



The Accountant

Official Publication of the North Carolina Society of Accountants

*Promoting Professionalism
in Accounting*

JUNE 2003



Steven G. Pace

A MESSAGE FROM THE PRESIDENT

In my final President's Message, I want to thank all of the dedicated Line Officers, Board of Directors, Parliamentarians, Committee Chairs, Committee Members, and my staff for all of the dedicated service and assistance provided to me during my year of President. With the assistance of these dedicated individuals the NCSA continues to prosper.

I also want to extend best wishes to our President-Elect, Jan Allison, on her upcoming year as President. Jan has already been hard at work planning and organizing, and the NCSA will be fortunate to have her at the helm.

My goal during my year as President was to implement the "Plan" with the 3 C's—communications, committees, and cooperation. Thanks to the hard working Line Officers, Committee Chairs, and Committee Members, I am pleased to announce that the "Plan" still works.

To all NCSA members, my sincere appreciation for the honor and privilege of serving as your President.

The annual NCSA Convention will be held on June 22-24 at the Radisson Hotel in High Point, NC. Convention registration forms have been mailed to all members or you may visit our web site at <http://www.ncsainc.org> to download a copy.

To all Officers, Board Members, Committee Chairs, and Parliamentarians: The next NCSA board meeting will be held on June 22 at 4:00 p.m. at the Radisson Hotel in High Point. Please notify me and your

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LEADERSHIP CONFERENCE

The 2003 Leadership Networking Conference will be held on July 19 at the Ramada Inn Airport in Greensboro. All Chapter officers are invited to attend.

The Committee Conference follows lunch. All Committee chairs are urged to attend.

The agenda follows:

- 9:00 AM Registration
 Coffee & Donuts**
- 9:30 AM Welcome & Introductions
 Jan H. Allison, NCSA President**
- 9:35 AM Leadership, what exactly is it?
 Florence Black**
- 9:50 AM The Organization's Structure
 David Rollins**

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INSIDE THE ACCOUNTANT

**IMPORTANT NC TAX ADJUSTMENT
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President's Message...continued from page 1

officer liaison if you need time on the agenda. To all members: this and all board meetings are open to you. Space is limited but your presence is welcome.

I look forward to seeing each of you at the Convention.

Steven G. Pace
NCSA President 2002-2003

IMPORTANT NC TAX ADJUSTMENT

On March 6, the Department of Revenue explained that GS 105-134.6(d)(2) allows a deduction for the amount of the taxpayer's deductions that were not allowed by the IRS because the taxpayer elected to claim a federal tax credit in lieu of the deduction.

Effective for tax years beginning after December 31, 2001, an above the line deduction up to \$3,000 is allowed on the federal return for higher education expenses. Therefore, if a taxpayer qualifies under Section 222 of the IRC to claim the deduction for higher education expenses on line 26 of Form 1040 but elects to claim the Hope or Lifetime Learning credit with respect to the same expenses in lieu of the deduction, a deduction from federal taxable income is allowable on the NC return for such expenses.

For example, if a taxpayer qualifies for a deduction of \$3,000 on the federal return but claims a Hope tax credit of \$1,500 in lieu of the deduction, the taxpayer is entitled to a \$3,000 deduction on line 44 of the NC return.

The reason this is important is that your tax software probably didn't calculate the NC tax correctly. The announcement came out too late for most software vendors. Those that did make the change, didn't make it until mid-March. Certainly any return with a Hope or Lifetime Learning credit filed before then should be amended.

Thanks to Lynanne Gray for pointing this out. Happy amending.

