Value based Prospecting Strategies that Fill your Pipeline

Understanding the Cloud

Niche Marketing - Why It’s Better For Your Accounting Practice
President’s Message: October 2019

I would like to thank each of you for putting your trust in me to lead this great organization for the next year. Do you realize that this is the 75th year that NSA has existed to serve its members? What an accomplishment for us as a group! When I look back to my starting point in NSA, as a State Director, I never would have imagined that someday I would be president of NSA. I remember how I was encouraged to run for District VII Governor after a long stint as State Director, and decided that yes, this organization may benefit from my leadership experience, and so I ran. Six years later, I am now President, and just as anxious to give my leadership experience to this great Society. It is an honor and I am grateful for the opportunity to serve.

The NSA mission statement is “Helping NSA members achieve success in the profession of accountancy and taxation.” Please memorize this mission statement. Mission statements are important, because they remind us of our purpose and direction. In every growing organization I am a part of, the mission statement is visible to the members. As president, I want to keep our mission statement in front of our members, so we all continue to work towards the same goals.

This last year has been a year of change for our Society, as we have a new CEO, Strategic Plan, by-laws, the highest participation in voting in years, and several new staff members. What has not changed is our commitment to “Helping NSA members achieve success in the profession of accountancy and taxation.” The Strategic Plan calls for changes and improvements in the areas of Infrastructure, Membership Growth, Education, Branding and Communicating Member Value. We have made great strides in improving our infrastructure and communicating Member Value, and while there is still some work to be done in those areas, it is now time to move on to other areas of improvement. While each of these areas are being improved, I feel it is most important to continue focusing on our commitment to communicating member value.

Each member is critical to the success of NSA, whether licensed or unlicensed. I believe we should make each member aware of the value they received from our society, and while somethings are hard to monetize, others are fairly simple. If you visit our home page at www.nsacct.org, the first thing you will notice is a list of monetized values for your membership, versus what nonmembers would pay. Since we all like value, this is important for us to see and share with our peers who are not members of NSA. Each member benefit listed is an important step in “Helping NSA members achieve success in the profession of accountancy and taxation.” If you aren’t using all or most of these benefits, please start as they exist to enhance your knowledge and performance in your field.

As I look forward to what we will accomplish this year, I assure you that the focus of this year will be the Strategic Plan that was created in September of 2018. I will work to champion this plan and hand it off next year to First Vice President Curt Lee. We will continue to implement and refine this plan to shape NSA into an organization you will be proud to be a part of.

Please feel free to reach out to me with ideas you may have to help us grow and improve. Please invite your peers to join us as we continue to push our mission which is “Helping NSA members achieve success in the profession of accountancy and taxation.”

On a lighter note, the Annual Meeting in Charlotte was a lot of fun, and I would like to encourage members to come to the 2020 Annual Meeting. Keep an eye out for information and details as they’re released in MemberLink.

Joel Grandon
NSA President
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In 2019 you would think the business community would have a good understanding of cloud computing. Reality is much different. As I speak with accountants, tax preparers, and other users, the “cloud” is still a nebulous concept more than a solution. It’s certainly not understood well enough to know how to maximize the value of the cloud based on specific business use cases. This knowledge gap is a source of business risk as well as lost potential business value.

I’ve written many articles on cloud computing the past 5 + years and “hosted servers and software”, the steppingstone to the cloud, prior to that. We have learned a great deal during that time, but one constant remains – there is always more to learn because the technology changes so rapidly.

The barrage of marketing buzzwords around cloud attempting to clarify things actually add to the confusion – public cloud, private cloud, hybrid cloud, software-as-a-service, platform-as-a-service, infrastructure-as-a-service, cloud disaster recovery; the list goes on.

To simplify things, let’s look at a few types. These definitions and descriptions can be scrutinized and argued among vendors, experts and engineers, but that is not the audience. The ones needing the most help in understanding the cloud are the business buyers and users.

PUBLIC CLOUD

These are the big ‘logo’ guys: Microsoft Azure, Amazon AWS, Google Cloud, etc. These companies, as you would expect, have behemoth cloud infrastructures and solutions that literally span the globe. These are typically shared environments that are highly complex requiring senior engineers and architects to properly design and deploy. Their sheer size can provide benefits in cost and deployment with geographical flexibility. Each have their own rules to abide by.

PRIVATE CLOUD

These are typically smaller players that have their own cloud infrastructure in smaller geographical areas. The advantage of private clouds is greater flexibility and control. Because they aren’t aligned to the major public cloud companies, which are also ‘product’ companies, they have the ability to host solutions that may not be a good fit for the public cloud. In addition, some companies prefer the private aspect of knowing more about where their information is stored, how it’s managed and, in many cases, more secure.

HYBRID CLOUD

The hybrid cloud is just that, a hybrid that utilizes more than one solution. This can include hosting components in the public cloud and others in the private cloud. It can also be a mix of hosting some solutions onsite with others in the public or
private cloud. Hybrid cloud solutions are typically very ‘business use case’ specific. For example, an engineering company with very high processing requirements for CAD drawings may use solutions on premise and back up the data to a private or public cloud.

