



# The Accountant

Official Publication

of the North Carolina Society of Accountants

Post Office Box 1126, Conover, NC 28613

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

January 2005

## Inside this issue

Chapter News	2
2005 Ford Escape SUV Certified for Clean-Fuel Deduction	3
Optional Sales Tax Tables	3
NC Revises Withholding Tables	4
New IRS Corporate Tax Return Schedule M-3	4
Students Exempt From FICA?	4

## A Message From The President

Rhonda H. Marsh



Rhonda H. Marsh

It's a New Year; it's a time that we make new resolutions, with hopes and plans of a healthy and prosperous year. Have you made your resolutions yet? Let's make one together; "To support the NCSA in all of It's endeavors."

The Committees of the NCSA are working hard for you. The Legislative Committee has attended all the AICPA Board meetings in Raleigh. Along with the Legislative Committee several of the NCSA Officers and Board of Directors will attend the Legislative Reception in Raleigh on the 27<sup>th</sup> of January. The Education Committee is planning an extraordinary Spring PAS with Gear-up Speakers in May at Greensboro. Mark your calendar now for this Educational Seminar. The Convention Committee is working towards an exciting and informative Annual Convention at Myrtle Beach in June. Combine this with your family vacation and support your Society. The Communications Committee works very hard keeping us informed through the Accountant. We have been well informed by our Publication on the Tax Updates, and I would like to thank Stephen Metelits for his devotion and hard work.

Our office is gearing up for another busy tax season, and I know you are too. Please take care of yourselves during this season, remember life's not a practice for a play, each day *is* the actual play. **MAKE IT THE BEST!**

**"Happy 2005"**

### CONVENTION 2005

The NCSA Annual Convention will be June 26-28 at the Kingston Plantation in Myrtle Beach, SC. This is a Hilton and Embassy Suites resort.

We will be staying and meeting in the Brighton Towers. One bedroom ocean view guestrooms are \$119. Two and three bedroom units are \$159 and \$189 respectively and have full kitchens and multiple bathrooms.

Reservations can be made by calling (800) EMBASSY or (843) 449-0006. Our block of rooms is being held under the name "NC Society of Accountants" and will remain available until May 26.

Registration fees and other details will follow at a later date.

### SPRING PAS

NCSA is bringing Gear-Up to North Carolina! For the Spring PAS, we will be listening to, and learning from, the team of Santoro and Jennings, two of Gear-Up's best. The seminar will be held at the Sheraton Four Seasons in Greensboro on May 23 and 24. Plan now to join us for two days of information we all can use!

## Chapter News

### Hickory

The Christmas party was held at Peddlers Steak House on December 6, 2004, at 6:30 pm. There were 9 members and 7 guests in attendance.

The January meeting will be at Prime Sirloin in Hickory on January 31, 2005.

### Cape Fear

The Christmas Social was December 2, 2004. The chapter had dinner at 5:00 PM at the House of Steaks, followed by a trip to the Rudy Theater in Selma, NC, for the Christmas Show. The chapter sponsored a Christmas raffle. Marsha Wheeler created a special "Imma Basketkase" basket with a Christmas throw. This basket was designed to provide the perfect place for your magazines and newspapers. The basket will be on display at the November meeting (all donations welcome). Tickets are \$5.00 each, and all proceeds will be donated to the NCSA Scholarship Fund. Drawing will be held during dinner at the chapter Christmas party.

The December meeting was held December 13, 2004 at The Barn Restaurant of Fayetteville at 6:30 pm with 10 members and 1 guest in attendance. Bill Fischer presented a tax update for the upcoming tax season, highlighting items of interest. Bill also found items that people may be putting on the wrong line.

The next meeting will be January 17, 2005, at the Brass Lantern restaurant in Dunn, NC. Steven H. Harden from Northwestern Mutual Financial Network will discuss Long-Term Care issues.

### Charlotte

Charlotte Chapter met on November 16, 2004, with 12 members and 5 guests attending. Avery Henline of the IRS spoke on tax updates.

