

# MAIN STREET **PRACTITIONER**

The Magazine for Tax and Accounting Professionals

The IRS is Coming: How to Prepare for the New IRS Partnership Audit Regime (Part II)

**Taxing the Gig Economy, Part 3**

How to Fire a Client

Why Real Estate Inside the Closely Held C Corporation Should Generally Be Avoided

## PRESIDENT'S MESSAGE



## THE COMPLETE, YET SIMPLE, MARKETING PLAN FOR SOLO TAX PRACTITIONERS



## HOW TO FIRE A CLIENT



# Main Street Practitioner

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Alfred Giovetti, CPA, ABA,  
ATA, ARA,  
NSA President, 2016-2017

### *NSA is Working for You After Tax Season*

I hope you all survived income tax season profitably and in good health. Every year, after tax season, we tell the same stories and make the same observations, like statements from brokerage houses come later and later, clients seem to procrastinate more, refunds seem smaller, and so on. In reality, somethings change, but many stay the same.

On April 25, 2017 the Internal Revenue Service released statistics for this past tax season. This year, the IRS received 135.6 million returns, which is very close to what they received last year. There was an influx of 17 million tax returns received during the week ending April 21, 2017, and a slight increase in the number of extensions to 11.6 million, which is 0.9 % higher than last year. Considering all the statistics from IRS, they seem to confirm that this was an unremarkable tax season.

With the end of tax season, the continuing education season begins. This spring and summer, we have a full line up of ConnectED [webinars](#), on topics including ethics, representation, penalties and estate planning. You can the complete list of live and on-demand webinars and register on <https://nsawebinars.nsacct.org/>.

NSA's committees come alive after tax season with the important work of serving the membership. NSA always needs more volunteers, so keep a look out for new opportunities to serve your profession. NSA is accepting applications for the 2017-2019 [Leadership Development Program](#), a two year program that encourages members to develop leadership skills and give back to the profession through volunteering-whether with NSA, at your Affiliated State Organization, at your workplace, or for a related professional organization. Visit <http://www.nsacct.org/LDP> to learn more and apply.

The NSA Legislative Strategy & Leadership Networking & Training Conference (LNC) will be held in Phoenix on July 24 – 25, 2017. This year's theme is "Motivate...Engage...Lead...Succeed!" and the program will cover leadership topics and emerging legislative issues, just to name a few. For more information and to register, go to [www.nsacct.org/lnc](http://www.nsacct.org/lnc).

Immediately following the Legislative Strategy, Leadership Networking & Training Conference, a full-day State Director training will be held on Wednesday, July 26th at the same hotel.

[Early Bird registration](#) is now open for the 72nd Annual NSA Convention from August 21-24, 2017 at the Nugget Hotel and Casino Resort in Reno, Nevada – the bowling capital of the world. Don't worry if your tastes expand beyond bowling and gambling; Reno is a short drive from the attractions and amenities of Lake Tahoe and other natural wonders.

The Annual Convention isn't just for recreation. This year, attendees can earn up to 16 hours of CPE credit in accounting, tax and ethics. Four hours of accounting topics on Wednesday, August 23 include Current Cases in Accounting Fraud, Fiduciary Accounting and Form 1041, Statement of Cash Flows and Trends in Peer Review. A special two-day [Tax Planning Boot Camp](#), on Wednesday, August 23 and Thursday, August 24 will cover common and not-so-common tax planning strategies with case studies and planning spreadsheets on individual tax planning, retirement planning, gift & estate planning and business tax planning. Also on Thursday, two-hour of ethics will be presented in Ethics – A Tax Professional's Friend.

Be sure to check out the full [CPE schedule](#) on the Annual Convention website for more details. There are a number of registration options for the convention. You can register for the whole package, including CPE sessions and social events or for one or two days of your choice. A la carte tickets for social events are also available. More details and registration information [here](#). Register by July 8 for early bird pricing and save up to \$100

*Continued on the following page*

The [NSA Live Enrolled Agent Exam Review Course and ATP Course/Exam](#) will also be held in Reno August 20 - 22. The NSA EA Review Course is a comprehensive **and intensive**—class to help attendees pass the EA exam the first time. Day one of the EA course, Individuals, will also cover content to help those interested pass the Accredited Tax Preparer (ATP) exam and earn the ATP credential.

The ATP exam will be offered onsite on August 21st. The Accredited Tax Preparer credential—offered by the Accreditation Council for Accountancy and Taxation—is recognized by the IRS and **ATPs have exempt status with the IRS Annual Filing Season Program (AFSP)**. Believe me, the ATP is a win-win for tax practitioners.

If you can't make the course and annual convention, the NSA also offers self-study courses and webinars to help you prepare for the Enrolled Agent Exam. Visit <http://www.nsacct.org/education-events/eaexamprep> to learn more.

The Accreditation Council for Accounting and Taxation (ACAT) offers study materials for the ATP Exam, and you can learn about those at <http://www.acatcredentials.org/acatcredentials/atp>.

Should you have any concerns or needs, please contact us. We stand ready to help you in any way that we can. Call me at 410-747-0396 and leave a message or write me at [algiovetti@gmail.com](mailto:algiovetti@gmail.com).



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# The IRS is Coming: How to Prepare for the New IRS Partnership Audit Regime (Part II)

Travis Greaves and Josh Wu

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In Part I of this series, we reviewed the IRS audit rules under the Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), and contrasted the TEFRA rules with those in the newly-enacted Bipartisan Budget Act of 2015 (“BBA”). In Part II, we consider the Treasury Department’s (“Treasury”) proposed (now- withdrawn) regulations, and what to expect from the new administration regarding the BBA regime.

