

# MAIN STREET **PRACTITIONER**

The Magazine for Tax and Accounting Professionals

Are Foreign Companies the Next Immigrants to the U.S.?

How do You do a Client Needs  
Analysis (CNA), and When?

Rainmaking – Finding the Time & Balance

## PRESIDENT'S MESSAGE



## HOW DO YOU DO A CLIENT NEEDS ANALYSIS (CNA), AND WHEN?



## ARE FOREIGN COMPANIES THE NEXT IMMIGRANTS TO THE US?



# Main Street Practitioner

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Brian L. Thompson, CPA,  
ABA, ATA, ARA  
NSA President, 2017-2018

### *Tax Reform and Technology Challenges*

I recently had the opportunity to participate in a radio interview where I was asked how I thought the Tax Reform bill would affect accountants and tax preparers. As I write this letter, it's not certain whether a Tax Reform bill will be passed that retroactively affects 2017 tax returns or will affect 2018 tax returns. My thoughts are that either way, if a Tax Reform bill passes late in 2017 or early 2018, it will likely affect this tax filing season even if none of the changes are retroactive. The reason I believe it will affect our 2017 season is that we will need to determine the changes for next year and clients will ask us how they will be individually affected by any Tax Reform legislation. Accordingly, we will likely spend additional time with clients evaluating their specific issues under the new law. You can count on NSA to keep you informed when a tax bill does pass and the relevant changes included in the new law.

Our members are the accountants on Main Street, not on Wall Street. As a “Main Street” practitioners, we have different needs and face unique challenges in comparison to larger firms. Challenges that include such things as finding competent staff at an affordable salary, advances in technology, clients that opt to do the work themselves, accounting standards designed for larger firms, and of course, new requirements from the IRS, just to name a few.

It's amazing how much technology affects our industry. Having somewhat of a technical background myself, I continue to be amazed at the advances in technology especially in the last few years. I note that my NSA membership card shows that I became an active NSA member in the year 2000, apparently just after the Y2K scare was over and it was safe to use computers and other electronic devices.

Computers and devices keep getting smaller and faster. Devices talk to us, we can talk to them, and better yet, they seem to understand what we are trying to say. There is software and apps that type words for reports for you while you speak with amazing accuracy. Advanced algorithms used in search engines provide relevant information after only a few key strokes. The cloud is not only those puffy white balls of cotton high in the sky, but it's this mystical place for computers and where data is stored. This magical thing of technology is all around us wherever we turn.

There is a new technical term in the tax and accounting industry that has been growing in popularity over the last year and that is Artificial Intelligence. Artificial intelligence, accordingly to the encyclopedia is the ability for a computer system to reason, determine meaning, generalize, and learn from past experiences. When artificial intelligence is paired with optical character recognition technology, we can have the ability to capture and analyze scanned or photographed paper documents such as invoices, receipts, bank and credit card statements, along with tax forms that can input data directly into our accounting and tax software. I think this is exciting news especially for small firms. After all, we, as small Main Street firms typically may not have the staff or resources needed to do extensive data entry to clients. Being able to scan client documents and have the content be understood and input into accounting software would certainly be helpful and a huge time saver. This concept now for accounting is very similar to the software that's been around for several years that reads tax forms and inputs the information directly into a client's tax return. However, it's only recently that I've heard of this technology being utilized for accounting transactions. Technology has sure come along way and we will no doubt continue to see advances.

We are so reliant on computers and the internet that data security has become a huge concern in our industry. Our office computers possess a goldmine of data that identity thieves and hackers would love to have in order to steal client identities and/

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or file fraudulent tax returns. I think for a lot of us, computers and the internet are sort of like magic. We are amazed by these magic boxes and what they do; however, we really don't understand how they work and therefore may not understand how to protect what's on them.

Data security and identity theft are not necessarily new unless you've had your head stuck in the sand over the last few years. The Internal Revenue Service has been sending out warnings almost on a weekly basis over the last year that tax preparers are specifically being targeted by hackers and identity thieves. Unfortunately, I have heard a several reports where tax preparers have had to notify all of their clients that the firms computers had been hacked. Personally, I can't imagine the impact and effect on my own firm if I had to tell clients that our systems had been breached and their data had been accessed by hackers. How would your firm be affected if you had to deliver this kinds of news? Accordingly, it is imperative that we all take action to develop better policies and procedures in our firms to keep data safe and secure. If you are not sure how protect your computer data, you may need to hire a computer professional, or possibly find a magician.

Identity theft has changed the way we do business from the simple things like password protecting clients to the more complex like using client portals and servers behind firewalls and a VPN, virtual private network. I'm sure it's changed your processes as well. As technology continues to become more advanced, so do the threats we face. Because there are new threats all of the time, we all must continue to monitor our systems and stay up to date with security policies.

NSA has cyber liability insurance available through our insurance provider, Forrest T Jones. This would be a good addition to your cyber security plan. This way, if the unthinkable does happen, your business assets would be insured.

I wish you all a fruitful and a very prosperous tax filing season.

A handwritten signature in black ink that reads "Brian L. Thompson". The signature is written in a cursive, flowing style.

Brian L. Thompson

President

# BE PREPARED FOR THE UNEXPECTED

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# MONDAY MOTIVATION

**Katie Bunschoten**

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My father worked for British Aerospace for 50 years. During the span of his career he kept a series of small journals, or diaries. Some of them had the weather for the day, or a note about the kids, but he believed that keeping a written record helped him focus and was an important part of his day. Side note: He also refused until his final work day to use a computer – he is a bit of a legend in our family!

Dad might be retired, but the value of his consistent journaling remains true and applicable today (even if we embrace technology a little bit more than Pop).

Whether you are an accountant, tax preparer, or other accounting or tax professional, taking a few moments of time for yourself early Monday, before chaos takes hold, should be a given. While this may require developing discipline and new habits, taking advantage of the calm before the storm allows us to organize our minds and thoughts in preparation for the week to come. In my opinion, the best tool to focus these thoughts is a written or digital plan, split into list or grid format, and that plan should be one that you prepare habitually and routinely each Monday, early, while you drink your first coffee (or second, depending on whether you work from home or not)!

Having a habit like this that you keep can be a form of meditation, and a way to clear your thoughts and to gain a measure of your accomplishments through the week.

You can keep this plan as a grid, a list, in an Evernote notebook, Word, or a piece of paper - however you'd like to keep it. Bullet journals are popular at the moment, and they follow many of the same principles. The point is that you complete this exercise regularly, every Monday, like clockwork. You'll be surprised how once you create a habit of it, the chance to work on your weekly plan becomes a fun and relaxing exercise.

A colleague of mine is a tax accountant at a local CPA firm. Missing tax deadlines because of a messy schedule cannot just cost you your peace of mind, but can create opportunities for penalties for the client as well.

“As a tax accountant, managing my time is crucial because clients depend on us to get projects completed timely and in an order of priority consistent with the due dates. If deadlines are not met, clients could incur penalties and interest on late filings that could be a significant dollar amount. Managing the hours in your work day to make sure you have responded to communications from clients and then dedicate time to completion of projects is crucial. We have to maintain focus on

*Continued on the following page*

objectives and not allow outside factors to deter us from our end goals for the day.” – Laura Tosti, Tax Manager, Hobbs, Crossley, Benefield & Craven, P.A.

Even if you have some of these items in a practice management software or customer relationship management (CRM) software, revisiting them during this exercise will refocus them as priorities for your week. Or, just enter “Filings” instead of listing each one. You can be as granular or generic as you want, as long as the points are actionable and have a duration assigned to them. The points of review can range from the mundane, like errands to run, to the gears that keep your business going, like open accounting items due for clients, CPE to complete, or marketing tasks to take care of.

Some of the items I try to organize for myself are below. These are just ideas - try and see what works for you. You will also catch yourself adding and subtracting subjects from this list through the weeks. That’s ok!

**Outstanding tasks.** Whether they are in a CRM, in your email, a practice management software, or in your head, one of the biggest mistakes we can make is misallocating time to complete our tasks. Maybe you plan to knock out that client project, but in reality it will take 10-12 hours. That filing you meant to get to a few days ago is now still incomplete, and the deadline is looming. Where did the time go? In most cases, accountants place heavy importance on the concrete commitments, and fail to allow time for the client fire that gets called in at 3:30, right as you sat down to complete that tax filing. It may not take long, but starting the task is many times the hardest point to get to, and planning in advance for pop up items can help you allocate your time accordingly. Plan to 70% of your week. Leave 30% for the fires, and get your deadlines behind you!

**Errands and trips.** Whether it is visiting a client, or running to Office Depot, make sure you place time in advance for travel & preparation. Never enter a meeting unprepared. Give yourself the gift of time to make sure you are prepared, fresh, and on-time. For web meetings, I like to allow 30 minutes whenever possible to review the agenda and make personal notes beforehand. If you jumped on the call at the 11th hour (or 59th minute!) and didn’t review the agenda, people will be able to tell. More importantly, your client will be able to tell. Always prepare.

