



# The Accountant

*Official Publication*

*of the North Carolina Society of Accountants*

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June 2004

## *Inside this issue*

<i>Health Savings Accounts</i>	2
<i>States Join Forces</i>	2
<i>PTI</i>	2
<i>Extensions</i>	2
<i>Enrolled Agents</i>	2
<i>Tax Avoidance Schemes</i>	3
<i>Chapter News</i>	4
<i>Public Relations</i>	4
<i>IRS Launches More Online Tools</i>	5
<i>57th Annual Convention Registration Form</i>	6
<i>Tentative Convention Schedule</i>	7

## **Directory**

*Denise Hammond*

Please double check your name, address, telephone and fax numbers, and e-mail address in the current Directory. Send corrections to Candace Cansler at [candacecansler@directus.net](mailto:candacecansler@directus.net) or call her at (866) 755-6272. It is important that we get the information right, and we get it from you.

If you have suggestions or would like to join the Directory Committee, contact Rhonda Marsh, President-Elect, at [marsh@carolina.rr.com](mailto:marsh@carolina.rr.com) or (704) 289-5155.

## **A Message From The President**

*Jan Allison*

I can hardly believe that this year has come to an end. In speaking with Past President Pace, I told him I thought I knew what the presidency involved because I had been with Daddy and Gale through their presidencies. One does not know until one becomes President what is involved. I have truly enjoyed getting to know each of my committee chair people, our board of directors and line officers better. Without the help of each member, the society would fail.

Please take this time to pat yourselves on the back, and say thank you for a job well done. Each of you are an integral part of the NCSA, and I thank you more than words could ever say. To each of the line officers, I would like to say thank you for your support over the last year. I could not have done it without you. To each of the board members I would like to say, thank you and please continue to support your line officers.

I hope to see each of you at the convention in Charlotte. God bless each and every one of you.



**Jan H. Allison**

## **Convention Update**

*Jense Haynes*

This is your last reminder. If you have not registered for the 57th Annual Convention, please do so as soon as possible. The location is Hilton Charlotte & Towers. The telephone number is (704) 377-1500. Registration forms for the convention were mailed and are available on page 6.

CPE is scheduled for June 21 in the Graham Room on the third floor from 1:00 to 5:00. JR Lawson will speak on "Bank Loan Applications for Clients," Paul Halas, Jr CMC, of Halas & Associates, will speak on "Business Valuations/Appraisals," someone from the IRS will speak about "Criminal Investigation," and John Blanton will discuss "Passed and Pending Federal Legislation." If you have not registered for the Convention, the fee for CPE is \$25.

Don't forget the Country Fair Monday night that starts at 5 p.m. For the booth we need canned foods, crafts, and homemade cakes and pies.

This should be a good time for fellowship, education, and the business of the Society.

## Health Savings Accounts

In Revenue Ruling 2004-38, the IRS says that if an individual is covered by both a high deductible health plan that does not cover prescription drugs **and** by a separate prescription drug plan that provides benefits before the minimum annual deductible of the health plan has been satisfied, that individual is **may not** make contributions to a Health Savings Account.

However, in Notice 2004-23, the IRS provides a safe harbor for preventive health care benefits provided by a high deductible health plan without satisfying the minimum deductible. Preventive care includes:

- Periodic health evaluations, including tests and diagnostic procedures ordered in connection with routine examinations.
- Routine prenatal and well-child care.
- Child and adult immunizations.
- Tobacco cessation programs.
- Obesity weight-loss programs.
- Many screening services.

## States Join Forces

The North and South Carolina revenue departments are joining forces to confront a growing problem—payment of the sales tax for all-terrain vehicles and watercraft purchased from retailers along the border.

Both revenue agencies have found that, frequently, sales tax is not charged on these purchases because, according to the retailer's records, the delivery of the vehicle or boat was made to a customer in the neighboring state. State law requires that a taxpayer who buys an item in a state that doesn't charge sales tax must report and pay the use tax. A line for the use tax is included on the NC individual income tax form.

Both states are taking several steps to make sure that sales tax laws regarding these transactions are applied properly, such as verifying the delivery location on the equipment to the customer. Often, customers say the dealership was the delivery location for their purchase and, in some cases, a customer's invoice will show that tax was not paid to the dealer.