## Introduction

The IRS released the highly-anticipated proposed regulations for the new partnership audit regime on January 18, 2017. Before tax practitioners could fully digest the 200-plus page proposal, the new administration withdrew the regulations on January 20 as part of its moratorium on all federal rulemaking. While tax planners and partnerships may fret about the need to act without firm Treasury guidance, the statute and the terms in the withdrawn regulations should provide practitioners a road map to begin working with clients to amend agreements and prepare for the new audit regime.

## January 18, 2017 Proposed Regulations

Congress overhauled the rules for IRS audits of entities taxed as partnerships as part of the BBA, its budget package in 2015. The BBA eliminated the inefficient TEFRA rules, and replaced them with a regime that shifted most of the audit burden from the IRS to the partnership.<sup>1</sup> Though the BBA brought about significant change, many of the statutory provisions were left open to Treasury interpretation.

Practitioners submitted numerous comments to Treasury officials, voicing concerns and making various suggestions. Given the role assigned to Treasury to develop key provisions for the new regime, many practitioners felt it best to wait to discuss these changes with clients until Treasury released guidance. Other advisors saw the complexity and the impact the new rules have on the economics of a partnership’s agreement, and began looking at where and how partnerships can amend their agreements immediately. As 2016 ended and Treasury issued only a fraction of the necessary proposed regulations, concern spread in both camps that final regulations may not be issued before the effective date of January 1, 2018.

A lot of activity took place at the corner of 16th and Pennsylvania Avenue the week of January 16th. Less than two days

*Continued on the following page*



before a new family moved into the White House, officials in the Treasury building pushed out a voluminous proposed BBA regulation package. The proposed regulations finally gave practitioners a glimpse into how Treasury sought to administer this complex regime.

The proposed regulations address the scope of the centralized partnership audit regime and provide rules for (i) electing out of the new regime, (ii) filing administrative adjustment requests, and (iii) determining the amounts owed by the partnership or its partners after an examination. The rules also address the role of the partnership representative (the replacement for the Tax Matters Partner under TEFRA) and provide other definitions. The IRS' summary to the proposed regulations makes it clear that the centralized regime is broad in scope. The BBA rules are intended to "increase the ability of the IRS to audit large partnerships" and "increase the number of partnership audits" for both partnerships subject to the new rules and those that opt-out. To streamline the partnership audit process, the IRS has shifted much of the administrative burden of TEFRA to taxpayers.

#### **Key features addressed in the proposed regulations include the following:**

- Limiting the number of partnerships that can elect out of the centralized The regime requires partnerships to take affirmative action to elect out to "increase[] the likelihood that a partnership will be subject to the more streamlined... procedures of the centralized partnership audit regime." To opt-out of the centralized regime, all partners must be "eligible partners." Practitioners suggested that the IRS exercise its statutory authority to allow certain entities to be "eligible partners" (e.g., disregarded entities, trusts, partnerships, etc.). The proposed regulations declined to expand "eligible partner" entities. Thus, partnerships, trusts, disregarded entities, nominees, other similar persons that hold an interest on behalf of another, and estates that are not of a deceased partner are not "eligible partners" per proposed section 301.6221(b)- 1(b)(3)(ii). This proposed interpretation severely limits the ability of smaller partnerships and family partnerships, many of which have trusts as partners, to elect out of the new centralized audit regime. Also, the IRS stated its intent to use judicial doctrines to ensure that those who opt-out of the new regime are not inappropriately trying to avoid the new rules.
- Extensions of time to avoid the "imputed underpayment" default rule (i.e., collected from the partnership) are at the discretion of the The proposed regulations clarify that to modify the imputed underpayment under Section 6225(c) the submission must be made within 270 days after the proposed adjustment, unless that period is "extended with the consent of the Secretary." For smaller partnerships with limited resources, this time-frame to track down partners and get them to file amended returns may limit the usefulness of the modification rules under Section 6225(c).
- The IRS may designate a partnership representative if none is selected by the partnership. The IRS may designate any person as the partnership The IRS will consider whether the person is a partner in the partnership along with other factors listed in proposed section 301.6223-1(f)(5)(ii) (e.g., the view of the partners having a majority in interest, the general knowledge of the person in tax matters, the person's access to records of the partnership, and whether the person is a U.S. person). Once the IRS has made a partnership representative designation, the partnership may not revoke that designation without the consent of the IRS. The "broad authority" of the partnership representative may not be limited by "state law, partnership agreement, or any other document or agreement." Any action taken by the representative is valid and binding on the partnership for tax purposes regardless of any other provision of state law or agreement.
- The push-out method can be elected on an adjustment-by-adjustment The proposed regulations state that the push-out election must be made within 45 days of the final partnership adjustment ("FPA"), and must specify which adjustments the partnership is electing to push out. Thus, if the FPA includes a general imputed underpayment and one or more specific imputed underpayments, the partnership may make an election with respect to any or all the imputed underpayments. The proposed regulations decline to address the concern that a pass-through partner who receives a revised K-1 under the push-out method should be able to flow through the adjustments to its owners instead of paying tax on the adjustments at the first tier.

The preamble states that the regulations reserve on this issue, but points to the Tax Technical Corrections Act of 2016 (not enacted) that would have addressed this issue.

