The Accountant

Official Publication

of the North Carolina Society of Accountants

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Inside this issue

A Message From The President
Wayne O. Parker

Wayne O. Parker

On Friday September 22, 37 people attended the Fall PAS which Danelle Hills and the Education Committee had organized. I would like to say thank you to all who attended and helped make it a success.

At the Board of Directors Meeting on September 21, I had the pleasure of presenting to Past President Florence Black the awards we received from NSA at convention. The ASO (Affiliated State Organization) of The Year award is coveted by all state societies. It was well deserved and earned by her great concern and dedication to our society. Thank you, Florence, for a great year. I am pleased that the NSA recognized all your work. The award for monitoring the CPA Board came to us on behalf of Curt Lee and his committee for maintaining continued attendance each month to the CPA Board of Examiners. Thank you, Curt, for your untiring work for our Society. Denise Hammond presented the NSA Membership Award to David Rollins, State Director for NSA.

Your line officers and I have been traveling across the state visiting local chapters. I have enjoyed seeing and talking with each of you along the way. It has been an honor to come install your local officers or to just address your members.

Many local chapters are having a legislative meeting with State and or Federal representatives in October. This is a good time to talk with and listen to our elected representatives. Please try to attend!

Remember NCSA will again sponsor the Professional Tax Institute (PTI) 1040 Conferences at the following locations:

November 28-29 -- Embassy Suites, Greensboro.
November 30-December 1--Ocean Reef Resort, Myrtle Beach, SC
December 12-13--Best Western Charlotte Uptown, Charlotte.

Also, remember the NC State Income Tax Schools at various locations across the state from November 27 through December 7.

Please mark your calendar for October 27. You are invited to attend the Practitioner's Forum (formerly Tax Forum) where we meet fact to face with the Internal Revenue Service. We will begin at 9:30 am at the Holiday Inn-Airport, 6426 Burnt Poplar Road, Greensboro. The cost is $50.00 for members and $65.00 for nonmembers including lunch and you will receive 3 or 4 hours CPEs. Plan now to attend and bring any issues you have with the IRS. Just mail your check to Candace. Let's make this year the best attended ever.

Thank all of you for your support; you are what make NCSA great. I hope to see many of you at the Practitioner's Forum.

Chapter News

Hickory

The August meeting was held at Prime Sirloin in Hickory on August 28th, and featured Stephen Metelits speaking on the Production Activity deduction. Attending were 8 members and 2 guests, including NCSA Board Member, Danelle Hills.

Robert Meador, a student member, was dropped at his request.

The September 25th meeting was held at Fire Mountain Restaurant in Hickory at 6:30 pm, attended by 7 members and 2 guests. Erika Challita of Olive Hill Community Education and Development spoke on reverse mortgages. Erika is a certified counselor for reverse mortgages.

The next meeting will be held at Fire Mountain on October 30, at 6:30 pm. It will be our legislative meeting with Rep. Jim Jacumin.

Charlotte

The Charlotte chapter met on July 24, at the Captain's Galley Restaurant in Mathews. There were 17 members and4 guests present. Jense Haynes gave a presentation on the Rules of Professional Conduct.

The chapter held its monthly meeting on August 28, 2006, at Captain's Galley Restaurant in Matthews, NC. There were 16 members and 3 guests present. Jim Matthews, an attorney from Matthews, gave a presentation on "Practice Accounting, Not Law."

Cape Fear

The August 21st meeting was the annual legislative meeting with Representative Rick Glazier speaking. There were 18 members and 3 guests in attendance. Rep. Glazier spoke on legislative issues that were covered in the short session and those issues that he thought would be topics for the long session.

The speaker for the September 18th meeting was Wayne Goodwin, Associate Commissioner of Insurance, discussing his department and what they handle. Seventeen members attended.

The October meeting of the Cape Fear Chapter will be held October 16, at the Barn Restaurant in Fayetteville, at 6:30 pm. Pamela J. Wortham, CPA, Deputy State Treasurer will speak on "The Impact of the State on the Economy."

Central

The Pavillion Restaurant in Greensboro was the site of the July 24th meeting, attended by 5 members and 3 guests. The speakers were Glen Capel and Bill Pollard with Merrill Lynch, discussing investment principles with a focus on morally and socially responsible investments.

The August meeting was held at the Pavillion Restaurant in Greensboro on August 28 at 6:30 pm. Susie Helton, an insurance underwriter and a member of the Burlington Chapter, spoke on workmen's compensation.

Central Chapter met on September 25, with 6 members and 3 guests in attendance. Paul Mitkish, CMFC of Wachovia Securities, spoke on 529(b) education plans.