The NC Department of Revenue also will focus on the misuse of state agricultural certificates, Form E-599, by customers who attempt to purchase all-terrain vehicles at the sales tax rate of 1%. However, this tax rate is available only for purchases of farm machinery and generally does not include ATVs. Department of Revenue auditors have found 1,400 cases involving misuse of the certificate and recovered approximately \$2 million in taxes during the current fiscal year.

## PTI

The PTI schedule has been announced for 2004. The classes will be at the Clarion Hotel Greensboro Airport on November 16-17, at the Four Points Sheraton Charlotte Uptown on November 17-18, and at the Ocean Reef Resort, Myrtle Beach, SC, on November 18-19.

## Extensions

Just a reminder that Form 2688 is not due until August 16, and the last date to retransmit is August 20 this year. The IRS will begin accepting these forms on July 1. If you already transmitted this form and believe it was rejected in error, you can retransmit beginning July 1.

If your Form 4868, Extension of Time to File Your Individual Income Tax Return, was accepted, it is valid until August 16 this year.

## Enrolled Agents

If your Social Security number ends in a digit less than 4, you should apply for renewal between June 1 and July 31 by submitting Form 8554, *Application for Renewal of Enrollment to Practice Before the Internal Revenue Service*. While the IRS will honor renewals submitted on the old form, the new form should be used. It is available on the IRS web site, [www.irs.gov](http://www.irs.gov), after April 25

## Tax Avoidance Schemes

In Notice 2004-22, the IRS lists tax avoidance schemes that are based on frivolous arguments that the Service and federal courts have rejected repeatedly. These schemes typically are sold by promoters for a substantial fee. The Service is committed to identifying taxpayers who attempt to avoid their tax obligations by using schemes based on frivolous arguments.

Here are some of the most common frivolous arguments used by taxpayers to avoid or evade tax:

- **The 16th Amendment is invalid because it contradicts the original Constitution and it was not ratified properly.** The 16th Amendment, which authorizes the income tax, was properly ratified and is valid.
- **A taxpayer can make a "claim of right" to exclude the cost of his labor from income.** There is no "claim of right" doctrine under any federal law that permits a taxpayer to deduct or exclude the value of his labor.
- **Only income from a foreign source is taxable under Section 861.** Sections 861-865 do not exclude income from tax. In particular, nothing in these sections provides that only income earned from foreign sources is subject to US tax.
- **I am not a "citizen" or a "person" within the meaning of the Internal Revenue Code.** A citizen of each of the 50 states and the District of Columbia also is a citizen of the US.
- **Citizens of States are citizens of a foreign country and therefore not subject to tax.** Section 911 permits a taxpayer to elect to exclude income from US income tax only when the taxpayer earns income and resides outside the US under the conditions and limitations in that section. For purposes of Section 911, states, commonwealths, and territories of the US are not foreign countries.
- **A taxpayer can escape income tax by putting assets in an offshore bank account.** A citizen or resident of the US cannot use an offshore arrangement to avoid tax obligations. In addition, taxpayers are required to disclose foreign financial accounts and may face civil and criminal penalties if they fail to do so.
- **A taxpayer can eliminate tax by establishing a "corporation sole."** A corporation sole may be used only by a *bona fide* religious leader for specific, limited purposes relating to the religious leader's office.
- **A taxpayer can place all of his assets in a trust to escape income tax while still retaining control over those assets.** A taxpayer who places assets in a trust but retains certain powers or interests over the assets is treated as the owner of the assets and is subject to tax on the income from those assets.
- **A taxpayer can deduct any amount paid to maintain his household by establishing a home business.** Business expenses are not deductible unless the expenses relate to a *bona fide*, profit-seeking business. Promoters of home based schemes improperly encourage taxpayers to claim household expenses as business deductions although the purported business used in these schemes is not a *bona fide* trade or business.
- **Nothing in the Internal Revenue Code imposes a requirement to file a return.** Section 6011 expressly authorizes the Service to require the filing of returns. Section 6012 identifies persons who are required to file income tax returns. Taxpayers who receive more than the statutory minimum amount of gross income must file returns.
- **Filing a tax return is "voluntary."** Some people mistake the word "voluntary" for "optional"—but filing a tax return is not optional for those who meet the law's requirements.
- **Because taxes are voluntary, as an employer, I don't have to withhold income or employment taxes from my employees.** An employer is required by law to withhold income and employment taxes from salary and wages paid to employees. Employers also must deposit the amounts withheld with the IRS.
- **A taxpayer can refuse to pay taxes if the taxpayer disagrees with the government's use of the taxes it collects.** No law permits a taxpayer to avoid or evade tax obligations on grounds that the taxpayer does not agree with the government's past or possible future uses of the taxes collected.
- **A taxpayer can avoid tax by filing a return that reports zero income.** All taxpayers who receive more than the statutory minimum amount of gross income must file returns and pay tax. No law permits a taxpayer who has received income to file a return with zero income.
- **A taxpayer can escape income taxes by filing a set of documents in lieu of a tax return.** Taxpayers must file income tax returns using the forms prescribed by the Service.
- **A taxpayer can avoid tax by filing a return with an attachment that disclaims tax liability.** A return with an attached disclaimer of tax liability is not a valid tax return under the law.
- **A taxpayer can file a return with an altered penalties of perjury statement to generate a tax refund.** Alterations to an income tax return may nullify a return.
- **Certain taxpayers can claim a "reparations tax credit" to right wrongs done in the past.** No law permits a "reparations tax credit."
- **By purchasing equipment and services for an inflated price, a taxpayer can use the Disabled Access Credit to reduce**

