

MAIN STREET PRACTITIONER

The Magazine for Tax and Accounting Professionals



Succession Planning Both Sides Now

WHITE PAPER

The U.S. Government's Crackdown on
Offshore Tax Evasion, and
Options for Non-Compliant Taxpayers

Automatic Retrieval Technology
Solving the Profession's Biggest
1040 Tax Prep Challenge...
Client Procrastination

Main Street Tax News:
How to Classify Your Workers as
Statutory Employees

PLUS NSA News
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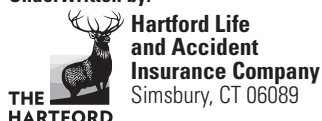
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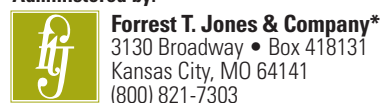
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THE U.S. GOVERNMENT'S CRACKDOWN ON OFF- SHORE TAX EVASION, AND OPTIONS FOR NON- COMPLIANT TAXPAYERS



MAIN STREET TAX NEWS HOW TO CLASSIFY YOUR WORKERS AS STATUTORY EMPLOYEES



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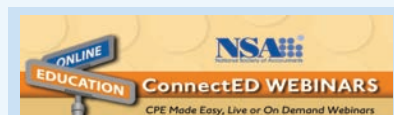
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By Harlan Rose



Tax season is history—for now! Hopefully all the long hours have come to an end for everyone to direct time to rest, family, and NSA.

It seems apparent that the RTRP program will be revived, either as the result of the IRS appeal of the adverse court ruling or as the result of Congress expressly granting IRS the authority to require testing and continuing education. NSA continues to seek an exemption for State-approved tests in any legislation considered in the House Ways and Means Committee and the Senate Finance Committee. NSA is working directly with the Committees to make this and other needed changes (improvements?) to the RTRP program. This is an ongoing process and is likely to take some time since both of the congressional tax-writing committees expect to address the tax preparer issue in a tax reform bill.

I attended the NSA Budget Committee April 19-20 in Alexandria, VA to have the 2013-14 plans presented at the May Board meeting, then to the August NSA Annual Meeting. I also attended the Constitution and Bylaws Committee meeting, which was convened to discuss the changes in Delaware's corporate law that will require the NSA Bylaws to be amended to allow all members to vote on NSA governance matters, including Bylaws amendments and officer/Governor elections, whether or not they attend the Annual Meeting. Presentation of the Committee's recommended changes will be brought to the May Board meeting, and then presented at the Indianapolis August Annual Meeting. NSA will publish the Bylaw pro-

posal in early June, so watch for this amendment information.

This is the time of year (especially June) when many Affiliated State Organizations Annual Conventions occur. Many NSA Officers and Governors and State Directors will now get to see NSA members face-to-face. NSA continues to work for your profession's future. Now is when you, as a member, can get your updates.

Plans for the 2013 NSA Annual Meeting in Indianapolis, IN are being finalized, including the events and candidates running for office. File your Early Bird registration and reserve a room to visit District V for Indy's NSA Annual Meeting. Bring a NSA friend. Bring your spouse or a guest. Why not bring many—the more the better to introduce them to NSA.

Truly yours in NSA,

A handwritten signature in cursive script that reads "Harlan Rose". The ink is dark and the signature is fluid.

Harlan Rose, EA, ABA
NSA President 2012-2013

LEGISLATIVE LINK

REQUIRED NSA BYLAW CHANGES ON THE HORIZON

By Robert Thoma

Big companies are not the only corporations that have to be concerned with changes in Delaware corporate law. Many members may not be aware that NSA is a Delaware corporation, so changes in its corporate code affect us.

NSA's outside counsel has informed us that a recent revision in the Delaware statute **REQUIRES** NSA to allow all Active and Life members to vote in NSA elections, even if they do not attend the Annual Convention. Counsel also states that, "The statute does not refer to any option by the organization to override this right."

Accordingly, NSA must change its Bylaws to comply.

The NSA Governance Constitution and Bylaws Committee met recently at headquarters in Alexandria to be briefed on these changes to the law and to review our Articles of Incorporation and Bylaws to determine the extent to which they must be changed in order to conform to Delaware law. Therefore, we are developing a series of proposals to be presented to the Board of Governors meeting in May.

The principal change is draft provisions for online voting on both election of officers and Bylaw amendments, to be available to all members. Many, if not most, of the current requirements for officer candidates would remain the same but the election timetable would change to allow for providing sufficient information on all candidates and proposed amendments and for all members to deliberate and vote online on the elections and ballot proposals. An independent firm would administer the entire process to ensure confidentiality and establish procedures fair to all candidates and proposals. The results would be announced at the Annual Convention.

Look for more information on the NSA website and in NSA member publications for any actions taken at the Board meeting. We look forward to sharing our proposals with all members as soon as the Board has acted.

*Robert Thoma, EA, ABA, ATA, ATP, ARA
Governance Committee Administrative Chair
National Society of Accountants*

The U.S. Government's Crackdown on Offshore Tax Evasion, and Options for Non-Compliant Taxpayers

By Matthew D. Lee



For the past four years, the U.S. government has waged an unprecedented global campaign to crack down on the use of secret, offshore bank accounts by U.S. taxpayers to evade taxes. While there is nothing illegal about maintaining accounts in foreign countries, U.S. taxpayers are required annually to disclose their offshore accounts to the Internal Revenue Service on a form entitled “Report of Foreign Bank and Financial Accounts”—commonly known as the “FBAR” form—and to report all income generated by those holdings on their personal income tax returns. The failure to report foreign accounts can subject a taxpayer to hefty civil penalties and, in the case of willful conduct, criminal prosecution. Since 2009, over 35,000 U.S. taxpayers have come forward under special IRS voluntary disclosure programs to reveal that they have unreported bank accounts in countries such as Switzerland, India, Israel, and many others. The government nonetheless believes that many more taxpayers still maintain unreported foreign accounts, and is aggressively seeking to discover such individuals and punish them with civil penalties and, in some instances, criminal charges. At the same time, the Internal Revenue Service has implemented several initiatives which offer non-compliant taxpayers the opportunity to return to compliance and avoid the possibility of criminal charges.

THE UBS DEFERRED PROSECUTION AGREEMENT AND ITS AFTERMATH

The Internal Revenue Service and Justice Department initially trained their sights on UBS AG, Switzerland’s largest bank. After UBS banker Bradley Birkenfeld provided information to the IRS on his bank’s practice of aiding U.S. taxpayers in hiding funds in numbered bank accounts (and eventually received a \$104 million whistleblower reward), UBS admitted that it helped U.S. citizens hide money using undisclosed accounts, offshore corporations, family foundations, and other mechanisms designed to conceal the true identity of account holders. The U.S. also discovered that the sheer number of accounts held by Americans was staggering: in court filings, the Justice Department estimated that over 52,000 Americans held accounts at UBS alone.

UBS avoided criminal prosecution in the U.S. by paying \$780 million in fines and penalties to the U.S. government

and by agreeing to turn over the names of U.S. customers of the bank that were suspected of committing tax fraud. Under enormous diplomatic pressure from the U.S. government which ensued, Swiss legislators subsequently voted to weaken the country’s historic bank secrecy laws, paving the way for UBS to hand over the names of thousands of additional its U.S. depositors to the U.S. authorities. This result prompted the Justice Department to proclaim on its web site that “fabled Swiss bank secrecy” had been dealt “a devastating blow.”

Justice Department attorneys and IRS agents combed through mountains of information handed over by UBS, commenced more than 150 criminal investigations of account holders, and eventually brought criminal charges against the most egregious tax evaders. To date, nearly 50 Americans holding accounts at UBS and other Swiss banks have faced criminal charges, along with dozens of “enablers”—such as bankers, attorneys, and financial advisors—who assisted account holders in hiding assets offshore.

The government’s crackdown on offshore tax avoidance and evasion did not end with UBS; at least 10 banks in Switzerland, Israel, and India are currently under criminal investigation for allegedly aiding and abetting tax fraud by U.S. depositors. Switzerland’s oldest bank, Wegelin & Co., was indicted in federal court in New York, had its correspondent bank accounts in the U.S. seized, and eventually pleaded guilty and paid fines and penalties in excess of \$70 million. Most recently, several account holders at Israeli banks have been charged with, and pleaded guilty to, concealing foreign accounts. It is widely expected that additional foreign banks will either cut deals with the U.S. or face criminal charges for their roles in helping Americans evade taxes and more names from banks all over the world will be turned over to the IRS.

OBLIGATION TO REPORT FOREIGN BANK ACCOUNTS AND CERTAIN FOREIGN ASSETS

As noted above, there is nothing improper about a U.S. taxpayer maintaining a bank account in a foreign country, even in so-called “bank secrecy” countries such as Switzerland, the Cayman Islands, and Singapore. Anyone having such an account is required to report on his or her personal income tax return all income (interest, dividends, and capital gains) earned in that account and answer “yes” to a question

on Schedule B of the return which asks whether you have a foreign bank account. Account holders are also required annually to file a form called “Report of Foreign Bank and Financial Accounts” (commonly known as the FBAR form) with the Treasury Department on June 30 of each year. The failure to file the FBAR form and to report income from a foreign account can subject the account holder (and spouse, if a joint tax return is filed) to criminal charges, including tax evasion, as well as substantial civil penalties. U.S. taxpayers with foreign assets over certain dollar thresholds are also required to file a new Form 8938, entitled “Statement of Foreign Financial Assets,” with their income tax returns. Civil and criminal penalties also apply to the failure to file this form, and the failure to file extends indefinitely the civil statute of limitations to assess taxes for the tax return that failed to report the foreign assets.

