



The Accountant

Official Publication

of the North Carolina Society of Accountants

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A Message From The President

Florence W. Black

I can hardly believe that December 2005 has come and gone. I hope that you and your clients have gotten your tax planning done and are ready to launch the fifth season of the year—Tax Season.

Again, in reference to tax season, remember to keep a notepad on your desk to record any questions for next year's tax forum. Ron Powell does a great job of getting our concerns before the IRS, but he needs your help. You can email Ron at powell.accounting@earthlink.net, or you can drop him a note at 350 South Cox Street, Suite A, Asheboro, NC 27203-5715.

By now each of should have received a fund-raising letter concerning NCSA's legislative fund. I trust that you have read and carefully considered your part in protecting your right to practice accounting in North Carolina. I hope that James Gundersdorff, a full member of the Raleigh Chapter, does not mind my telling the membership that he has already participated at the Gold Sentinel level; in fact, he sent in his donation before the letter was sent out. Thank you James for that kind of support!

As far as upcoming events are concerned, mark your calendars for the Spring PAS in Durham on May 18-19. Also, keep looking for that special outfit for the Retro70's and Disco themed party being planned for the 2006 NCSA Convention.

Thank all of you for your support.



Florence W. Black



Personal Postings

Pat Pittillo

Hal Surratt's precious mother, Hazel, passed away December 1. Danny Gardner and David Hooker were grieving with Hal. Hoyle Gunter, Dean Gunter's father, ended his battle with cancer November 17. Both families have our sympathy....Marsha Wheeler recovered nicely from knee surgery November 17, but then her mother was in and out of the hospital, so Marsha was hopping from bed to bedside....Richard L Davis of Gibsonville has more courage than most of us; he submitted a complete financial statement to the NSA peer review and passed with flying colors, of course. Richard says much credit should be given to David Hooker who guided Richard with a patient hand. Congratulations! (By the way, did you notice that D. H. has been mentioned twice in this month's column?)...Send your news items to pataacct@asheboro.com or fax to (336) 626-0072.

Chapter News

Hickory

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.

The December Christmas party was held at the Peddler Restaurant in Hickory. Eleven members and 11 guests enjoyed the festivities. The gift exchange was presided over by Santa Bill Gray, whose commentary made for a noisy good time. Special guests included Candace Cansler, NCSA's Executive Director, and her son, Jacob.

The January meeting will be on January 30, 2006, at Prime Sirloin.

Charlotte

The December chapter meeting was held on December 6, 2005, with 12 members and 6 guests attending. Members and guests brought gifts for "Elves for the Elderly", and everyone enjoyed social time.

The next meeting will be on January 23, 2006. There will be a speaker from the IRS.

Cape Fear

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 December meeting was held on December 19, 2005, at the Barn Restaurant. Cheryl Hudson, Chapter Secretary and Education Chair, led a discussion on ethics and other topics.

Cape Fear held their Christmas party at the Duplin Winery in Rosehill, with 12 members and 12 guests attending. After dinner there was a Christmas program with music and comedy.

The next meeting is scheduled for January 16, 2006.

Central

The November meeting took place on November 29, at the American Roadhouse in Asheboro. There were 9 members and 3 guests present. Stephen Metelits did an excellent presentation of the different Medicare Supplements that some of our clients will face under Medicare D.

The annual Christmas party was held on December 5, with 6 chapter members and 7 guests. Guests included some Burlington Chapter members and 2 past members, Julia Parrish and Barbara Kennedy. Special guest, Robbie Barrett, spoke on personal development and led the group in Christmas carols. There was an ornament exchange, and everyone brought a bag of canned goods to be given to an organization to help the needy.

The next meeting will be on January 23, 2006, with Paul Bumgarner speaking on "Eldercare".

Raleigh

The meeting took place on December 5, 2005, with 12 chapter members and 5 guests in attendance. The featured speaker was Kevin Stewman of G. Kevin Stewman, PLLC, speaking on LLC's. He discussed the advantages of the LLC entity versus the Sub-Chapter S Corporation and Partnerships.

The next meeting will be January 24, 2006. The speaker and topic will be announced at a later date.

Burlington

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 lfacct@bellsouth.net or fax to 828-438-8111.

2006 Standard Mileage Rates

The IRS, in IR-2005-138, issued the 2006 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical, or moving purposes. Beginning Jan. 1, 2006, the standard mileage rates for the use of a car (including vans, pickups, or panel trucks) is:

- 44.5 cents per mile for business miles driven;
- 18 cents per mile driven for medical or moving purposes; and
- 14 cents per mile driven in service of charitable organizations, other than activities related to Hurricane Katrina relief.

The new rate for business miles compares to a rate of 40.5 cents per mile for the first eight months of 2005. In September, the IRS made a special one-time adjustment for the last four months of 2005, raising the rate for business miles to 48.5 cents per mile in response to a sharp increase in gas prices, which topped \$3 a gallon.

Congress last year also approved special rates in connection with miles driven in service of charities providing Hurricane Katrina relief. For the period Aug. 25 to Aug. 31, 2005, the rates for miles driven for charities providing Hurricane Katrina relief are 29 cents for deduction purposes and 40.5 cents for reimbursement purposes. For the months of September through December 2005, the special Katrina-related rates are 34 cents for deductions and 48.5 cents for reimbursements. For 2006, these Katrina-related charitable rates will be 32 cents per mile for deduction purposes and 44.5 cents per mile for reimbursement purposes.

