



The Accountant

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of the North Carolina Society of Accountants

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A Message From The President

Denise J. Hammond



Denise J. Hammond

The 2008-2009 NCSA year is off to a great start. President –Elect J.R. Lawson, Jr., led us in a very informative Leadership Conference, on July 19th in Greensboro. For those that did not attend, you really missed it. The updated AP Manuals were distributed and Curt Lee gave us an overview of possible upcoming legislation that will affect us all. Thank you to all for your great effort.

Our Membership Committee has been working for several months and has come up with a great membership drive for the 08-09 physical year. **FREE – yes that's right –FREE MEMBERSHIP, for new Full and Associate members.** All must complete applications and must meet all regular qualifications as set forth in our bylaws. Applications can be printed from the Website, or contact our ED, Candace Cansler. **Be sure to sign that sponsorship line.**

Don't forget to check the NCSA Calendar of events. You don't want to miss any of the opportunities for CPE or the fellowship with our members. The next event will be the Carolina's Forum Aug. 6&7 in Myrtle Beach. I will be representing our society at the NSA convention Aug. 27-30 in Kansas City, MO.

Our annual Fall PAS will be September 26-27, Clarion hotel, Greensboro, featuring nationally known speaker Beanna J. Whitlock. This is a seminar you do not want to miss. If you have not received a brochure, please contact the Executive Director's office.

It is a great honor to represent the North Carolina Society of Accountants this year. If I can assist any of you please feel free to contact me.



NCSA brochures and/or registration forms are available on the Calendar page of our web site at www.ncsainc.org.

Chapter News

Burlington

Burlington Chapter met on July 24 at Kimbers Restaurant, Gibsonville. There were seven members and two guests present. NCSA President-Elect J.R. Lawson, Jr., spoke on Business Bank Loans.

The next meeting will be August 28 at 6:30 pm at Kimbers Restaurant, Gibsonville.

Cape Fear

Cape Fear Chapter met at the Barn Restaurant, Fayetteville, on July 21. There were 12 members and 3 guests present. NCSA President Denise Hammond installed Chapter officers for the 2008-2010 term - President: Charles Currin; Vice-President: Gail Stancil; Secretary: Cheryl Hudson; and Treasurer: Marsha Wheeler. Marsha Wheeler spoke on Chapter Promotions; David Rollins presented NCSA's membership recruitment plan; and Curt Lee updated the members on Tax Preparer Registration.

The next meeting will be on Monday, August 18 at The Barn Restaurant, Fayetteville. Mark Rice, LUTCF, CBIA, CIC, will speak on Employment Practices Liability Insurance for Small Business Owners.

Central

Central Chapter met on July 28 in Greensboro at Stephanie's II Restaurant.

Charlotte

Charlotte Chapter met in Matthews at Dino's Restaurant on June 30. NCSA President Denise Hammond spoke on NCSA and installed Chapter Officers – President: George Ceasar; Vice President: Jense Creighton; Secretary: Angie White; and Treasurer: Janice Pope.

The next meeting will be August 25. Marsha Wheeler, NCSA Chapter Promotions Chair, will speak on Chapter Promotions.

Hickory

Hickory Chapter met on June 30, at McGuffey's in the Valley Hills Mall. Lynn Gray, Past President of NCSA installed the new officers, President - Joyce Reese; Vice Presidents - Ken & Colene Cockrell; Secretary - Lynette Roll; Treasurer - Susan Moore.

The Chapter Picnic was held at Ken & Colene Cockrell's home on Lake Hickory on July 12.

The July meeting was held on July 28.

Western

Installation of officers took place on July 29, at French Fryz on Hendersonville Road, Asheville. Jan Allison and Gale Champie, NCSA Past Presidents, installed James Helgreen, President; John McKinney, Vice-President; Lafawn McKinney, Secretary; and William Butler, Treasurer. The officers will meet on August 10 to discuss Chapter plans for the coming year.

The next meeting will be August 26 at the Olive Garden in Asheville. Insurance Agent David Trout will discuss the Health Savings Plan.

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 taxpros@nc.rr.com or fax to 910-867-1757.

Member Benefits

A new benefit available to NCSA members is the 10% discount on Jennings Seminars. Just go to the Members Only page to find a link to the Jennings Seminars web site. You must go through our link to get the discount.

Jennings Seminars offers a large number of tax and accounting classes in a variety of formats from self-study to steaming seminars. You take the class without having to travel and all of the comforts of home or office. Notice that the regular prices are crossed out and our price is shown next to them.

