



The Accountant

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of the North Carolina Society of Accountants

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A Message From The President

Florence W. Black



Florence W. Black

Greetings. I hope that each of you had a wonderful Thanksgiving. Problems and hardships often demand too much of our attention, and we forget that, in the midst of all our troubles that we deplore, we still have had many blessings for which we should be grateful.

In preparation for the upcoming tax season, I hope that you had an opportunity to attend one of the PTI sessions and/or one of the NCSU income tax schools. Also, in reference to the upcoming tax season, remember to keep a notepad on your desk to record any questions for next year's tax forum. As the great Ron Powell said, "Do not rely on your memory."

The NCSA Board of Directors met on November 14 in Greensboro. Among other actions, the Board approved a fund-raiser plan presented by the Right to Practice Committee, chaired by Susan McLean. We need to replenish our legislative funds so that we continue to monitor issues regarding our right to practice accounting in North Carolina.

The Education Committee, chaired by Paula Brown, is continuing to work on the Spring PAS to be held in Durham on May 18-19. Please plan to take advantage of this informative seminar and the 16 CPE credits.

Cheryl Hudson and Marsha Wheeler, the hearts of the Convention Committee, have been working diligently. They are planning some new activities for fun and education. The theme party will be Retro 70's and Disco. Search your closets for your hip huggers, flared corduroys, tie-dyed tee shirts, silk shirts, double-knit pants, and leisure suits.

As we enter the Christmas season, remember the greatest gift given is a part of ourselves. Christ and His sacrifice for us started it all. Keep Him in your hearts now and all year long, and you will have a merry one. The Officers and I wish each of you a Merry Christmas.

Thank all of you for your support.



Corrections

Stephen Metelits, Editor

In the October issue, the IRS addresses that contain "39901" should be "33901." Sorry for the typo.

Others also make mistakes. That includes the IRS. At the Tax Forum, a sheet called "IRS Tax Help" was distributed on blue paper. The first entry, Practitioner Priority Service, should have been "866-860-4259" as shown correctly in our directory. (Thank you, Danelle.)

Chapter News

Hickory

The Christmas party is tentatively scheduled for December 12, at the Peddler Steakhouse in Hickory.

The October meeting featured Pat Pitillo discussing accounting and tax issues for clergy. The meeting was held at Bennett's Barbeque and was attended by 15 members and 3 guests.

The November meeting was held at Prime Sirloin on November 28, at 6:30 p.m., with 7 members and 1 guest in attendance. Stephen Metelits discussed Medicare Part D.

Charlotte

The September meeting featured Brian Huber speaking on QuickBooks. He described the differences and similarities in the various versions and how each is best utilized.

The November 14th meeting was held at Captain's Galley Restaurant. The speaker was Norma Jean Rector, one of the newest members of the Charlotte Chapter. Norma is certified as a Senior Advisor and as a Long Term Care Planner, licensed in NC, SC, and VA. She has also been designated as an "official enroller agent" for Medicare Part D. She discussed the Medicare Drug Plan.

It was announced that Charlotte member Charles Hart passed away during the month.

Please note that future meetings will take place on the fourth Monday of each month.

Cape Fear

The Christmas social will be held on Saturday, December 3, at the Duplin Winery in Rosehill.

The September meeting was held at the Barn Restaurant on September 19, with David Rollins speaking on chapter promotions. David also spoke on the members' only section of the web site.

The October meeting was held on October 17, 6:30 pm, at the Brass Lantern in Dunn. There were 19 members and 5 guests in attendance. Rusty Russell, CFP, spoke on the tobacco buyout program.

Marsha Wheeler will have a basket filled with different items at the November and December meetings. Tickets are \$5.00 each and the proceeds will be donated to the legislative account. The drawing will be at the December meeting.

The November meeting was held on November 21, with 17 members and 2 guests attending. Stephen Metelits gave a very informative program on Medicare Drug Plans.

The next meeting will be held on December 19, 2005.

Central

September's meeting was held on the 26th, at the NASCAR Café, with 7 members and 7 guests attending. Ron Powell, Secretary of NCSA, spoke on the internet and its use in practice.

The October meeting took place at the NASCAR Café in Greensboro with 7 members and 7 guests attending. Chad Suggs and Shawn Church from Suntrust Bank gave an informative presentation on some features of the "Patriot Act" and how it ties in with the security of bank accounts.

The Legislative-BBQ meeting will take place on November 29, at the American Roadhouse in Asheboro.