The December meeting will be at Raucchi's Restaurant in Matthews on December 7, 2004.

### Central

The November meeting of the Central Chapter was held on November 22, 2004, with 5 members and 2 guests attending. Paul A Halas, Jr., spoke on business valuations, when they are needed and the importance of being prepared.

Two members were dropped.

The Christmas Party will be held on December 6, 2004, at George K's in Greensboro. Speaker for the evening will be Mark Hall discussing stress relief.

### Piedmont

The Piedmont Chapter met on November 18, 2004, with 10 members and 2 guests. Bob Mitchell of Southern Community Bank discussed how the check clearing for the 21<sup>st</sup> Century Act impacts banks and their customers.

The chapter's Christmas celebration will be December 16, 2004.

### Raleigh

The Raleigh Chapter meeting was held on November 30, 2004, with 10 members in attendance. R. Carlton White, Jr. gave an informative presentation on IRA's, covering Roths, Simple Plans, beneficiaries, distributions and the investment market.

The next meeting will be January 25, 2005. The speaker will be from the Department of Labor.

**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 [lsheehan@hci.net](mailto:lsheehan@hci.net) or fax to 828-438-8111.

## 2005 Ford Escape SUV Certified for Clean-Fuel Deduction

The IRS has certified the model year 2005 Ford Escape as being eligible for the clean-burning fuel deduction. The certification means taxpayers who purchase this vehicle new may claim a tax deduction of \$2,000 on Form 1040.

Federal tax law allows individuals to claim a deduction for the incremental cost of buying a motor vehicle that is propelled by a clean-burning fuel. By combining an electric motor with a gasoline-powered engine, these hybrid vehicles obtain greater fuel efficiency and produce fewer emissions than similar vehicles powered solely by conventional gasoline-powered engines.

Under the recently signed *Working Families Tax Relief Act of 2004*, the clean-burning fuel deduction is up to \$2,000 for certified vehicles first put into service in 2004 and 2005. The deduction will be limited to \$500 for vehicles placed in service in 2006, and no deduction will be allowed after that year.

The one-time deduction must be taken in the year the vehicle is originally used. The taxpayer must be the original owner. Individuals take this benefit as an adjustment to income on Form 1040. They do not have to itemize deductions on their tax returns to claim it.

The amount of the deduction for the 2005 Escape was set after the manufacturer, Ford Motor Company, documented for the IRS the incremental cost related to the vehicle's electric motor and related equipment.

The IRS has previously certified Toyota and Honda hybrid vehicles. The Toyota Prius was certified for model years 2001, 2002, 2003, 2004 and 2005. The Honda Insight was certified for model years 2000, 2001, 2002, 2003 and 2004 and the Honda Civic Hybrid for model years 2003 and 2004.

## Optional Sales Tax Tables

The IRS has made available on its Web site Publication 600, *Optional State Sales Tax Tables*, which taxpayers may use for their 2004 returns. The IRS also will send Pub. 600 to all taxpayers who get a Form 1040 tax package.

The tax law authorizing this optional deduction for state and local sales tax instead of state and local income tax was enacted too late in the year to include the tables in the tax instruction books. The *American Jobs Creation Act of 2004* authorized the sales tax deduction as an option for those who itemize deductions, letting them choose between deductions for state and local income or sales taxes. Taxpayers will indicate by a checkbox on line 5 of Schedule A which type of tax they're claiming. The law provides this choice for Tax Years 2004 and 2005 only.

"Taxpayers should check these tables to see if they're entitled to a larger sales tax deduction than a state income tax deduction," said IRS Commissioner Mark Everson. The tables give taxpayers a sales tax deduction amount as an alternative to saving their receipts throughout the year and tabulating the amount actually paid. Taxpayers use their income level and number of exemptions to find the sales tax amount for their state. The table instructions explain how to add an amount for local sales taxes if appropriate.

Taxpayers also may add to the table amount any sales taxes paid on:

- A motor vehicle, but only up to the amount of tax paid at the general sales tax rate; and
- An aircraft, boat, home (including mobile or prefabricated), or home building materials, if the tax rate is the same as the general sales tax rate.