Shortly, you will be getting a letter telling you how to reach the Members Only page. We cannot tell you here as this issue of *The Accountant* becomes viewable by the public in a month.

Legislative Report

Curt Lee attended the CPA Board Meeting on Monday, July 21, 2008. There were two hearings and a declaratory ruling prior to the business session. There was nothing on the agenda that affected our members. The Legislative Committee attends the monthly meetings, monitors any legislative activity and continues to protect your rights to practice.

It would appear that the next legislation on the horizon will be the Tax Preparer Registration Act currently being discussed in Congressional committees. This started two years ago & has now re-surfaced. We may have an opportunity in NC to introduce our own legislation prior to the Federal Act passing. The Legislative Committee of NCSA will keep you informed of any further actions in this area.



Western Chapter Officers: (Left to Right)
Bill Butler, Treasurer; Lafawn McKinney, Secretary;
Jim Helgreen, President; and John McKinney, Vice President.

NC Tax Law Changes

This is a brief summary of some of the changes to the tax laws of NC from House Bill 2436. This bill is the annual budget bill for the state. [If you would like more detail, I would be glad to speak to your chapter on this topic. Editor]

- ◆ The Internal Revenue Code, as updated, is accepted by the state except the special accelerated depreciation. If you take it on the federal 2008 return, you must add it back on the state return and then take the amount equally over the five years beginning in 2009 by subtracting 85% from federal taxable income in those years.
- ◆ LLCs that elect treatment as a corporation or a captive REIT must pay franchise tax.
- ◆ The new earned income tax credit goes from 3.5% to 5%.
- ◆ The sunset for the small business employee health benefits is extended for one year (through 2009).
- ◆ There is a limited property tax exclusion for honorably discharged disabled veterans and their surviving spouses.
- ◆ There is a sales tax holiday for Energy Star rated appliances from the first Friday in November through the following Sunday. This does not include the sale of a product used in a trade or business or the rental of a product.
- ◆ Certain sales tax assessments against a small business that has been audited are added to the law. There are requirements and limits.
- ◆ The Secretary may compromise a taxpayer's liability when it is determined that the compromise is in the best interest of the State and makes one of 5 different findings.
- ◆ Deleted from the estate tax law is "the lesser of the amount of the death tax paid the other state or" when the estate contains property in more than one state. This leaves the estate tax in NC computed as a ratio of what is owned in NC divided by the gross value of the estate.
- ◆ The state sales tax on prepared food has been changed so that the exemption now applies to baked goods sold by "artisan" bakeries. The other exemptions remain.
- ◆ The sales tax refund to 501(c)(3) has been limited to excluded community improvement and capacity building, public and societal benefit, and mutual and member benefit organizations.
- ◆ The film industry credit has been expanded.
- ◆ A new tax deduction for the sale of a manufactured home community to manufactured homeowners.
- ◆ There are additions to the law for class actions against the state for a tax refund.
- ◆ The gift tax has been rescinded starting January 1, 2009.

Taxpayer Advocate's Annual Report

- ◆ The National Taxpayer Advocate, Nina Olson, made her semi-annual report to Congress as required by law. Among the areas the report identifies for particular emphasis in the coming fiscal year are: The 2007 report made 8 recommendations about tax-related identity theft. The IRS has taken a number of steps to improve its procedures; notably, it has developed a service-wide identity theft indicator and is studying the creation of a centralized unit to assist identity theft victims. During FY2009, the Advocate will work with the IRS to improve its procedures in this area.
- ◆ When an individual or business borrows money and has the debt cancelled in whole or in part, the borrower generally must include the amount of the cancelled debt in gross income. Taxpayers may exclude the amount of a cancelled debt under certain circumstances but must file Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness*, with their tax return. Very few taxpayers file Form 982, and the Advocate has focused and will continue to focus on increasing public awareness of the rules and exceptions. She has worked with the IRS to simplify instructions for the form and to develop an IRS publication that covers the topic comprehensively. She will continue these efforts in FY2009.
- ◆ The 2006 report raised a number of concerns about IRS collection practices. Joint working groups have been established to work on 5 issues. However, the Advocate remains concerned about additional collection issues, including resorting to seizures before all viable collection alternatives have been exhausted, under-utilization of partial-pay installment agreements, and excessive delays in collection that exacerbate taxpayer delinquency problems. The IRS is working with the Advocate to address these concerns.
- ◆ Other areas of emphasis in the 2009 report include monitoring the private debt collection program, working with the IRS to assist taxpayers with disproportionate tax liabilities due to AMT resulting from the exercise of incentive stock options, working with the IRS to address problems and inefficiencies in the correspondence examination program, and updating a 2003 report on the standards and structure of federal ombudsman offices.