(continued on page 4)

## Chapter News

**MARK YOUR CALENDARS!  
LEADERSHIP CONFERENCE IS COMING JULY 24 AT THE RADISSON HIGH POINT  
ALL CHAPTER OFFICERS ARE INVITED**

### Hickory

The April meeting was held on the 26th at Prime Sirloin. Tommy Thomas of the North Carolina Department of Revenue spoke on the various programs that the state has underway.

The May meeting will be held on May 31, 2004, at Prime Sirloin in Hickory.

### Burlington

The May meeting of the Burlington Chapter will be held at Azalea Grill at 6:30 p.m. on May 27, 2004. Rhonda Marsh, NCSA President Elect, will speak on the history of NCSA and install officers for the coming year.

### Central

The Central chapter met on Monday, March 22, at NASCAR Café. There were 7 members and 2 guests present. Guest speakers were Joe Barnes and Terrence Thomas. They gave a presentation on prepaid legal services.

The speaker for the April 27th meeting will be Ron Culler. His subject will be "Stop SPAM and Pop-Ups."

Wade J. Powell has been appointed secretary for the remainder of the year. Andra Angel will chair the nominating committee for the chapter.

### Raleigh

Raleigh Chapter held its April 27th meeting with 8 members and 1 guest present. Nick Nickerson of Nations Home Funding discussed credit scores and treating your home as an asset. The program qualified for one hour of CPE.

The next meeting will be held on May 25, 2004, at Hooligans on Glenwood Avenue. Mr. James Casey will discuss the Real Health Crisis in America.

### Piedmont

The Piedmont Chapter will hold its annual Bingo Fundraiser on Thursday, May 27, 2004, at the High Point Moose Lodge.

**NEWS IS A FLEETING THING. WE CAN ONLY REPORT WHAT WE ARE TOLD. PLEASE  
MAKE SURE YOUR CHAPTER IS SHARING WITH THE ACCOUNTANT .**

### Tax Avoidance Schemes

*(continued from page 3)*

tax or generate a refund. The Disabled Access Credit, which is limited to specific medical equipment, may be claimed only for amounts actually paid by a taxpayer. Promoters of this scheme improperly offer to sell equipment or services at highly inflated prices in order to generate a large credit. Taxpayers participating in this scheme ultimately are not required to pay, and do not pay, the entire price stated in the sales contract.

- **A taxpayer can deduct the amount of Social Security taxes under Section 3121 that was paid and get a refund of those taxes.** Section 3121 does not exclude wages from taxation and does not authorize a refund of Social Security taxes paid.
- **A taxpayer may buy or sell the right to use dependents in order to increase the amount of the EIC claimed.** A taxpayer may not purchase or sell the right to use additional dependents for purposes of the Earned Income Credit.

### Public Relations

*Denise Hammond*

The Public Relations Committee is trying to purchase special tablecloths for our display tables at classes and conventions. They are not in the budget for this year. Therefore, your contribution is requested. Send your donation to our Executive Director. Write "Tablecloths" in the memo portion of your check.

I am looking for a few good people (there has to be some out there) for the Public Relations Committee. Because of family issues, I must give up the PR chair. Please contact me or Rhonda Marsh.

