

# MAIN STREET **PRACTITIONER**

The Magazine for Tax and Accounting Professionals

## **NSA Helps You** Navigate Through the IRS Registered Tax Return Preparer Maze



**RTRP**

**Packaging, Pricing, & Naming**  
Trusted Advisory Services

**NSA 2011 Scholarship Winners**  
Where Are They Now?

**BLOG to Boost Your**  
**Accounting Practice**

**NSA Annual Meeting**  
Join us in Maui!

**RTRP Webinar Series**  
Details inside

Take advantage of the quick tip guide  
to use all the tax season benefits that  
come with your membership

# Keep Your Office Open For Business

## *With the NSA-Endorsed Group Business Overhead Expense Insurance Plan*

What would happen to your practice if you were disabled, even for a short time? How would you pay your employees, your rent and your other overhead expenses? Help protect your practice in the event of your disability with this NSA-sponsored plan.

The **NSA Business Overhead Expense Insurance Plan**, designed especially for accountants, can help pay the day-to-day operating expenses – including rent, utilities and employee salaries – and help protect the practice you've worked so hard to build.

Benefits begin on the 31st day of your total disability. **Your benefits include**, but are not limited to, expenses for the following normal operating expenses:

- **Office space whether you rent or pay a mortgage;**
- **Staff salaries;**
- **Telephone and answering service;**
- **Utilities such as electricity, heat/air conditioning and water;**
- **Professional dues;**
- **Maintenance and depreciation of office equipment;**
- **Professional liability insurance premiums or other office insurance premiums;**
- **Interest charges on business debts you owe at time of disability.**

**Forrest T. Jones & Company (FTJ)**, a financially solid and secure company, has been your group insurance administrator since 1970. To learn more about this plan and how it can work for you, call us at **(800) 821-7303**. Get plan information online at [www.ftj.com/NSA](http://www.ftj.com/NSA) or email us at [info@ftj.com](mailto:info@ftj.com).

### Underwritten by:



**New York Life  
Insurance Company**  
51 Madison Ave.  
New York, NY 10010

### Endorsed by:



### Administered by:



**Forrest T. Jones & Company\***  
3130 Broadway  
Kansas City, MO 64111  
(800)821-7303  
[www.ftj.com/NSA](http://www.ftj.com/NSA)

\* In Arizona administered by  
Forrest T. Jones Consulting Company

This advertisement is for informational purposes only and is not meant to define, alter, limit or expand any policy in any way. For a descriptive brochure that summarizes features, eligibility, renewability, limitations and exclusions, call Forrest T. Jones & Company. Coverage for all claims or losses depends on actual policy provisions. Availability of coverage can depend on underwriting qualifications and state regulations.  
Arkansas license #71740. California license #059209. For reprints please contact the Publisher.

**PAGE 4**  
**PACKAGING, PRICING, & NAMING**  
**TRUSTED ADVISORY SERVICES**



**PAGE 8**  
**NSA SCHOLARSHIP RECIPIENTS:**  
**WHERE ARE THEY NOW?**



**PAGE 14**  
**NAVIGATING THROUGH THE MAZE:**  
**BECOMING AN RTRP**



# Main Street Practitioner

**Publisher**  
National Society of Accountants

**Executive Vice President**  
John G. Ams

**Vice President and Director,  
Marketing and Member Services**  
Jodi L. Goldberg

**Editor**  
Julene Joy

**Tax Manager**  
Deborah Aiken

**Ad Sales**  
Robert Silverstein  
rsilverstein@AdSalesExperts.net

## NSA Officers 2011-2012

**President**  
Sharon E. Cook, EA, ABA, ATA, ATP, ARA  
St. Louis, MO

**First Vice President**  
Harlan Rose, EA, ABA  
Marshfield, WI

**Second Vice President**  
Steven J. Hanson, CPA  
Cokato, MN

**Secretary-Treasurer**  
Brian Thompson, CPA  
Little Rock, AR

MSP Magazine is published 6 times a year digitally, quarterly in print by the National Society of Accountants, 1010 N. Fairfax Street, Alexandria, VA 22314-1574. Subscriptions are available. Questions or comments can be directed to Julene Joy at [jjoy@nsacct.org](mailto:jjoy@nsacct.org).  
©2012 All Rights Reserved National Society of Accountants Printed in the U.S.A.

## CONTENTS

Tax Season 2012 / Volume 3, Number 1

### FEATURES

**4**  
**PACKAGING, PRICING, & NAMING**  
**TRUSTED ADVISORY SERVICES**  
*By L. Gary Boomer*

**7**  
**NSA MEMBER BENEFIT**  
**QUICK TIP GUIDE**

**8**  
**NSA 2011 SCHOLARSHIP**  
**RECIPIENT WINNERS**  
Where Are They Now?

**14**  
**NAVIGATING THROUGH THE**  
**MAZE: BECOMING AN RTRP**

*By Michele McDonald*

**18**  
**BLOG TO BOOST YOUR**  
**ACCOUNTING PRACTICE**

*By Hugh Duffy*

### DEPARTMENTS

**2**  
**PRESIDENT'S MESSAGE**  
*By Sharon E. Cook*

**3**  
**LEGISLATIVE LINK**  
*By John G. Ams*

**8**  
**ALL AROUND NSA**

**13**  
**RTRP 5-PART WEBINAR SERIES**

**19**  
**TIDBITS FROM THE TAX DESK**  
*By Deborah Aiken*

Registration is OPEN for the  
NSA 67th Annual Meeting

Hyatt Regency Maui



**Page 10-11**

## PRESIDENT'S MESSAGE

---



*By Sharon E. Cook*

Tax season is upon us! I would like to remind everyone not to forget that NSA has a Tax Help Desk for those questions that require research. Also, many questions get answered on Tax Talk. If you have not joined Tax Talk, you might want to give it a try.

Registrations for the Hawaii convention have been strong. If you intend to go, you need to get your registration in as soon as possible since our room commitment is already two-thirds full.

The California Board of Accountancy recently proposed that unlicensed accountants who issue financial statements include the following sentence, "If compiled, reviewed, or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required." Several organizations in California, along with NSA, went to their meeting. There have been several discussions with members from the Board, and we believe when they hold their meeting in March that the reading would be "We are not required to be licensed by the California Board of Accountancy for the preparation of these financial statements."

This should be a reminder to all of us that this could happen in any state at any time. Monitoring the Board is very important to the future of our business. The same is true of legislation. We tend to let our guard down when everything seems okay, but that is not the case. Meeting with members of the Boards, as well as legislators, is very important so that they know we are watching what is happening.

I hope everyone has a prosperous tax season.

Respectfully,

A handwritten signature in cursive script that reads "Sharon E. Cook".

Sharon E. Cook, EA, ABA, ATA, ATP, ARA  
NSA President 2011-2012

# LEGISLATIVE LINK



## WHAT IS CONSIDERED “REASONABLE COMPENSATION” PAID BY AN S CORP?

*The moral of this story is that FICA applies to “reasonable compensation” paid by an S Corp. But it raises the question, what is considered reasonable?*

The U.S. Court of Appeals for the Eighth Circuit on February 21 found that some of the purported dividend payments that a CPA’s S corporation made to him in 2002 and 2003 constituted wages subject to the Federal Insurance Contribution Act (David E. Watson PC v. United States, 8th Cir., No. 11-1589, 2/21/12).