OPTIONS FOR NON-COMPLIANT TAXPAYERS: THE IRS OFFSHORE VOLUNTARY DISCLOSURE PROGRAM

In 2009, shortly after UBS executed its deferred prosecution agreement and the Swiss government started divulging the identities of holders of secret accounts, the IRS announced a special amnesty program for offshore bank accounts. This program was prompted by the recognition that not everyone with a Swiss bank account was a tax cheat; indeed, many Americans inherited bank accounts in Switzerland—such as from ancestors fleeing Nazi Germany—or maintained accounts in foreign countries for wholly legitimate reasons. Amnesty was only available, however, if the account holder came forward before the IRS obtained the individual’s account information; once the IRS learned of the taxpayer’s non-compliance, the voluntary disclosure program was no longer an option. Individuals who took advantage of that program were required to pay back taxes and substantial civil penalties in exchange for amnesty from criminal prosecution. This special program (which lasted for only six months) was such a huge success, with over 15,000 individuals coming forward to confess that they had unreported bank accounts, that the IRS re-opened the program in 2011 and yet again in 2012. To date, more than 35,000 individuals have taken advantage of the three IRS amnesty programs for offshore accounts, generating over \$5 billion in addition revenue for the U.S. Treasury.

The current amnesty initiative offered by the IRS—called the Offshore Voluntary Disclosure Program (OVDP)

—does not have a definitive end date, but the IRS has warned that the program could end at any time. Taxpayers accepted into the OVDP must file amended tax returns for an eight-year period and pay all back taxes, interest, and an accuracy-related penalty calculated at 20 percent of the taxes due. In a change from the prior program, the top-tier civil penalty has been increased from 25 percent to 27.5 percent, and this penalty is calculated based upon the highest aggregate value of the taxpayer’s foreign bank accounts during the eight-year disclosure period. The program retains the lower tier penalties of 12.5 percent and 5 percent which apply in only limited circumstances.

NEW FILING COMPLIANCE PROCEDURES FOR U.S. TAXPAYERS RESIDING ABROAD

The IRS has also announced a new program to enable U.S. taxpayers residing overseas, including dual citizens, to become compliant with their U.S. tax obligations. The IRS formulated this procedure in response to revelations that many U.S. taxpayers living abroad only recently became aware of their U.S. tax and FBAR obligations. Taxpayers who wish to take advantage of the new procedure will be required to file delinquent tax returns for the past three years and delinquent FBARs for the past six years. All submissions will be reviewed by the IRS but the intensity of review will vary according to the level of compliance risk presented by the submission. Taxpayers presenting low compliance risk will receive expedited review and the IRS will not assert penalties or pursue follow-up actions. The IRS has stated that tax returns showing little or no U.S. due will generally be considered “low risk.” On the other hand, submissions that present higher compliance risk are not eligible for the new

To date, more than 35,000 individuals have taken advantage of the three IRS amnesty programs for offshore accounts, generating over \$5 billion in addition revenue for the U.S. Treasury.

procedure and will be subject to a more thorough review and possibly a full examination, which in some cases may include more than three years, and may include imposition of interest and penalties.

THE FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

Despite the large numbers of individuals who have participated in the various IRS amnesty programs over the past four years, it is nonetheless widely believed that many more U.S. taxpayers holding foreign accounts in countries around the world have failed to “come in from the cold,” largely due to the belief that the U.S. government would never discover the existence of their accounts. Many of these account holders presumably believe that they are protected by the bank secrecy laws of the countries where they maintain accounts or that those jurisdictions would never willingly give up the names of account depositors. But that is all about to change, as key provisions of a controversial new U.S. law—the Foreign Account Tax Compliance Act (FATCA)—become effective starting in 2014.

The primary focus of FATCA is to identify non-compliance by U.S. taxpayers using offshore accounts. Once implemented, FATCA will require foreign financial institutions (a broadly-defined term which includes traditional banks but also encompasses a broad array of non-bank financial institutions including hedge funds) to annually disclose information about accounts held by U.S. individuals, or foreign companies in which U.S. individuals hold a substantial ownership interest. Foreign financial institutions (FFIs) which refuse to provide such information about their customers to the U.S. will face a stringent penalty: withholding of 30 percent of all U.S.-source payments of interest, dividends, and the like. FATCA essentially forces foreign banks to cooperate if they wish to have access to U.S. capital markets, and will substantially penalize banks which refuse to participate.

The arrival of FATCA signals a new era and arms the U.S.

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government with a powerful tool to detect offshore tax evasion. U.S. taxpayers with undeclared foreign accounts can no longer assume that they will remain undetected or protected by foreign banking secrecy laws. Taxpayers who are non-compliant with their U.S. tax and/or FBAR obligations are well-advised to consider taking advantage of either the OVDP or the new compliance procedures for non-resident taxpayers, depending upon their circumstances. With the IRS and Justice Department continuing their unrelenting global crackdown on international tax evasion and bank secrecy laws, and full-scale implementation of FATCA on the near horizon, the risk of detection is significantly increased and the threat of criminal prosecution is real. Non-compliant taxpayers would be well advised to take advantage of the ongoing IRS offshore voluntary disclosure program before FATCA is fully implemented and the window of opportunity for amnesty has closed.



Matthew D. Lee is a former U.S. Department of Justice trial attorney and a partner at Blank Rome LLP in Philadelphia. Mr. Lee can be reached at Lee-m@blankrome.com.



HOT TOPICS AND TIPS FROM OUR TAX DESK

By Deborah Aiken, JD, CPA

ADOPTION CREDIT

There is no adoption credit allowed for adopting a child of the taxpayer's spouse, that is the taxpayer's stepchild. However, according to the IRS website, this limitation does not apply to adoptions by same-sex partners because same-sex partners, even if married for state law purposes, are not treated as spouses under federal law.

EASEMENT

A payment for granting an easement is treated as a sale of the land if the owner is deprived of the beneficial use of the land and the payment results in current taxable income. An easement that does not affect the use and enjoyment of the entire property is treated as just a sale of a portion of the property and the funds received are a return on capital resulting in a basis adjustment.

INCOME TEST OF QUALIFYING RELATIVE AS DEPENDENT

To take a qualifying relative as a dependent, in addition to the other tests, the gross income test requires that for the current calendar year the dependent's gross income (not taxable income) must be less than the exemption amount. Only income included in gross income is counted. This includes social security benefits included in gross income, gross rental income with no reduction for expenses, prizes, a partner's share of partnership gross income, annuity payments in excess of contributions, and community income under community property laws.

BANK ACCOUNT OWNERSHIP AND TAX REFUND DIRECT DEPOSIT

If taxpayers are filing a joint return and having a refund directly deposited, according to the IRS website, the bank account can be jointly owned or an account of just one spouse. However, state and financial rules can vary and the taxpayers should determine if the bank will accept a joint refund in an individual account..

IRAS AND COLLECTIBLES

Generally IRAs cannot invest in collectibles. A collectible is any work of art, rug, antique, metal, gem, stamp, coin, or alcoholic beverage. If an IRA acquires a collectible, it is treated as a taxable distribution at that time of the amount of the disallowed purchase. However, U.S.-minted gold and silver coins acquired after 1986, U.S.-minted platinum proof and bullion coins and any coin issued under the laws of any state acquired after November 10, 1988, are not treated as collectibles.

ACCELERATED DEATH BENEFITS

If terminally ill or chronically ill individuals receive amounts from their life insurance contracts, the payments are excludable from gross income by the recipient as an amount paid because of the insured's death. Also if any portion of the death benefit under a life insurance contract on a terminally ill or chronically ill person's life is sold or assigned to a viatical settlement provider, the amount paid for the sale or assignment is also excludable from tax. There are special rules that a chronically ill individual must meet to qualify for the income exclusion.

How to Classify Your Workers as Statutory Employees

We have been hearing lately that worker classification issues are on the forefront for the IRS and state labor agencies. Because big companies and small businesses are misclassifying workers, this subject has become one of the hottest matters in our industry.

Oftentimes, you may think that the misclassification is for the independent contractor vs. employee category. However, that is not always the case because there are four worker classification categories that can be misclassified: **independent contractors, common-law employees, statutory employees and non-statutory employees**. The classification decision should not be based upon what the employer and worker decide, or any agreement they may create. Instead, the decision should be based on the type of services the worker will perform for the employer and whether the employer's actions dictate "control" over the worker. Depending on the facts and circumstances, control is an issue in itself that can be argued various ways.

Once the control factor is determined, it becomes a bit easier to classify a worker in one of the four categories. The most common categories are independent contractor and common-law employee. Because these two categories are well known, let's address the one that often gets misclassified. A classification mistake can be costly for the business and even more so for the worker. Although statutory employees are not as common, it can be just as costly if misclassified.

To be a statutory employee, a worker must fall into one of the four categories and must meet the three conditions under Social Security and Medicare tax laws. The four categories for statutory employees are as follows:

Driver who distributes beverages (no milk), meat, vegetables, fruit or bakery products, or picks up and delivers laundry or dry cleaning (paid on commission or is an agent).

A full-time life insurance sales agent. The principal business activity must be selling life insurance or annuity con-

tracts (or both) primarily for "one" life insurance company.

