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Post Office Box 1126, Conover, NC 28613

828-695-2520 or 866-755-NCSA FAX: 828-695-2522

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NCSA Annual Convention

June 21-22, 2009

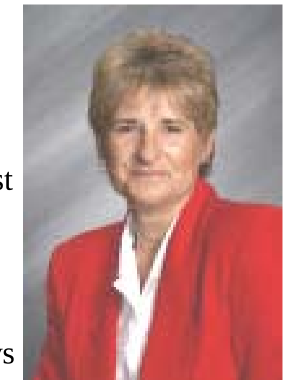
Hilton Riverside

Wilmington

Registration Details Coming Soon

A Message From The President

Denise J. Hammond



Denise J. Hammond

Hello to all. I hope that all are in good health and that W-2 & 1099 processing are behind us. Don't you just love those last minute ones?

As we are working our way through this new tax season, remember that our biggest member benefits are our membership and our networking tools; you can always call another member to help with a difficult question. Remember when preparing those difficult returns or those odd ones that NCSA's web site has lots of useful links to other helpful sites as well as our own newsletters full of information on changes in the tax law.

Also be sure to keep a note pad handy to write down questions and suggestions for the Practitioners Forum Committee. Garland Steele and Richard Davis will be requesting your help later in the year and now is the time to jot it down.

Put it on your calendar now!! **2009 Convention will be held in Wilmington, NC, June 21-22.** A great time to enjoy the coast, get involved in NCSA, and meet some of our membership. The length of Convention this year has been shortened, to accommodate our time constraints. Bring the family; everyone is welcome. Cheryl Hudson, Convention Chair, will be getting more information out in March/April. Since none of us will have to time to look at it until May 1st, go ahead and put it on the calendar now.

NCSA will be sponsoring a Jennings 1040 seminar November 2-3 as well as NSA District IV meeting; more information to come.

Thank you to all committee members and Candace; everyone is doing a great job.

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 January 22 at Kimbers Restaurant in Gibsonville. NCSA Past President Stephen Metelits spoke on Disclosure.

Cape Fear

Cape Fear Chapter met at the Brass Lantern in Dunn on January 19. NCSA Secretary Bill Fischer spoke on rental real estate and foreclosures.

The next meeting will be on February 16 at The Barn Restaurant, Fayetteville. Linda Amos from the Employment Security Commission will be the speaker.

Central

Central Chapter met at the Pavilion Restaurant in Greensboro on January 26. Marsha Wheeler, NCSA Chapter Promotions Chair, gave a presentation on chapter promotions and Ronald Powell led a discussion on tax questions.

The next meeting will be on Monday, February 23.

Charlotte

Reps from NC Dept of Revenue spoke at the January 26, 2009, meeting.

Hickory

The meeting was on January 26 at Bennett's Barbeque in Hickory. The topic of discussion was IRS Tax Law Changes.

The next meeting will be the annual tax roundtable. It will be at the Olive Garden on February 23.

Raleigh

The January meeting was on January 27, at Manchesters Grill in Raleigh. NCSA Past President Stephen Metelits spoke on changes to NC tax laws.

Western

The January 27 meeting was held at French Fryz in Arden. Vice-President John McKinney held a round table discussion on the recent Federal and State changes.

The next meeting will be February 24. Topic and location will be determined at a later date.

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.

Medicare

According to the Medicare Rights Center, Part D enrollees will pay lower drug prices starting January 1, 2010. This is the result of a new Centers for Medicare & Medicaid Services (CMS) regulation revision that revises the definition of "negotiated prices" under the Part D program. The revised definition requires Part D plans use the sale price negotiated with pharmacies in determining the cost of drugs for Part D enrollees.

Currently, some Part D plans charge enrollees the drug prices negotiated with an intermediary contracting organization, the pharmacy benefit manager (PBM), who then negotiates a lower drug price with pharmacies. The difference between the pharmacy price and the price paid to the PBM can be large, particularly for generic drugs, and can push enrollees in these plans into the Part D coverage gap.

Consent to Disclose

Stephen Metelits

If you are unaware of the requirements of Rev Proc 2008-35, a summary is available on the NCSA web site. You can find it in the newsletter for September on page 3 under the same title as this article. Or you can look for the Rev Proc on the IRS web site at irs.gov.

The requirements are not clear, and there is no one disclosure form that fits all situations because it depends on what is being disclosed to whom. Some people jump to the wrong conclusion.

After talking with the author of Rev Proc 2008-35, most of us don't require a signed disclosure form before doing the tax return. Sole proprietors, and even preparers in larger firms where one preparer does the work and another preparer reviews it, don't necessarily need a prior disclosure consent.

