The Accountant

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Inside this issue

A Message From The President

Wayne O. Parker

Wayne O. Parker

Season Greetings to one and all.

I hope all of you had a great Thanksgiving Holiday and that you took time to enjoy your family and friends. We have many blessings for which we should be grateful.

The NCSA fund-raiser letters for Legislative Fund contributions have gone out. We need to replenish our Legislative Fund so that we can continue to monitor issues regarding our right to practice accounting in North Carolina. Please help do your part.

Are you ready? As we look to the upcoming tax filing season, I hope that you had an opportunity to attend one of the PTI or NCSU income tax seminars to help get you ready. During tax season remember to make notes of any problems you encounter with the IRS or NCDOR and send them to Ronald Powell for next year's Practitioners' Forum.

Note! So we don't forget, mark your calendars now to attend the 2007 NCSA Annual Convention and Summer PAS. The date is June 20th – 24th at the Embassy Suites Hotel in Winston Salem. See everyone there.

Now that it is December, as the year comes to end, it is a time of reflecting on the memories of this past year. Of the good times, of the bad times, of our loved ones, etc. I hope we can forgive our loved ones, forget the bad times, and remember the good times.

I hope you all know that NCSA is a part of our extended family; you are thought of often and especially this holiday season.

The officers and I wish each of you a Merry Christmas and a Happy New year.

Thank all of you for your support. Have a wonderful holiday, but remember that Jesus is the reason for the season.

Personal Postings

Pat Pittillo

Erma Reynolds-Woodfin is back at work after her knee replacement. Glad you are doing so well, Erma….Congratulations to the new 25 year veterans in NCSA: **Curt Lee** from Raleigh, **Betty Hudson** in Garner, **Martha Lucille Huffman** from Marion, and **Edna Mason** in Morehead City. Where has all the time gone?...Christmas parties are approaching. You will have lots of gossip for me. Send your news items to pataccnt@asheboro.com or fax to (336) 626-0072.

Chapter News

(*continued on page 3*)

Hickory

The October meeting was held at Fire Mountain on October 30, at 6:30 pm. Eight members and 4 guests were in attendance. State Senator Jim Jacumin shared some personal background with us, and discussed immigration issues.

The chapter expressed condolences to Alene Dale, President, and Susan Moore, Treasurer, on the loss of their husband and father, Bob Dale. Bob was a frequent guest at chapter meetings and will be missed.

The Hickory Chapter met at McGuffey's on Highway 321 on November 20, at 6:30 pm. Eight members were present for an informative presentation by Jed Franquemont from the NC Department of Revenue. Jed is the Collections manager for Hickory and trains agents for prosecution.

The December meeting will be a Christmas party at The Peddler in Hickory, on December 11, at 6:30 pm. The annual gift exchange will have a $15 limit.

Charlotte

The October meeting was held on October 23, with 14 members and 3 guests in attendance. Jense Haynes spoke on fee schedules and practice management.

The Charlotte Chapter met on November 27, with 16 members and 6 guests attending. The speaker was Cheryl Myers of the NC Secretary of State office, discussing corporation updates.

The Christmas party will be at Jense Haynes' house on December 11, at 7:00 pm. There will be a $10.00 Chinese gift exchange. Food will be provided, but bring your favorite dish if you like and BYOB—mixers provided.

The next meeting will be January 27, 2007. Avery Henline of the IRS will speak.

Cape Fear

The October meeting of the Cape Fear Chapter was held October 16, at the Barn Restaurant in Fayetteville, at 6:30 pm. Pamela J. Wortham, CPA, Deputy State Treasurer spoke on "The Impact of the State on the Economy." She went through a power point presentation about the Department of the State Treasurer. The meeting was attended by 9 members and 1 guest.

The November meeting was held on November 20 at 6:00 pm at the Front Street Café in Lillington, NC. Stephen Metelits spoke on the production deduction. He went over the terms and the abbreviations, the form 8903 and to whom this deduction is available. Seventeen chapter members were present.