An individual who works at home (homeworker) on materials or goods that the business supplies and that must be returned to the business or to a person the business names. There should be instructions furnished for the work that needs to be done.

A full-time traveling or city salesperson who works on behalf of the business and turns in orders from wholesalers, retailers, contractors, hotel operators, restaurants or similar businesses. The goods sold must be merchandise for resale or supplies for use in the buyer's business operation.

It should be noted that the work performed by the salesperson on behalf of the employer should be the salesperson's "principal" business activity.

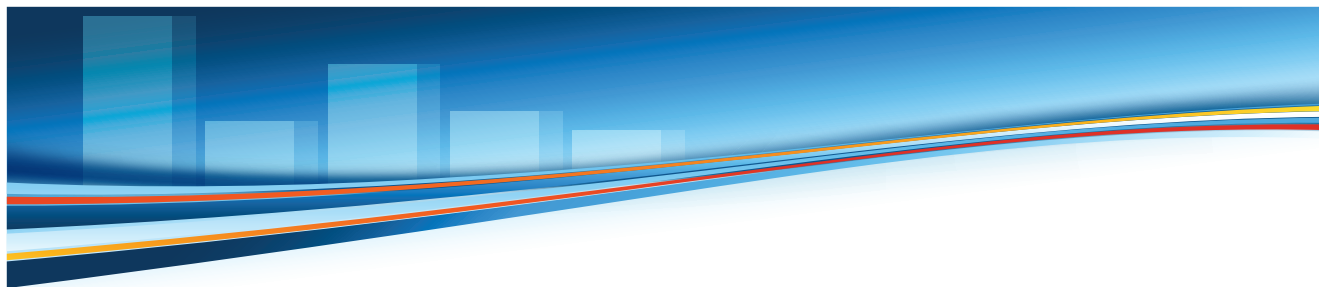
Once the worker is classified in one of the four statutory employee categories, then the FICA laws must be met. The employer must withhold Social Security and Medicare taxes from a statutory employee's wages if all three of these conditions apply:

The service contract states or implies that "substantially" all the services are to be performed "personally" by the employee.

The employee does not have a substantial investment in equipment or property used to perform the services (other than transportation such as a vehicle).

The services are performed on a continuing basis for the same employer.

Successfully classifying a worker as a statutory employee can be advantageous to the worker. The employer is required to withhold FICA taxes from the statutory employee's wages, but does not have to withhold federal income tax. The employer should furnish a W-2 to the statutory employee with Box 13 "Statutory Employee" checked. Following proper procedure allows the statutory employee to claim business expenses on "Schedule C" as if he or she is an independent contractor. However, unlike an independent contractor, the



person does not have to pay the full 15.3 percent of FICA tax because the business is responsible for paying the employer portion. Currently, the 2012 FICA tax rate for employees is 5.65 percent, which gives a statutory employee a significant savings versus being misclassified as an independent contractor and being responsible for 15.3 percent FICA taxes.

Misclassification can be damaging to the employer and the worker, but with statutory employee cases, the employee often times tends to lose out more than the employer because they may be stuck with paying 15.3 percent FICA taxes when, in fact, the employee should not be responsible to pay the entire amount. In other situations where the employer misclassifies the employee as a common-law employee instead of a statutory employee, the employee is at a disadvantage because the person does not get to file a Schedule C and claim business expenses. In this type of misclassification, the employee must report his or her business expenses on Schedule A as unreimbursed employee expenses subject to the 2 percent threshold, assuming the employee has enough deductions to even file a Schedule A.

You can see that what *appears* to be a simple misclassification can become a major loss to the worker. Of course, the employment tax liability and statutory fines the business can face are equally important.

CASE EXAMPLE

Let's look at an example where Steve, a full-time life insurance agent who works only for one insurance company, gets misclassified as an independent contractor. In 2011, the employer paid Steve \$88,000 and issued him a 1099-MISC when, in fact, he should have received a W-2 with Box 13 "Statutory Employee" checked. Steve worked from home incurring \$1,500 for a business telephone line, \$250 for office supplies, \$850 for advertising, \$680 in meals and entertain-

ment which qualify as a business expense, and drove 26,800 business miles for the year (13,400 miles driven January 1 – June 30 at \$0.51 per mile, and 13,400 miles driven July 1 - December 31 at \$0.555 per mile).

As a statutory employee, Steve would file a Schedule C and claim \$2,940 of deductible expenses and \$14,271 for standard mileage expense, giving him total expenses of \$17,211 to deduct against his earnings of \$88,000. His net income taxable for FICA is \$88,000, which gives him a FICA tax liability of \$4,972 (\$88,000 x 5.65 percent) and his net taxable income for federal taxes is \$70,789.

Since Steve was *misclassified* as an independent contractor and issued a 1099-MISC, he will file a Schedule C where he would be able to deduct the same expenses against his income. In this case, however, Steve's FICA tax liability will be \$8,695 (\$70,789 x 13.3 percent). By being misclassified, Steve incurs an additional FICA tax liability of \$3,723!

In this example, had Steve worked for two insurance companies, he would not qualify as a statutory employee because the law requires a full-time life insurance salesman to work full-time in the industry for only one insurance company. Rev. Rul. 59-103 provides guidance further guidance on this matter.

It is important that your clients understand the worker classification categories in order to make proper classification choices. It is even more important that you, the accounting professional, provide your client with the tools and knowledge needed to make the correct decisions. You also have to be able to defend the position with reasonable basis should the IRS or a state labor agency place your client under audit.

Click here to read the first article in this series: [Get it Right the First Time: Independent Contractor vs. Employee Status](#)



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Succession Planning

Both Sides Now



By Mark H. Fowler

The need for succession and transition planning for tax and accounting practitioners and their firms has been growing each year for the last ten years or so. Part of this drive is, of course, the result of an aging practitioner base. Another influence is the changing dynamics of clients—particularly their need for more sophisticated assistance in business and tax planning, and issues related to their own succession. Finally, as heads of firms start to examine their succession, they're realizing that the demographics and interests of the talent coming up the career ladder will determine what the landscape of the firm will be once they're no longer on the scene.

For every tax professional seeking to retire or transition his or her business, there are other professionals in the firm looking to build a business. While each group is charting a different course—one to move out of the business and the other to build one—the ultimate goal is for both to have a financially sound and operationally healthy business. To make this goal a reality, both groups need to participate in developing scenarios or alternatives for the firm's benefit, their mutual benefit, and their individual success.

There are many options to consider. The retiring or exiting professional can decide to start another business, stay on as a technical resource, work for a client, and so on. The up-and-coming professionals, too, have options: going into industry, starting their own firms, creating a whole new kind of business, exploring government work, or taking on the leadership of the firm. With everyone's choices expanding, determining the right direction is becoming more complex. And in today's competitive business climate, there's not much margin for error.

Knowing that transitions are inevitable and choices abound, the one essential ingredient to the future well-being of the firm is empowering younger team members to assume new responsibilities. Arming them with the resources, skills, and abilities to help take the firm to its next level of development and success helps everyone, regardless of the options they choose, because a strong business is key for exiting professionals as well as for the new leaders.

FIRM FIRST: THE NEW FAMILY

Because of the individualized nature of professional services, it's easy to see clients as our friends. And why shouldn't we? For us as transitioning professionals, it can seem as if our clients have been with us forever. We've seen them through many cycles of their lives, up and down; through chaos and abundance. Saying good-bye to them can be a trauma all its own.

In many ways, our clients become our family, so transitioning them can be bittersweet and confusing. This family-like view of the client relationship creates a "practice"-driven firm in which partners have "their" clients. This view diminishes the ability to see the firm as a culture in its own right, populated by a team of fellow professionals supporting and servicing a complex and broad base of clients. It's often called the "silo approach" to working with clients. It can work well, and actually has worked for decades. But in today's more dynamic world, the "silo approach" has its limitations, especially when it comes to succession and transition.

This team vs. silo perspective is at the heart of the challenges a firm faces during leadership transition. Discussions about integrating clients into the firm as a practitioner transitions out can be the catalyst for changing from a silo to a team. These discussions can create a whole new landscape for the firm. The clients, the firm, and all of its team members can become the new family—the family from within. With a strong service team for clients, the retention rate will increase, helping to give the new leaders a revenue stream that they can rely on and helping them feel more comfortable in their investment. And wouldn't exiting professionals want to know that clients they helped bring into the firm and worked with for years will be in good and capable hands?

With the "firm as family" mindset, all team members have a better chance of being engaged, bonded to the firm, and supportive of client and firm well-being. This model moves away from the insulating and isolating focus of "my clients" to an "our clients" philosophy. More to the point, succession, exit, or transition planning become an integral part of the firm's planning process not an isolated phenomenon that kicks in only when someone decides to retire or exit.

SUCCESSION PLANNING: A NEW DEFINITION

What professionals today often refer to as succession planning is really simply exit planning or exit strategy: the process of ensuring that they have the wherewithal to survive and thrive in their new life after exiting the business. But succession planning is really about the firm's well-being and success. Exit planning, which is about the retiring person's well-being, is one part of that.

Succession planning can be challenging because it entails addressing multiple issues simultaneously. As mentioned, it's about an individual gradually stepping back from involvement into retirement and having adequate funds to do so. But it's also about the business having the right talent to step in. It's about cultivating team members coming up through the ranks who know how to manage and who know that their career investment in the firm is going to be worthwhile.