Leadership Conference...continued from page 1

- 10:20 AM Break (Ten Minutes)**
- 10:30 AM Know Your Volunteer
Gale Dalton**
- 11:05 AM Membership - The Three "R's"
David Rollins**
- 11:40 AM This Year's Plan - Round Table
Discussion
Speakers & Chapter Leaders**
- 12:10 PM Break for Lunch**
- 1:00 PM Committee Conference
Jan H. Allison, NCSA President**

Qualifies for Three Hours of Continuing Professional Education

Hotel Information – Room Rate \$56

Ramada Inn Airport Greensboro

7067 Albert Pick Road

Greensboro, NC 27409 United States of America

Phone: 336-668-3900 Fax: 336-668-7012

EINs ON-LINE

At last, you now can apply for an EIN on-line. You go to the IRS web site at www.irs.gov, select Business from the left column, go to Topics, and click on Employer ID Numbers. This will give you a link to the on-line application form. Follow the instructions, and the number will be given to you on-line.

In addition, this site has links to the states. If you need a tax number for North Carolina, you can click on our state link which will leave the IRS site and go to the Department of Revenue. You go to Business, select Forms, and remember that the form you want is under Sales and Use Tax.

Promoting Professionalism in Accounting

ASSISTANCE FOR THE MILITARY

In IR-2003-43, the IRS announced that it has created a new section on its web site containing important information to help ensure members of the US armed forces serving in a combat zone get all of the tax benefits available to them. This new section highlights several special tax provisions that apply to those in combat, which can include extensions for filing tax returns and paying taxes and exclusion of some military pay from taxes.

The new web site section includes:

- Questions and answers on exclusions and other tax benefits available to members of the armed forces serving in a combat zone.
- Publication 3, *Armed Forces' Tax Guide*, which covers the special tax situations of active members of the US armed forces.
- Several recent news releases and notices, including Tax Tip 2003-14, *Reservists, New Enlistees May Get Deferral for Back Taxes*; news release IR-2002-18, *Tax Relief for Troops in Afghanistan Combat Zone*; Notice 2002-17, *Tax Relief for Those Involved in Operation Enduring Freedom*.
- A special e-mail address, combatzone@irs.gov, for members of the US armed forces, their spouses, authorized agents, or representatives which can be used to notify the IRS about someone in a combat zone.

Generally, enlistees up to warrant officers (including commissioned warrant officers) **exclude** all their military pay received for military service in a combat zone. For commissioned officers, the monthly exclusion is capped at the highest enlisted pay plus any hostile fire or imminent danger pay received. For 2002, this limit was \$5,532.90 and for 2003 it is \$5,882.70. Amounts excluded from gross income are not subject to federal income tax.

The IRS automatically extends the deadline for filing tax returns, paying taxes, filing claims for refund, and taking other actions related to federal income tax for US armed forces personnel serving in a combat zone. The IRS also extends the deadline for those in the US armed forces deployed overseas away from their permanent duty station in support of operations in a qualified hazardous duty area but who are outside that area.

The deadline for filing returns, making payments, or taking any other action with the IRS is extended for at least 180 days after:

- The last day of qualifying combat zone service, or
- The last day of any continuous qualified hospitalization for injury from the combat zone.

The IRS currently is working with the military to obtain information about reservists and regular military personnel serving in combat areas. During this interim period, people in the military, their spouses, or their authorized representatives have several options to claim the filing extensions or filing exclusions:

- When filing returns, mark "Combat Zone" at the top of the form along with the date of deployment.
- Contact the IRS through the special e-mail address. Correspondence should include the name, stateside address, date of birth, and date of deployment of the service member. (No Social Security numbers should be included in the e-mail.)

These two steps also apply if a notice inadvertently goes to an individual serving in a combat zone or the member's spouse. The notice can be deferred by following the e-mail steps or by sending the notice back to the IRS marked with the words "Combat Zone" and the date of deployment.

IRS E-SERVICE NUMBER

The IRS has released a new, centralized toll-free number for the e-Help Desk. The number is (866) 255-0654 and will be operational starting June 2. The e-Help Desk supports e-file, EFTPS, Telefile, and future e-Services. Hours of operation can be found on the e-file section of irs.gov and the Electronic Filing Bulletin Board.

NSA CONVENTION

The NSA will hold their 58th Annual Convention in Salt Lake City, UT, on August 20-23. In addition to a "Trike-a-Thon," there will be an opportunity to earn 16 hours of CPE and look over some of the latest products and services designed for independent practitioners. You can find details on the NSA web site at www.nsacct.org under "Convention."

