



The Accountant

Official Publication

of the North Carolina Society of Accountants

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April 2004

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A Message From The President

Jan Allison

Spring is in the air. April 15th will be here before we know it, and extensions will have to be filed.

The North Carolina Society of Accountants' New Year will be here soon. To help our incoming President Rhonda Marsh, begin thinking about the various committees there are and let her know on which one you would like to serve. NCSA would not exist without committee involvement and the members. You each are very valuable in whatever capacity you serve.

The next board meeting will be held in Black Mountain on May 22nd and, if your committee has a report, please send a copy to Candace Cansler so that she can make copies for the board meeting. Line officers and committee chairs, you need to send your expense reports to Candace and Wayne Parker for approval before June 15th.

I hope you have marked your calendars for June 20th through June 22nd for the NCSA convention to be held in Charlotte. Be watching your mail for registration information.

I personally want to thank each of you for your continued support. God bless you all.



Jan H. Allison

2004 NCSA Convention

Jense Haynes

The NCSA Annual Convention will be held at the Hilton Charlotte and Towers June 20-22. The hotel is at 222 E Third Street in Charlotte. Rooms reserved under NCSA are \$99 per night. For reservations, call (704) 377-1500.

Sunday evening, June 20, after vespers, the President's Reception will be outside the Hilton Hotel in beautiful downtown Charlotte.

David Rollins has agreed to be in charge of the golf. This is scheduled tentatively at the normal time, Monday afternoon, June 21.

Monday evening our theme is "The County Fair." We have a professional "Fair Person" assisting us. The meal will be barbecue and fixings. We are begging for homemade items that you can donate to the society. Please, no cows or sheep.

After the Country Fair, The Fantastic Shakers, the best beach band on the east coast, will play. They are known as the "South's Finest Show Band." This is possibly the best Monday night entertainment we have ever had for a convention. Everyone bring your "shag shoes."

The Past Presidents meal will be lunch on Tuesday, June 22.

Chapter News

Hickory

The March 29th meeting was held at Prime Sirloin at 6:30 pm with 9 members and 1 guest present. Members held a tax roundtable, discussing problems and unusual situations that have come up over the season. The April meeting will be on the 26th at Prime Sirloin.

Charlotte

The January 26th meeting was held at Buffet Dynasty, with Don Ruff, Regional Tax Manager of the ESC speaking. He discussed issues pertaining to voluntary contributions, on-line filing, independent contractor vs employee issues, and casual/temporary labor.

Cape Fear

The February 17th meeting was cancelled due to inclement weather. The speaker from the U.S. Department of Labor has rescheduled for Monday, March 22, 2004, at 6:30 pm. The meeting will be held at Heath's Steakhouse in Dunn, NC.

Burlington

The February meeting was cancelled due to bad weather, but the Burlington chapter met on March 25 at the Azalea Grill with 8 members and 2 guests present. The program was Wireless Networking Connections presented by Brian Smyla from Mondolab, Inc., in Durham. He covered the basics of software, hardware, interference and security in using a wireless networking program in a small office.

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

Personal Postings

Pat Pittillo

Our Society has suffered several losses recently...**Jack Paris**, formerly of Greensboro, died March 8...**Jim Nance** of Fayetteville passed away February 24...Both served as President of their local chapter and Members of the Board of NCSA and are sorely missed...**Denise McBride-Rollins** is continuing to forge ahead through tax season while coping with her bothersome liver...**Wade Powell** now has a clean bill of health. We never doubted his resolve...Our belated sympathy goes to **June Votik** of Charlotte whose son died just before Christmas. We are sorry, June...Send your news items to patacct@asheboro.com or fax to (336) 626-0072.

NC Tax Preparer Jailed

The former owner of the H&R Block in Chadbourne pleaded guilty in Wake County District Court to felony charges filed by the NC Department of Revenue. Joseph Cholette, Jr, of 101 Breeland Court, Wilmington, pleaded guilty to four counts of aiding or assisting in the preparation of false NC individual income tax returns and four counts of forgery.

