



# The Accountant

Official Publication

of the North Carolina Society of Accountants

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**Mark  
Your  
Calendars**

**NCSA  
Fall PAS**

**September  
21-22, 2007**

**Hilton  
Near Duke University  
Durham, NC**

## A Message From The President

*Wayne O. Parker*

Here's hoping you have had a good January and, as we complete the first month of tax season 2007, that you have completed your W-2s and 1099s in a timely manner. Now we can turn our attention to tax return preparation. January has come and gone, and the first deadline of this tax season has been met. Hold on now, February is here, so don't forget Valentines. Please take care of yourselves and don't forget about your loved ones around you.

As the pressure of the filing season mounts, I ask that you not forget the Society and what it means to you. Your membership in the Society pays off this time of year. I hope you will mark your calendars to attend your local chapter meetings during the filing season months. This is a great stress reliever. Take time to have a good meal and great fellowship with your friends who are experiencing the same things you are. You may be surprised how much help with tax problems and questions you will find at your local chapter meeting. Another helpful thing is the NCSA's web page with many useful links, thanks to Webmaster David Rollins. Also, our newsletter, *The Accountant*, has information on tax law changes and information to keep us updated about our Society that can be very useful, thanks to Editor Stephen Metelits.

The NCSA had officers, board members, and our attorney attend the AENC Legislative Reception on January 24 in Raleigh. We had several good contacts, and I want to thank you for taking your time to attend and represent NCSA. Attending these events keeps us in touch with the elected officials whom could impact our right to practice.

The NCSA fund-raiser letters for Legislative Fund contribution have gone out. We need to replenish our legislative funds so that we can continue to monitor issues regarding our right to practice accounting in North Carolina. Please help do your part.

"Individual commitment to a group effort—that is what makes a team work, a company work, a society work, a civilization work." Vince Lombardi.

I challenge each of you to give of your time and not to ask what your Society can do for you, but what can you can do for our Society. It's our Society, a group of Accountants and Tax Professionals working together to accomplish what one cannot alone.

I hope each of you is looking forward to our Summer PAS and Convention 2007. Please make your reservations early by calling 1-800-696-6107 and use the password "North Carolina Society of Accountants." See the convention outline included in this issue of *The Accountant*. Plan now to attend. I look forward to seeing you there.

"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently." Warren Buffett

I am proud to be a part of this organization. I hope everyone will have a prosperous tax season. Thank all of you for your support.



**Wayne O. Parker**

## Chapter News

### Sanford

The meeting was held on January 16 at the office of Elizabeth Kelly. The chapter discussed chapter promotions and changes for 2007. Six members attended.

The next meeting will be February 20, at the office of Elizabeth Kelly at 6:00 pm. The topic of discussion will be tax problems and questions.

### Burlington

The January meeting will be held of January 25, at 6:30 PM, at Kimbers Restaurant in Gibsonville. The speaker will be Ms. Jan J Humble of American Benefits Corporation, discussing employee benefit and retirement plans.

### Charlotte

The next meeting will be January 27, 2007. Avery Henline of the IRS will speak.

### Central

Central Chapter met on January 22 at the Pavillion Restaurant in Greensboro, with 5 members and 2 guests attending. The speaker was Jonetta Appling of the NC Department of Revenue. She gave an informative overview of some of the changes and a review of the North Carolina tax law. She pointed out that the underpayment penalty has been reclassified from "penalties" to "interest," making it impossible to be waived.

The next meeting will be at the Pavillion Restaurant on Vandalia Road in Greensboro on February 26. Ron Powell will give a presentation on Tax Forum Questions and Answers.

### Cape Fear

The December meeting was held at Lebanon Baptist Church, 3329 Beard Road, Fayetteville, on December 11, at 6:30 pm. Chapter Past President Bill Fischer presented an update for the 2006 filing season. He covered tax changes for the 2007 and 2008 years that have been placed in the HR 6111, "Tax Relief and Health Care Act of 2006".

The January 22, 2007 meeting was held at the Brass Lantern in Dunn at 6:30 pm. There were 14 members and 1 guest in attendance. Diane Hatley, Clerk of Court for Harnett County discussed Estates. She went through all the steps from opening the estate to the final accounting.

The next meeting will be on Monday, February 19 at 6:30 pm, at the Barn Restaurant in Fayetteville. John S. Ayers, CPA, will speak on Form 8913—*Credit for Telephone Excise Tax*.

### Hickory

The Hickory chapter had a joint meeting with Western at the Countryside Bar-B-Que in Marion, with 5 members from Hickory present. Stephen Metelits gave a presentation on the Production Activity Deduction.