Software-as-a-service (SaaS) should also be mentioned because a vast majority of companies use SaaS solutions alongside others. For example, if using Dropbox for file sharing and hosting accounting systems in Microsoft Azure is using SaaS for Dropbox and public cloud for the accounting system.

Licensing is a beast!

Invariably, when companies evaluate cloud solutions they focus primarily on the core of the solutions: what will run in the cloud, how much processing power do we need, how much storage is required, how can remote users access it easily from anywhere. What is often glossed over is the software licensing requirements. Abusing software licensing rules even unintentionally is not something to take trivially. The volumes of rules, requirements, and options is literally a wormhole requiring multiple jobs in itself.

Be wary the sales rep that says licensing is ‘all included’ or ‘nothing to worry about.” The costs associated with licensing can double the cost of a cloud solution and more if not done properly. Every software solution has licensing rules and regulations, many of which are specific to usage not just in the cloud but the type of cloud.

We have a half dozen different licensing programs and certifications just to cover Microsoft licensing in the cloud. Just multiply that by the number of software providers and it’s a book no one wants to read. But someone must read it and understand how to weave all the various licensing options into the blanket that best covers your business. Make sure your provider understands licensing and make sure you understand licensing enough to be comfortable your business is properly covered. It’s too good to be true is a cautionary motto to follow.

As I was writing this article, I received an email from a cloud customer, who is the business owner of a food manufacturing business. In his email, he forwarded dialog with his ‘local tech provider’ questioning every aspect of the cloud setup, software licensing, etc. It was clear the customer provided the invoice detail to the tech to be a second set of eyes to confirm he had a good solution, which is never a problem. Transparency with customers should always be the standard protocol. Interestingly, every line item the tech questioned and provided feedback on was incorrect. If the end customer followed this advice they would be woefully non-compliant and given dangerously bad information. This exchange of information proves the entire point of this article. Even technical people providing advice don’t understand the cloud technologies with dire consequences.

Choosing the wrong provider and partner can be disastrous to the business.

The challenges businesses face today is not if a cloud solution will be a good fit but finding the expertise to determine the best solutions available to the business and, more importantly, the ability to execute and implement the solutions. There are hundreds if not thousands of IT companies, managed service providers (MSPs), etc. happy to sell cloud solutions without the in-house knowledge required to design, implement and support the services properly.

The problem is exacerbated because the typical business ‘buyer’ does not have the knowledge to ask the right questions to confirm the ‘seller’ has the skills required to meet business needs. Migrating to the cloud is not an easy task, regardless of what the sales pitch says. A vendor skilled in doing migrations will have a defined, disciplined migration process and experience to make the migration as painless as possible. Every flawless plan has unexpected issues to be addressed. This is where your vendor earns their keep. If the vendor doesn’t have migration experience and skills, the wheels can shoot off well beyond frustration and become a major disruption to the business with outages and downtime.
Public cloud is... well, public. So what?

Microsoft Azure publishes its cloud pricing to the public, as well as a “pricing calculator” to use to estimate potential cloud costs. Easy right?! Think again. You must know this stuff at so many deep technical levels and layers it will make the most tech savvy run for the hills. As a Microsoft Cloud Solution Provider (CSP) we have dozens of “portals” we must navigate just to manage our customers Azure and Office365 accounts and environments, and we are the experts. This scenario plays out for the other 800-pound gorillas as well.

Proceed with caution... it’s one thing to sell, quite another to advise, implement and support

What is the real implication? The cloud has come a long way and continues to improve with better tools, automation, and solutions. But notice I did not say support. One major lagging necessity is good (not even great) support from cloud providers. Every cloud provider will require you purchase support, even if it’s buried in the pricing. What they don’t tell you is the quality of the support. It’s only when you make that initial call for support that you realize it’s going to be very long day. Again, this stems from a lack of skills and experience to deliver on both the technical side of the house and customer service.

It is very disheartening to witness how these powerful technologies can improve and enable business only to be poorly understood by those who position themselves as experts to support it.

No one becomes a cloud expert overnight.

We have invested over 10 years of countless hours, millions of dollars, and hundreds of deployments in the cloud. It wasn’t and isn’t easy to do. It requires a different level of commitment I’m sorry to see many in our business not obligate themselves to. We owe it to all those we serve not only to understand the technologies, but educate in business terms the value, the many options, and ultimately find the right solution for the situation. There is an entire segment of business soured on the idea of the cloud because of poor advice, execution, and support. I only hope with the right partner they can find their way back to today’s possibilities. Cloud is definitely not a fit for everyone and never will be, but it shouldn’t be swept off the table because we didn’t do our jobs

About the Author:

Wade Yeaman, with more than 20 years of experience in business and information technology, Wade founded Fluid IT Services because he passionately believes that small and medium businesses deserve the same technology support services that big companies enjoy. He attended Texas Tech University. When Wade isn’t working with his favorite people (that would be Fluid staff and clients), he can be found fly-fishing or playing his guitar
Niche Marketing – Why It’s Better For Your Accounting Practice

Hugh Duffy

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Most small business owners position their business to meet everyone’s needs in an effort to capture more business. Their rationale is that the broader I position my services, the bigger the business I will develop.

