



The Accountant

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of the North Carolina Society of Accountants

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September 2003

Form 3975

If you aren't already on the IRS mailing list or getting Package X, you need to submit Form 3975. You can find it on the IRS web site at www.irs.gov.

If you already get Package X and want to stay on the IRS mailing list, you can file Form 3975 on line at www.irs.gov/bus_info/tax_pro/tpfax. You will need the number on the label of last year's Package X (just above your name).

A Message From The President

Jan Allison

Wow, what an honor! I just returned from Salt Lake City, UT, and the National Society of Accountants Convention. Thanks to each of you for allowing me the privilege to attend.

As members of the North Carolina Society of Accountants, I want each of you to pat yourselves on the back. North Carolina came home with three more awards from NSA. NCSA won the Keith Billings Memorial Award for the "Most Outstanding State Publication of the Year", the State Regulation and Oversight Committee award for "Monitoring the CPA Board Meetings", and the Myron D. Schreiber Memorial Public Relations Award for the second year in a row.



Jan H. Allison

Those attending the convention with me from North Carolina were Gale and Paul Champie, Margie Strider, Steve Pace, David Rollins, and Richard and Becky Davis. Thanks to each of you for your dedication and service to the state of North Carolina.

September is here, and I look forward to seeing many of you at the District IV meeting in Charlotte on the 19th, the LNC on Saturday and Sunday, and then the Fall PAS in Asheville. You should have received by mail an application for the PAS. If you have not received this information, please contact Candace Cansler and she will assist you. The Board meeting will be on Sunday the 28th with the PAS following on Monday and Tuesday.

With the PAS information, you received the PTI brochure. Please make sure you register for both of these as soon as possible.

I am confident that each of you will want to attend as much CPE as possible to get ready for the upcoming tax season.

Please check your records, and make sure you have paid your dues for NCSA. Time is running short, and we do not want to cut off any one's privileges.

Thank you again for the honor of being your President.

Inside this issue

<i>Chapter News</i>	2
<i>New Cape Fear Officers</i>	3
<i>CD 479</i>	3
<i>Where to File</i>	3
<i>New Check-off On 2003 NC Income Tax Returns</i>	4
<i>Unemployment Surtax Delayed</i>	4
<i>Health Coverage Tax Credit</i>	5
<i>EITC Certification Pilot Program</i>	5
<i>Child's Age</i>	5
<i>Fee for Offers In Compromise</i>	6
<i>2004 Convention</i>	6

Chapter News

Western

The Western Chapter met on Tuesday, July 29, 2003, at Ryan's Steakhouse, Biltmore Square Mall in Asheville. Present were 9 members and 5 guests, including NCSA President Jan Allison and NCSA Vice President Florence Black and her husband Larry. President Jan Allison installed the new officers: President – Beth Evans, Vice President – Barbara Helgreen, Secretary – Gale Champie, Treasurer – Dennis Hobbie.

The August meeting was held on August 26 at Ryan's Steak House with 9 members and 7 guests in attendance. The program was presented by Jeff Porter on Contractor's Licensing Issues. Mr. Porter is a licensed CPA in both North Carolina and Tennessee.

Cape Fear

The Cape Fear Chapter met on July 21 at the Brass Lantern in Dunn. Fayetteville business owner Norman Thomas spoke on why it is important to be an active participant in your organization. Florence Black and Associates was awarded the Order of Merit for the support and help to the chapter. NCSA Vice-President Florence Black installed new officers for Cape Fear Chapter. They are: President, William (Bill) Fischer; Vice President, Richard Zavesky; Secretary, Marsha Wheeler; and Treasurer, Polli Whitman.

The August meeting of the Cape Fear chapter was held on Monday, August 18, at 6:00 pm, at the RBC Centura Bank Boardroom, Fayetteville. Speakers included Chad Marshall, Pedro Consecro, Linda Faircloth, and Sherry Leite. They presented different packages the bank offers. One package—Working for You—is an employee incentive package that employers can offer to their employees at no cost to them. It includes an interest bearing checking account with direct deposit, car loans at prime rate, \$250 towards the cost of obtaining a mortgage and other incentives. They also spoke of Executive Packages for the employer.