**Goals.** Whether you are trying to learn a new software, complete some CPE, or read a book, make sure that you are not being reactive with your time. Set aside time to work on your goals. It helps prevent burn out, and makes sure you don’t become stagnant in your life or career. Leaving your CPE until the end of the year or term is always a bad idea, and budgeting your time to allow for completion during slower periods is always a good one.

**Open customer service items.** Reacting to constant fires is not success. Preventing some of the fires, and handling the rest before they become emergencies is. That small customer issue that gets called in on Monday is unexpected and means some calls. Leaving it to later because it is a small problem at the time sends the message that you don’t care about resolving your client’s issue. Handle the problem on time. To do so, you need to plan accordingly.

The most important thing you can do is to be able to count your To Do’s as done at the end of the week. Too often we just count them as worked on, which means they are still To Do’s for next week. You can quickly see how this is not a sustainable solution!

Interested to see what I spend my day on? A usual day for me is broken down into the following:

2 hours	Team Coaching
1 hour	Internal Administration (billing, financial planning, productivity reviews etc)
2 hours	New Client Calls & Support Questions
3 hours	Marketing, Blogging & Planning Work
8 hours	Total Time

Is this exact? Of course not. My Monday is the other side of the moon compared to my Friday. However, most days follow a pattern, and when these numbers start to get little nuts, I know it’s time to get help by delegating or prioritizing what I have to do, and what I want to do.

My heart hurts when I see a new accountant who is missing out on personal time because they want to take care of their

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clients, and they never reach the end of the to dos. By completing your plan you can see where your shortages are early, and can plan ahead. We don't know if we are short on time if we don't put pen to paper, or finger to keyboard. The more you plan to be prepared, the more you will be. If you need help, get it. Delegation > burnout every day.



#### About the Author:

Katie Bunschoten is the Founder and President of [KHBOffice LLC](#), a bookkeeping and QuickBooks Premier Reseller practice operating outside of Charlotte, NC, and is a member of Intuit's Trainer Writer Network. When not writing about QuickBooks and small business or coaching her small KHB team, Katie and her family can be found hiking the nearby North Carolina trails and planning their next beach trip.



# BE PREPARE FOR THE UNEXPECTED

FINAL EXPENSE GROUP WHOLE LIFE INSURANCE PLAN



# Those Giving Up U.S. Citizenship Shouldn't Forget Tax Obligations

Nathan Rigney



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There are essential tax rules that covered expatriates and their advisors need to know to stay in compliance before, during, and after an individual exits the U.S. The U.S. State Department estimates that nearly 6,000 U.S. citizens or long-term residents renounced their citizenship or relinquished their green cards in 2015. People expatriate for many reasons – to return to their home country, take up a new life in a new country, or give up dual citizenship after being born abroad and never living in the U.S.

Expatriates, while acclimating to their new homes and often a new culture, also need to tie up loose ends in the U.S. If they don't follow the necessary formalities and pay all outstanding U.S. taxes when they leave the U.S., they may face tax consequences.

## Special taxes can apply to assets owned by certain expatriates – and they may not always realize it

There are two special tax provisions that apply to some individuals expatriating from the U.S.: the exit tax and the transfer tax. These tax provisions don't apply to all former U.S. citizens and residents who leave the country. They apply only to people who fall within the definition of a covered expatriate (under §877A of the U.S. tax code).

### *What is a covered expatriate?*

A covered expatriate is an individual who expatriates in or after 2008 and meets any of the following conditions:

1. The individual had an average annual net income tax of more than \$161,000 for the five tax years ending before the expatriation date (for a 2016 expatriation date).
2. The individual's net worth is \$2 million or more on the expatriation date, or
3. The individual failed to certify under penalty of perjury on Form 8854, Initial and Annual Expatriation Statement, that he or she is in compliance with U.S. tax law for the five tax years before the expatriation date. (This also results in a \$10,000 penalty.)

### *The compliance mistake*

Only relatively wealthy expatriates would have a net worth of \$2 million or annual net income tax of \$161,000 over a five-year period. However, expatriating individuals may mistakenly assume that the special exit and transfer taxes apply only to wealthy people.

Tax Court records show that expatriating individuals sometimes fail to file Form 8854 to certify their compliance with U.S. tax law when they renounce their U.S. citizenship or relinquish their green card. These individuals automatically become covered expatriates because they didn't file this form.

Even if these taxpayers file the form, they still have to actually be in compliance for prior years. If they didn't file taxes or understated their income, for example, these individuals would automatically become covered expatriates unless they get in compliance before formally expatriating the U.S.

Individuals in this situation may discover that noncompliance can be costly.

*Continued on the following page*

### The tax timeline for covered expatriates

Here, we'll examine the "tax timeline" for covered expatriates – U.S. tax issues that can arise before they leave the U.S. and well after they resettle abroad.

#### *Tax obligations before expatriating*

Expatriates pay taxes as U.S. residents for the part of the year they were citizens or green card holders. As U.S. residents, they must report any income they earned or received from abroad during that same part of the year.

#### *Tax obligations upon expatriating*

In 2008, Congress signed the Heroes Earnings Assistance and Relief Tax (HEART) Act into law, adding the new §877A (the "exit tax") to the tax code. Under the exit tax, a covered expatriate's property is treated as being sold for fair market value on the day before the expatriation date. For 2016, the individual would owe a 40 percent tax on any built-in gains above the \$693,000 exemption.

Under [Notice 2009-85](#), the exclusion amount is allocated among all built-in gain property that is subject to the mark-to-market regime, pro rata, based on the amount of gain for each built-in gain asset.

For example, if a covered expatriate owns stocks with a combined value of \$2.5 million and a basis of \$1.5 million, the mark-to-market rules will treat the stocks as if they were sold on the day before the expatriation date. The deemed sale results in a gain of \$1 million (\$2.5 million minus \$1.5 million). Before applying the exit tax, the \$1 million gain is reduced by the exemption amount of \$693,000, resulting in a taxable gain of \$307,000. The individual then owes a 40 percent exit tax of \$122,800 (40 percent multiplied by \$307,000).

As the example demonstrates, the exit tax can be steep even after the exemption.

#### *Tax obligations after expatriating*

Expatriation not only results in potential taxes to the expatriate, but it can also result in taxes and reporting requirements for the individual's U.S. relatives and friends.

#### *The transfer tax on "covered gifts and bequests"*

When a covered expatriate's family or friends remain in the U.S., the expatriate may transfer assets to them by gift or bequest. In that case, the recipient will owe tax on any amounts over the annual gift exclusion (\$14,000 in 2016). The tax rate will be the highest estate tax rate in effect on the date the U.S. recipient receives the covered gift or bequest (40 percent in 2016). This is the opposite of the gift tax, where the individual making the gift is subject to the tax and not the recipient.

The transfer tax applies to the expatriate's transfers to U.S. citizens or residents after (or immediately before) the expatriation date. It applies to transfers of wealth that would be subject to U.S. taxation if the transferor was a U.S. citizen or resident. Similar to U.S. gift tax provisions, lawmakers enacted the transfer tax to counteract the effectiveness of transferring wealth after expatriation to avoid the exit tax, gift tax, and estate tax.

For example, a covered expatriate who renounced U.S. citizenship in 2012 is contemplating a transfer of wealth to his U.S. citizen children as a part of his estate plan. He plans to transfer \$14,000 to each child per year until his death and then transfer the remaining assets as a bequest when he dies. The annual gifts will not be subject to the transfer tax because they don't exceed the annual gift exemption amount of \$14,000 in 2016. However, when his estate transfers the remaining assets upon his death, any amounts above the \$14,000 exemption for any individual recipient will be subject to the transfer tax.

### Other reporting requirements

#### *U.S. recipients may have to report fund transfers*

In addition to potentially owing the transfer tax, U.S. citizens or residents who receive foreign gifts or bequests of more than \$100,000 must report the gift or bequest on Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. If the recipient doesn't file Form 3520 on time or if the form is incomplete or inaccurate, the

*Continued on the following page*

IRS can issue a penalty of 5 percent per month (up to 25 percent of the transfer's value).

If funds are transferred into a foreign financial account under the control of a U.S. citizen or resident, and the value of that foreign account exceeds \$10,000 at any time during the calendar year, the account owner must report the account on FinCEN Form 114, Report of Foreign Bank and Financial Accounts. If the recipient doesn't properly file FinCEN Form 114, he or she may be assessed a penalty of up to \$10,000.

*Assets remaining in the U.S. also remain in the expatriate's gross estate for U.S. tax purposes*

When a covered expatriate dies, his or her estate will need to file a Form 706NA, United States Estate (and Generation-Skipping Transfer) Tax Return, and pay the estate tax liability on any assets in the U.S. The unified gift and estate tax exemption does not apply to a covered expatriate's estate.