The reality is just the opposite. The truth is when you try to market to everyone you end up marketing to no one. By positioning your services to everyone, you end up competing against every firm in the area that claims to do what you do. When this happens, price becomes a larger factor because you have not effectively differentiated your services.

Over the past 10 years, niche marketing has become bigger and bigger across all industries. With a niche service or industry in your accounting practice, it allows you to leverage your expertise in that one area to stand out from your competition. This differentiation not only allows you to stand out, but it also minimizes competition and allows you to realize higher fees.

When you become known for a particular niche, the following things happen:

Your marketing efforts become more focused: When you establish a niche, the pool of people you’re targeting become smaller. This means it’s going to be a lot easier to identify who your potential clients are and allows you to be more targeted with your marketing.

You become superior at meeting the needs of this niche: The more you work in a certain niche, the easier it’ll be for you. You’ll become very well-versed in helping this particular kind of client which will simplify your job.

Your conversion ratio increases: When a potential client sees you excel at providing services for their industry or needs, it’ll become increasingly easy to close potential clients.

Your referrals increase: Since a niche is going to allow you to be super clear about what you do and who you work with, it’ll make it even easier for current clients to refer clients to you. As you continue to build up trust in your niche and get more visibility and credibility, referrals will be more frequent.

You can command higher pricing: Less competition means you don’t have to compete on price. But, a niche also means you’re providing a more specialized service that’s more custom and sought after, allowing you command higher pricing.

To give you some analogies, look at physicians. The specialists have a much narrower target audience than general practitioners (GPs). The GPs have long-term relationships with patients and refer business to specialists. However, the specialists make much more money than GPs.
The same concept applies to accounting firms. If you continue to be all things to all people and take whatever new business comes in over the transom, then it will be more challenging to process each client, your costs to service each client will be higher and you will be competing on price more often. Rather than being just a generalist, take a page out of Henry Ford’s book and become better at servicing a segment of the market. And as Henry used to say, “any customer can have a car painted any color that he wants so long as it is black.”

In working with accounting firms around the country and encouraging them to develop niches, we had the opportunity to encourage several accounting firms to develop a niche which attracts clients from a broader geographic area by leveraging the power of the internet in conjunction with other forms of marketing. Below are a few examples of niche accounting services that are helping to attract a specific audience:

- Accounting firm for Dentists
- Construction and Real Estate Accounting
- Accounting firm for Churches
- Outsourced CFO Services

If your accounting practice is spread too thin and you’re tired of competing on price, then start developing a niche for your practice. Research your market to determine which industry might be underserved and develop a plan to capture them. If you’re not comfortable doing this yourself, get assistance from a coach or peer that has made this transition.

Granted, you’ll still have generalist type clients to pay the bills. But going forward, your direction will be much more focused, and you will become superior in your niche.

About the Author:

Hugh Duffy is the Co-Founder and Chief Marketing Officer of Build Your Firm, a website development and marketing company for accounting firms. With more than 30 years of marketing experience, he has been coaching accountants on how to improve their marketing and make more money from their accounting practice since 2003. Hugh takes great pride in the impact his coaching has on the practices and lives of his clients.
Value-Based Prospecting Strategies That Fill Your Pipeline

Amy Franko

Think about the top business developers you know. If you spend a day in their life, it’s likely you’ll recognize a common theme. They are constantly growing and tending to their prospects.

One way to help differentiate yourself and your firm with prospects is to create and communicate value.

Creating and communicating value with prospects is a strategic network building and business development skill. If it’s not something that comes naturally to you, that’s OK. In this article, I’ll share some concepts that you can put to use.

Your goal is to add value to the conversation in such a way that it makes the prospect remember you, and want to continue the conversation. While at the same time positioning your firm’s value.

1. **Know Your Value Proposition.**

   Determine how to effectively communicate what you do to your prospects. You can do that by focusing on the results and business benefit-- not just the tasks that it takes to get there.

   One way to get started with this is to think of a current client. Make a list of the various tasks you do for them. For as many tasks as you can, list out the business value that the task brings to the client.

   Then, break it down to your area of expertise and how you specifically contribute to client success.

   The business benefit is what makes your firm stand out.

2. **Listen.**

   Listening may be the single most important skill in both our business and personal lives. If we’re focused on actively listening and learning from others, it can spur our creativity, help us respond in a way that’s meaningful to them, and ultimately form solid relationships. That leads to business development opportunities.

   In today’s culture though, distractions are at an all-time high. As a result, our attention spans are at an all-time low. When we’re supposed to be listening to someone, we’re frequently checking our phone or reviewing all our to-dos in our mind. Other times, we’re listening to respond, rather than to understand. Whatever the reason, most of us have plenty of room to improve our listening skills.
There are some strategies we can use to inspire better conversations with prospects and others in your network.