The Christmas party will be held at Sagebrush Steakhouse in Asheboro on December 4.

The chapter legislative meeting will be held October 23, 2006, at the Sheraton Hotel, Greensboro, 6:00-9:00 pm. This will be a joint chapter meeting with Burlington and Piedmont. Send a check for $35 to Lottie Neal, 1600 E Wendover Ave, Ste E, Greensboro, NC 27405. All are invited.

Raleigh

The April 25th meeting featured Rusty Russell, CFP of Infinet Advisory, Inc., who discussed the importance of having a business succession plan in place prior to a business owner or officer's retirement or death. There were 10 members and 2 guests present.

The May meeting was held on May 23. The speaker was Christopher Walker, discussing 'Repairing Your/Your Client's Credit.'

Burlington

The chapter meeting was held August 24th, at Kimbers Restaurant at 6:30 pm, with 8 members and 2 guests in attendance. Cheri Myers of the NC Secretary of State's office, Corporations Division, gave a "Corporations Update". She discussed types of business entities, similar corporate names and prohibited words. She also talked about e-services available and grounds for administrative dissolution.

The September meeting of the Burlington chapter will be held at Kimbers Restaurant at 6:30 pm on September 28. Wayne Parker, President of NCSA, will speak on Ministers Tax Returns.

(*continued on page 3*)

(Chapter News continued)

Sanford

Sanford Chapter met on August 22 with guest speakers Florence Black and Cheryl Hudson presenting a program on "Chapter Cup Criteria and Membership Benefits." Ten members and 3 guests attended the meeting.

The September meeting will be held at the office of Elizabeth C. Kelly, 217 Steele Street, Sanford, on Tuesday, September 19, at 6:00 pm. The presentation will be given by Frances Garney-Irwin on "A Preparer's Guide to Missed Depreciation."

Piedmont

The August 31st meeting was held at the Pioneer Restaurant in Archdale at 6:30 pm. There were 12 members and 2 guests present. David Hooker, Past President of NCSA, discussed income tax basis financial statements.

The next meeting will be September 28 at Golden Corral in High Point. Stephen Metelits will speak on the domestic production activities deduction.

Western

The next meeting will be held on September 26th at Shoney's. The featured speaker will be Rod Kight, a bankruptcy attorney.

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 or fax to 828-438-8111.

Personal Postings

Pat Pittillo

Did you know **Wayne** and **Sue Parker** were so worn out after attending the National Convention that they had to head off to Martha's Vineyard for some R&R. While there, they celebrated their 40th anniversary. Way to go, guys….**Percy** Davis claims to be only 49, but he received the VIP certificate at Convention for 50 years of membership! What kind of math is that, Percy?...As you read earlier in *The Accountant*, our fine state was presented with the ASO of the Year award for, among other things, this newsletter. NSA President Wanda Samek included in her presentation remarks that "this ASO has a very professional newsletter and web page." Many thanks go to **Stephen Metelits** for his hard work as our newsletter editor and to **David Rollins** for designing and updating our web page over the years to make NCSA an award-winning organization. Bouquets to all of you….Send your news items to pataccnt@asheboro.com or fax to (336) 626-0072.

Telephone Tax Refund

According to IR-2006-137, the IRS announced the standard amounts that most long-distance customers can use to figure their telephone tax refund. In general, anyone who paid long-distance telephone tax will get the refund on their 2006 federal income tax return. This includes individuals, businesses, and non-profit organizations.

The standard amounts are based on the total number of exemptions claimed on the 2006 federal income tax return. The standard amounts are $30 for one exemption, $40 for two exemptions, $50 for three exemptions, and $60 for four or more exemptions. The standard amounts are based on actual telephone usage data, and the standard amount applicable to families reflects the long-distance phone tax paid by similarly sized households for service after February 28, 2003, and before August 1, 2006.

Though businesses and non-profits must base their telephone tax refund on the actual amount of tax paid, the IRS is looking for ways to make the refund process easier for these taxpayers. The IRS is considering an estimation method businesses and non-profits may use for figuring the tax paid.

Proposed Regulations Issued for Capitalization of Tangible Assets

In IR2006-130, proposed regulations were issued that clarify the treatment of expenditures incurred in selling, acquiring, producing, or improving tangible assets. If adopted as proposed, the regulations should reduce the amount of controversy between taxpayers and the IRS in this area.

For many years, there has been controversy about whether taxpayers are required to capitalize certain expenditures as an improvement or take an immediate deduction for the expenditures as necessary repair and maintenance expenses. There has been debate on how to apply the tests used to determine the tax treatment of these types of expenses.

