Richard Zavesky** was in Wilmington despite an earlier stroke. Glad your recovery was so swift, Richard....A quick recovery also is wished for **Karen Stiwinter** who has had major reconstructive surgery around her eye. Ouch!...**Clinton Bryan** has completed his second round of chemo and is not feeling real spunky at the moment. You are in our prayers, Clint....We continue to miss **Bill Suggs** who passed away May 30, and our sympathy goes to **Ron** and **Latefa Powell** after her mother died July 19....A note to **Barbara Helgreen** would be appreciated. Hopefully, she is out of the hospital by the time you read this and all her tests are finished....Send your news items to patacct@asheboro.com or fax to (336) 626-0072.

Committee Chairs

President Wayne Parker, for 2006-2007, appoints:

AP Manual Chair Denise McBride Rollins
 Assistance Chair Jense Haynes
 Attorney Banker Relations Chair Paula Brown
 Audit 2006-7 Chair Danelle Hills
 Budget Chair Lynanne Gray
 Chapter Promotions Chair Florence Black
 Communications Chair Stephen Metelits
 Directory Chair Denise Hammond
 The Accountant Editor Stephen Metelits
 Web Master David Rollins
 Constitution and Bylaws Chair Patricia Pittillo
 Convention Chair Steven Pace
 Convention Site Chair Stephen Metelits
 Education Chair Danelle Hills
 ACAT Chair
 Chapter CPE Sarah McKoy
 Convention CPE Steven Pace
 EA Chair Robert Pia
 Member Audit Chair Dean Gunter
 PTI Location Coordinator
 Charlotte David Rollins
 Greensboro Jense Haynes
 Myrtle Beach Denise McBride Rollins
 Ethics & Grievance Chair Denise McBride Rollins
 Historian Chair Margie Strider
 Legislative Co Chairs David Hooker & Steven Pace
 Membership Co Chairs Cheryl Hudson & Robert Pia
 Nominating Chair Jense Haynes
 Parliamentarians David Hooker & Jense Haynes
 Past President's Advisory Chair David Hooker
 Practitioners' Forum Chair Ronald Powell
 Public Relations Chair Paul Bumgarner

Quality Assurance Review Chair David Hooker
 Burlington Danelle Hills
 Cape Fear Yvette Horne
 Central Margie Strider
 Charlotte Denise McBride Rollins
 Hickory Lynn Gray
 Piedmont Larry Matthews
 Raleigh Stephen Metelits
 Sanford Clinton Bryan
 Western Beth Evans

Resolutions & Memorials Chair Paula Brown
 Right to Practice Chair Susan McLean
 Rules of Professional Conduct Chair Jense Haynes
 Speakers Forum Chair Paula Brown

Hotel Rooms

Stephen Metelits

When the NCSA arranges with a hotel to hold classes, meetings, or conventions, we usually contract with the hotel for a specific price for meeting rooms, food service, and hotel rooms. This contract calls for us to use a certain number of rooms which are reserved for us to reduce the price of the overall cost to the society. If we don't use all of the guest rooms in our contract, we have to pay more for our other costs under the contract.

If you save a few dollars by staying at another hotel, it can cost the society more than you saved. If you are a member of a hotel points program which you use to "pay" for your room, we don't get credit for the room. Please, use your hotel points for a family vacation, not for an NCSA event.

You Wanted to Know

Here are answers to some of the questions that tax professionals have asked the IRS:

- *The wording of some notices is confusing and intimidating. Can we raise concerns or suggest improvements?* The clarity of IRS notices currently is being addressed through a special improvement program. [NCSA has been complaining to the IRS about this for years at our Tax Forum.]
- *What are the procedures for revoking a Power of Attorney?* Instructions on how to revoke a POA can be found on page 2 of the Instructions for Form 2848.
- *A practitioner faxed a Form 2848 but it could not be processed due to insufficient information. The form was mailed back to the client rather than faxed back to the practitioner.* There are certain essential elements of an authorization which states that if one of those elements is missing, the document must be returned to the taxpayer.
- *Why can't practitioners have direct access to the Automated Collection System (ACS) through the Practitioner Priority Service?* The PPS telephone menu has three options of which #3 will transfer you directly to ACS.