True succession planning is about developing a business that has the ability to continue to grow and thrive despite ups and downs, and developing team members whose lives are supported in facilitating that process.

THE SIX IMPERATIVES OF SUCCESSION PLANNING

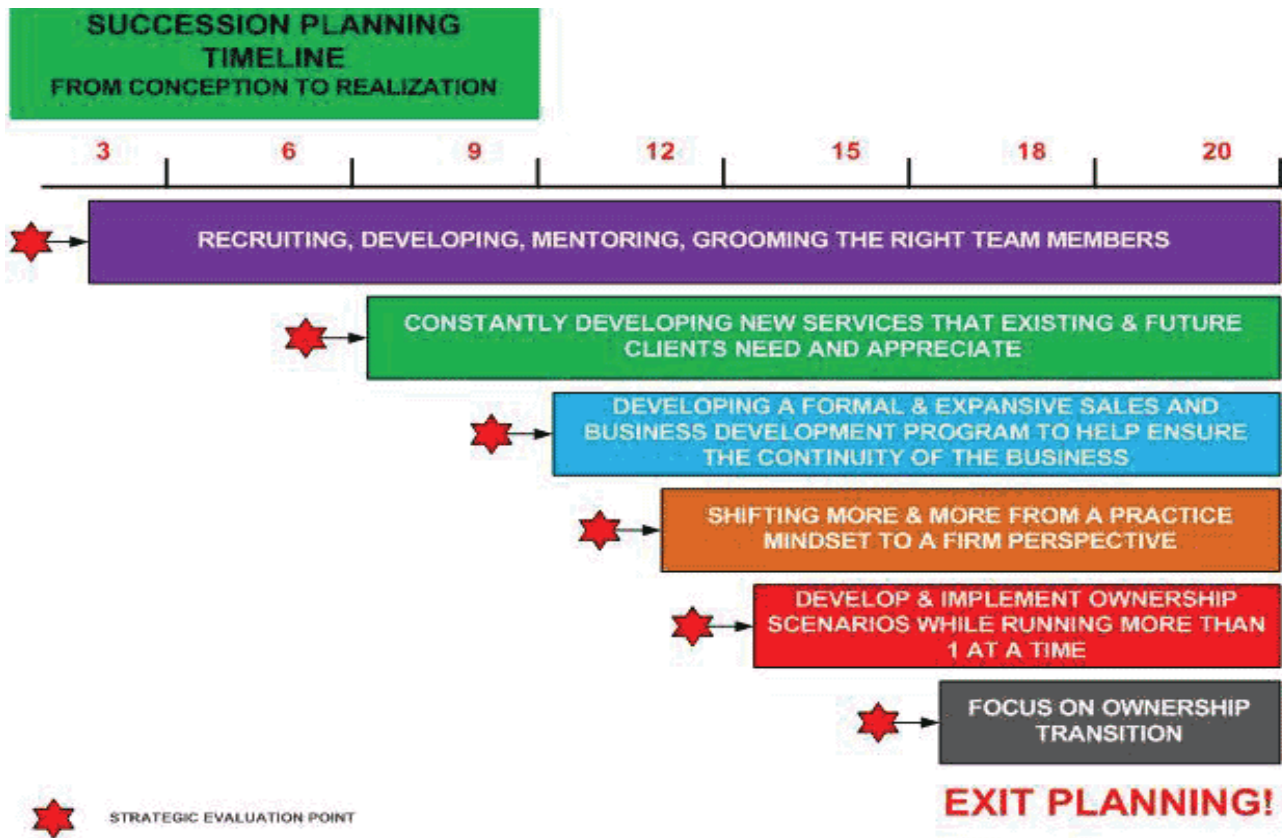
Let's look at what a succession planning process might look like over a hypothetical 20-year span, starting with year one as the firm's first year of business. The graphic below shows the six major imperatives needed to create a solid business platform, enabling personnel to come and go without major trauma to the firm. Systematic focus on these six critical activities makes succession and exit planning most achievable. [see chart below]

As you can see, succession planning is an ongoing process that allows firms to grow and their team members to transition successfully—and that's what helps make exit planning a reality.

MAJOR ACTIVITIES OF THE SUCCESSION PLANNING PROCESS

Let's take a closer look at the important action points that add up to successful succession planning:

Additional training of individual talent and other team members in all areas of client history and general information, unique client characteristics and needs, and skills and technical information that will be required.





Development of a working relationship between clients and team members—not just those with direct responsibilities to clients, but support personnel as well.

Timely, orderly transfer of any administrative duties the exiting professional, partner, manager, principal, or other key team members, may have.

Development of a much more robust administrative platform to begin to handle more duties that were previously handled by partners or other revenue generating professionals. For example, it's not unusual to shift personnel from office manager position to firm administrator or from firm administrator to COO in order to more effectively handle the needs of the whole firm.

Enhancement of the sales and marketing skills of all team members, including the creation of a business development process within the firm to help assure continued growth, new clients, and expanded revenue bases for existing clients.

Increased communications and interactions within the firm as well as outside it. In this way, the firm will be reaching out more to its team members as well as to its clients and referral sources.

These action points will help to grow the firm, increase the firm's viability, and enhance the team environment, while also establishing a sound platform for the exit or retirement of key professionals.

OWNERSHIP TRANSFER

Whether a partner/owner is retiring, the firm is downsizing, or the business is being sold, merged, or allied with another firm, ownership transfer is going to occur. There are a number of buyers to consider:

1. The firm itself: The company can purchase the shares of the exiting owner.
2. The other partners and partners-to-be: These individuals can purchase ownership shares.
3. The external strategic buyer: This buyer is looking for locations, talent, niches, and technology to enhance their business.
4. The external revenue-oriented buyer: The singular focus of this buyer may be on adding revenue. This type of sale often means rapid cost-cutting and very short transition periods.

No matter who the buyer is, new owners have their own goals and objectives, which can include:

- enhanced profitability
- expanded client base
- additional services
- appreciative clients
- quality team members.

- an expanded career and ownership
- increased value

One of the best ways to transmit one's legacy after retiring is to sell to the team members, partners, and partners-to-be. In this scenario, understanding how addressing the needs of both sides of the firm—the “family” inside and the family member who is exiting—is crucial in making the future of the firm more successful. Successful succession means creating a more attractive and profitable environment for everyone, not just the retiring or exiting professionals. With “firm as family” in mind, everyone has a better chance of finding ways to bridge the needs and wants of both sides, improving the chances of a win for all—including the clients.

WARMING UP IN THE BULL PEN*

In baseball, the bull pen is the area where relief pitchers warm up before entering a game. Well, in a firm, the partners-to-be—managers, senior managers, and rising managers—are warming up to move to their next level of responsibility.

As partners-to-be, the talent in a firm has a unique view and interest in what is happening to the firm. They want to succeed, they want to know what success is going to look like, and they want to know what they need to do to make their success and the success of their team a reality. In professional sports, the team concept is essential. The best players know that in order to truly succeed as a player, the team has to win, not just the player. They know that collaboration and the well-being of the team comes first.

The concerns of owners and players alike should always be:

- Do we have the right players?
- Do we have the best composition of skills and talents?
- What have we put in place to make this team win for everyone?

The players in the bull pen may have their own questions that can make or break their participation and the team's success. Here are just a few of questions team members reflect on while they're warming up, wondering how they'll get from bull pen to pitcher's mound and what it will be like to have skin in the game:

- What do I have to do to become a partner?
- Where am I going to get the skills to be able to be a partner?
- What does being a partner mean?
- How much can I make as a partner?
- What criteria must I pass to be a partner?
- What is it going to cost?



- What will be my return on investment?
- How will the partners help me to become a partner?
- Will they warm up with me, or will I get thrown into the game unprepared?
- What will happen if one or more of the partners is hurt or dies?
- What does a Partnership Agreement mean to me?
- What does a succession plan mean to me, and what are my responsibilities as part of that?

Existing partners' questions actually dovetail with those of the players and may include:

How well are we doing at warming up our players for today and for the future?

How do we help our new players become the stars they need to be in order for everyone to win?

There are two avenues for getting partners' and players' questions answered. The first is to reach out to professionals who have the experience make these changes work. The second is to get into the bull pen and begin warming up with your players. Engage them, come alongside them, and be the mentors they need you to be. Help them so that everyone is on the same page and they know how to take the field when their time comes.

CONVERSATION AND DIALOGUE AS CHANGE AGENTS**

You might be wondering just what you'll say and do in that bull pen, and how to answer the many questions we've been talking about. It's clear that this process requires teamwork, continuing interaction and integrity—this is not a unilateral process and not a time when maverick action is effective. Everyone's needs, desires, goals, and abilities must be addressed so that everything can work and everyone can win.

It sounds daunting, but two critical abilities you already have—conversation and dialogue—are the glue that will make this process work. As Larry Bossidy, Chairman of Honeywell International, writes in his book *Execution*:

“You cannot have an execution culture without robust dialogue—one that brings reality to the surface through openness, candor and informality.

Robust dialogue makes an organization effective in gathering information, understanding the information and reshaping it to produce decisions.”

Few projects are more execution-oriented than a succession/transition/exit program. Procedures need to unfold smoothly (or problems need to be promptly identified and handled), people need to be on board, and things need to get done according to plan. Starting your dialogues early and often with clients, team members, referral sources, and outside professionals will make the difference.

