



The Accountant

Official Publication

of the North Carolina Society of Accountants

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November 2005

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A Message From The President

Florence W. Black

The Tax Forum held in Greensboro on October 28 was a huge success due to the great efforts of Ronald Powell and his committee. Also, others contributed to the success of the event by submitting questions for consideration. All participants profited from the expertise of the Internal Revenue Service representatives that fielded the prepared questions. Thanks to all the planners, contributors, and participants. Hopefully, the questions submitted for the forum and the answers provided by the IRS will be posted on the NCSA web page.

On October 29, the NCSA officers—Wayne Parker, Stephen Metelits, Denise Hammond, and I—hosted the NSA District IV meeting in Greensboro. Wanda Goodson, District IV Governor, and the state directors from Florida and Georgia attended the meeting, along with the executive director from Georgia. Education, membership, leadership, and legislative issues were discussed.

The NCSA Board of Directors will be meeting on November 14 at the Clarion Hotel Greensboro Airport in conjunction with the Greensboro PTI. The Board invites all NCSA members. Remember to participate in one of the two-day **PTI** sessions that will be held during November.

Paula Brown and her committee are finalizing the plans for the Spring PAS to be held in Durham on May 18-19. Please plan to take advantage of this informative seminar.

I hope each of you will have happy and tasty Thanksgiving Holiday.
Thank all of you for your support.



Florence W. Black

Personal Postings

Pat Pittillo

Who says Spring is the only time for love? **Alene & Bobby Dale** of Granite Falls renewed their vows before 150 guests on the occasion of their fiftieth anniversary October 2. We all want to be invited to your 75th, Alene....Our sympathy goes to **Jack Williams** whose brother, Wayne, passed away in October....Did you know **Ray Maret** has been a member of NCSA for over 50 years, and he has taught a Sunday school class for 43 years? That is real dedication, Ray....Send your news items to patacnc@asheboro.com or fax to (336) 626-0072.



Chapter News

Hickory

The Christmas party is tentatively scheduled for December 12, at the Peddler Steakhouse in Hickory.

The October meeting featured Pat Pitillo discussing accounting and tax issues for clergy. The meeting was held at Bennett's Barbeque and was attended by 15 members and 3 guests.

The November meeting will be held at Prime Sirloin on November 28, at 6:30 p.m. Ron Powell will give a Power Point presentation on deducting medical expenses using AgriPlan/BizPlan.

Charlotte

Future meeting speakers and topics include: October 25—Legislative
November—IRS update

The September meeting featured Brian Huber speaking on Quickbooks. He described the differences and similarities in the various versions and how each is best utilized.

Cape Fear

The Christmas social will be held on Saturday, December 3, at the Duplin Winery in Rosehill.

The September meeting was held at the Barn Restaurant on September 19, with David Rollins speaking on chapter promotions. David also spoke on the members' only section of the web site.

The October meeting was held on October 17, 6:30 pm, at the Brass Lantern in Dunn. There were 19 members and 5 guests in attendance. Rusty Russell, CFP, spoke on the tobacco buyout program.

Marsha Wheeler will have a basket filled with different items at the November and December meetings. Tickets are \$5.00 each and the proceeds will be donated to the legislative account. The drawing will be at the December meeting.

The next chapter meeting is scheduled for November 21, 2005.

Central

September's meeting was held on the 26th, at the NASCAR Café, with 7 members and 7 guests attending. Ron Powell, Secretary of NCSA, spoke on the internet and its use in practice.

The October meeting will be at the NASCAR Café in Greensboro. The speaker will be Chad Suggs from SunTrust Bank. Mr. Suggs will discuss the effects of Homeland Security on small business banking.

Piedmont

The August meeting was held on August 25, with 14 members and 2 guests in attendance. Tim Reid gave an overview of tax law changes—information from the IRS meeting in Atlanta, GA.

Raleigh

On October 25, the Raleigh Chapter met with 14 members and 1 guest. Tom Struckmeyer of Edward Jones investments spoke on the Tobacco Buyout Program and how it affects our clients financially, whether a lump sum cash payment or 10 year payments are received. He also discussed how the proceeds from the buyout will be treated for income tax purposes.

Stephen Metelits, Vice President of NCSA, discussed the Medicare Drug Coverage in 2006, including the different types of coverage and how to decide which is best. He also presented a list of North Carolina Stand-Alone Prescription Drug Plans and their costs.