Even if, during the preparation of the return, you discover that the taxpayer would save tax by contributing to an IRA, you tell the client that it would be a good idea to contribute to an IRA, you don't need a disclosure even if you recommend an independent party that sells IRAs. On the other hand, if you are about to recommend yourself or someone in your firm who handle IRAs, you need a disclosure consent before you talk to the taxpayer about the IRA.

If you farm out the state tax work on an out-of-state return after doing the federal and NC returns, you may not need a disclosure depending on what the other tax preparer has to do to prepare the out-of-state return and what might be done with the information after the other preparer is done and has given you the return.

From what I gather from the author of the Rev Proc, what the IRS is trying to do is control the use of information that goes out of the country or is used in the solicitation of additional business.

Also, if the taxpayer later asks for you to supply information to a third party, another disclosure form is needed before you can give the information to the third party. Remember, this is not a power of attorney; it is very specific in scope and duration.

Taxpayer Advocate's Report

National Taxpayer Advocate Nina Olson released her annual report, urging Congress to greatly simplify the tax code. The report designates the complexity of the tax code as the most serious problem facing taxpayers. According to the data compiled by Olson's office, US taxpayers and businesses spend about 7.6 billion hours a year complying with tax filing requirements. "If tax compliance were an industry, it would be one of the largest in the US," the report says. "To consume 7.6 billion hours, the 'tax industry' requires the equivalent of 3.8 million full-time workers."

Two examples of tax law complexity:

- The AMT effectively requires taxpayers to compute their taxes twice and then pay the higher amount. Although the AMT originally was conceived to prevent wealthy taxpayers from escaping tax liability, 77% of the additional income subject to tax under the AMT today is attributable to the disallowance of deductions otherwise allowed for state and local taxes and personal and dependency exemptions. "Few people think of having children or living in a high-tax state as a tax avoidance maneuver, but under the unique logic of the AMT, that essentially is how those actions are treated," the report notes.
- The tax code provides tax breaks to encourage taxpayers to save for education and retirement. However, the number of such incentives has grown to 27 and the eligibility requirements, definitions of common terms, income-level thresholds, phase-out ranges, and inflation adjustments vary among the provisions. Taxpayers can respond only to incentives if they know they exist and understand them.

Olson recommends that Congress substantially simplify the tax code. The report includes a series of recommendations, including recommendations to repeal the AMT, streamline education and retirement savings tax incentives, simplify the family status provisions, simplify the rules under which workers are classified as employees or contractors, reduce sunset and phase-out provisions, and revise the overall penalty structure.

Olson also reiterates her longstanding recommendation that Congress regulate unenrolled tax preparers to protect taxpayers from preparer errors and exploitation. She notes that 62% of taxpayers use preparers, yet anyone now can be a preparer–with no training, no licensing, and no oversight required.

Tax Help From the IRS

The IRS announced a number of new steps to help financially distressed taxpayers maximize their refunds and speed payments while providing additional help to people struggling to meet their tax obligations.

On a wide range of situations, IRS employees have flexibility to work with struggling taxpayers to assist them with their situation. Depending on the circumstances, taxpayers in hardship situations may be able to adjust payments for back taxes, avoid defaulting on payment agreements, or possibly defer collection action. The IRS reminds taxpayers who are behind on tax payments and need assistance to contact the phone numbers listed on their IRS correspondence. There could be additional help available for these taxpayers facing unusual hardship situations.

- IRS employees have greater authority to suspend collection actions in certain hardship cases where taxpayers are unable to pay.
- The IRS is allowing more flexibility for previously compliant individuals in existing Installment Agreements who have difficulty making payments because of a job loss or other financial hardship. The IRS may allow a skipped payment or a reduced monthly payment amount without automatically suspending the Installment Agreement.
- An Offer in Compromise may be a viable option for taxpayers experiencing economic difficulties. In instances where the accuracy of local real-estate valuations is in question or other unusual hardships exist, the IRS is creating a new second review of the information to determine if accepting an offer is appropriate.
- Taxpayers unable to meet the periodic payment terms of an accepted OIC will be able to contact the IRS office handling the offer for available options to help them avoid default.
- The IRS will speed the delivery of levy releases by easing requirements on taxpayers who request expedited levy releases for hardship reasons. When calling the IRS, taxpayers requesting a levy release due to hardship should be prepared to provide the IRS with the fax number of the bank or employer processing the levy.

Taxpayers should look into the numerous tax breaks available, including credits for which they may not have been qualified previously. These include the First-Time Homebuyer Credit, the Recovery Rebate Credit, the standard deduction for real estate taxes, and non-taxable mortgage workouts and foreclosures.

New Address for Tax Exempt Applications

The new mailing address for EO Determination has changed. The new address is:

Internal Revenue Service
PO Box 12192
Covington, KY 41012-0192

Use this address to file Forms 1023, 1024, 8734, and 8718.