Though practitioners felt frustrated by some of the "IRS-friendly" provisions, most were glad to finally receive guidance. Treasury stated that public comments on the proposed regulations are due April 18, 2017, with a public hearing scheduled for May 19, 2017. Assuming Treasury issued the final regulations by late summer or early fall, practitioners would have little time

*Continued on the following page*



to amend partnership agreements before January 1, 2018.

### Regulation moratorium

Shortly after President Trump took the oath of office, White House Chief of Staff Reince Priebus instructed all executive department and agency heads to withdraw any regulations submitted to the Office of the Federal Register but not yet published. The BBA proposed regulations fell squarely within this pool. Consequently, the proposed BBA regulations issued on January 18 were nullified, leaving the rules to be dealt with later.

It's surprising that the Obama administration waited until the last minute to issue the proposed regulations. New administrations often freeze proposed regulations to provide time to assess whether such rulemaking is in line with the administration's policies. To ensure that the BBA regulations and other proposed (and expected) tax regulations are in-line with President Trump's policies, it may wait until a new assistant secretary for tax policy is named and confirmed. This could take until summer or early fall.

### What next?

Practitioners and partnerships are left scratching their heads wondering how best to proceed. We believe that practitioners have a duty to alert their partnership clients to these rule changes now. The statute provides sufficient information for clients to begin making significant decisions, including who will serve as partnership representative and what notices the partnership representative must provide to other partners. Moreover, Treasury clearly showed its hand in the proposed regulations. Treasury followed Congress's lead in shifting the audit burden to the taxpayer as few of the provisions in the proposed regulations came back "taxpayer-friendly". The new administration may decide to adjust the January 18 proposed regulations, but it's unlikely that they will completely overhaul them, especially given the race against the clock to have them issued. It would be administratively difficult for both taxpayers and the IRS to apply the BBA rules without final regulations. With the procedural requirements for comments and hearings, very little time is left to make substantial changes before re-issuing the proposed regulations.

<sup>1</sup> See Part I for a detailed explanation of TEFRA and the BBA.

Read [The IRS is Coming: How to Prepare for the New IRS Partnership Audit Regime Part 1](#)

#### About the Authors:



**Travis Austin Greaves** is a tax attorney in Washington, D.C. Mr. Greaves concentrates his practice on federal and state civil and criminal tax controversies. He represents individuals, partnerships, and corporations through all stages of tax investigations and litigation, including voluntary disclosures, audits and examinations, audit reconsiderations, and negotiated resolutions with the IRS. In addition, Mr. Greaves is an Adjunct Professor at Georgetown University Law Center, where he has taught tax controversy courses. Mr. Greaves served as the Tax and Economic Policy Advisor to Louisiana Governor Bobby Jindal; practiced in the tax group of a major international law firm; and served as an Attorney Advisor at the United States Tax Court. You can contact Mr. Greaves via email at [travis.greaves@gmail.com](mailto:travis.greaves@gmail.com) or by phone at 202-412-0019.



**Joshua Wu** is a tax attorney in Washington, D.C. A primary focus of Mr. Wu's practice is helping startup companies, mid-size businesses, and individual clients remain in compliance with U.S. tax laws, as well as guiding clients on appropriate procedures to reduce their tax burdens. Mr. Wu represents clients in an array of tax controversies and tax litigation matters before the Internal Revenue Service (IRS), the U.S. Tax Court, the U.S. Court of Federal Claims, and the U.S. Court of Appeals for the Federal Circuit. With considerable experience handling multijurisdictional investigations, Mr. Wu regularly works with foreign companies, trusts, and advisors to resolve inbound U.S. tax and reporting issues. Heavily involved in the D.C. metro area startup community, Mr. Wu works with angel investors and coworking spaces to assist emerging companies implement business practices and legal structures to facilitate their growth and access to funding. You can contact Mr. Wu via email at [josh.wu@gmail.com](mailto:josh.wu@gmail.com) or by phone at 571-294-3850.



# **Taxing the Gig Economy, Part 3:**

## **The Unintended Consequences of Being a Small Business**

**Jim Buttonow**

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The changing definition of work is often referred to as the gig economy, the sharing economy, and the on-demand economy. For taxpayers and tax professionals, it isn't always easy to apply traditional tax law to less clear-cut scenarios that arise in the new economy. In Part 3 of this series, we'll look at the aspects of owning a small business that may surprise the newly self-employed.

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The Small Business Administration reports that there are more than 28 million small businesses in the United States. With new business opportunities from companies such as Uber, Airbnb, and Lyft, [more taxpayers](#) are finding it easier than ever before to work for themselves. Some gig economy workers may not realize that they are now small-business owners – or that they are now a primary target for IRS audits and notices.

### **Small businesses have always represented a problem for the IRS**

Every year, the U.S. Treasury loses almost a half-trillion dollars to taxpayers who file inaccurate returns, owe back taxes, or don't file required returns at all. This amount is called the tax gap.

IRS statistics show that small businesses are the largest segment of noncompliant taxpayers, potentially shortchanging the government about half of the total tax gap. This is largely because small businesses voluntarily report business income and deductions on their tax returns. Small businesses also have more complex tax responsibilities.

### **Small business taxes get complicated**

Small businesses typically have more filing and payment obligations than the average taxpayer, including:

- Quarterly estimated tax payments

*Continued on the following page*

- Payroll tax deposits and filings
- Reporting payments to contractors each year
- Sales tax reporting
- State and local licensing requirements

Because of their tax responsibilities, small businesses frequently interact with the IRS and state departments of revenue. They are also much more likely to be questioned by taxing authorities.

