NSA National Society of Accountants

MAIN STREET PRACTITIONER

The Magazine for Tax and Accounting Professionals

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NSA Tax & Accounting Resource Center

MEMBER SPOTLIGHT

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PRESIDENT'S MESSAGE

By Marilyn Niwao, J.D., CPA, ATA, CGMA

December 2014

As we approach the upcoming tax season, NSA volunteers and those on NSA committees are working hard to increase member benefits for their fellow accounting and tax practitioners.

Tax Practitioners' Bill of Rights

One of the initiatives that I have asked of the NSA Tax Committee is to compile a list for a Tax Practitioners' Bill of Rights based upon member input. I believe that not only taxpayers should have a Bill of Rights, but tax practitioners should also have a Bill of Rights to establish basic courtesies and treatment of tax practitioners by the IRS and Congress.

Tax professionals are already under too much stress with the complexity of the U.S. Tax Code and penalties, with the younger generation of employees complaining that they want a better balance between work and family life. Unless something is changed, there will be fewer and fewer young people entering and maintaining careers as public accounting and tax practitioners.

Once the list for the Tax Practitioners' Bill of Rights has been developed, NSA will lobby the IRS and Congress to accept a Tax Practitioners' Bill of Rights through IRS administrative rulings or legislation that will make life easier for the tax practitioner. NSA will take the lead in advocating for legislation or rules that will directly impact the lives of all tax professionals.

At the top of my personal list of what should be included in the Tax Practitioners' Bill of Rights would be recognition that the IRS should not "disturb" practitioners immediately before critical tax deadlines (i.e., April 15, September 15, October 15) by demanding items in conjunction with IRS audits or appeals, or perform routine website maintenance that affects electronic filing right before October 15, the final due date for individual income tax returns. In addition, Congress should not enact last-minute year-end legislation that impacts the time that practitioners have to prepare complete and accurate returns during tax season.

What are your concerns that IRS and Congress could address that would help to improve your professional life and reduce your stress levels? We would like to hear from you and would appreciate your feedback sent to the NSA office at members@nsacct.org with the subject line "Tax Practitioners' Bill of Rights." The suggestions should be for changes that could benefit all tax practitioners, and I thank you in advance for offering your suggestions and joining the cause to better our profession!

The New NSA Go Getter Program—an Incentive for all NSA Members

NSA's new Go Getter Program offers NSA members generous financial incentives to sign up new members and help expand NSA's extended family so that we can offer all members more and better benefits. Between October 1, 2014, and September 30, 2015, NSA members can receive their own future yearly membership dues free when they sign up 3 new members. NSA members who recruit 10 new members, NSA members will also get $300 credit for NSA live or self-study education, which can also be used toward the NSA annual convention registration fees. (For this new promotion, the new member recruited must pay at least $179 in NSA membership dues, must not have been a member of NSA for at least one year, and must not have been recruited at the IRS forums.)

NSA Vancouver, B.C. Annual Convention – August 19 to August 22, 2015

Plans for next year's NSA Vancouver, B.C. convention from August 19 to 22, 2015 at the Hyatt Regency Vancouver have been taking shape. There will be lots of opportunities for sightseeing, with optional trips to Victoria and around Vancouver. Seminars are being finalized with speakers on Trusts, Circular 230, Business Health Check-up, International Tax, and Risk Management for tax preparers. Please mark your calendars and plan to attend!

For the New Year, best wishes for health, happiness, and prosperity!

With warmest aloha,

Marilyn M. Niwao

Marilyn M. Niwao, J.D., CPA, ATA, CGMA
President
National Society of Accountants

AICPA Releases Statement on Standards for Accounting and Review Services

SSARS No. 21

On October 23, 2014, the Accounting Review Services Committee issued Statement on Standards for Accounting and Review Services (SSARS) No. 21, Statement on Standards for Accounting and Review Services: Clarification and Recodification. SSARS No. 21 clarifies and revises the standards for reviews, compilations, and engagements to prepare financial statements. It also includes significant revisions that affect the standards for accountants in public practice who prepare financial statements for their clients. It is effective as of December 15, 2014; however, early implementation is permitted.

SUMMARY

SSARS No. 21 supersedes all existing AR sections in the AICPA Professional Standards, with the exception of AR section 120, Compilation of Pro Forma Financial Information.In 2015, AR section 120 is expected to be clarified and exposed for public comment, along with new proposed requirements and guidance related to compilation of prospective financial information. The existing requirements and guidance related to compilation of prospective financial information is contained in the Statements on Standards for Attestation Engagements.

SSARS No. 21 comprises four sections:

- **Section 60**, General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services
- **Section 70**, Preparation of Financial Statements
- **Section 80**, Compilation Engagements
- **Section 90**, Review of Financial Statements

Substantive changes to the standards for compilations, reviews, or engagements to prepare financial statements are as follows:

- Section 70 does not require a report—even when the financial statements are expected to be used or provided to a third party.
- Section 70 requires either a legend on each page of the financial statements stating that no assurance is being provided or a disclaimer.
- The accountant is required to obtain an engagement letter signed by both the accountant and the client's management for all reviews, compilations, and engagements to prepare financial statements.
- Section 80 eliminates the need for the accountant to determine whether he or she has prepared financial statements, by eliminating the submission requirement.
- Section 80 always requires a report. Financial statements that the accountant is engaged to prepare but that are not intended for third-party use, would fall under Section 70.

NSA published two articles recently, providing NSA members with detailed information about SSARS No. 21. The first installment described a new engagement level—The Preparation—which falls below the level of a Compilation as presented by the Accounting and Review Services Committee of the AICPA. The second article describes the major changes to the Compilation and identifies distinctions between the Preparation and Compilation services. Part III, to be published in the Tax Season issue, will focus on the changes to the Review.

Read the first article: The Preparation
Read the second article: The Compilation
Visit the AICPA webpage devoted to SSARS 21

THOMSON REUTERS
CHECKPOINT

SPECIAL REPORT:
TAX AND FINANCIAL PLANNING FOR BABY BOOMERS

As we all know, an enormous number of individuals were born in the United States during the post-World War II era (mid-1946 through mid-1964). These so-called baby boomers began turning age 65 in 2011 and (according to the U.S. Census Bureau) by 2029, when all of them will be 65 years old and older, more than 20 percent of the total U.S. population will be over the age of 65. This huge wave of individuals will encounter many challenges as they approach retirement, including how to ensure their own financial security. But with proper planning, these challenges can become opportunities.

This special report focuses on a key tax and financial planning opportunity for these individuals as they move into retirement: maximizing Social Security benefits. For an enhanced version of this report that includes planning for retirement plan distributions and planning for children's and grandchildren's college costs, go to https://tax.thomsonreuters.com/TaxFinancialPlan.

Maximizing Social Security Benefits
Deciding When to Start Receiving Benefits

Individuals approaching retirement age must decide whether to begin taking reduced benefits early or wait until full retirement age (FRA) or later. Generally, the goal is to maximize the lifetime benefits received. In addition to the amount of the Social Security benefit (which depends on when benefits are taken), factors such as how long the recipient lives after starting benefits, the extent to which benefits are taxed and whether the benefits are spent or invested affect the total amount that is actually available to the recipient. Also, in some cases, the decision about when to start receiving benefits depends on the recipient's immediate cash needs. Then maximizing the lifetime benefit may not be feasible.

Some individuals will delay receiving benefits and continue to work because of personal preference. Others will quit working early and will need to start receiving benefits as soon as possible.

Some individuals choose to take early Social Security benefits out of necessity—they are unemployed or underemployed or they have an immediate financial need. Unfortunately, in many cases, taking the early, reduced benefit ensures their continued financial predicament. Studies suggest that those who take early benefits out of necessity often find themselves in even more desperate straits in later years as they continue to struggle on their permanently reduced benefit. For these people, early retirement may be an undesirable but a necessary, option.
Individuals in a better financial situation often have the luxury of waiting to allow their benefits to increase, thus ensuring a more comfortable retirement.