- When you’re prepared, you can know where to insert more about yourself in a way that adds value. It’s also important to end on a positive note.
- Try wrapping up your conversation with an offer of assistance.
- Ask… “Is there anything I can do to help you right now?” And be ready to follow-up on it.

3. **Demonstrate Value in a Way That Leaves a Positive and Lasting Impression.**

Every interaction with a prospect is an opportunity to add value. Think about some ways you might be able to do this, based on what you learn while you are listening to your prospect.

For example, you can send along a relevant article or other resource. This doesn’t always have to be professionally related—it can be something that they’re personally interested in.

If you promised you would follow up with an item or a call, be sure to follow through. Your word is everything. You can also send a thank you note. It might seem simplistic, but it will stand out. Few people send hand-written notes anymore.

Think about what introductions might make sense. Would your prospect benefit from knowing someone else in your network? If so, build that bridge for them.

Finally, set reminders for future contacts with your prospect. It’s one thing to meet one time and follow-up, but value creation can be more continuous with a follow-up system.

For more strategies to sell more and increase the impact of your business development efforts, read the previous articles in my series for Main Street Practitioner. You can learn how to uncover cross-selling opportunities by leveraging existing client meetings and how to grow your firm with relationship ecosystems.

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**About the Author:**

Amy Franko is a strategic sales expert working with professional services, insurance, and technology organizations to accelerate sales results. She’s a keynote speaker, sales strategist, and author specializing in B2B sales and sales leadership development. With over 20 years of client-facing sales experience, Amy began her career with global companies IBM and Lenovo before pivoting into entrepreneurship. Her book of business includes some of the world’s most recognizable brands. Amy’s book, The Modern Seller, is an Amazon best seller and was also named a 2018 top sales book by Top Sales World. Learn more and download a free chapter at [www.amyfranko.com](http://www.amyfranko.com).
Qualified Opportunity Zones: Economic Stimulus and Tax Incentive

The Tax Cuts and Jobs Act of 2017 (TCJA) introduced Qualified Opportunity Zones (QOZ), created to stimulate economic and property development in low-income communities in order to reduce poverty and increase employment. The program is immensely attractive to investors, because those who invest in QOZs using Qualified Opportunity Funds (QOFs) and hold their investment for the required time, ultimately benefit from deferral, and in some cases, forgiveness of tax on capital gains invested in QOZs.

Specifically, QOZs offer eligible taxpayers with capitals gains from the sale or exchange of property (with an unrelated person) three significant tax benefits. First, taxpayers may achieve permanent exclusion of up to 15% of their gain. Secondly, taxpayers may experience deferred recognition of the remaining 85% of gain until December 31, 2026. Finally, if taxpayers hold their investment for at least 10 years, post-acquisition gain is permanently and entirely excluded.

It is not surprising, then, that these incentives have generated immense interest throughout the public, private and non-profit sectors. And the interest and excitement are gaining momentum. Big players, including real estate investment firms and Silicon-valley start-ups, have already started raising capital for QOFs. These injections of capital into low-income QOZs are projected to result in dramatic increases of underlying land and building values in those areas. It’s a very exciting time in the tax world.

This article provides an introduction to the various terms and concepts necessary to understand the accompanying survey of the incentives themselves. This article also incorporates guidance from the recently issued proposed regulations. The proposed regulations are effective only once they are adopted as final regulations; however, these proposed regulations generally provide that taxpayers may rely on the proposed rules now if the taxpayer applies the rules in their entirety.

Qualified Opportunity Zone

A QOZ is generally a “low-income community” population census tract, designated as a QOZ. However, if a tract is not low-income, it may still be designated as a QOZ if: (1) it is a tract adjacent to a low-income community already designated as a QOZ, and (2) the median household income in the tract is no more than 125% of the median household income of the adjacent low-income community. Designation as a QOZ remains effective from the date of designation through the close of the 10th calendar year beginning on or after the date of designation.

Qualified Opportunity Fund

Per Internal Revenue Code (IRC) §1400Z-2(d)(1), a QOF is defined as any investment vehicle which is organized as a
corporation or a partnership for the purpose of investing in QOZ property (other than interests in another QOF) that holds at least 90% of its assets in QOZ property. Only an “eligible entity” may certify itself as a QOF.

A. Eligible Entity

An entity is eligible to be a QOF if: (1) it is organized in one of the 50 states, the District of Columbia, or the U.S. possessions, or (2) it is organized in a U.S. possession solely for the purpose of investing in QOZ property relating to a trade or business operated in the U.S. possession where it is organized. The proposed regulations clarify that “if a taxpayer that is classified as a corporation or partnership for Federal tax purposes is eligible to be a QOF, the taxpayer may self-certify that it is QOF.”

An entity makes the certification by attaching Form 8996, Qualified Opportunity Fund, to its timely filed income tax return. The form must be filed annually thereafter to report that the QOF continues to meet the necessary investment standard.

B. Investment Standard

Again, as defined, a QOF must hold at least 90% of its assets in QOZ property. This is referred to as the QOF Investment Standard, or the 90% Test. Per IRC §1400Z-2(d)(1), this is determined by the average of QOZ property in the fund as measured on the last day of the first 6-month period of the fund’s tax year, and on the last day of the fund’s tax year. In the event that a QOF fails to meet the investment standard without showing reasonable cause, the QOF is subject to a penalty for each month it failed the requirement.