In addition, the *quality* of these interactions is essential. Taking the time—even though you might not think you have it—for productive dialogue that gets everyone on the same page is the basis for high-quality results. Our associate, Barbara Gaughen-Muller, President of the Tri-Counties chapter of the United Nations Association (UNA) and the widow of Robert Muller, former Assistant Secretary of the UN, tells how, in her UN work, she learned this saying from her African colleagues: “Palabras first.” It means that before starting formal discussions or even circulating agendas about an issue, there would first be talking—simply conversation. So before starting heavy negotiations or difficult conversations, it might be wise to first build and maintain a bridge of understanding, trust, and collaboration through honest conversation. It's important to lay a foundation of openness so that everyone can then put their issues on the table and understand what they're committing to, what they're responsible for, and what their reward will be.

Whether you're a sole practitioner, a partner, or a long-term senior manager/principal in a larger firm, succession planning and exit strategy are integral activities that deserve the same level of support and focus you would give your most important projects. Your future and the future of what you and your colleagues have built depend on it.

(*)—Excerpted and adapted from “A View From the Bull Pen” by Mark H. Fowler, *The Business Gazette*®, the monthly electronic newsletter of Stowe Management Corporation, August 27, 2012.

(**)—Excerpted and adapted from “Succession Planning: Laying the Foundation for the Future” by Mark H. Fowler, *CA CPA Buzz*, and publication of the CA CPA Society, December 4, 2012.

Mark H. Fowler, CPA (inactive), CMC, is the president of Stowe Management Corporation, a corporate reengineering firm based in Santa Monica, California. He has worked with bankers, and CPAs and their clients for over twenty-five years, specializing in turnarounds, succession planning, mergers, acquisitions and corporate growth.

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NSA MEMBER SPOTLIGHT



Continuing its new series, Member Spotlight, NSA introduces us in this issue to **Phyllis Jo Kubey, EA, CFP, ATA, ATP** whose wide range of interests and talents certainly don't conform to what some people might think is the typical profile of a tax professional. Kubey, who many know as an active member of the Tax Talk forum, is a trained singer who practices a special method of stress management along with her tax work. Read on and learn how it saved her life. She can also tell you about The Art of Breathing, how she fell into the tax profession, and how stumping her own auditor led her to specialize in that area.

PHYLLIS KUBEY

Can you tell us about how you initially got into taxes and accounting? What was it specifically about the work that you enjoyed, and/or continue to enjoy?

Well, if anyone had ever told me I would be doing any sort of accounting or tax-related work I would never have believed it. I come from a musical family and I was absolutely terrible at math and totally bored by anything having to do with numbers. It was right after I graduated from Juilliard and, for various reasons, had decided to stop singing. I had an administrative position in the Registrar's office at Juilliard and was thinking about taking a course on the side. Now, I was really thinking more about macrobiotic cooking than tax preparation, but I was on the

subway one day and saw an ad for H & R Block's course. I had always done my own taxes (badly, I found out as soon as I took the course!) and thought this would be a practical way to learn how to do my own taxes better.

Well, I had a wonderful teacher (Eleanor Konowitz) who obviously just was so in love with the process of preparing tax returns and helping clients. In 1985 Block hired me out of the course. Of course, I learned pre-1986 tax law, and then ended up having to quickly learn the 1986 tax law changes—which gave me a very good foundation for expecting just about anything in terms of tax law changes. I worked for them evenings and weekends for several years until I started my own practice. I think

the thing that attracted me to tax work, and still does, is the opportunity to help people and to figure out a system that will work for them to comply with the complicated tax code and regulations.

Also, to me it is similar to doing puzzles—which I love—and about uncovering meaning in the very complicated maze of tax laws and regulations. Lastly, as a musician there is never really an end to anything; we are always continuing to revise, enhance, learn, etc. Although I am always continuing to learn as a tax professional it is tremendously satisfying to begin, work through, and complete a tax return. There is a sense of completion that I like very much.

Tell us about your own tax practice—do you have employees or is it a solo practice? What are the pros and cons of running your own business?

I am a solo practitioner and always have been (other than my early years working at H & R Block). I love the freedom of being on my own. I work out of my home and do not have the overhead of an outside office. Living in New York City, we don't have huge amounts of living space—so it would be tough to have employees in house. I also had the experience of being a supervisor of another employee when I had an administrative position at Juilliard. That experience taught me that I was a bad boss. I just do not have the talent for organizing another's work and delegating tasks. I love the challenge of doing everything myself, although I have to give HUGE credit to my life partner of 20 years, Charlie Schmidt. Charlie is my IT department and I think from time to time has pinch-hit as my mail room, courier, and file clerk!

The cons of running my own business: No boundaries! I love my work and I absolutely get out of bed in the morning and work from very early in the morning until very late at night. No problem with self-motivation here; more of a problem to tear myself away.

Also, working alone, you do not have the benefit of bouncing ideas off others. I used to love hanging out in the H & R Block office and just talking about taxes and how to handle various complex tax scenarios. Now, however, forums such as Tax Talk allow us solo practitioners to have plenty of input and feedback from others in the field—and this has been a great enhancement to my practice. I have learned such a great deal from my colleagues on the Tax Talk forum and also my local NYSSEA Google Group.

You are an active member of NSA's Tax Talk. How has Tax Talk affected you in your practice, in terms of getting questions answered and helping others as well?

As I mentioned above, it enables a lot of contact with the outside world and a lot of tax pros from all areas of the country and all sorts of different practices and areas of expertise. What I love most is when I read a post that sparks my interest—and then I will go do some research so that I am sure I am posting something that is backed up by some source material. So, Tax Talk and my other e-mail groups have encouraged a little more rigor in terms of my own research habits and I feel that I have gotten so much from reading the posts of others on the forum that I am always happy when I can contribute something. The world has changed so much in terms of the ways of sharing information and of obtaining information.

Do you think there were benefits to learning about tax preparation before it got so computerized? For example, do you think working with a pencil, adding machine, and actual tax forms helped you better understand tax preparation?

Absolutely! In fact, we have had a terrific discussion on this very subject on Tax Talk recently. Having worked through all of the forms and instructions and having to really learn how the calculations support the underlying law and regulations is invaluable. Also, you really knew how the data from various schedules and sub-schedules flowed to the tax return and how a change in a number in one place had to be included in many other places in order to create an accurate tax return. Although the computer software is great—and I rely on it heavily—there are times when I actually go back and check things manually, and there have been times over the years when I've found errors in the software that I have been able to report to the vendor. Boy, we killed a lot of trees in those days. The amount of paper generated was ferocious. I still have my H & R Block mechanical pencil and my Art Gum eraser!

“...Tax Talk allows us solo practitioners to have plenty of input and feedback from others in the field—and this has been a great enhancement to my practice.”

What else do you like about your membership with NSA?

I like the fact that it is an organization for accountants. Since I do not come from an accounting background, I find that I learn so much from having this perspective that is different than some of the other professional organizations to which I belong. The publications, the web resources, and most of all the community that I have discovered through being involved with Tax Talk are just incredible.

You trained at the American Center for the Alexander Technique in NYC. Can you explain what the Alexander Technique is? And what attracted you to it?

The Alexander Technique is a method for postural and movement re-education that helps us become aware of and unlearn habitual patterns that cause pain or unnecessary levels of tension in everything that we do—and to discover new ways of using ourselves with more ease, efficiency, and

comfort. For more detailed information visit: <http://www.amsatonline.org/> and <http://www.acatnyc.org/main/>.

I was first introduced to the Alexander Technique in the last semester of my master's degree program in voice, but I re-discovered it in more depth when I myself had terrible back and neck pain and was actually on disability due to pain and mobility issues. I was in intensive medical treatment for over a year and then continued to explore self-care options on my own.

A massage therapist who helped me a lot recommended the Alexander Technique and I decided to take lessons. In one of my early lessons, I had the first experience of being pain-free that I could remember—and I was hooked. The Alexander Technique literally saved my life and I was so impressed by this that I eventually decided to train to be a teacher myself—so I could give back to others what had been so life-changing for me. It was a big commitment, a three-year training program—going to school for three hours a day/five days a week. During tax season I got up and began work each morning at 4 a.m., went to school from 8-11 a.m., came back and went back to work. It was not easy juggling everything, but it was definitely the best thing I have ever done and it has enhanced my tax practice in many unexpected ways.

Similarly, how did you wind up getting involved in The Art of Breathing? How does it help you in your work and also perhaps in your daily life?

The Art of Breathing is taught by a wonderful Alexander Teacher, Jessica Wolf. Jessica worked with another brilliant

man, Carl Stough, who had a system called Breathing Coordination. He taught respiratory re-education and was very successful working with a range of people from emphysema patients to Olympic athletes working in high altitudes.

As a trained singer and as an Alexander teacher, I have benefited from a deeper study of the anatomy of breathing and also looking at various respiratory faults. However, as a tax professional (or any other occupation) one also does breathe and use one's voice. Realizing how often we hold our breath or hold unneeded tension that interferes with free functioning of the breathing coordination is an excellent first step to better health and well-being. I believe that both the Alexander Technique and The Art of Breathing have enabled me to keep up the rather ridiculous pace of my busy tax practice—especially during tax season. For more information visit: http://theartofbreathing.net/art_of_breathing.html.

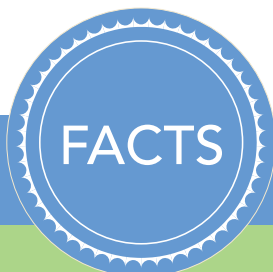
Tell us about your family. Where are you from originally?