PERSONAL POSTINGS

Pat Pittillo

Congratulations to **Rena Laws** who has her own practice in Lenoir and got married (are you ready for this?) April 15! Randall Pilkenton is the lucky guy. Rena worked only half a day on the 15th and got married that evening. ...**Brenda Wilcox**, President of the Hickory Chapter, is getting married this summer. There must be an abundance of love in the air in the Hickory Chapter. ...**Lottie Neal** is continuing to recover from a mini stroke. The doc said for her to get lots of rest, but how does an accountant do that? ...Joyce Crocker, widow of Past President **Gil Crocker**, now is living with her daughter in Asheboro. You can send her cards at 1621 Plantation Circle, 27205. Her brain surgery went well, and Joyce is anxious to get her recuperation behind her. ... Past President **Lynanne Gray** was thinking wicked and evil things when her server crashed for five days in the middle of tax season and lost 250 returns. Her daily backup had not been recording properly, either. ...Continue to remember **Wade Powell** and his wife, Clara, as they both are dealing with health issues. They ask for your prayers. ...**Jim Helgreen** and **Barbara Helgreen** just celebrated their fiftieth wedding anniversary. Barbara knows her accounting terms; she says Jim still is a "work in progress." ...Send your news items to pataccnt@asheboro.com or fax to (336) 626-0072.

COMMITTEE REPORTS

PUBLIC RELATIONS

Denise J. Hammond

It is impossible to overestimate the value of a good public relations program to the growth and maintenance of our association. It is the overall membership of NCSA that we must thank for their support. This year has been great; your purchases of shirts and other items at our membership tables have made it possible to purchase mechanical pencils. These pencils will be given out at our educational events.

Working with the Web Page committee, we hope to have an on-line store with all items for sale during the upcoming year. In the mean time, you can order items by contacting myself, the EDs, or, of course, visiting our membership table at all NCSA events.

Thank you again for your support. If you have an idea or will like to join this Committee please, let us know.

Looking forward to seeing you at Convention.

NOMINATING

Denise McBride-Rollins

If you have not sent your nominating form, please do so now. You will find a copy of the form and instructions in this issue of *The Accountant* or on-line as a Word file at [Nominating Form](#).

RETROACTIVE TAX LAW CHANGES

They did it again. Congress has passed a new tax bill for which most provisions are retroactive to January 1, 2003. Here are some of the details:

- The top tax rate on dividends and capital gains for stockholders and owners of mutual funds drops to 15%. Joint filers with taxable income less than \$47,450 and singles with taxable income less than \$28,400 pay only 5% on dividends and capital gains. These changes run through 2006, then, for low income taxpayers, 0% through 2008. The lower rates expire in 2009.
- The child tax credit jumps to \$1,000 for up to two children 16 or under. The income caps remain. Checks for the \$400 difference will be mailed this summer. The credit is refundable so that taxpayers who earn too little to owe tax will get a check if they earn more than \$10,000. The credit reverts to \$700 in 2005 and rises again to \$1,000 in 2010.
- The tax brackets change, too. The 10% bracket goes up to \$14,000 for joint filers and \$7,000 for singles. This bracket reverts to current levels in 2005. The upper brackets fall to 25%, 33%, and 35%. These are the rates that would have started in 2006.
- The "marriage penalty" relief would increase the 15% bracket and standard deduction for couples in 2003 and 2004. In 2005, they would revert to letting couples claim 174% of the standard deduction for singles.
- The alternative minimum tax floor goes up to \$58,000 for joint returns and \$40,250 for singles. This part of the law expires December 31, 2004.
- The Section 179 deduction for capital expenses goes up to \$100,000 and includes off-the-shelf computer software. The phase-out limit is increased to \$400,000. The deduction limit is indexed for inflation for 2004 and 2005. This part of the law expires December 31, 2005.
- The business "bonus" depreciation goes up to 50% as of May 5, 2003. This expires December 31, 2005.