Hybrids

The tax credit for hybrid vehicles is limited to the first 60,000 sold by that manufacturer. Toyota makes the Toyota hybrids and the Lexus hybrids. As of March 31, they have already sold 41,719. If you have not ordered one soon, you will not fall under the limit.

The credits are:

- Prius—\$3,150
- Highlander—\$2,800
- Lexus RX400h—\$2,200

You can claim the credit until the end of the quarter in which the 60,000 vehicle limit is reached. That is expected to happen in the third quarter. For the second and third quarters after the limit is reached, you can claim 50% of the credit. For the fourth and fifth quarters, you can claim 25% of the credit. After that, there is no credit for Toyotas.

Honda has some compressed natural gas models that get a credit:

- 2005 Honda Civic—\$4,000
- 2006 Honda Civic GX—\$4,000

In addition, GM has some hybrids which qualify for the credit:

- 2007 Saturn Vue Green—\$650
- 2006 GMC Sierra (4WD)—\$650
- 2007 GMC Sierra (4WD)—\$650
- 2006 Chevrolet Silverado (4WD)—\$650
- 2007 Chevrolet Silverado (4WD)—\$650
- 2006 GMC Sierra (2WD)—\$250
- 2007 GMC Sierra (2WD)—\$250
- 2006 Chevrolet Silverado (2WD)—\$250
- 2007 Chevrolet Silverado (2WD)—\$250

Taxpayer Burden Reduction

The IRS Office of Taxpayer Burden Reduction is seeking recommendations from the public on ways to reduce taxpayer burden. The office encourages tax professionals to submit their proposals for ways to reduce taxpayer burden by submitting Form 13285A, *Reducing Burden on America's Taxpayers*. The form requests a specific description of the problem as well as of the solution.

Several initiatives already undertaken include: AMT assistance for individuals (an on-line tool), streamlined extension of time to file, Form 944, Revised Schedules K-1, and the industry issue resolution.

New Officers and Board

At the Annual Convention in Wilmington, Wayne O Parker was installed as President of the North Carolina Society of Accountants. Florence W Black became the Immediate Past President. Elected and installed in Wilmington were: Stephen Metelits, President Elect; Denise J Hammond, Vice President; Susan S McLean, Treasurer; and Ronald D Powell, Secretary.

Elected and installed as Members of the Board of Directors were: Paula B Brown, Clinton E Bryan, Jr, Glenwood P Crocker, Lynanne F Gray, L Dean Gunter, Danelle T Hills, Cheryl C Hudson, Patrick Laughrey, Lottie M Neal, Steven G Pace, Patricia M Pittillo, and Dorothy B Tyson.

Elected as the Nominating Committee are: Florence W Black, W Franklin Brown, Jense Haynes, David L Hooker, Sarah P McKoy, and Erma Reynolds-Woodfin.

Food Taxes

This is not intended as something new. Rather, it is a clarification on the NC laws on Sales and Use Tax on food.

Food that is exempt from the sales and use tax is subject to the 2% county tax. Additional taxes do not apply.

Food included in the following categories is *not* exempt from the sales tax: dietary supplements, food sold through a vending machine, prepared food, soft drinks, and candy. Food in any of these categories are subject to both state and local tax.

The primary area of confusion pertains to "prepared food." An item is considered a "prepared food" and subject to both state and local tax if one of the following conditions exists: it is sold in a heated state or heated by the retailer; it consists of two or more foods mixed or combined by the retailer for sale as a single item; or it is sold with eating utensils provided by the retailer.