I am from Pittsburgh, PA and I lived there until I came to NYC in 1981. My parents were both professional bassoonists and played in the Pittsburgh Symphony Orchestra. I live on the Upper West Side of Manhattan with my life partner of 20 years, Charlie Schmidt. I have a brother, Lawrence, who still lives in Pittsburgh.

You have a Master of Music in voice from The Juilliard School. How did you first get involved in singing?

Since my parents were both professional musicians, I had the most wonderful exposure to music as a child. I went to

PHYLLIS



KUBEY

- Practices before the IRS as an **ENROLLED AGENT**.
- Teaches the Alexander Technique as a certified **INSTRUCTOR** in New York City.
- Performs professionally as a **SINGER**.
- Studied at Juilliard, receiving a **MASTERS** degree in **VOICE**.
- Specializes in the preparation and representation of **ARTISTS, MUSICIANS, ACTORS, U.S. CITIZENS WORKING ABROAD, AND CLERGY**.
- **ENJOYS COOKING, EXERCISE, and FILM** and is a member of the **SCREEN ACTORS GUILD**.

so many rehearsals, concerts, operas, ballets, etc. and music was always a huge part of my life. I played piano and violin from an early age and then came to singing much later in my early college years. I think my “rebellion” was not to originally go into music—and I started off as a Philosophy major in college. Then I started singing in a community choir, and eventually was encouraged to study voice. I did and eventually transferred into music as an undergraduate at Carnegie Mellon University in Pittsburgh and then auditioned for Juilliard and was accepted, where I got my masters degree.

Your profile says you have particular expertise in areas relating to musicians, actors, artists, non-resident alien tax issues, US citizens working abroad, and clergy. Have you learned things from them or been inspired by them?

Since I am a musician myself, I tend to meet a lot of people who are in need of tax assistance. I still sing professionally, although not as much as I used to. I meet a lot of my tax clients through other areas of my life, such as music and The Alexander Technique. I have been very fortunate never to have to advertise. My practice is 100% word of mouth, although I do get some inquiries from people who find me on the Internet.

I got interested in the non-resident alien issues with a client who came to me at H & R Block. I didn't have a clue and I started studying and researching a lot on my own. A lot of musicians who are not US citizens come and perform in the US—so this ties in nicely with my work with musicians and artists. The US citizens working abroad came out of my work with musicians—because many of them do work abroad. Some for short-term engagements, but others become bona fide residents of foreign countries and have continued to work with me. As a result I have learned a lot about this area of taxation and continue to learn more and more all the time.

The clergy taxation began with a cantor who wanted me to do his taxes. I realized that this was a very strange and wonderful area of the tax code and became interested, studied more, and ended up getting many more clergy clients over the years.

I think I am inspired most by the dedication and love for their art that my musician/artist clients have—and how they will do anything to continue to make music or create art. Often this creates interesting tax scenarios—with people showing very little profit on their music activity. It's very difficult to explain to an IRS agent how some of my clients are living. No matter how much they make they will turn around and invest it back into their projects. All the IRS sees is someone with a very high ratio of expenses to income—and my task as their representative is to explain this in a way that will satisfy the IRS examiners.

Why did you decide to specialize in IRS and state tax-related representation—audits, collection, non-filing cases?

Believe it or not, I was audited myself for my 1985 1040. I will never understand why, because there was really not much on that tax return at all. Nevertheless, I had taken the Block tax course in 1985 but had not started working for them until 1986, so there was nothing on my 1985 tax return that would indicate that I had any association with tax preparation..

“ I have been very fortunate never to have to advertise. My practice is 100% word of mouth...”

I decided to go to the audit and play “dumb” and see what happened. I wanted to see how they treated a regular taxpayer who did not have any specialized knowledge. Well, it was pretty funny—because I kept catching the auditor in various inconsistencies and would very “innocently” ask him some pointed questions. Eventually, he got flustered and said he had to consult with his supervisor. He came back and asked, “why didn't I just allow him to disallow some of my charitable contributions,” and pay a little additional tax. I thanked him but said I'd rather go and find out for sure whether my organizations were qualified, which I knew they were, and I'd get back to him. I left, and within an hour of returning to my office he called and said “No Change.” This was a real-life illustration of the importance of having someone with knowledge of both tax law and IRS practice and procedure as an advocate when dealing with the IRS.

I had one client who had the miserable luck to be audited twice. The first time was no change and the second time we had a very stubborn revenue agent who would not accept my client's home office deduction. I brought in everything—photos, floor plans, etc. and he said that if he allowed the home office he'd just disallow something else. I realized that as an unenrolled preparer I would not be able to take this case to appeals. That was the moment I decided to become an Enrolled Agent. Right after I got my EA credential I enrolled in the National Tax Practice Institute and did three years of study there, dealing 100% with representation issues. I love being an advocate for my clients in audit and collection cases.





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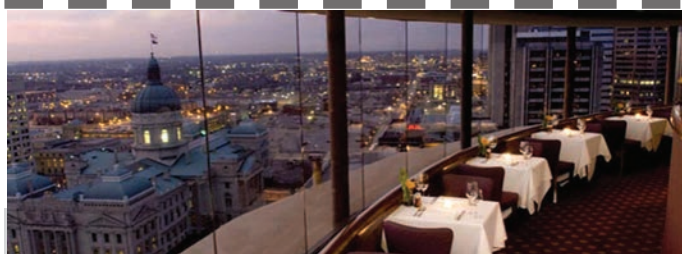
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NSA SPEAKER

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NSA SPEAKER

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MemberConnect



TAX TALK DISCUSSION FORUM

Tax Talk was buzzing during tax season. It continues to be utilized by members to help answer countless questions on a variety of topics. This discussion forum is a valued resource by NSA members. Are you missing out? If you aren't currently using the forum, here are a few reasons to try it out:

- Discussion archives have over 27,000 entries and are fully searchable by topic, offering a wealth of information for research purposes.
- New discussion thread topics can be delivered via email once a day (daily digest) or in real time.
- There are currently 10,600 subscribers.
- During tax season, Tax Talk averaged 74 messages per day, and 2,230 messages per month.
- The discussions are self-monitored and maintain the highest level of professionalism.

Here are just a few of the most recent topics:

- Home Office and Mileage
- Members held a lively discussion on how they attract and retain the ideal client
- S Corp Dissolution
- Schedule E Foreign Rentals
- Form 2848
- Foreign Income
- and many other important topics

The chart on the following page shows some interesting facts about the activity on Tax Talk during the filing season.



RESOURCE LIBRARY

View the many resources available to members in the numerous libraries. Search through all libraries, or delve into a specific one to find just what you are looking for. For example, there are over 300 client letters in the Client Letter Library. The letters are on a variety of topics, both commonly used and some hard to find ones as well.

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. Visit the Resource Library often to enhance your practice management efforts. Search for what you need by topic or keyword. Remember to log in first so you have access to the numerous members only resources.

[Go to the Resource Library](#)

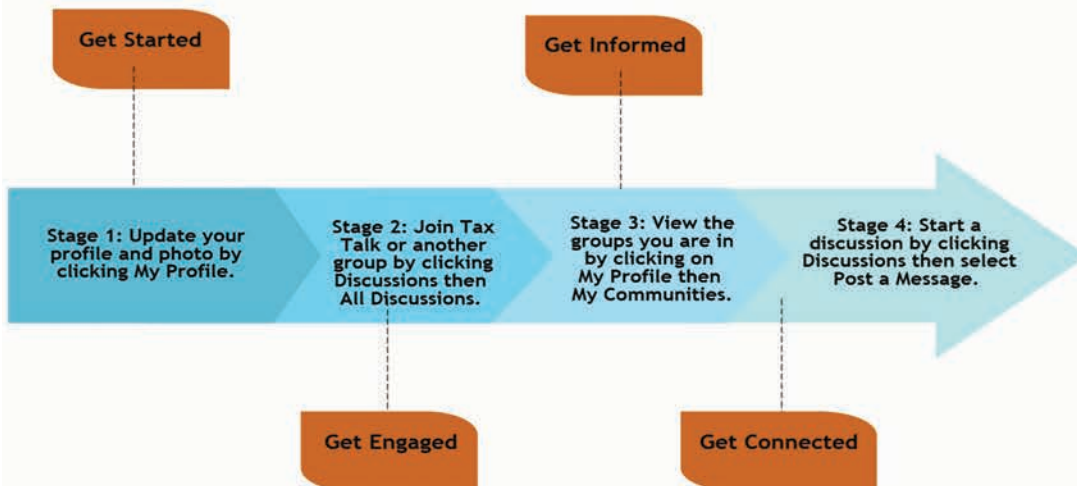
BLOG NSA BLOG

Beginning in May, NSA is presenting a new series that will bring the latest articles, checklists, and other helpful tools and information to you via the NSA Blog. You'll be able to read new posts directly on the NSA website and/or you will be able to subscribe to receive new posts as they happen in your inbox. We will also feature blogs in Member-Link and on NSA social media as well.

The new NSA Blog will include information submitted by NSA Staff, guest authors, and NSA ConnectED webinar instructors who will be posting short articles on a weekly to bi-weekly basis focused on practice management tips, checklists, member interviews, and more great information.