## THE SIX MOST COMMON TAX-PROBLEM TRAPS FOR SMALL BUSINESSES

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Here are the most common problems that small-business owners find themselves in:

### 1. I didn't know I had to pay my own Social Security and Medicare taxes.

This is a common miss among people who are newly self-employed. They may be surprised when they file a return and find that, in addition to income taxes, they owe another 15.3 percent tax. This is called self-employment tax, and it can result in a significant tax bill.

The 15.3 percent self-employment tax is the self-employment version of Social Security and Medicare taxes that an employer would pay if the individual were a traditional employee. On the bright side, these taxpayers can deduct half of their self-employment tax to directly offset their income.

### 2. I didn't know I had to pay throughout the year.

Self-employed people don't withhold taxes from a paycheck like traditional employees. They're responsible for voluntarily sending in tax payments each quarter.

Not knowing or forgetting about quarterly estimated tax payments can result in a significant tax balance and penalties when filing. If the self-employed person can't pay, he or she can set up a payment arrangement with the IRS at filing.

### 3. I keep getting behind.

Self-employed people sometimes find themselves continuously behind in estimated tax payments, resulting in an annual tax bill due at filing that they can't pay. Repetitive new balances result in defaulted installment agreements, more payment plan setup fees, additional penalties and interest, and more interaction with the IRS. If the balances accumulate to more than \$50,000, taxpayers can face increased financial disclosure to the IRS, as well as tax liens, which jeopardize taxpayers' ability to get credit.

### 4. I didn't report cash payments.

Statistics show that self-employed taxpayers report the proper amount of income only 42 percent of the time. Most small businesses, especially cash-intensive businesses, are on the honor system for declaring their income.

And with cash-intensive businesses, the IRS has few, if any, Forms 1099 to validate the income. Therefore, every IRS audit of small businesses starts with scrutiny about whether the business reported all of its income.

### 5. I "wrote off" personal expenses.

This is another major area of IRS scrutiny in a small-business audit. New small-business owners may find themselves deducting certain expenses, such as cars, cell phones, in-home offices, and travel and entertainment expenses. The IRS perceives many of these expenses to be personal in nature (and therefore not deductible) unless taxpayers can prove that the expenses were business-related. Good recordkeeping is essential.

### 6. I didn't file on time (or, at all).

Many small businesses put off filing because they don't have the money to pay their tax balances. This procrastination

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causes many businesses to run up large tax bills and penalties, including a 25 percent failure to file penalty for filing more than five months late.

In recent years, the IRS has found many of these nonfilers with the Form 1099-K, Payment Card and Third-party Network Transactions. Form 1099-K reports payments that the business receives from debit/credit cards and third-party processors, such as PayPal.

Many online-retail small businesses in particular are now having to reconcile their revenues to this new form. Businesses that don't file and receive this form are experiencing IRS delinquent-filing notices and enforcement actions.

#### FOR THE SMALL BUSINESS OWNER, TAXES ARE NOT A ONCE-A-YEAR OBLIGATION

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Business owners, including independent contractors in the gig economy, must embrace a year-round relationship with tax responsibilities. That starts with keeping good records throughout the year, continues with making estimated tax payments to limit the tax balance at filing, and culminates with filing an accurate return at the end of the year.

Small-business owners will continue to see more of the IRS after filing. Recognizing their requirements and preparing for more IRS interaction (and potentially scrutiny) is the key to making taxes less taxing for the small-business owner.

Read [Taxing the Gig Economy, Part 1: 'Interesting Tax Situations' Create Gray Areas for On-demand Drivers](#)

Read [Taxing the Gig Economy, Part 2: Nontraditional Home Rentals Aren't Always a Perfect Fit with the Tax Law](#)



#### About the Author:

Jim Buttonow, CPA, CITP, leads H&R Block efforts to help clients with tax problems. Jim is former chairperson of the IRS Electronic Tax Administration Advisory Committee, and has more than 28 years of experience in IRS practice and procedure, including 19 years at the IRS.

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







# The Complete, Yet Simple, Marketing Plan for Solo Tax Practitioners

Jassen Bowman

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Being a solo tax practitioner is one of the most challenging ways to operate any business. As the business owner, you are responsible for all legal compliance matters related to running a business. You're also the office manager, receptionist, tax preparer, bookkeeper, taxpayer representative, the billing department, and often also the janitor. To top it all off, you actually need clients in order to make money, so you're also the sales and marketing department.

Over the years, I've consulted with hundreds of independent tax professionals, and this latter task is often the most challenging. Something I hear often is, "I'm an accountant, not a salesperson."

Well, I hate to break it to you, but if you're in private practice, you're actually a salesperson first and foremost, above anything else.

It's something that a lot of practitioners don't want to hear, let alone think about. But the cold, hard truth is this: regardless of an Ivy League education and a slew of alphabet soup after your name, all the knowledge, expertise, and credentials in the world are utterly useless if you can't get clients in the door. *Fortunately, marketing your services really isn't that hard.* In this article, I'd like to show you exactly how easy it can be.

First, understand that marketing takes either time or money. Most solo practitioners tell me that they have more time on their hands than money in the bank, so in this article we'll be focusing on low and no-cost marketing strategies that take time.