Note: While individuals may choose to receive Social Security benefits as early as age 62, the eligibility age for Medicare remains at

Key Social Security Dates

- Age 62: Age at which individuals can choose to start receiving Social Security retirement benefits. However, their benefits will be lower than if they wait until reaching their full retirement age (FRA). In addition, if an individual chooses to receive benefits early and works before reaching his FRA, his benefits will be further reduced if his income from working exceeds an applicable threshold (for 2015, the threshold is $15,720).
- Age 66 – 67: So-called full retirement age (FRA) is the age at which Individuals can start receiving their full Social Security retirement benefits. For individuals born in 1943 – 1954, FRA is age 66; FRA gradually increases for those born after 1954 until it becomes age 67 for those born after 1959. Individuals won't lose any benefits for earnings beginning with the month they reach their FRA, regardless of how much money they make. However, there is an earnings threshold for the year FRA is reached, but it only applies for the months up to FRA. For individuals reaching FRA in 2015, their Social Security benefits will be reduced if they earn more than $41,880 in the months up to the month of their FRA.
- Age 70: Individuals can choose to postpone receiving Social Security retirement benefits until they reach age 70. By making this choice, their benefits will be higher than if started earlier.

age 65. So, although they may be able to replace a sufficient amount of their earned income with Social Security benefits at age 62, many individuals may not be able to adequately replace their employer-provided health insurance, so working until age 65 may be necessary.

Taking Reduced Benefits Before FRA

Even if the individual has sufficient funds to live without considering Social Security, some planners advise individuals to begin receiving benefits as soon as possible. Drawing early Social Security benefits may allow the individual to leave tax-deferred retirement accounts untouched and growing for longer periods. But, for individuals reaching age 62 in 2015, benefits are reduced by 25% of what they would be at age 66 (those individuals' FRA). See the Age 62 Benefit by Year of Birth table below for the percentage reductions that apply to worker and spousal benefits taken at age 62, depending on the worker's year of birth.

Age 62 Benefit By Year of Birth (Benefits based on a $1,000 benefit at full retirement age)

Year of birth[1]	Full retirement age (FRA)	Months between age 62 and FRA[2]	Worker		Spouse	
			Percent reduction[3]	A $1,000 benefit would be reduced to:	Percent reduction[4]	A $500 spouse's benefit would be reduced to:
1943–1954	66	48	25.00%	$750	30.00%	$350
1955	66 and 2 months	50	25.83	741	30.83	345
1956	66 and 4 months	52	26.67	733	31.67	341
1957	66 and 6 months	54	27.50	725	32.50	337
1958	66 and 8 months	56	28.33	716	33.33	333
1959	66 and 10 months	58	29.17	708	34.17	329
1960 and later	67	60	30.00	700	35.00	325

1. If born on January 1, use the prior year of birth.
2. For individuals born on the first day of the month, benefits are computed as if they were born in the previous month. Individuals must be at least 62 years old for the entire month to receive benefits.
3. The reduction is applied to the benefit the worker would have received at FRA ($1,000 in this table). The percentage reduction is 5/9 of 1% per month for the first 36 months and 5/12 of 1% for each additional month.
4. The spouse's maximum benefit is 50% of the benefit the worker would receive at FRA. The spouse's percentage reduction is applied after the automatic 50% reduction. The percentage reduction is 25/36 of 1% per month for the first 36 months and 5/12 of 1% for each additional month.

Individuals may also want to receive benefits before their FRA if they have dependents under age 18. Such dependents may be eligible for benefits if the individuals are also receiving Social Security benefits.

> Tip: While an individual receives a greater number of Social Security payments if benefits begin at age 62 (rather than the FRA), the amount of each payment is smaller. So, at a certain point in time, the total benefits received will be the same, regardless of whether a greater number of smaller payments or a smaller number of larger payments is received.

If an individual waits until the FRA to draw benefits and the primary insurance amount (PIA), which is a function of his earnings history, remains the same, it will take around 12 years to reach the break-even point (that is, total benefits received after waiting until FRA equal the total benefits received starting at age 62). After that point, the total benefits received will be greater if the individual waits until FRA (or later) to begin taking them.

Note: This break-even analysis considers only the Social Security benefits. It does not consider any investment income that could have been earned from age 62 until FRA on early benefits (assuming they are invested, rather than spent) or the compounded future value of that sum.

Waiting Until FRA

Retirees should consider the advantages of waiting until their FRA before drawing Social Security benefits. Factors to consider include:

- Life expectancy
- Shortening the retirement period
- The earnings test
- Replacing earlier lower-wage years with later higher-wage years
- The compounding of inflation adjustments on a higher base
- Effect on the retiree's spouse

Life expectancy. The individual's life expectancy may be the biggest factor in deciding whether he should receive Social Security benefits early. While tables and averages are available, a 62-year-old individual should have a good idea of his own life expectancy. His current health and the longevity of his parents should be clearly established by that age. As previously noted, it takes roughly 12 years for total benefits received starting at FRA to equal the total benefits received starting at age 62.

Shortening the retirement period. A significant factor in retirement planning projections is the length of the retirement period, computed as follows:

Length of Retirement Period = Life Expectancy—Age at Retirement

Example: Nancy wants to retire at age 62 and has a life expectancy of 85. She has a 23-year retirement period to fund. By working past age 62, Nancy is shortening her retirement period and decreasing the resources needed to fund her retirement, regardless of her longevity.

The earnings test. Individuals who consider receiving Social Security retirement benefits before their FRA but who also intend to keep working must consider the earnings test. For 2015, the exempt earnings amount is $15,720 (for years before reaching their FRA). This means that Social Security benefits are reduced $1 for every $2 in earnings above that exempt amount. In the year that FRA is reached, benefits are reduced $1 for every $3 in earnings above $41,880 (in 2015) based only on the months up to the month of FRA. At FRA, benefits are no longer reduced due to earnings, regardless of the amount.

Individuals already facing a reduced benefit amount because they started receiving benefits before FRA would have their benefits reduced even further by exceeding the exempt earnings threshold. However, if a worker starts receiving benefits prior to his FRA and those benefits are reduced because of his excess earnings, when the worker reaches FRA, his benefit amount is recalculated to give him credit for the months that benefits were reduced because of his excess earnings.

Example: Charlie retired in 2014 at age 63. In 2015, he decides to work part-time and earns wages of $16,720, $1,000 over the exempt amount. Charlie has investment income and is in the 25% marginal tax bracket. His Social Security benefits are subject to tax, and 85% of the benefits are included in his gross income. Since Charlie is under FRA, his benefits are reduced $1 for each $2 he earns over the exempt amount. Charlie's additional spendable portion of the $1,000 of wages after considering taxes and the loss of Social Security benefits is only $279.75, shown as follows:

Earnings over the exempt amount	$1,000.00
Payroll tax on $1,000 (7.65%)	< 76.50 >
Income tax on $1,000	< 250.00 >
Loss of Social Security benefits ($1,000 ÷ 2)	< 500.00 >
Tax savings because of $500 reduction in Social Security benefits ($500 × 85% × 25%)	106.25
Additional spendable amount	$279.75

Replacing lower-wage years. An individual's Social Security benefits are based on his PIA. The PIA is based on the individual's highest earnings during a 35-year calculation period. If an individual can replace lower-wage years with higher-wage years after age 62, he can increase his PIA. This can lead to a higher retirement benefit when the individual retires. A higher PIA will also increase disability and survivor's benefits.

Inflation adjustments. Social Security benefits receive an annual inflation adjustment. Taking reduced benefits before FRA results in a smaller annual inflation increase because the inflation adjustment (even though the same for all benefit recipients) is applied to a smaller amount each year.

> ***Example***: Sam's PIA was $1,000, but he began taking benefits at age 62, so his benefit was only $750. Each year he will miss out on the compounded inflation adjustment to that $250 in lost benefits. In other words, the gap between his early retirement benefit and the amount he would have received by waiting will continue to increase.

The effect on the spouse. The individual's decision to start receiving Social Security benefits before reaching his FRA may also affect a spouse's benefits. Unless the spouse has his own earnings record and is fully insured, he will be dependent on his working spouse's PIA for retirement benefits. A spouse who is not fully insured and who waits until his FRA is eligible to receive 50% of the worker spouse's retirement benefit. However, a worker who retires early may have a lower PIA than if he had waited until his FRA. Therefore, his spouse's benefit would be based on that lower PIA.

Beginning Benefits after Reaching FRA

An individual who works past his FRA receives larger benefits because of the delayed retirement credit. A worker born in 1943 or later receives a credit of 8% per year for each year he delays receiving benefits after reaching his FRA until age 70.

Making a Change after Benefits Begin

Withdrawing the application. If Social Security benefits started less than 12 months ago and the worker changes his mind about when they should start, he may be able to withdraw his Social Security claim and re-apply at a future date. A request for withdrawal of an application is made on Form SSA-521. If the request is approved, all of the benefits received by the worker and his family must be repaid. Only one withdrawal is allowed per lifetime.

Suspending retirement benefit payments. After reaching FRA but before age 70, an oral or written request can be made to the SSA to suspend benefits, including any retroactive benefits that might be due. Planning strategies utilizing the suspension of benefits are discussed below.