Raleigh Chapter welcomed 3 new members this month.

The next meeting will take place on December 6, 2005, and will feature Kevin Stewman of G. Kevin Stewman, PLLC, speaking on LLC's.

Western

The chapter meeting was held on October 25, with James Helgreen and Gale Champie speaking on How Would You Handle This?/Top Tax Issues. Nine members and 4 guests attended the meeting.

There will be no meeting in November because of the tax schools. The Christmas Party will be the December meeting. It is tentatively scheduled at the Black Forest Lodge.

Sanford

The next meeting date will be September 20, at Elizabeth Kelly's office. The topic will be NC labor laws.

Burlington

The Burlington Chapter met on August 25, with 8 members and 1 guest attending. Speaker Rusty Russell discussed the Tobacco Buyout Program.

The next meeting date will be October 27, at Kimber's Restaurant in Gibsonville. The featured speaker will be Janetta Appling, from the Department of Revenue. She will discuss updates.

**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 ifgacct@bellsouth.net or fax to 828-438-8111.

NSA Board Update

Wanda Goodson,
NSA District IV Governor

1. NSA is a Charter Member of NASBA's Center for the Public Trust. A delegation of 8 members of the Board and members attended the inaugural event in Washington, DC. NSA members are encouraged to participate.
2. The Scholarship Development Committee is committed to raising \$160,000. It has several ideas to raise funds such as a No Show Gala and district golf tournaments. They are starting off with a solicitation for new members to the Scholarship Development Committee. There will be a dues check-off of \$15 to be directed to the Scholarship Foundation.
3. Lynn Holomon, Chair of Leadership Development, reported on a successful LNC in Denver. There were more than 70 attendees (2 from NCSA) from 22 states. 80% of the attendees were first timers. Her committee was asked to develop a job description for a possible new staff person dedicated to ASO affairs. They have completed a preliminary description. The 2006 LNC will be held in Milwaukee. The possible dates are September 28-30 or October 6-8.
4. Forest T Jones, NSA's insurance carrier, soon will be offering an identity theft policy for around \$99 for an individual plan and \$119 for a family plan.
5. The goal of the Membership Committee is to have a net gain of 500 members. The targets are NSA members of ASOs and small firm CPAs. Some go-getter tools are Symposium discounts. State Directors are encouraged to concentrate more on retention than initial memberships. *I am proposing a contest in District IV. The State Director with the highest retention rate for 2005-6 will get their membership dues paid.*
6. The Education Committee reported that Serving Aging America will be held in Las Vegas on June 5-10, 2006. There will be 20 hours of CPE at Convention. The National Accounting and Tax Symposia will be held September 25-26, 2006, in Las Vegas and November 13-14, 2006, in Orlando. The Education Committee is exploring a new signature seminar. Two ideas are "Self Defense for Small Business" which will explore fraud, internal controls, identity theft, etc. The other idea is "Serving Middle America" which will include consumer debt, college saving, budgeting, etc.
7. *Tax Accounting Guidelines for Small Business (TAGSBY)* was accepted by the Board of Governors for distribution as a member benefit tool. The Federal Taxation Committee meeting in conjunction with the IRSAC developed a package of documents to present to legislators about S832.

Looking for Owners of Undelivered Refunds

The IRS is seeking 84,290 taxpayers whose income tax refund checks could not be delivered in 2005. Checks totaling approximately \$73 million can be reissued as soon as taxpayers correct or update their addresses with the IRS. In some cases, a taxpayer has more than one check waiting. The average amount owed to each taxpayer is \$871.

"Over 2,500 North Carolina taxpayers have refunds totaling nearly \$2 million waiting for them," said Valerie Thornton, IRS spokesperson. "The average refund here is \$764."

The "Where's My Refund?" feature on the IRS.gov Web site provides taxpayers with information about their refunds. It is available from the home page. To use it, taxpayers enter their Social Security number, filing status (such as single or married filing jointly), and the refund amount shown on their 2004 tax return. When the information is submitted, "Where's My Refund?" will show the status of a refund and, in some cases, provide instructions to resolve potential account issues.

Generally, refund checks can go astray for a variety of reasons. Often, a life change results in a change of address. When a taxpayer moves or changes address and fails to notify the IRS or the U.S. Postal Service, a check sent to the taxpayer's last known address is returned to the IRS.