C. Qualified Opportunity Zone Property

Three categories of QOZ property exist: (1) QOZ stock, (2) QOZ partnership interests, and (3) QOZ business property. The first two categories require ownership in or operation of a QOZ business. The third category requires that the property is owned for use in such business.

A QOZ business must meet all the following requirements:

(1) substantially all of the tangible property owned or leased by the taxpayer is QOZ business property;

(2) at least 50 percent of the total gross income of the entity is derived from the active conduct of such business;

(3) a substantial portion of the intangible property of the entity is used in the active conduct of any such business;

(4) less than 5 percent of the average of the aggregate unadjusted bases of the entity’s property is attributable to nonqualified financial property; and

(5) the entity must not operate a private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

Note that the proposed regulations provide safe harbors for determining compliance with the requirements.

1. QOZ Stock

Generally, per IRC §1400Z-2(d)(2)(B)(i), QOZ stock means domestic corporation stock if:

(1) it is acquired by a QOF after December 31, 2017, at its original issue from the corporation solely in exchange for cash,

(2) as of the date of issue, the corporation was a QOZ business (or, was being organized for the purposes of being a QOZ business), and

(3) during substantially all of the QOF’s holding period for such stock, the corporation is a QOZ business.

2. QOZ Partnership Interest

A QOZ partnership interest is a capital or profits interest in a domestic partnership subject to the following requirements:

(1) the partnership must be organized in the U.S., or it must be organized in a U.S. possession which conducts a QOZ business in that U.S. possession,

(2) the interest is acquired by the QOF after December 31, 2017, from the partnership solely in exchange for cash,

(3) as of the time the interest was acquired, the partnership was a QOZ business (or, was being organized for purposes of being a QOZ business); and

Continued on the following page
(4) during substantially all of the QOF’s holding period for the interest, the partnership qualified as a QOZ business.  

3. Qualified Opportunity Zone Business Property

QOZ business property means tangible property used in the QOF’s trade or business if:

(1) the property was acquired by the QOF by purchase after December 31, 2017,

(2) the original property’s use in the QOZ begins with the QOF or the QOF substantially improves the property, and

(3) during substantially all of the QOF’s holding period for such property, substantially all of the property’s use was in a QOZ.

Tax Incentives

The general rule is that a taxpayer who realizes gain from the sale or exchange of property and thereafter invests all or a portion of that gain into a QOF within 180 days of the date of the sale or exchange may elect to defer the invested gain until the earlier of: (1) the date of the sale or exchange of the QOF investment, or (2) December 31, 2026. Upon either event, the taxpayer recognizes gain, the amount of which is calculated by subtracting the basis in the investment from the lesser of: (1) initial amount of gain excluded, or (2) the investment’s fair market value on the date of the event that triggered inclusion.

Note that taxpayer’s initial basis in a QOF investment held for fewer than five years is zero.

However, longer holding periods result in bigger benefits. First, if an investment is held for at least five years, the taxpayer’s basis is increased by an amount equal to 10% of the amount originally elected to be invested and deferred—i.e. 10% of the deferred gain is permanently excluded. Second, if an investment is held for at least seven years, the taxpayer receives a 15% increase in basis—i.e. 15% of the deferred gain is permanently excluded. Finally, if taxpayer holds the investment for at least 10 years, the taxpayer may elect to increase the basis up to the amount of the fair market value of the investment on the date of sale or exchange of the investment—i.e. post-acquisition gain is entirely excluded. Significantly, the proposed regulations indicate that the character of the deferred capital gain as short-term or long-term (or §1250 gain) is preserved.

Consider the following example:

In July of 2018, T realizes a $100 million capital gain on the sale of stock. On August 1, 2018, the entire $100 million is invested in a QOF. Concurrently, T elects to defer the gain. T’s initial basis in the QOF investment is zero.

On August 1, 2023 (the date upon which the asset has been held for five years), T’s basis in the QOF investment increases to $10 million.

On August 1, 2025 (the date upon which the asset has been held for 7 years), T’s basis in the QOF increases to $15 million.

On December 31, 2026, although T continues to hold the investment, T must recognize gain, the amount of which is calculated by subtracting the basis in the investment from the lesser of: (1) initial amount of gain excluded, or (2) the investment’s fair market value on the date of the event that triggered inclusion. Assume that on December 31, 2026, the FMV is $200 million. T recognizes $85 million of capital gain on December 31, 2026. Increasing T’s previous $15 million basis by the $85 million gain recognized results in a $100 million basis.

After holding the investment for 10 years, T sells the QOF investment for its FMV, which is then $250 million. T can elect to have basis equal FMV and recognize no gain on the sale.

Remarkably, the IRS has provided no cap on the amount of realized gain that an investor can obtain from a QOF investment.