The Court determined that:

1. the characterization of funds distributed by an S corporation to its shareholder-employees turns on an analysis of whether the payments were made as compensation for services; and
2. the FICA liability is determined based on reasonable compensation for such services.

The facts of the case are simple: Watson, a CPA who is the sole employee of his S corporation, was paid \$24,000 in salary but received sizable distributions that were characterized as dividends for tax purposes. The IRS took the position that FICA liability was underreported because some of the dividends should have been reported as compensation. In short, Watson’s reported salary was not “reasonable compensation” in light of Watson’s experience and qualifications. He became a CPA in 1983 and later obtained a master’s degree in taxation.

Writing for the Eighth Circuit, Judge Arlen Beam explained that special scrutiny must be given to salaries paid to employees who control a corporation. Judge Beam said that, in light of all the facts and circumstances of the case, scrutinizing compensation for its reasonableness may guide a court in characterizing payments for FICA tax purposes. “Turning to the present case, we conclude the district court properly determined ‘that the characterization of funds disbursed by an S corporation to its employees or shareholders turns on an analysis of whether the payments at issue were made as remuneration for services performed,’” he said.

At trial, the government’s expert, Igor Ostrovsky, stated that the market value of Watson’s accounting services was approximately \$91,044 per year for 2002 and 2003. This number was determined by analyzing several compensation surveys and studies specific to accountants.

The district court rendered a tax deficiency judgment against Watson, which included unpaid employment taxes, penalties, and interest in the amount of \$23,431.23.

The Eighth Circuit decision makes clear that, for purposes of FICA tax liability, not only must S corporations report compensation paid to shareholders, but the compensation must be reasonable in light of the services performed.



*John G. Ams, CAE  
Executive Vice President  
National Society of Accountants  
Alexandria, VA*

# Packaging Pricing & Naming

## Trusted Advisory Services

By L. Gary Boomer,  
Boomer Consulting, Inc.



**T**he CPA is the most trusted business advisor, yet many CPAs continue to focus on transactional rather than advisory services. Why? Old habits are often hard to break and change is difficult. Transactional services have become commoditized, and the hours required to produce them have been reduced or eliminated by technology. This is bad for the accountant who is focused on transaction work and good for the trusted advisor who is able to provide value at a higher level while leveraging the technology to complete the transaction at a low cost to the client. Contrary to popular belief, manufacturing is still strong in the US from a revenue perspective, but jobs have been eliminated or reduced due to technology and lower labor costs in other countries. The same is happening in accounting, but it is providing tremendous opportunities to those who know how to package, price, and name advisory services.



THERE IS GOOD NEWS ON THE HORIZON FOR  
ACCOUNTANTS WHO WISH TO PACKAGE AND PRICE  
ADVISORY SERVICES FOR VALUE RATHER THAN BY THE HOUR.

History can be a great teacher, but often the students don't listen or pay attention. Let's look at traditional transaction type work such as write-up and payroll. Many firms abandoned these services with the advent of the personal computer and programs such as Intuit's QuickBooks. Little did they realize the struggles that would ensue with clients utilizing technology they did not have the accounting skills to operate. Accountants also lost control over the technology platform as individual clients purchased software and technology from multiple vendors. This was the start of problems associated with versions, licensing, file transfers, and reconciliations. Software vendors told the clients/consumers they didn't need accountants if they utilized their software and often competed directly for this transactional work.

There is good news on the horizon for accountants who wish to package and price advisory services for value rather than by the hour. Cloud computing allows accountants to eliminate redundancy, improve efficiency, and take over the platform while offering their clients a uniform and standardized system accessible by both the client and the accountant. The software vendors can't offer the accounting expertise or the efficiency of a firm that can provide both the transactional services inexpensively and the advisory services the clients value and are seeking in today's market. The economics behind this evolution date back to Adam Smith and the division of labor. Is the client better off sourcing transactional and advisory services to the accountant who has developed an efficient system accessible from anywhere at any time, or should they try to do it themselves? Most entrepreneurs and good business people will opt for focusing on what makes their business successful and sourcing both the transactional and advisory services to

the accounting professional. Until now, the accounting firm had to rely upon vendors who did not operate as partners, but acted as competitors. What is the difference between cloud computing and the client server model?

There are several:

- The client and the firm do not need to invest in as much technology and can share resources through virtualization.
- The firm can standardize and private label the platform used by many clients while maintaining the current version on hosted virtual servers.
- The technology allows the accountant and client to share transactional data, as well as advisory reports, 24/7 in a secure environment.
- The accountant does not need to waste valuable time traveling to and from the client's offices.
- The accountant's market is expanded from local to global with access to the Internet.



## Research

Most accountants I know would gladly change to a platform that allows them to provide both transactional and advisory services. The challenge is this: how do we make this a viable business model by packaging, naming, and pricing these services other than by the hour? My advice is to first think like the entrepreneur rather than like an accountant. The value to the entrepreneur comes from the elimination of a danger or the ability to focus on an opportunity. One of the dangers to an entrepreneur when it comes to accounting is the ability to attract and retain quality bookkeeping and accounting skills, at a reasonable rate whether it is part-time or full-time. A competent bookkeeper will cost the client in excess of \$50,000, plus the investment in an in-house system can be significant as well as the maintenance. What is the value to the client of eliminating these dangers and sourcing with a trusted advisor? I can assure you it is more than most advisors will charge billing by the hour. Next, what is the value of the client's time to focus on revenue rather than payroll, accounts payable, general ledger, receivables, and financial reporting? Again, the value to the entrepreneur is generally greater than the value in the eyes of the accountant. The value only grows to several \$1,000s of dollars per month as the size of the business grows. New jobs in the US are being created by small companies of 25 employees or less and by government. The government sector is going to change as they are forced into employing technology and reducing their size due to current inefficiencies and related labor costs. This leaves entrepreneurial companies to provide the economic stimulus the country is looking for.

CPAs can capture this opportunity that will provide increased margins and monthly cash flow, plus act as a pipeline for advisory services. The first step is to survey some of your entrepreneurial clients and propose the cloud computing solution. Get their reaction. Sell tickets and then produce the show rather than build something that doesn't meet the client's needs or wants. Second, bundle and price these services on a monthly basis. Utilize a fixed price agreement that narrowly defines the scope of services and responsibilities of both the client and the accounting firm. Be sure to include a change order clause because it protects the client and the firm.



## Name

While naming may not seem important, it is very important to the market and potential clients. He who names the process owns the process. Clients will always buy from the supplier who can name

and graphically demonstrate a process. Naming is tricky and should utilize the talents of a professional marketer (division of labor). I suggest you follow Dan Sullivan's naming process and start with "The," as it connotes exclusivity. Next, use a technological word that describes your process. Finally protect the name by trademarking it, e.g. The Cloud Solution™ or The Entrepreneurial System™. Graphically define your process. A picture is worth a thousand words.



## Price

Now for the tough part: pricing. Again, value the advisory services from the client's perspective. Define your target client in terms of an ideal monthly fee and a minimum monthly fee you are willing to accept. Define the criteria for accepting and retaining a client. Go beyond the monthly fee and use criteria such as:

- Does the client take our advice—are they coachable?
- Will they refer us to other clients that meet our ideal profile?
- Will the client increase our capabilities?
- Respect—do we respect the client and do they respect our people?
- Does the client appreciate our services and promptly pay our bills?