The state's evidence showed that Cholette and his former office manager, Timothy Rivenbark, concocted a plan to defraud the federal and state governments. They prepared individual income tax returns for clients and informed them how much their refunds would be. Without the clients' knowledge, they added false business losses to the returns to increase the amount of the refunds. The returns were filed electronically, and the refunds were mailed to post office boxes controlled by Cholette or Rivenbark. Cholette then would forge his client's name on the refund check and deposit it into the H&R Block account. Next, he would write the client a check for the original amount they were expecting and split the difference with Rivenbark.

Wake County District Court Judge Robert Rader sentenced Cholette to four consecutive six-month minimum, eight-month maximum, prison terms. The sentences were suspended, and he was placed on supervised probation for 60 months. He was ordered to serve a 30-day active sentence as a special condition of probation. He also must perform 50 hours of community service, pay a \$500 criminal fine, and \$9,577 in restitution to the NC Department of Revenue.

On March 4, Cholette's co-defendant, Timothy Rivenbark, pleaded guilty to three counts of aiding or assisting in the preparation of false NC individual income tax returns and three counts of attempting to obtain property by false pretenses. He was sentenced to three consecutive eight-month minimum, 10-month maximum, prison terms. The sentences were suspended, and he was placed on supervised probation for 36 months. He was ordered to serve a 20-day active sentence as a special condition of probation. He also must pay a \$1,500 criminal fine and \$9,577 in restitution to the NC Department of Revenue.

H&R Block fully cooperated in this investigation and has closed the Chadbourne office.

North Carolina Society of Accountants, Inc.
Nominating Committee 2003-2004

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 2004-2005 that will be elected at this years convention in June in Charlotte, 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 2004. 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 828-438-8111 or mail your selections to: Lynanne F. Gray, PO Box 938, Morganton, NC 28680-0938. My E-Mail address is lsheehan@hci.net for those who desire to use that media.

Officers

President — Jan H. Allison Rhonda H Marsh – Elected at the 2003 Convention
 Pres-Elect — Rhonda H. Marsh _____
 Vice-Pres — Florence W. Black _____
 Treasurer — Stephen Metelits _____
 Secretary — Wayne O. Parker _____

Board of Directors - 2 Past Presidents Required

PP Curtis B. Lee, Jr. (1) _____ Raleigh Chapter	PP David L. Hooker (1) _____ Piedmont Chapter
Andra Angel (2) _____ Central Chapter	PP Jense Haynes (2) _____ Charlotte Chapter
Denise Hammond (3)* _____ Hickory Chapter	Danelle T. Hills (2) _____ Burlington Chapter
PP James L Holmes (2) _____ Burlington Chapter	Robert L. Pia (1) _____ Raleigh Chapter
Margie H. Strider (1) _____ Burlington Chapter	Janice L. Jones (1) _____ Piedmont Chapter
Cheryl C. Hudson (2) _____ Cape Fear Chapter	William S. Fischer (1) _____ Cape Fear Chapter

Nominating Committee — 3 Past Presidents Required

PP Lynanne F. Gray (3)* _____ Hickory Chapter	PP Curtis B. Lee, Jr. (1) _____ Raleigh Chapter
PP L. Dean Gunter (1) _____ Western Chapter	Cheryl C. Hudson (2) _____ Cape Fear Chapter
Susan S. McLean (2) _____ Piedmont Chapter	Marsha Wheeler (1) _____ Cape Fear Chapter
Brenda Wilcox (2) _____ Hickory Chapter	

State Director

David G. Rollins 2nd year of 1st term

What Congress is Considering This Year

Stephen Metelits

I seldom include here what has not become law yet. But I thought you might be interested in *The Tax Administration Good Government Act of 2004*. It is in committee as of this writing. Here are some (the mark up is 128 pages) of the items that caught my eye:

- **Permit the IRS to require increased electronic filing of returns by paid preparers.** This permits the IRS to expand the scope of returns that are prepared by paid preparers and that are required to be filed electronically by removing the present restrictions on the types of returns required to be filed electronically and by lowering the number of returns that trigger the requirement to file electronically to 5.
- **Enrolled agents.** Adds a new section the IRC permitting the Secretary to prescribe regulations that, among other things, would permit the use of credentials or designation "enrolled agent", "EA", or "E.A."
- **Refund anticipation loans.** Requires all providers of refund anticipation loans to register with the IRS. The Secretary must specify the type of information that must be disclosed to taxpayers by loan providers and the manner and timing of the disclosure. This provision would go into effect after December 31.
- **Regulation of income tax return preparers.** Requires the *annual* registration of federal income tax preparers with the IRS. Any person who is paid to prepare more than 4 returns in a year would be required to register, pass an *annual* examination, and meet standards of conduct. The IRS may charge a reasonable fee to defray the costs of administering this program.
- **Increase estimated tax threshold.** Raises the \$1,000 threshold to \$2,000 for individuals and from \$500 to \$1,000 for corporations. This would be effective for taxable years beginning after December 31.
- **Taxpayer representatives not subject to examination on the sole basis of representation of taxpayers.** Clarifies that an IRS employee conducting an examination of a taxpayer is not authorized to inspect a taxpayer's representative's return solely on the basis of the representative's relationship to the taxpayer.
- **Establish a uniform definition of a qualifying child.** Establishes a uniform definition of a qualifying child for purposes of the dependency exemption, the child credit, the earned income credit, the dependent care credit, and head of household filing status. It generally does not modify other parameters of each tax benefit or the rules for determining whether individuals other than the children qualify for each tax benefit.
- **Understatement of taxpayer's liability by income tax return preparer.** Alters the standards of conduct that must be met to avoid imposition of the \$250 penalty. It replaces the "realistic possibility" standard with a requirement that there be a "reasonable belief that the tax treatment of the position was more likely than not to be the proper treatment." Also replaced is the "not frivolous" standard with the requirement that "there must be a reasonable basis for the tax treatment of the position."
- **Regulation of individuals practicing before the Department of Treasury.** Makes two modifications to expand the sanctions the Secretary may impose. First, it expressly permits censure as a sanction. Second, it permits the imposition of a monetary penalty as a sanction.
- **Chief Executive Officer required to sign corporate income tax returns.** As part of the income tax return, the Chief Executive Officer of a corporation must sign a declaration under penalties of perjury that the corporation's income tax return complies with the IRC and that the CEO was provided reasonable assurance of the accuracy of all material aspects of the return.

"Where's My Refund?"

Taxpayers have made about 9.8 million visits to the "Where's My Refund?" service so far this tax season, almost twice as many as a year ago, according to the IRS. This reflects activity through Feb. 29.

Taxpayers who file electronically can use the service within 72 hours of submitting their returns. Paper filers can use "Where's My Refund?" three to four weeks after their returns are mailed.

The "Where's My Refund?" service is accessible from the IRS.gov home page. Instructions guide individual taxpayers through a process that asks for three pieces of information from their returns: Social Security Number, filing status, and refund amount.

Once the information is submitted, "Where's My Refund?" notifies the taxpayer whether the return was received and is being also processed, and, if processed, the expected mailing date or direct-deposit date for the refund. The service also will notify a taxpayer if a refund has been returned to the IRS as undeliverable.

In cases where a refund is delayed because of a math error or other issue, "Where's My Refund?" will advise the taxpayer on steps he or she can take to resolve the problem.

Taxpayers can ensure a successful experience by entering the requested information *exactly* as it appears on their tax returns filed with the IRS.

NSA—The Practitioner's Partner

Wanda W. Goodson
Governor, District IV

One of the best things about belonging to a professional organization such as the National Society of Accountants is that it continues serving its members whether they are aware of what is happening or not. During tax season, for instance, NSA members have their attention fully focused on tax preparation, meeting deadlines, and consulting with clients. They have little or no time to fulfill various volunteer-driven tasks or even consciously take note of ongoing functions. The flow of NSA benefits, however, doesn't slacken, and that's why membership is so valuable.