The next meeting will be held on February 26.

### Raleigh

The meeting was held on January 24 with Stephen Metelits speaking on "An Overview of Accounting Standards and Financial Statements." There were 13 members and 1 guest in attendance.

The February meeting will be on February 27, and will feature an informal discussion on tax research and case studies.

### Piedmont

The annual Christmas dinner will be held on Monday, December 4, at 6:30 pm at the Sagebrush Steakhouse, 1505 E Dixie Drive, Asheboro. Please bring a \$5.00 gift/ornament for exchange and a canned good to be given to charity. Councilwoman Dianne Bellamy-Small will provide entertainment.

### Western

The December 14<sup>th</sup> Christmas meeting was held at the Olympic Flame in Black Mountain, with 12 members and 8 guests in attendance.

The January meeting was held on Tuesday, January 30, at Countryside Bar-B-Que in Marion. Stephen Metelits spoke on changes in the production activities deduction. There were 12 members from the Western Chapter, 5 from Hickory, and 7 guests in attendance.

No meetings are scheduled for February and March. Brent Dees, a professional business coach, is the proposed speaker for April's meeting. Time and place will be announced.

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](mailto:lfgacct@bellsouth.net) or fax to 828-438-8111.

## Extension of Tax Breaks

The Senate waited until 0200 on December 9 to pass a bill passed by the House the day before. The *Tax Relief and Health Care Act of 2006* permits HSA rollovers from health flexible spending accounts and health reimbursement accounts into an HSA for a limited time and allows a one-time rollover from an IRA to an HSA.

Some of the provisions of earlier laws sunset at the end of 2005. Many of these have been extended at the last minute retroactive to January 1, 2006, and continuing through 2007:

- The research tax credit has been expanded and modified;
- The deduction for state and local tax;
- The adjustment for qualified higher education expenses;
- The 15-year straight-line cost recovery for qualified leasehold and restaurant improvements; and
- The availability of Archer medical savings accounts.

The work opportunity and welfare-to-work tax credits have been extended and are combined starting in 2007.

Extended through 2008 is the election to include combat pay as earned income for the earned income tax credit.

While a provision of the law modifies the AMT refundable credit for individuals, an extension of the "temporary fix" to prevent additional taxpayers from becoming subject to the tax was not included in the law.

The penalty for frivolous submissions to the IRS increases from \$500 to \$5,000.

Extended for one year are the deduction for energy-efficient commercial buildings, the business credit for energy-efficient new homes, the credit for residential energy-efficient property purchases, and a business credit for the installation of qualified fuel cells and stationary microturbine power plants as well as the purchase of solar energy property.

## Reporting Extended Tax Provisions

The following is IRS guidance on how to enter the major extended deductions on 2006 tax returns. [*Hopefully, our tax software will incorporate this guidance.*]

**Educator expenses:** Include the deduction on line 23 of Form 1040 (Archer MSA deduction). To the left of the empty space for that line, enter "E" for educator expenses or "B" for both the Archer MSA and educator expenses. For an entry of "B," attach a statement with a breakdown of the amounts.

**Tuition and fees deduction:** Include the deduction on line 35 of Form 1040 (Domestic production activities deduction). To the left of the empty space for that line enter "T" for tuition and fees or "B" for both the domestic production activities deduction and tuition and fees. For an entry of "B," attach a statement with a breakdown of the amounts.

**State and local general sales tax deduction:** Enter this deduction on line 5, Schedule A (State and local income taxes). To the left of the empty space for that line enter "ST." The IRS will reissue Publication 600 for 2006 with state and local sales tax tables, worksheets, and instructions for figuring this deduction.

The IRS does not plan to make any changes to the existing Form 1040 or Schedule A instructions for 2006. These changes will be published in Publication 553, *Highlights of Tax Changes*.

## Practitioner's Forum

*Ronald D Powell*

Our efforts to make improvements to support our clients and to make tax processing smoother have been heard. During the last few years, we have been instrumental in these changes:

- Automatic 6 month extensions on tax returns.
- Practitioner Identification Number (remove our SSN from the tax return).
- Enhanced web access to taxpayer information through e-Services.

This year, the IRS is testing a procedure that eventually will allow us to check for taxpayer estimated tax payments before we complete the tax return without having to submit a completed power-of-attorney. This process will be through the internet and work similar to the Advanced Child Credit access we had a few years ago.

