



The Accountant

Official Publication

of the North Carolina Society of Accountants

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September 2006

Inside this issue

Chapter News	2
Chapter News (continued)	3
Proposed Regulations Issued for Capitalization of Tangible Assets	4
Online Payment Agreement Application	4
Inheriting a 401(k)	4
Form 8609	4
Recently Closed IRS Issues	5
ASO of the Year Award	6
Another National Award	6
The Taxpayer Advocate Service: A Venue for Change	6
Fall PAS Information	7
Fall PAS Registration	8



A Message From The President

Wayne O. Parker

The NSA Convention in Providence was fabulous; I wish all of you could have been there. Stephen Metelits and I attended the first timers' reception and met many new friends from various states across the country. Denise Hammond, Stephen Metelits, Richard Davis, and I attended several CPE and Business Sessions. The ACAT Luncheon speakers with their theme "I am excited" were very informative with information on how to use our earned credentials.

We had time to view the exhibits and had fun at the School Daze fun night. We made new friends with fellow members as we exchanged state pins.

At the awards ceremony NCSA received the award for monitoring the CPA Board and the ASO (Affiliated State Organization) of The Year.

Our District IV has a new District Governor, Wanda Bell of Florida. The new NSA President Robert Fukuhara, from Hawaii, said in his acceptance speech "to look for change."

September 21st and 22nd are just around the bend, they are the dates for the Board of Directors Meeting and the Fall PAS. Danelle Hills and Candace Cansler worked hard to get the registration forms in your hands. Danelle has put together a great list of speakers for us, so please register now and support NCSA so this can be one of the best Fall PAS's we have had. Let's have the largest turn out ever.

Coming up October 27th will be the Practitioner's Forum (formerly Tax Forum) with the IRS at the Holiday Inn Airport, Greensboro. The cost is \$50 for members and \$65 for non-members and includes lunch and CPE. The meeting begins at 9:30 am.

"Life is like a coin. You spend it anyway you wish, but you can only spend it once." Author unknown. This is hoping we all spend our lives wisely.

Thank all of you for your support; I hope to see you at the Fall PAS.



Wayne O. Parker

Chapter News

Hickory

The July meeting was held July 31, at 6:30 pm, at Fire Mountain in Hickory, with 6 members and 4 guests attending. Denise Hammond, Vice President of NCSA, installed new officers. They are:

President – Alene Dale

Vice President – Joyce Reese

Secretary – Lynanne Gray

Treasurer – Susan Moore

Denise also spoke on Senate Bills 832 and 1321 and the importance of credentials in the context of those bills. She covered the changes in the EA exam and ACAT scheduling.

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 next meeting will be September 25 at Prime Sirloin in Hickory at 6:30 pm.

Charlotte

The June 19th meeting featured installation of new officers. Wayne Parker, President of NCSA, spoke on Taxation of Ministers to 8 members and 3 guests.

The chapter dropped 5 members.

The Charlotte chapter met on July 24, at the Captain's Galley Restaurant in Mathews. There were 17 members and 4 guests present. Jense Haynes gave a presentation on the Rules of Professional Conduct.

Cape Fear

The June 19th meeting featured Gwen Robinson of the Secretary of State's office speaking on annual reports. The meeting was attended by 10 members and 3 guests.

The chapter met on July 17th in Dunn, NC. Sixteen members and 5 guests attended. Florence Black and Cheryl Hudson spoke about chapter promotions and membership. Wayne Parker, President of NCSA, installed new officers:

President: Glenwood Crocker

Vice-President: Florence Black

Secretary: Cheryl Hudson

Treasurer: Marsha Wheeler

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 next meeting will be September 18.

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 will be held at the Pavilion Restaurant in Greensboro on August 28 at 6:30 pm. Susie Helton will speak on workers' compensation.

Raleigh

The April 25th meeting featured Rusty Russell, CFP of Ininet 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.'

(Chapter News continued on page 3)

(Chapter News continued)

Burlington

The July meeting of the Burlington Chapter was held on July 27, at Kimbers Restaurant in Gibsonville at 6:30 pm. Stephen Metelits spoke on the production activities deduction, IRC Sec 199.

The next meeting will be August 24th, at Kimbers Restaurant at 6:30 pm. Cheri Myers of the NC Secretary of State's office, Corporations Division, will speak.

Sanford

The Sanford Chapter met on June 27 with 9 members attending. The chapter discussed energy credits for homeowners and the production deduction. The tax strategist monthly publication was reviewed and continuing education was discussed.

Stephen Metelits was the featured speaker at the July 18th meeting. Seven members and 3 guests attended. Stephen spoke on the production deduction. Also present was Florence Black, Past-President of NCSA. She spoke on membership and reporting obligations, and presented the chapter with a plaque for acquiring the most new members in 2005-2006. (Congratulations, 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

There was no meeting in June.