Taxpayers who have moved since filing their last tax return can ensure the IRS has their correct address by filing Form 8822, *Change of Address*, with the IRS. Download the form from IRS.gov or request it by calling 1-800-TAX-FORM.

Those who do not have access to the Internet and think they may be missing a refund should first check their records or contact their tax preparer, then call the IRS toll-free assistance line at 1-800-829-1040 to update their address.

To put an end to undelivered refunds, taxpayers can join more than 52 million individuals this year who have taken advantage of Direct Deposit. Taxpayers who choose this service receive their refunds directly into a personal checking or savings account. Direct Deposit, which also guards against theft or lost refund checks, is available for filers of both paper and electronic returns.

Tools for Tax Professionals to Help Hurricane Victims

Many tools are available to assist tax practitioners in helping clients who have been impacted by the recent Presidentially Declared Disasters.

For the latest information on relief granted to disaster victims, refer to the IRS.gov [Homepage](#) or [Newsroom](#).

Copies or transcripts of previously processed tax returns can help clients begin to reconstruct destroyed tax records. The IRS will waive the usual fees and expedite requests for this information for affected persons. To request actual copies of returns:

- Complete [Form 4506, Request for Copy of Tax Return](#)
 1. Write the words “**Hurricane Katrina**” or “**Hurricane Rita**” in **red** at the top of the form.
 2. Mail the Form 4506 to the IRS address listed on the form for your area.

To request transcripts of returns:

- Tax professionals who are active participants in the IRS e-file program and who have e-filed five (5) or more returns can use **e-Services** to obtain transcripts electronically. On-line registration is required. Additional information and instructions are available at <http://www.irs.gov/taxpros/article/0,,id=118004,00.html>.

or

- Complete [Form 4506-T, Request for Transcript of Tax Return](#)
 1. Write the words “**Hurricane Katrina**” or “**Hurricane Rita**” in **red** at the top of the form.
 2. Mail the Form 4506-T to the IRS address listed on the form for your area.

Contact Information

- **IRS Disaster Assistance Hotline** – 1-866-562-5227 has been established for hurricane victims or tax professionals needing help with tax matters. Hours are Monday through Friday from 7:00 am to 10:00 pm local time.
- **IRS Practitioner Priority Service** – 1-866-860-4259 is a toll-free, accounts-related service for tax practitioners. Hours are Monday through Friday from 7:30 am to 5:30 pm local time.

IRS Taxpayer Assistance Centers – IRS has walk-in offices in many cities for one-stop face-to-face tax help and solutions to tax problems. Hours are generally Monday through Friday 8:30 am to 4:30 pm local time. For the nearest center, refer to [Contact My Local Office](#) on the [About the IRS](#) page of IRS.gov.

Centralized Authorization File (CAF) Information

Tax practitioners impacted by disasters can use the Freedom of Information Act (FOIA) process to get a listing of their Centralized Authorization File (CAF). Fees will be waived for requesters in areas affected by the recent hurricane disasters. A FOIA template to request a client listing is available at <http://www.irs.gov/foia/article/0,,id=148215,00.html>

Special FAX Line for Hurricane Victims

The IRS has set up a special fax line for processing Form 2848, *Power of Attorney and Declaration of Representative*, for victims of Hurricane Katrina or Hurricane Rita. All Power of Attorney requests should be faxed to the Ogden Service Center for expedited processing. Forms 2848 for Katrina and Rita victims will be processed and posted to the Centralized Authorization File (CAF) within 24 hours of receipt. Receipts received after 2:00 p.m. Mountain Time will be considered the next day’s receipt.

Submit the Forms 2848 as follows:

- Write "KATRINA" or "RITA" on the top of the request in large letters.
- Fax the request to: (801) 620-4249 (not toll free).

Contact CAF Help Desk (not toll free) at (801) 620-4254 with any questions.

For the latest information on relief granted to disaster victims, refer to the IRS.gov [Homepage](#) or [Newsroom](#). Or call the IRS Special Disaster Hotline toll-free with any tax related questions at (866) 562-5227.

PTINs

The IRS reminds tax professionals to use your Preparer Tax Identification Number (PTIN) instead of your Social Security Number (SSN) on returns you prepare for clients (so you do not have to disclose your SSN on these returns). The PTIN was an issue brought to the NCSA Tax Forum for years. Now we have it; let's use it.