However, there's a silver lining for covered expatriates when it comes to estates. For U.S. estate tax purposes, these expatriates are treated like nonresidents who never had U.S. citizenship or residency status. As a result, their foreign assets are excluded from their gross estate.

In contrast, expatriates who don't meet the definition of a covered expatriate are treated like U.S. residents for estate tax purposes. They must include all assets in their estates, wherever the assets are located.

**Know the rules before getting started**

Accountants and tax professionals who have clients who are considering renouncing U.S. citizenship or relinquishing a U.S. green card should remember the potential tax consequences of fund transfers to family and friends who remain in the U.S., and follow the formalities required before, during, and after their exit from the U.S. Doing so will help ensure compliance at home and abroad.



**About the Author:**

Nathan Rigney, JD, is a senior tax research analyst at [The Tax Institute](http://TheTaxInstitute.com). Nathan specializes in state income tax trends and the taxation of real estate transactions and debt cancellation.

This article originally appeared at [www.TheTaxInstitute.com](http://www.TheTaxInstitute.com)



# The Accountant's Role in Estate Planning and Administration

## A Practical "How To" Guide

Michael Allmon

\*\*\*

It seems that most articles on introductory estate planning cover the basic techniques of estate planning and administration, but fail to discuss how to begin practicing in this field, and what the role of the accountant might be. This article will hopefully provide you with a practical guide to getting involved in estate planning and administration for accountants.

### What Basic Estate Planning and Administration Involves

Estate planning can be divided into two topics: planning prior to death (premortem, or "traditional" estate planning) and post-mortem. Premortem is primarily about planning while post-mortem is more about administration, although both phases can include each. Accountants are needed in both phases of this planning.

Traditional planning involves asset transfer techniques (what method will be used to transfer assets at death). Such choices are not mutually exclusive and include the use of wills and the related probate process, living trusts, joint tenancy, life insurance, pension plans, etc. This planning can also focus on minimizing estate taxes (to the extent desired by the client) in light of the clients' goals. For example, it's possible to pay no estate tax by merely leaving all property to charity. Obviously, this might not be the goal of the client. Finally, traditional planning also involves liquidity planning (how to support the family, how to pay estate taxes, etc.).

Post-mortem planning can include trust funding considerations—such as how to achieve the goals of plans while attempting to simplify the situation, how to fund and minimize income tax consequences, etc. Also, there can be a potential to reduce estate taxes with post-mortem planning techniques. Because the estate tax laws are complex and continually changing, there

may be ways to interpret the controlling documents with the laws at the time of death that may have not existed when the documents were signed. Administration involves applying the terms of the estate plan, generally at death.

The accountant has a unique background and relationship with each of our individual clients that allows us to efficiently serve our clients' estate related needs. We can add value to our clients' situations as a "gatekeeper" because we know our clients, and their unique needs and desires. Since we generally have contact with them at least once a year (when we prepare their personal income tax returns), we know changes in their personal situations that can require changes to estate plans. This knowledge can be used to benefit our clients either by suggestions that we might make for estate plan changes or for suggestions that the estate-planning attorney should be consulted. We also know when changes in plans should be considered, especially for changes in the law and as those relate to our clients' situations. If we choose, we can review the documents periodically (not for legal content since we are not attorneys) for changes that may be needed. Note that disclosure may be needed in the engagement letter that we are not attorneys and our review is for changes in factual situations rather than interpreting the legalities of the document.

During the preparation of our clients' tax returns, we have the perfect opportunity to be watching for administrative estate planning issues (for example, if we know that our client has a living trust but Forms 1099 are issued in an inconsistent name, we can assist in the correction of the inconsistent documents).

## Getting Educated

Estate practice is a technical field, and we cannot merely become educated in the field and then begin serving clients. While education in estate practice is a requirement, that education can take the form of formal classes, attending estate planning committee meetings, as well as self-study and webinars. Once a basic education has been obtained, getting experience is more challenging.

Just as accounting is the "language of business" and each of us has taken classes to learn the language of accounting, we must first learn the "language of estate practice." Once you have at least some understanding of the concepts involved in estate practice, there are several ways to get involved.

## A Practical Approach to Getting Involved

Because we are our clients' most trusted adviser with respect to subjects involving personal finances, it's not difficult for accountants to become involved in estate practice.

Early on in my career I attended several estate planning meetings with other clients and their attorneys. I chose to do so at a reduced fee in the beginning. It quickly became apparent to me that my normal fee was appropriate. With the basic background I had obtained from these meetings, I began preparing estate and gift tax returns. I have always insisted that the clients' attorneys review the returns when I am done (especially because the complexities in this area of practice often require such creative teams, and because I prefer to share any potential risks. It should be noted that I have encountered no problems as a result of the "team" approach).

From my experience, I determined that it would be helpful to have a more advanced education. Thus I obtained a Masters in Taxation degree and took just about every class on estates and trusts that was available. This is not necessary for basic entry into the estate-planning field, but is very helpful for more advance planning. I also became active in forming and participating in our local CalCPA estate planning committee, and formed a related statewide committee. The primary purposes of these committees are to educate and assist CPAs in the field of estate planning and administration. Joining your local state organization and committees is essential to this process, in my opinion.

## The Accountant's Role

As accountants, we're often asked to serve as fiduciaries (executors, trustees, etc.) for clients and family members. I believe the accountants is uniquely qualified to serve in this capacity. My first article on this subject discussed the CPA as fiduciary

(“Natural Fiduciaries” California CPA, Nov. 2001). Subsequent to that article, I discovered another role for the CPA in estate practice. I was serving as a trustee for a complex group of trusts and had resolved all of the administration problems for those trusts. I realized that the primary service that these trusts needed at that time was investment of the trust assets. My expertise as a trustee was no longer appropriate or necessary (except for the preparation of the income tax returns). With the assistance of the trusts’ attorney, I replaced myself (with a professional trust company) in the day-to-day role of trustee. Since I was the trustee, I entered into a contract indemnifying me and allowing me to retain the power to replace the new “trustee.” Effectively I had created a role for myself as a “trust protector,” a concept that was used in off-shore trust planning at that time but was not generally employed for domestic trusts. Further details on this concept can be found in my article “CPAs as Trust Protectors” in the March 2007 issue of the Journal of Accountancy.

My experience has taught me that a third potential role exists for accountants: that of “trustee adviser.” Many of our clients choose to have family members as their fiduciaries. Of course these family members usually have no experience as a fiduciary and often do not have the time to devote to the role. I have found the role of advising these clients to be personally rewarding as well as an area of practice that we can also assist in.

As I have discussed in this article, the accountant is the natural fiduciary (executor or trustee) for our friends and clients. We can easily become involved in either, or both, estate planning and estate administration. Further, we can choose our roles from that of assisting with basic planning to more complex planning. Finally, we can then choose to serve our clients’ needs with respect to estate and trust administration as an advisor or as an actual fiduciary.



#### About the Author:

**Michael Allmon** has over 35 years of experience in tax planning and preparation, estate planning, and financial planning for businesses and individuals. Mike has held various executive and managerial positions with Laventhol & Horwath in Los Angeles, and Zusman, Cameron & Allmon, CPAs (as a partner in charge of Tax and Personal Financial Consulting Services) before founding [Michael B. Allmon & Associates, LLP, CPAs](#) in 1988.

Mike is also a Recipient of the CalCPA [Saul Braverman Award](#)– (selected from over 40,000 CPAs) “in recognition of distinguished service in the area of tax practice in the spirit of Saul Braverman’s professionalism, creativity and contribution to his clients, and the profession as a whole.”



# IRS Employment Tax Notices Must be Sent to the “Last Known Address” of the Taxpayer

Robert Horwitz

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In 2016 the IRS enhanced their focus on employment tax enforcement throughout the country. An employment tax return filed by April 15 of the year following that in which the applicable quarter falls is “deemed filed” on April 15 of the following year. Where no return is filed, the three-year assessment period does not begin to run and the IRS can make the assessment at any time.

A recent district court case, *United States v. Wallis*, 117 AFTR 2d 2016-583 (WD VA 2/1/2016), discusses the applicable statute of limitations for assessing trust fund recovery penalties under Code Section 6672 and the notice provisions that are required before the IRS can assess the penalty.

Wallis owned two corporations, United and Boss, and was a co-owner of a third corporation, Pizza Planet. United did not file employment tax returns for any of the four quarters of 2000. Pizza Planet failed to file employment tax returns for the first quarter of 2000. The IRS made “substitute for return” assessments for employment taxes against United and Planet Pizza.

Boss filed its employment tax return for the second quarter of 2002 on July 31, 2003, for the third quarter of 2002 on October 31, 2002, and for the fourth quarter of 2002 on January 31, 2003. Wallis was in bankruptcy from January 31 to May 21, 2002.