Bakery items are subject to the 2% local tax unless the items are considered prepared food, in which case they are subject to both state and local tax. Bread purchased in a grocery store is subject to the 2% county tax unless it was baked by the grocery store (in which case it is subject to both state and local tax). That is because the retailer mixed two or more foods for sale as a single item.

Bakeries that make items they sell are subject to both state and local tax regardless of where items are consumed.

Sales of bakery items a bakery purchases from a third party and resells without altering or heating are subject only to the 2% local tax—unless the bakery supplies eating utensils (in which case the items are subject to both state and local tax).

Items such as cole slaw and potato salad are subject to the 2% local tax unless the items are considered to be prepared foods subject to both state and local tax. For instance, if potato salad is selected from the refrigeration section of a grocery store, it is subject to the 2% local tax. However, if a similar item is purchased in the deli area of a grocery store, it is a prepared food and subject to both the state and local tax.

Fried chicken purchased in the frozen food section of a grocery store is subject to the 2% local tax. Fried chicken purchased in the deli area of a grocery store is prepared food subject to both state and local tax.

Is that clearer?

Annual Report of National Taxpayer Advocate

National Taxpayer Advocate Nina Olson delivered her annual report to Congress that identifies the priority issues the Office of the Taxpayer Advocate will address in the coming fiscal year. These issues include the rules governing the use or disclosure of tax return information by return preparers, a recently imposed requirement that taxpayers submitting offers in compromise make a down payment with the offer, IRS guidelines in evaluating "non-hardship effective tax administration" offers, and the importance of safeguarding taxpayer rights as the IRS rolls out its private debt collection initiative.

HR 4297

The Committee on Ways and Means provides some information on HR 4297, *Tax Increase Prevention and Reconciliation Act of 2005*. Here is some of what they say:

- **2-year extension of reduced rates on capital gains and dividends.** Under current law, capital gains and dividends are taxed at a maximum of 15% through 2008. For taxpayers in the 10% and 15% tax brackets, the tax rate is 5% through 2007 and 0% in 2008. The rates effective in 2008 are extended through 2010.
- **Alternative minimum tax relief.** The provision extends the AMT exemption levels through the end of 2006 at a higher level than 2005. The new exemption levels for 2006 are \$62,550 (joint) and \$42,500 (single).
- **Extension of enhanced Section 179 expensing.** Under current law, small businesses may expense up to \$100,000 of investments in depreciable assets. The deduction phases out dollar-for-dollar to the extent the business' annual investments exceed \$400,000. Without action, the expensing limit would have declines to \$25,000 and the phase-out threshold would have declined to \$200,000 after 2007.
- **Tax treatment of self-created musical works.** The provision provides capital gains treatment for self-created musical works when these works are sold by the artist. Under current law, such sales are taxed as ordinary income.
- **Information reporting on tax-exempt bonds.** The provision provides that interest paid on tax-exempt bonds is subject to information reporting in the same manner as interest paid on taxable obligations.
- **Offers-in-Compromise.** The provision requires that a taxpayer make a good faith down payment of 20% of any lump sum with any application for an offer.
- **Passive income of minors.** Under current law, minors under age 14 are taxed on their unearned income at their parent's marginal rate. The provision increases the age of minors subject to this tax to those under 18.
- **Conversion to Roth IRAs.** The provision allows more taxpayers to convert to a Roth IRA by removing the modified adjusted gross income limitations on rollovers from an IRA to a Roth IRA. Under the provision, taxpayers can elect to pay tax on amounts converted in 2010 in equal installments in 2011 and 2012.

Offers-in-Compromise

As of July 16, 2006, Section 7122 of the IRC has been amended to require a payment of 20% of the amount of an Offer-in-Compromise (OIC) along with a revised Form 656 if 5 or fewer payments are in the offer. If more than 5 payments are involved, the amount of the first proposed payment must accompany Form 656.