Conclusion

In exchange for promoting economic development in low-income communities, investors today have an incredible opportunity to defer their capital gains, dramatically increase basis in their QOF investment, and ultimately abate future capital gains from the investment. It is important for investors to consult with a tax professional who understands the program’s rules and can provide sophisticated planning options to maximize an investor’s return.

If you would like to learn more about the Qualified Opportunity Zone Program and how it can benefit you, please contact us today at Frost & Associates, LLC.
1 Pub. L. No. 115-97, §13823(b).
3 Id.
4 The applicable definition for “low-income community” is found in IRC §45D(e) in the context of the New Markets Tax Credit.
6 IRC §1400Z-1(e)(1).
7 IRC §1400Z-1(f).
8 Note that Prop. Reg. §1.1400Z-2(d)-1(a) alters the code language such that an eligible entity is one that is “classified” (rather than “organized”) as a corporation or partnership—thus, according to the proposed regulations, even an LLC-taxed as a corporation or a partnership—is certifiable as a QOF.
11 Note that apparently “[t]he fund does not appear to have to meet the test separately on each testing date. Although the proposed regulations do not clarify the answer to this question, the draft Form 8996 does. Based on the questions and computations on that form, it appears that the QOF uses the average of the percentages of QOZP held at the end of the first six-month period and the end of the taxable year to determine whether there is a penalty imposed. On Form 8996 the QOF (1) computes the percentage of QOZP held on the last day of the first six-month period, (2) computes the percentage of QOZP held on the last day of the taxable year, (3) adds those two numbers, and (4) divides by two. If the result is equal to or more than .90, the penalty is zero. If the result is less than .90, the fund has to compute the penalty.” See Starczewski, “The Eagerly Awaited Opportunity Zone Regulations: What Do They Tell Us and What Do We Still Need to Figure Out”, 34 T.M. Real Estate Journal 214 (Nov. 7, 2018).
12 IRC §1400Z-2(f)(1).
14 IRC §1400Z-2(d)(2).
16 IRC §1400Z-2(d)(3)(A)(ii) (reference to IRC §1397C(b)(2)).
17 IRC §1400Z-2(d)(3)(A)(ii) (reference to IRC §1397C(b)(4)).
18 IRC §1400Z-2(d)(3)(A)(ii) (reference to § 1397C(b)(8)).
19 IRC §1400Z-2(d)(3)(A)(ii) (reference to IRC §144(c)(6)(B)).

28 IRC §1400Z-2(a)(1), IRC §1400Z-2(b). Note that the proposed regulations provide that only “capital gain” qualifies for deferral through QOF investment. Prop. Reg. §1.1400Z2(a)-1.


33 IRC §1400Z-2(c).

34 Prop. Reg. §1.1400Z2(a)-5.

This article was originally published by Frost & Associates, LLC on their website. NSA appreciates their contribution to our members and industry through sharing this article.

About the Authors:

Mary Lundstedt received her Juris Doctor from Thomas M. Cooley Law School in 2005, graduating magna cum laude. While in law school, Mary served as an editor for the Thomas M. Cooley Journal of Practical and Clinical Law. In 2006, she earned a tax LL.M. from NYU.

Prior to joining Frost & Associates, Mary practiced in corporate tax matters where she assisted clients in forming business entities and advised on tax consequences of business ventures. For several years, Mary was also a legal analyst and editor for the business entities, tax and accounting group at a leading legal publishing company.

Glen Frost is managing partner of Frost & Associates, LLC, a law firm headquartered in the Washington, DC metropolitan area. The firm focuses on Tax Controversy and Litigation, International Tax Matters, Tax Planning, Estate Planning, White-Collar Criminal Defense, and regulatory investigations by various government agencies including the Office of Foreign Asset Control (OFAC). Mr. Frost manages a team of attorneys, certified public accountants, enrolled agents, former IRS employees, certified fraud examiners, and other professionals.
After NSA Annual Meeting and the election results have come in, MSP features an interview with the incoming President for the benefit of NSA members, and the tax and accounting profession at large. Today, Main Street Practitioner would like to congratulate Joel Grandon, the National Society of Accountant's new President for the 2019-2020 term.

Joel, congratulations on your election. Before we get into the meat of the interview, can you tell us a little more about you? How long have you been in business?

I am married to Luann, we just celebrated 34 years of marriage this month and have two sons Curtis (28) and Kyle (24) and a daughter-in-law, Emily. I am a sole practitioner in Marion Iowa. I have been in public accounting since July of 1990, in Marion, which is a great place to raise a family and operate a business. I have a 3 full time staff and 2 part time employees. My firm offers accounting, payroll and income tax services.

Does your practice have a niche specialty, or do you serve a range of clients?

We serve a variety of clients, with a concentration on service, restaurant, and construction businesses.

Over your years as a tax professional, how have the needs of your clients changed?

My clients are seeing a need for more year-round tax planning services. They are often more confused by regulations and tax law changes so we spend more time on educating our clients than we did in the past.

What about the industry at large?

It seems like tax simplification really means regulation and tax complication. As a whole, our clients need more explanations of the services they require as tax laws and regulatory bodies continue to change the rules. Payroll compliance is another area where more help has been needed in recent years, as states continue to push electronic transmission of payroll reporting.