On April 12, 2006, the IRS sent Wallis a Letter 1153, informing him that it had determined that he was a responsible person liable for the failure of the companies to pay employment taxes. Wallis did not protest the proposed determinations and the Government assessed the tax.

The Government sued Wallis to collect the trust fund penalty assessments and to also collect income taxes that Wallis owed. The Government moved for summary judgment. The Court granted the motion as to all liabilities, except for those relating to Planet Pizza because there were issues of fact that were in dispute.

What interests us is the period of limitations on assessment and the notice provisions relating to the trust fund recovery penalty.

**THE PERIOD OF LIMITATIONS ON ASSESSING TRUST FUND PENALITIES.** The IRS can assess a trust fund recovery penalty within three years of the latter of a) the date the Form 941 employment tax return is deemed filed or b) the date when the Form 941 is actually filed. An employment tax return filed by April 15 of the year following that in which the quarter falls

is “deemed filed” on April 15 of the following year. Where no return is filed, the three-year assessment period does not begin to run and the IRS can make the assessment at any time.

In addition, certain events toll the statute of limitations on assessment. The assessment period is tolled while a taxpayer’s bankruptcy case is pending plus an additional 60 days. A notice the IRS has determined that the taxpayer may be liable for the trust fund penalty tolls the period of limitation for 90 days.

After discussing these rules, the district court applied them to Wallis’ case. Since no returns had been filed for quarters in question for Planet Pizza or United, the IRS could assess the penalty at any time. For United, since the returns for the third and fourth quarters of 2002 were filed on time, they were deemed filed on April 15, 2003. Since the IRS sent the notice of determination to Wallis on April 12, and Wallis had an intervening bankruptcy, the court held that the IRS “had until well after July 6, 2006 to make its section 6672 assessment against Wallis, which it successfully accomplished.”

**THE TRUST FUND RECOVERY PENALTY NOTICE PROVISIONS.** Internal Revenue Code §6672(b)(1) requires the IRS to give a responsible person notice that he may be subject to a trust fund penalty assessment. The IRS provides notice by either hand delivery or by mailing a Letter 1153 to the taxpayer’s last known address as determined under Internal Revenue Code §6212. According to the court:

The Service meets its duties by sending notice to the taxpayer’s “last known address,” a term of art defined in Treasury Regulation section 301.6212-2(a) as: the address that appears on the taxpayer’s most recently filed and properly processed Federal tax return, unless the Internal Revenue Service (IRS) is given clear and concise notification of a different address. See e.g., *Bullard v. United States*, 486 F. Supp. 2d 512, 516 (D. Md. 2007); *Mason*, 132 T.C. at 318. Further information on what constitutes clear and concise notification of a different address and a properly processed Federal tax return can be found in Rev. Proc. 90-18 (1990-1 C.B. 491) or in procedures subsequently prescribed by the Commissioner. Treas. Reg. section 301.6212-2(a).

**CHANGING THE LAST KNOWN ADDRESS.** Under Rev. Proc. 2001-18, taxpayers could change their address using a written notifications or by giving the Service “clear and concise oral notification.” For either notification, the Service had a “45-day processing period” to update its records.

Wallis claimed he was not given proper notice sent to his last known address. The court rejected this argument, because the notice was sent to was the address listed on his most recently filed tax returns that were filed prior to the date of the Letter 1153 and it was the same address used on his dealings with banks and everyone he paid by check. Wallis never gave the IRS “clear and concise notice” of a different address. Therefore, the IRS gave proper notice.

The Wallis case is a reminder that, when dealing with the IRS, it is important to give timely notice of any change of address. Failure to give proper notice can deprive a taxpayer of valuable rights to challenge a proposed liability pre-assessment, either through an appeal to the IRS Appeals Office or, in the case of notices of deficiency for income, estate and gift taxes, by petitioning the Tax Court.

NOTE: For many types of returns, a taxpayer can change their address by submitting IRS Form 8322. For more information, see <https://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/IRS-Procedures/Address-Changes/Address-Changes>



#### About the Author

**Robert Horwitz** has over 35 years of experience as a tax attorney specializing in the representation of clients in civil and criminal tax cases, including civil audits and appeals, tax collection matters, criminal investigations, administrative hearings and in civil and criminal trials and appeals in federal and state courts. He has served as a member of the Executive Committee of the Taxation Section of the State Bar of California and is Chair of the Taxation Section for 2015-2016 year. He was previously Chair of the Tax Procedure and Litigation Committee of the State Bar Taxation Section.



# How do You do a Client Needs Analysis (CNA), and When?

Kirk Ward

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Somewhere back before the dawn of time, or at least what seems like that from where I sit today, I decided that all I ever wanted to do in life was to run my own accounting practice. At least that was what I decided after spending about fifteen years on the road for fifty out of fifty-two weeks each of those fifteen years auditing borrowers of high-dollar accounts receivable and inventory loans (Asset Based Loans).

All I could see was the beauty of having a nice relaxing life, going home every day at five to a hot dinner and a loving family. Then I found out about tax time.

Didn't take me too long to decide that all I ever wanted to do in life was work with small business owners performing the writeup work that bookkeepers and a lot of accountants did in those days. Especially after a few seasons of twenty-six hour days, eight days a week, packing a full year of work into four months each year.

Now, one of the things I'm sure you are well aware of is that back 'in the day,' schools taught accounting skills, not accounting practice management and marketing skills, so little ol' me hit the streets, knocking on doors, without a clue as to what I was doing other than just walking in and asking for some accounting business. And there I was, knocking on doors. Knocking on more doors. And, knocking on even more doors.

I didn't really have much of a system past making it a 'numbers' game, getting in front of as many small business owners as I could and just asking for the business, or as the old time salesmen said, asking for the order.

These days, almost every practitioner I talk to talks about their skill at making sales. But me, when I was just starting out, I didn't have all that knowledge. I had to figure things out a little bit. And, one of the things I looked at, was the interview skills that Dave Lieberman had taught me when I was a part of his "Triple Check" tax franchise system.

Dave's folks had a pretty good interview system laid out. Totally geared to the tax preparation interview, but nonetheless, a pretty good interview system.

And, that's what every practitioner I talk to describes when I ask them about the 'Client Needs Analysis' portion of their sales presentation. I get some rambling, poorly thought out answers to how they determine a clients needs, and the first thing I notice is that it always revolves around the practitioners services. Whether they are talking about their financial statements, or the tax returns they prepare, or the financial planning services they offer, nine times out of ten, the practitioner is talking about themselves and their services.

Now granted, almost every small business needs an outside accountant to do things like review the bookkeepers work, make closing entries and prepare the company tax returns, so there's a lot of work out there and the development of selling skills is not a high priority for most accountants.

But, practitioners still lose clients and have to replace them just to maintain their status quo. Client churn is a fact of life in the tax and accounting business. It is every practitioner's goal to minimize that churn.

One way churn is reduced is through the addition of multiple services to your portfolio. I know, I did it back in the 80's and got an immediate fifty-percent reduction in client churn with the first additional service I added (it was an in-house, but standalone payroll service). My average client was staying with me twice as long just because I added payroll check writing to my practice.

When it comes to tax law, and GAAP, I'm not the brightest bulb in the room. But sometimes a light flashes in front of me and I absorb some of that light.

That's what happened when I realized that those barriers to entry that additional services provide wouldn't have been there if my clients hadn't needed those additional services. The thing was though, that I felt like something was missing. I was adding services that folks just weren't buying, and that was because they didn't need them.

But, I persevered, kept on signing new clients at a reasonable rate and felt like I was a moderate success in my market, performing write-up services for small mom and pop type businesses.

Things are a bit harder today. All that low hanging fruit has been gobbled up as automation has crept into our lives. Identifying and offering the services that clients want and need has gotten harder and harder. Or has it?

At a recent CFO Innovation conference in Indonesia, a fellow by the name of Cesar Bacani predicted that Blockchain will decimate the auditing business and possibly eliminate the double-entry accounting system we have used ever since Fra. Luca Pacioli reduced it to a writing in the fifteenth century. If his prediction becomes reality, what can an ordinary local practitioner do to survive?

Successful practitioners are dusting off the cobwebs that crept over the basics they were taught at university, moving away from the transactional (price sensitive) work of the typical local practitioner, and returning to their roots in knowledge business, working to solve the needs of their clients.

And, that's where accountancy, and accountancy marketing shine the brightest.

At its basic level, traditional accountancy marketing is all about positioning yourself as an expert who can solve the needs of your prospect better than an alternative, whether it is a direct or indirect competitor.

You know your skills, what you can and cannot accomplish, but your market is defined by the needs you can satisfy. So, if that skill you spent two, four, five or seven years learning is not something your market needs, then you just wasted years of your time and have no hope of recovering, unless of course, you can find clients who need that skill, and you can include it in your services offering.

That my friend, is where a Client Needs Analysis (CNA) will help.

And, where you have the ability to save time, and reputation.