Maximizing Lifetime Benefits for Married Couples

Married individuals are entitled to the higher of 1) the retirement benefit based on their own record or 2) a spousal benefit equal to 50% of their spouse's retirement benefit. Married individuals who file for retirement benefits before their FRA based either on their own earnings record or on spousal benefits, are deemed to have filed for both benefits at the same time. However, after married individuals reach FRA, they can restrict the application to one type of benefit, allowing them to apply for one type of benefit at FRA and the other benefit later.

These filing options give rise to two planning strategies available to married couples. They enable married couples to maximize their combined benefits in certain situations.

File and Suspend. Under this strategy, a higher earning spouse who plans to delay receiving benefits past his FRA applies for and claims benefits at his FRA but at the same time, suspends the benefits. Claiming his benefits enables his lower earning or non-earning spouse to claim spousal benefits based on the higher-earning spouse's earnings record. The higher earning spouse then claims benefits at a later date, say at age 70, and receives a greater benefit than he would have at his FRA. In the meantime, his spouse has been receiving spousal benefits.

> **Example**: Ed reaches his FRA of age 66 but plans to continue working until age 70. His retirement benefit at FRA is $2,200 a month. His wife, Ann, is age 62, no longer working, and will receive $750 a month at her FRA, based on her earning record. If she begins taking benefits at age 62, the benefit based on her own earnings record would be $563 ($750 × 75%) while her spousal benefit amount would be $770 [($2,200 × 50%) × 70%].

However, Ann can claim a spousal benefit only if Ed has claimed his benefits. Therefore, Ed claims and suspends his benefits, which enables Ann to draw a spousal benefit, which is greater than the benefit based on her own earnings record. In the meantime, Ed waits until age 70 to begin receiving benefits, which enables him to receive delayed retirement credits so his monthly benefit beginning at age 70 is $3,000.

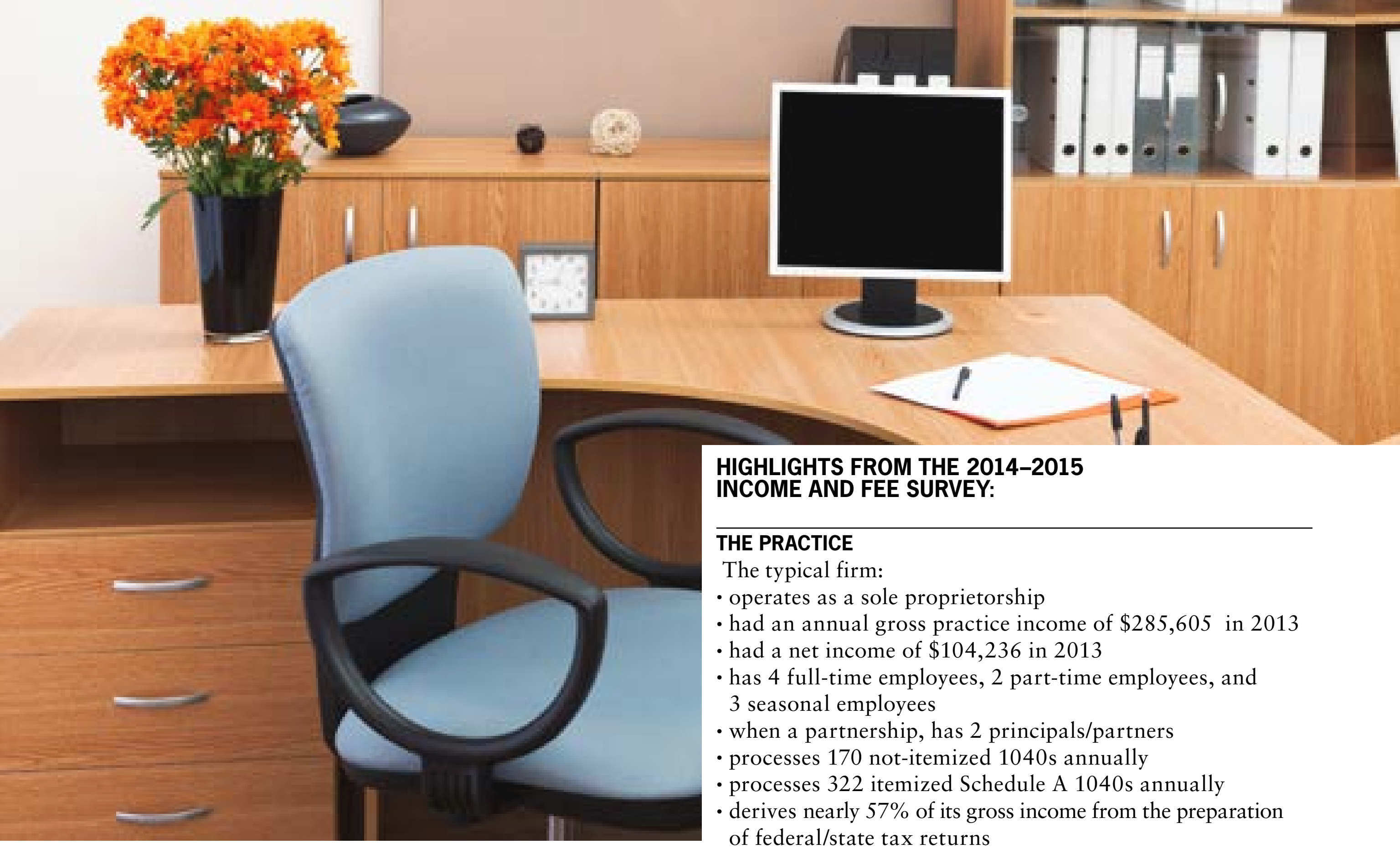
Claim Now, Claim More Later. This strategy works when both spouses will claim benefits based on their own earnings records. Here, one spouse can delay benefits past FRA (to as late as age 70) while the other claims benefits at FRA (or as early as age 62). The spouse delaying benefits files a restricted application at his FRA, claiming only a spousal benefit. His own benefit continues to grow until he reaches age 70, at which time he applies for and switches from a spousal benefit to the benefit based on his own earnings record. This strategy can maximize the couple's lifetime benefits, particularly when each is in good health and has a longer than normal life expectancy.

Example: Jack and his wife, Jill, both reach their FRA in 2015. Based on their own earnings records, Jack's monthly benefit is $2,200 and Jill's monthly benefit is $2,000. They decide it makes sense for Jill to begin receiving her benefits now but for Jack to delay his benefits until age 70, when his monthly benefit is expected to increase to $2,900.
Even though he delays his own benefits, Jack can apply for benefits in 2015 by restricting his application to spousal benefits (50% of Jill's benefits). Therefore, Jack will receive a $1,000 per month spousal benefit until age 70, when he switches over to benefits based on his own earnings record.

Caution: An individual must be at least FRA to file a restricted application.

Other Planning Opportunities

For an enhanced version of this report that includes planning for retirement plan distributions and planning for children's and grandchildren's college costs, go to https://tax.thomsonreuters.com/TaxFinancialPlan.



NSA 2014–2015

Income & Fee Survey Report

The NSA conducts a comprehensive, biennial income and fee survey that is sent to over 8000 successful practitioners from across the country. Creation of the 2014–2015 Income and Fees Survey, the 17th edition, is complete.

You can use this tool to help see how your fees compare to the competition. The new 2014–2015 Income and Fee Survey contains detailed information on fees charged for various services, broken down by state, census geographic regions, and practice size. The survey also includes information on salaries and compensation for principals/partners, practitioners, and support staff, as well as fringe benefits. Demographic data on the respondents describe type of practice, community size, gender, credentials, years in practice, and education level. Operating expenses broken down by category are included, in addition to information on succession planning and dispute resolution.

To download the NSA 2014–2015 Income and Fee Survey, click here: *NSA Income and Fee Survey*.