AMT

According to data from the IRS, 91,996 North Carolina taxpayers were subject to the AMT in tax year 2005. Only 2,517 of these taxpayers fall into the AGI range below \$75,000. The largest number, 51,935, of these had AGIs in the range of \$200,000 to \$500,000. The majority of these taxpayers lived in the districts of Congressmen Price and Myrick.

Without a major change in the law, the IRS estimates that there will be 623,274, a 578% increase, in the number of North Carolina taxpayers subject to the AMT in tax year 2008. The number of these with AGIs under \$75,000 rises to 45,872. Again, the largest number, 317,690, remains in the range of AGIs of \$200,000 to \$500,000. Price and Myrick win the highest number of AMT taxpayers.

Free Dues for New Members

At a meeting of the Board of Directors on July 19, alternatives for getting new members was discussed. The Board voted to waive the 2008-9 dues for non-members who join the NCSA in this fiscal year. Applicants still must complete the application process and be accepted as new members. To qualify, you cannot have been a member of NCSA in any of the previous three NCSA fiscal years.

Benefits Estimator

The Social Security Administration has made available an on-line benefit estimator. With any luck, you can get various detailed levels of estimate. You can go to ssa.gov/estimator.

Start-up Expense Elections

In TD 9411, the IRS announced final and temporary regulations pertaining to elections to deduct or amortize start-up expenses under §195, corporate organization expenses under §248, and partnership organization expenses under §709 [in this article, all of these will be called "start-up expenses"]. The *American Jobs Creation Act of 2004* amended these sections of the Code to provide similar rules for deducting these expenses paid or incurred after October 24, 2004.

In general, a taxpayer may elect to amortize start-up expenditures. In the taxable year in which a taxpayer begins an active trade or business, an electing taxpayer may deduct an amount equal to the lesser of the amount of the start-up expenditures that relate to the active trade or business or \$5,000 (reduced, but not below 0, by the amount of the start-up expenditures that exceed \$50,000). The remainder of the start-up expenditures is deductible ratably over the 180-month period beginning with the month in which the active trade or business begins.

A taxpayer is deemed to have made an election to amortize start-up expenditures. A taxpayer may choose to forgo the deemed election by clearly electing to capitalize its start-up expenditures on a timely filed federal income tax return (including extensions) for the taxable year in which the active trade or business begins. The election to amortize or capitalize start-up expenditures is irrevocable and applies to all start-up expenditures that are related to the active trade or business. No statement needs to be attached to the tax return announcing the election.

Extension Changes

According to IR-2008-84, IRS officials announced a change in the extended due date on certain business returns to help individuals better meet their filing obligations. The changes, which reduce the extension period from 6 months to 5 months, eases the burden on taxpayers who must report information from Schedules K-1 on their individual returns.

Income, deductions, and credits from partnerships, S corporations, estates, and trusts are reported to partners, investors, and beneficiaries on Schedules K-1. The recipients then use that information to complete their own returns.

The IRS issued temporary and proposed regulations that will reduce the extension time to file tax returns for certain businesses that generate Schedules K-1 from 6 months to 5. Requiring these statements to be issued one month earlier will provide recipients time to prepare and file returns within extended time frames. These changes will be effective for extension requests with respect to tax returns due on or after January 1, 2009.

Jury Duty Scam

This is from the FBI. This scam is spreading fast so be prepared should you get this call. Most of us take a summons for jury duty seriously, but enough people skip out on their civic duty that a new and ominous kind of fraud has surfaced.

The caller claims to be a jury coordinator. If you protest that you never received a summons for jury duty, the scammer asks you for your Social Security number and date of birth so that he or she can verify the information and cancel the arrest warrant. Give any of this information and your identity was just stolen.

This fraud has been reported in 11 states so far. This swindle is particularly insidious because they use intimidation over the phone to try to bully people into giving information by pretending they are with the court system. The FBI and the federal court system have issued nationwide alerts on their web sites warning consumers about the fraud. You can visit the FBI's warning at http://www.fbi.gov/page2/june06/jury_scams0602063.htm.