The most important benefit provided at this time of year is undoubtedly the tax research service that is available to all NSA members. When difficult tax situations arise, members can access this assistance by going to NSA's website, strolling down the home page, and locating the tax assistance heading. After logging in, the question can be submitted via e-mail. Alternately, the question can be faxed to the NSA office. Responses are received within a few days with explanations and, if needed, citations.

New member benefits are explored, contracts negotiated, and promotion developed for them. Events for the coming year are planned, hotel arrangements made, and speakers chosen. The next major activity is the Aging America Seminar to be held in Las Vegas May 24-25. Besides providing relevant information and guidance in a new and expanding field of practice, attendance at this seminar can lead to attainment of ACAT's newest credential, Elder Care Specialist. An innovative program is in the works for September, and members will be delighted when an announcement is made shortly after tax season.

The Scholarship Foundation is in the midst of its busiest time period as March 10 was the deadline date for receipt of scholarship applications to be considered for the coming year. More and more students are finding out about the scholarships being offered and the number of applications received is growing.

Leadership Networking Conferences for State Officers are being scheduled in Minneapolis on October 23-24 and in New Orleans on November 20-21. Since the November function is coming to District VIII and LSIA will be playing host, the affiliated state societies in the District are encouraged to make plans to send as many leaders and possible.

A new insurance program will be launched soon, a Medicare supplement available through Forrest T. Jones, and will be offered to members age 64 and older. The Peer Review Program is being promoted to state accountancy boards, and its acceptance is growing. NSA continues to testify before Congressional bodies and IRS whenever the opportunity occurs.

It's an excellent time for staff to tend to administrative concerns such as website updates and improvements, adding interactive forms, news, and tax information. Shifting to new software programs and integrating newer versions is accomplished during this time.

I hope your tax season is rewarding and fulfilling, and I look forward to seeing you soon.

Justice Department Sues

The Department of Justice filed suits in federal courts in California, Colorado, Oklahoma, Missouri, and North Carolina to stop a nationwide abusive tax scheme in which customers are advised to create, and claim church status for, a company known as a corporation sole.

"As con artists continue to press their tax scam promotions on the public, the Department of Justice continues to work with the IRS to shut them down." said Eileen J. O'Connor, Assistant Attorney General for the Justice Department's Tax Division.

Named in the suits were:

- * lead promoter Joseph O. Saladino of Palmdale, California;
- * his organization, Freedom & Privacy Committee;
- * Jason A. Whitney of Tarzana, California;
- * Thomas and Charlene Chapin of Denver, Colorado;
- * Richard M. Blackstock of Broken Arrow, Oklahoma;
- * Janis E. Greehey of Branson, Missouri;
- * Nancy E. Lloyd of Greensboro, North Carolina; and
- * Frank D. Perkinson of Garner, North Carolina.

According to papers filed in the cases, it is alleged that Saladino and the other defendants advise and assist customers to

(continued on page 6)

Justice Department Sues

(continued from page 5)

establish and claim church status for a corporation sole, to which the customers transfer assets and income that they continue to control. The government alleges the corporations sole are used merely to fund a person's lifestyle, and not for church purposes. The complaint alleges that Saladino and his sales organization falsely state that customers who use corporations sole do not need to file tax returns or pay taxes.

It is further alleged that in another part of the scheme, the defendants help their customers file false returns seeking refunds from the government for past taxes paid, based on the bogus argument that compensation for personal labor is nontaxable. Defendants call this the "claim of right" doctrine.

The Justice Department has asked the courts to order Saladino and the other defendants—and anyone working with them—to stop promoting these schemes and to provide the government with their customer lists. More than 700 customers, located in nearly every state and several foreign countries, are alleged to be in the program.