Central

Central Chapter met on July 28, 2003, at the Nascar Café, with 12 members attending. Speaker Judy Garner of the Employment Security Commission spoke on the state of North Carolina's economy, with information on fund ratio schedules, the unemployment rate, and average weekly wages.

Burlington

Burlington Chapter met on Thursday, August 28, at 6:30 pm at the Azalea Grill (formerly Nick's Cuisine). The speaker was Charlene Dawkins, director of the NC Secretary of State's office. She presented an update on corporations and new services provided by The Secretary of State's office.

Hickory

Hickory chapter met on Monday, August 25, at Prime Sirloin in Hickory. 9 members and 1 guest were present. The chapter welcomed potential member Alice May from Statesville. The speaker was Michelle Jenkins of Edward D. Jones. Her topic was pension plans with emphasis on the Individual 401(k) and SIMPLE plans. She also invited us to participate in an E. D. Jones seminar on September 10. The topic will be "Representing Your Client Before the IRS."

Congratulations to Denise Hammond, PR Chair for NCSA. NCSA received the Public Relations Award from NSA for the second year in a row.

The September meeting will be held at Prime Sirloin on Monday, September 22 at 6:30 pm.

Raleigh

The Raleigh Chapter met on August 26, with 9 members and 2 guests. Robert Pia discussed the appropriate language to use in the opinion letter to financial statements. Jane Clark of Edward D. Jones presented and compared the Individual 401(k) pension to other available pension plans.

John Rhatigan introduced a membership drive by providing each member a list of contacts. Results will be reported at the next meeting on September 23.

Charlotte

The Charlotte Chapter held its monthly meeting on August 25, at the Matthews Country Kitchen and Steak House. Speaker for the evening was Jackie Bracy, NC manager of the Taxpayer Advocate Service of the IRS. She explained how their service evolved as well as procedures that are followed to resolve a case.

Congratulations to David Rollins on being elected NC State Director at the NSA Convention. He also will serve as Chairman of the Affiliated Relations Committee. NC won awards for Public Relations, Publications, and Legislative Monitoring.

Jean Mader, a retired Charlotte member, passed away this week.

The September meeting will be held on Monday the 22nd, with Paul Bumgarner speaking on Ethics.

New Cape Fear Officers



At the July meeting of the Cape Fear Chapter, Florence Black (center), NCSA Vice President, installed the Chapter officers. They are Polli Whitman, Treasurer; Marsha Wheeler, Secretary; William Fischer, President; and Richard Zavesky, Vice President.

CD 479

At the Burlington Chapter meeting on August 28, Charlene Dawkins, Director of Corporations in the Department of the Secretary of State, announced that she asked the Department of Revenue to delete form CD 479 from the list of tax forms. This is the Annual Report form for corporations .

Instead, the agency has instituted an on-line way for these businesses to file their annual reports on-line and also pay the annual fee on-line. This will streamline the process, eliminate a great deal of paperwork in her office, and make the information available to the public in less time.

The user goes to www.sosnc.com, drops down to "Click here to enter Annual Report on line," and enters the profile id. Without a profile id, the business can be found by name and a profile created.

Once identified, the business information appears on the screen. It can be corrected interactively. The user also must provide a credit card number or bank information (including account number and routing number). Once the information is verified, payment is made, and the information is updated in the Secretary's data base with no paperwork. If, however, there is a change in registered agents, the screen must be printed, the agent must sign the form, and the form mailed.

Web Site for Where to File

Since the IRS seems to change addresses of where to file forms at least annually, they have added a web site solely for the purpose of telling us the "current" address of where to file business forms. The site is easy to use. Try it at

<http://www.irs.gov/file/article/0..id=111453.00.html>

The payment is made by having the Department of the Secretary of State withdraw it from the business bank account or by credit card. There is a small transaction fee for this service.

