



# The Accountant

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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

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## A Message From The President

Rhonda H. Marsh

### Greetings,

The New Year for The North Carolina Society of Accountants is at hand. You, the members, are the BEST! Please continue to support this *Great Society*. Participate in the special events and in the everyday activities that keep this Society strong. President Elect Florence Black will be a fantastic President in 2005-2006. Let's all continue to support her as you have me in the past year. The position of President would be impossible if it were not for all the Officers, Board of Directors, Committee Chairs and members. Your help is priceless. Thank you!!! Let me especially thank Candace Cansler, our Executive Director, for her hard work in the past year. She has helped me in so many ways. *Thank you.*

Time...the time has come for my farewell speech. The North Carolina Society of Accountants, Inc. (NCSA) is not just any "Society". It is a group of professionals, working to maintain good ethics, always training and learning the newest changes and/or requirements. But most of all it is a group of supporters. Your friendship is priceless. As they say there are not words to express one's appreciation of the one's that are always with you. Maybe not in person, but in spirit. This group of people is the GREATEST TEAM anyone could ever wish for. It has been my honor to serve as your President for 2004-2005.

Thank you!!!!!!

Rhonda



Rhonda H. Marsh

**NCSA Annual  
Convention  
Information  
available on  
[www.ncsainc.org](http://www.ncsainc.org)**



## Leadership Conference and Committee Day

Stephen Metelits

Congratulations to all of the new chapter officers. This is to remind you that both new and "old" chapter officers are invited to attend the Leadership Conference at the Ramada Inn Airport in Greensboro on July 23. The meeting will start at 9:30. This is a training ground for everything from how to run a meeting to how to get people to attend. There will be specific reminders of duties for all officers.

After lunch we will be holding Committee Day. Every committee chair is asked to come and tell us briefly what your committee is going to do over the next year and how you are going to do it. If the committee chair cannot attend, please arrange for another committee member to represent your committee. Each committee will be called upon. Over lunch and at the end of this meeting there will be a chance for committees to meet.

Please let Candace know if you are planning to attend. The more, the merrier.

## Chapter News

### Hickory

The April meeting was held on April 25, 2005, at Prime Sirloin in Hickory at 6:30 pm with 8 members and 1 guest attending. The speaker was John Heath of the Social Security Administration. Mr. Heath discussed the private account option as well as other possible 'fixes' for Social Security. He also answered questions from the floor.

The May meeting was held at Fuddrucker's in Hickory on May 30, 2005. There were 7 members present. Denise Hammond spoke on compilation engagements and the importance of checklists.

The June meeting will be a cook-out at the home of Ken & Colene Cockrell in Taylorsville on June 18.

### Cape Fear

The March meeting was held on March 21, 2005, at the Barn Restaurant of Fayetteville. Fifteen members and four guests attended the meeting. The speaker was Debbie Todd, Cumberland County Tax Audit Supervisor, discussing property tax listings.

Cape Fear chapter welcomes new member Curtis Worthy, approved as a full member on February 21. Mr. Worthy is retired from the Internal Revenue Service where he served as a tax auditor. He is a managing partner in Worthy Real Estate and CEO of Worthy's Tax Consulting, as well as serving on the Fayetteville City Council.

Ten members and two guests attended the April 18<sup>th</sup> meeting of the Cape Fear Chapter. Kay O. Peebles from O'Quinn-Peebles Funeral Home spoke to the chapter on funeral planning. She discussed pre-need planning and the different ways to invest this money. Pre-need funeral planning (up to \$10,000) can be used to spend down assets for the protection of clients and their families.

### Burlington

The Burlington chapter met on March 24, 2005, with 7 members and 1 guest attending. Dr. Keith Wells spoke of the causes and ways to deal with stress.

Nominations for officers were discussed. The schedule for convention was announced.

The next meeting is scheduled for April 28, 2005.

### Piedmont

On March 31, 2005, 10 Piedmont members and 2 guests participated in a round-table discussion of tax laws and current tax season issues and problems led by David Hooker. He referenced the CCH Top Tax Issues for 2005.

The April meeting was held at Canterbury's in High Point on April 28 with 10 members and 4 guests in attendance. The speaker was Richard E Whitley of HD Vest in Mount Airy. He spoke on "Accountants & Stockbrokers Serving Clients Better."

The Piedmont Chapter held its annual Bingo Fundraiser for the NCSA Scholarship Foundation on Monday, May 23. Attendees enjoyed a spaghetti dinner and competed for an array of prizes. The grand prize of a flat screen monitor was won by Sherry Lafferty after a three-way tiebreaker.