If you perform a Client Needs Analysis, and determine that the client has no need for that new skill, you can either move on to a new prospect or refine your offering to fill the needs they do have.

Now, a needs analysis is more than asking a prospect what they need, or what problems they are trying to solve. Those are valid questions, but if you're going to be of use to them, and get those higher fees you're trying to get, then you need to learn a bit about being a detective, and being a salesperson.

About now you should either be saying something to yourself like "This guy is full of baloney, I sign almost everyone I talk to," or something more useful like "Okay, smartypants, where do I start with this mystical Client Needs Analysis?"

Well, dear friend, old buddy, old pal, if you think you have this needs analysis thingy down so well that you don't need to hear any more, just go sign up a client with whatever need you think they do have. Me, I'm going to write a bit more here about the process for all those other folks who will probably be taking your clients when they discover how to fill your clients needs.

For one thing, a Client Needs Analysis starts before you ever go out to talk to a client. It starts the minute you begin to target a prospect.

Yep, I said, target a prospect. I'm not talking about mass marketing, the type of stuff a tax preparer does seasonally. That's stuff for another article and another time. Today, we're talking about targeting accounting clients and performing a Client Needs Analysis for that particular firm.

The first thing I suggest you do after you have identified your target firm, is to do some research.

This is where Google is your friend. Look up your prospect's website, find several products or services that they offer, look at what appears to be their sources of income or revenue streams. Find out what the trends are for them and the industry regarding those revenue streams, products and / or services, and see what the competitive landscape is like.

See if you can find trends that are impacting their business or niche. Being aware of trends will help set you up with a preface question that gives you their own insights, and fills in the blanks in your research.

If possible, talk to someone in that particular niche who might be willing to act as a mentor and who can provide you with niche or industry insights prior to your first meeting with the prospect.

It can also help you understand more about who you are meeting with and allow you to quickly build rapport and get better answers to your questions.

Speaking of questions, let's not get ahead of ourselves too much and start asking questions about needs right away. The first thing jumping in with a lot of questions will do is alienate the prospect.

They don't know you. Which means they don't trust you, and they don't necessarily have to be polite to you.

You gotta build some rapport my friend: rapport comes first, before anything.

Someday I'm going to finish Daniel Kahneman's book 'Thinking Fast, And Slow,' and I'll be able to explain why a little better, but for now, let's just accept it as gospel because we, as humans, have the fight or flight response hardwired into our DNA, and that includes how we respond to salespeople, even the high-class accounting types of salespeople.

Suffice it to say, you gotta build rapport.

And, as you are building rapport, you easily flow right into your Client Needs Analysis questioning without asking a single question about what their needs are.

You are a high skilled professional, aren't you?

Well, if you're not, the prospect certainly doesn't want to engage you. And, if you are, they certainly don't want to have to tell you what they need.

Your Client Needs Analysis is a conversation: a conversation about the prospect, about their business, and about them. It is not an interrogation, it is a journey of discovery and detection.

This is your time to be like a detective, looking for clues, and asking about the prospect how they do things. You talk about the prospect, their business, how they operate, and who does what. As you talk, you inquire about details of each aspect, and you take the time to understand. When you leave, you need to know more about the prospect's business than they do.

To discover what those needs are, your discussion should be almost completely made up of open-ended questions. For example, asking 'What do you see happening on the production line during the day that is different from what is happening on the night shift?' will give you more information than 'Is the day shift more productive than the night shift?'

When beginning your discussion, start with easy questions that can help you build rapport.

One of the things to remember is that you absolutely must keep all your questions timely and topical. For example, if your research, or the answer to an earlier question gives you information that indicates something has happened that affects the current topic of discussion, it is okay to mention your observation and ask another open-ended question about the observation.

For example, ‘What are your duties primarily composed of here?’ or ‘what goes on in that department?’

And, by all means, don’t ask something that you ‘should’ know. Have a list of a half dozen powerful open ended questions that you could not answer with your preemptive research. Then just a few tie down questions to get confirmation.

Finally, when you have completed your needs analysis, it’s time to leave. I repeat, it’s time to leave.

Thank the prospect for their time, let them know that you think you’ve gotten a good understanding of their situation, but you want to go through all the information, and talk with the members of your team, so you can develop a solution that will meet their needs more accurately than a generic service you provide to others. Ask if you can meet with them in a couple of days to go over your proposal, which is when you will ask for the engagement.

Your prospect may be a bit surprised that you don’t try to sign them up right then and there, but it is important for them, and for you, to make sure that you understand their needs, and that your solution fills the need, or needs.

Once you can reach the point of talking to a prospect, and getting to know them and their business, without talking about you, your practice, how great your services are, or anything that smacks of self-aggrandizement, you’ll be able to tailor your services to your client’s needs, and tie them to your practice.

And that, my dear friend, is how you do a Client Needs Analysis, when, and why.

**Part 2: “Client Needs Analysis: The Process and Questions” will appear in the February 2018 issue of Main Street Practitioner.**



#### **About the Author**

Kirk Ward, developed and sold a small chain of taco stands after a youthful career in broadcasting, and used the proceeds to finance his accounting education, graduating from Baylor University in the early 1970’s.

After a fifteen year career as an “Asset Based Load” examiner or auditor, focused on contract compliance and fraud prevention, Kirk started and built several accounting and payroll practices in cities across the Southeast, authored a Special Enrollment Examination Review manual for Micro-Mash, a leading computer based training firm (now a part of Thompson-Reuters), and retired to the North Georgia mountains.

After retirement got boring, Kirk moved online to provide accountancy marketing tools and resources to independent, local, practitioners on the Practice Builder Publishing website at <https://practicebuilderpublishing.com>



## **Rainmaking – Finding the Time & Balance**

*This is the second article in a 3-part series from Monika Miles.*

At the beginning of October, this publication ran my first article in the Rainmaking series, entitled “It’s Time to Think about Rainmaking”. In that piece, I shared with you a few steps to building your business pipeline and putting the art of rainmaking into practice. They include: change your mindset around selling; correctly identify your target market; put yourself in the room with your target market (regularly); establish your practice development goals; and keep accountable to those goals – especially to yourself.

There’s a lot behind each of those steps, but they are relatively straightforward. The hardest part is making the commitment to do the work. Building relationships and ultimately bringing in business doesn’t happen by accident. And sometimes for accountants, it is a challenge to put on our “sales” hats. It’s important to be intentional, and to invest the time needed to plant the seeds, water and nurture them, and ultimately see them begin to grow.

I had lunch with a colleague recently and the topic turned to business development. Even though she’s trying to build her new business, she has had to significantly reduce her networking activities because so many other things are competing for her time. Unfortunately, we can all relate to that at one time or another.

Time spent building business relationships requires a delicate balance. If we do less networking, it’s difficult to meet the people who will become clients or referral sources – particularly when the business is young or in growth mode. Yet, having enough time is always a problem. So, how do we engage in the very important task of Rainmaking and still find balance?

Here are some things that work for me:

### **Prioritize**

Take stock of the many things competing for your time in a 24 hour day. Is it client projects? Business networking? Family? Volunteer/community activities?

Ask yourself, “What is the most important thing I can be doing right now to achieve the goals I’ve set for myself?” Of course, this is where written goal setting is so important. Some time ago, when you weren’t so busy and you decided to focus on your ambitions, maybe you sat down and told yourself what you really wanted to accomplish this year. Hopefully, you crafted goals for your business and your personal life and wrote them down! I suggest that you pull out that paper and ask yourself if your goals have changed, or if life has just interfered and made reaching them more challenging? If building your business is a stated priority, find a way to allocate some time to that and reallocate your time in other areas of your life. Could your spouse or other family member help pick up the kids one extra night per week? Can you hire a housekeeper? Can you do some client projects from home, rather than commute several hours per day? Could it be time to consider creating a home office to eliminate your commute entirely? Sometimes it’s just a matter of thinking differently about the things that steal away the valuable minutes of our days.

### **Delegate**

It can be hard to delegate marketing or Rainmaking activities – particularly if you are a sole practitioner or small

accounting business and are the key person responsible for building the relationships that ultimately drive the revenue. Unless you can afford to hire a salesperson (and many times in start-up or growth mode we cannot), you'll still have to do much of it yourself. Remember, you are the best person to build those important relationships that will hopefully grow into long term referral opportunities. However, you can delegate other things. How about administrative tasks that a virtual assistant could help with? Or small jobs you might offload to a college student seeking an internship? (Many accounting students are looking for that "real world experience.") Can someone assist you with social media, blogging or other web-based outreach? Of course! I've had much success in my business by hiring college students and contractors to assist in these areas. A little planning up front can ultimately help you to delegate the tasks that don't require your direct attention – and free you up to do the important pipeline building activities!