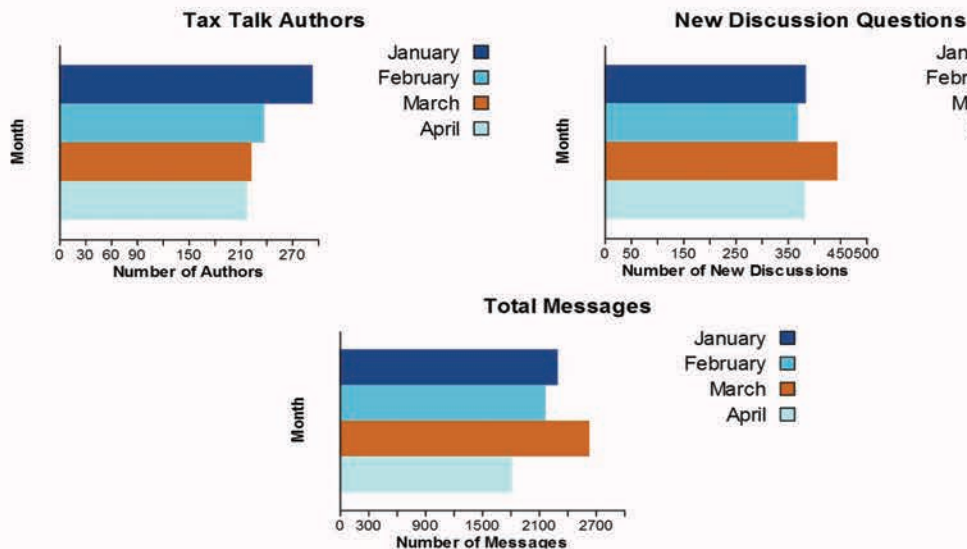
Stay tuned as we unveil this exciting new series later this month!

TAX TALK



MEMBER STATS

The charts below show the level of activity in Tax Talk during the 2013 filing season.



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Connect with your peers in the Tax Talk Discussion Forum



Join us on LinkedIn to follow the latest industry news and trends.



Follow us on Twitter for the latest tax and accounting information.



'Like' us on Facebook to keep up with NSA membership news and events.



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The Multi-Task Role of the Accounting & Tax Professional

May 21, 2013

2:00 PM EDT (11:00 PT)

This session emphasizes the role of the accountant/tax professional from a multi-task, multi-functional approach. Topics will include effective time management, negotiation skills, and personal planning.

CPE: 2 Hours/Business Management and Organization

Presented by David Osburn

2013 Representation Update

May 23, 2013

2:00 PM EDT (11:00 PT)

The IRS has dramatically increased its enforcement efforts. Join this discussion of IRS audits, collections, taxpayer advocate, criminal investigation and IRS offshore initiatives.

NASBA CPE: 2 Hours/Taxes

IRS CE: 2 Hours/Federal Tax Law

Presented by Robert E. McKenzie, EA, Attorney

Planning for the New Medicare Taxes in 2013; Using S Corps and Other Strategies

May 30, 2013

2:00 PM EDT (11:00 PT)

The 2013 taxes created by the Health Care and Education Reconciliation Act of 2010 have become law. It is not too soon to begin planning for the impact of these new taxes.

NASBA CPE: 2 Hours/Taxes

IRS CE: 2 Hours/Federal Tax Law

Presented by Steven G. Siegel, JD, LLM

A Brave New World for U.S. Taxpayers with Foreign Assets: Navigating the New and Enhanced FBAR and FATCA Reporting Requirements

June 4, 2013

2:00 PM EDT (11:00 PT)

This webinar will explore the new FATCA foreign asset reporting rules, provide an update on the existing FBAR reporting regime for foreign bank accounts, address the FATCA information reporting regime for foreign banks, and discuss the U.S. government's enforcement efforts in this area and the likely direction of future enforcement activity.

NASBA CPE: 2 Hours/Taxes

IRS CE: 2 Hours/Federal Tax Law

Presented by Matthew Lee, Esq.

Worker Classification: Getting it Right the First Time-Level 1

June 6, 2013

2:00 PM EDT (11:00 PT)

Are your clients properly classifying their workers as independent contractors or W-2 Employees? Help make sure they get it right because getting this wrong can be very costly!

NASBA CPE: 2 Hours/Taxes

IRS CE: 2 Hours/Federal Tax Law

Presented by Andrew Poulos, EA, ABA, ATP

Marketing the Accounting & Tax Professional

June 13, 2013

2:00 PM ET (11:00 PT)

This webinar will provide you with a thorough review of marketing principles and deliver practical applications in the real world of business and personal marketing.

CPE: 2 Hours/Business Management and Organization

Presented by David Osburn

**FOR THE FULL LISTING OF WEBINARS,
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2013 Exam Dates: June 10 – July 9

Upcoming Test Dates are June 10 – July 9

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 four credentials:

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- Accredited Tax Advisor® (ATA)
- Accredited Retirement Advisor® (ARA)
- Accredited Tax Preparer (ATP)

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2. Find an authorized test center, study, take, and pass the exam
3. Activate your credential

Test sites are open to take all four 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. Test dates for Capstone programs are April 29 - May 31.

The ACAT website provides all the information you need to successfully prepare for and pass the exams. Visit the website for FAQs, study materials, exam details, as well as tools and resources to use after earning your credential. Click on the button below to go there now.

Visit ACAT Now



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.



ATP Exam

The ATP examination is a three and a half hour, 100 multiple-choice question exam for professionals with a thorough knowledge of the existing tax code and the preparation of individual tax returns with an expertise in comprehensive 1040 issues including supporting schedules, self-employed returns, and ethics.

The ABA, ATA, ATP, and ARA exam blueprints, resources for study aids, and registration information are on the ACAT website at 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 Testing Center near you.](#)

Automatic Retrieval Technology

Solving the Profession's Biggest 1040 Tax Prep Challenge... Client Procrastination

Auto retrieval solutions eradicate the issue of receiving source documents late in the busy tax season

By Ed Jennings, former CEO, Copanion, Inc.

For years, tax professionals have dealt with a recurring issue during busy season: **getting client source documents in a timely manner.** You know the drill all too well. Tax organizers are sent to clients at year end, usually in November or December. The information comes back in drips. You start client follow-up calls in March to request forms, and then call again in April for outstanding source documents. It's a frustrating and time-consuming process, and has proven to be a major challenge for practitioners.

In 2010, 850 AICPA members responded to an annual tax survey that asked them, "What were the top three bottlenecks in your overall process to prepare and file returns this tax season?" A majority 73% answered, "Waiting for clients to send in documents." The second most popular answer at 45% was, "Processing late additions of client tax docs." See chart below.

It's clear that document collection is a key issue for the profession. Not only does it slow the tax prep process and hinder efficiency, it ties up resources, which directly impacts a firm's bottom line. The time spent calling and emailing clients to chase down documents adds up quickly.

In another part of the survey, participants were asked to provide specific feedback on issues with the tax preparation process. Responses clearly represent a cumulative frustration. Consider question categories and individual respondent answers:

REASONS FOR PROCESS BOTTLENECK:

- "People are people and I always have missing items."
- "Clients don't realize the importance of the needed info."
- "I cannot control information received from third parties (i.e., brokerage houses, partnerships)."

POTENTIAL RESOLUTIONS TO THE ISSUE:

- "Request information sooner from the client."
- "Enforce deadlines with clients."
- "Send out a reminder letter."
- "Hire a full time person for tax season to call clients with forms outstanding for over two weeks."
- "Get more electronic information from clients!"

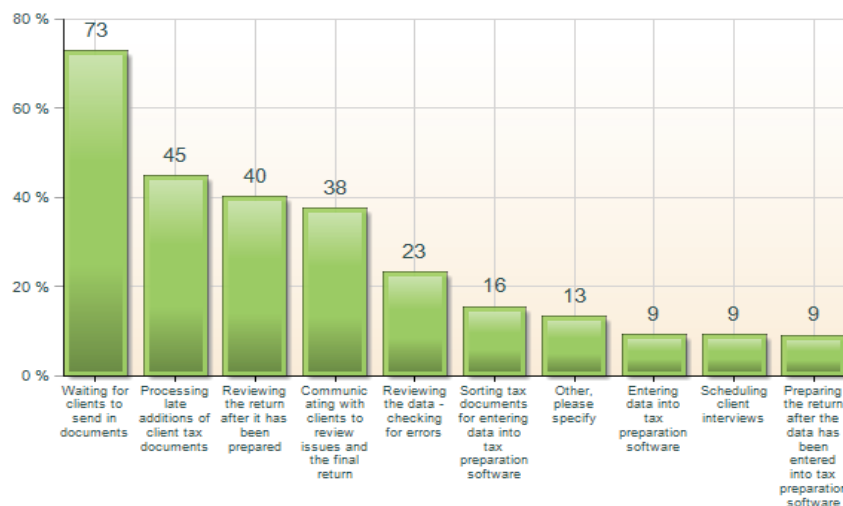
There are a few important trends identified in participant answers. First, in reference to reasons for process bottleneck, tax professionals clearly realize that getting the information is

an issue, whether it's from the client or a third party. The theme appears to be that document collection is something that the firm cannot control. This way of thinking is dangerous because it puts control of the process solely in the hands of the client, when it's the firm that should be calling the shots.

Second, in regard to potential resolutions, the majority of participant answers have one element in common—increased cost. Requesting information sooner, enforcing deadlines, and sending out reminders all require additional follow-up action, and that means more time and more money. Hiring a full-time seasonal staff member can also hit a firm's bottom line hard.