Your pricing will change over a period of time, but your criteria for client acceptance and retention may remain static. This requires time to think and a plan while assigning responsibilities internally and to the client.

I suggest you consider a pricing matrix, as it is generally more acceptable and easier to close with than quoting hourly rates where the client feels they are assuming all of the risk of the engagement. Clients like to know the monthly amount in advance and it should provide the firm both with improved cash flow and margins, especially with experience and focusing on process improvement.

Change orders are an important concept and should be addressed in the fixed price agreement. Ironically, many firms have change order clauses in their agreements, but few firms capture significant revenue from them because they fail to execute change orders prior to completing additional work that is beyond the scope of the fixed price agreement. This is a function of awareness and training. Often, it is the staff accountant or manager who recognizes the opportunity in the field rather than the partner. Don't be afraid to offer an incentive to your staff for recognizing opportunities and executing a signed change order.



Some of the services beyond traditional accounting (including payroll) and tax work (income, sales, payroll, and property) for small business are bill payment (back office), document management, records retention, budgeting and other CFO services, strategic planning, HR management, training, and compensation planning. This menu of services can start in a limited format and expand based upon client requirements. Many of these services can be provided through the cloud, or elements of the cloud can be used to gather (aggregate) information as well as deliver information.

Think of a client portal as a place not only to deliver documents, but also to aggregate client information before starting the engagement. Leverage the fact that much of the information you need for the project is already in digital format from other systems. Many firms are finding that clients will provide more timely information through the use of a secure portal. In fact, many clients are requiring the use of a portal in order to ensure they do not violate state and federal privacy laws by sending sensitive data via email. Portals can reduce the inefficiency of starting and stopping on projects.

Innovation comes from combining what you already know with new capabilities (knowledge and technology). You should think about your client's dangers, opportunities, and strengths as you develop new services. Value is created when you reduce or eliminate client dangers, leverage their strengths, and help them focus on their greatest opportunities. This requires leadership (direction), relationships (confidence), and creativity (new capabilities). Don't get caught in the trap of trying to focus on too much. Focus on no more than their three top dangers, their three top opportunities and their top three strengths.

The following action plan should enable you to start quickly, test the market, and grow your revenue stream quickly.

**Think** - Brainstorm using a mind map to identify client dangers, opportunities, and strengths. Identify the obstacles and develop strategies to overcome the obstacles.

**Plan** - Develop a written one-page plan listing strategic objectives, initiatives, dues dates, and responsible parties.

**Grow** - Test the market with your best clients—check writers; they are the only opinions that matter.

In addition to these three steps, I would recommend avoiding committees, unless you want to design a camel. Seek input from clients. There are entrepreneurs who make it happen, people who watch it happen, and those that wonder what happened. The upfront investment and risks are relatively low, especially compared to commoditized services where the risks of litigation are often high and the competition fierce. Be an industry transformer.

**THERE ARE ENTREPRENEURS WHO  
MAKE IT HAPPEN, PEOPLE WHO WATCH  
IT HAPPEN, AND THOSE THAT  
WONDER WHAT HAPPENED.**



L. Gary Boomer, CPA, CITP  
CEO, Boomer Consulting, Inc.  
[www.boomer.com](http://www.boomer.com)



## NATIONAL SOCIETY OF ACCOUNTANTS THE KEY TO ALL YOUR TAX SOLUTIONS!

*Click on any of the titles in blue below to go directly to the webpage.*

**NSA/CCH Online Tax Center:** Get tax news, updates, and information without searching multiple sources. Get access to daily tax news, articles, tax alerts, newsletters, and expert commentary from 18 federal and state publications, housed in one place.

**Tax Talk:** Tax Talk is a member-to-member networking forum where you can exchange ideas and benefit from the experience, knowledge, and wisdom of your peers.

**NSA Tax Help Desk:** Get expert answers to your Federal tax questions. Active and Associate members get five questions answered FREE!

**Resource Libraries:** Articles, worksheets, sample engagement letters, financial guides, planning calendars, sample agreements, client tax tools, disclosure language, and other media resources are all located in the fully searchable libraries.

**Publication Discounts:** Save up to 30% or more on the Master Tax Guide and other CCH books; and save on Quickfinder; TheTaxBook; TaxScripts, and more.

**NSA 2011 Income & Fees Survey:** Compare your practice to others in terms of business mix, fees, and compensation using this newly updated report. FREE with your NSA membership.

**NSA Tax Organizer:** Customize the Tax Organizer with firm information and send it to clients to collect important information.

**Tax Season Marketing Tools and Vendor Discounts:** Explore the many discounts provided by NSA's national buying power to pay less for the products and services you use every day.

**FREE Technology Search—a \$100 value:** Need help finding the right software? Let NSA help you narrow down your search. Get a report of the software that meets your criteria.

**Save on CPE and Self Study Courses:** NSA offers discounted self-study courses, including an EA Review Course, RTRP Review Course, and self-study CPE libraries. Plus save on hot-topic tax webinars, such as the new RTRP series.

**Access Your Membership Tax Resources on  
[connect.nsacct.org](http://connect.nsacct.org) Today!**



# 2011 NSA SCHOLARSHIP RECIPIENTS: WHERE ARE THEY NOW?

Each year, the NSA Scholarship Foundation provides financial assistance to approximately 30 dedicated students who are committed to a career in accounting. With its educational grant program, the Foundation supports professional development and educational activities to expand the body of knowledge within today's practitioner community.

We recently caught up with three recipients of the 2011 NSA Scholarship Awards: Katelyn Goettl, Shelby Pieper, and Sonja Gooding. Learn more about these three inspiring young ladies pursuing undergraduate degrees in accounting.



*Katelyn N. Goettl  
University of Wisconsin-  
Eau Claire- Eau Claire, WI  
Millard D. Ashley Memorial Award  
Accountants Society of Virginia*

An honors student at the University of Wisconsin—Eau Claire, Katelyn has participated in both the forensics and lacrosse teams while double majoring in Accounting and Finance. She also received a position to mentor other accounting students this semester. She hopes to get an internship position this summer. After graduation, Katelyn would like to work as a CPA in her hometown in Minnesota.

We asked Katelyn to share some advice for other students seeking an accounting degree:

"I would say to take notes on everything you read! I took lots of notes and reread them all before every quiz and exam. They are extremely helpful! Also, be sure to read everything and to keep up-to-date with homework. Practicing and working through problems is also very beneficial. Work through graded homework problems on a separate piece of paper and check your answers before each exam."



*Shelby L. Pieper  
Nebraska Wesleyan University -  
Lincoln, NE  
Nebraska Society of  
Independent Accountants*

While attending Nebraska Wesleyan University and studying accounting, Shelby has participated in volleyball and has been involved with FCA on campus. Shelby has recently decided to graduate in three years; she then plans to go on to receive her Master's in Professional Accountancy and hopes to one day work for PricewaterhouseCoopers.

Shelby weighs in on being an accounting student:

"For other students seeking an accounting degree, I would suggest working hard. There are some classes that are challenging, but if you spend enough time on classes and working through the material I'm sure they will have success."