The proposed regulations provide an overall framework that expands the standards in the current regulations by drawing on principles developed through case law. Specifically, the proposal provides exclusive factors for determining whether amounts paid to restore property to its former working condition must be capitalized as an improvement.

The proposed regulations also provide guidance concerning the economic useful life of a unit of property and activities that substantially prolong the economic useful life. Additionally, the proposed regulations provide rules for determining the appropriate unit of property to which the rules should be applied.

To reduce the administrative and compliance costs associated with this section of the tax code, the proposed regulations provide several safe harbors and simplifying assumptions. Although the proposed regulations do not provide a *de minimis* rule in which small cost items are exempt from capitalization, the preamble solicits comments on whether such a rule should be adopted in final regulations. The Treasury Department and the IRS expect to receive a number of comments on the proposed regulations and will take those comments into consideration before finalizing the regulations.

The Treasury Department and the IRS plan to address in future guidance the treatment of costs related to the development and implementation of computer software and costs required to be capitalized in certain transactions including tax-free acquisitive transactions and stock issuance transactions.

Online Payment Agreement Application

Tax professionals are helping launch a new system that will allow many individuals who owe delinquent federal taxes to apply online for a payment agreement, the IRS announced in IR-2006-119. The IRS is implementing the new Online Payment Agreement (OPA) application through national partnerships with the tax professional community. Members of tax professional organizations are using OPA to apply for payment agreements for clients who owe taxes. This application will eliminate the need to write or call the IRS toll-free number for assistance. When fully implemented, OPA will provide an easier way for taxpayers on their own or with the help of tax professionals to voluntarily resolve tax liabilities.

"This new system reduces taxpayer burden by providing the convenience of online service during extended hours and on weekends," said IRS Commissioner Mark Everson. "Taxpayers can set up an agreement and arrange for payment options including automatic payments through direct debit or payroll deduction."

The IRS estimates that 90 percent of taxpayers who qualify for a payment agreement will be able to obtain one through OPA once the application is available to the general public later this year.

Inheriting a 401(k)

The spouse of a decedent can roll an employment retirement account into a spouse's IRA with no tax consequences on the roll over. A recent law allows non-spouse inheritors to be able to do the same thing if the decedent died after December 31, 2006. The non-spouse need not be related to the decedent.

Form 8609

The IRS no longer requires a third party signature on Form 8609, *Low-Income Housing Credit Allocation Certification*. This means that the form now can be filed electronically.

Recently Closed IRS Issues

IMRS 06-0000290 – Erroneous CP548C "Change in Representation" Notices were recently mailed to taxpayers advising them that their representative will no longer be able to represent them because the representative's courtesy notice (via certified mail) was returned as undeliverable by the USPS. The notices were returned to the IRS as "unclaimed or refused" (not undeliverable) and were incorrectly coded. The Service has mailed letters of apology to the affected practitioners and their clients. The Service is also revising the language in the notice and will temporarily suspend issuance of notices until the new language is approved.

IMRS 06-0000285 – Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*, and 940 Schedule B, are changed every year when the date is the only change. Practitioner also would like to include formulas in the cells of these forms. Revisions and updates to IRS Forms and Publications are reviewed annually. Comments and suggestions that may reduce burden always are and always can be submitted through IRS.gov. From the IRS.gov 'Home' page, click on '*More Forms and Pubs*'. On the next landing page, click on '*Commenting on forms and publications*'. The Stakeholder Liaison has submitted the practitioner's Form 940 suggestion, using the system described. In the future, it may be more efficient for practitioners to submit suggestions through IRS.gov to ensure their issues are accurately recorded. [This is a typical non-answer *(editor)*.]

IMRS 06-0000280 – On-line SS-4, EIN requests are rejected if data is incorrect or incomplete. Practitioners would like a way to retain the form with the incorrect or incomplete information highlighted. The online SS-4 application is currently being updated and improved. When the new application goes live in *2007*, it will be similar to many of the current tax preparation programs. As the preparer enters information, input and responses will determine subsequent screens. If an input error occurs, the system will identify and explain the error in real time. Unfortunately, because the new system has a scheduled delivery date of 2007, there are no planned enhancements to the current system.

IMRS 06-0000189 & 204 – Publication 1345, *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*, should help identify the name control for e-file purposes for taxpayers with foreign names. Many foreign names are actually four words, and it can be difficult to determine which name to use. More detail and examples for use in properly determining the name control will be added next year to Publication 1346, *Electronic Return File Specifications and Records Layouts for Individual Tax Returns.*

IMRS 06-0000075 – On-Line EFIN Applications that are incomplete are deleted after 90 days with no notification to the applicant. ETA designed an application which notifies an applicant if an application is pending and informs them that it will be deleted if not completed in 90 days. This application should be available in *2007*.