### Raleigh

The Raleigh Chapter met on Tuesday, April 26<sup>th</sup> at 6:30 pm at Manchester's. Nine members and one guest attended. Mr. Mark Morris, a law professor from NC Central University spoke on "Ethics—The Totally Responsible Person."

The May meeting was held on May 16, 2005, with 10 members attending. The guest speaker was unable to attend. The chapter members authorized the nominating committee to meet over the summer to recommend candidates for chapter officer positions for the coming year and to conduct a mail vote of the membership.

The next meeting will take place on Tuesday, September 27, with the topic to be announced.

### Western

The April meeting of the Western Chapter was held at Ryan's Restaurant in Biltmore Square Mall in Asheville on April 26, 2005. Past President David L. Hooker spoke on NCSA's QAR program.

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](mailto:lfacct@bellsouth.net) or fax to 828-438-8111.

## Circular 230 Written Opinion Standards

The IRS and the Treasury Department issued revisions to the new Treasury Department Circular 230 standards for written tax advice that were announced late last year.

Practitioners and professional organizations have expressed support for the effort to enhance public confidence in tax professionals. At the same time, they have asked for clarification in several areas to ensure that the standards for written tax advice apply in a manner consistent with their intent. These revisions respond to those requests.

Three of the five revisions expand on the definition of “excluded advice” that is not subject to the detailed covered opinion standards of Circular 230. These revisions apply to:

- Advice from in-house tax professionals to their employers;
- Situations in which the advice is provided after the client files the relevant tax return; and
- “Negative advice,” wherein an advisor tells a client a transaction will not provide the purported tax benefit.

Advice that is excluded from the covered opinion standards by these revisions will continue to be subject to the general requirements for other written advice.

The revised covered opinion standards also provide a definition of “the principal purpose” of tax avoidance that excludes transactions claiming tax benefits that are consistent with the statute and Congressional purpose. In addition, these revisions relax specific requirements for the format of disclosures that are required for certain written tax advice. These requirements maintain the expectation that the disclosures will put taxpayers on notice of any limitations on their ability to rely on written advice.

These written opinion standards and the changes apply to written advice rendered after June 20, 2005.

## Questionable W-4s

According to IR-2005-45, employers no longer are required to send copies of potentially questionable W-4 withholding forms to the IRS. At the same time, the IRS will step up its withholding compliance program by making more effective use of information reported on W-2 wage statements to ensure that employees have enough federal income tax withheld from their paychecks.

In the past, employers had to send to the IRS any W-4 claiming more than 10 allowances or claiming complete exemption from withholding if \$200 or more in weekly wages was expected.

## Enrolled Agent Exam

The IRS has announced that this year’s Special Enrollment Examination will be held on Wednesday September 21 and Thursday September 22 in the following North Carolina cities:

- Greensboro - Kinston Building, 2303 West Meadowview
- Charlotte – IRS Office, 6635 Executive Circle
- Raleigh-Durham – Wake Technical Community College, 600 Waverly, Cary, NC

Generally, tax practitioners must pass the exam before they apply for enrolled agent status. Enrollment to practice before the IRS allows an individual to represent clients for audits and related tax matters.

Those interested in taking the examination can obtain a Form 2587, Application for Special Enrollment Examination, in the following ways:

- Call the IRS toll-free Forms Line at 1-800-829-3676; or
- Call the IRS North Carolina Special Enrollment Coordinator at 336-378-2256
- Download it from the IRS Web site at: [www.irs.gov/pub/irs-pdf/f2587.pdf](http://www.irs.gov/pub/irs-pdf/f2587.pdf)

“The examination process covers federal taxation, tax accounting, and the use of tax return forms for individuals, partnerships, corporations, trusts, estates, and gifts,” noted IRS spokesperson Valerie Thornton. “We also include ethical considerations and procedural requirements as part of the questions.”

The exam consists of four parts and takes two days. Examinations begin promptly at 9:00 a.m. each day. Applicants have four years to pass all parts, provided certain conditions are met. The fee for taking all four parts of the exam is \$55. For persons who took and passed part of the examination over the past three years, the fee is \$45. Applications must be postmarked no later than Thursday, June 30, 2005.

## **Roth 401(k)**

Beginning in 2006, a 401(k) plan may permit an employee who makes elective contributions to designate some or all of it as Roth contributions. According to the proposed regulations in REG-152354-04, such Roth contributions, unlike pre-tax elective contributions, are includible in current gross income. A qualified *distribution* of designated Roth contributions is excludable from gross income.

