



The Accountant

Official Publication

of the North Carolina Society of Accountants

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March 2007

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A Message From The President

Wayne O. Parker

I am sure everyone is in the heat of tax season. As February comes to a close we have another month of this 2007 filing season behind us. Don't forget your help resources, the NCSA web page and The Accountant. Please continue to take care of yourselves as the pressures continue to build and be sure to think of your friends and loved ones.

Please make an extra effort to attend your local chapter meeting during this hectic time. Let's show by our attendance this month that we care about our future and give of our time to help each other be better informed. Let's care for each other more than as fellow members of an organization but as friends with a goal to help by caring for our families, clients, and our State Society.

Make your plans now to attend our Summer PAS and Annual Convention in Winston Salem, June 20-24. Call early to make your reservations at the Embassy Suites Hotel (800) 696-6107, and be sure to reference the North Carolina Society of Accountants.

We all need to get our priorities straight. No one ever said on his death bed that he wished he had spent more time at the office.

"Today: Look forward for Today for Today is all we have. Tomorrow is full of empty promises and empty dreams. Yesterday is a memory of moments that have past. We can never have yesterday again, except to use its teachings. We can never be sure of tomorrow, for if you awaken tomorrow, tomorrow is today! Today is what you make it." David Derring.

I hope this tax season is prosperous for everyone. Thank all of you for your support.



Wayne O. Parker

Mark
Your
Calendars

NCSA
Fall PAS

September
21-22, 2007

Marriott
Durham, NC

Personal Postings

Pat Pittillo

A big congratulations goes to **Kathy Page** of Eden. She and one of her staff passed the Enrolled Agent exam and now have their certificates....The winter has been hard for families of our members who have passed away. Continue to pray for the families of **Clyde Karriker** from Charlotte who died February 12; **Clint Bryan, Jr.**, from Sanford, a past president of NCSA, who lost his battle with cancer February 3; and **Danay Gardner** from High Point who died in her sleep January 12....Also, our thoughts and sympathy go to our Executive Director **Candace Cansler** whose mother, Stella Queen, passed away just after Christmas. We really miss our mothers, don't we?...Send your news items to pataacct@asheboro.com or fax to (336) 626-0072.

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 Charlotte chapter met at Captain's Galley Restaurant on January 29, with 16 members and 4 guests. Avery Henline, Senior Stakeholder Liaison with the IRS discussed the highlights and tax law changes in 2006 and also talked about how to use the IRS site more effectively.

Norma Jean Rector spoke on Health Savings Accounts at the February meeting. It was held on February 26 and attended by 11 members and 1 guest.

The chapter voted to send \$50.00 to the Humane Society in memory of Clyde Karriker.

Rev. Dee B. Martin was accepted as an honorary member and Chaplin of the Charlotte Chapter.

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 meeting was held on Monday, February 19 at 6:30 pm, at the Barn Restaurant in Fayetteville. John S. Ayers, CPA, spoke on Form 8913—Credit for Telephone Excise Tax.

The next meeting will be on Monday, March 19, at 6:30 pm.

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 meeting took place on February 26, at the Olive Garden Restaurant in Hickory. There were 9 members and 3 guests in attendance. The chapter had the annual tax round table with everyone contributing problems and solutions for the current season.

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 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 or fax to 828-438-8111.

New Address for Forms 1042

All 1042 forms (including Forms 1042, 1042-S, and 1042-T) should be mailed to the Ogden Service Center rather than to Philadelphia as in past years. The mailing address is:

Ogden Service Center
PO Box 409101
Ogden, UT 84409

The Ogden address is shown on the Forms 1042 and 1042-T instructions but not on the Form 1042-S instructions, which could not be updated in time to provide the new address.

Form 8109-B

The IRS frequently is asked, "Why can't I get a blank *Federal Tax Deposit Coupon* (FTD), Form 8109-B?" The answer is, under certain circumstances, blank coupons are available. However, blank coupons should be used only when absolutely necessary.