## IRS Launches More Online Tools

With record numbers of Americans e-filing their tax returns and recently announced e-filing options for corporations and tax exempt organizations, the IRS has launched a new online form that gives tax professionals a faster, easier method of applying to become an authorized e-filer.

As more and more taxpayers ask for e-file, tax professionals now have an online application form that cuts processing time and reduces errors associated with using the paper Form 8633, *Application to Participate in IRS e-file*. Once the application is approved by the IRS, tax professionals can e-file returns for their clients.

The online application form joins four other products in the e-services line that serves tax professionals and those who file select information returns, such as banks and other financial institutions. The suite of e-services were developed and delivered through the IRS Business Systems Modernization program.

The new e-service joins four other applications already released, including:

- **Online Registration**—Before using other e-services, tax professionals must register online to create an electronic account. The registration process is a one-time process for tax professionals to select a user name, password, and personal identification number.
- **Preparer Tax Identification Number Application**—The Preparer Tax Identification Number, or PTIN application, lets a paid preparer apply for and receive a PTIN immediately over the Internet.
- **Bulk Taxpayer Identification Number Matching**—Bulk TIN Matching is used by authorized payers or their agents who file the range of 1099 forms to match the taxpayer identification numbers with the names of those they pay. Payers can face a penalty if an incorrect number is submitted to the IRS. Up to 100,000 name/TIN combinations can be submitted for matching with a response received within 24 hours.
- **Interactive Taxpayer Identification Number Matching**—A smaller version of the bulk TIN matching application that authorized payers can use to match up to 25 taxpayer identification numbers and name combinations against IRS records with an immediate response.

Future e-services include premium products for e-filers who file more than 100 electronic returns, and include:

- **Disclosure Authorization**—Eligible tax professionals can complete, view, and update authorization forms, receive acknowledgement of accepted submissions immediately—all online. This electronic submission of Form 2848, *Power of Attorney and Declaration of Representative*, and Form 8821, *Tax Information Authorization*, speeds processing and provides immediate feedback about accepted submissions.
- **Electronic Account Resolution**—Tax professionals can resolve their client's account problems sooner by electronically sending/receiving account related inquiries. Tax professionals can ask about individual or business account problems, refunds, installment agreements, missing payments, or notices. IRS responses are delivered to an electronic secure mailbox within 72 hours.
- **Transcript Delivery System**—Tax professionals can request their client's tax return transcripts, account transcripts, wage and income documents, and verification of non-filing letters for individual and business taxpayers. Account information is provided quickly in a secure, online session or can be delivered to a secure mailbox within 24-48 hours.

All of these premium e-services are being tested now by a select group of registered users. Disclosure Authorization and Electronic Account Resolution are scheduled for delivery this spring; Transcript Delivery System is due for release this summer.

Only approved IRS business partners, such as e-filing tax professionals and payers are eligible to use e-services. Tax professionals and payers can register for e-services immediately through the Tax Professional's page on IRS.gov.

- E-services Registration—<https://la.www4.irs.gov/e-services/Registration/index.htm>
- What are the e-services products?—<http://www.irs.gov/taxpros/article/0,,id=107478,00.html>

# 57th Annual Convention

Charlotte, North Carolina

June 20 - 23, 2004

**Hilton Towers**, 222 East Third Street, Charlotte, North Carolina 28202

Telephone: (704)377-1500 **Fax:** (704)338-4890

**Reservations:** (704)377-1500

## NCSA 2004 CONVENTION REGISTRATION FORM

PLEASE PRINT LEGIBLY TO AVOID ERRORS AND DELAYS ON-SITE

**Name** (To appear on Badge) \_\_\_\_\_

**Spouse/Guest Name** \_\_\_\_\_

**Children's Names** \_\_\_\_\_

**Street Address** \_\_\_\_\_

Address should be the billing address of your credit card, if you decide to pay by credit card.