CHAPTER NEWS

CAPE FEAR

The Cape Fear Chapter met on February 24 at the Brass Lantern with 11 members and 3 guests. Louis Arthur spoke on Offers in Compromise for one hour of CPE. Mr. Arthur was the Senior Offer in Compromise Specialist for eastern NC. He detailed the types of traditional offers, gave us tips, and worked through a case example. He stressed that, in preparing the Offer in Compromise, always get a retainer before doing the work.

The Chapter met on March 17 at Ryan's Family Steakhouse with 12 members and 3 guests. William Fischer, Chapter President, presented "Tax Accounting Standards for Small Business" for one hour of CPE. TASSB is based on the Internal Revenue Code to provide national, uniform standards for accountants in public practice for the preparation of financial statements.

The Chapter met for the "after tax season" meeting on April 21 at Ryan's Family Steak House. Jackie Kirby, Revenue Auditor with the NC Department of Revenue, spoke on "Sales and Use Tax Changes 2002 and 2001" for one hour of CPE.

The next meeting will be May 12 at Mill Village Restaurant and General Store in Hope Mills. John Ayers will speak on Quality Assurance for one hour of CPE.

HICKORY

The Hickory Chapter met on March 31 at the Western Steer with 5 members and 1 guest. Marty Sohovich of Edward D Jones in Morganton led a round table discussion of bond investments and the stock market.

The Chapter met on April 28 at the Western Steer with 8 members. Denise Hammond spoke on "Things NC Didn't Tell Us" for one hour of CPE. She discussed the new NC credits on the state tax return and also gave an update on NCSA events.

The next meeting will be on May 26 at the Western Steer. Paul Bumgarner, past President of both NCSA and NSA, will speak about professional ethics.

CENTRAL

The Central Chapter met with 11 members and 4 guests for one hour of CPE. Sarah McKoy talked about "Financial Statements." She began her presentation with a background discussion of the four OCBOA bases of financial statement presentation—cash, modified cash, tax, and other basis. She reminded us that there are inexpensive software packages available that will generate financial

statements for you. However, these "canned" statements are prepared on the GAAP basis. Determining when it is appropriate to use a particular method is dependent on several factors—the nature of the business, regulatory requirements, profit orientation, the ultimate users of the statements, and the cost effectiveness of the presentation. Finally, regardless of the method used, it is important to remember that adequate disclosure is required by all methods.

The Chapter met on April 28 at NASCAR Café with 9 members and 4 guests. Stacy Smith, IRS Retirement Plans Division, reviewed some of the changes in the law regarding retirement plans. Generally most business owners don't have time to check the various plans available and run their businesses too.

BURLINGTON

The Burlington Chapter met on April 24 at The Azalea Grill with 8 members in attendance. After the meal, there was a roundtable discussion of tax problems encountered during the tax season.

The Chapter met on May 22 at the Azalea Grill with Christopher Laforet, President of Netpath, Inc., who gave written examples of how ordinary users are fooled, scammed, and infected using the Internet. Many hoaxes look like legitimate e-mail warnings. Check your anti-virus program's web site, and you usually will find that they already know about this hoax and will warn you that following the hoaxer's instructions you may delete important programs.

Jim Holmes installed the newly elected officers: Marjorie Scott, President; Danelle Hills, Vice President; Patricia Pittillo, Secretary; and Garland Steele, Treasurer.

RALEIGH

The Raleigh Chapter met on April 22 with 5 members and 2 guests. Paula Brown spoke about "Time Management" for one hour of CPE.

The Chapter met on May 27 with 4 members and 1 guest. Robert Pia provided a very informative presentation and comments on the "Highlights of Jobs & Growth Tax Relief Act of 2003" for one hour of CPE.

The following were elected officers: James Gundersdorff, President; Al Orcutt, Vice President; John Rhatigan, Secretary; and Robert Pia, Treasurer.

The next meeting will be on July 22.

WESTERN

The Western Chapter met on April 29 with 10 members and 3 guests. The topic of discussion was "The Craziest Tax Return" with many people discussing problems and solutions they had with various tax returns.