HIGHLIGHTS FROM THE 2014–2015 INCOME AND FEE SURVEY:

THE PRACTICE

The typical firm:

- operates as a sole proprietorship
- had an annual gross practice income of $285,605 in 2013
- had a net income of $104,236 in 2013
- has 4 full-time employees, 2 part-time employees, and 3 seasonal employees
- when a partnership, has 2 principals/partners
- processes 170 not-itemized 1040s annually
- processes 322 itemized Schedule A 1040s annually
- derives nearly 57% of its gross income from the preparation of federal/state tax returns
- expects to see an 8.2% increase in 2015
- charges an hourly fee of $144 to represent clients before the IRS
- is 47% paperless
- salaries/benefits represent 44% of total expenses
- uses LinkedIn or Facebook social networks for marketing

FEES: FEDERAL TAX RETURNS

The typical firm charges an average of:

- $68 for a Form 940 (Federal unemployment)
- $159 for a Form 1040, not itemized
- $273 for an itemized Form 1040
- $457 for a Form 1041 (fiduciary)
- $525 for a Form 5500 (pension/profit sharing plans)
- $634 for a Form 1065 (partnership)
- $688 for a Form 990 (tax exempt)
- $778 for a Form 1120S (S corporation)
- $817 for a Form 1120 (corporation)

BILLING PRACTICES

The typical firm:

- bills at the end of the job (70%)
- utilizes progress billing (23%)
- accepts credit cards for payment of services (30%)
- offers a free initial consultation with prospective clients
- requests a percentage of payment at the time of the engagement letter (13%)
- bills for tax preparation fees by form (40%)
- offers tax organizers (79%)
- does not offer senior citizen discounts
- writes-off 2% of gross billings each year
- increases service fees annually

Know These Penalty Abatement Realities to Better Help Your Clients

By Jim Buttonow, CPA, CITP

Recent updates streamline procedures for requesting first-time penalty abatement

The IRS uses penalties to encourage taxpayers to follow the rules and remain in compliance — and it uses them a lot. In 2013, for instance, the IRS assessed almost 38 million penalties to taxpayers. However, the IRS also provides several options for taxpayers to get penalties removed, or abated, if the taxpayers qualify.

The reality is that the IRS doesn't abate the majority of penalties. In 2013, the IRS abated only 13% of penalties assessed. This may be because taxpayers do not know to ask for penalty relief—or the process may seem like it's not worth the time or effort.

The general lack of understanding about penalty abatement among taxpayers presents a client service opportunity for CPAs. Practitioners who focus on the most common types of penalties, and the two most commonly successful abatement options, will have a process ready for clients who need penalty relief.

Most Common IRS Penalties

There are almost 150 penalties in the Internal Revenue Code, but most tax practitioners need to address only a few common penalties that make up 74% of all penalties. The most common penalties are:

- Failure to pay penalty—56% of all penalties, imposed when a taxpayer doesn't pay taxes on time
- Failure to file penalty—14% of all penalties, imposed when a taxpayer doesn't file a return on time
- Failure to deposit penalty —4% of all penalties, imposed when a business doesn't pay employment taxes on time, or pays them incorrectly

A frequently encountered nuisance penalty for tax practitioners is the late-filing penalty for partnerships and S corporations (Secs. 6698(a)(1) and 6699(a)(1)). The estimated tax penalty is another common penalty that's often disputed by providing an exception when filing the tax return, using Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts; or Form 2220, Underpayment of Estimated Tax by Corporations.

THERE ARE ALMOST 150 PENALTIES IN THE INTERNAL REVENUE CODE, BUT MOST TAX PRACTITIONERS NEED TO ADDRESS ONLY A FEW COMMON PENALTIES THAT MAKE UP 74% OF ALL PENALTIES.

Reasons for Abating Penalties

Tax professionals generally request abatement for the most common penalties using one of four reasons:

1. **Statutory exception**: proving a specific authoritative exclusion to the penalty.

Statutory exceptions are uncommon and are easily explained to the IRS, mostly at tax filing. Examples include disaster relief or combat zone relief.

2. **IRS error**: documenting that the error was the result of reliance on IRS advice (IRC section 6404(f)).

This penalty relief argument is typically unsuccessful and isn't used much. The taxpayer must have documented erroneous advice from the IRS that he or she reasonably relied on, and the IRS doesn't routinely put tax advice in writing. The Internal Revenue Manual (§20.1.1.3.3.4.2) states that the IRS also allows penalty relief based on erroneous oral advice, but in practice, this is rarely seen.

3. **Reasonable cause**: providing a valid reason that the taxpayer couldn't comply based on the facts and circumstances.

More commonly, taxpayers try to argue that they relied on the erroneous guidance of their tax software or tax professional. This type of argument falls under reasonable cause.

To successfully present a reasonable cause argument for late filing and payment, the taxpayer must demonstrate that he or she exercised ordinary business care and prudence but could not comply. The taxpayer must also demonstrate that the noncompliance was not due to willful neglect.

Taxpayers haven't traditionally been successful with reasonable cause arguments before the IRS, especially in court. For example, in the most litigated issues section of its 2013 Annual Report to Congress, the National Taxpayer Advocate reported that reasonable cause arguments were successful for the taxpayer in only four out of 63 failure to file penalty cases litigated from June 2012 to May 2013. For failure to file cases, taxpayers most often argued reasonable cause based on medical illness and reliance on a tax professional. In cases of late payment, taxpayers often argued financial hardships. Most of these arguments did not prevail because the taxpayers' facts weren't convincing.

In reality, most penalty abatement determinations never get to court. Most are administrative determinations made by the IRS. To be successful in reasonable cause determinations, you will need to make sure that the IRS considers all of your client's facts and circumstances. This can be difficult, because IRS representatives use an automated tool called the Reasonable Cause Assistant (RCA) to make initial penalty abatement determinations. This tool provides a mechanical, isolated look at reasonable cause factors and ignores the full picture of the taxpayer's circumstances. Often, RCA determinations result in penalty abatement denial letters that don't seem to address the facts and arguments presented in the taxpayer's penalty abatement request. If this happens, you should request an appeal of the determination so you can present all of your client's facts and circumstances.

4. **Administrative waiver:** taking advantage of a provision that facilitates effective tax administration.

The IRS can provide administrative relief from a penalty under certain conditions. The most widely available administrative waiver is first-time penalty abatement (FTA).

FTA can be used to abate the failure to file, failure to pay, and failure to deposit penalties for one tax period when the taxpayer has a clean compliance history for the past three years. FTA can be used for penalties on Form 1040, Form 1120, and payroll and pass-through entities. One-time noncompliance can be addressed simply by requesting abatement for the qualifying taxpayer. For more on FTA rules, see the July 2013 edition of The Tax Adviser.

Despite being widely available, FTA is one of the most overlooked penalty abatement options. According to a 2012 study by the Treasury Inspector General for Tax Administration, 92% of penalties that qualified for FTA weren't abated because taxpayers were unaware of the FTA option.

In reality, FTA is the easiest of all penalty relief options, and it was recently streamlined even more. IRS procedural changes made in August now allow practitioners to call to the IRS Practitioner Priority Service line or compliance unit (if applicable) to request FTA for any penalty amount. Before August, the IRS required abatement requests for larger penalty amounts to be made in writing (the specific threshold amount was not published by the IRS). This change will significantly reduce the burden for requesting FTA for larger penalty amounts.

Knowing the basics of how to request abatement for the most common penalties will help you streamline decision making and client service delivery. And, if you take advantage of new IRS procedures for FTA, your clients will thank you if you can get their penalties removed by simply calling the IRS.

Jim Buttonow, CPA, CITP, of Greensboro, NC, is an author and instructor in the field of tax controversy. He directs tax practice and procedure product development for a newly launched line of business at H&R Block. He has 27 years of experience in IRS practice and procedure.

This article originally appeared in the AICPA CPA Insider™ E-Newsletter.

PREVENTING CRISIS

By Mark H. Fowler, CMC, CPA (Inactive)

Helping Clients in Spite of Themselves Part II

GETTING PREPARED

In Part I, we discussed the imperative that many professional advisors have about helping clients maintain their well-being and achieve the success that they deserve. Also in Part I, we highlighted three universal influences that can create substantial challenges and often disaster, for many an organization. In Part II, we will expand our perspective on how crisis can manifest itself within any entity.

CRISIS INSIDE THE WALLS

The most obvious place to look for causes of crisis is right inside every aspect of business operations. The triggers for failure, dramatic challenges, disaster, or hard times can be hiding in plain sight every day. And they come in all shapes and sizes:

Failure to stay competitive. Management's ability to stay in the game is critical for continued success. Backing off, slowing down, thinking "we've arrived," or taking the foot off of the accelerator, so to speak, are common behaviors in business, yet they are poisonous to continued success. Being truly passionate about one's business is essential to continued accomplishment. Watching our clients drift from the helm can be a call for action.

While it is understandable that owners and managers might want to take a well-deserved break after years of hard work and long hours, slowing down just to slow down or because of lack of interest can be deadly. We can never really "arrive," unless we want to sell our business. In order to move forward, the passion and commitment must be there; otherwise the business dwindles into crisis and chaos.

Excessive "family" mindset. The family, real or acquired through marriage, friends, or business partnerships, can be a valuable asset to the business. However, family can also be the death of or the cause of chronic failure to many a business. I've come to think that it takes twice as much effort, if not more, to successfully run a family-owned business—or one that operates from a family-like mentality—as other kinds of businesses.

