



# 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

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## A Message From The President

*Florence W. Black*



**Florence W. Black**

Well, the gloss has worn off the New Year already. I do not even remember if I made any resolutions, so I do not know if I have broken any of them yet. I have too many other things to worry about. I hope that your clients are responding to your pleas to bring in their work so that you can get your corporation tax returns completed. I think that my farmers have planted their tax information organizers and are waiting for them to come up in the spring.

My secretary has just had a baby, so I brought in my husband to do some clerical work and to answer the phone. He cannot type corporate meeting notes without conferring with the whole office over the most insignificant grammatical or semantical *issues*. I remind him that he is not writing the great American novel. He does not handle a call: he just transfers it to Yvette or me. Even with talking to every fundraiser, telemarketer, or pollster he transfers to me, I still do not spend the time on the phone that Curt Lee does as he works on the NSA's State Regulation and Oversight Committee and monitors the legislative activities for NCSA.

As I stated in the last message, I hope that you remember NCSA's web page that David Rollins maintains for us as source for newsletters and links to useful websites for changes in tax laws and other useful information. Also, keep that notepad handy to record problems or ideas for change to be reviewed at next year's tax forum, headed by Ron Powell.

The Spring PAS will be in Durham on May 18-19. Hopefully, the fliers detailing the subjects and speakers will be out by the 15<sup>th</sup> of March. Also, I hope that you are making your hotel registrations and sending in your registration forms for the 2006 NCSA Convention. Each month Cheryl Hudson highlights a different day of the Convention in *The Accountant* for your convention planning.

Thank all of you for your support, and I hope to see you at Spring PAS.

## Form 8453

A reminder, if you have to mail a Form 8453 and the electronic return was transmitted to Andover or Kansas City, mail the form to:

Internal Revenue Service  
Attn: Shipping & Receiving, 0254  
Receipt & Control Operations  
Andover, MA 05544-0254

If the return was transmitted to Austin, Fresno, or Philadelphia, same address as above except the last line should be:

Austin, TX 73344-0254

## Chapter News

### Hickory

The January meeting of the Hickory Chapter took place at Prime Sirloin in Hickory on January 30, 2006. There were 7 members and 1 guest in attendance. The chapter voted to send \$200 to the legislative fund in response to the Legislative Fundraiser. Fifty dollars will be sent to Hospice of Catawba County as a memorial to Durene Dietz, wife of member Everett Dietz. Durene passed away on December 28, 2005.

The next meeting will feature the tax roundtable, and will take place at the Olive Garden in Hickory on February 27, at 6:30 pm.

### Charlotte

The January 23<sup>rd</sup> meeting was held at Captain's Galley Restaurant with 17 members and 4 guests in attendance. Avery Henline, a member of the Taxpayer Education Communication Division office in Charlotte, presented updates on Federal taxes with emphasis on the changes related to Hurricanes Katrina, Rita and Wilma.

The next meeting will be February 27, at Captain's Galley Restaurant, with Marva Adams of the NC Department of Revenue as speaker.

### Cape Fear

The meeting was held on January 16, 2006, 6:30 pm, at the Barn Restaurant in Fayetteville. Twelve members and 1 guest attended. Bill Fischer spoke on "Identity Theft—Protect your Clients and Yourself." Florence Black and Marsha Wheeler spoke of the Right to Practice fundraiser.

The February meeting will feature Greg Kline from Edward Jones, speaking on retirement plan types, limits, rules and deadlines for all business entities. The chapter will meet at the Barn Restaurant in Fayetteville on February 20, at 6:30 pm.

### Central

Central chapter met on January 23, with 6 members and 2 guests in attendance. The speaker was Jonetta Appling of the NC Department of Revenue. She discussed estimated taxes, sales and use taxes and the retirement exclusion.

The next meeting will take place February 27, at NSACAR Café at 6:30 pm. Ron Powell will discuss the Tax Forum.

### 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 S Corporation and Partnerships.

The January 24<sup>th</sup> meeting was attended by 16 members and 4 guests. Tim Hinton of Wachovia Bank discussed new business programs provided by Wachovia Bank as well as 401(k) and other retirement plans.

The next meeting will feature Cheri Meyers of the NC Secretary of State's office. Her topic will be LLC's and Dissolution Notices.

### Burlington

The January meeting of the Burlington Chapter will be held on Thursday, January 26, 2006, at Kimber's Restaurant in Gibsonville at 6:30 pm. Pat Pittillo will speak on pitfalls to avoid when employing a child and "How I Increased Revenue 10% (and Only Worked 5% Harder)."