According to court papers filed by the Justice Department, Saladino and his cronies market their scheme on the Internet, in conference calls and at seminars. In its court papers, the Justice Department alleges that customers are charged from \$200 to \$2,295 to participate in the schemes.

IRS Introduces e-file for Corporations, Exempt Organizations

For the first time, corporations and tax-exempt organizations have the option of filing their annual income tax and information returns electronically, the Internal Revenue Service announced.

Corporations and tax-exempt entities can now significantly reduce the time it takes to file their Forms 1120 and 990 simply by filing them electronically. The new electronic filing system was developed and delivered through the IRS Business Systems Modernization program and began accepting returns last month.

The new system provides corporations and tax-exempt organizations the option to transmit tax return data using a secure Internet connection in place of a modem. Taxpayers and tax professionals can prepare the returns using IRS-approved software developed by one of several software companies. The returns are then transmitted to IRS through a secure Internet site accessible only to registered users.

"We have worked closely with tax professionals to build a new approach based on industry needs. The successful launch of this modernized e-file process means charitable organizations and most corporations can stop filing massive paper returns," Commissioner Mark W. Everson said.

The improved process offers additional advantages:

- Tax professionals can attach documents to returns in Portable Document Format (PDF).
- Error messages are quickly delivered and easier to understand.
- Returns are processed upon receipt and an IRS return message lets tax professionals know the return has been filed.

In 2003, corporations filed more than 5.7 million corporate income tax returns (Form 1120) and tax-exempt organizations filed 506,000 annual information returns (the Form 990 series) last year, plus 395,000 automatic extension forms.

This is the first release of the new electronic filing system. The project's goal is to replace outdated, proprietary IRS technology with an industry standard process that uses Extensible Markup Language or XML. This is the first XML-based system IRS has used to receive tax returns over the Internet.

On Feb. 23, IRS began accepting 59 forms for electronic filing of corporate returns 1120 and 1120S and exempt organization returns 990, 990EZ, 1120POL and the extension Form 8868, to request an automatic extension of time to file. More than 95 percent of corporations are able to file electronically now and all corporations will be able to when another 43 forms and schedules are released later in 2004. More than two-thirds of exempt organizations can file electronically now, and an additional 244,000 will be able to file other types of returns later in 2004 and 2005.

In future releases, the new system will make it possible to file federal and multiple-state returns in a single electronic transmission. The IRS is working closely with several states on this future option.

Only electronic return originators have access to the new electronic filing system. Tax professionals can become electronic return originators by using a new, online application process. Those who are already electronic return originators can update their applications online to e-file these new forms. Tax professionals wanting to know more about the online application form and other e-services should visit the e-services page on IRS.gov. The IRS Web site also has more information about modernized e-file and the software companies that support the new program.

Links on IRS.gov

- e-services, <http://www.irs.gov/taxpros/article/0,,id=109646,00.html>
- Modernized e-file for forms 1120/1120S, <http://www.irs.gov/efile/article/0,,id=103789,00.html>
- Approved Software Providers for Corporate Returns, Forms 1120/1120S, <http://www.irs.gov/efile/lists/0,,id=119096,00.html>
- Modernized e-file for Charities and Non-Profits, <http://www.irs.gov/efile/article/0,,id=108211,00.html>
- Approved Software Providers for Forms 990/990EZ & 1120POL, <http://www.irs.gov/efile/lists/0,,id=119598,00.html>

Agency Warns of New Scams

In an update of an annual consumer alert, the IRS urged taxpayers to avoid falling victim to one of the “Dirty Dozen” tax scams and a variety of other schemes. In the new 2004 ranking, several new scams have reached the top of the consumer watch list, including abusive trusts and the “claim of right” doctrine.

In addition, the IRS has taken a new step this year and issued 10 new pieces of legal guidance involving scams in the “Dirty Dozen” and other tax schemes. The new guidance debunks the schemes and provides new legal details to help tax practitioners and taxpayers.