Raleigh

On October 25, the Raleigh Chapter met with 14 members and 1 guest. Tom Struckmeyer of Edward Jones investments spoke on the Tobacco Buyout Program and how it affects our clients financially, whether a lump sum cash payment or 10 year payments are received. He also discussed how the proceeds from the buyout will be treated for income tax purposes.

Stephen Metelits, Vice President of NCSA, discussed the Medicare Drug Coverage in 2006, including the different types of coverage and how to decide which is best. He also presented a list of North Carolina Stand-Alone Prescription Drug Plans and their costs. Raleigh Chapter welcomed 3 new members this month.

The next meeting will take place on December 6, 2005, and will feature Kevin Stewman of G. Kevin Stewman, PLLC, speaking on LLC's.

Western

The chapter meeting was held on October 25, with James Helgreen and Gale Champie speaking on How Would You Handle This?/Top Tax Issues. Nine members and 4 guests attended the meeting.

There will be no meeting in November because of the tax schools. The Christmas Party will be the December meeting. It is tentatively scheduled at the Black Forest Lodge.

Burlington

The Burlington Chapter met on August 25, with 8 members and 1 guest attending. Speaker Rusty Russell discussed the Tobacco Buyout Program.

The next meeting date will be October 27, at Kimber's Restaurant in Gibsonville. The featured speaker will be Janetta Appling, from the Department of Revenue. She will discuss updates.

There will be a joint meeting of Burlington, Central & Piedmont Chapters at 6:30 p.m. on November 29. Stephen Metelits will speak on Medicare Part D.

Burlington will have a joint Christmas Dinner with Central Chapter at Sagebrush in Asheboro on December 5, at 6:30 pm. *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.

IRS Addresses for 2006

All of the following are for your clients with a NC residence.

For all 1040, 1040A, and 1040EZ returns *with* a payment:

Internal Revenue Service
PO Box 105017
Atlanta, GA 30348-5017

For 1040 *without* a payment:

Internal Revenue Service
Atlanta, GA 33901-0002

For 1040A *without* a payment:

Internal Revenue Service
Atlanta, GA 33901-0015

For 1040EZ *without* a payment:

Internal Revenue Service
Atlanta, GA 33901-0014

All 1040X:

Internal Revenue Service
Atlanta, GA 33901

For 4868 *with* a payment:

Internal Revenue Service
PO Box 105050
Atlanta, GA 30348-5050

For 4868 *without* a payment:

Internal Revenue Service
Atlanta, GA 33901-0002

Redesigned IRS.gov

A new and improved IRS.gov debuted with a fresh look, enhanced search capabilities, and easy access to tools that help taxpayers and tax professionals.

The IRS web site is one of the most heavily used sites on the Internet during the tax filing season. In fiscal year 2005, there were more than 176 million visits to IRS.gov and 1.2 billion page views. Since IRS.gov first launched in 1996, several updates have occurred to help taxpayers access information more efficiently and quickly.

The most noticeable change is a revamped homepage with a fresh color scheme and a new IRS.gov banner logo. There also is a new row of navigation buttons—Individuals, Businesses, Nonprofits and Charities, Tax Professionals, and other areas of interest—to take taxpayers directly to key pages.

An improved search function will allow for searches by Keyword or search term. The “Search” button is more intuitive than the current “Go” button. It also provides easy access to the advanced search options and search tips.

Other homepage highlights:

- **Most Requested Forms and Publications.** This section highlights the top five most requested forms and publications across the IRS.gov web site, based on documents that the public is requesting. This feature will help many users find their desired form with just one click.
- **Online Tools.** This section features several of the most frequently used online tools available on IRS.gov. From filing electronically to determining refund status, check this area for the tools that make taxpayers’ lives easier.
- **Featured Content.** The middle of the home page is reserved for information that is currently important to many users. This is where news headlines will appear.
- **Information About.** This section provides six links to general information accessed by many users. Some of these links were moved from the red header of the current site.
- **I need to...** The “I need to...” drop-down menu gives users quick access to frequently accessed information within a particular content area. For example, one taxpayer may need the option “Start a Business” while another person may need information on “File an Extension.”
- **Image.** The section holds the main image for the homepage.
- **Promotional Advertisements.** This section allows the IRS to bring new programs, information, and features on the web site to users’ attention. Viewers can expect to see one or two advertisements in this space.

There also are major changes on each landing page. For example, on the “Individuals” landing page, taxpayers will notice a second level of navigation, beneath the main navigation buttons. This provides easy access to a number of subtopics: employees, farmers, international taxpayers, military, parents, self-employed, seniors and retirees, and students.