Bear in mind that marketing is not a 10 minute per week activity. In fact, most business consultants will tell you that **you should spend at least half your day on marketing**...even more if you are just starting out. With the simple, yet effective, marketing plan I will outline here for you, you're going to need to commit one or two hours per day. However, using the plan outline here, you will be successful and make a living, as long as you commit to following the steps.

Let's rock and roll...

**Step 1:** Write a weekly blog about a topic of interest to your target audience. This article should NOT be your typical "tax tips" sort of thing. Your prospects and clients comes to YOU for handling their tax matters — they don't care about how to do it themselves. Think more along the lines of:

- Client success stories related to tax planning, real estate investing, tax debt resolution, etc.
- Your personal analysis of Congressional and state legislative action, IRM updates, etc. Let people know the gist of what's going on, why they should care, and how you can help. The current media frenzy over the Republican dismantling of the ACA is a perfect thing to be writing about – regardless of your own political beliefs.

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- What you're doing to increase your own knowledge and improve your skills for your clients. Write about the CPE courses you take and how that will help your clients.
- The National Society of Accountants also provides a [client letter library](#) that members can use for inspiration.

Note that it doesn't matter if you're "not a writer". Just write. Once you do, you can:

- Post it to the blog section of your website. If you don't have a blog attached to your website, one of your highest marketing priorities should be to get one set up. If you do not have a website, the NSA offers discounted web development and content from [GetNetSet](#). NSA's [Life and Taxes blog](#) is also a resource for content topics to include in your blog.
- Re-write the introduction a bit, and post it to your LinkedIn account. If you don't have Publisher access on LinkedIn, request it.
- Send it to your email list. You do have an email list of your prospects and clients, don't you?
- Link to the blog post on both Twitter and Facebook.
- Add the article to the next edition of your monthly print newsletter.

#### Content Resources

[GetNetSet](#)

[NSA's Life and Taxes Blog](#)

[NSA members talk about marketing their practices in Tax Talk](#)

If you do this step, week in and week out, you are getting 80% or better of the results you would see from a \$2500 per month search engine optimization (SEO) service.

**Step 2:** Every day, preferably first thing in the morning, make 15 cold calls to purchased lists that match your target market, depending on what service area you're focusing on growing. You can rotate through service offerings through the week.

For example, on Monday, call 15 people from a new homebuyer's list to offer them a tax planning session.

On Tuesday, call 15 small businesses from your Secretary of State new corporation list to offer them bookkeeping services.

On Wednesday, cold call 15 tax liens to solicit tax resolution work. Tax liens are a matter of public record, and can be obtained from your local County Clerk or Secretary of State, depending on where you live. They can also be purchased from online services such as [TaxLiensHQ.net](#) or [INFT.net](#).

There are many possibilities of lists to call to offer services. The choice is yours, but don't overthink it. Don't spend too much time worrying about the "perfect" criteria or trying to find the "perfect" list (it doesn't exist), just get it done and CALL.

**Step 3:** Send a letter or postcard to... your 15 new prospects, every day. If you reached them on the phone, then send them a thank you card to thank them for their time. If they were interested, send them your marketing package or proposal package. If you didn't reach them, got their voicemail, number was disconnected, etc., then send them a letter inviting them to call for a consultation, or inviting them to an informative free local seminar or a webinar. Mail them something!

**Step 4:** You probably already know that the IRS works on a 30 day notice cycle. As such, you should be, at a minimum, on the same follow-up cycle. Within 30 days of your initial contact via telephone and mail, you should make another contact. Make another phone call, send another letter. Again, 30 day interval is a minimum. Also, you should go through a minimum of 5 follow up cycles, but preferably 12 or more.

You can use CRM software, spreadsheets, or index cards to track activity and know when to follow up with people. How you track it doesn't matter — doing the activity is what matters, because that is what gets clients.

Is this going to cost some money? YES. Is it going to take time? YES. Calling 15 new people per day is going to take 30 to 90 minutes, depending on how long your conversations go (but remember, the purpose of the call is to sell the consultation/proposal, NOT sell your services!).

Remember, you are running a business here. As such, you need to realize that it will take an investment of your time and

*Continued on the following page*

money to grow a practice. However, this marketing cost is incredibly small compared to the amount of money you'll be making from new clients after just a couple months of doing this.

I will reiterate: Making this work simply requires DOING IT. You're not going to build a practice sitting on your butt, but by working a plan, no matter how simple it is. This plan is about as simple as it gets, but requires you to take the actions to make it work.



**About the Author:**

Jassen Bowman is an Enrolled Agent specializing exclusively in IRS Collections representation (tax debt resolution). He has presented over 100 live seminars and webinars to tax professionals on the subjects of IRS representation, practice management, and marketing your tax services. He is the author of several books, including *Tax Resolution Systems*, a checklist manual for practitioners. Learn more about growing your clientele at [www.TaxMarketingHQ.com](http://www.TaxMarketingHQ.com).



# How to Fire a Client

Hugh Duffy

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There is perhaps nothing more unpleasant than firing someone, yet you can't make a business case for keeping an employee on board if that person isn't doing his or her job. At the end of the day, the company – and most likely the employee – will be better off if he or she is someplace else.

We're all conditioned to this scenario in the workplace and most of us have had many years of experience reacting to someone being fired. Why is it so hard, then, when you have to fire a client?

Severing the relationship between you and your client is even more difficult when you like the client. Nine times out of 10, unless your client commits a crime, there's really no reason why you should fire a client, right?