You may apply for a PTIN only if you are a paid tax return preparer. If you use a PTIN, you will meet the requirements under IRC §6109(a)(4) of furnishing your identifying number on returns you prepare.

The PTIN cannot be used in place of the Employer Identification Number (EIN) belonging to the tax preparation firm.

Or you may use Form W-7P, *Application for Preparer Tax Identification Number*, to apply for a PTIN.

New Tax Law Loss Limitations for Katrina Victims

The IRS is advising taxpayers who suffered casualty or theft losses as a result of Hurricane Katrina about a recent change to the tax law. A new provision lifts certain loss limitations for Hurricane Katrina victims.

Ordinarily, to figure a deduction for a personal casualty or theft loss, you must reduce the loss by \$100 and also reduce the total of your casualty and theft losses by 10% of your adjusted gross income. Only the excess over these \$100 and 10% limits is deductible. The new law removes these limits for Hurricane Katrina losses, so that the entire amount is deductible.

To qualify, a loss must be attributable to Hurricane Katrina and it must have occurred after August 24, 2005, in the Presidentially-declared disaster area. The \$100 and 10% limits still apply to losses that were not caused by Hurricane Katrina.

Like all casualty and theft losses of personal-use property, Hurricane Katrina losses must be claimed as an itemized deduction. If you take the standard deduction, you cannot claim them. You cannot claim a deduction for any part of a loss for which you receive or expect to receive insurance or other reimbursement.

Casualty and theft losses are generally deductible only in the year the casualty occurred or the theft was discovered. However, because a Hurricane Katrina loss is a disaster loss, you have the option to deduct it on your tax return for the previous year, 2004. The \$100 and 10% limits will not apply to that loss in predetermining your 2004 tax. If you have already filed your 2004 return, the loss may be claimed by filing an amended return, [Form 1040X](#), for 2004.

Claiming the loss on an original or amended return for 2004 will provide you an earlier refund, but waiting to claim the loss on this year's return could result in a greater tax saving, depending on your tax situation for 2005. If you wish to claim the loss for 2004, you generally have until the due date for filing your 2005 return to do so.

Taxpayers filing or amending their 2004 tax return and whose only casualty or theft losses to personal use property claimed on that return were caused by Hurricane Katrina should write in red ink "Hurricane Katrina" at the top of Form 1040X. They must also attach the 2004 Form 4684, writing "Hurricane Katrina" on the dotted line next to line 11 and entering "0" on lines 11 and 17.

Taxpayers filing or amending their 2004 tax return and who also have casualty or theft losses to personal use property not related to Hurricane Katrina should disregard the caution directing taxpayers to use only one Form 4684, located above line 13, and complete lines 13 through 18 for two Forms 4684. The Form 1040X and the first Form 4684 should be prepared as explained above for Hurricane Katrina losses only. The second Form 4684 should be prepared in the normal manner for all gains and non-Hurricane Katrina losses. If both Forms 4684 have a loss on line 18, they should carry the combined losses from that line to Schedule A (Form 1040), line 19. If there is a gain on line 15 of the second Form 4684, disregard the instruction to enter it on Schedule D, and instead enter on Schedule A (Form 1040), line 19, the excess of the loss from the first Form 4684 over the gain on line 15 of the second Form 4684.

For 2005, Form 4684 is being revised to reflect the new law for Hurricane Katrina losses.

In addition, if your casualty or theft loss causes your deductions to be more than your income for the year you claim the loss, you may have a net operating loss (NOL). An NOL can be used to lower your tax in an earlier year, allowing you to get a refund for tax you already paid, or it can be used to lower your tax in a future year. You do not have to be in business to have an NOL from a casualty or theft loss. For more information, see Publication 536, *Net Operating Losses (NOLs) for Individuals, Estates, and Trusts*.

Social Security Up for 2006

Social Security checks are going up next year an average of \$39 a month, the biggest boost in 15 years. The 4.1% cost of living increase announced by the Social Security Administration is the biggest increase since a 5.4% increase in 1991. Last year's increase was 2.7%.

About ¼ of the monthly gain will be eaten up by a rise in Medicare premiums. These go up by \$10.30 a month starting in January. In addition to the higher premium for Medicare Part B, Medicare recipients who decide to take advantage of the new prescription drug benefit will start paying a premium of around \$32 a month in January. The amount will vary depending on the plan they choose.