The December meeting will be held at Lebanon Baptist Church, 3329 Beard Road, Fayetteville, on December 11, at 6:30 pm. Chapter Past President Bill Fischer will present an update for the 2006 filing season. There will also be a roundtable discussion on how changes in tax law affect us and our clients. The meal will be prepared by Chris Hudson.

The January, 2007 meeting will be at the Brass Lantern in Dunn on January 22, at 6:30 pm. The Clerk of Court from Harnett County will speak on Estates and Filings.

Central

The chapter legislative meeting was held October 23 at the Sheraton Hotel, Greensboro, 6:00-9:00 pm. This was a joint chapter meeting with Burlington and Piedmont. Central chapter had 5 members and 3 guests in attendance. Representative Maggie Jeffus and Senator Hugh Webster spoke. Representative Jeffus shared information about bills introduced in this session and mentioned that the state had to borrow from the state retirement system. Senator Webster called for full-time legislators and applauded the community colleges for the services they provide. He spoke adamantly about the tobacco allotment buyout program and the difficulty in properly reporting it.

The next meeting will be November 27, at the Pavilion Restaurant at 6:30 pm.

Raleigh

The chapter met on September 26, with 12 members and 5 guests attending. Wayne Parker, NCSA President, installed new officers:

Mary Fuller – President	Richard Reedman – Vice President
Robert Pia – Treasurer	Larry Grossman – Secretary

Nancy Davison, PT, MA, LA, of Traditional Acupuncture and Rehabilitation, gave a brief talk and demonstration on reducing pain and strain. Particular attention was given to avoiding back pain.

The October meeting was held on October 24th, and featured Stacie Schultz speaking on organizing your office. Ten members and 2 guests attended.

One chapter member was dropped.

The November meeting was held on November 28, with 15 members and 1 guest in attendance. Stephen Metelits spoke on the "Production Deduction."

Two new members were approved.

There will be no December meeting. The next meeting will be the 4th Tuesday in January and Stephen Metelits will discuss "An Overview of Accounting Standards and Financial Statements."

(*continued on page 3*)

(Chapter News continued)

Burlington

The September meeting of the Burlington chapter was held at Kimbers Restaurant at 6:30 pm on September 28th, with 5 members and 3 guests present. Wayne Parker, President of NCSA, spoke on Ministers' Tax Returns.

One chapter member, Lenny Williams, was dropped.

The October meeting of the Burlington Chapter was a joint meeting with Central and Piedmont Chapters. Hugh Webster, Senate District 24, and Maggie Jeffus, House of Representatives District 59, were speakers for the evening. A total of 28 members and guests were present. The meeting was held at the Sheraton at Koury Convention Center, Greensboro, at 6:00 pm, Monday, October 23. It was an informative, enjoyable opportunity to meet with our legislators and get to know them better.

Sanford

Sanford Chapter met on October 17 at the office of Elizabeth Kelly with 4 members. The topic of discussion was the investment interest deduction and Form 4952.

There will be no meeting in November, due to conflicts with tax schools. The next scheduled meeting will be Tuesday, December 5, at 7:00 pm, at the office of Elizabeth Kelly.

Piedmont

The September meeting was held on the 28th at Golden Corral in High Point, with 8 members and 3 guests in attendance. Stephen Metelits spoke on the domestic production activities deduction.

The October meeting will be a joint legislative meeting with Burlington and Central at the Koury Convention Center at 6:00 pm, October 23, 2006.

The annual Christmas dinner will be held on Monday, December 4, at 6:30 pm at the Sagebrush Steakhouse, 1505 E Dixie Drive, Asheboro. Please bring a $5.00 gift/ornament for exchange and a canned good to be given to charity. Councilwoman Dianne Bellamy-Small will provide entertainment.

Western

The September 26th meeting was held at Shoney's Restaurant in Arden with 9 members and 6 guests in attendance. Rod Kight, a bankruptcy attorney, gave a presentation on the various kinds of bankruptcy and ways to help clients through the process.