2005 NC Tax Law Changes

Stephen Metelits

Here are *some* of the changes to NC's tax laws:

- ◇ **Estate Tax**—For decedents who die after December 31, 2004, the NC estate tax (which was scheduled to expire July 1, 2005) has been extended. The estate tax will continue to equal the state death tax credit that was allowable under §2011 of the Internal Revenue Code as it existed prior to 2002.
- ◇ **Cigarette Tax**—For cigarettes sold after September 1, 2005, and before July 1, 2006, the tax is 30¢ a pack. From July 1, 2006, the rate is 35¢ a pack.
- ◇ **Tax Credits**—Many of the tax credits that were set to expire have had their sunset extended.
- ◇ **Gambling**—NC finally passed a lottery. Tax will be withheld from lottery winnings at the rate of 7% for winnings of \$600 or more. Both in-state and out-of-state winners must pay NC income tax on their winnings.
- ◇ **Highest tax bracket**—The individual income tax rate of 8.25% was scheduled to expire for tax years beginning after December 31, 2005. This sunset is delayed two years.
- ◇ **Federal deductions added back**—If you deduct state sales tax or take advantage of the domestic production deduction, you have to add that amount back to your NC income for tax purposes.
- ◇ **Political parties**—The \$1 check box on the NC return for funding a political party has been increased to \$3 if your income tax liability is at least \$3.
- ◇ **Estimated taxes**—For both individuals and corporations, the "penalty" for underpayment of estimated taxes has been changed to "interest." As a result, the amount assessed cannot be waived.
- ◇ **Funeral expenses**—The existing exemption for funeral expenses not to exceed \$1,500 was repealed. This means that funeral services no longer will be subject to sales and use tax. However, the tax on tangible items such as caskets will be subject to sales and use tax.
- ◇ **Use tax**—The line on the individual tax return on which was reported use tax was supposed to be deleted beginning with the 2005 return. It will remain through the 2009 tax year.
- ◇ **Identity theft**—Business and government may not print an individual's Social Security number on any mailed materials unless required by state or federal law. A Social Security number that is permitted to be mailed may not be printed, in whole or in part, on a postcard or other mailer not requiring an envelope or visible on the envelope.

The summary published by the Department of Revenue runs 61 pages. This is just a small sample.

Dare County Sales and Use Tax

The 2004 session of the General Assembly enacted legislation that provides Dare County with the authority to levy an additional 1% local sales and use tax for beach nourishment. In accordance with the provisions of the legislation, the Dare County Board of Commissioners adopted a resolution levying the additional 1% sales and use tax effective January 1, 2006.

PTINs

The IRS reminds tax professionals to use your Preparer Tax Identification Number (PTIN) instead of your Social Security Number (SSN) on returns you prepare for clients (so you do not have to disclose your SSN on these returns). The PTIN was an issue brought to the NCSA Tax Forum for years. Now we have it; let's use it.

You may apply for a PTIN only if you are a paid tax return preparer. If you use a PTIN, you will meet the requirements under IRC §6109(a)(4) of furnishing your identifying number on returns you prepare.

The PTIN cannot be used in place of the Employer Identification Number (EIN) belonging to the tax preparation firm.

To apply on-line, request a PTIN at www.irs.gov. Click on Tax Professionals; then click on the link for e-Services. Once you have registered, follow the on-line instructions to have a PTIN assigned.

Or you may use Form W-7P, *Application for Preparer Tax Identification Number*, to apply for a PTIN.

MARK YOUR CALENDARS NOW

North Carolina Society of Accountants 2006 Convention Agenda

Sunday, June 25, 2006

Registration - 1:00pm to 6:00pm
Executive Board Meeting - 2:30pm
Board of Directors Meeting - 4:00pm to 5:30pm
Vespers – 6:00pm
Presidents Reception – 7:00pm to 8:00pm
Nominating Committee Meeting – 8:00pm to 10:00pm
BUNKO – 8:00pm to 10:00pm

Monday, June 26, 2006

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
CPE – 1:00pm to 4:40pm (4 hours)
Social Time – Cash Bar – 6:30pm to 7:00pm
Theme Dinner – Retro 70's and Disco – 7:00pm to 11:00pm
Nominating Committee Meeting – 9:00pm to 11:00pm