The Social Security Administration also announced that workers will pay higher taxes next year because the maximum amount of Social Security earnings subject to the payroll tax will rise from \$90,000 to \$94,200 next year.

Pension Plan Limitations for 2006

The IRS announced cost-of-living adjustments applicable to dollar limitations for pension plans and other items for tax year 2006.

Many of the pension plan limitations will change for 2006. For most of the limitations, the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. Furthermore, several limitations, set by the *Economic Growth and Tax Relief Reconciliation Act of 2001* (EGTRRA), are scheduled to increase at the beginning of 2006.

For example, under EGTRRA, the limitation on the exclusion for elective deferrals is increased from \$14,000 to \$15,000 for 401(k) plans and to the Federal Government's Thrift Savings Plan, among other plans.

Effective Jan. 1, 2006, the limitation on the annual benefit under a defined benefit plan is increased from \$170,000 to \$175,000. For participants who separated from service before Jan. 1, 2006, the limitation for defined benefit plans is computed by multiplying the participant's compensation limitation, as adjusted through 2005, by 1.0383.

The limitation for defined contribution plans is increased from \$42,000 to \$44,000.

The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from \$210,000 to \$220,000.

The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employee in a top-heavy plan is increased from \$135,000 to \$140,000.

The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from \$850,000 to \$885,000, while the dollar amount used to determine the lengthening of the 5-year distribution period is increased from \$170,000 to \$175,000.

The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) is increased from \$95,000 to \$100,000.

The compensation amount regarding simplified employee pensions (SEPs) remains unchanged at \$450.

The compensation amounts concerning the definition of "control employee" for fringe benefit valuation purposes remains unchanged at \$85,000. The compensation amount under Section 1.61-21(f)(5)(iii) is increased from \$170,000 to \$175,000.

The limitation regarding SIMPLE retirement accounts remains unchanged at \$10,000.

The limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) is increased from \$14,000 to \$15,000.

The limitation on deferrals under Section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$14,000 to \$15,000.

The dollar limitation under Section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or 408 (p) for individuals aged 50 or over is increased from \$4,000 to \$5,000. The dollar limitation under Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or 408 (p) for individuals aged 50 or over is increased from \$2,000 to \$2,500.

IRS Addresses for 2006

All of the following are for your clients with a NC residence.

For all 1040, 1040A, and 1040EZ returns *with* a payment:

Internal Revenue Service
PO Box 105017
Atlanta, GA 30348-5017

For 1040 *without* a payment:

Internal Revenue Service
Atlanta, GA 33901-0002

For 1040EZ *without* a payment:

Internal Revenue Service
Atlanta, GA 33901-0014

For 4868 *with* a payment:

Internal Revenue Service
PO Box 105050
Atlanta, GA 30348-5050

For 1040A *without* a payment:

Internal Revenue Service
Atlanta, GA 33901-0015

All 1040X:

Internal Revenue Service
Atlanta, GA 33901

For 4868 *without* a payment:

Internal Revenue Service
Atlanta, GA 39901-0002

NCSA Schedule of Events

2005

November 14-15—**National Tax Symposium**—
Harrad's Las Vegas—Las Vegas, NV

November 14—**Board of Directors Meeting**—
Greensboro, NC—4 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

November 28-29—**NCSU Tax Schools**—Renaissance Hotel,
Asheville, & Holiday Inn I-95, Fayetteville—8:30 am

November 30—December 1—**NCSU Tax Schools**—Adams
Mark, Charlotte & Hawthorne Conference Center,
Winston Salem—8:30 am

December 5-6—**NCSU Tax Schools**—City Hotel, Greenville &
Greensboro Coliseum, Greensboro—8:30 am

December 7-8—**NCSU Tax Schools**—McKimmon Center,
Raleigh & Hilton Riverside, Wilmington—8:30 am

December 9—ACAT Examination

December 12-13—**National Tax Symposium**—
New Orleans Doubletree—New Orleans, LA

2006

May 18—**NCSA Board of Directors Meeting**—
Durham Hilton—5:30 pm

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

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

June 26-27—**Annual Convention**—
Wilmington Hilton Riverside—Wilmington

June 28—**Board of Directors Meeting**—
Wilmington Hilton Riverside—Wilmington—9 am

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