The October meeting was held at the Olive Garden on Tunnel Road in Asheville on the 24th, with 9 members and 5 guests in attendance. Jeff Porter was the featured speaker, providing 2 hours of ethics. Mr. Porter was presented with honorary membership for his dedication to the Western Chapter.

No meeting is scheduled for November. The next meeting will be the Christmas party in December, date and site to be determined.

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.

Energy Credit

Announcement 2006-88 states that either Residential Services Network (RESNET) Publication No. 05-001 or RESNET Publication No. 06-001 may be used to determine whether a dwelling unit qualifies for the New Energy Efficient Home Credit. A taxpayer may calculate heating and cooling energy and cost savings using the procedures contained in either RESNET publication.

NSA District IV Meeting

Denise Hammond

The NSA District IV meeting was held in Jacksonville, Florida, on October 20. Attendees included NCSA officers, Wayne Parker and Denise Hammond; NSA First Vice President, Andy Morehead; District IV Governor, Martha Bell; and officers and members from North Carolina, South Carolina, Georgia, and Florida.

Among the issues discussed were memberships for ASO's and NSA, educational plans for the upcoming year, and membership requirements.

North Carolina will host the District IV conference in 2007. The other states have requested another Woolly Worm event. Any volunteers for the roundup?

Formula for Business Telephone Tax Refund

In IR-2006-179, the IRS announced a formula that will allow businesses and tax exempt organizations to estimate their federal telephone excise tax refunds. In May 2006, the IRS announced that individuals, businesses, and tax exempt organizations who paid the long-distance telephone excise tax can request the refund on their 2006 tax return.

To request a refund, businesses (including sole proprietors, corporations, and partnerships) and tax exempt organizations must complete Form 8913, *Credit for Federal Excise Tax Paid*. To complete this form, organizations may determine the actual amount of refundable long-distance telephone excise tax they paid for the months from March 2003 through July 2006 or use the formula to figure their refunds. Tax exempt organizations must attach the form to Form 990-T.

Businesses and tax exempt organizations can figure their refund amounts by comparing two telephone bills from this year to determine the percentage of their telephone expenses attributable to the long-distance excise tax. The bills they should use are the bill with a statement date in April 2006 and the bill with a statement date in September 2006. The first bill includes both the excise tax and local tax; the second bill includes only local tax. The difference between the two percentages then should be applied to the quarterly or annual telephone expenses to determine the amount of their refunds.

The refund is capped at 2% of the total telephone expenses with 250 or fewer employees. The refund is capped at 1% for larger organizations.

Options for requesting this refund vary for sole proprietors who file Schedule C. Sole proprietors who report gross income of $25,000 or less on Schedule C may use the standard amounts or request a refund based on their actual expenses. Sole proprietors with more than $25,000 in gross income have three options:

1. They can use the standard amounts which cover both personal and business expenses.
2. They can use the formula for their business expenses and actual for their personal ones.
3. They can choose to use actual amounts for both business and personal.

Similar rules depending on the amount of gross income reported on Schedule F or Schedule E apply to farmers and individual owners of rental property.

Trusts and fiduciaries may not use the standard amount available to individuals. They should use the formula to figure their refunds or the actual amount paid.

Non-Cash Charitable Contributions

In Notice 2006-96, the IRS reminds us that taxpayers are required to obtain a qualified appraisal for donated property for which a deduction of $5,000 or more is claimed. An appraisal will be treated as a qualified appraisal if the appraisal complies with all of the requirements of existing regulations and is conducted by a qualified appraiser in accordance with generally accepted appraisal standards. An appraisal will be treated as having by conducted in accordance with generally accepted appraisal standards if, for example, the appraisal is consistent with the substance and principles of the Uniform Standards of Professional Appraisal Practice, as developed by the Appraisal Standards Board of the Appraisal Foundation (see www.appraisalfoundation.org.