Taxpayers who suspect tax fraud can report it to the IRS at 1-800-829-0433. More information on tax scams and schemes is available by visiting “The Newsroom” section of IRS.gov.

The IRS urges people to avoid these common schemes:

1. **MISUSE OF TRUSTS.** Promoters of abusive tax transactions increasingly are urging taxpayers to transfer assets into trusts. The promoters promise a variety of benefits, such as the reduction of income subject to tax, deductions for personal expenses paid by the trust, and reduction of gift or estate taxes. Taxpayers should be aware that abusive trust arrangements will not produce the tax benefits advertised by their promoters and that the IRS is actively examining these types of trust arrangements. More than a dozen injunctions have been obtained against promoters, and numerous promoters and their clients have been criminally prosecuted. Before entering any trust arrangements, taxpayers should seek the advice of a trusted tax professional.
2. **“CLAIM OF RIGHT” DOCTRINE.** In this emerging scheme, people file returns and attempt to take a deduction equal to the entire amount of their wages. The promoters advise them to label the deduction as “a necessary expense for the production of income” or “compensation for personal services actually rendered.” The deduction is based on a complete misinterpretation of the Internal Revenue Code and has no basis in law.
3. **CORPORATION SOLE.** Participants in this scam apply for incorporation under the pretext of being a “bishop” or “overseer” of a one-person, phony religious organization or society. The idea is that the arrangement entitles the individual to exemption from federal income taxes as a nonprofit, religious organization as described in tax laws. When used as intended, Corporation Sole statutes enable religious leaders—typically bishops or parsons—to become incorporated as individuals as a way of separating themselves legally from the control and ownership of church assets. But the rules have been twisted at seminars where promoters charge fees of up to \$1,000 or more per person. Would-be participants are mistakenly told that Corporation Sole laws provide a “legal” way to escape paying federal income taxes, child support, and other personal debts.
4. **OFFSHORE TRANSACTIONS.** Some people use offshore transactions to avoid paying United States taxes. Use of an offshore bank account, brokerage account, credit card, wire transfer, trust, offshore employee leasing, or other arrangement to hide or underreport income or to claim false deductions on a federal tax return is illegal. A taxpayer involved in these schemes could be subject to payment of taxes, interest, penalties, and potential criminal prosecution. This was the top scam in the 2003 “Dirty Dozen.” A special program last year has yielded more than \$170 million in taxes, interest, and penalties, and the IRS and the states continue to aggressively pursue taxpayers and promoters in this area.
5. **EMPLOYMENT TAX EVASION.** The IRS has seen a number of illegal schemes that instruct employers not to withhold federal income tax or other employment taxes from wages paid to their employees. These schemes are based on an incorrect interpretation of Section 861 and other parts of the tax law and have been refuted in court. Recent court cases have resulted in criminal convictions of promoters. Employer participants also could be held responsible for back payments of employment taxes, plus penalties, and interest. Employees who have no withholdings are still responsible for payment of their personal taxes.
6. **RETURN PREPARER FRAUD.** Unscrupulous return preparers can cause a lot of problems for taxpayers who use their services. Abusive return preparers derive financial gain by diverting a portion of the taxpayer’s refund for their own benefit, charging inflated fees for the return preparation services, and increasing their clientele by advertising guaranteed larger refunds. Taxpayers should choose carefully when hiring a also tax preparer—no matter who prepares the return, the taxpayer is ultimately responsible for all of the information on that return.
7. **AMERICANS WITH DISABILITIES ACT.** Another scheme seen for several years involves the purchase of equipment and services that the promoter alleges meets the strict criteria of the Disabled Access Credit, which was created with the passage of the “Americans with Disabilities Act.” A minimal payment is made and a non-recourse note signed. The investor then provides insignificant services to complete the purchase agreement. This scheme is based on an incorrect interpretation of law and an over-inflated value of the services rendered.