The most toxic threat is that the business is seen as existing primarily for the family's benefit, rather than the family being there for the benefit of the business. That attitude

THE MOST TOXIC THREAT IS THAT THE BUSINESS IS SEEN AS EXISTING PRIMARILY FOR THE FAMILY'S BENEFIT, RATHER THAN THE FAMILY BEING THERE FOR THE BENEFIT OF THE BUSINESS.

paves the way for hiring friends, associates, and others because of close personal ties rather than because of true talent and value: for focusing more on the actors than on the play. A business requires a custodial mindset that drives the senior team to always be anticipating and taking care of the business's needs.

Taking the focus off of the business opens the door to nepotism, skewed goals and objectives, a dwindling sense of mission and brand, infighting, and distraction. The last thing any business needs is unnecessary commotion. A normal business day has enough ups and downs—nothing more needs to be added to the soup. A family-owned or family-like business can be very successful, but it needs to be first and foremost a business. As advisors, accountants, and other influencers, we can be of great help in mitigating the risks of too many preferential or tainted choices in these types of businesses.

Inattention to growing skills while growing the business. As a company grows, it needs stronger and stronger individuals to support it. Management skills need to be constantly developed and expanded. Thinking that we are all too busy expanding the business to spend time asking others to develop can set a company up for disaster: it grows to a size that the team can't really handle, starts slipping, and then starts falling. Helping our clients understand the importance of finding and developing key individuals is essential to helping ensure that they don't find themselves first deficient and then empty of the right resources.

Ineffective communication. Ineffective communication can be found everywhere—within as well as outside the business. Staying interactive with all stakeholders and keeping everyone on the same page is a boon at any time, but communication is especially important in times of growth. Getting too busy to keep people informed becomes a slow road to disaster as the shared vision, buy-in, resources, contacts, and accountability that stakeholders bring to the table are gradually lost. In fact, the more aggressive the company's growth curve, the more critical communication becomes.

Thinking that team members will "figure it out" as they go, believing that customers or clients will "just know" that the company's actions are in their best interest, hoping that accountants, lawyers, and bankers will "be there" if the company slips up, or not keeping non-operating owners and family members in the loop because of "not wanting to worry them" all ultimately lead to toxic interfaces that devolve into drama and destruction.

PEOPLE NEED TO BE IN THE LOOP IN ORDER TO BE ABLE TO HELP. SO, AS ADVISORS WE NEED TO FOSTER THE IMPORTANCE OF GOOD COMMUNICATION, INCLUDING BEING MORE INTERACTIVE AND PROACTIVE WITH CLIENTS SO THAT THEY BEGIN TO UNDERSTAND HOW AND WHY GOOD COMMUNICATION WORKS AND BEGIN TO PRACTICE IT.

People need to be in the loop in order to be able to help. So, as advisors we need to foster the importance of good communication, including being more interactive and proactive with clients so that they begin to understand how and why good communication works and begin to practice it.

Inadequate or absent controls. The lack of controls in an organization can increase the potential for crisis. Internal and external controls are foundational in making sure that everything is in order and assuring that what we need to know is correct and is readily available. Controls need to be everywhere and may include checks and balances, segregation of duties, employee evaluations, recruitment and screening, outside audits, and reaching out to specialists to add value to current technology or to evaluate the current technology's true worth to the company.

There are many ways, conscious and unconscious, of avoiding controls. Some include the avoidance of assuring proper throughput, marginalizing a robust approach to benchmarking, or relying on intuition alone rather than using intuition as a jumping-off point and then integrating analytics to help arrive at decisions.

The lack of control boils down to a quotation variously attributed to Peter Drucker and others: "what gets measured, gets managed." So, whatever does not get measured is not managed—thus opening the door to chaos.

We often see internal controls as a systems necessity in such areas as accounting and technology. But they are more than that. Team building and engagement ("Do we have the right people on board?") are less tangible areas where controls and monitoring are important but often never addressed. Services and goods procurement ("Do we have the correct credit facility, or did we just take what we thought was the best deal and move on?") are also key places where controls, like benchmarking, can alert businesses to problems before they blow up into crises.

Communication can be an essential control, and one that is available to us every moment, whether it's a simple, "How are things going?" or a formal meeting. The control point is making sure everyone is on the same page. A good example is a concept devised by an associate that we've come to call, for the lack of a better term, the "war room meeting." It can be used by companies at any time—whether in trouble, reasonably successful, or highly successful.

Here is how it works: the management team, including key supervisors, meets initially 4 to 5 days a week, for 25 minutes or less. Top management sets the tone that this is to be an informational, collaborative endeavor. Each team member gets two minutes or so to talk about what is on his or her horizon, items accomplished since the last meeting, things that will affect others, how everyone can help each other, help that the team member may need, and help that the team member can offer others.

This is not a time for dialogue or conversation—it is about sharing information. The leader might ask occasional questions to keep things on track, but mostly the team members should huddle after the meeting to pull together what they learned and plan what needs to be done to be most successful. As time goes on, the number of meeting days normally decreases to 2 or 3 times per week as people get more and more effective about reaching out to one another on their own.

Over-dependence on specific customers or revenue sources. Falling in love with the customer or becoming dependent upon certain highly valued revenue sources can be the beginning of the end for a company. Customer dependence is a double-edged sword—there may be great revenue and a very profitable relationship, but at the same time, there is a dangerous risk of that relationship becoming too controlling. A company may spend so much time pleasing and appeasing special customers or clients that it misses opportunities to reach out to new customers, expand services to other current clients, and otherwise build the business in ways that would break the dependency and bring much-needed balance and security to the operation.

Such dependency can be insidious, developing slowly over time, and may not even be noticed until it's too late. One interesting thing about companies in crisis is that the year before the downturn is often the company's most profitable and exciting year in as long as a decade. The company's efforts to hold on to one or more major clients can backfire if those clients leave en masse or if the clients' businesses change for any number of reasons: succession, merger, loss of key people, or the erosion of quality service. But client dependency can blind companies to these risks because the short-term rewards are so high. These relationships can also foster a false sense of stability and even complacency ("Where would this customer be without us? We know them better than they know themselves—they need us."). If any of these outcomes happens, last year's successes can quickly erode into this year's oblivion.

CUSTOMER DEPENDENCE IS A DOUBLE-EDGED SWORD—THERE MAY BE GREAT REVENUE AND A VERY PROFITABLE RELATIONSHIP, BUT AT THE SAME TIME, THERE IS A DANGEROUS RISK OF THAT RELATIONSHIP BECOMING TOO CONTROLLING.

Owner denial is often a big stumbling block in dependency situations—which is why paying attention to analytics is one of the more effective ways to turn this situation around. Analytics can help clients drill down on where the client's business actually comes from: who referred the customer, what makes the customer stay, and how much really good profit exists in working with this customer. Maybe the company spends too much time servicing customers in general, including creating too many concessions to entice them to stay. It is only by drilling down on the analytics that companies can find the data to break their reliance on special-but-dangerous customers.

Erosion of competitive edge. Companies can often slip into a place where creativity and technological superiority wane, and they lose their edge, passion, and purpose. Sometimes, companies spend too much time on the current year and next year and the profitability for both. In doing so, they can forget that they need to invest in the future, not just in short-term profits and big bonuses. It is amazingly easy for companies to fall under the spell of believing they have the newest and the greatest, when in fact they have not looked lately to see who the real competition is and what it is advancing. When they finally do, they may have to scramble to catch up before it is too late.

Like customer dependence, technological erosion can easily be missed or ignored. Once again, it is drilling down for the analytics, especially in the form of internal or management audits, that can help stem the insidious erosion of assets. Reaching out to clients with additional information is something we as advisors may be in a position to accomplish, and all of this critical information can be found in the analytics.

We mentioned in Part 1 that our book *Revolutionary Conversations®* discusses several major interactive conventions that can increase effectiveness and engagement. One important principle that might at first seem counterintuitive is not to focus on being right. We wrote of the importance of "understanding that what makes us successful is not what we know but what we need to know." In advisory work, this simple reminder can make a world of difference and can often help navigate the bridge between failure and success. Coming in with the attitude and expectation that we have the answers or gathering data in order to prove that we are "right" can marginalize true success for all. All of this information can help direct us, but consulting is most importantly a guiding process—it is about working with clients to explore and learn together about the situations that matter most.