The next meeting will be on May 27.

NEW TAX SCAMS SURFACE

Although the tax filing season ended, the IRS continues to warn of new tax scams in IR-2003-63. Two new schemes target families of those serving in the Armed Forces and e-mail users. In both schemes, people represent themselves as being from the IRS.

The IRS warns consumers to beware of any variations of a scenario in which a telephone caller posing as an IRS employee tells a family member that he is entitled to a \$4,000 refund because his relative is in the Armed Forces and then requires a credit card number to cover a \$42 fee for postage. The scammer provides an actual IRS toll-free number as the call back number in order to make the call seem legitimate. However, the scammer then makes numerous unauthorized purchases with the victim's credit card number. Genuine IRS employees who call taxpayers do not ask for credit card numbers or request fees for payment of a refund.

In another scheme, victims receive an e-mail that appears to be from the IRS. The e-mail contains links to a non-IRS web page that asks for personal and financial information. Such information could be used to steal the respondent's identity and get access to sensitive financial data or accounts. The IRS does not request sensitive personal or financial data by e-mail.

Both of these schemes are being reviewed by the Treasury Inspector General for Tax Administration. Taxpayers who are on the receiving end of one of these scams should contact the IG by calling the fraud referral hotline at (800) 366-4484, faxing a complaint to (207) 927-7018, or writing to the TIGTA Hotline, PO Box 589, Ben Franklin Station, Washington, DC 20004-0589. The TIGTA's web site is located at www.ustreas.gov/tigta.

OFFSHORE VOLUNTARY COMPLIANCE

In the February issue, the IRS Offshore Voluntary Compliance Initiative was outlined. North Carolina taxpayers who are participating in that IRS program for offshore tax shelters can avoid criminal prosecution and civil fraud charges by amending their state income tax returns and paying all tax, penalties, and interest by October 15, the Department of Revenue has announced.

As you may remember, the IRS voluntary compliance program targets taxpayers who used offshore payment cards or other offshore financial arrangements to underreport their income tax liability. Through the IRS program, those individuals can avoid criminal prosecution and federal civil fraud penalties if they file corrected federal tax returns and provide correct information.

Taxpayers had until April 15 to request participation in the IRS Offshore Voluntary Compliance Initiative. They must file federal returns and report the correct tax due and pay any tax, penalties, and interest they owe. They also must disclose all aspects of their offshore financial arrangements.

North Carolina taxpayers who cooperate with the IRS initiative will not face civil fraud penalties or criminal prosecution by the state if they correct their North Carolina returns and pay the additional tax, penalties, and interest they owe by October 15.

Individuals interested in participating in the state program should use the following address:

NC Department of Revenue
Discovery & Special Projects Unit
PO Box 871
Raleigh, NC 27602-0871

SALES AND USE TAXES

As of July 1, *all* counties in North Carolina will be charging 2½¢ sales and use taxes. Mecklenburg County also has an additional ½¢ transportation tax.

The state sales and use tax is scheduled to go down ½¢ July 1. However, given the state's financial condition, the Legislature probably will keep it at the higher level. At this time, the Legislature has not passed this change.

Remember, the sales tax holiday returns again this year. The rules are the same as last year. The dates are August 1-3.

North Carolina Society of Accountants, Inc.

Nominating Committee 2002-2003

The Nominating Committee of the NCSA is asking for your assistance in the selection of nominees for Line Officers, Board of Directors, State Director and Nominating Committee for the year 2002-2003 that will be elected at this years convention in June in High Point, North Carolina.

Following is a list of the current Officers, Board Members, and Nominating Committee Members, with the number of years of service through June 2003. Board Members and Nominating Committee Members can only serve three years in succession. **The Board Members and Nominating Committee Members whose terms are expiring are in bold print and are marked with an asterisk.** The State Director may serve (2) two year terms. NCSA makes a recommendation for State Director to NSA. Please make your selections keeping in mind the need to consider all chapters and geographic areas so that all members are being represented. Consider your selections carefully and enter their names in the spaces provided. Please check with the individual you are selecting, to make sure they are willing to serve. Being a Line Officer or Board Member requires a commitment of time and effort. Make sure your selected individual is willing and able to make that commitment. Our focus should be on the individuals who are willing to serve their society and be a team player without bringing prejudice or personality conflicts into the affairs of managing your organization.