The proposed regulations provide special rules relating to designated Roth contributions under a 401(k) plan. The proposed regulations provide a definition of designated Roth contributions and special rules with respect to such contributions. Under these proposed regulations, designated Roth contributions are defined as elective contributions that are designated irrevocably by the employee at the time of the election, treated by the employer as includible in the employee's income, and maintained by the plan in a separate account. The proposed regulations provide that contributions may be treated only as Roth contributions to the extent permitted under the plan.

## **Military Annuitants**

According to the IRS, the Defense Finance and Accounting Service (DFAS) sent 2004 Form 1099-Rs to many military annuitants with incomplete information. Along with the Form 1099-R, DFAS sent a letter indicating how much the annuitant paid to the Survivor Benefit Plan or the Reserve Component Survivor Benefit Plan. DFAS told the retirees to take a "credit" or "an adjustment to income" on their 2004 Form 1040 for the amounts paid. This is incorrect, which may cause the delay of a refund or eventual notice from the IRS.

The annuitants should include the gross income reflected in Box 1 of their 2004 Form 1099-R on either line 16a of Form 1040 or on line 12a of Form 1040A. They should report the net taxable pension (the gross pension less the benefit plan amount, but not less than zero) on either line 16b or 12b. These numbers were included in the DFAS letter.

The Form 1099-R reflects gross payments made to the retiree. DFAS did not reduce these payments by the benefit plan amounts that were remitted directly to DFAS.

## **Lexus Hybrid Certified for Deduction**

The IRS has certified the model year 2006 Lexus RX 400h as being eligible for the clean-burning fuel deduction. This certification means that taxpayers who purchase one of these hybrid vehicles new during calendar year 2005 may claim a tax deduction of up to \$2,000 on Form 1040.

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

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

## **No More Package X**

In a move to save money on printing and postage, the IRS is doing away with Package X. If you haven't got yours already, you are out of luck. The same material is available elsewhere and on the IRS web site.

## IRS to Host Six Forums for Tax Professionals

The Internal Revenue Service will host the tax practitioner community at six Nationwide Tax Forums this summer. The Nationwide Tax Forums feature a variety of basic and advanced seminars that provide the tax professional community with the latest information on IRS policies and programs.

Among the topics on the 2005 agenda are like-kind exchanges, estate and trust planning, identity theft, retirement plans for small businesses, alternative minimum tax, and recent tax law changes. The seminars are conducted by IRS experts and tax industry leaders from the American Bar Association, the American Institute of Certified Public Accountants, the National Association of Enrolled Agents, the National Association of Tax Professionals, the National Society of Accountants, and the National Society of Tax Professionals.

Tax professionals are invited to bring unresolved cases or questions to IRS representatives for on-site resolution. In addition, IRS staff will be on hand to help attendees complete the IRS e-file application, register for e-Services products and provide information about electronic payments and other electronic business tools.

The forums also benefit practitioners by giving them the opportunity to meet and exchange ideas with other practitioners — and sample the latest offerings from tax industry vendors.

The locations and dates for the 2005 tax forums are:

- San Francisco            June 28–30
- Houston                    July 12–14
- Atlanta                     July 26–28
- New York City            Aug. 9–11
- Las Vegas                 Aug. 23–25
- Chicago                    Aug. 30–Sept. 1

Enrolled agents can earn up to 21 continuing professional education credits by participating in a forum. Other professionals should consult their prospective licensing organization for information on qualifying credits.

The fees for the 2005 forums are \$119 per person per city for pre-registration and \$259 for late or on-site registration. Pre-registration for a forum ends two weeks prior to the start of the forum. Reduced fees are available for members of IRS partner associations mentioned above. Members should contact their associations directly for details.

For a full program, hotel accommodations and online registration, visit <http://www.taxforuminfo.com/>. Information is also available in the Tax Professionals section on IRS.gov at [www.irs.gov/taxpros/](http://www.irs.gov/taxpros/).

# NCSA Schedule of Events

## 2005

June 26—4:00 p.m.—**NCSA Board Meeting**  
Kingston Plantation, Myrtle Beach, SC

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

November 15-16—**PTI**  
Clarion Hotel, Greensboro Airport

November 16-17—**PTI**  
Four Points Sheraton, Charlotte Uptown

November 17-18—**PTI**  
Ocean Reef Resort, Myrtle Beach, SC

## 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*