New "Check-Off" on 2003 NC Income Tax Returns

Beginning next year, North Carolina taxpayers will have the opportunity to designate \$3 to the newly created North Carolina Public Campaign Finance Fund. The North Carolina Public Campaign Finance Fund was established by the 2002 General Assembly (Session Law 2002-158). *The new check off will not reduce any refund or raise any taxes owed.*

Purpose of the new Fund is to ensure the fairness of democratic elections with respect to North Carolina's appellate courts, the NC Court of Appeals and Supreme Court.

The Fund:

- Creates an alternate source of campaign financing for candidates for the North Carolina Supreme Court and Court of Appeals who demonstrate public support and who voluntarily accept fund-raising and spending limitations.
- Provides a Judicial Voters Guide that describes the functions of the appellate courts and profiles the candidates running for those offices, with biographical information and statements from the candidates.

The State Board of Election administers the Fund's operation with help from a bipartisan advisory council chaired by Willis Whichard, Dean of Campbell University's School of Law.

Below is what will appear on the state income tax form.

N.C. Public Campaign Financing Fund

 This Fund pays for a nonpartisan voter guide and helps fund judicial candidates who accept strict fundraising and spending limits. Do you agree that \$3 should go to this Fund? Filling in a circle below will not increase your tax or reduce your refund.

You	Spouse
<input type="radio"/> Yes	<input type="radio"/> Yes
<input type="radio"/> No	<input type="radio"/> No

Unemployment Surtax Delayed

Current law specifies that, if the unemployment insurance reserve fund drops below \$163,000,000 on August 1 of any year—which was the case well before August 1 this year—a 20% surcharge will be assessed on unemployment insurance premiums beginning January 1 of the following year until the fund returns to that minimum level.

Governor Easley signed *An Act to Delay the Reinstatement of the 20 Percent Unemployment Insurance Surtax*. The bill postpones the surtax until January 1, 2005.

Since the recession hit North Carolina in early March 2001, there has been a steady increase in the number of jobless workers who qualify for the maximum weekly unemployment insurance benefit of \$416. This, in turn, has depleted the unemployment insurance trust fund. In order to continue paying benefits, the Employment Security Commission used money from a separate State Reserve Fund, a \$200,000,000 pool of money created by a surcharge on employer unemployment insurance taxes in the late 1980s. Interest from that trust fund pays for workforce training programs.

Health Coverage Tax Credit

The federal Health Coverage Tax Credit (HCTC) was created by the *Trade Act of 2002* to help certain displaced workers and certain retirees pay for health insurance. According to FS-2003015, those eligible to claim the credit fall into one of these categories:

- Trade-impacted workers who have lost their jobs because of increased imports or a shift in production to another country.
- Individuals whose pensions are being paid by the Pension Benefit Guaranty Corporation, are at least 55 years old, and not entitled to Medicare.

The credit covers 65% of the cost of qualified health insurance for eligible individuals and their qualified family members. To receive the HCTC an individual must be enrolled in a qualified health insurance plan. Some individuals may be enrolled already in a form of insurance that is automatically qualified such as COBRA, certain spousal coverage, or individual health insurance that began at least 30 days prior to separation from employment.

To get the advance credit, individuals must register by mailing their form or by calling the HCTC Customer Contact Center to ensure they are eligible and to provide their health plan information (866) 628-4282. Those successfully registered send 35% of their eligible health plan premium to the HCTC program. The HCTC program adds the remaining 65% and submits the full payment to the recipient's health plan on behalf of the individual. Until the HCTC begins making payments, individuals should continue to pay 100% of their health insurance and claim the credit by filing Form 8885 with their federal income tax return.

Individuals not receiving the credit in advance for any month in which they are eligible can claim the credit by filing Form 8885 with their federal income tax return.

The HCTC is a refundable credit. This means that, even if the individual pays no tax, the individual will receive a payment. However, the individual must either register with the HCTC program for advance payment or claim it on a federal income tax return.