*Sonja M. Gooding  
Walla Walla University, WA  
Walla Walla, WA  
Washington Association of Accountants*

Sonja has two years of school left before graduation and plans to start an internship at a local accounting firm while finishing school. She is also considering an MBA with a concentration in accounting in order to increase. Sonja has enjoyed her tax accounting courses in particular and recently took a seminar in forensic accounting, which she found to be fascinating.

Sonja shares some insights on being an accounting student:

"School is definitely kicking in to high gear but the National Society of Accountants definitely deserves to know that their investment was well spent. I recommend that anyone wishing to go into the accounting field spend as much time as possible informing himself or herself in the areas of accounting and finance. Knowledge is power and there is a wealth of information out there. If a person did not know where to look, I would recommend starting with the NSA website, it is an incredible resource.

Since receiving my scholarship from the National Society of Accountants, I was able to meet all of my educational funding goals, which relieved a lot of pressure. Without this pressure, I have been able to spend my extra time away from studies to meet with accounting and financial specialists in my community. I am building connections with my future colleagues and learning a lot about the accounting industry."

Sonja thanks NSA for their support and inspiration and looks forward to the day when she passes the CPA exams and can become a fully invested member of NSA.

***[Click Here](#) to learn more about the NSA Scholarship Foundation and how you can give to support the future of the industry.***

***See the full listing of 2011 NSA Scholarship Foundation recipients, located on the [Scholarship Foundation](#) webpage.***

## ACAT ACCEPTING REGISTRATIONS FOR THE NEXT TESTING SESSION

2012 Exam Dates: June 16–July 7



**Accreditation Council  
for Accountancy and Taxation**  
*Above & Beyond IRS Standards*

### Test Dates are June 16–July 7

The Accreditation Council for Accountancy and Taxation (ACAT) is now accepting exam applications for the next testing period from professionals seeking to earn the following three credentials:

- 2011 ABA Accredited Business Accountant/Advisor®
- Accredited Tax Advisor® (ATA)
- Accredited Retirement Advisor® (ARA)

Test sites are open to take all three examinations throughout the country during the testing windows. The exams are offered at more than 700 computer-based testing centers throughout the United States. Also, students attending colleges and universities where ACAT offers its “Capstone” accounting program courses can take the exams at their college or university.

### ABA Exam

The Comprehensive Examination for Accreditation in Accountancy is a two-part, 200-question exam that tests proficiency in financial accounting, financial reporting, financial statement preparation, taxation, managerial accounting, business law, and ethics.

### ATA Exam

The ATA examination is a three-and-a-half-hour, 100-multiple-choice-question exam, for practitioners who handle sophisticated tax planning issues, including ownership of closely held businesses, qualified retirement plans, and complex estates.

### ARA Exam

The ARA examination is a three-and-a-half-hour, 100-multiple-choice question exam for professionals who have a thorough knowledge of topics relevant to retirement planning and the special issues of senior citizens, including tax planning and tax preparation for decedents, estates, and trusts.

*The ABA, ATA, and ARA exam blueprints, resources for study aids, and registration information are on the ACAT website at [www.acatcredentials.org](http://www.acatcredentials.org). Click on “credentials” at the top of the page. Questions? Call ACAT toll-free at (888) 289-7763.*

*[Click here to find a PSI Testing Center near you.](#)*

# NSA 67th Annual Meeting & Expo in Maui

August 22 - 25, 2012

Registration for the next annual meeting, set in beautiful Maui, is now open!

**Headquarters Hotel**  
Hyatt Regency Maui  
200 Nohea Kai Drive  
Lahiana, Hawaii  
[Click here to view the hotel website](#)



NSA is pleased to offer exceptional hotel room rates for members attending the annual meeting. These rates are significantly below the rates otherwise available. Rooms in the NSA room block do not require an advance purchase or nonrefundable hotel deposit and include the mandatory \$25 daily resort fee per room. Our rates are as follows:

<i>Room type</i>	<i>Regular rate plus resort fee</i>	<i>NSA Convention Rate</i>
Resort view	\$314	\$169
Partial Oceanview	\$354	\$189
Oceanview	\$394	\$219
Oceanfront	\$434	<del>\$230</del> Sold out

In order to allow as many members as possible the opportunity to take advantage of the exceptional room rates at the Hyatt Maui, hotel reservations will be available only to members who register and pay the full early bird registration fee of \$579. Members will be initially limited to reserving two rooms. NSA may make additional rooms available at a later date, subject to availability.

Annual meeting registration and hotel reservations must be made online at [www.nsacct.org](http://www.nsacct.org). You will not be able to call the Hyatt Regency Maui and make reservations in NSA's room block. Follow the



Venice Falls, Maui

links on the NSA Annual Meeting web pages to register for the annual meeting. Once your registration is complete, you will receive a confirmation email. In that email is a link to follow to the hotel online reservations. Please note that members are limited to two rooms per reservation. If you decide to reserve two rooms, the reservation may be for two rooms of different types and with different arrival/departure dates. NSA rates are available for arrival beginning on August 16, 2012 and departure no later than August 30, 2012.

[Click here to register today!](#)

Register by  
July 1 and  
**SAVE  
\$100!**

# NSA'S 67<sup>TH</sup> ANNUAL MEETING & EXPO

**August 22-25, 2012**

**Hyatt Regency Maui**

## 2012 REGISTRATION FORM

*Please print legibly to avoid errors and delays on-site*

Name \_\_\_\_\_

Title \_\_\_\_\_

Name to Appear on Badge \_\_\_\_\_

Company \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

E-mail \_\_\_\_\_


NSA Member ID# \_\_\_\_\_

CTEC Member ID# \_\_\_\_\_

- ☐ This is my first NSA Convention.  
☐ I am an ACAT credential holder.  
☐ Special meal request: \_\_\_\_\_  
☐ I have special needs and would like to be contacted by an NSA representative.

### 4 Easy Ways to Register

 Fax form with credit card payment to: 703-549-2984

 Mail this form with a check or credit card payment to:  
NSA, 1010 North Fairfax St., Alexandria, VA 22314

 Call NSA toll-free: 800-966-6679

 Online: www.nsacct.org

### Method of Payment

☐ Check ☐ American Express ☐ Discover ☐ MasterCard ☐ Visa

Credit Card # \_\_\_\_\_ Exp. Date \_\_\_\_\_

Signature \_\_\_\_\_

Check # \_\_\_\_\_

**Total Due: \$** \_\_\_\_\_

**Cancellation Policy:** In accordance with NSA policy, the NSA registration fee is refundable (less a \$75 per registration administration fee) until August 1, 2012 should someone's plans change. In that event, any room reservation you have made will also be cancelled.