Among the slew of responses received pertaining to resolutions, several indicated that there are professionals who are on the right path to solving the issue: "Get more electronic information from clients!"

What were the top three bottlenecks in your overall process to prepare and file returns this tax season?




2010 Tax Survey Results—Tax professionals agree that source document acquisition is the main issue during tax season.

Portals are *Part* of the Solution

Everyone has heard the buzz around portals over the last several years. It's the way the profession is moving; there's no denying it. And it's about time. Portals provide clients with the convenience of real-time access to documents and solve the issue of having to email, fax, and deliver paper files. The fact is that more and more documents are being provided in digital format, including tax returns; financial, bank, and brokerage statements; loan agreements; engagement letters; and more. Portals provide a conduit to move these documents conveniently between the firm and their clients.

With data security as an ongoing concern in the profession, it's important to note that portals are much more secure than email.



With data security as an ongoing concern in the profession, it's important to note that portals are much more secure than email. State legislation has driven heightened security measures, requiring vendors to maintain compliance with state encryption laws.

Portals also enable version control. Only the most current version of any given document is made available within a client's portal, offering a single point of access. Attaching documents within email is far less reliable in assuring document integrity and version control, as several versions may end up in the recipient's inbox and stored in multiple locations on local or network drives.

Finally, and perhaps most importantly, portals represent the level of service that today's clients expect. Clients are busy running their businesses, leaving little time to deal with administrative tasks. The convenience of web-based accounting services is a must, offering a way to communicate with their trust advisor quickly and efficiently. Think about it. Would anyone use a bank that didn't offer online services?

Portals are fast becoming a necessity. The 2010 tax survey further supports this stance with 21% of survey respondents indicating that they use portals to support basic file exchange. However, while portals facilitate electronic document exchange and delivery, the technology does not solve the issue of client procrastination with document delivery. Nor do portals alone help with tracking and gathering critical forms such as 1099s, corrected 1099s, W-2s, K-1s, mortgage statements, and more. Portals are only *part* of the answer.

A word on portal security...

Security is still at the top of everyone's mind; especially as state and federal laws continue to get stricter regarding the security of clients' personal information. In fact, a few states, including Massachusetts and Nevada, now require practitioners to encrypt emails that contain client data classified as "personally identifiable." Several other states have similar legislation pending.

Leading portal solutions alleviate the concern around security because they offer advanced encryption (128-bit SSL) of data. Leading vendors also ensure 100% network uptime and perform scheduled redundant data backup.

The Next Step: Automatic Document Retrieval

In simplest terms, auto retrieval technology provides a secure web interface (portal) where clients can connect with leading financial institutions and brokerage houses to set up automatic retrieval of source documents. This technology is intuitive and requires minimal setup time, making it convenient for the firm and clients. Tax preparers simply direct clients to a password-protected, individually customized interface where the client enters login credentials to each of their online accounts. As they become available, auto retrieval technology retrieves posted 1099 consolidated brokerage statements and other forms and delivers them directly to the firm for processing.

Automating document retrieval is not a new concept. There are vendors that have supported this process for years, just not for the tax and accounting profession specifically. However, advanced automatic document retrieval technology is now available for tax practitioners. This advanced technology makes it easy for firms to collect client source documents in a timely manner and, because it's a "set it and forget it" process, it places control of the tax preparation processing the hands of the tax professional—where it belongs.

Consider the value auto retrieval technology offers:

Experience significant time savings—you receive tax source documents months earlier in the tax season...without nagging your clients with multiple reminders.

Enjoy cost savings—eliminate manual faxing and mailing, as well as the cost of postage.

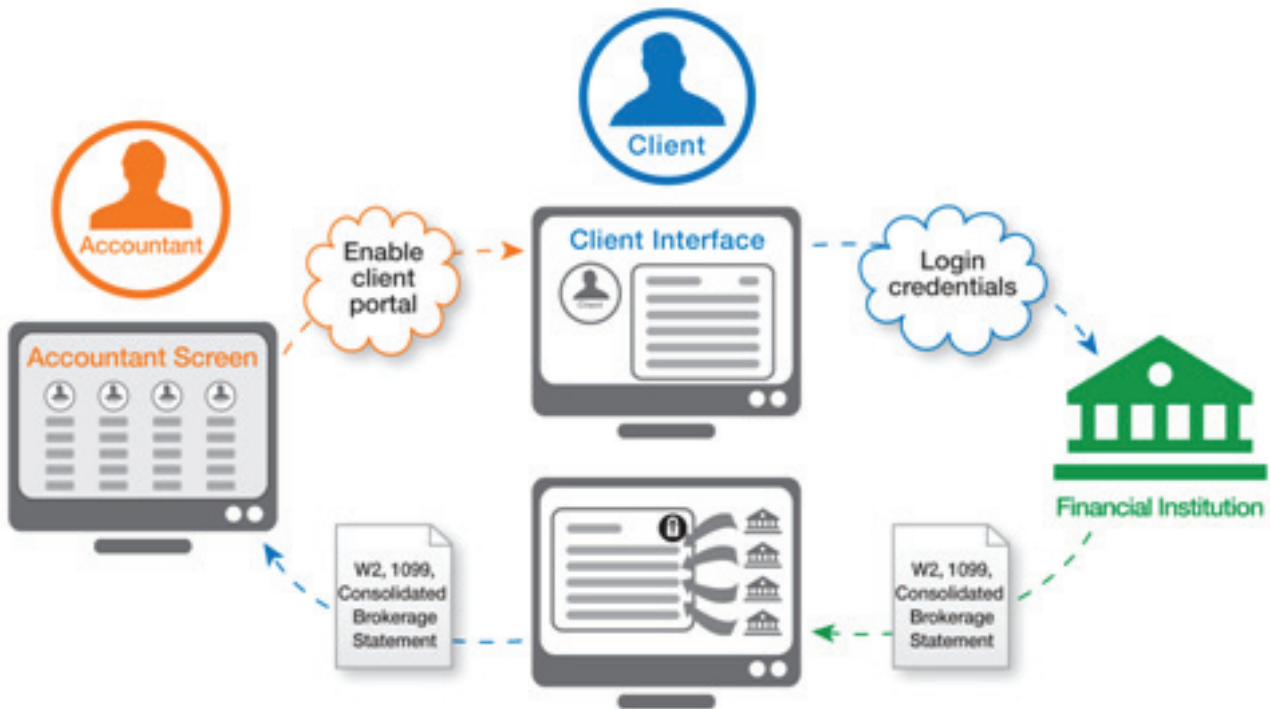
Provide clients with a far more secure vehicle for document delivery than email—portals!

Save clients from the hassle of manual document delivery.

Receive a variety of client documents in digital format, including 1099s (original and corrected), W-2s, K-1s, mortgage statements, and more.

How Auto Retrieval Works—Step by Step

One of the biggest value propositions auto retrieval technology offers is simplicity. From initial setup to document processing, little time investment is required by firm staff or the client. Consider each step of the process:



Step 1—Accountants manage clients and the return submission process within the system’s dashboard.

Step 2—Accountants provide clients with access to the client’s individual portal to set up automation of documents with financial institutions (portal accessed via the firm’s website for ultimate convenience for clients).

Step 3—Through a secure portal, the client adds financial institutions for automatic document retrieval. This is a one-time process so the convenience and time savings are even greater in future years.

Step 4—Client documents are automatically retrieved as they become available and flow back to the tax professional’s dashboard for immediate processing. Those same documents are also then available to your client saving time and the hassle of dealing with paper forms.



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And that's it. With today's advanced technology, the process is simple. And the outcome is a completely paperless tax preparation process that allows practitioners—not clients—to drive the process. This translates into significant increases in efficiency and the ability to standardize and digitize the entire tax prep process.

It's important to note that through automatic retrieval technology tax professionals NEVER have exposure or access to the client's login credentials. The system provides limited retrieval of documents only. Also, practitioners CANNOT manipulate account details or move account funds.

Auto-Retrieval Technology is Here and Already Gaining Momentum

Auto-retrieval technology takes the paperless tax preparation process to the next level. It also enhances the lure of portals—offering more than simple document exchange functionality. The popularity of this technology will most assuredly grow over the next few years. In fact, according to the 2010 tax survey, nearly 80% of respondents indicated that

automatic retrieval technology would be “somewhat to very valuable” to their firm. Additionally, when asked to estimate a percentage of their clients who would take advantage of auto retrieval immediately, the most common answer among survey participants was 25-30%. These statistics are exciting, as they indicate a high level of engagement and interest from tax practitioners right out of the gate.

At the end of the day, the biggest benefit is realized by eliminating a key pain point for tax professionals—client procrastination. Firms no longer need to wait for clients to deliver source documents, which bottlenecks the entire process. Auto retrieval technology even handles corrected forms, notifying clients when they are available. It also puts required source documents in the hands of preparers months earlier in the season, allowing firms to keep tax return preparation on track and ultimately promising a much smoother busy season. What tax professional wouldn't appreciate getting client documents 4-6 weeks earlier...and getting them electronically? That's what today's auto-retrieval technology can do for firms. Pain point eradicated!

Ed Jennings is the former President and CEO. During his time with Copanion, he emerged as a voice in the tax and accounting profession, specifically in the areas of tax document automation, scanning, data security, and the paperless tax workflow. He has been featured as a content expert in several accounting trade publications and in USA Today. He has also been a featured speaker at events hosted by the AICPA.



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