S. 832 Now S. 1321

S. 832 has been reported out of the Senate Finance Committee with provisions that would allow ACAT accreditations to meet the bill's requirements for tax preparer examination. This was done by incorporating it into S. 1321, the *Telephone Excise Tax* bill.

The bill as initially reported did not include NSA's amendment to exempt qualified credential holders. But NSA Director of Federal and Legislative Affairs Philip Ufhotz contacted the staffs of Senators Binaman (D-NM) and Baucus (D-MT) and convinced them to include NSA's amendment in the bill.

The language in the bill now reads: "...the Secretary of the Treasury is required to assess and consider whether any existing state or other organization's return preparation credentials meet the standards required under the bill and any corresponding regulations." This gives the Secretary the authority to exempt individuals who hold credentials from nationally recognized credentialing entities such as ACAT from the bill's exam requirements.

NSA now fully supports this legislation and urges all of you to contact your Senators and Representatives and ask that they vote in favor of S. 1321 (which now incorporates S. 832) this year before Congress adjourns.

New Internet Scams

Following a recent increase in scam e-mails, the IRS reminds taxpayers look out for bogus e-mails claiming to be from the tax agency. The IRS saw an increase in complaints in recent weeks about these e-mails, which are designed to trick the recipients into disclosing personal and financial information that could be used to steal the recipient's identity.

"The IRS does not send unsolicited e-mails asking for personal information," said IRS Commissioner Mark Everson. "Don't be taken in by these criminals."

The current scams claim to come from the IRS, tell recipients that they are due a federal tax refund, and direct them to a web site that appears to be a genuine IRS web site. The bogus sites contain forms or interactive web pages similar to IRS forms or web pages but which have been modified to request detailed personal and financial information. In addition, e-mail addresses ending in ".edu"—involving users in the education community—currently seem to be heavily targeted.

The IRS has established an electronic mailbox for taxpayers to send information about suspicious e-mails they receive which claim to come from the IRS. Taxpayers should send the information to phishing@irs.gov.

Long-Distance Tax Stopped

The IRS announced in Notice 2006-50 that it will stop collecting the federal excise tax on long-distance telephone service.

This tax was first imposed in 1898. The current rate is 3%. The IRS announcement follows an Appeals Court ruling that the tax does not apply to long-distance service as it is billed today (for time rather than distance).

Taxpayers will be eligible for a refund of all excise tax billed to them after February 28, 2003. Interest will be paid on these refunds.

The refund will be claimed on the 2006 tax returns. For individuals, they can claim a "simplified" amount or the actual amount of tax paid if they have supporting records. All other entities can claim only the amount of actual tax paid for which they have supporting records. In all cases, there will be an extra line on the 2006 return forms where the amount will be claimed.

This announcement does *not* affect the federal excise tax on local telephone service. State and local taxes also are unaffected.

NCSA Schedule of Events

2006

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

September 21—**Board of Directors**—Embassy Suites—
Winston Salem, 4 p.m.

September 22—**Fall PAS**—Embassy Suites—Winston Salem

October 27—**Tax Preparers Forum**—Greensboro

November 27-28—**NCSU Tax Schools**—Asheville and Raleigh

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

November 29-30—**NCSU Tax Schools**—
Charlotte & Winston Salem

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

December 4-5—**NCSU Tax Schools**—Greenville & Greensboro

December 6-7—**NCSU Tax Schools**—
Fayetteville and Wilmington

December 12-13—**PTI**—
Best Western Charlotte Uptown, Charlotte

2007

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

May 5—**Board of Directors Meeting**

June 20—**Board of Directors**—Embassy Suites,
Winston-Salem, 6:30 pm

June 21—**Summer PAS**—Embassy Suites, Winston Salem

June 21-22—**Annual Convention**—Embassy Suites,
Winston-Salem

June 23—**Board of Directors**—Embassy Suites,
Winston Salem, 9 a.m.

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