### Engage in Indirect Marketing

If we refer to attending networking events and having lunch with prospects as "direct marketing", then blogging, engaging on social media, updating your web presence and sending out newsletters are "indirect marketing". Generally, these indirect activities are not stand-alone, but they enhance the other direct activities and help to reinforce your brand. These activities do take up some time, but maybe not as much as you might think, and much of it can be done at your convenience. For instance, I sometimes draft blogs while sitting in my backyard – even if I have just a few minutes to think and work on my business. I can still be present with my family and be engaged in a little marketing activity at my leisure. Depending on your target audience, posting and initiating conversations on Facebook or Linked-In (or other platforms) may also make sense. Those activities can often be scheduled during off times, evenings or weekends. So much of life has become virtual today. Find a way to use that to your advantage!

### Cut back, don't cut out!

When it comes to networking, I believe that consistency is key. If your goals at the beginning of the year were to participate in four networking groups, and attend one meeting per week, that likely seemed to be a reasonable milestone at the time. If you find that it is now too overwhelming, then perhaps change up the meetings and instead of attending every group every month – cut back to one or two per month, and then catch the others next month. Don't let networking become so burdensome that it's stressful rather than an enjoyable part of building your business: cut back, but don't cut it out completely. It's still important to be seen out there! Be active enough so that your groups know you and miss you when you're gone! And perhaps in light of competing priorities, don't forget to periodically reassess your networking strategies in terms of cost/benefit, leads cultivated, and ultimately revenue generated. periodically. Hopefully, when some of your other stressors subside a bit, you can ramp up the networking again so that it works for you. Remember that some activity is always better than no activity.

Ultimately, the way you spend your valuable time is a very personal choice, and only you can decide where to direct your resources. I recommend that my Rainmaking consulting clients stay as consistent as possible and keep a constant drumbeat going in your circles about your business and your activities. Allocate some time, even if you have to reallocate occasionally. It's very easy to quit networking, particularly if it doesn't come naturally, or when the results don't seem to be coming as quickly as you'd like. Yet it's very difficult to grow a business without doing it.



### About the Author

Monika Miles is President of Miles Consulting Group, Inc. - a professional service firm in San Jose, California specializing in multi-state tax solutions (sales tax and income tax) and addressing state and local tax issues such as nexus and product taxability for clients doing business across state lines. In addition to her technical tax practice, Monika also helps other professionals to grow their pipelines and enhance their practice development activities through a program called Jumpstart Your Rainmaking. For more tips on Rainmaking, building a plan, and keeping yourself accountable, check out my upcoming 3 part webinar

series – Jumpstart Your Rainmaking. To learn more, contact us today at [www.MilesConsultingGroup.com](http://www.MilesConsultingGroup.com) and [www.jumpstarttrain.com](http://www.jumpstarttrain.com).



# Are Foreign Companies the Next Immigrants to the US?

Jim Curtis

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There is no shortage of buzz about the corporate tax rate in the United States, and the political debate about lowering that rate has been ongoing for years. However, as interesting as political shop talk may be, foreign companies are still left with uncertainty about U.S. tax reform at a time when many are eager to expand their businesses within the United States.

Foreign companies, ranging from manufacturers to wholesale distribution and retail industries, remain concerned about having significant exposure to U.S. federal and state tax liabilities, as well as how to tackle the ever-growing burden on tax compliance.

Generally, the 35 percent corporate tax rate deters some foreign companies from doing business within the United States. However, it is also the “wait and see” attitude of many which currently prevents more injection of business investments and capital from overseas. As foreign companies continue to watch and do nothing until much-debated U.S. tax reform actually begins to take shape, the status quo will remain. Consequently, a wealth of potential foreign investment into the U.S. remains sidelined instead of flowing freely into our national economy and labor markets.

As of April 26, the Trump Administration’s Tax Reform Outline maintains the president’s campaign proposal to reduce the U.S. federal corporate tax rate from 35 percent to 15 percent. In contrast, the House Republican Blueprint proposes a reduction of the U.S. federal corporate tax rate to a flat 20 percent rate. While both proposals might seem like a pipe dream which is too good to be true, even a more modest reduction of the corporate tax rate to 25 or 27 percent could catalyze significant inbound investment opportunities from foreign companies seeking to expand their businesses into the U.S., but who currently remain on the sidelines.

*(Editor’s note: at time of release, the tax reform issue is still evolving, and has likely changed from April of 2017)*

Despite all of the noise and distraction coming out of Washington these days, perhaps global business leaders and entrepreneurs may be coming around to the idea that a U.S. corporate tax rate in the 20s would be more achievable than 15 percent. The difference from 35 percent to the 20s still makes a huge difference because it could mean the difference between millions of dollars being invested in American businesses or elsewhere around the world. It could mean the difference between European retailers expanding their businesses into the U.S. or shifting their focus instead to Asian markets. It could be the difference between American technology companies expanding their operations and labor force abroad or at home in the United States. Or perhaps it could be the difference between an Australian manufacturer opening only one facility in the Midwest versus having facilities on each coast.

For now, it seems impossible to effectively do long-term tax planning until U.S. tax reforms become the law of the land. Those who relied on tax reform happening in 2017 must now wait until at least 2018 or longer. Until the U.S. tax landscape becomes more settled and business growth strategies can be quantified, considering actual new reforms rather than from

*Continued on the following page*

abstract theory, foreign companies will find it difficult to map out concrete plans for U.S. business expansion. The longer expansion plans get sidelined, the more likely it seems that the U.S. may miss out on significant economic growth. How long can the U.S. afford to wait to enact tax reform while other countries, such as the UK, have already reduced their corporate tax rates to 20 percent?

The general consensus is that the U.S. needs corporate tax reform sooner rather than later. With that in mind, it is important for tax professionals to stay abreast of further changes which will occur in Washington this year and into 2018, and to help clients plan ahead for a variety of scenarios in order to cover all the bases. U.S. tax reform is no easy task and will involve more debate and compromise going forward. As tax professionals, we must understand the changing landscape so that we can best advise our clients and continue to be a partner in the growth of their businesses.



#### About the Author

**Jim Curtis, JD**, is a Senior Tax Manager at Hall & Company. He has more than 13 years of experience in public accounting and is the firm's resident international tax expert focusing on compliance and consulting services for inbound and outbound taxes. Jim is bar licensed out-of-state and has obtained the IRS Enrolled Agent designation. He also authors The I-Tax Zone blog at <http://www.hallcpas.com/blog/>. He can be reached at [JimC@hallcpas.com](mailto:JimC@hallcpas.com). For more information please visit <http://hallcpas.com/>

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The holiday season is here! Shop with [AmazonSmile](#) to fill your season with cheer, and Amazon will make a donation to the NSA Scholarship Foundation to support student scholarships. Each year, thousands of students contact the National Society of Accountants (NSA) seeking help to meet the ever-increasing costs of higher education. The NSA Scholarship Foundation awards between \$35,000-\$50,000 per year in scholarships to deserving undergraduate and graduate students who are committed to pursuing a career in accounting, helping to develop more qualified young accountants.

Since its formation in 1969, the NSA Scholarship Foundation has awarded over \$1 million to accounting students. In 2017 the National Society of Accountants (NSA) Scholarship Foundation awarded scholarships to 30 accounting students. Together, they received \$37,950 in scholarship awards. The scholarships ranged from \$500 – \$3,000.

“This is truly a gift that keeps on giving,” says NSA Executive Vice President John Ams. “The money we invest in these students today will come back to benefit the entire profession in future years after they graduate and become skilled tax professionals and accountants.”

Remember, in addition to shopping on [AmazonSmile](#), you can also make a year-end tax-deductible donation to the NSA Scholarship Foundation online. To make a donation, just visit [www.nsacct.org/donate](http://www.nsacct.org/donate).

**Students can apply for 2017-2018 scholarships online between January 3 and April 3, 2017.** Scholarship guidelines, eligibility requirements and FAQs are online at [www.nsacct.org/scholarships](http://www.nsacct.org/scholarships).

For students nearing graduation or new to the accounting profession, the Accreditation Council for Accountancy and Taxation (ACAT), which is affiliated with NSA, offers an Accredited Business Accountant/Advisor (ABA) credential. Learn more at [www.acatcredentials.org](http://www.acatcredentials.org).



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## TAX TOOLS AND RESOURCES FOR NSA MEMBERS

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## IN MEMORY OF SHARON COOK, NSA PAST PRESIDENT

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Sharon E. Cook, 72, National Society of Accountants' past president, passed away Wednesday, November 22, 2017. She was the beloved wife of the late John (Jack) Cook; cherished daughter of the late Oliver and Eileen Kuenne; dear mother of Steve (Terri); dear grandmother of Andrew; dear sister of Donna (Mark) Overy and Sue Pedersen; dear aunt, cousin and friend.

Mrs. Cook graduated with a Master's in Taxation, and acquired many certifications during more than 20 years as a tax practitioner. She joined NSA in 1988 and served as President during the 2011-2012 term.

The NSA family extends its sympathy to her family and friends in this difficult time.