While this deduction will mainly benefit taxpayers with a state or local sales tax but no income tax—in Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming—it may give a larger deduction to any taxpayer who paid more in sales taxes than state income taxes. For example, a person may have bought a new car, boosting the sales tax total, or claimed tax credits, lowering the state income tax paid.

Taxpayers may download Pub. 600 from [p600.pdf](#). It is only 6 pages long.

## NC Revises Withholding Tables

The Department of Revenue has revised Form NC-30, *Income Tax Withholding Tables and Instructions for Employers*, to reflect the increase in the standard deduction for married taxpayers and qualifying widow(er)s from \$2,750 to \$3,000. The increased standard deduction is effective for tax years beginning after December 31, 2004. NC employers should begin withholding NC tax based on the amounts in the revised tables. The tables for single and head of household individuals is unchanged.

## New IRS Corporate Tax Return Schedule M-3

The IRS released the final instructions for the Schedule M-3, *Net Income (Loss) Reconciliation for Corporations with Total Assets of \$10 Million or More*. Schedule M-3 is to be used by certain corporations filing Form 1120, *US Corporate Income Tax Return*.

Schedule M-3 is effective for any taxable year ending after December 30, 2004. This schedule must be filed by a corporation filing Form 1120 with total assets of \$10 million or more. However, a corporation is required to only complete certain sections of Schedule M-3 in the first taxable year the corporation is required to file the schedule.

For corporations using Schedule M-3, it replaces Schedule M-1.

The final Schedule M-3 instructions are on the web site at [www.irs.gov](http://www.irs.gov).

## Students Exempt from FICA?

*Stephen Metelits*

In Rev. Proc. 2005-11, the IRS explains what students qualify for exception to FICA withholding as an employee of their school. The rules are not straight forward as to which students are exceptions to the FICA withholding rules.

The rules can be viewed and downloaded at the [irs web site](#). This is a direct link to the document.

# NCSA Schedule of Events

## 2005

January 27—**Legislative Reception**—Raleigh

May 22—**Board of Directors meeting**—Four Seasons, Greensboro

May 23-28—**NSA Serving Aging America Seminar**—  
Las Vegas, NV

May 23-24—**Spring PAS**—Four Seasons, Greensboro

June 26-28—**Annual Convention**—Kingston Plantation,  
Myrtle Beach, SC

July 23—**Leadership & Committee Conferences**,  
Ramada Inn Airport, Greensboro

October 28—**Tax Forum**  
Ramada Inn Airport, Greensboro 9 am—3 pm

## 2006

June 25-28—**Annual Convention**  
Wilmington Hilton Riverside

## 2004-2005 OFFICERS

**PRESIDENT – RHONDA H. MARSH**  
1807 Morgan Hill Road  
Monroe, NC 28110  
704-289-5155

**PRESIDENT-ELECT – FLORENCE W. BLACK**  
P.O. Box 53488  
Fayetteville, NC 28305-3488  
910-484-3800

**VICE-PRESIDENT – WAYNE O. PARKER**  
3617 Old Lexington Road  
Winston Salem, NC 27107  
336-784-4160

**SECRETARY – STEPHEN METELITS**  
77 Fearrington Post  
Pittsboro, NC 27312  
919-933-0724

**TREASURER – JANICE L. JONES**  
P.O. Box 24577  
Winston Salem, NC 27114-4577  
336-768-8333

**IMMEDIATE PAST PRESIDENT – JAN H. ALLISON**  
P.O. Box 1111  
Black Mountain, NC 28711-1111  
828-669-8784

**ASSOCIATION OFFICE**  
Candace Cansler, Executive Director  
866-755-NCSA(6272) toll-free  
828-695-2520 (v) 828-695-2522 (f)

**THE ACCOUNTANT EDITOR – STEPHEN METELITS**  
metelits@usa.net

North Carolina Society of Accountants  
Post Office Box 1126  
Conover, NC 28613  
[www.ncsainc.org](http://www.ncsainc.org) *Address Service Requested*