The IRS encourages employers to take advantage of the Electronic Federal Tax Payment System (EFTPS). For employers who are not going to activate their EFTPS enrollment and wish to begin making tax payments using the FTD coupons, they must call the IRS at (829) TAX-4933 to obtain additional coupons. Allow 5-6 weeks for delivery. If a payment must be made in the near future, an FTD coupon can be mailed to you and can take 7-10 days.

Employers currently using paper FTD coupons usually receive new coupon booklets automatically. If not, call (800) TAX-4933 to reorder.

Some tax professionals have a need for both themselves and their clients to make federal tax payments. For a tax professional in this situation, you should consider EFTPS as it allows both you and your client to enroll separately and make payments for all types of federal taxes. If your client applied for and received an EIN after January 2004, most likely they already are enrolled in EFTPS as part of the IRS express enrollment initiative for new businesses.

There are options for getting blank coupons. Local Taxpayer Assistance Centers (TACs) can provide an authorized individual, depending on their employer's deposit frequency, either 4 or 8 Forms 8109-B with the EIN and business name already entered. If there is not a local TAC in the area, call (800) TAX-4933 to request Forms 8109-B.

Another option for obtaining up to 25 blank Forms 8109-B is by writing the IRS National Distribution Center on company letterhead. Requests should be sent to:

Internal Revenue Service
National Distribution Center
PO Box 8901
Bloomington, IL 61702-8901

Blank Forms 8109-B should be used only in an emergency situation and should not be used on a continuing basis.

NC Filing Deadline April 17

The NC Department of Revenue has extended the deadline for filing state tax returns in 2007. The extended deadline conforms to a change made by the IRS which moved its deadline for filing tax forms to April 17, 2007. The IRS made this change because April 15 falls on Sunday and April 16 is Emancipation Day, a legal holiday in Washington, DC.

North Carolina follows suit and extends the state's filing deadline to ease the burden on taxpayers and reduce confusion. NCDOR will consider any returns and payments that would have been due on April 16 as on time if they are filed and paid by April 17. The change affects individual as well as corporate filers.

Postage

Postage probably will increase in May. The cost of the first ounce will go to 41¢, additional ounces and postcards go to 26¢, and priority mail for the first pound to \$4.60.

A "forever" stamp will be on sale for a limited time in 20-stamp booklets at 41¢. These stamps will be good for a one-ounce letter even if the rates go up in the future.

Thank you...for the flowers, cards, calls, memorial gifts and other kind expressions of sympathy the members of NCSA extended to my family during the loss of our mother. Your kindness is sincerely appreciated.

Candace Cansler, ED, NCSA

Embassy Suites Hotel

Winston Salem

Reservation Information

The Embassy Suites Downtown Winston - Salem NC hotel in the Twin City Quarter connected to the Benton Convention Center is walking distance from the Stevens Center at the North Carolina School of the Arts and the Winston - Salem Arts District. This full-service upscale all-suite hotel is just minutes from the campuses of Wake Forest University & Winston - Salem State University, historic Old Salem NC - home of the Old Salem Children's Museum, the Southeastern Center for Contemporary Art - SECCA, SciWorks, Diggs Gallery and the Hanes Shopping Mall. The hotel is located ten minutes from the Smith-Reynolds Airport and 20 minutes from the Piedmont Triad International Airport. Guests of the Embassy Suites Winston - Salem hotel stay in spacious two-room suites and receive a complimentary full cooked-to-order breakfast and a nightly manager's reception. Wireless high-speed internet access is available throughout the hotel. The hotel offers 24-hour room service.

Make your hotel Reservation: Call the Embassy Suites Winston Salem reservations at 1-800 696-6107. Please ask for the North Carolina Society of Accountants group rate: Single or Double \$119 per night.