Hybrid Credits

Stephen Metelits

Starting January 1, there is a credit for putting into use a new hybrid automobile. According to *The Wall Street Journal*, the credits are estimated to be:

- | | |
|-------------------------------|---------|
| • Toyota Prius | \$3,150 |
| • Ford Escape (2wd SUV) | \$2,600 |
| • Toyota Highlander (2wd SUV) | \$2,600 |
| • Lexus RX 400h (SUV) | \$2,200 |
| • Toyota Highlander (4wd SUV) | \$2,200 |
| • Honda Civic (automatic) | \$2,100 |
| • Ford Escape (4wd SUV) | \$1,950 |
| • Mercury Mariner (SUV) | \$1,950 |
| • Honda Civic (manual) | \$1,700 |
| • Lexus GS | \$1,300 |
| • Toyota Camry | \$1,300 |
| • Nissan Altima | \$1,300 |
| • Chevrolet Silverado (4wd) | \$650 |
| • Honda Accord | \$650 |
| • Chevrolet Silverado (2wd) | \$250 |

Remember, these are estimates, and not all of the models are available yet.

There are two more important points. First, the credit won't help with AMT.

Second, each manufacturer is limited in the number of hybrids that will qualify for the credit. After the number is reached, no more credit. Toyota makes the Lexus and probably will reach 60,000 units before 2006 is done. Honda probably won't reach the limit until 2007. The rest of the manufacturers are just beginning to get into the hybrid market.

Questionable Deductions for Donated Vehicles

IRS officials announced that the IRS will not recognize certain deductions that taxpayers may be claiming relating to donated vehicles sold at auction. IRS officials took this step after becoming aware of questionable practices that have surfaced recently. Some charities have sold donated vehicles at auction and claimed that the sales are to needy individuals at prices significantly below fair market value. By doing so, these charities have claimed that the sales trigger an exception to the general rule that the deduction allowed to the donor is limited to the proceeds from the charity's sale.

The IRS position is that vehicles sold at auction are not sold at prices significantly below fair market value. Therefore, the IRS will not treat vehicles sold at auction as qualifying for the exception for sales to needy individuals at prices below fair market value. If a charity sells a donated vehicle at auction, the IRS will not accept as substantiation an acknowledgment from the charity stating that the vehicle is to be transferred to a needy individual for significantly below fair market value (Box 5b on IRS Form 1098-C). In such cases, the donor may claim a deduction of more than \$500 only to the extent that the gross proceeds from the sale exceed that amount and the donor substantiates the contribution with an acknowledgment from the charity that indicates the gross proceeds from the sale (Box 4c on IRS Form 1098-C).

The rules for determining the amount that a donor may deduct for a charitable contribution of a qualified vehicle, including an automobile, with a claimed value of more than \$500 changed at the beginning of 2005 as a result of the *American Jobs Creation Act of 2004*. In general, that Act limits a donor's deduction to the amount of the gross proceeds from the charity's sale of the vehicle.

Under an exception to this general rule, a donor may be eligible to claim a fair market value deduction if the vehicle is sold at a price significantly below fair market value to a needy individual, in direct furtherance of a charitable purpose of the recipient organization of relieving the poor and distressed or the underprivileged who are in need of a means of transportation. In this case, the charity provides to the donor an acknowledgment indicating that the donor may claim a fair market value deduction for the vehicle.

Because this exception does not apply to sales at auction, a charity may be subject to penalties under Sections 6701 and 6720 of the IRC if the charity sells a donated vehicle at auction and provides to the donor an acknowledgment that indicates anything other than the deduction may not exceed the gross proceeds from the sale.

Pub 1345A

Publication 1345A for tax year 2005 will not be available in print. The only way you can get it is online. Here's how to navigate to the draft Pub 1345A:

Click on the e-file logo on the home page of www.irs.gov.

Chose "e-file for Tax Professionals" www.irs.gov/efile/article/0,,id=118663,00.html.

Click on "e-file Library" www.irs.gov/taxpros/providers/article/0,,id=101160,00.html.

Click on "e-file technical pubs" www.irs.gov/taxpros/providers/article/0,,id=97974,00.html.

Click on "Pub 1345A (Draft) Rev 12/2005" www.irs.gov/taxpros/providers/article/0,,id=152049,00.html.

Stock Appreciation Rights

Stock options and stock appreciation rights (stock rights) generally are excluded from coverage under section 409A if issued with an exercise price that cannot fall below the fair market value (FMV) of the stock at the date of grant, and the stock right does not contain any additional deferral feature. IRS Notice 2006-4 addresses the application of this exclusion to outstanding stock rights and, specifically, the determination of whether the stock right has an exercise price no less than the stock's FMV at the date of grant.

For stock rights issued before January 1, 2005 (which generally would have been non-vested as of January 1, 2005, to not otherwise be excluded under the section 409A grandfathering provisions), the notice provides that the FMV determination will be made in accordance with the rules governing incentive stock options. Generally, this deems the exercise price to be FMV if the taxpayer can demonstrate that the issuer attempted in good faith to set the exercise price at FMV.

With respect to stock rights issued after January 1, 2005, but before the effective date of the final regulations (proposed to be January 1, 2007), the notice reiterates the standard set forth in Notice 2005-1 that the determination of FMV may be made using any reasonable valuation method.

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 soon!*

NCSA Schedule of Events

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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