8. **AFRICAN-AMERICANS GET A SPECIAL TAX REFUND.** Thousands of African Americans have been misled by people offering to file for tax credits or refunds related to reparations for slavery. There is no such provision in the tax law. Some unscrupulous promoters have encouraged clients to pay them to prepare a claim for this refund. But the claims are a waste of money. Promoters of reparations tax schemes have been convicted and imprisoned. And taxpayers could face a \$500 penalty for filing such claims if they do not withdraw the claim. Related scams include claiming an illegal tax credit by misusing Form 2439, *Notice to Shareholder of Undistributed Long-Term Capital Gains*. The slavery reparations scam was at the top of the 2002 “Dirty Dozen,” and, although claims have fallen considerably, the IRS continues to see activity in this area.
9. **IMPROPER HOME-BASED BUSINESS.** This scheme purports to offer tax “relief” but in reality is illegal tax avoidance. The promoters of this scheme claim that individual taxpayers can deduct most, or all, of their personal expenses as business expenses by setting up a bogus home-based business. But the tax code firmly establishes that a clear business purpose and profit motive must exist in order to generate and claim allowable business expenses. This scam has been around for years, but the IRS continues to see activity in this area.
10. **FRIVOLOUS ARGUMENTS.** Frivolous arguments are false arguments that are unsupported by law. When a scheme promoter says “I don’t pay taxes—why should you” or urges you to “untax yourself for \$49.95,” beware. The ads may claim that the promoter knows the “secret” for never paying taxes again, but that’s just plain wrong. The U.S. courts have continuously rejected this and other frivolous arguments. Unfortunately, people across the country have paid for the “secret” of not paying taxes or have bought “untax packages.” Then they find out that following the advice contained in them can result in civil and/or criminal penalties. Numerous sellers of the bogus schemes have been convicted on criminal tax charges. More than a dozen injunctions have been issued.
11. **IDENTITY THEFT.** Identity thieves use someone’s personal data to steal his or her financial accounts, run up charges on the victim’s existing credit cards, apply for new loans, credit cards, services, or benefits in the victim’s name and even file fraudulent tax returns. The IRS is aware of several identity theft scams involving taxes or the IRS. In one example, fraudsters sent bank customers fictitious bank correspondence and IRS forms in an attempt to trick them into disclosing their personal and banking data. In another, abusive tax preparers have used clients’ Social Security numbers and other information to file false tax returns without the clients’ knowledge. For taxpayers, it pays to be choosy about disclosing personal and financial information. And the IRS encourages taxpayers to carefully select a reputable tax professional.
12. **SHARE/BORROW EITC DEPENDENTS.** Unscrupulous tax preparers “share” one client’s qualifying children with another client in order to allow both clients to claim the Earned Income Tax Credit. For example, one client may have four children but only needs to list two to get the maximum EITC. The preparer will list two children on the first client’s return and the other two on another client’s tax return. The preparer and the client “selling” the dependents split a fee. The IRS prosecutes the preparers of such fraudulent claims, and participating taxpayers could be subject to civil penalties.

Beyond the “Dirty Dozen,” the IRS sees many more tax schemes. In one, a telephone caller says you’ve won a prize, and all you have to do to get it is to pay the income tax due—to the caller. Other scams can play off recent news events, such as one last year targeting members of the military.

“Taxpayers should think carefully before paying for services or signing important documents,” Commissioner Everson said. “Don’t be a victim of these scams or others that promise the moon. They carry a high price.”

NCSA Schedule of Events

2004

April 30-May 1-**Low Country Tax Release**-
Holiday Inn, Jekyll Island, GA

May 22-**Board of Directors meeting**-1 p.m.
Masonic Lodge, Black Mountain

June 20-**Board of Directors meeting**-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**-Coast

September 20-21-**Fall PAS**-Coast

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

November-**Board of Directors meeting**-Greensboro

November-**PTI**-Greensboro

2005

May 22-**Board of Directors meeting**-Greensboro

May 24-25-**Spring PAS**-Greensboro

June 19-22-**Annual Convention**-Myrtle Beach, SC

2003-2004 OFFICERS

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