Form 944

According to Rev Proc 2009-13, for tax year 2009, employers are qualified to file Form 944 if their estimated annual employment tax liability is $1,000 or less. The IRS will notify new employers in writing of the qualification to file Form 944 instead of Form 941. Employers who continue to be eligible in subsequent years will not receive another notification. The IRS will notify employers in writing when they no longer qualify to file Form 944 and must file Form 941 instead.

EITC

The IRS is taking a multi-prong approach to reduce the number of erroneous EITC claims. The agency estimates that 23-28% of EITC claims filed for tax year 2007 were erroneous and resulted in overpayments of $11-13 billion.

The IRS adopted the EITC Paid Preparer Compliance Program because paid preparer:

- Prepare approximately 70% of the EITC claims
- Can play a role in helping the IRS reduce EITC errors

The IRS developed a tiered EITC Paid Preparer Compliance Program with a range of activities designed to influence behavior and reduce errors. Consequences of non-compliance are based on whether the error is determined to be unintentional due to misapplication or misunderstanding of the tax law or an intentional disregard of the law.

For 2009, the IRS will:

- Implement a first time paid preparer program. This educational and outreach program is directed to preparers identified as "new" to EITC preparation. The IRS will send these preparers letters outlining their due diligence responsibilities and listing common errors.
- Make face-to-face visits to return preparers who file highly questionable EITC returns. An IRS criminal investigator and a revenue agent will visit selected preparers to discuss the identified errors, remedies, and preparer responsibilities and possible civil and criminal penalties.
- Continue the due diligence audit program where agents review paid preparers' due diligence records on site. These visits can result in penalties assessed against the preparer if they cannot substantiate due diligence, including the knowledge factor and recordkeeping requirements.

How Much Was 2008 Stimulus

You can find out how much of the 2008 stimulus payment was made by going to the following web site: https://sa2.ww4.ir.gov/irfof/IRServlet?app=IRAQCTC&selectLanduage=en. There you will have to enter the SSN shown on the 2007 tax return, the filing status, and number of exemptions on the 2007 return. With any luck, the IRS will return the amount of the 2008 stimulus check that was sent.

Form 940

It is so new that it may have escaped your attention. The IRS has "corrected" the 2008 instructions for Form 940, *Employer's Annual Federal Unemployment Tax Return*, according to a notice posted December 19 on its web site (which is why you may not have noticed it). It said that, on page 10 under Part 7, a new sentence was added to the paragraph that begins, "Paid preparers." It now includes instructions that "Paid preparers must sign paper returns with a **manual signature**." Same for Form 941.

529 Plan Changes

Notice 2001-55 permits a change in the investment strategy for a 529 account **once** per calendar year and upon a change in the designated beneficiary. Notice 2009-1 changes that earlier notice to allow a change in investment strategy for a 529 account **twice** per calendar year.

NCSA Schedule of Events

2009

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

July 18—**Board of Directors Meeting**—Greensboro

July 18—**Leadership Conference**—Greensboro

August 17-19—**IRS Carolina Tax Forum**—
Hilton University Place, Charlotte, NC

October 23—**NCSA Practitioner's Forum**—Greensboro

November 2—**Board of Directors Meeting**—
Embassy Suites, RDU, Cary

November 2-3–**Jennings 1040 Tax—**
Embassy Suites, RDU, Cary

2010

May 4—**Board of Directors Meeting**—
Dinner Meeting—TBD

June 6-8—**NCSA Convention**—TBD

2008-2009 OFFICERS

PRESIDENT – DENISE J. HAMMOND
P.O. Box 938
Morganton, NC 28680-0938
828-437-7058
djhaccountant@bellsouth.net

PRESIDENT-ELECT – J. R. LAWSON, JR.
2200 Silas Creek Parkway 7B
Winston Salem, NC 27103
336-794-2525
jrlbmcc@alltel.net

SECRETARY – WILLIAM S. (BILL) FISCHER
711 Dandridge Drive
Fayetteville, NC 28303-2000
910-864-4114
taxpros@nc.rr.com

TREASURER – JOHN L. BLANTON
2200 Silas Creek Parkway 7B
Winston Salem, NC 27103
336-794-2525
johnlbmcc@alltel.net

IMMEDIATE PAST PRESIDENT – STEPHEN METELITS
77 Fearrington Post
Pittsboro, NC 27312
919-933-0724
metelits@usa.net

ASSOCIATION OFFICE
Candace Cansler, Executive Director
866-755-NCSA(6272) toll-free
828-695-2520 (v) 828-695-2522 (f)
candacecansler@bellsouth.net

THE ACCOUNTANT EDITOR – STEPHEN METELITS
metelits@usa.net