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A Message From The President

Jan Allison

Happy New Year to everyone. I sincerely hope that each of you had a very Merry Christmas.

Now that we are in another year, it is time to focus on new ideas and new tax laws. W-2s, 1099s, and year-end information will keep us busy through January. Then the most favorite time of year for Accountants, TAX SEASON. Keep in mind that, as a member of NCSA, you have incredible benefits such as the web page, *The Accountant*, Legislative monitoring, and CPA Board monitoring. Even though it is tax season, these benefits will continue.

I truly hope that everyone has an easier tax season than last year. To make this happen, remember the members of NCSA. We are one big "family" and are here to help each other out in time of need.

I hope each of you has a very prosperous tax season, and, until next time, may God bless each of you.



Jan H. Allison



Name Change

Change is in the air for **L. Sheehan, Accountant of Morganton**. As of January 1, 2004, the company will be known as **Gray & Hammond, Accountants**. Everything remains the same with the exception of the name.

2004 NCSA Convention

Jense Haynes

In a report to the Board of Directors, the Convention Committee stated that they have scheduled 4 hours of CPE. The Education Committee will decide if we will offer additional hours at the Convention.

Sunday evening, June 20, after vespers, the President's Reception will be outside the Hilton Hotel in beautiful downtown Charlotte.

David Rollins has agreed to be in charge of the golf. This is scheduled tentatively at the normal time, Monday afternoon, June 21.

Monday evening our theme is "The County Fair." We have a professional "Fair Person" assisting us. The meal will be barbecue and fixings. We are begging for homemade items that you can donate to the society. Please, no cows or sheep.

The Past Presidents meal will be lunch on Tuesday, June 22.

IRS Helps Military Personnel Get New Law's Tax Breaks

The IRS is helping taxpayers use a new law providing income exclusions for death benefit payments and certain home sales. Both provisions are retroactive, so some qualifying taxpayers must file amended returns to claim these tax breaks. The IRS asks them to put the words “**Military Family Tax Relief Act**” in red at the top of such returns to speed processing.

The new law doubled the benefit paid to survivors of deceased Armed Forces members to \$12,000, made the entire amount tax-free, and made the changes effective for deaths occurring after Sep. 10, 2001. Previously, only \$3,000 was tax-free. Recipients who already paid tax on benefits received for deaths after the effective date may file an amended return on Form 1040X, reducing their adjusted gross income by the \$3,000 they had reported as taxable. Those who receive such “gratuity” benefits in 2003 and future years will not have to report them on their tax returns.

Taxpayers may exclude gain on a home sale, provided they have owned and used the home as a principal residence for two of the five years before the sale. A reduced maximum exclusion may apply to those who satisfy part of the two-year rule. Military personnel often retain ownership of a home while away on duty but eventually sell it without returning to live in it, perhaps failing the use test completely.

The new law allows persons on qualified extended duty in the US Armed Services or the Foreign Service to suspend this five-year test period for up to 10 years of such duty time. A taxpayer is on qualified extended duty when at a duty station that is at least 50 miles from the residence sold, or when residing under orders in government housing, for more than 90 days or for an indefinite period.

This change applies to home sales after May 6, 1997. A taxpayer may use this provision for only one property at a time and may exclude gain on only one home sale in any two-year period. Although an amended return must usually be filed within three years of the original return's due date, the law gives qualifying taxpayers who sold a home before 2001 until Nov. 10, 2004, to file an amended return claiming the exclusion.

A taxpayer may use Form 4506, *Request for Copy or Transcript of Return*, to get an earlier year's tax return. This form and Form 1040X are available on the IRS Web site at www.irs.gov, or by calling 1-800-TAX-FORM (1-800-829-3676).

Retirement Plans

The IRS has made two plan information packets available. The following two plan information packets (to help business owners understand and comply with retirement law) have been posted to the Retirement Plans web page at www.irs.gov/ep:

- SIMPLE IRA Plan Information Packet
- SARSEP IRA Plan Information Packet

The web page for both packets includes an online checklist with expanded explanations. For the SARSEP packet, a *SARSEP: Common Problems & Solutions* brochure is available. As a pilot program, the IRS, in November, began mailing 2003 packets directly to a small sample of businesses that have adopted either a SIMPLE or SARSEP IRA plan. Customer feedback is requested on these packets and can be provided at RetirementPlanComments@irs.gov.

Publication 17 Available

Publication 17, *Your Federal Income Tax*, is available on-line at www.irs.gov/pub/irs-pdf/p17.pdf. It is free for downloading. Be careful, though; it is 319 pages.