An appraiser will be treated as having earned an appraisal designation from a recognized professional appraiser organization if the appraisal designation is awarded on the basis of demonstrated competency in valuing the type of property for which the appraisal is performed. An appraiser will be treated as having demonstrated verifiable education and experience in valuing the type of property subject to the appraisal if the appraiser's background, experience, education, and membership in professional associations, the appraiser is qualified to make appraisals of the type of property being valued. An appraiser will be treated as having met minimum education and experience requirements if:

- For real property and returns filed after October 19, 2006, the appraiser is licensed or certified for the type of property being appraised in the state in which the appraised real property is located.
- For other property and returns filed after February 16, 2007, the appraiser has:

1. Successfully completed college or professional-level coursework that is relevant to the property being valued;
2. Obtain at least two years of experience in the trade or business of buying, selling, or valuing the type of property being valued; and
3. Fully described in the appraisal the appraiser's education and experience that qualify the appraiser to value the type of property being valued.

Home Office Deduction

In FS-2006-25, the IRS explained that taxpayers who use a portion of their home for business purposes may be able to take a home office deduction if they meet certain requirements. Expenses that can be deducted include the business portion of real estate taxes, mortgage interest, rent, utilities, painting, repairs, and depreciation. The amount of depreciation deducted, *or that could have been deducted*, decreases the basis of the property.

In order to claim a deduction for that part of a home used for business, taxpayers must use that part of the home:

- *Exclusively and regularly* as the principal place of business, as a place to meet or deal with patients, clients, or customers in the normal course of the business, or in connection with the trade or business where there is a separate structure not attached to the home; or

- On a regular basis for certain storage use such as inventory or product samples, as rental property, or as a home daycare facility.

In addition, some employees can claim the deduction only if the regular and exclusive business use of the home is for the convenience of the employer and the portion of the home is not rented by the employer. "Exclusive use" means a specific area of the home is used only for the trade or business. "Regular use" means the area is used regularly for trade or business. Incidental or occasional business use is *not* regular business use. Non-business profit-seeking endeavors such as investment activities do not qualify for a home office deduction nor do not-for-profit activities such as hobbies.

Travel Expenses

In Rev Proc 2006-49, the standard mileage rates for 2007 are: 48.5¢ per mile for business, 14¢ per mile for charity, and 20¢ per mile for medical and moving. The business standard mileage deduction may not be used to compute the deductible expenses of automobiles used for hire or five or more vehicles owned or leased and used simultaneously.

For owned automobiles placed in service for business and for which the business standard mileage rate has been used for any year, depreciation is considered to have been allowed at the rate of 16¢ per mile for 2003 and 2004, 17¢ per mile for 2005 and 2006, and 19¢ per mile for 2007 for those years in which the business standard mileage deduction was used. This depreciation reduces the basis of the automobile (but not below zero).

[The following was published without the information that it was for the travel industry. *Editor*]

In Rev Proc 2006-41, the IRS updated the deductions for meals and travel expenses.

The first big change is for meal expenses. These currently are 50% deductible. For 2006-7 they go to 75%. Beginning in 2008, the amount deductible for meal expenses goes to 80%.

The *per diem* rate goes to $52 in the US and $58 overseas. For incidental expenses only, the rate is $3 per day. Using the high-low cost rates, they are $58 and $45. The high rates are for cities listed by the IRS during the dates the IRS considers high.

Mark Your Calendars

NCSA Fall PAS

October 21-22, 2007—Hilton Near Duke University, Durham, NC

1098-T

Form 1098-T is not acceptable documentation for educational expenses. Some taxpayers mistakenly believe the form serves as a record of educational expenses paid. However, the form, issued by universities, only documents tuition that the school billed, not what the student paid. Tax professionals are reminded to make sure all tuition and expenses claimed are backed up with thorough records.

2006 Special Enrollment Exam

In IR2006-155, the IRS announced that the new version of the 2006 IRS Special Enrollment Examination is ready. The test, required for those who want to become Enrolled Agents, has been substantially revised and is being offered more often and in more places than in the past.

The exam has been reformatted from the four sections to three to more accurately reflect the current state of the art in taxpayer representation. Each of the three new sections (Individuals, Businesses, and Representation, Practice, and Procedures) has about 100 questions.