EITC Certification Pilot Program

In IR-2003-97, the IRS announced it will launch the Earned Income Tax Credit (EITC) certification pilot program in early 2004. The EITC program is aimed at rewarding work and helping families out of poverty.

The new pilot program will allow the IRS to use an integrated approach to address potential erroneous claims by identifying cases that have the highest likelihood of error before they are accepted for processing and before any EITC benefits are paid.

"The EITC program helps lift millions of working families, especially single mothers, out of poverty each year. But it is consistently has been found to have an erroneous payment rate higher than many other government benefit programs. To protect the long-term viability of this critical program, we must ensure those who qualify receive the credit they are due—but only those who qualify," IRS Commissioner Mark Everson said.

The IRS will start the program in the 2004 filing season. The IRS will ask 25,000 EITC claimants to certify when they file that the eligible child claimed for EITC purposes resided with them for more than half a year as required by law.

In addition, the IRS also announced it would maintain a sustained level of compliance activities by expanding efforts to reduce erroneous payments to taxpayers who underreport their income in order to claim the credit. Next year, the IRS will expand its compliance efforts involving at least 300,000 taxpayers who claim the credit but failed in the past to report all of their income. These taxpayers may not be eligible because the EITC has an income cap. This group also will include EITC claimants who misrepresent their filing status.

Following the 2004 certification pilot, the IRS will assess carefully the pilot results and performance before deciding on how to proceed with this program.

Child's Age

Up to now, it depended on what part of the tax code applied as to how to determine a child's age. Revenue Ruling 2003-72 applies a uniform method of determining when a child attains a specific age for purposes of the dependent care credit, adoption credit, child tax credit, earned income credit, dependent care assistance programs, foster care payments, adoption assistance programs, and dependency exemptions.

Now, for each of these provisions, a child attains a given age on the anniversary of the date that the child was born (previously known as the child's birthday).

Fee for Offers in Compromise

According to IR-2003-99, beginning November 1, the IRS will charge a \$150 application fee for the processing of offers in compromise (OIC). The IRS expects that this fee will help offset the cost of providing this service as well as reduce frivolous claims.

The IRS anticipates the fee will reduce the number of offers that are filed inappropriately—for example, solely to delay collection—enabling the agency to redirect resources to the processing of acceptable offers.

All taxpayers who file an OIC will have to pay the application fee with their submission unless the offer is based solely on doubt as to liability or the taxpayer's total monthly income falls at or below income levels based on the Department of Health and Human Services poverty guidelines. Taxpayers who claim the poverty guidelines exception must certify their eligibility using Form 656-A, *Offer in Compromise Application Fee Instructions and Certification*. This form will not be accepted by the IRS before November 1. It will be available soon on the IRS web site at www.irs.gov.

Convention 2004

The theme dinner will be the

"Country Fair" in 2004.

Since it is canning season,

please save your best

and bring it to the Country

Fair. If you do not

can, and you crochet, knit, sew,

carve, or whittle, bring

any type of craft to the fair.

These items will be

sold to offset convention expenses.



NCSA Schedule of Events

September

September 17-18–**Enrolled Agents examination**

September 19–**District IV Conference**–
Hilton Executive Park, Charlotte

September 20-21–**NSA Leadership Networking Conference**–
Hilton Executive Park, Charlotte

September 28–**Board of Directors meeting**–
Holiday Inn Airport, Asheville, 1 p.m.

September 29-30–**Fall PAS**–Holiday Inn Airport, Asheville

October

Tax Forum meeting with IRS–Greensboro

November

November 17–**Board of Directors meeting**–
Hawthorne Inn, Winston-Salem, 3 p.m.

November 18-19–**PTI**–Hawthorne Inn, Winston-Salem

November 19-20–**PTI–Charlotte**–Four Points Sheraton

November 20-21–**PTI–Myrtle Beach**–Ocean Reef Resort

2004

May 23–**Board of Directors meeting**–Radisson Highpoint

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 4–**NSA Convention**–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

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