IMRS 06-0000273 – Forms 4669 & 4670, in Headliner Volume 152, "IRS Offers Tips on How to Correct Reporting of Misclassified Workers," advised employers to utilize these forms. However, these forms cannot be downloaded from IRS.gov. Most forms referenced in Headliners on IRS.gov can be downloaded by clicking on the form number in the body of the text. Can you make the forms available through IRS.gov and reissue the Headliner with a link to the forms? Both forms are now available on IRS.gov. In addition, links to the forms have been added to Headliner #152.

IMRS 06-0000227 – CP102 – Opening Statement Creates Confusion ,"We Changed Your Tax Return Because We Found a Calculation Error." In some cases, rather than a calculation error, the problem involves an error with Federal Tax Deposits (FTDs) shown on the return. Often, the FTD was posted to the wrong period or wrong tax Form (i.e. 941 vs. 1040). Taxpayers sometimes fail to read the entire notice and will contact the practitioner, informing them that they made an error on the return. Practitioners feel the opening language is misleading taxpayers and should be changed to reflect the true nature of the problem. The Service appreciates the concern over the use of the word "error" in the title of some notices and the impact it has on the client reading the notice. There are plans to revise the CP 102 to remove the use of the word "error". Revisions are expected *late* in *2007*.

IMRS 06-0000292 – Circular 230 Disclaimers requirement should be removed. Practitioners and attorneys feel this statement causes their clients to question their credibility, undermines the client's confidence in their representative, and adds complexity to the process. The IRS and Treasury are aware that the disclaimer is being used in situations where it is not entirely appropriate or necessary and are considering whether to provide clarification to the applicable sections of Circular 230. Any decisions regarding this will be posted on the Circular 230 Web site.

IMRS 06-0000089 – CALL SITE ASSISTORS APPLY INCORRECT DISCLOSURE VERIFICATION PROCEDURES FOR HOLDERS OF POWER OF ATTORNEY, such as asking to provide their date of birth when calling regarding an account. This information is not required from the holder of a power of attorney. However, despite this lack of requirement, call site assistors are asking POAs for the taxpayer's date of birth, and this information often is not readily available. The Service monitors the disclosure verification procedures as a part of its internal quality review process. We checked recent reviews to see if we could determine the origin of the problem, but were unable to identify any errors. However, we have reminded our staff of the appropriate verification criteria.

ASO of the Year Award

Wanda Samek

[When NSA President Wanda Samek finished reading the following award announcement at the NSA Annual Convention, Wayne turned to me with the most surprised look on his face–which mirrored my exactly. (Editor)]

Now we come to one of our most sought-after awards, the "ASO of the Year Award." The affiliated state organizations are key to encouraging independent accountants to become involved in working with the national society to foster our common welfare. In selecting the winner, the Awards Committee considered the ASO's work in education, member recruitment, public policy, public relations, and its support for NSA.

The ASO selected for this award is proud of its affiliation with NSA, and they should know that NSA is proud of them. They believe that educating their members is extremely important and offer education at both the state and chapter levels. They also believe it is important to educate the professional community, the public, and their state legislators about NSA and the state society. They regularly sponsor meetings with attorneys and bankers to promote a better understanding and annually sponsor a reception for their state legislators. As do most of our ASOs, this ASO has a very professional newsletter and web page.

They enthusiastically work with NSA on membership. I am pleased to present the National Society of Accountants' "2006 ASO of the Year Award" to the North Carolina Society of Accountants.

Another National Award

[We expected this one. (Editor)]

Also at the NSA National Convention, the NCSA was given an award for monitoring the NC Board of CPA Examiners. In addition to just attending meetings, reports have to be filed with NSA to qualify for this award. Thanks, Curt.

The Taxpayer Advocate Service: A Venue for Change

Have you ever experienced a persistent problem that is attributable to the “computer” or "system." Understandably, many professionals just decide to grin and bear it. Well, there is something we can do, with your help, about those nagging and persistent problems.

You know, better than most customers, that the system or tax law may not operate the way it is intended or expected and the problem becomes the problem of two or more people. The Taxpayer Advocate’s role is to provide this venue.

Our organization has a function, Systemic Advocacy, dedicated to tracking, reacting, and fixing systemic issues, whether caused by “machines” or “people.” A group of people within that organization gather information and formulate recommendations to advocate a change, improvement or a “fix.” These employees are the voice of the Systemic Advocacy Management System.

So, what exactly are the kinds of issues we can address through that process?