**Questions?** Call NSA toll-free: **800-966-6679**

### REGISTRATION PACKAGES

**Full Conference**  
Includes a full year  
NSA membership

**Member:** \_\_\_\_\_ \$579 \_\_\_\_\_ \$679  
**Nonmember:** \_\_\_\_\_ \$699 \_\_\_\_\_ \$799  
**Spouse/Guest:** \_\_\_\_\_ \$259 \_\_\_\_\_ \$299  
**Each child 6-17:** \_\_\_\_\_ \$139 \_\_\_\_\_ \$139

**Early Bird Discount**  
by July 1\* After July 1  
(\*postmarked)

Spouse/Guest/Child Name \_\_\_\_\_

Spouse/Guest/Child Name \_\_\_\_\_

Spouse/Guest/Child Name \_\_\_\_\_

**Daily Rates (Please select option, and days you wish to attend.)**

#### ☐ 1-Day

\_\_\_\_ Member: \$229  
 \_\_\_\_ Nonmember: \$259

#### Select 1 Day

\_\_\_\_ Thursday 8/23  
 \_\_\_\_ Friday 8/24  
 \_\_\_\_ Saturday 8/25

#### ☐ 2-Day

\_\_\_\_ Member: \$399  
 \_\_\_\_ Nonmember: \$429

#### Select 2 Days

\_\_\_\_ Thursday 8/23  
 \_\_\_\_ Friday 8/24  
 \_\_\_\_ Saturday 8/25

**Additional Tickets** (order now, prices increase \$10 onsite)

*The Old Lahaina Luau is an optional event and is not included in the registration fee. before the rates for the luau.*

\_\_\_\_ Adults/Old Lahaina Luau 8/23: \$99 x \_\_\_\_\_ = \_\_\_\_\_  
 \_\_\_\_ Children 3-12/Luau\* \$72.50 x \_\_\_\_\_ = \_\_\_\_\_  
 \_\_\_\_ ACAT Reception 8/24 \$40 x \_\_\_\_\_ = \_\_\_\_\_  
 \_\_\_\_ Awards Breakfast 8/25: \$40 x \_\_\_\_\_ = \_\_\_\_\_  
 \_\_\_\_ Installation Banquet 8/25: \$90 x \_\_\_\_\_ = \_\_\_\_\_

\* Children age 2 and under are free if seated in lap or high chair. Luau rates include transportation.

### NSA PAC Suite Deal Raffle

Buy your NSA PAC Suite Deal Raffle ticket(s) and you'll be entered to win an upgrade from a standard room already purchased to a suite for up to 5 nights. Raffle ticket sales end on August 1st. The drawing will be held on August 10, 2011.

NSA PAC Suite Deal Raffle Tickets: \$50 each x \_\_\_\_\_ = \_\_\_\_\_

*The PAC can not accept corporate contributions.*

### Hotel Information: Hyatt Regency Maui Resort & Spa

Room rate: \$169-\$230 King/Double

Rooms at the NSA group rate, which includes the \$25 daily resort fee, will be available for arrival beginning on August 16, 2012 and departures no later than August 30, 2012. Cut-off Date: July 29, 2012 if rooms are still available in the room block.

**In order to allow as many members as possible the opportunity to take advantage of these exceptional room rates at the Hyatt Maui, hotel reservations will be available only to members who register and pay the full early bird registration fee of \$579. Even then, the member will be initially limited to reserving two rooms. NSA may make additional rooms available at a later date, subject to availability.**

**You will not be able to call the Hyatt Regency Maui and make reservations in NSA's room block. Once your annual meeting registration is complete, you will receive a confirmation email. In that email is a link to follow to the hotel online reservations.** Please note that members are limited to two rooms per reservation. If you decide to reserve two rooms, the reservation may be for two rooms of different types and with different arrival/departure dates.

### WHAT IS HAPPENING IN MEMBERCONNECT?

<http://connect.nsacct.org>

#### CONNECT, COLLABORATE, COMMUNICATE

##### *Discussions*

NSA members have been busy contributing to the discussions on Tax Talk. Here are a few of the topics covered recently:

- Changing accounting methods
- IRA conversions
- Minister salaries
- Hobby losses
- Bingo jackpot tax implications
- State income and property tax on Schedule A

##### *Blogs*

Share your insight and knowledge with fellow members by creating a blog on the new NSA member site. Or stop in to read the posts. Some recent topics include:

- State Withholding Disallowed
- Where are they now? Follow up with some 2011 NSA Scholarship winners
- NSA Advocacy, Notes from the National Public Liaison meeting
- NSA and Practice Transitions

##### *Resource Library*

There are over 120 client letters in the Library. Topics range from 2011 planning to required minimum distribution rules.

Separate libraries house sample tools and forms, such as engagement letters, and articles on practice management, tax, and accounting topics, as well as new technology information. Search all the libraries by topic or keyword to find what you are looking for.

[Click here to visit MemberConnect Now!](#)

---

### MobileNSA: DOWNLOAD THE NSA MOBILE APP TODAY!

*MobileNSA*



*Download it now!*

The National Society of Accountants is pleased to introduce MobileNSA, our new mobile membership app. The app, available for BlackBerry, Android, iPhone, iPad, and iPod Touch, allows you to find and network with other NSA members, stay up to date with news and information, and view NSA events and happenings from the convenience of your phone or other mobile device.

**DIRECTORY** – Get quick access to your fellow NSA members. Search the directory by first name, last name, or company. Call and email fellow members directly from the app or touch their address to see their location on a map on your Smartphone.

**NEWS** – Read the latest tax, accounting, and NSA specific news, stay connected with the NSA Twitter feed, read NSA staff and member blogs, and view new additions to the document libraries.

**EVENTS** – Stay on top of upcoming NSA events, including webinars, ASO events, committee meetings, and more.

**DISCUSSIONS** – Collaborate with other NSA members, ask questions, and get answers. Tax Talk and other discussion groups that you are subscribed to on NSA MemberConnect are available on MobileNSA. Once logged in, you can post new messages, reply to another member's messages, or simply follow discussions.

**MESSAGES** – View and respond to messages you've received from other NSA members on MemberConnect.

**CONTACTS** – Save NSA member contact information to your Smartphone or mobile device address book. You can also call or email a fellow member directly from MobileNSA!



COMING IN MAY

## NSA PRESENTS A 10-HOUR ON-DEMAND WEBINAR SERIES <http://webinars.nsacct.org/> FOR THE RTRP EXAM

Want a backstage pass to be part of the audience during the live taping of this webinar? Contact us at [members@nsacct.org](mailto:members@nsacct.org).

This new webinar series is designed to help practitioners study for the IRS RTRP exam. Each webinar has comprehensive PowerPoint slides available for download with the presentation. They focus on the basic rules and offer numerous review questions on each topic, with answers.

A set of learning handouts, diagrams, and case studies will be included with each webinar, which prove the old adage that a picture is worth a thousand words.

The authors will provide their email addresses and will be happy to answer any questions that participants may have after completing each of the webinars.

### 1. Planning for, Studying for, Taking, and Surviving the RTRP Exam

This webinar covers all aspects of getting ready for the RTRP Exam and actually taking the exam. Topics covered include adopting the right attitude, budgeting study time, "how to study" tips for each of the seven domains tested on the exam, strategies for final reviews right before the exam, and tips for surviving and thriving in the actual exam.

CPE: 2 Hours

### 2. RTRP Exam Review: Filing Basics, Gross Income, and Exclusions

This webinar reviews the basics of filing the individual return, including an intensive review of the individual tax format, determining filing status and exemption deductions, working with the standard deduction, computing the tax, and requirements to file. The emphasis then shifts to gross income as defined by the Code and concepts that are central to understanding the definition of gross income, such as the wherewithal-to-pay and claim-of-right doctrines. The major types of income are covered in detail, including wages, interest, dividends, social security, and other topics. The webinar includes an intensive review of Code exclusions to income (statutorily exempt income), special computations for certain exclusions, and exceptions to the various exclusion rules.