How to Get There: Business I-40 to downtown Winston-Salem. Take the Cherry Street Exit. Hotel is on your left.

North Carolina Society of Accountants 2007 Tentative Convention Agenda

Thursday, June 21

Registration - 8am-1pm
CPE 8am-12pm
Lunch
CPE 1pm-2:45pm
Break 2:45-3:00pm
CPE 3:00-4:45pm

Friday, June 22

Registration – 7:00am to 12:00pm
CPE – 8:00am to 11:40am (4 hours)
Lunch 11:40am to 1:00pm (On your own)
Golf – 12:00pm *or mini golf tournament*
CPE – 1:00pm to 4:40pm (4 hours)
Social Time – Cash Bar – 6:30pm to 7:00pm
Theme Dinner – 7:00pm to 11:00pm
Nominating Committee Meeting – 9:00pm to 11:00pm

Saturday, June 23

Opening of the 61st Annual Convention – 9:00am
General Business Session – 9:30am
Past Presidents Luncheon – 12:00pm to 2:00pm
General Business Session – 2:00pm to 5:00pm
Social Time – Cash Bar – 6:30pm to 7:30pm
Banquet and Installation Ceremony – 7:30pm to 10:30pm

Sunday, June 24

Board of Directors Meeting—9 a.m.

IRS Dirty Dozen for 2007

The IRS identified 12 of the most blatant scams affecting taxpayers and warned people not to fall for such schemes. Involvement in tax schemes leads to problems for scam artists and taxpayers. Tax return preparers and promoters risk significant penalties, interest, and possible criminal prosecution. The IRS urges taxpayers to avoid these common schemes:

1. Early filings show some individual taxpayers have requested large, and apparently improper, amounts for the special telephone tax refund. In some cases, taxpayers appear to be requesting a refund of the entire amount of their phone bills. Some tax preparers are helping their clients file apparently improper requests.
2. Taxpayers should be wary of advisers who encourage them to shift under-valued property to Roth IRAs. In one variation, a promoter has the taxpayer move under-valued common stock into a Roth IRA, circumventing the annual maximum contribution limit and allowing otherwise taxable income to go untaxed.
3. Phishing is a technique used by identity thieves to acquire personal financial data. These Internet-based criminals pose as representatives of a financial institution or the IRS and send fictitious e-mail correspondence. A typical e-mail notifies a taxpayer of an outstanding refund and urges the taxpayer to click on a hyperlink to visit an official-looking web site. The web site then solicits personal information. It is important to note that the IRS does not use e-mail to initiate contact with taxpayers about issues related to their accounts.
4. Domestic shell corporations and other entities are being formed and operated in certain states for the purpose of disguising the ownership of the business or financial activity. Once formed, these anonymous entities can be, and are being, used to facilitate underreporting of income, non-filing of tax returns, listed transactions, money laundering, financial crimes, and possibly terrorist financing.
5. This scam first appeared in the Dirty Dozen in 2006. A corrected W-2 or 1099 showing zero or little income is submitted with a federal tax return. The taxpayer may include a statement rebutting wages and taxes reported by the payer to the IRS.
6. Dishonest return preparers can cause many headaches for taxpayers. Such preparers make their money by skimming a portion of their clients' refunds and charging inflated fees for return preparation. They attract new clients by promising large refunds. Some preparers promote filing fraudulent claims for refunds on items such as fuel tax credits.
7. Taxpayers submit returns and claims reducing taxes income by substantial amounts citing an American Indian employment or treaty credit. Although there is an American Indian Employment Credit for businesses that employ Native Americans or their spouses, there is no provision for its use by employees. In a somewhat similar scam, unscrupulous promoters have informed Native Americans that they are not subject to federal income tax. The promoters solicit individual Indians to file Form W-8 BEN seeking relief from federal withholding.
8. For years, unscrupulous promoters have urged taxpayers to transfer assets into trusts. They promise reduction of income subject to tax, deductions for personal expenses, and reduced estate or gift taxes. However, some trusts do not deliver the promised benefits.
9. Promoters of structured entity credits are setting up partnerships to own and sell state conservation easement credits, federal rehabilitation credits, and other credits. The purported credits are the only assets owned by the partnership, and, once the credits are fully used, an investor receives a K-1 indicating the initial investment a total loss, which then is deducted from the investors individual tax return. These investments are not valid because they have no viable business purpose.
10. The IRS continues to observe the use of tax-exempt organizations to improperly shield income or assets from taxation. This can occur when a taxpayer moves assets or income to a tax-exempt supporting organization or donor-advised fund but maintains control over the assets or income. Contributions of non-cash assets continue to be an area of abuse, especially with regard to overvaluation of contributed property.
11. The tax abatement scam rests on faulty interpretation of the Internal Revenue Code. It involves the filer requesting abatement of previously assessed tax using Form 843. Many using this scam previously have not filed tax returns, and the tax they are trying to have abated has been assessed by the IRS through the Substitute for Return Program. Often one of the reasons on Form 843 is: "Failed to properly compute and/or calculate IRC Section 83-Property Transferred in Connection with Performance of Service."
12. Promoters have been known to make the following outlandish claims: the 16th Amendment concerning congressional power to lay and collect income taxes never was ratified; wages are not income; filing a return and paying taxes merely are voluntary; and being required to file Form 1040 violates the 5th Amendment right against self-incrimination or the 4th Amendment right to privacy. Don't believe these or similar claims. These arguments have been thrown out of court.