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## NEW CLIENT LETTERS UPLOADED

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NSA recently uploaded more client letters to the [Client Letter Resource Library](#). Members can download the files, customize them with their firm information, and send them to their clients.

Among the files available are useful documents including:

- Planning 2017: Tax Benefits of Home Ownership
- Planning 2017: Tax Consequences for Self-Employed Individuals
- Planning 2017: Tax Issues for Higher-Income Individuals
- Planning 2017: Tax Solutions for S Corporations
- Planning 2017: Tax Strategies for Dependent Children
- Self-Employment Tax for Businesses Abroad
- Small Business Sponsored Health Reimbursement Accounts Allowed Small Business Sponsored Health Reimbursement Accounts Allowed
- Social Security Earnings Limit Social Security Earnings Limit
- Starting a Business – Partnerships Starting a Business – Partnerships
- Taking High Compensation Without Dividend Danger Taking High Compensation Without Dividend Danger
- Tax Consequences of Home Mortgage Foreclosure Tax Consequences of Home Mortgage Foreclosure
- Tax Planning with the Annual Gift Tax Exclusion Tax Planning with the Annual Gift Tax Exclusion
- Utilizing S Corporation Suspended Losses Utilizing S Corporation Suspended Losses
- What Does and Does Not Constitute Cancellation of Debt Income What Does and Does Not Constitute Cancellation of Debt Income
- and more!

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## DO YOU KNOW ABOUT NSA PRACTICE MANAGEMENT DISCOUNTS?

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NSA members have access to a wide variety of discounts to make managing their practices easier and more profitable. Here is a short list of what discounts and products are available to you.

### Insurance through our administrator Forrest T. Jones.

- [Professional Liability Insurance](#)
- [Business, Life & Health Insurance](#)
- [Cyber Liability Insurance](#)
- [Final Expense Whole Life Insurance](#)
- [LegalShield/IDShield Memberships](#)

### To help you research fees for services and form preparation across the nation:

- [NSA Income and Fees Survey](#)

### Material to help you manage your practice more efficiently.

- [Tax Practice Management Manuals](#)

*Continued on the following page*

- [Paychex Payroll Services & 401 \(k\) Plan](#)
- [CardConnect](#)
- [Swizznet Quickbooks Hosting and Cloud Accounting Solutions](#)

**Communicate with your clients and tame technology with:**

- [GetNetSet Custom Websites for NSA Members](#)
- [Constant Contact Email Discounts](#)
- [Your Client Update Client Newsletters](#)
- [Lenovo](#)
- [Technology Search](#)

**Discounts that help your bottom line:**

- [Office Depot Discounts](#)
- [Pennywise Office Products](#)
- [Monroe Calculators](#)
- [UPS](#)
- [Geico](#)
- [Deluxe](#)

If you have any questions about the edge that membership gives you, contact membership at 800-966-6679, or email [members@nsacct.org](mailto:members@nsacct.org).



Forrest T. Jones & Company is offering accounting and tax firms of all sizes protection at an affordable price. Our small business cyber protection plans start around \$750 depending on your revenue. The application is easy and we will guide you all along the way. You can sleep easy knowing we only work with A+ (Superior) rated carriers. Any network can be compromised, so take the first step in protecting yourself and your firm by calling Ronda at FTJ: 1-800-821-7303 ext.: 1556 or send us an email at [rjones@ftj.com](mailto:rjones@ftj.com).

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## NSA RESOURCES FOR ASPIRING AND NEW ACCOUNTING PROFESSIONALS

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The NSA has resources for students who are currently in an accredited accounting program at their college, and those who have recently become tax professionals.

We believe in the future of people studying to enter our field, and the [NSA Scholarship Foundation](#) exists to help them. The foundation assists dedicated students who are committed to a career in accounting by providing financial assistance to support their education. In 2017, the foundation awarded over [\\$37,950 to 30](#) deserving students.

It has become even more apparent that becoming a member of an industry organization is [beneficial](#). Professionals need to know that their concerns are important and that they have the support of an association that magnifies their voice on a national level. Member benefits of all kinds are available, whether they're discounts on products and reference materials, or access to a vibrant and active community. That is why the NSA created the [NSA Mentor Community](#), which puts young professionals and those new to the industry together with members who are willing to share experience gained from years in the profession. New accountants and tax practitioners can ask questions, request advice, get feedback and benefit from the accumulated experience of NSAs seasoned practitioners.

Assisting the next generation of tax professionals enriches our industry as a whole, and experienced accountants and tax practitioners are encouraged to volunteer in the community as mentors.

To join the community either for mentoring advice or as a mentor, go to [www.nsacct.org/mentors](http://www.nsacct.org/mentors) and click "Join Community" on the top right corner.

Ask the Mentor Community: [Post a Message](#)\*



New accountants and tax pros should also be made aware of the [Accreditation Council for Accountancy and Taxation's](#) credentials, which will distinguish them from their peers and open doors for practice and career development. In particular, the Accredited Tax Preparers (ATP) and Accredited Business Accountant/Advisors (ABA) certification holders are *exempt* from taking the Annual Federal Tax Refresher (AFTR) course and exam that is part of the Internal Revenue Service (IRS) voluntary Annual Filing Season Program (AFSP). They are also allowed limited representation rights before the IRS, meaning they can represent clients whose returns they prepare and sign, before examination, customer service representatives and the Taxpayer Advocate Service.

Share this information with students and accountants in your community and help them get off to a good start in building their accounting futures.

*\*The mentor community is not intended to be an alternative to NSA Tax Talk. To ask tax-specific questions, share answers, or access thousands of discussions, use [NSA Tax Talk](#).*



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## DECEMBER 2017 NSA CONNECTED WEBINARS

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The NSA has scheduled new CPE-credit webinars for this December on topics like Innocent Spouse, and Recognizing International Issues. Check out the listings here, and on <https://nsawebinars.nsacct.org>.

NSA ConnectED webinars are offered both live and on-demand.

**Order four or more live or archived webinars in one order and receive a 20 percent discount.**

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### **GST: The “Grandparent” Tax**

Monday, December 4, 2017

2:00-4:00 pm (EST)

*IRS CE: 2 Hours/Federal Tax Law;*

*NASBA CE: 2 Hours/Taxes*

[Register](#)

Generation-skipping Tax (GST) is imposed on a direct transfer of property to a grandchild that might otherwise be subject to two levels of estate taxation. Transfers made during lifetime are reported on Form 709; skips made at death are reported on Form 706 – thus, the GST cannot be escaped whether in life or after death! Or can it?

Find out how direct skips, trust distributions and terminations are taxed; then discover GST minimization and avoidance strategies that work.

*Presented by Monica Haven, EA, JD*

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### **Divorce Tax Issues and Considerations**

Tuesday, December 5, 2017

2:00-4:00 pm (EST)

*IRS CE: 2 Hours/Federal Tax Law;*

*NASBA CE: 2 Hours/Taxes*

[Register](#)

Going through the process of a divorce or legal separation can be a painful process for each spouse psychologically, emotionally, and financially, and unfortunately is a common occurrence in today’s society. What can be overlooked by clients (and possibly divorce attorneys) is that there are important income tax ramifications in regards to which spouse will be claiming personal exemptions for children, the timing and selection of items to be given to the other party in property settlements, the timing and size of alimony payments, and avoidance of disguised alimony and the alimony recapture rules. These tax issues are best dealt with before the separation agreement or divorce decree is formalized.

This webinar will cover the tax rules governing alimony and child support, explain the rules for dependency exemptions

and property settlements, and look at other divorce planning techniques, such as the QDRO and uses of insurance to reduce financial risk.

*Presented by Eric A. Smith, ATP, CFP, CLU, ChFC, CRPC*

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### **The Art of Appraisals: Appraising for Tax Purposes**

Thursday, December 7, 2017

2:00-4:00 pm (EST)

*IRS CE: 2 Hours/Federal Tax Law;*

*NASBA CE: 2 Hours/Taxes*

[Register](#)

Assigning values – for income or estate tax purposes, separation agreements or business mergers, insurance and depreciation calculations – can be challenging and the results are indeed often challenged by the tax authorities.

This webinar examines valuation methodologies, contribution rules and restrictions, qualified appraisals, art appraisals, and fraudulent schemes.

*Presented by Monica Haven, EA, JD*

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### **Engagement Letters-The Accountant's Best Defense to Professional Liability Exposures**

Tuesday, December 12, 2017

2:00-4:00 pm (EST)

*IRS CE: 2 Hours/Federal Tax Law;*

*NASBA CE: 2 Hours/Taxes*

[Register](#)

Using professional liability exposures as a foundation, explore risk management and loss prevention techniques. This webinar will cover important elements of what should be included in an engagement letter will offer practical applications of risk management and loss prevention techniques with the presentation of several claim scenarios. Suggestions on additional sources of risk management information will also be provided.