Speaking of change, you served under former President Christine Freeland as First Vice President over the last year. A lot happened during her term. We saw the institution of online voting, the creation of the Strategic Plan, and a revision of NSA's Bylaws. You got to see this up close and participated in those developments.

Looking back on the last year, have you ever seen that much change happen at once in the Society?

In the last 15 years or so that I have been involved in our Society, I don’t believe I have seen this much change at once. I do believe that as we strive to find our niche in our profession, we will continue to drive more change both inside and outside of our organization.
Thanks to the Board of Governors, and NSA staff, the new Strategic Plan is being implemented. Which aspects of the plan do you feel are most important?

Obviously, we had to change our infrastructure to make the new plan work. This has not been easy—nor popular at times—but now that we have navigated that change, I believe the most critical thing we can do is to drive member value. I feel we are currently doing this with recent updates to our homepage and the addition of products such as VeriFyle. As accountants, we always like a value driven solution, and that is exactly what you get with your NSA membership.

Do you have any personal goals for your term that aren’t directly reflected in the Strategic Plan, or an aspect of it that you want to focus on?

While having fun isn’t directly linked to the Strategic Plan, it is a focal point of my year as NSA President. I believe that if we make our Society fun again, whether it is at the Annual Meeting or any other time our members gather, we must enjoy what we are doing. I recently came across a quote from Sam Glenn, a motivational speaker, which sums this up pretty well. He said “A sign you have a positive workplace culture is laughter. Just listen to how much laughter there is where you work. Laughter is a very good sign of positivity. You can work hard and still laugh and enjoy your workday more.”

Thank you for taking time to help us learn more about you and your ideas for moving NSA ahead this year. We look forward to working with you.
ALL AROUND NSA

NSA'S 74TH ANNUAL MEETING MEMORIES

This year’s meeting in Charlotte, NC was a great success. Members and non-members were able to take advantage of 18 hours of CPE education sessions, presented by top-tier educators through a special agreement with Wolters Kluwer. The event was also enlivened by many networking opportunities, and a whole lot of fun.

NSA’s members and guests also displayed their generosity, donating nearly $24,000 to the NSA Scholarship Foundation through raffle tickets, donations, NSA-GO cards, and the Stride for Scholars walk.

Memories were made in Charlotte. Here are some photographic highlights of the event.

Welcome Reception — the first of many networking opportunities.

NSA-GO Night — NSA’s version of Bingo was a night of fun. Proceeds benefitted the NSA Scholarship Foundation.
Awards and Installation Luncheon — Awards were presented to members and new officers were sworn into their positions. Past President Christine Freeland installed NSA's new President, Joel Grandon.

Governor’s Gala — Members, guests, and NSA’s Leadership took to the dance floor at the 1970s theme gala. You dig?

With a great meeting behind us, NSA now looks to the future: the 75th anniversary of serving accountants and tax pros and providing even more value to members. Details about the 75th Annual Meeting will be released to members as they are developed.
NATIONAL SOCIETY OF ACCOUNTANTS OFFERS CPE DISCOUNTS THROUGH WOLTERS KLUWER

NSA partners with Wolters Kluwer to offer premier webinars at a discount for our members. The list below features titles through November 30, 2019.

Members must log in to NSA’s website to visit the CCH products page [here](#) in order to proceed to CCH CPELink. The price for members will be shown in the Fee column on the webpage, and the discounts will be applied at checkout.

This member benefit is an excellent way to save money and have the CPE courses you need at your fingertips.

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Monthly Tax Update (November)-Nov 11, 2019-Annette Nellen-2-Update-$111
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ACAT EXAMS

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Visit ACAT’s website to learn more about the credentials, exams, and how to register.
NSA is presenting Gear Up 1040 in Hartford, CT on November 14-15, 2019 so you can prepare for the flood of 1040 forms that comes with tax season.

What is Gear Up 1040?

This comprehensive course covers key tax issues for completing complicated individual returns, including in-depth coverage of recent legislation, case law developments, and relevant notices, announcements, revenue rulings and procedures to help the busy practitioner stay current. Speakers are all practicing preparers who share practical tips to help you get ready for this tax season. We will review the groundbreaking deduction for qualified business income (IRC Sec. 199A), including new guidance on wages and the rental real estate safe harbor. The course will incorporate planning considerations in the wake of the Tax Cuts and Jobs Act (TCJA). The course will also address deductible meals expense in the workplace, tackle tax challenges facing special industries including shared economy businesses, marijuana dispensaries, and explore the unique tax incentives offered by Qualified Opportunity Funds. Meets CTEC 3-hour Federal Tax Law Update requirement.

CPE Credits:

- CTEC Credits: Federal Tax Law - 13.0 Federal Tax Law Update - 3.0
- IRS Enrolled Agent Credits: Federal Tax/Tax Related Matters - 16.0

Location: DoubleTree Bradley Airport. Book online now to secure a room at the group rate of $124/night or call 860-627-5171 and tell them you’re with NSA’s Gear Up event.