The February meeting will be held on Thursday, February 23, at Kimber's Restaurant at 6:30 pm. Stephen Metelits will speak on Medicare, Part D.

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

**North Carolina Society of Accountants**  
**59<sup>th</sup> Annual Convention**

**Monday** **June 26, 2006**

**Registration – 7:00 a.m. to 12:00 p.m.**

**CPE – 8:00 a.m. to 11:40 a.m. (4 Hours)**

*Speaker: Paul Bumgarner Subject: Elder Care*  
*This is not covered by the registration fees. Please sign up*  
*with your registration. \$30.00*

**Lunch – 11:40 a.m. to 1:00 p.m.**

*Lunch is on your own*

**Golf – 12:00 p.m.**

*This is not covered by the registration fees. Please sign up*  
*with your registration. \$60.00*

*18 Holes Captains Choice*

*Prizes for Longest Drive and Closest to the Pin*

*1<sup>st</sup> & last place trophies*

*Come play golf on Wilmington's Premier Golf Course.*

*Magnolia Greens Golf Plantation is rated 4 ½ stars by Golf Digest*

**CPE (continued) – 1:00 p.m. to 4:40 p.m. (4 Hours)**

*Speaker: David Hooker Subject: Financial Statement Workshop*

**Social Time – Cash Bar – 6:30 p.m. to 7:00 p.m.**

**Theme Dinner – Retro 70's Disco Party – 7:00 p.m. to 11:00 p.m.**

*Costumes are a must. Come dressed as you did in the 70's.*

*Come dressed as your favorite movie star, TV Actor or musician.*

*Let's have fun and all participate. It could cost you if you don't!*

*Look back through your photos or go online to find costumes or pictures.*

*You can do it!*

**Nominating Committee Meeting from 9:00 p.m. to 11:00 p.m.**

*Go meet the Nominating Committee and let them know who you would like see as officers and board members.*

## Tax Liens

The IRS has established standardized procedures to expedite requests for lien discharge, release, and subordination nationwide. If the taxpayer paid the tax, interest, and penalties and did not receive a copy of the *Certificate of Release of Federal Tax Lien*, the taxpayer or authorized representative may call the Centralized Lien Processing Unit at (800) 913-6050.

The IRS is working closely with local recorders and recorder associates across the country to ensure that federal tax lien documents are timely filed and properly recorded. This is extremely important to the interests of the federal government, creditors, and taxpayers.

Third parties must submit requests for pay-offs in writing using a properly completed Form 2848, *Power of Attorney and Declaration of Representative*, or Form 8821, *Tax Information Authorization*. Without a Form 2848 or 8821 the IRS cannot disclose taxpayer information to third parties.

## Tobacco Quotas

In IR-2006-35, the IRS clarifies the information reporting requirements for payments made to owners of tobacco quotas in exchange for the termination of quotas. For tax purposes, the termination of a tobacco quota is treated as a sale by the quota owner of an interest in land. In exchange for selling their quotas, owners may receive payments over a period of 10 years. The US Department of Agriculture reports the gross proceeds from the sale, including payments in later years, to the quota owner on Form 1099-S in the year in which the sale takes place.

Many quota owners have asked whether they must report the gross proceeds shown on the Form 1099-S in the year in which the sale takes place, even though they will receive payments in later years. The amount reported on the Form 1099-S is not necessarily the amount of taxable income the quota owner should report for the year in which the sale takes place.

An owner may report income using the installment method. Under the installment method, a quota owner who receives termination payments over a number of years should report only the income received each year.

## Spring PAS

**The Spring PAS will be at the Durham Hilton near Duke University, 3800 Hillsborough Road, Durham. A block of rooms is being held until April 17 (coincidence?). The room rate is \$95 per night, double or single. Reserve early because the number of rooms is limited. To get the group rate, you must mention the North Carolina Society of Accountants. You can call the hotel at (919) 382-9423.**

**The classes will be held May 18-19. John Ayers will speak on corporate liquidations, personal financial statements, and cash flows. In addition, Skip Easterly will speak on confrontation, Cheri Meyers, the new Director of Corporations for the Secretary of State, will speak about corporations. David Johnson will ask if you are practicing law. Bruno (if you have an attorney with a trust account as a client, that's the only name you need to know) will tell us how he goes about doing audits of trust accounts. Also scheduled are sessions entitled "Organizing Your Office Space for Best Efficiency" and "Making Your Client Headaches Go Away."**

**Cost information also will be coming soon. The price includes lunch and breaks, and Paula Brown promises some yummy meals.**

## Energy Credits

Guidance was issued in Notice 2006-26 on the certification that homeowners may rely on when they claim credits for purchases that make their homes more efficient. During 2006, individuals can make energy-conscious purchases that will provide tax benefits on 2006 tax returns. The credit also will be available for purchases in 2007. Manufacturers offering energy efficient items such as insulation or storm windows can assure their customers that their energy efficient items will qualify for the tax credit if certain energy efficiency requirements are met.