The IRS worked with Thomson Prometric, a company specializing in assessment services, to develop the test. The exam was redesigned with new content derived from extensive involvement by subject matter experts from the Enrolled Agent community.

Additional changes make taking the test more convenient than ever:

- The examination is offered throughout the year, providing candidates the opportunity to take the examination at a time that fits their schedules;
- The test is offered at approximately 290 testing centers in a highly secure, professional testing environment;
- Candidates no longer are required to take the entire exam in one sitting;
- Starting in May 2007, candidates will have their exam results in-hand before leaving the test site;
- Candidates will be able to retake each part of the examination several times each year; and
- There no longer is a deadline for registering. Candidates now apply on-line throughout the year and pay with a credit card.

What is a Qualifying Child?

Under the *Working Families Tax Relief Act of 2004*, a qualifying child must meet each of the following tests:

- **Residency.** A child must have the same principle abode as the taxpayer for more than half the year.
- **Relationship.** The child must be the offspring (or adopted child), sibling, step-sibling, or descendent of one of them.
- **Age.** The child must be under age 19, under 24 for full-time students, or any age for a child that is totally and permanently disabled.

The child must be under 13, if not disabled, for purposes of the dependent care credit and under 17 for purposes of the child tax credit.

If a child is a qualifying child of more than one person and is claimed by more than one person, the following rules are used to break the tie:

1. If only one of the persons claiming the child is the child's parent, the parent gets the child.
2. If both parents claim the child but do not file a joint return, the parent with whom the child resides longer gets the child or, if neither has a clear claim under this rule, the parent with the higher AGI gets the child.
3. If the child's parents are not claiming the child, the person with the highest AGI gets the child.

Mark Your Calendars

Annual Convention Dates to Remember

2007

June 21-22 Embassy Suites— Winston-Salem

2008

June 20-22 Durham Marriott—Durham

Appeals Arbitration Process

In IR-2006-163, the IRS announced that the Appeals arbitration process no longer is a pilot program but part of business as usual. In arbitration, the IRS and taxpayer agree to have a third party make a decision about a factual issue that will be binding on both parties.

Previously, a pilot program for cases in Appeals in which a taxpayer and IRS jointly could request arbitration on certain unresolved factual issues. When a limited number of factual issues remain unresolved during the course of an appeal, the taxpayer or IRS can request arbitration and jointly select an Appeals or non-IRS arbitrator from any local or national organization that provides a roster of neutrals.

The permanent arbitration procedure may be used to resolve issues while a case is in Appeals, after settlement discussions are unsuccessful, and, generally, when all other issues are resolved except specific factual issues for which arbitration is requested.

Arbitration is not available for all issues. Some examples include legal issues, issues already in any court, issues in a taxpayer's case designated for litigation, collection cases with certain exceptions, and frivolous issues.

Online Payment Agreements

In issue 2006-35 of the *News for Tax Professionals*, the IRS announced the *Online Payment Agreement*, a new tool to resolve federal income tax liabilities.

The online application, available at www.irs.gov, allows taxpayers or their authorized representatives to self-qualify, apply for an installment agreement, and receive immediate notification of approval. Three payment options are available:

- Pay in full in 10 days.
- Short-term extension up to 120 days.
- Monthly payment plan.

To be eligible for an installment agreement, you must have filed all required tax returns and paid your estimated tax payments, if required.

NCSA Schedule of Events

2006

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, 6 p.m.

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.

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

September 21-22—Fall PAS—Hilton Near Duke, Durham

September 28-30–NSA Leadership–Tampa/St Pete, FL

October 26—Practitioners' Forum—
Holiday Inn Airport, Greensboro

2008

May 10—**Board of Directors Meeting—**
Zoo—Asheboro, 10:30 a.m.

June 19–**Board of Directors Meeting**–Marriott, Durham

June 20-21–**Spring PAS–**Marriott, Durham

June 22–**Annual Convention**–Marriott, Durham

June 23–**Board of Directors Meeting**–Marriott, Durham

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