“Red Flags” on Schedule C Returns Could Trigger IRS Audits

In an effort to reduce the estimated \$345 billion “tax gap” in the United States (the difference between what taxpayers voluntarily pay and what they really owe) the National Society of Accountants (NSA) reports that the IRS is stepping up audits of small businesses run by sole proprietors.

NSA says the IRS believes there is a large underpayment of taxes by sole proprietorships. Therefore, the IRS is focusing its efforts and resources on individual tax returns that report business income and expenses on Schedule C.

Some of the red flag areas of “Schedule C” businesses are:

- **Using the Wrong Accounting Method** – Cash, accrual, or hybrid accounting methods are used by various businesses. But companies that have inventory should usually use the hybrid method.
- **Lack of Documentation of Auto Expenses** – Individuals can choose to deduct the standard mileage rate for business trips in their personal vehicles (44.5 cents per mile in 2006 and 48.5 cents per mile in 2007) or total all their actual expenses and depreciation for the auto and multiply the total by the business use percentage. Many rules and limits applied to automobile deductions, but the main one is to keep good records of business miles. The good news is that there are new additional deductions for business-related parking fees and tolls, and the business percentage of interest and personal property taxes on the automobile.
- **Improper Meal and Entertainment Expenses** – Expenses for entertaining clients, customers, or employees may be deducted if they are both ordinary and necessary. The main purpose of the expense must be directly related to the conduct of business. There are record keeping rules and generally only 50 percent of the business meal and entertainment expenses can be deducted.
- **Unqualified Home Office Deductions** – To qualify for deductions, the area in the home used for business must be used regularly and exclusively as the principal place of business, as a place to meet with clients, or in connection with the business if it is a separate structure not attached to the taxpayer’s personal residence. Storage of inventory or product samples and Day Care Facilities have special exclusions.
- **Paying Family Members** – Employing family members is deductible only if the work is done in connection with the trade or business, the family member actually renders the services, and payments are actually made. Small business owners should make sure they have documentation to demonstrate that they meet these criteria. Tax Tip: Paying wages to a child can be an effective income-shifting strategy for a taxpayer who owns a business. A child who is under age 18 and employed by the parent in a Schedule C business is exempt from Social Security and Medicare tax withholding.
- **Improper Classification of Employees** – Small businesses need to pay close attention to whether the people they hire can be classified as independent contractors or employees. This is one of the most misunderstood and abused areas of the tax law, and the IRS has this on their “Top Ten” list. The repercussions of misclassifying an employee as an independent contractor can be devastating to a business.