COMING IN WITH THE ATTITUDE AND EXPECTATION THAT WE HAVE THE ANSWERS OR GATHERING DATA IN ORDER TO PROVE THAT WE ARE "RIGHT" CAN MARGINALIZE TRUE SUCCESS FOR ALL. ALL OF THIS INFORMATION CAN HELP DIRECT US, BUT CONSULTING IS MOST IMPORTANTLY A GUIDING PROCESS—IT IS ABOUT WORKING WITH CLIENTS TO EXPLORE AND LEARN TOGETHER ABOUT THE SITUATIONS THAT MATTER MOST.

In Part 3, we will address how to use what you know about crisis and its causes to help your clients become part of the solution as opposed to being a big part of their own problems.

Mark H. Fowler, CMC, CPA (Inactive), is the president of Stowe Management Corporation, a corporate reengineering firm based in Santa Monica, California. He has worked with bankers, accountants, and their clients for more than thirty years, specializing in turnarounds, succession planning, mergers, acquisitions, and corporate growth. He is also the co-author of the book Revolutionary Conversations®: The Tools You Need for the Success You Want, which recently won the Gold and Bronze awards at the 2014 Global E-Book Awards. Mark can be contacted at 310-968-1320 or estowemanagement@aol.com.

NSA MEMBER SPOTLIGHT

Bob Thoma has several service "ribbons" on his NSA MemberConnect profile. Indeed, he has held many volunteer positions for the organization, including State Director and Leadership Graduate. But it isn't "work" to him. You may be surprised by how he describes the time he spends volunteering to man the NSA booth at the IRA Tax Forums. Another thing he says would surprise the people who know him is what he thought as a young boy about what he wanted to be when he grew up.

Along with those things, find out why Thoma is so enthusiastic about his experience with NSA, the ways his firm puts clients at ease, and about his interesting early careers.

BOB THOMA

You have done a lot of volunteering for NSA, as shown by the number of ribbons on your NSA profile. Can you talk about what some of your favorite volunteer positions has been?

Volunteering is a way to pay back all that we have been given. NSA affords an opportunity to learn, contribute, and create relationships with your fellow accountants—not in the state arena, but in a nationwide venue. Choosing a favorite volunteer position is like being asked which of your children is the favorite. All positions have been rewarding in their own way. I have to say that I take the better of each one and add it to my repertoire, improving on future duties.

One ribbon says you are an "NSA Go Getter." Can you explain a little more about what that ribbon means, and how one goes about earning it?

Being an "NSA Go Getter" is a distinction in which you as a member, recruit a new member. Recruitment generates a rush; what you have said to the potential member has borne fruit. Whether it is one new members or 50, each displays that what *you* experience has been passed to someone else wanting what you have.

You volunteer to work in the NSA booth at the IRS Tax Forums. Can you tell us some more about that? What is the volunteer experience like?

IRS Forums for me are like being a twelve year old let loose at an amusement park with every thrill ride on earth. I arrive early, sitting in the exhibition hall, and taking in the lay of the land. I talk with other exhibitors, staff members, and the other volunteers. The time arrives and the hall opens. It is "showtime!"

The adrenaline rush begins: sharing my own experiences as an NSA member.

I also see you have a "State Director" ribbon. What does being a State Director entail, and what do you think of the experience?

Being an NSA State Director has been very interesting. The directors are a select group of people nominated by their respective states and then elected by the NSA family. The State Director is an active liaison with the Affiliated State Organization (ASO) and NSA. The State Director is the official representative of NSA at the state level. Friendships made with others in this select group are long-lasting. A State Director training was just held in October of this year and in my estimation was the best day I have spent in my years as a director.

How did you become an NSA Leadership Graduate? Were there courses you needed to take, and how did you like them? Would you recommend this to other NSA members?

NSA is committed to developing leaders from within. This is a two-year program that entails on-site training sessions, required readings, and activities, such as attending a Board of Governors meeting and the annual LNC. I was fortunate to have been chosen to complete this program. The rewards from this have been helpful to me not only within NSA, but in my way of life. If any member is interested, my suggestion is to contact your State Director, your ASO President, or your District Governor. There is a limit on each year's class, and [you need to] act quickly to have your spot.

You have been an NSA member for 30 years. What are your favorite things about being an NSA member? What do you think the biggest benefits are?

In 1984, I became a member, and it has been an experience beyond compare. I would have to say the biggest rush is connecting with my contemporaries. NSA is the place where one is able to converse, exchange ideas, and socialize with colleagues in all 50 states. Accountants, being a "dull lot of number crunchers," are one of the most social groups, knowing how to get down and have fun! To answer the question, my favorite thing about being a member and the biggest benefit are the statewide members and the staff in Alexandria.

What are some of the biggest changes you've seen over the years at NSA?

The biggest change I have seen in the past 30 years is that NSA has become the major go-to organization. NSA has top-notch representatives in the federal tax and legislative arena. With the various committees, NSA is constantly staying on top of what the accounting and tax professional is seeking in this high-tech world. [The] Right to Practice, member benefits and Education [committees], to mention a few, have NSA, in my opinion, leading the pack.

Can you tell us about your practice? How large is your firm?

The practice consists of three full-time practitioners and a full-time secretary. There are also two part-time clerks, one devoted to primarily payroll, and the other to payables and duties as assigned.

"I would have to say the biggest rush is connecting with my contemporaries. NSA is the place where one is able to converse, exchange ideas, and socialize for ALL parts of the 50 United States."

Your company website says your firm offers a blend of personal service and expertise, and that you're friendly. Can you expand on that? Do you think people have a tendency to be intimidated by accountants, or perhaps afraid to look at their financial bottom line, therefore the emphasis on "friendly," etc.?

We pride ourselves on being a comfortable place to be. Clients get a welcome and warm feeling when they arrive, and our objective is to make them feel that way from start to finish. ALL clients are treated with the most respect.

Don't be confused. When a client is in need of some stern advice or direction, it is handled with respect and, at times, compassion. The goal is to ensure that the client feels that value was received for value given. A majority of our clients live in the same town. If not there, almost 85% of them live with 25 miles. The clients look forward to the coffee, cookies, jovial banter, and mostly, professional service.

What are some of the most popular services your firm offers, for both individuals and businesses?

Our most popular service is income tax preparation. After that we offer monthly, quarterly, and annual write-up work. We also offer business start-up advice and statement review by request of clients. Tax planning for individuals and businesses is often given, especially at year-end.

Clients call us often with questions relating to their finances during the year. It seems they want our approval and reassurance that they are on the right path.

Are there any services you offer, that you feel people need, but don't seek out enough?

The service in my estimation that clients are reluctant to bring to us is money managing. Clients have a reluctance to come in to discuss their difficulty in managing their finances. We are NOT there to demean but to analyze where the money is going and suggest how it may be spent more wisely. I believe the shyness to talk about this is one of a feeling of failure. Asking for help is hard for anyone to do. We offer suggestions; they are the ones who solve.

You offer elder care-related services. In what has been called a "silver tsunami," a lot of people will be reaching senior citizen age soon. Have you noticed an uptick in requests for this service? If not, is this something you think people need to think about more, and why?

Like me, a number of clients are approaching when it retirement or already there. All of the practitioners have the ACAT Accredited Retirement Advisor credential. It is amazing: the meetings relating to this are in-depth, and the credential has been nothing but a big help. We do recommend that in any retirement planning, besides having a trusted accountant, an equally trusted attorney and financial advisor (broker) is just as important. We then request the client to notify each of us that they are working with the other two. We are there to ensure their retirement is less stressful.

How long have you lived in Illinois? Where are you from originally?

Thoma & Associates, LTD is located in a small town in Southern Illinois. Columbia, IL is roughly 15 miles southeast of St. Louis, MO, along the Mississippi River. Primarily, it was a rural town. Now Columbia is mostly a bedroom community of close to 10,000. The staff, except for the secretary, are life-long residents of one of the three surrounding counties. My family's roots date back to 1872 when my great-grandfather came to the area from Prussia. He had one son and six daughters. The son's marriage produced three sons and two daughters, with my father being the oldest son. Then I came along with one brother and three sisters. My father's youngest brother had two sons and two daughters. The middle brother had four girls. That is the Reader's Digest history of the Thoma clan.

At what age did you realize you wanted to be an accountant? What did you think you would do when you were a little boy?

My accounting career started in 1971 as a tube mill clerk at a plant that made copper tubing. Sounds glamorous, doesn't it? I had just been married and lost my position as a local radio announcer at a radio station in Columbia. I had just

ROBERT FACTS THOMA

- Considered being a PRIEST.
- Joined NSA in 1984.
- Volunteers in NSA's booth at the IRS Nationwide Tax Forums.
- Started in ACCOUNTING as a tube mill clerk.
- Holds EA, ABA, ATA, ATP, and ARA credentials.
- Serves as NSA STATE DIRECTOR for Illinois.

started taking business classes at the area junior college.