Wrong. Once you look at what a problem-client is costing you in terms of money and resources, not to mention stress and angst, there are probably more reasons for letting a client go than there are for keeping that client. Nevertheless, some thought must be given to the "why" and "how."

## Three Primary Reasons to Fire a Client

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There may be more than just three reasons to sever the provider/client relationship, but through my years of work with accountants, it boils down to percentages, unethical behavior and lack of interest.

- **The client takes up too much non-billable time.** By far, this is the number one reason to let a client walk. Most of us have heard of the 80/20 rule in which we spend 80% of our time on the bottom 20% of our client base. To put it another way, the time you're spending with a client often monopolizes your non-billable time. Sure, you could make it clear that you are going to bill the client for each and every phone conversation, e-mail exchange, text (yes, even texting) and other interactions, but that isn't really realistic. These kinds of clients aren't adding to your bottom line, and without fail, you will come to resent the time the client is taking up. In a profession where it's sometimes hard to measure a return on investment, you definitely can determine if the time you spend with a client isn't adding to your bottom line. As a result, it's far better to get rid of the bottom 20% of your clients so you can focus on the remaining clients who will generate more revenue – and bring you more referrals.
- **The client withholds information or wants you to do something unethical.** If you find your client is not being honest with you about a particular situation or withholding valuable information that enables you to do your work in the most ethical, legal manner possible, it's time to part ways. Asking for a questionable deduction on a tax return is one

*Continued on the following page*



thing, but hiding assets without your knowledge, for example, is another matter. You cannot afford to damage your reputation when a client who has the potential to do harm to himself, and in turn, to your practice.

- **The client does not want to be helped.** As odd as this might sound, we've all had clients who did not want to be helped. The client did not want your professional counsel and expert assistance, and will neither accept your advice nor respect your intentions. It's time to find clients who will benefit from your professional experience and knowledge. You'll feel much better about your business acumen, not to mention the inherently altruistic factor of helping someone solve a problem.

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### Giving the Pink Slip

In 2006, Radio Shack made headlines when it relieved 400 employees of their jobs – not for the fact that they were let go, but because they were told by e-mail.

While that is an extreme example, it's also illustrative of today's always-on culture where text and e-mail are the de facto methods of communication. Don't let this happen to you; as unpleasant as it may seem, it's far better to have a conversation than it is to send someone a note. Yes, sometimes for legal reasons you have to send a letter instead of talking to the client. That's fine, but unless you are legally prevented from talking with the person, send the letter after you have had the initial conversation.

Looking at the three primary reasons above, it's easy to see why you would want to fire a client, but one of the main traits we have as human beings is we tend to like each other. For example, you may have a client who will literally give you the shirt off his back if you ask him for it, but you need to separate your personal feelings from your professional beliefs. After all, you may see the client in social situations at Rotary, the Lion's Club or some other venue. What are you going to say to the fired client the next time you see each other?

The best way to move on is to have a professional conversation with the client and explain the reasons why. Just as you owe it to a fired employee to provide concrete examples of how he or she wasn't doing the job up to standards, you must do the same with a fired client. Explain in plain terms what the problem is, and once you have the conversation, follow it up with a letter, not an e-mail.

Unless there is a sudden ethical problem, the actual "firing" shouldn't be a surprise – and it may even be a relief. Whatever the outcome is, it's not going to be entirely pleasant, so the client's initial reaction may be anger. Reassure him or her that this is a completely private matter between the two of you and should remain so. You will not talk to anyone about this and you would appreciate it if the client would do the same.

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### Impact of Social Media

You don't want your conversation to be on Jerry Springer or making the headlines of the local paper, yet you have to protect your reputation, so be wary of the power of social media! Today, a negative blog or Twitter posting can go viral in a matter of moments; you will want to ensure you do not suffer any potential negative consequences.

This wouldn't happen to you ... your "fired" client would never do this ... well, wake up! No one can predict human behavior. While the client may seem well-adjusted when he or she leaves your office, it could be only minutes before something is posted that you cannot undo. You have to be realistic and cautious.

When your now-fired client says something negative on Yelp or Google reviews, you may have to get an attorney involved. However, watch your temper. It would be unprofessional of you to lash back and post a response or something you'll be sorry you said. Take the high road; the best stance is to do nothing. It's better to let the client stumble over his or her words than to react to them.

*Continued on the following page*

If it turns out that your colleagues and even your other clients are aware of the social media problem, it is time to communicate via letter or e-mail to them to allay their concerns. Don't reveal any information that can be used against you later on; an attorney can guide you through this difficult situation.

### Your Practice is Changing – What Happens to Your Clients?

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For various reasons, an accounting practice does change over time. You may find you want to devote your expertise to other kinds of specialty services or a niche industry rather than being a generalist. If this is the case, maybe you should consider selling a portion of your practice rather than severing the relationship. This enables you to offload the less desirable service to another accounting firm, and cash out.

Your practice may change for other reasons, too. For example, some accounting services generate a lower hourly fee realization. Rather than continuing to accept this, you may make the business decision to depart lower-margin types of services such as payroll and traditional write-up for something more lucrative.

If this happens, you may want to “package” up these clients and sell them to another practitioner or even selling them through a broker. Of course, people are not commodities, but this is business, after all. By selling them to another practitioner, the client still gets service and attention, and you can focus (or refocus) your practice on what you do best – and avoid firing the client!