To continue to improve the process, when you are working on tax returns or accounting issues and say to yourself, "I wish I could do...", or "If the IRS would do this ...," write that down or, better yet, send me an e-mail at [powell.accounting@earthlink.net](mailto:powell.accounting@earthlink.net) while you are thinking of it. You never know, you could be the one to start the charge! Please be sure to include your name and phone number; I may need to call to clarify the issue.

## IRS Installment Agreement User Fee Increases for Some Taxpayers

Beginning January 1, 2007, the Internal Revenue Service implemented revised user fees for installment agreements. For eligible individuals with income at or below certain levels, the fee for entering new agreements will not increase but remain at the 2006 level.

The Office of Management and Budget has directed federal agencies to charge user fees reflecting the full cost of goods or services that convey special benefits to recipients beyond those accruing to the general public. Increases in labor and other costs of processing have increased the cost of processing installment agreements.

The changes to the Installment Agreement User Fees are as follows:

Type	Current Fee	Fee Amount (No Application)	Fee Amount (Approved Application)
New Installment Agreements **	\$43	\$105	\$43 (No Change)
Direct Debit Installment Agree-	\$43	\$52	\$43 (No Change)
Restructure an existing or Rein-	\$24	\$45	\$45

\*\*The new fees will also apply to installment agreements made using the Online Payment Agreement application on the IRS Web site.

Payment of the user fee is *not* required for an Installment Agreement request to be considered. The Installment Agreement request is considered first, and then the fee is charged, only if the agreement is accepted.

Final approval from Treasury to implement the increase in fee amounts on January 1, 2007, was received with the provision that low income taxpayers must be provided the opportunity to request to have the User Fees reduced. The Application (Form 13844) is available for all individual taxpayers who meet the low income definition, regardless of the type of tax owed (IMF, BMF, NMF). Business taxpayers (Corporations, Partnerships, and LLCs) may *not* apply for the Reduction.

The opportunity to apply for the Reduced Installment Agreement User Fee amount is not retroactive. The Form 13844 is only applicable for new or direct debit installment agreements that are accepted on or after January 1, 2007. The Application *must be* submitted within 30 days from the date of the Installment Agreement Acceptance Notice to be considered a timely application. Completed Applications should be mailed to the following address:

Internal Revenue Service, PO Box 219236, Stop 5050, Kansas City, MO 64121-9236

Application requests will be verified against the most recent Form 1040 total income and exemption information. If the application is denied, the taxpayer will *not* have appeal rights concerning the denial.

## North Carolina Society of Accountants 2007 Tentative Convention Agenda

### Thursday, June 21

Registration - 8am-1pm

Lunch (On you own)

CPE 1pm-2:45pm (40 ppl classroom)

Break 2:45-3:00pm (sodas)

CPE 3:00-4:45pm (40 ppl classroom)

### Friday, June 22

Registration – 7:00am to 12:00pm

CPE – 8:00am to 11:40am (4 hours) (40 ppl classroom)

Lunch 11:40am to 1:00pm (On your own)

Golf – 12:00pm *or mini golf tournament*

CPE – 1:00pm to 4:40pm (4 hours) (20 ppl classroom)

Social Time – Cash Bar – 6:30pm to 7:00pm (40 ppl)

Theme Dinner – 7:00pm to 11:00pm (40 ppl)

Nominating Committee Meeting – 9:00pm to 11:00pm (5 ppl)

### Saturday, June 23

Opening of the 61st Annual Convention – 9:00am

General Business Session – 9:30am (40 ppl classroom with lecturn)

Past Presidents Luncheon – 12:00pm to 2:00pm (50 ppl rounds, plated)

General Business Session – 2:00pm to 5:00pm (40 ppl classroom with lecturn)

Social Time – Cash Bar – 6:30pm to 7:30pm (40 ppl)

Banquet and Installation Ceremony – 7:30pm to 10:30pm (50 ppl)

## Separate Fees

In Pub 1345, *Handbook for Authorized IRS e-file Providers*, we are told that a "Provider must never charge a separate fee for Direct Deposit (of refunds) and must accept any Direct Deposit election by a taxpayer to any eligible financial institution. The Provider must advise the taxpayer that Direct Deposit election cannot be rescinded and that changes cannot be made to routing numbers of financial institutions or to account numbers after the IRS has accepted the return."

This means that a fee cannot be charged for preparation of Form 8888, *Direct Deposit of Refund*, even though it takes additional time to prepare and explain the ramifications of the elections to the taxpayer.

## Hotel Rooms

*Stephen Metelits*

When the NCSA arranges with a hotel to hold classes, meetings, or conventions, we usually contract with the hotel for a specific price for meeting rooms, food service, and hotel rooms. This contract calls for us to use a certain number of rooms which are reserved for us to reduce the price of the overall cost to the society. If we don't use all of the guest rooms in our contract, we have to pay more for our other costs under the contract.