From there I spent from two to three years at a total of four diverse companies. Then in October of 1978, I started on my own. The rest is history.

As for my aspirations as a boy, this will give everyone who knows me a laugh. I attended a parochial school from grades one through eight. Being taught by nuns, priests, and lay people, one vocation was emphasized daily: BE A PRIEST. I even went so far as to spend a week at a seminary to see if this was my calling. Needless to say, when high school rolled around, the priesthood was the farthest thing from my mind.

Where did you go to college and/or post-college?

My education consisted of heading to Kansas City in 1969 to become the world's number one DJ. I was taught all the tricks of the trade in a mere six months. I worked at small—I mean very small—markets in Bowling Green, MO; and Columbia, IL. When the Columbia gig fizzled, then school appeared. Married, I started a nine-and-a-half year journey by attending Belleville Area College, and then St. Louis University, graduating in January of 1981.

Tell us about your family.

My family is a very important part of my life. As stated before, I have been married and have from that union two daughters and one son. They have blessed me with five lovely grandchildren ranging in age from 10 to 3. I have three siblings; I lost a sister and my father at a very young age. This past year in March, my mother, Vivian, was called home to be with my dad and sister. The loss was great, but the joy I have by being her son is one of God's blessings I cherish.

Is there a book, movie or other piece of culture that has influenced you, and/or you recommend?

You would *not* call me an avid reader, but I do read books on occasion. My most recent reading has been books that have been recommended by the Leadership Development Committee. I have also been reading books relating to Christian Caring for people who are in need of an ear. This entails being one-on-one with individuals; men with men, and women with women, who are struggling with life issues.

I have not had a care receiver as of yet but the training has been worthwhile. As for other books, I would say the last two I have read and found excellent were *Heaven is for Real* and *The Last Lecture*. I highly recommend both.

Anything else you would like to add?

The last thing I would say is that being a member of NSA has been a journey beyond compare. I have met so many fine people, each unique in their own way. The camaraderie of the members, and acceptance of one another, displays what a fine group of professionals and individuals we are.

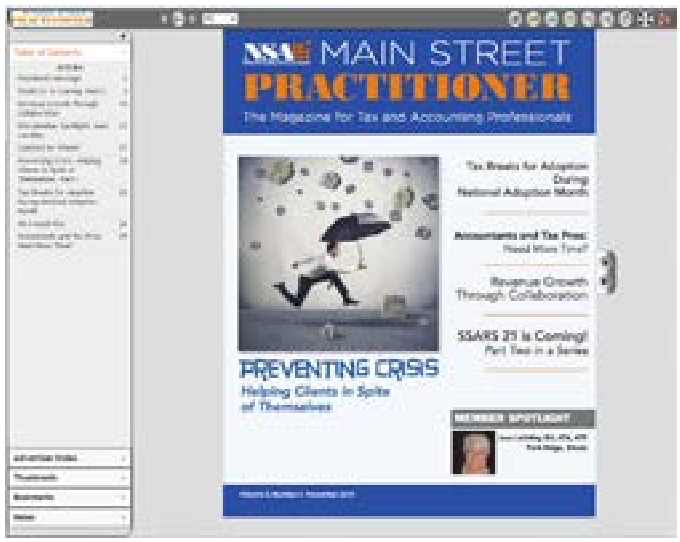
Julia Wilkinson, Freelance Writer
Alexandria, VA
Author, "The eBay Price Guide" (No Starch Press)
"eBay Top 100 Simplified Tips & Tricks" (Wiley)
Founder, yardsalers.net

YOUR CONNECTION
TO WHAT IS HAPPENING AT NSA

MAIN STREET PRACTITIONER ARCHIVES

The Main Street Practitioner magazine is presented in an online, digital format, which allows members to search through the archived issues. If you are looking for articles or information on a particular topic, you can select the search button, located on the top right side of the digital magazine, and input keywords you want to locate. The advanced search allows you to look through not just the current issue, but all archived issues as well.

Navigating through the magazine is simple. Here are a few quick steps to help you.



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LATEST GO GETTER MEMBERSHIP CAMPAIGN IS A WIN-WIN FOR GO GETTERS AND THE NEW NSA MEMBERS THEY RECRUIT!

Go Getter Promotion

WE ARE GIVING MORE BACK TO OUR MEMBER RECRUITERS BETWEEN OCTOBER 1, 2014 AND SEPTEMBER 30, 2015.

- Recruit three new NSA members and your next NSA membership renewal is on us!
- Recruit ten new members during this time and not only will you get a free NSA membership renewal, we'll also give you a $300 credit to use toward NSA education, including the annual meeting, webinars, and NSA self-study CPE.

To qualify, each new member you recruit must pay at least $179 in NSA membership dues and must not have been a member of NSA for at least one year. NSA members recruited at the IRS Tax Forums are excluded from this program.

When you recruit ten new members, you will also be entered in drawings for the $250 gift card (the more you recruit, the better your chances of winning) and be inducted into the NSA Ten Plus Club. There are no restrictions to be entered into the gift card drawings or to reach the Ten Plus Club.

Now you can offer these two outstanding membership specials to prospective members:

1. 15-Month NSA Membership + A Free Quickfinder or Tax Web Library Subscription ($199 Dues)
2. $20 Off NSA 12-Month Membership Dues for $179

Go Getters are NSA Members who have helped grow our membership since the start of this program September 1, 1998. How close are you to becoming a member of the Ten Plus Club? Check out the list to see how many new members you've recruited: Go Getters List.

Visit the Go Getter webpage for more details.

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NSA/Income Tax School Website

THE income tax school®
TAX EDUCATION – LEARN TO EARN

NSA has partnered with The Income Tax School, to offer Tax Practice Management Manuals at a discounted rate to members. These manuals meet the needs of those just entering the tax profession, as well as those with years of experience as tax professionals.

These tax practice management manuals allow you to learn from a fellow tax practitioner who faces the same challenges and opportunities you do—Peoples Tax CEO Chuck McCabe. Chuck reveals the best practices he used to start and operate hundreds of tax offices when he was an executive with H&R Block.

You will also learn emerging best tax business practices that Chuck is developing for Peoples Tax, the tax preparation business he started in 1987. He's down in the trenches learning and sharing what's working for his company as the economy changes and the workforce shifts. As founder and CEO of The Income Tax School, Chuck gives you reliable, clear guidance on all aspects of establishing, running, and expanding your tax preparation business.

Visit the Income Tax School partner webpage here: http://www.theincometaxschool.com/nsa-in-partnership-with-the-income-tax-school/

IRS: NO SPECIFIC HEALTH CARE DOCUMENTS NEEDED TO SHOW CLIENTS HAVE ACA COVERAGE

irs.gov

Responding to concerns tax practitioners have expressed about how to document whether clients have health coverage under the Affordable Care Act, an IRS official has confirmed that practitioners will not have to get specific documentation.

"There's no formal due diligence required or documents that you are required to obtain," William Smits, a senior manager in the IRS's Wage & Investment Division, said during a November 13 webcast. He emphasized, however, that "I think you have to apply a reasonable level of common sense in terms of determining whether the taxpayer does have minimum essential coverage, which is necessary to avoid penalties under the ACA."

Practitioners still need to do the best they can to make sure taxpayers are "representing in good faith" that they have a level of health coverage that will ensure they don't have to make "individual shared responsibility payments" under the ACA, Smits said. Taxpayers could provide information showing they have coverage through an employer or private insurance company, for example. However, Smits said, "in some cases we're going to have to take oral testimony."

Smits, who also serves as the IRS's national outreach coordinator for individual tax provisions of the ACA, emphasized that most taxpayers already have coverage that qualifies as MEC and won't have to do anything but check a box on their tax returns, he said. That box will be on line 61 of the 2014 version of the Form 1040, U.S. Individual Income Tax Return, and it can only be checked for households where everybody has MEC for the entire year, Smits said.

In answer to a question from a listener, Smits said taxpayers do not need to check that box on a dependent's return if the dependent is covered by the parents' insurance and the box is checked on the parents' return.

Smits reminded webcast participants that there are a variety of exemptions to the minimum essential coverage requirement and these exemptions can be claimed on Form 8965. The Form 8965 must be submitted with the federal income tax return, he said. Smits noted that a few of the exemptions can be obtained only by applying to the Health Insurance Marketplace—administered by the Department of Health and Human Services—rather than to the IRS. These include certain hardship exemptions and the one for members of a religious sect recognized as conscientiously opposed to insurance benefits.