A recent tax law change provides a tax credit to improve the energy efficiency of existing homes. The law provides a 10% credit for buying energy efficiency improvements. To qualify, a component must meet or exceed the criteria established by the *2000 International Energy Conservation Code* (including supplements) and must be installed in the taxpayer's main home in the United States. The following items are eligible:

- Insulation systems that reduce heat loss/gain
- Exterior windows (including skylights)
- Exterior doors
- Metal roofs (meeting applicable Energy Star requirements)

In addition, the law provides a credit for costs relating to residential energy property expenses. To qualify as residential energy property, the property must meet certification requirements prescribed by the Secretary of the Treasury and must be installed in the taxpayer's main home in the United States. The following items are eligible:

- \$50 for each advanced main air circulating fan
- \$150 for each qualified natural gas, propane, or oil furnace or hot water heater
- \$300 for each item of qualified energy efficient property

The maximum credit for all taxable years is \$500—no more than \$200 of the credit can be attributable to expenses for windows.

Additionally, the new law makes a credit available to those who add qualified solar panels, solar water heating equipment, or a fuel cell power plant to their homes in the United States. In general, a qualified fuel cell power plant converts a fuel into electricity using electromechanical means, has an electricity-only generation efficiency of more than 30% and generates at least 0.5 kilowatts of electricity. Taxpayers are allowed one credit equal to 30% of the qualified investment in a solar panel up to a maximum of \$2,000, and another equivalent credit for investing in a solar water heating system. No part of either system can be used to heat a pool or hot tub. Taxpayers also are allowed a 30% tax credit for the purchase of qualified fuel cell power plants, and the credit may not exceed \$500 for each 0.5 kilowatt of capacity.

The items must be placed in service after December 31, 2005, and before January 1, 2008.

## Form 944

Under Reg-148568-04, for those employers with a total FICA and federal withholding of less than \$1,000 per year, the IRS wants them to use the new Form 944 to report their FICA and withholding annually instead of quarterly on Form 941. The look back period used to determine if the amount is less than \$1,000 is the last July through June reporting periods.

The IRS supplies written notification to employers who qualify for Form 944 and annual tax deposits. This does not include users of Form 943 or Form 1040 Schedule H.

If a notified employer wishes to continue using Form 941 and making more frequent deposits must notify the IRS in writing that it will file Form 941 electronically instead of the Form 944 or the employer anticipates annual employment tax liability will exceed \$1,000. Employers otherwise meeting the criteria of the Form 944 filing will be permitted to file Form 941 only if they receive written notification from the IRS that their filing requirement has been changed to Form 941.

## NC Settlement Initiative

The NC Department of Revenue has announced a settlement initiative directed at certain transactions which create tax benefits, deductions, or losses the Department considers improper. Taxpayers under audit and any other taxpayers which have engaged in eligible transactions may elect to sign an *Election to Participate in Settlement Initiative* before June 16, 2006, and pay all tax, penalty, and interest before December 15, 2006/

The details are too numerous to list here. Go to [www.dornrc.com/settlement-initiative](http://www.dornrc.com/settlement-initiative) to read all of the documents and a list of questions and answers if you (or any of your clients) feel guilty.

## Form 7004

In IR-2006-29, the IRS states it has simplified the process for business taxpayers filing for an extension. All business taxpayers who previously filed extension Forms 8800, 8736, 7004, and 2758 now only have to file the revised Form 7004, *Application for Automatic 6-Month Extension of Time to File Certain Business Income Tax, Information, and Other Returns*, to request an automatic six-month extension of time to file.

For the 2005 filing season, business taxpayers must file Form 7004 by the due date of the return in order to receive an automatic extension of time to file. The extension period is calculated from the due date of the return.

New regulations make this option available to most non-corporate business taxpayers, including partnerships and trusts. Previously, only corporations could request an automatic six-month extension. All eligible non-corporate business taxpayers had to request an initial three-month extension and, if more time was needed, then had to request another three months.

Changes also have been made to the processes for obtaining extensions for filing estate and gift tax returns. Revised Form 4768 allows a single six-month extension for all Form 706 return filing. The request must be made on or before the due date of the Estate Tax Return.