This webinar will cover:

- Professional Liability Exposures
- Accountants as Professionals
- Concept of Professional Standard of Care
- Elements of Traditional Accounting Professional Liability
- Other Types of Professional Liability Claims
- Risk Management and Loss Prevention Techniques
- Policies, Procedures and Techniques
- Risk Management Procedures Develop and Change Over Time
- Claim Experience

- Engagement Letters
- Engagement Letters as a Loss Prevention Tool
- Important Elements of an Engagement Letter
- Claim Scenarios and Engagement Letters
- Other Engagement Letter Issues to Consider
- Additional Resources for Risk Management and Loss Prevention Techniques

*Presented by Kristine Jones, Donna White and Patricia McCarron, CPCU, Travelers*

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### **Ethics: Circular 230 & Understanding Due Diligence!**

Thursday, December 14, 2017

2:00-4:00 pm (EST)

*IRS CE: 2 Hours/Ethics;*

*NASBA CE: 2 Hours/Regulatory Ethics*

[Register](#)

As a tax professional, do you ever worry about all the “due diligence” that is required of you? Are you asking the right questions concerning the ACA, EITC, hobby versus business and foreign accounts? What effort is required of you as a reasonable and prudent preparer to obtain the relevant and pertinent facts?

This webinar will review the basics of Circular 230 as well as the due diligence standards that were brought forward in the PATH Act of 2015. We will present scenarios and provide resources you will need so you can be confident that you understand Circular 230 and are meeting your due diligence requirements in the real world of your practice.

*Presented by Kathy Hettick, EA, ABA, ATP, and Gene Bell, EA, ATA, CFP*

# TECH TOPICS



## Five Reasons You Need a Mobile-Friendly Website

**Heather Robinson**

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Is your firm's website mobile-friendly? If you're not sure, take a moment now to pull it up on your smartphone or tablet. Is the home page cut off on one side or the other? Is the content jumbled?

When a website is mobile-friendly, the user interface will adjust based on the display. Content will expand, collapse, show or hide based on the size of the screen. This guarantees that anyone viewing your website, whether on a desktop, smartphone, or tablet, experiences a controlled and seamless user-experience.

If you're not sure whether your website is mobile-friendly, Google can test your site. Just paste the URL of your website and click "Run Test." Within a few seconds, Google will tell you if your site is mobile friendly and where you need to improve. Why is this important? Here are five reasons.

### Desktops are no longer #1

In October of 2016, internet usage by mobile and tablet devices exceeded desktop worldwide for the first time ever. This milestone significant because it demonstrates that mobile devices are becoming our primary access point to the internet. We're no longer living in a world where accessing a website from a mobile device can be considered the exception. To put it simply, you need to be thinking mobile because that's where your clients are.

### Mobile isn't just for e-commerce

Seventy-nine percent of Americans now shop online, but having a mobile-friendly site isn't just for e-commerce companies. People are doing all sorts of research online, and lack of mobile optimization affects whether they spend time on your site or

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# TECH TOPICS

leave it immediately and move on to your competitor. Nobody wants to deal with squinting, pinching, zooming, scrolling to find the information they need. When your website is mobile-optimized, anyone who visits your website will have a proper experience. That will encourage them to see you as a credible source for information and services.

## It's a business imperative

Having a web presence is important, and you've likely invested quite a bit of time, effort and resources into building your website and providing valuable content. That effort is in vain if clients can't find your site. In 2015, Google rolled out a major update to its search engine to expand the use of mobile-friendliness as a ranking signal. If your site isn't optimized for mobile, Google may penalize you with a lower rank in its search engine results. Simply put, websites that are optimized for mobile will be found quicker than those that aren't.

## Reach more clients, faster

When your current clients look for you online, they may type your URL directly into the address field or search for your firm's name. But what if they search for "[Your city] CPA," "international tax accountant," "employee benefit plan auditor" or another service you want to be known for? Without a mobile-friendly site, potential clients are less likely to find you, and more likely to overlook you. Having a mobile website means your customer base will automatically widen to anyone who performs a mobile search.

## You want to be seen as modern and relevant

Actions speak louder than words. A mobile-friendly website helps your firm stand out and presents a positive, contemporary brand identity for your firm. You can immediately engage current and potential clients with mobile-specific features such as click-to-call and mapping functions. It makes a positive statement before you've said anything. On the other hand, websites that aren't optimized for mobile make your firm look like a digital dinosaur. In most cases, that will send potential clients looking elsewhere.

*All of this doesn't mean you should ignore those clients who still use desktops and laptops. They still account for a significant portion of your client base and new prospects. Instead, opt for a mobile responsive website that recognizes the device being used and resizes itself accordingly.*



### About the Author:

As the Marketing Manager for [Boomer Consulting, Inc.](#), Heather Robinson's primary focus is on developing the firm's marketing strategy and brand awareness to help drive business results. She manages and executes marketing and business development initiatives, with daily oversight of the website, social media, and thought leadership content. In addition, as a part of the Business Development team, she provides leadership and strategic planning on marketing and communication practices for the firm.

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# Legislative Link



John Ams  
Executive  
Vice President

## Koskinen's Farewell: Progress Made, but Resources Still Needed

IRS Commissioner John Koskinen used the majority of his farewell news conference to make a final plea: If the agency doesn't get adequate funding soon, and a problem occurs for that reason, Congress is to blame.

"I don't want anybody to say they weren't warned," Koskinen said on November 6. "Our employees continue to do everything they can for our taxpayers, even with constrained resources," Koskinen said, adding that most of the agency's systems have been dealing with antiquated hardware and software, most of which are behind industry standard.

The risk of a "technological event" increases as the programs get older, which might lead to long interruptions in processing returns and refunds.

"I have not been shy. I have been concerned with funding since I started. We didn't have enough people anywhere," Koskinen said. "If the agency fails and people are looking for fault, they can look to Congress if there isn't adequate funding. It is a question of fault. It is a question of responsibility. I am blaming Congress."

Koskinen's term officially ended November 12.

## Eight Sleeper "Pay-Fors" in the House Tax Bill

As mentioned in the NSAlert on November 3, the budget rules under which the tax reform bill will be considered require no more than \$1.5 trillion in net revenue losses from the bill over the ten year period following enactment. Since AMT repeal, corporate and individual tax cuts, and other provisions would reduce revenues far more than \$1.5 trillion, Republicans turned to some unexpected places to drum up the money needed to pay for tax cuts without adding too much to the deficit. Some of these unexpected revenue sources in the House bill include:

- The bill would impose a 1.4 percent excise tax on investment income for certain private colleges. The levy applies to colleges that enroll more than 500 students and have assets worth more than \$100,000 per student. It would apply to fewer than 150 colleges, according to analysis from the Chronicle of Higher Education. Still, the provision would bring in about \$3 billion over a decade.
- The bill proposes ending the Hope Scholarship Tax Credit, worth up to \$1,500, and the Lifetime Learning Credit. It retains the American Opportunity Tax Credit. In total those changes would generate \$17.3 billion over a decade, according to estimates from the Joint Committee on Taxation.
- Nearly \$48 billion would come from changes such as ending deductions for student

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# Legislative Link



John Ams  
Executive  
Vice President

loan interest and repealing employer-provided tuition reimbursement.

- The bill would cut what is known as the orphan drug credit, a tax break to incentivize drugmakers to develop medicine that affects a small segment of the population. The provision would raise \$54 billion.
- The tax bill includes 11 insurance-related revenue raising provisions, including modifying how life insurance companies calculate their reserves and altering discount rules for property and casualty insurers. The provision would raise \$50.8 billion.
- The bill would raise \$33.5 billion by repealing the provision whereby individuals can currently deduct up to 50 percent of meal and entertainment-related expenses if they can establish the cost was directly related to their business.
- The bill proposes repealing the deduction for employer-provided gyms, a change worth \$2 billion.
- Ending a deduction for employer-provided qualified parking and transportation would bring in \$10.8 billion.
- No deduction would be allowed for entertainment, amusement, recreation, or membership dues, a change worth \$21 billion. “It is difficult for the IRS to determine whether entertainment expenses are directly related to a trade or business, creating uncertainty for taxpayers as well as the potential for significant abuse,” the committee said in the bill summary.
- The bill would raise \$30.5 billion by restricting the use of tax-free like-kind exchanges to real-estate transactions. Like-kind exchanges, under tax code Section 1031, have been in the tax code since the 1920s.
- The bill ends a deduction for moving expenses worth \$10.6 billion in revenue. Under current law, individuals can deduct moving expenses tied to starting a new job, even if they don’t itemize their deductions.
- The bill raises \$7.7 billion by repealing an exclusion for moving expense reimbursement. Currently, qualified moving expense reimbursements provided by an employer can be excluded from the employee’s income.
- Alimony payments are generally an above-the-line deduction under current law. Alimony payments would no longer be deductible for the payor or included in the payee’s income. The provision, which raises \$8.3 billion, applies to any divorce or separation starting after 2017.