Cram Course for the ABA Exam

If you are looking to earn the Accredited Business Accountant credential, here's a way to jump start your study preparation and take the exam when you are most prepared to tackle it. Sign up for the ABA Crash Course and Exam. The course and exam will take place August 13-15 at the Portland Marriott Waterfront, Portland, OR, immediately preceding the NSA Annual Meeting.

This two-day cram course will help reinforce and expand your knowledge of the five topics covered by the exam. You will have the opportunity to take a sample exam, receive tips and tools from expert facilitators, and build the body of knowledge needed to successfully pass the ABA exam. Then, when you are all prepared, the ABA exam will be administered on the third day.

The cram course is a comprehensive coordinated program designed to fully prepare you with the knowledge and test-taking skills to pass the ABA test. You will receive a copy of the ACAT Prep Book, a two-binder set covering all five aspects of the 200-question exam:

- Accounting
- Business Consulting
- Business Law
- Ethics
- Taxation

You'll have two full days with skilled facilitators giving you strategies for answering questions and time-tested hints on test-taking skills. This cram course will touch on the exam's topics, but its main focus is preparing you to take the test, not teaching you accounting.

Those taking past cram courses have done extraordinarily well on the ABA exam with a significantly higher than usual past rate.

Though registrations will be accepted until July 31st, to maximize your results and give you the most preparation time, we strongly encourage you to register by May 1.

Fee: \$295 members; \$395 nonmembers; With ATP Option: \$370 members; \$500 nonmembers. Registration includes all course materials including \$185 ACAT Prep Book, study guide, sample exam, breaks, and the \$200 registration fee for the exam.

Time: Monday and Tuesday, August 13-14: 9:00 a.m. – 5:00 p.m. Wednesday, August 15: 7:45 a.m. – 5:00 p.m.

Speakers

Al Giovetti, CPA, ABA, ATA

For over 25 years, Giovetti has been in partnership with his wife, Christine, in an accounting and tax firm in suburban Baltimore, MD. Al has passed the CPA examination and the IRS Special Enrollment Examination and is one of the authors of the *ACAT Preparatory Course Manual*. Al has taught the ACAT Prep course for over 10 years, and has also taught the IRS Special Enrollment Examination (EA) preparatory course, as well as college accounting, computer and other courses at both graduate and undergraduate levels. Al is a regular contributor to the *Free State Accountant*, *NPA Magazine*, and a variety of other publications.

Bill Parrish, ABA, ATA, ATP, ECS

Bill Parrish is an accountant and tax professional serving clients in several states and is the founder and chief operating officer of (oneplusone)³. Additionally, he works for his wife, Cheryl, at her practice in Overland Park, KS. He has spoken at seminars for the Internal Revenue Service, accounting societies, and banking groups. He received the Golden Quill Award from the National Society of Accountants, their annual award for the best member-written article for their national publications and their highest annual award, the Distinguished Service Award. Bill has received the District Director's Award twice from the Internal Revenue Service, has served the Public Accountants Association of Kansas in numerous positions including President. He is a past member of the NSA Board of Governors and past Chairman of the Accounting Standards Committee. He is also past president and a past member of the ACAT Board of Directors.

Attend the NSA Annual Meeting

Extend your stay and attend the National Society of Accountants' Annual Meeting, August 16-18. For more information, visit nsacct.org/profdev.asp

Sign-up Now

For more information and a registration brochure, email Peg Kirkpatrick, NSA;

pkirkpatrick@acatcredentials.org; or call 888.289.7763

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.

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**—
Marriott, Durham—5 p.m.

September 21-22—**Fall PAS**—Marriott, 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)

2006-2007 OFFICERS

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