NCSA Calendar *(cut and paste for future reference)*

2008

August 27-30–**NSA Convention**–Kansas City, MO

September 21–**District IV**–Atlanta, GA

September 25–**Board of Directors meeting**–Clarion, Greensboro, 4 pm

September 26-27–**Fall PAS**–Clarion, Greensboro

October 24–**Practitioners' Forum**–Wyndham Garden Hotel Greensboro Airport

October 27–**NCSU Farm Tax**–Wilson County Ag Center, Wilson, 8:30 am

October 27–**NCSA 3-hour class**–Asheville, 9 am

October 28–**NCSU Farm Tax**–Duplin Extension Center, Kenansville, 8:30 am

October 28–**NCSA 3-hour class**–Charlotte, 9 am

October 29–**NCSU Farm Tax**–Robeson Extension Center, Lumberton, 8:30 am

October 29–**NCSA 3-hour class**–Greensboro, 9 am

October 30–**NCSU Farm Tax**–Cunningham Research Center, Kinston, 8:30 am

October 30–**NCSA 3-hour class**–RTP, 9 am

October 31-November 2–**NSA LNC/LSC/LTC**, Phoenix, AZ

November 3–**NCSU Farm Tax**–Bob Martin Ag Center, Williamston, 8:30 am

November 5–**NCSU Farm Tax**–Guilford Extension Center, Greensboro, 8:30 am

November 10–**NCSU Farm Tax**–Union Extension Center, Monroe, 8:30 am

November 11–**NCSU Farm Tax**–Iredell Extension Center, Statesville, 8:30 am

November 12–**NCSU Farm Tax**–Western Mountain Extension Center, Fletcher, 8:30 am

November 12-13–**PTI**–Emerald Event Center, Greensboro

November 13-14–**PTI**–Holiday Inn Airport, Charlotte

November 19–**NCSU Farm Tax**–Moore Extension Center, Carthage, 8:30 am

November 20-21–**PTI**–Ocean Reef, Myrtle Beach, SC

December 1-2–**NCSU Intermediate & Advance Tax**–Holiday Inn Fayetteville I-95, Fayetteville, 8:30 am

December 1-2–**NCSU Intermediate Tax**–Asheville Renaissance Hotel, Asheville, 8:30 am

December 3-4–**NCSU Intermediate & Advance Tax**–Greensboro Coliseum, Greensboro, 8:30 am

December 3-4–**NCSU Intermediate Tax**–Hawthorne Inn, Winston Salem, 8:30 am

December 8-9–**NCSU Intermediate & Advance Tax**–Blake Hotel, Charlotte, 8:30 am

December 8-9–**NCSU Intermediate Tax**–Hilton Greenville, Greenville, 8:30 am

December 10-11–**NCSU Intermediate & Advance Tax**–McKimmon Center, Raleigh, 8:30 am

December 10-11–**NCSU Intermediate Tax**–Hilton Wilmington Riverside, Wilmington, 8:30 am

2009

January 14–**NCSU Introductory Tax**–McKimmon Center, Raleigh, 8:30

May 16–**Board of Directors meeting**–Optimist Club, Lenoir, NC

June 21–**Board of Directors meeting**–Hilton Riverside, Wilmington

June 21-22–**NCSA Convention**–Hilton Riverside, Wilmington

November 2-3–**Jennings 1040 Tax**

NCSA Schedule of Events

2008

August 6-7—**IRS Carolinas Forum**—Sheraton, Myrtle Beach, SC

August 27-30—**NSA Convention**—Kansas City, MO

September 21—**District IV**—Atlanta, GA

September 25—**Board of Directors Meeting**—Clarion Hotel
Greensboro Airport, Greensboro—4 p.m.

September 26-27—**Fall PAS**—
Clarion Hotel Greensboro Airport, Greensboro—8 a.m.

October 24—**Practitioner's Forum**—
Holiday Inn Airport, Greensboro—9 a.m.

October 31-November 2—**NSA LNC/LSC/LTC**—Phoenix, AZ

November 12-13—**PTI**—Emerald Event Center—Greensboro

November 13-14—**PTI**—Holiday Inn Airport—Charlotte

November 20-21—**PTI**—Ocean Reef— Myrtle Beach, SC

December 3-4—**NC State Income Tax School**—Greensboro

December 8-9—**NC State Income Tax School**—Charlotte

2009

May 16—**Board of Directors Meeting**—
Optimist Club, Lenoir, NC

June 21—**Board of Directors Meeting**—
Hilton Riverside, Wilmington

June 21-22—**Convention**—Hilton Riverside, Wilmington

November 2-3—**Jennings 1040 class**

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