Tuesday, June 27, 2006

Opening of the 59th 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

*Look for a complete meeting package in your
mailbox early next year!*

NSA Board Update

*Wanda Goodson,
NSA District IV Governor*

1. NSA is a Charter Member of NASBA's Center for the Public Trust. A delegation of 8 members of the Board and members attended the inaugural event in Washington, DC. NSA members are encouraged to participate.
2. The Scholarship Development Committee is committed to raising \$160,000. It has several ideas to raise funds such as a No Show Gala and district golf tournaments. They are starting off with a solicitation for new members to the Scholarship Development Committee. There will be a dues check-off of \$15 to be directed to the Scholarship Foundation.
3. Lynn Holomon, Chair of Leadership Development, reported on a successful LNC in Denver. There were more than 70 attendees (2 from NCSA) from 22 states. 80% of the attendees were first timers. Her committee was asked to develop a job description for a possible new staff person dedicated to ASO affairs. They have completed a preliminary description. The 2006 LNC will be held in Milwaukee. The possible dates are September 28-30 or October 6-8.
4. Forest T Jones, NSA's insurance carrier, soon will be offering an identity theft policy for around \$99 for an individual plan and \$119 for a family plan.
5. The goal of the Membership Committee is to have a net gain of 500 members. The targets are NSA members of ASOs and small firm CPAs. Some go-getter tools are Symposium discounts. State Directors are encouraged to concentrate more on retention than initial memberships. *I am proposing a contest in District IV. The State Director with the highest retention rate for 2005-6 will get their membership dues paid.*
6. The Education Committee reported that Serving Aging America will be held in Las Vegas on June 5-10, 2006. There will be 20 hours of CPE at Convention. The National Accounting and Tax Symposia will be held September 25-26, 2006, in Las Vegas and November 13-14, 2006, in Orlando. The Education Committee is exploring a new signature seminar. Two ideas are "Self Defense for Small Business" which will explore fraud, internal controls, identity theft, *etc.* The other idea is "Serving Middle America" which will include consumer debt, college saving, budgeting, *etc.*
7. *Tax Accounting Guidelines for Small Business (TAGSBY)* was accepted by the Board of Governors for distribution as a member benefit tool. The Federal Taxation Committee meeting in conjunction with the IR-SAC developed a package of documents to present to legislators about S832.



Jackie Bracey and NCSA Vice President
Stephen Metelits at Tax Forum.

Bracey Retires

Jackie Bracey, Taxpayer Advocate for North Carolina, recently announced her plans to retire after 26 years of service with the IRS. Jackie began her IRS career as a Taxpayer Service representative in 1979. She later served as a Taxpayer Service Specialist before becoming a group manager in the Problem Resolution Program. She has been the Disclosure Officer; Public Affairs Officer; Chief, Taxpayer Service Division; and Chief, Communications.

Jackie has served as the Taxpayer Advocate for the past seven years. She has provided extraordinary customer service and exemplifies model work ethics. We certainly will miss her.

Pension Plan Limitations for 2006

The IRS announced cost-of-living adjustments applicable to dollar limitations for pension plans and other items for tax year 2006.

Many of the pension plan limitations will change for 2006. For most of the limitations, the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. Furthermore, several limitations, set by the *Economic Growth and Tax Relief Reconciliation Act of 2001* (EGTRRA), are scheduled to increase at the beginning of 2006.

For example, under EGTRRA, the limitation on the exclusion for elective deferrals is increased from \$14,000 to \$15,000 for 401(k) plans and to the Federal Government's Thrift Savings Plan, among other plans.

Effective Jan. 1, 2006, the limitation on the annual benefit under a defined benefit plan is increased from \$170,000 to \$175,000. For participants who separated from service before Jan. 1, 2006, the limitation for defined benefit plans is computed by multiplying the participant's compensation limitation, as adjusted through 2005, by 1.0383.

The limitation for defined contribution plans is increased from \$42,000 to \$44,000.

The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from \$210,000 to \$220,000.

The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employee in a top-heavy plan is increased from \$135,000 to \$140,000.

The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from \$850,000 to \$885,000, while the dollar amount used to determine the lengthening of the 5-year distribution period is increased from \$170,000 to \$175,000.

The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) is increased from \$95,000 to \$100,000.

The compensation amount regarding simplified employee pensions (SEPs) remains unchanged at \$450.

The compensation amounts concerning the definition of "control employee" for fringe benefit valuation purposes remains unchanged at \$85,000. The compensation amount under Section 1.61-21(f)(5)(iii) is increased from \$170,000 to \$175,000.

The limitation regarding SIMPLE retirement accounts remains unchanged at \$10,000.

The limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) is increased from \$14,000 to \$15,000.

The limitation on deferrals under Section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$14,000 to \$15,000.

The dollar limitation under Section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or 408 (p) for individuals aged 50 or over is increased from \$4,000 to \$5,000. The dollar limitation under Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or 408 (p) for individuals aged 50 or over is increased from \$2,000 to \$2,500.

NCSA Schedule of Events

2005

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 9—**ACAT Examination**

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

2006

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

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

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

June 26-27—**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

2007

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

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

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