CPE: 2 Hours

### 3. RTRP Exam Review: Deductions

This webinar offers an intensive review of the myriad rules for deductions under the Code. Deductions for adjusted gross income are examined in detail; these include such items as rent-related expenses, IRAs, moving expenses, and other items. Then the emphasis shifts to an intensive examination of deductions from adjusted gross income, the itemized deductions. Detailed rules for determining deductible medical expenses, taxes, interest, contributions, casualty and theft losses, and various miscellaneous deductions are covered, including study tips and memory devices for many of these items.

CPE: 2 Hours

### 4. RTRP Exam Review: Property Transactions and Tax Credits

This webinar is divided evenly between two major topics tested on the exam; sales or exchanges of property and tax credits. Property transactions are reviewed in detail, including the concepts of amount realized, adjusted basis (including the various methods of acquiring property, such as purchase, gift, or inheritance), and recognized gain or loss. The concept of capital gains and losses is covered in detail, with several helpful examples and case studies that serve to simplify the otherwise complicated rules. The second half of the webinar includes a comprehensive review of tax credits, examining the Code requirements, computations, and reporting of all major credits. These include, among others, the child credit, the child and dependent care credit, the earned income credit, and the various education credits.

CPE: 2 Hours

### 5. RTRP Exam Review: Filing Issues, Special Taxes, Electronic Filing, and Circular 230 Requirements

This webinar covers basic filing issues, such as self-employment taxes, the "kiddie tax," the alternative minimum tax, estimated tax requirements, and refund claims and extensions. Electronic filing requirements are also covered in detail, including related ethical obligations. Finally, a comprehensive review of the recently-revised Circular 230 ethical and practice requirements is covered, with a focus on issues most likely to be included on the exam.

CPE: 2 Hours

10-hour series member price: \$395 ▲ NSA's RTRP Exam Review Course FREE with registration ▲ Registration opens soon

**[Click here to visit the RTRP Webinar webpage for more details.](#)**

# Navigating Through the Maze

## Becoming an RTRP



By Michele McDonald

*Meet several NSA members who are faced with the requirement of becoming IRS Registered Tax Return Preparers. They share their thoughts on how they plan to prepare for the exam, and when they plan to take it. For some, it raises a question of which exam to take. Some practitioners are using the study time to prepare to earn a different credential.*

**Q**uick on the heels of tax season comes test season, as practitioners gear up for the IRS-mandated exam. The Internal Revenue Service now requires tax preparers to take the Registered Tax Return Preparer exam. It's a 120-question test, comprised of true-false and multiple choice. In addition, the IRS is requiring 15 hours of annual continuing education, a background check, and as a tax compliance check.

Conscientious tax preparers are already prepared for the test, says Bill Parrish, president of Stanley Tax & Accounting Inc. in Overland Park, Kansas. "My initial thoughts were 'Why is this necessary?' Looking at my own situation, I've been in practice for all these years. The fact that I will have a standing and a recognition by the IRS, eventually becoming a registered tax preparer once I pass the exam, does not make me a better practitioner at all. So initially I thought, this is a waste of time."



TO A SEASONED PRACTITIONER, EVEN THOUGH WE MAY BE AFRAID TO TAKE THE EXAM BECAUSE WE HAVEN'T TAKEN TESTS IN A LONG, LONG TIME, IT IS REALLY NO BIG DEAL COMPARED TO OTHER PROFESSIONS THAT HAVE TO GO THROUGH A LOT MORE TO REMAIN IN PRACTICE.

- Bill Parrish, ABA, ATA, ATP, ARA

Then he changed his mind. "But as I began to look at the processes and the actual things I have to do, I have to say it's no big deal. To a seasoned practitioner, even though we may be afraid to take the exam because we haven't taken tests in a long, long time, it is really no big deal compared to other professions that have to go through a lot more to remain in practice."

Parrish plans to take the test as his studying method. "My goal is to take the exam and see how I do," he said. "I think it's going to be a 50-50 chance that I'll pass the exam without studying and 50-50 that I won't. But if I do luck-out and pass the exam, then I'm finished with that part. If not, then I'll have a real hands-on feel for what I need to study."

"Once I get through tax season, then it's time to hit the books," said Bobby Buchanan, a partner with his wife Shirley in the Suitland, Maryland-based Buchanan's Financial Tax Services, Inc. "I can't study until tax season is over—I work 12-hour days."

### BOBBY AND SHIRLEY BUCHANAN ARE BYPASSING THE RTRP AND HEADING STRAIGHT FOR THE CPA EXAM.

"I'm all in favor of the new requirements," said Buchanan, who became a tax practitioner after his Air Force career. "I had a client come in with a return who had gone to someone else—it was ridiculous the way the other preparer did the return. Requirements are needed. There are people out there doing tax returns who don't have a clue."

Buchanan and his wife are bypassing the RTRP and heading straight for the Certified Public Accountant exam. "You have everything rolled into one exam," he said.

The exam may require Buchanan to crack a book, but that's nothing compared to

making sure all the numbers on complex corporate tax returns balance. “I love a challenge—that really keeps me going,” he said. “I love researching to find out what people can and can’t deduct.”

As for the actual RTRP exam, the IRS’s “Publication 17,” otherwise known as “your federal income tax,” holds the key, Buchanan said. “If you read Pub 17, you won’t have any problem passing the exam,” he said.

Studying for the test could clue in the unprepared, said Jeniele Rowley, owner of Idaho Tax Group in Nampa, Idaho.



**I THINK THIS IS GOING TO HELP  
STIMULATE THE EDUCATION OF  
PEOPLE PREPARING TAX RETURNS.**

*- Jeniele Rowley, ABA, ATP*

“I’ve seen returns (from other practices) come across my desk and I thought ‘That could have used a little education,’” she said. “When I do a return, I put my name on it. I sign it. I take responsibility for it.”

Clients have given her returns to review that they paid someone to do. “But it won’t have anyone’s name on it,” Rowley said. “It will say it was self-prepared. I know that there are people not always practicing ethically. I hope that perhaps this will be a way to curb that. It may also be a good opportunity for people to realize that they do need to have continuing education and they do need to stay up on the changes.

“We don’t always remember that tax laws change. Well, we should. Tax laws change about every five minutes. I think this is going to help stimulate the education of people preparing tax returns.”

Thanks to NSA, Rowley says she knew long ago the test would be in her future. “I feel as if I’ve been informed all along the way,” she said. “This is not a surprise. NSA is very proactive in its newsletters, telling us what they are finding out and asking what we think. But I wonder if there are practitioners out there who are feeling overwhelmed or unsure just because they don’t have the resources that have been guiding them through the process?”

Rowley hasn’t started studying yet. “I think the best studying I can do right now is tax season itself. I’ll invest in materials from NSA as I get closer to prep time. Based on my experience with NSA, they have good comprehensive materials. I’m not sure I’m going to spend a lot of time looking elsewhere when I have a trusted source already.”

Clearly, she won’t take the test before tax day.