A revised Form 8892 must be filed for 2005 extension requests when the taxpayer extending Form 709 only without extending the Form 1040 or when the taxpayer is paying a gift tax liability. It may be used to request and automatic six-month extension for filing Form 709 in those cases where a Form 4868 was not filed. A new tear-off section, Form 8892-V, includes a voucher for paying a gift/GST-tax liability.

## Free Publications

The IRS announced that Publications 1518 and 3207 now are available on-line. You can order a supply for your office from [www.irs.gov/business/small/article/0,,id=101169,00.html](http://www.irs.gov/business/small/article/0,,id=101169,00.html).

Remember, these products as well as the shipping and handling are free. You may wish to provide them to some of your customers. If you require more than the 5, the distribution center allows you to order, e-mail your request.

*The Tax Calendar for Small Businesses and Self-Employed*, Publication 1518, now is available. This 12-month wall calendar is filled with useful information on general business taxes, IRS and SSA customer assistance, electronic filing and paying options, retirement plans, business publications and forms, and common tax filing dates. Each page highlights different tax issues and tips.

*The Small Business Resource Guide*, CD-ROM provides critical tax information to small businesses including forms, instructions, and publications. The CD also provides valuable business information from a variety of government agencies, non-profit organizations, and educational institutions. The CD contains essential startup information needed by new small businesses in order to be successful. The design of the CD makes finding information easy and quick and incorporates file formats and browsers which can be run on virtually any desktop or laptop computer.

## Six IRS Tax Forums This Year

The IRS will host a series of six tax forums across the nation this summer for the benefit of tax professionals. This is the sixteenth year the forums have been a component of the IRS communication and outreach efforts.

The forums present the latest news and information from the IRS over three days of seminars. Representatives of the IRS, the American Association of Attorney-Certified Public Accountants, the American Bar Association, the AICPA, the NAEA, the NATP, the NSA, and the NSTP will lead seminars and be available for discussion.

In addition to the seminars, the forums also feature a two-day expo with representatives from the IRS and tax, financial, and business communities offering their products, services, and expertise.

The locations and dates for 2006 are:

Anaheim, CA–June 27-29

Chicago, IL–July 11-13

Atlanta, GA–July 25-27

Orlando, FL–August 1-3

Las Vegas, NV–August 22-24

New York, NY–August 29-31

## Form 1098-T

The analyst on the IMRS program comments on problems with Form 1098-T in which changes for a previous year are reported.

On this form, block 3 has been used to make adjustments for previous years. The Form 8863 has no place to reflect this, and the instructions for the form indicate that the reporting institution made an error in reporting the eligible amounts for the prior year.

The only vehicle for making educational adjustments identified on the Form 1098-T is through amending the previous year's Form 1040.

The IRS believes that the educational institutions realize the impact the amendments have on the clients, as the educational institutions are subject to various penalties. However, there are situations that may occur that are beyond the school's control and may require an adjustment to a student's account. Or it may be an actual error on behalf of the school.

## **NCSA Schedule of Events**

### **2006**

May 18— **NCSA Board of Directors Meeting**—  
Durham Hilton near Duke University-5:30 pm

May 18-19—**Spring PAS**—  
Durham Hilton near Duke University-8 am

June 2—**ACAT Examinations**

June 25—**NCSA Board of Directors Meeting**—  
Wilmington Hilton Riverside—Wilmington—4 pm

June 25-27—**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

November 28-29—**PTI**—Embassy Suites—Greensboro

November 29-30—**PTI**— Best Western Uptown—Charlotte

November 30—December 1— **PTI**—  
Ocean Reef—Myrtle Beach, SC

### **2007**

June 22-24—**Annual Convention**—Winston-Salem

August 16-18—**NSA Convention**—Portland, OR

## **2005-2006 OFFICERS**

### **PRESIDENT – FLORENCE W. BLACK**

P.O. Box 53488  
Fayetteville, NC 28305-3488  
910-484-3800

### **PRESIDENT-ELECT – WAYNE O. PARKER**

3617 Old Lexington Road  
Winston Salem, NC 27107  
336-784-4160

### **VICE-PRESIDENT – STEPHEN METELITS**

77 Fearington Post  
Pittsboro, NC 27312  
919-933-0724

### **SECRETARY – RONALD D. POWELL**

350 South Cox Street, Suite A  
Asheboro, NC 27203-5715  
336-625-1427

### **TREASURER – DENISE J. HAMMOND**

P.O. Box 938  
Morganton, NC 28680-0938  
828-437-7058

### **IMMEDIATE PAST PRESIDENT –**

#### **RHONDA H. MARSH**

1807 Morgan Hill Road  
Monroe, NC 28110  
704-289-5155

### **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*