**City/State/ZIP** \_\_\_\_\_

**Phone** \_\_\_\_\_ **Fax** \_\_\_\_\_

**E-mail** \_\_\_\_\_

Registration Fees*	Advance Registration (Prior to June 6th)	After June 6th
Members	\$ 160.00 _____	\$ 185.00 _____
Spouse/Guest/Children	\$ 110.00 _____	\$ 125.00 _____
(1) Children 6 to the age of 12	\$ 50.00 _____	\$ 50.00 _____
(2) Children Under the age of 6 are free	_____	_____

Additional Fees	# Needed	Amount per Ticket	Total Amount
Business Session	_____	\$ 25.00	_____
Golf (*Not included in Reg. Fee)	_____	\$ 50.00	_____
Theme Dinner (1)(2)	_____	\$ 45.00	_____
Past President's Luncheon (1)(2)	_____	\$ 20.00	_____
Installation Banquet (1)(2)	_____	\$ 60.00	_____
CPE	_____	\$ 25.00	_____

## Tentative Convention Schedule

Date	Time	Event	
6/20	2:00 PM	Registration	
	3:00 PM	Hospitality Room Open	
	3:00 PM	Board of Directors Mtg.	
	5:30 PM	Vespers	
	7:00 PM	Presidents Reception	
	7:30 PM	Nominating Comm. Mtg.	
6/21	7:30 AM	Continental Breakfast	
	8:00 AM	Registration Opens	
	9:00 AM	General Business Session	
	10:30 AM	Break	
	10:45 AM	General Business Session	
	Noon	Lunch (on your own)	
	1:00 PM	Golf	
	1:00 PM	Tours or CPE	
	4:00 PM	County Fair	
	6:00 PM	Dinner	
	7:00 PM	Dance Show	
	8:00 PM	The Fantastic Shakers Cash Bar	
	6/22	7:30 AM	Continental Breakfast
		8:00 AM	Hospitality Room Opens
9:00 AM		General Business Session	
10:30 AM		Break	
10:45 AM		General Business Session	
Noon		Past Presidents' Luncheon	
2:00 PM		General Business Session	
6:30 PM		Social Hour (Cash Bar)	
6/23	7:30 PM	Grand Banquet and Installation Ceremony	
	9:00 AM	NCSA Board Meeting/Breakfast (Invited Guest Only)	

Dear Fellow Members:

I cordially invite you, your spouse/guest, and entire family to join me at the 57th annual NCSA Convention. There will be Golf, Awards and of course the election and installation of our new officers & board members.

Come and participate in the fellowship that makes membership in this organization second to none. Meet with your peers, share your professional experiences, and relax for awhile.

Your full registration includes the following:

- Sunday Vespers
- Monday Continental Breakfast
- Entrance to the Hospitality Suite
- Monday Theme Dinner & Entertainment
- Tuesday Past President's Luncheon
- Tuesday Business Session
- Tuesday Installation Banquet

The modest fee of \$160 for members and \$110 for spouse/guest makes this event not only affordable, but a must to attend.

I hope to see your name on our registration list soon. The "Fantastic Shakers" on Monday night, will truly be memorable, you do not want to miss this.

Sincerely Yours,

*Jan H. Allison, President*

### TOTAL FEES BEING SUBMITTED WITH THIS REGISTRATION FORM

**Method of Payment:** Check # \_\_\_\_\_

Make checks payable to NCSA and return with this registration brochure to: **Post Office Box 1126, Conover, NC 28613**

Or for your convenience credit cards are accepted  
(*indicate your preference below*)

Visa \_\_\_\_\_ MasterCard \_\_\_\_\_

American Express \_\_\_\_\_

Credit Card  
# \_\_\_\_\_

Exp. Date \_\_\_\_\_

\_\_\_\_\_ **Signature**

## **NCSA Schedule of Events**

### **2004**

June 20–**Board of Directors meeting**–3 p.m.  
Hilton Towers, Charlotte

June 21-23–**Annual Convention**–Hilton Towers, Charlotte

July 24–**Leadership Conference**–Radisson High Point

August 28-30–**NSA Convention**–San Antonio, TX

August 31-September 2–**IRS Forum**–San Antonio, TX

September 19–**Board of Directors meeting**–  
Wilmington Hilton Riverside

September 20-21–**Fall PAS**–Wilmington Hilton Riverside

October–**Tax Forum meeting with IRS**–Greensboro

November–**Board of Directors meeting**–Greensboro

November 16-17–**PTI**–Clarion Greensboro Airport

November 17-18–**PTI**–Four Points Sheraton Charlotte Uptown

November 18-19–**PTI**–Ocean Reef Resort Myrtle Beach, SC

### **2005**

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

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

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

### **2006**

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

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