“I prefer to take it as soon as possible but it obviously won’t be until after tax season,” Rowley said, laughing. “I think I’d like to see my time frame as May when I’m fresh off tax season and everything is fresh in my mind.”

Rowley wants the test to be a challenge. If it’s too easy, then it defeats the purpose of making tax preparers more knowledgeable, she said. “I would like to see a test that tests people’s basic skills as opposed to giving them everything they need to know to answer it correctly.”

The new regulations will prompt tax preparers to beef up their knowledge on an on-going basis. Continuing education is essential to a successful tax practitioner’s business, said Rowley, who long has attended educational seminars. She also turns to NSA’s webinars and website for information.

“I think sometimes when you’re in practice by yourself that it’s important to have a network of people to contact when you have issues,” she said. “We can do a lot of research on our own, but sometimes having someone else as a sounding board is really helpful—plus the fact that there are NSA members all over the country. Perhaps I’m struggling with a return in Florida; I can find someone in Florida within that network that can help me find answers.”

Sharing experiences, whether it be about the test or about how to prepare returns, helps make for a vibrant community, Parrish said.

“We’re all in this together,” he said. “Not one of us can stand alone. We are a collective effort. It’s a triangle of taxation. You have the government, the taxpayer, and us. I think we should all be collaborating.”

*Visit the NSA webpages designed specifically  
to bring you all the latest information and  
guidance on obtaining the RTRP credential.  
<http://connect.nsacct.org/NSACCT/RTRP>*



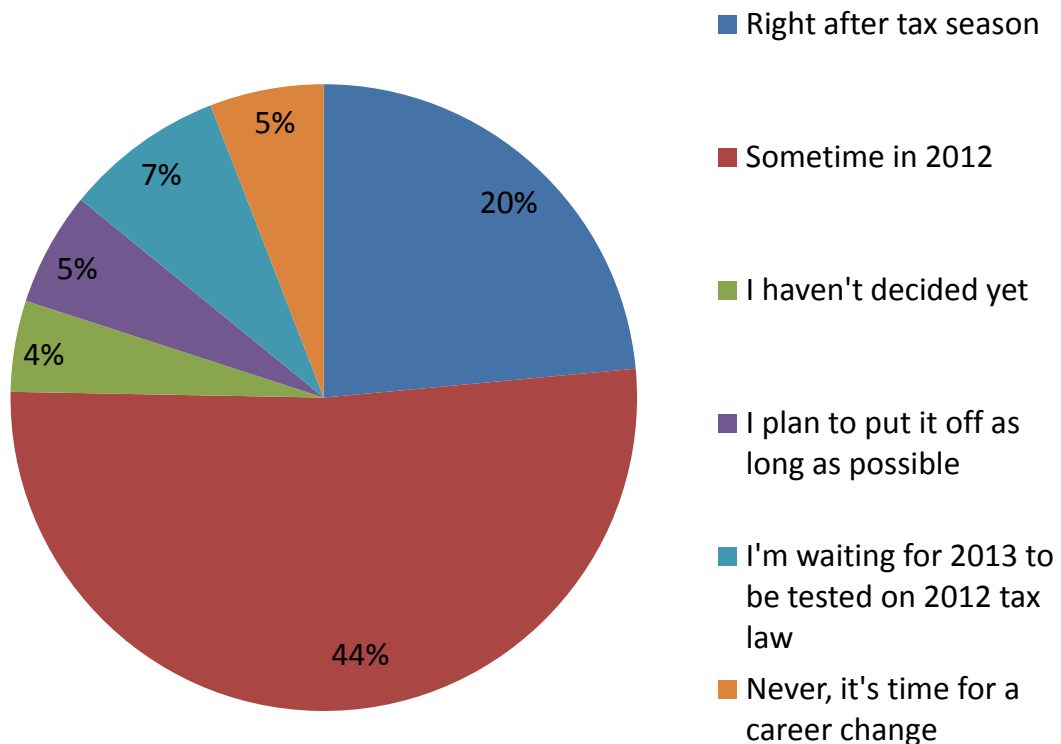
*Michele McDonald  
Freelance Writer  
Alexandria Virginia*

## NSA POLL RESULTS

---

### When do you plan to take the IRS RTRP exam?

Below are the results of a poll, held recently online, asking members when they plan to take the RTRP exam.



### LEARN ALL YOU NEED TO KNOW TO PASS THE EXAM THE FIRST TIME

---

NSA provides members a free exam tutorial to dust off test-taking skills, as well as all the current information provided by the IRS. Visit the webpage often to stay informed.

[http://connect.nsacct.org/NSACCT/RTRP/RTRP\\_Test/](http://connect.nsacct.org/NSACCT/RTRP/RTRP_Test/)



# Navigating the RTRP

NSA is Your **RESOURCE** for  
SUCCESS!

## STUDY GUIDE

Written by subject matter experts John O. Everett, Ph.D., CPA and Cherie J. Hennig, Ph.D., CPA, the NSA Registered Tax Return Preparer Exam Review Course is aimed at providing a thorough review of all the federal taxation topics and subjects outlined by the IRS.

## PTIN

Visit the NSA webpage on PTIN information for the very latest information from the IRS, as well as everything you need to know about PTINs and keeping up to date. Find out more about obtaining a PTIN, renewing, and important deadline dates.

## EXAM

NSA's website has a page dedicated to the latest information, to help you take the IRS competency exam...and pass. The Frequently Asked Questions is a great place to start. Watch the short webinar aimed at helping you dust off your test-taking skills. A 5-Part RTRP Exam Review webinar series starts in May.

## CPE

As an IRS—Approved Continuing Education Provider, NSA has all the tools you need to remain in compliance with the new requirements. The upcoming RTRP Exam Review webinar series provides a total of 10 CPE hours. Visit the RTRP Exam webpage for all the latest tips.

<http://connect.nsacct.org/RTRP/>

# BLOG TO BOOST YOUR ACCOUNTING PRACTICE

## *Why Accountants Should Consider Blogging*



By Hugh Duffy

A blog can be a powerful part of your online marketing toolkit, as well as your general communications program. If you want to take an active role in driving more traffic to your firm's website, then blogging is for you.

Blogs are magnets for search engines such as Google, and a great way to boost website traffic. With regular posts, informative content and search-engine friendly links, your site is more likely to be indexed by Google sooner than a site that has offered the same content for years. Another way of looking at this is that potential and existing clients will stand a better chance of getting to your relevant content than to that of your competitors.

Any accounting professionals understand the benefits of blogging for their firms, but might be unsure about how to get started.

First and foremost, blog about what you know. Not only will your blogs be easier to write, you will position yourself as a content expert by giving out the same kinds of opinions and thought leadership you give your clients. If you work in tax, then you wouldn't want to blog about audit. Before you know it, you'll be seen as an expert and your site will be the go-to source for valuable accounting information.

Here are some additional guidelines to help you blog for more business:

No technical knowledge is required. You don't need to be a "techie" or know HTML code to write a blog. You can add pages or articles using such content management software as WordPress, which offers a user-friendly dashboard that lets you add, edit, and publish web pages and posts.

Get social to make connections. Your readers can leave comments on your posts. This allows you to see who is interested in your services and provides an opportunity to establish a dialogue with potential customers and partners. Make your blog the perfect opener to developing a relationship and a network for future business.