ITIN Applications Revised

In IR-2003-140, the IRS announced several steps to strengthen controls over the issuance of ITINs. The changes will help ensure that ITINs are issued for their intended tax administration purpose for administering the tax code and not for other reasons, such as providing personal identification. In addition, the IRS is taking steps to help ensure that applicants can continue to obtain ITINs without undue burden.

New ITIN applicants must use a revised Form W-7, *Individual Taxpayer Identification Number Application*. ITIN applicants also must provide proof that the ITIN will be used for tax administration purposes. For applicants seeking an ITIN in order to file a tax return, the return must be filed along with the W-7.

"About ¼ of the ITINs issued for tax return purposes actually never find their way onto a tax return," said IRS Commissioner Mark Everson. "The steps taken today ensure ITINs will be issued only to those seeking to comply with their tax obligations."

Federal law requires individuals with US income, regardless of immigration status, to pay US taxes. The ITIN, a 9-digit number that begins with the number 9, was created for use on tax returns for those taxpayers who do not qualify for a Social Security number. The IRS issued 7 million ITINs since 1996.

However, some ITINs issued by the IRS do not appear in tax filings or tax reporting documents and may have been procured solely to serve as a form of identification. Earlier in 2003, the IRS issued letters to all governors and state motor vehicle departments advising that ITINs were not designed to serve as personal identification and would not be suitable for determining identification of applicants for a driver's license.

The IRS has implemented these changes:

- All new ITIN applicants must show a federal tax purpose for seeking the ITIN. For those seeking an ITIN to meet their income tax filing obligations, this will require attaching a federal tax return to the Form W-7 when they are ready to file their tax return.
- ITIN applications without proof of need for tax administration purposes will be rejected.
- The IRS has reduced to 13 from 40 the number of documents it will accept as proof of identity to obtain an ITIN. The 13 acceptable documents are listed in the new Form W-7 instructions.
- The IRS has changed the appearance of the ITIN from a card to an authorization letter to avoid any possible similarities with a Social Security card.

A small number of non-US residents apply for an ITIN to report income under a tax treaty, and a small number of US resident and non-resident applicants apply for an ITIN to report income from a US bank or brokerage account. Neither type of applicant will be required to file a tax return along with their ITIN application. Non-resident applicants are required to furnish evidence of their ownership of the asset that gave rise to the reporting obligation. Resident applicants are required to furnish evidence of actual, rather than intended, ownership bank or brokerage account.

Corporate Annual Reports

Charlene Dawkins, Director of Corporations for the Office of the Secretary of State, has spoken to just about every Chapter. By now, you should know that you can prepare corporate and LLC Annual Reports and more at the Secretary of State's web site.

The only thing she didn't do was tell you about the details. Here they are:

- Go to the Secretary of State's web site at www.sosnc.com as the first step.
- Click on the "Click here to file Annual Reports ONLINE."
- If you are not yet registered with the Secretary of State, click on "create new account." You set up your own account with your own name and password. You don't have to fill in any of the banking or credit card information.
- Log on.
- Enter a company name for which you want to prepare the annual report. You don't need the whole name; just the beginning will do.
- Click on "File an Annual Report." This leads to a series of four screens. You can correct or add information on any screen; just remember to click "Save" if you do so. When you are done with a screen, click "Continue" to go to the next screen.
- When you are done, click "Submit" to finish. Now you may enter your client's bank information, your client's credit card number, or click "Mail" to print the Annual Report and let the client mail it to the Secretary of State along with the fee.

If you are going to charge or pay by having the money withdrawn from your account, you can pay only one finance charge based on the total amount of the invoice and not on each individual filing if you use the "shopping cart" feature. This was added to the online filing service.

NCSA Schedule of Events

2004

May 23–**Board of Directors meeting**–Mountain location
June 20–**Board of Directors meeting**–Hilton Towers, Charlotte
June 21-23–**Annual Convention**–Hilton Towers, Charlotte
July 24–**Leadership Conference**–Radisson High Point
August 21-23–**NSA Convention**–San Antonio, TX
August 24-25–**IRS Forum**–San Antonio, TX
September 19–**Board of Directors meeting**–Coast
September 20-21–**Fall PAS**–Coast
October–**Tax Forum meeting with IRS**–Greensboro
November–**Board of Directors meeting**–Greensboro
November–**PTI**–Greensboro

2005

May 22–**Board of Directors meeting**–Greensboro
May 24-25–**Spring PAS**–Greensboro
June 19-22–**Annual Convention**–Myrtle Beach, SC

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