- One that affects multiple people and not just one individual.
- One that may affect a part of the population, a region, or the whole nation.
- One that may be related to IRS systems, policies, or procedures.
- One that may need either an administrative change or a legislative remedy.
- One that may involve your rights, a need to reduce or prevent a tax burden, ensure equal treatment, or provide an essential service.

This process is not intended to address a isolated issue; rather, it is intended to prevent issues that adversely impact you, your clients, or the Service. You can make a difference by sharing with us concerns, barriers, suggestions, or examples that cause a burden on you or your customers. You know better than most what problems exist that are in need of a long term fix.

We cannot resolve all of the concerns we might share, but we sure can do a lot about most issues. How about giving us a chance to respond to your issues and concerns. You may very well be the one that fixes a problem experienced by thousands!

To contact us via the internet, go to the IRS web site, follow the links to the Taxpayer Advocate (http://www.irs.gov/advocate/index.html), and follow the link to Systemic Advocacy. You can also write to or call your local taxpayer advocate.

NC Promoter Enjoined

In a press release, the Justice Department announced that a federal court has permanently barred Nancy Lloyd of Greensboro from selling two fraudulent tax schemes known as the "corporation sole" and "claim of right" programs.

The court's opinion states that Lloyd has made a number of false and fraudulent statements to her customers concerning the tax benefits of her corporation sole program. According to the opinion, Lloyd claims that a corporation sole is tax exempt even when it is used for a participant's personal benefit. The opinion further states that she falsely advises customers that they can transfer their property to a corporation sole and then control and use the assets and the property for their own personal benefit without paying tax on it.

According to the opinion, Lloyd also has made false and fraudulent statements in connection with the claim of right to exclude compensation for personal services or labor from taxation.

Finally, the opinion states that Lloyd knew or had reason to know that her statements concerning the tax consequences of the corporation sole and claim of right programs were false and fraudulent. The court's order requires Lloyd to inform her customers of the civil injunction and provide them with a copy. The court also permanently barred Lloyd from representing persons before the IRS.

Lloyd promotes the schemes through a CA-headquartered nonprofit corporation called the Freedom & Privacy Committee. The company was founded by Joseph Saladino. According to the court's opinion, Freedom & Privacy Committee customers spread across the country in more than 40 states have submitted claims for frivolous tax refunds to the IRS in amount exceeding $39.5 million. Separate government injunction suits against Saladino, who lives in Palmdale, CA, and other alleged promoters have been filed in several courts around the country. A federal court in Los Angeles entered a permanent injunction against Saladino and the Freedom & Privacy Committee earlier this year.

EA Exam

The EA exam is being developed and given by Thomson Prometric. The parts can be taken separately and retaken in the same year. There are testing sites at Ashville, Charlotte, Greensboro, Greenville, Raleigh, and Wilmington. You can sign-up on-line at securereg3.prometric.com.

2007 Refund Table

From Eugenia Tabon at the IRS, here is a link to the 2007 IRS refund table, www.irs.gov/pub/irs-pdf/p2043.pdf.

Form 1023

The IRS has revised Form 1023, *Application for Recognition of Exemption*, which is used by organizations seeking 501(c)(3) status. The instructions also have been revised to incorporate new fee amounts effective this year.

Although the IRS prefers the organizations use the new form, it will continue to accept prior versions until December 1, 2006.

Mark Your Calendars

Annual Convention Dates to Remember

2007

June 21-22 Embassy Suites— Winston-Salem

2008

June 20-22 Durham Marriott—Durham

NCSA Schedule of Events

2006

October 27—**Tax Practitioners' Forum—**
Holiday Inn Airport—Greensboro, 9:30 a.m.

November 27-28—**NCSU Tax Schools**—Asheville and Raleigh

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

November 29-30—**NCSU Tax Schools—**
Charlotte & Winston Salem

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

December 4-5—**NCSU Tax Schools**—Greenville & Greensboro

December 6-7—**NCSU Tax Schools**—
Fayetteville and Wilmington

December 12-13–**PTI**–
Best Western Charlotte Uptown— Charlotte

2007

January 24—**Legislative Reception**—Sheraton— Raleigh

May 5—**Board of Directors Meeting**

June 20–**Board of Directors**–Embassy Suites—
Winston-Salem, 6:30 pm

June 21—**Summer PAS**—Embassy Suites— Winston Salem

June 21-22–**Annual Convention**–Embassy Suites—
Winston-Salem

June 23—**Board of Directors**—Embassy Suites—
Winston Salem, 9 a.m.

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

September 21-22—Fall PAS—Hilton Near Duke, Durham

2008

May 2—Board of Directors Meeting

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