### Keep Calm and Carry On

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We may have tax law and regulations that standardize the accounting profession, but practice management and human resource issues definitely are not cookie cutter. There is no manual or Dummies' guide that gives you all the answers. However, the National Society of Accountants provides members with a [Fire a Client Toolkit](#) that will help accountants through the process.

As the British government imparted just before World War II, the best advice is to “Keep Calm and Carry on.” Don't do anything rash. Think about what you want to do with a client before you take action. You can't get the client back once you've let him or her go, so be rational and sensible, but also be honest with yourself about the way you want to grow.

Fire a client for the right reasons. In the long run, you'll feel better about yourself and your business will prosper.



#### About the Author:

Hugh has more than twenty years of marketing experience working in the consumer packaged goods, internet media, publishing and professional services industries. Prior to joining Build Your Firm, he was the Vice President of Internet Marketing for Business & Legal Reports (BLR), a publisher of state/federal laws for employers.



# Why Real Estate Inside the Closely Held C Corporation Should Generally be Avoided

J. Michael Pusey

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Let's assume a closely held C corporation that ran a profitable family business is winding down. The two family members that co-own the corporation plan to discontinue the business rather than sell it as a continuing enterprise. There is a net operating loss (NOL) carryover. There is low-basis, high-value real estate inside the corporation, and this represents the bulk of the assets.

We'll use this down-the-road scenario of a corporation's life as something of a lesson in why it is so often advised that real estate be kept outside of the closely held corporation. If the real estate is used by the closely held corporation, it pays reasonable rental to the individuals or family partnership or LLC that own the realty. This keeps the realty outside of corporate solution with its potential for double taxation – taxation at the corporate and shareholder levels.

## Immediately Liquidate the C Corporation

If the corporation sells the building, there is gain realized and taxable income, subject to relief from the NOL carryover. If the corporation merely liquidates, there is also gain at the corporate level. ((Section 311(b).))

If the NOL carryover isn't fully used, it would expire upon liquidation of the corporation.

The shareholders also likely have gain on the liquidation proceeds compared to the basis in their C corporation stock. Their basis in the stock is likely low given there is no adjustment to the stock for corporate profits. The gain on liquidation proceeds would normally get relief in the form of long-term capital gain treatment.

This is the classic double-taxation problem with C corporations.

## Defer Liquidation: Rent then Liquidate the C Corporation

One generally has to keep an eye on the accumulated earnings tax or personal holding company issues if the closely held C corporation shifts into more of a passive rental mode. The accumulated earnings and personal holding company taxes are mutually exclusive; one doesn't have them both in the same year. These potential problems may well be manageable.

Generally the NOL should be available to offset future rental income. It is likely that there would be positive taxable income before the deduction for the NOL given our low-basis premise. The plan might be to use the NOL carryover against future

rental income and then consider liquidation after the NOL is absorbed.

If the C corporation made an installment sale of the building and then liquidated, the remaining installment gain would be triggered into income at the corporate level. ((Section 453B(a). Liquidating a corporation is not among the scenarios given relief in Regs. 1.453-9.))

So installment reporting doesn't solve the double taxation problem, although as to the shareholder's gain on liquidation, they may qualify for installment reporting relief when there is a twelve month liquidation, looking to payments on the note (rather than receipt of the note) as being in exchange for their stock. ((See Section 453(h).))

There is still the double taxation problem.

Even if there is a death of a shareholder, any step-up would lodge in such shareholder's stock and not flow-through to step up basis on the low-basis building inside the corporation.

### General Perspective if Current Owners Elect Subchapter S

There is a penalty tax that can apply if the C corporation converting to an S has accumulated earnings and gross receipts where more than 25% is passive investment income. ((Section 1375.)) For this purpose, gross receipts include not only interest income, which might be significant in the early years if there is an installment sale, as well as rents. The former C corporation converting to an S can be subject to the built-in gains tax of Section 1374, and gain subject to the built-in gains tax doesn't count as passive income for purposes of this penalty tax. ((Section 1375(b)(4).)) If the corporation has more than three years where the penalty tax applies, the S election is terminated and the corporation back to C corporation status. ((Section 1362(d)(3).)) One planning scenario to avoid the penalty tax under Section 1375 would be to pay sufficient taxable dividends to avoid accumulated earnings and profits which would avoid this penalty tax.

Usually, the bigger problem is the potential for a built-in gains tax when the C corporation converts to an S corporation. The built-in gains tax doesn't apply if the corporation has always been an S corporation. The basic idea is to measure appreciation at the time of conversion and if such gain is realized within the first five years of the S election, then there is a built-in gains tax at the corporate level, even though the general rule is the S election passes through income to the owners in lieu of an entity level tax. Section 1374 is the major exception to the general rule that the S election avoids a corporate level tax.

If a C corporation has an NOL carryover and converts to an S corporation, the NOL doesn't benefit the former C corporation in so far as regular income tax because the S election flows income through to the shareholders. ((One of the complications we'll not examine is the owners electing Subchapter S for a time, and then eventually reverting back to a C corporation.)) On the other hand, the NOL carryover that arose from the entity's time as a C corporation should be available to reduce the built-in gains tax.

The Section 1374 built-in gains tax is currently at the rate of 35%; the tax is meant to be a burden. Avoiding the tax is just generally difficult. The normal period for the built-in gains tax is the five years following the S election but that period can be extended if there is an installment sale during such period.