The July meeting of the Piedmont Chapter was held July 27th, with 10 members and 1 guest attending. Election and installation of officers were held, officiated by Wayne Parker, NCSA President. New officers are:

President – Susan McLean

Vice President – Larry Matthews

Secretary – Nina Livengood

Treasurer – Joyce Workman

The August 31st meeting will be held at the Pioneer Restaurant in Archdale at 6:30 pm. David Hooker, Past President of NCSA, will discuss income tax basis financial statements.

Western

The Western Chapter met at the Olympic Flame Restaurant in Black Mountain on May 30. There were 9 members and 4 guests in attendance. The slate of officers presented by the nominating committee was accepted by acclimation:

President – Beth Evans

Vice President – Wendell Capes

Secretary – Lafawn McKinney

Treasurer – John McKinney

The July meeting was held at the Cornerstone Restaurant in Asheville on July 25, with 11 members and 8 guests attending. The meeting featured the installation of officers by NCSA President, Wayne Parker.

The August 29th meeting was held at Shoney's Restaurant in Arden with 9 members and 8 guests in attendance. Jeff Weller, Edward Jones representative, gave a very informative presentation on Roth 401(k).

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.

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.

**NCSA FALL PROFESSIONAL ACCOUNTING SEMINAR
SEPTEMBER 22nd, 2006**



**Embassy Suites
460 North Cherry Street,
Winston-Salem, NC 27101**

**EMBASSY SUITES
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Winston-Salem

Rooms must be reserved by September 8, 2006, for \$119.00 each night. Please make your reservations directly with the hotel. Call 1-800-696-6107 for reservations and tell them you are with the North Carolina Society of Accountants.

The North Carolina Society of Accountants will present its Fall Professional Accounting Seminar (PAS) on September 22, 2006, at the Embassy Suites, 460 North Cherry Street, Winston-Salem, NC 27101.

Friday, September 22nd, 2006

- | | | |
|-----------------|--|--------------------|
| 7:00 am | Continental Breakfast | |
| 8:00 am | Mr. Matthew Linville,
Business Development Coordinator—Bayview Financial Exchange Services—
“Like-Kind Exchanges” | 2 CPE Hours |
| 9:40 am | BREAK | |
| 10:00 am | Ms. Sandy Pfeifer—NC Department of Revenue—
“Offers in Compromise” | 2 CPE Hours |
| 11:40 am | LUNCH (provided) | |
| 1:00 pm | Mr. J.R. Lawson, Jr., Accountant, - L.B. Consulting Company—
“Business Plans” | 1 CPE Hour |
| 1:50 pm | Ms. Cheri Myers, Director—Corporations Division Secretary of State of North
Carolina—“Update on Corporations” | 1 CPE Hour |
| 2:40 pm | BREAK | |
| 3:00 pm | Mr. David Lundquist—First Citizens Bank, High Point—
“Charitable Remainder Trusts & Wealth Management” | 1 CPE Hour |
| 3:50 pm | Mr. David Hooker, Accountant, NCSA Past President, E.A., ABA, ATP, ATA,
Investment Representative—“Cash Flows” | 1 CPE Hour |

REGISTRATION

Registration includes continental breakfast, lunch, and breaks.

Please complete and return this form to the NCSA office:

NCSA, Post Office Box 1126, Conover, NC 28613
 Phone: 866-755-6272 Fax: 828-695-2522

	Before September 8th	After September 8th
Member	\$100	\$115
Non-Member	\$120	\$135

10% discount available for each additional registration from the same firm if registration is received before September 8th

***Cancellation Policy:** Each cancellation received by September 8th will be refunded less \$50.00 per person. No refunds after September 8th.*

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NCSA, Inc. has entered into an agreement with the Office of Director of Practice, Internal Revenue Service, to meet requirements of 31 Code of Federal Regulations, section 10.6(g), covering maintenance of attendance records, retention of program outlines, qualifications of instructors, and length of class hours. This agreement does not constitute an endorsement by the Director of Practice as to the quality of the program or its contribution to the professional competence of the enrolled individual.

The North Carolina Society of Accountants, Inc., is registered with the North Carolina State Board of CPA Examiners as a sponsor of continuing professional education. Complaints or comments regarding registered sponsors may be addressed to the North Carolina State Board of CPA Examiners, P. O. Box 12827, Raleigh, NC 27605-2827.

NCSA Schedule of Events

2006

September 21—**Board of Directors**—Embassy Suites—
Winston Salem, 4 p.m.

September 22—**Fall PAS**—Embassy Suites—Winston Salem

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

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