Your prompt response would be appreciated. Please respond to me by June 15th. You may fax your response to me at 704-289-6198 or mail your selections to : Denise M. McBride-Rollins, 101-A North Main St, Monroe, NC 28112. My E-Mail address is MCBTAX@aol.com for those who desire to use that media.

Officers

President — Steven G. Pace Jan H. Allison – Elected at the 2002 Convention

Pres-Elect — Jan H. Allison _____

Vice-Pres — Rhonda H. Marsh _____

Treasurer — Florence W. Black _____

Secretary — Wayne O. Parker _____

Board of Directors - 2 Past Presidents Required

<p>PP Denise McBride Rollins (3)* _____ Charlotte Chapter</p> <p>Andra Angel (1) _____ Central Chapter</p> <p>Denise Hammond (2) _____ Hickory Chapter</p> <p>PP James L Homes (1) _____ Burlington Chapter</p> <p>Patricia Pittillo (3)* _____ Burlington Chapter</p> <p>Cheryl C. Hudson (1) _____ Cape Fear Chapter</p>	<p>PP Clinton E Bryan (3)* _____ Sandford/Sandhills Chapter</p> <p>PP Jense Haynes (1) _____ Charlotte Chapter</p> <p>Danelle T. Hills (1) _____ Burlington Chapter</p> <p>John Rhatigan (3)* _____ Raleigh Chapter</p> <p>Glen Murphy (3)* _____ Cape Fear Chapter</p> <p>Stephen Metelits (3)* _____ Burlington Chapter</p>
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Nominating Committee — 3 Past Presidents Required

<p>PP Denise McBride-Rollins (3)* _____ Charlotte Chapter</p> <p>PP Lyanne F Gray (2) _____ Hickory Chapter</p> <p>Susan S. McLean (1) _____ Piedmont Chapter</p> <p>Brenda Wilcox (1) _____ Hickory Chapter</p>	<p>PP Clinton E Bryan (3)* _____ Sandford/Sandhills Chapter</p> <p>Cheryl C. Hudson (1) _____ Cape Fear Chapter</p> <p>Louise P. Proctor (3)* _____ Charlotte Chapter</p>
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State Director

Susan Gale H. Dalton _____

2002 - 2003 OFFICERS

PRESIDENT - STEVEN G. PACE

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High Point, NC 27265
336-869-0164

PRESIDENT-ELECT - JAN H. ALLISON

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704-289-5155

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336-784-4160

TREASURER - FLORENCE W. BLACK

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IMMEDIATE PAST PRESIDENT - L. DEAN GUNTER

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ASSOCIATION OFFICE

MONICA TREADWAY & JULI TREADWAY

EXECUTIVE DIRECTORS

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THE ACCOUNTANT EDITOR - STEPHEN METELITS

metelits@usa.net

NCSA SCHEDULE OF EVENTS

JUNE

JUNE 22 - Board of Directors Meeting - 4 PM

Radisson, High Point

JUNE 22-24 - NCSA Convention

Radisson, High Point

JUNE 25 - Board of Directors Meeting - 9 AM

Radisson, High Point

JULY

JULY 19 - LEADERSHIP CONFERENCE

Ramada Inn, Greensboro

AUGUST

AUGUST 18-22 - NSA CONVENTION

Salt Lake City, UT

SEPTEMBER

SEPTEMBER 20-21 - NSA LEADERSHIP

NETWORKING CONFERENCE

Charlotte

SEPTEMBER 21 - BOARD OF DIRECTORS MEETING

Mountains

SEPTEMBER 22-23 - FALL PAS

Mountains

OCTOBER

OCTOBER - TAX FORUM MEETING WITH IRS

Greensboro