For more information and to register visit this page.
Blockchain and the Incredible Block

Blockchain is a bit simpler than you may think. It is what it sounds like: a chain of data made up of component blocks that exist in the cloud.

Don’t get intimidated by the word “cloud;” you’re already in it. For example, if you use Google Drive or Microsoft’s OneDrive, you’re using cloud computing for data storage. You can access that data everywhere because it is in the cloud, not living on the hard drive of your computer or in the storage of your mobile devices.

A bit of trivia: more than 70% of all internet traffic passes through Loudoun County in Virginia.

Blockchain operates on a similar principle: it’s out in the internet and can be accessed by the right person at any time.

When you use Blockchain, your computer breaks down the information that you want to store, send, or exchange, into encrypted parts: blocks. These blocks reside in the cloud, waiting to be assembled into the right sequence so you can use the information again.

Blocks are pretty incredible. Each one contains an immense amount of data and some important features.

For simplicity, blocks have attributes like these:

- All the information about where the data it contains came from and what generated it;
- Data (in the case of Bitcoin exchanges, a transaction history)
- A unique digital signature;
- The “address” of the next block;
- A pointer to lead it to the next block;
- Data about the block that comes before it in the chain; and
- Built-in verification protocols (this is very cool).

The verification protocol is often a mathematical cypher or complex code. This is very important because hackers can try to copy a block in order to hack the entire chain, but if a hacked version of a block tries to link to the chain and it can’t do the math, it’s discarded.

Think of it like this...

Charlie Block is waiting around for Daniel Block. A block that LOOKS like Daniel comes along, so Charlie attempts the club’s secret handshake. This Daniel Block doesn’t know what it is, so Charlie says “Nope!” and keeps waiting for the real Daniel.

A little later, Real Daniel comes along, passes the handshake test, and holds hands with Charlie as they wait for Eduardo Block to arrive.

By the time the end of the chain is reached, the encryption and handshakes are very strong and can’t be changed, which means the data in the chain it can’t be changed either. These chains can be very, very long, and the longer they get, the harder they are to hack, making blockchain very secure. That kind of security is ideal for many kinds of data exchanges, including money changing hands.
“The technology will be applied to any transaction that has multiple touch points to ensure there can be no changes to the transaction itself. Financial are the obvious use case but think about the process to purchase a house and the many hands involved and all the changes throughout the process. When there is any argument regarding if a certain change was made, it will be a moot point because blockchain will have an indisputable record of what actually occurred.”

-Wade Yeaman, Fluid IT Services

That is why accountants and tax preparers need to be aware of the world of blockchain: it is part and parcel to cryptocurrencies. Cryptocurrency is taxable, just like other property and monetary transactions, and it must be reported to the IRS. With the rise in Bitcoin mining and the use of cryptocurrencies as a form of payment, it is increasingly likely that a “main street practitioner” will have a client who needs to report income to the IRS.

Delve a little deeper and check out this list of possible blockchain use cases that Disney Dragonchain references.

Blockchain and the incredible blocks are here to stay, and you may encounter them more often in the near future, so be prepared.

About the Author:

James Crawford is the Communications Manager and Editor of the National Society of Accountants.
IRS Offers Settlement

On September 16, 2019 the Internal Revenue Service announced the mailing of a limited time settlement offer for certain taxpayers who participated in abusive micro-captive insurance transactions and are being audited.

Following recent U.S. Tax Court cases, the IRS has opted to offer settlements to taxpayers currently under exam. The IRS has begun sending notices to as many as 200 taxpayers.

Taxpayers who are offered this private resolution and decline to participate will not be eligible for any potential future settlement initiatives. Those who are eligible for this offer will be notified by letter with the applicable terms. Those who do not receive such a letter are not eligible for this resolution.

Taxpayers who receive letters under this settlement offer, but who opt not to participate, will continue to be audited by the IRS under its normal procedures. Potential outcomes may include full disallowance of captive insurance deductions, inclusion of income by the captive, and imposition of all applicable penalties.

IRS Announces Leadership Appointments

On September 11, 2019, the Internal Revenue Service announced Darren Guillot’s appointment to the role of Deputy Commissioner for Collection and Operations Support in the Small Business/Self-Employed Division (SB/SE) and De Lon Harris’ selection as the Deputy Commissioner for Examination.

Guillot previously served as the director of Field Collection where he led efforts to enforce tax laws and assist taxpayers in meeting their tax responsibilities. He also previously served as director, Enterprise Collection Strategy and director Field Operations, Office of Appeals.

In his new role, Guillot will provide executive leadership to SB/SE collection and operations programs. He will direct and oversee programs impacting taxpayers who file personal, corporate, flow-through, employment, excise and estate and gift returns.

With his appointment to Deputy Commissioner for Examination, Harris will be providing executive oversight of SB/SE examination programs designed for taxpayers who file personal, corporate, flow-through, employment, excise and estate and gift returns.

Harris previously served in the role of director Field Operations-Mid-Atlantic in LB&I, and director Field Operations-West in the Office of Appeals.