Write quality content. Once you have a blog set up, it's time to write. Most bloggers are enthusiastic at first about blogging with plans to blog every week or even more often. Reality soon sets in, however, and you may find yourself blogging less often. The best thing to do is decide on a realistic frequency for your blog posts, then set aside the required time to write. Make yourself an appointment to write if you need to. What you don't want to have happen is a reader becoming disenchanted with your blog because it's not updated. You'll lose the reader's confidence and loyalty.

Add quality links. Link to other pages on your website whenever it's appropriate. For example, embedding a link to take the reader to your contact information can generate additional traffic and is just plain good for business.

Optimize your content. No matter what you're trying to get out of your blog, it's always important to optimize your content. Doing so will allow the search engines to put your site in front of the right audience. But, be careful. It's great to get ranked for keywords and get free website traffic, but it's also important to keep things interesting. Write your blogs with keywords in mind, but remember to write for your audience as well—and keep it conversational. Keyword phrases of two to three descriptive words are more effective than individual keywords that can be too competitive. For optimum cataloging or indexing by search engines, blog posts should also be at least two hundred words, if not a bit more.

When it comes to optimizing your business blog, looking at the factors that will be picked up by the search engines is an important first step to increasing traffic to your site. These factors are known as your SEO—or Search Engine Optimization—profile. SEO involves the development of unique and appropriate keyword phrases that best describe your business, such as "Certified Public Accountant" and "tax accounting," but are only one part of the total optimization equation.

If all of the reasons outlined in this article aren't enough information to get you blogging for your business, consider the facts. Research done by inbound marketing company HubSpot on how blogging affects the performance of their clients' websites showed striking results. They sampled a little over 1,500 companies; roughly half of them blogged for business and the other half didn't. The businesses that blogged had 55% more traffic, nearly double the number of inbound links, and over 400% more pages indexed by Google.

That's reason enough to begin blogging. Soon, you'll receive more referrals and be able to convert prospects to clients based on your expert opinions.



Hugh Duffy, MBA  
Co-Founder, Build Your Firm  
[www.buildyourfirm.com](http://www.buildyourfirm.com)  
888-999-9800 x151



# HOT TOPICS AND TIPS FROM OUR TAX DESK

By Deborah Aiken, JD, CPA

## CANCELLATION OF DEBT

With recourse debt, the sale on a foreclosure, repossession, short sale or deed in lieu of foreclosure is calculated as the difference between the taxpayer's adjusted basis and the FMV of the property at the time of the event. The cancellation of debt income is the difference between outstanding debt balance and the property's FMV. It is ordinary income.

With non-recourse debt, the sale on a foreclosure, repossession, short sale, or deed in lieu of foreclosure is calculated as the difference between the outstanding loan balance and the FMV and the outstanding loan balance. There is no cancellation of debt income.

## HOBBY LOSS

The hobby loss rules do not apply to C corps. However, if corporate assets are being used to pay for a shareholder to pursue a hobby or to pay personal expenses, the payments may be a constructive dividend to the shareholder.

## RENTING FOR BELOW FMV TO CHARITY

If a taxpayer rents a property to a church, for example, at less than FMV, the taxpayer does not get a charitable deduction for the difference between the FMV and the rent received. Taxpayers choosing to rent at below FMV have imputed rental income of the reduction. Only then would they get a charitable deduction, so it would be a wash. The IRS chooses to ignore the imputed income and the taxpayer gets no charitable deduction.

## USING PER DIEM RATES

Employees who are not reimbursed for their expenses may calculate their deduction for the cost of meals and incidental expenses (M & IE) using the federal per diem rates. They have to use actual expenses for lodging.

## EITC AND GRANDPARENT

If the parent of the child is the qualifying child of the grandparent, the parent may not take the EITC. If the parent's AGI is higher than the AGI of the grandparent, the grandparent may not claim the child as a qualifying child for the EITC or other child-related benefits.

## TRAVEL TO VISIT AS MEDICAL DEDUCTION

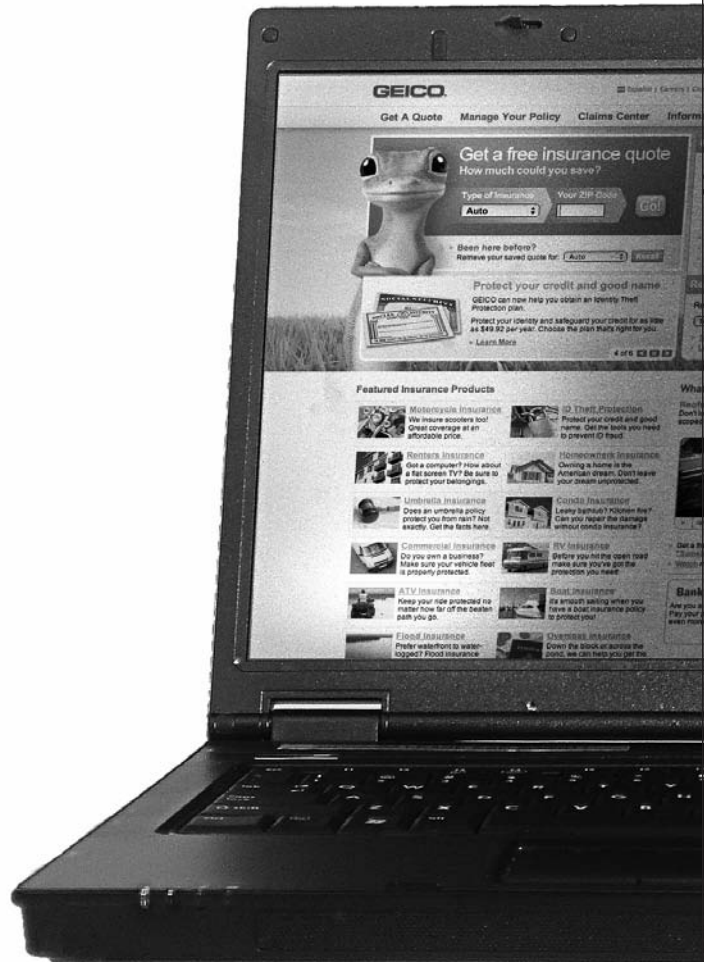
The travel costs incurred by family members to visit an ill or disabled person may be deductible as a medical expense if the visit is important to the treatment or cure of the patient.

## MEDICAL MARIJUANA

Regardless of the legal status of marijuana in a state, section 280E disallows deductions attributable to a trade or business of trafficking in controlled substances.

*Get your questions answered at the Tax Help Desk. For more information [Click Here](#).*

Exclusive Savings.  
Without the firewall.



NSA members could get an additional discount  
on car insurance. Get a free quote today.

**GEICO**  
geico.com  
1-800-368-2734

Discount amount varies in some states. Discount is not available in all states or in all GEICO companies. One group discount applicable per policy. Coverage is individual. In New York a premium reduction is available. Some discounts, coverages, payment plans and other services are not available in all states. Content is copyright protected and provided for personal use only, not for reproduction or retransmission. Inc. GEICO: Washington, DC 20076. GEICO Gecko image © 1999-2010. © 2010 GEICO

For reprints please contact the Publisher.