Smits said that in any case where taxpayers could apply for the exemption either through the IRS or through the marketplace, it is better to do it through the IRS. That process is more efficient and doesn't involve getting letters from the marketplace. If taxpayers must or want to apply for exemptions through the marketplace, they should do so as soon as possible, Smits said.

He also explained that taxpayers who don't have to file a federal income tax return because their income is too low won't be required to file one just to get the low-income exemption from the minimum essential coverage requirement. In these cases, the exemption is automatic. Smits noted that if taxpayers don't make required payments under the ACA, the IRS can reduce their refunds by the amount owed, but can't issue liens or levies.

Another main topic of discussion during the webcast was the premium tax credit, a refundable credit claimed on Form 8962, which also must be filed with the federal income tax return.

Smits stressed that taxpayers who claim the advance version of the credit are required to file an income tax return to reconcile the advance amount of the credit with the actual amount of the credit they are eligible for at the end of the year. They have to file a return for this purpose, even if they don't otherwise have to file one.

The credit amounts can be very different if a taxpayer's circumstances change during the year, and taxpayers should notify the IRS of any changes as soon as possible to narrow the gap between the advance and the actual credit, Smits said.

"It's critical that individuals understand that changes in circumstances can affect the credit," he said. "Reporting changes promptly will help prevent large changes when the return is filed."

Final versions of Forms 8965 and 8962 are on the IRS website, at www.irs.gov.

NSA Tax & Accounting Resource Center

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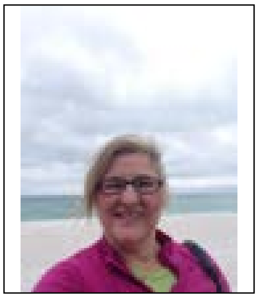
LEADERSHIP DEVELOPMENT PROGRAM GRADUATE SPOTLIGHT



The Leadership Development Program is a two-year program designed to encourage and develop our future leaders at the state and national levels; to help our professional members reach their potential and beyond through enhancement of leadership skills and abilities; and to keep our organizations strong and thriving.

The Leadership Development Program is spotlighting one of their graduates with a brief 'getting to know you' interview. This time around, learn a little more about **Pam Stamps, CPA, of Brookhaven, Mississippi**

Do you play any musical instrument? Not currently, but I played trumpet and french horn in high school,

What is your favorite food to eat? My favorite food is Mexican.

What is one of your favorite books to read? I love to read John Grisham novels.

What was your first job ever? My first job was at Kroger as cashier. I also worked for my mother sewing buttons on shirts and making button holes.

Do you have a hobby? I love to walk on the beach or anywhere near water.

What music do you enjoy listening to? I enjoy country music and pop music.

What was the last movie you watched? The last movie I watched was *Blended Families* with Adam Sandler and Drew Barrymore.

What is a favorite quote or saying you like? One of my favorite sayings is from my dad. He always told me "You put your pants on the same way everyone else does, one leg at a time." He wanted me to know I was just as important as everyone else.

If you could invite four people to dinner, who would you invite? As weird as it may sound, this was the hardest question for me to answer. But after some thought, I would love to have dinner one more time with both of my grandmothers who have passed away. Simply because I would like for them to sit with me at a meal, because what I remember is that they were constantly walking around and serving everyone else. I would like to serve them. And the other two would be my dad who recently passed away, for selfish reasons, to spend more time with him and listen closer to what he was saying. Last but not least, I would invite Billy Graham, for all of our enjoyment.

What inspired you to become an accountant? I always knew I wanted to major in accounting, basically due to a special teacher of mine in high school that I respected, Mrs. Caldwell. She was very professional in her appearance and was a great influence on my life. She gave me lots of encouragement and included me in FBLA. She also allowed me to compete in our local competitions. It opened my eyes to college and career choices.

What motivated you to join the Leadership Development Program?
I joined Leadership Development in order to improve my leadership skills and gain more confidence in public speaking engagements. I am currently serving as treasurer for our ASO and state director for NSA.

For more information on the Leadership Development Program,
contact Marchelle Foshee, CPA, at marchelle.foshee@gmail.com

HOT TAX & ACCOUNTING TOPICS

FINALLY, EXTENDERS BILL SENT TO PRESIDENT FOR SIGNATURE

With little debate but strong support, the Senate on a 76-16 vote has approved legislation that would extend scores of temporary tax provisions that lapsed at the end of 2013. These include numerous tax incentives, such as section 179 expensing, the research credit, bonus depreciation, subpart F income exemption for active financing, the work opportunity credit, and many others

The House approved the bill earlier this month. It now goes to the President, who is expected to sign it into law.

The text of the legislation can be viewed **here**. The bill also includes a number of technical corrections to previously enacted tax bills and language incorporating the ABLE Act, which would create a new type of tax-favored account for individuals diagnosed before age 26 as blind or disabled.

IRS ISSUES GUIDANCE CLARIFYING APPLICATION OF LIMIT ON IRA ROLLOVERS

The IRS on November 10 issued Announcement 2014-32, clarifying that a 2014 transfer of a distribution from one individual retirement account to another won't have an impact on the new rule only allowing one IRA-to-IRA transfer per year beginning in 2015.

"A distribution from an IRA received during 2014 and properly rolled over (normally within 60 days) to another IRA, will have no impact on any distributions and rollovers during 2015 involving any other IRAs owned by the same individual," the agency said. This interpretation will give IRA owners a "fresh start" when applying the new rule in 2015, the IRS said.

The November 10 clarification is related to Announcement 2014-15 in which the IRS said that, as of January 1, 2015, the one-year rollover rule applies for all IRAs that a person has, not separately to each IRA owned. Announcement 2014-32 is available **here**.

FASB WEBCAST TO REVIEW PRIVATE COMPANY, NOT-FOR-PROFIT ORGANIZATION ISSUES

The Financial Accounting Standards Board will hold a December 15 webcast to review its standard-setting work that affects private companies and not-for-profit organizations.

The FASB said the session will include the board's vice chairman, James Kroeker; board member Thomas Linsmeier; Mark Ellis, a member of the Private Company Council (PCC); Jeffrey Mechanick, assistant director for nonpublic entities with the FASB research staff; and Michael Cheng and Richard Cole, who are project managers with the FASB staff.

The event's agenda includes an overview of the FASB's current work on accounting standards, the PCC's agenda and recent decisions, the FASB's simplification initiative, the accounting board's work on financial statements at not-for-profit organizations, and some recently issued standards. The agenda also includes updates on the work being done by the Transition Resource Group, the advisory panel the FASB and IASB formed to help with implementation of the recently issued revenue standard, and the projects to amend the accounting for lease contracts and financial instruments.

In November, the FASB endorsed an amendment the PCC approved that will let private companies avoid recognizing certain intangible assets they acquire via business combinations. In October, the FASB said its research staff should begin drafting proposed amendments to U.S. GAAP regarding the financial reporting requirements for not-for-profit organizations. **Read more here.**

Help the NSA Scholarship Foundation Support Accounting Students

Each year, hundreds of college students contact NSA seeking help to meet the ever-increasing costs of higher education.

The NSA Scholarship Foundation works to build career paths into and within the accounting profession. With its scholarship awards, the Foundation assists dedicated students who are committed to a career in accounting by providing financial assistance to support their education.

The NSA Scholarship Foundation awards scholarships to undergraduates who are U.S. or Canadian citizens, enrolled part-time or full-time in an accounting degree program at an accredited two- or four-year college or university.

Since its formation in 1969, the NSA Scholarship Foundation has awarded over $1 million to dedicated students pursuing a career in the accounting profession. Scholarships range from $500 - $2,200 and 30 or more scholarships are awarded each year. In 2014, the Scholarship Foundation awarded $34,450 to 33 deserving individuals.

The Foundation is a 501(c)3, tax-exempt organization and relies on voluntary, tax-deductible contributions to support student scholarships. You can help by making a year-end tax-deductible donation to the NSA Scholarship Foundation. With your help, we can increase the number of awards in 2015 and beyond.

Donating is easy. Go to: http://www.nsacct.org/donate and click on "Donate Now". Do you shop online? Make your purchases count. Click on the link to shop on AmazonSmile and a donation will be made to the NSA Scholarship Foundation for every purchase you make.

Students can apply for 2015-2016 scholarships online between January 1 and March 31, 2015. Scholarship guidelines, eligibility requirements and FAQs are online at: http://www.nsacct.org/apply

NSA Scholarship Foundation
National Society of Accountants

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Students can apply online for scholarships between January 1 – March 31, 2015.

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