As a reminder, if you save a few dollars by staying at another hotel, it can cost the society more than you saved. If you are a member of a hotel points program which you use to "pay" for your room, we don't get credit for the room. Please, use your hotel points for a family vacation, not for an NCSA event.

## National Taxpayer Advocate's 2006 Report to Congress

As announced in IR-2007-04, National Taxpayer Advocate Nina Olson released her annual report to Congress designating the AMT for individuals and the federal tax gap as the most serious problems facing taxpayers. The AMT was designated as the most serious problem both in its own right and because it symbolizes the broader problem of tax-law complexity. The tax gap remains a high priority because noncompliance by some taxpayers requires every compliant taxpayer to pay, on average, more than \$2,200 in extra tax each year.

The report also noted the following:

- The lack of early, meaningful interventions by the IRS on delinquent tax accounts contributes to long-term financial problems for many taxpayers and costs the government billions of dollars in lost revenue. Taxpayers are harmed because many taxpayers could pay all or most of the original debt if contacted promptly but are unable to pay the debt by the time the IRS personally contacts them after interest and penalties have accrued. The government is harmed because the IRS collects only about 15¢ on the dollar on tax debts that are two years old and virtually nothing on tax debts that are older than three years.
- In FY 2006, the IRS reported more delinquent tax dollars as "currently not collectible" (CNC) than it actually collected on active balance due accounts, installment agreement accounts, and offers in compromise combined. Once accounts are designated CNC, IRS data for the preceding six years show the agency collected less than 2% of the amounts due.
- The IRS is failing to make adequate use of collection alternatives. While some may view collection alternatives as a "give away" of tax dollars, an analysis of the data suggests they often are an excellent deal for both taxpayers and the government. For example, when the IRS accepts an offer in compromise, taxpayers are able to clear up their debts and make a fresh start. The government generally collects far more from offers than it would collect if the accounts were placed in CNC status, and, equally important, the taxpayer is required to remain in compliance for the succeeding five years until the original tax debt will be reinstated in full. About 80% of taxpayers with accepted offers remain in full compliance during this 5-year period.

## Phone Tax Refund

In IR-2007-16, the IRS said that some individual taxpayers have requested large and apparently improper amounts for the special telephone tax refund. The IRS is investigating potential abuses in this area and will take prompt action against taxpayers who claim improper refund amounts and the return preparers who help them.

The IRS checked a sample of returns filed through mid-January and found that some individual taxpayers requested telephone tax refunds that appear to be excessive:

- In some cases, taxpayers appear to be requesting a refund of the entire amount of their phone bills rather than just the 3% tax on long-distance and bundled services to which they are entitled.
- Some individuals are making requests for thousands of dollars, indicating that they had phone bills topping \$100,000—an amount exceeding their income.
- Some tax preparers are helping their clients file apparently improper requests.

## Exempt Organization Workshop

The IRS has launched a *free* web-based training program covering tax compliance issues. This new training program is available at [www.stayexempt.org](http://www.stayexempt.org). Users can complete the modules in any order and repeat them as many times as they like. The online training web site does not require registration and its visitors will remain anonymous.

## **NCSA Schedule of Events**

### **2007**

May 18—**Board of Directors**—Embassy Suites—  
Winston-Salem, 4 pm

June 21-22—**Summer PAS**—Embassy Suites—  
Winston-Salem—8 a.m. (ending at noon Friday)

June 23—**Annual Convention**—  
Embassy Suites—Winston Salem—9 a.m.

June 24—**Board of Directors**—Embassy Suites—  
Winston Salem, 9 a.m.

July 21—**Leadership Conference & Committee Day**—  
Holiday Inn Airport—Greensboro, 9 a.m.

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

September 21—**Board of Directors**—  
Hilton Near Duke, Durham—5 p.m.

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

September 28-30—**NSA Leadership**—Tampa/St Pete, FL

October 19—**Practitioners' Forum**—  
Holiday Inn Airport, Greensboro—9 a.m.

October 19—**Board of Directors** —  
Holiday Inn Airport, Greensboro—4 p.m.

October 20—**District IV**—  
Holiday Inn Airport, Greensboro—9 a.m.

### **2008**

May 10—**Board of Directors Meeting**—  
Zoo—Asheboro, 10:30 a.m.

June 19—**Board of Directors Meeting**—  
Marriott, Durham—4 p.m.

June 20-21—**Spring PAS**—  
Marriott, Durham—8 a.m. (ending at noon on Saturday)

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