One plan here might be to remain a C corporation for a time and use the NOL against rental income, then elect S corporation status, then still avoid a sale of the building during the five-year "recognition period" under Section 1374. If you convert to an S and just don't sell during the five-year recognition period, the built-in gains tax is avoided. But it would be a long-term, rather laborious plan needed to avoid a corporate level tax and have the gain only flowing through to the S shareholders, and such a scenario may hardly be consistent with the differing goals of our two shareholders given the corporation is discontinuing its active business.

We could also presume the building is sold by the C corporation that elects installment reporting then elects Subchapter S. It would appear that if the C corporation elects S status, the S election wouldn't per se trigger the deferred gain into income; i.e., the S election is a different scenario than liquidating the corporation. It would appear that the installment gain that arose in C corporation years but is reportable in the S corporation years would still be subject to the built-in gains tax. In these circumstances, the regulations that stretch the normal five-year built-in gains period may also apply. Also, you don't get around this problem by liquidating the corporation.

In general, the double taxation problem for appreciation arising in C corporation years is difficult to avoid, particularly if



the taxpayers really want to wind down the entity.

### The Owners Just Sell the Stock

A buyer who just wants the building may consider buying the stock as a first step to direct ownership of the building, or may be content to keep the building inside the corporation.

The tax issues with this approach to the buyer focus on preserving two potential benefits under Section 382; i.e., the NOL carryover isn't just disallowed because there is a new owner but there are NOL limitations.

One of the potential benefits is that the new buyer of the stock may benefit from the corporation's NOL carryover even without continuity of business enterprise to the extent of built-in gains realized during the first five years. ((Section 338(h).)) Note that while the terms have some similarity, we're focusing on Section 382 and are not discussing the built-in gains tax that arises under Section 1374 in a Subchapter S context. Among the many complications with these rules is measuring the level of built-in gains (appreciation) at the time of new ownership.

Another potential benefit under these rules is that the new buyer(s) gain some additional measured access to the net operating loss carryover if there is continuity of business enterprise. ((Section 382(c).)) The complexities here include whether discontinuing the operating business and renting the building can qualify under the continuity of business enterprise rules, and details of computation that include measuring the value of the loss corporation. ((Section 382(b).)) This particular benefit is not limited to the first five years.

The gain arising at the corporation level can arise from an actual sale or an election by the buyer to treat the stock purchase as an asset purchase under Section 338.

These are basically the buyer's issues if the sellers just sell their stock. The sellers will also need some perspective on these issues in planning tax strategy and bargaining with someone who might buy the stock to gain the building.

### Conclusion

There are myriad other issues, including state taxes, property tax planning, passive loss issues and estate planning for the principals. Some of the issues that we note here in a single sentence could be articles. The issues are complex, more so because of building is owned by the C corporation.

In general the owners of the C corporation, when it comes time to wind down the business, would have been better off had they kept the realty outside of the corporation.



#### About the Author:

J. Michael Pusey, CPA, MSA, is a senior tax manager with Rojas and Associates, CPAs, Los Angeles. He has over forty years experience in tax and finance. Mr. Pusey has written or contributed to four tax books, including an AICPA Tax Study, and a finance book. Mr. Pusey began his career with KPMG before working nine years in "national tax" for Laventhol & Horwath and Grant Thornton. He was V.P., Assistant Tax Director, Manager of Research and Planning for a NYSE financial institution prior to beginning his practice, then joining Rojas and Associates.





# Peer Review Changes – a Reviewer’s Perspective

**James V. Lewis**

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Developments in the peer review process came into effect as of January 1, 2017. When and if all of these changes and proposed changes occur, it will have a profound effect on your practice. As a newly retired long-time peer reviewer who has been very involved in the program, I would offer some perspectives on the program that vary from the official line.

## The Peer Review Program

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First and foremost, the changes to the peer review program are being imposed on you without your approval or consent. When the peer review program was voted on and approved by the membership, it was sold to us as being educational, helpful and remedial. Over the years, it has been my experience that this premise and approach has resulted in significant improvements by firms and the profession. However, in recent years, in the name of “audit quality”, the peer review program has been transformed into a compliance and penalty driven program. As most peer reviewers will tell you, there is no longer any emphasis on helping or improving the firm. As a result of the current focus, many small firms are being driven out of auditing. Is this the program you voted for? When I asked a prominent peer review board member why the current program was not being put to a member vote, the response was “Peer review is in our bylaws, and now the board can do anything it wants”.

## Audit Quality

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The changes to peer review are being driven by a perceived crisis in audit quality. Much of that comes from recent Department of Labor and GAO findings and there is no denying that some of it is justified. These issues may have been addressed more effectively than creating an audit quality crisis. Of course, audit quality is subjective and is generally determined by compliance with auditing standards. It is noteworthy that the AICPA’s Auditing Standards Board consists primarily of members from firms of over 300 employees and there is little doubt that audit standards reflect their needs.

As an example, consider a situation where one firm audits and verifies every balance and makes appropriate inquiries but does not document risk assessment. A second firm has a well-documented risk assessment and uses it to perform minimal procedures on a number of accounts. Which is the quality audit? The first firm would likely fail a peer review where the second firm which did significantly less audit work will be praised for a quality audit.

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## Reviewer Performance & Enhanced Oversight

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Most peer reviewers welcome increased qualifications and training. At the same time, if there are issues with audit quality, who is responsible? Is it the qualified peer reviewers who follow the AICPA guidance or could it be the administration who sets the rules? As Henry Truman acknowledged, the buck stops at the top. The fact is peer reviewers have been given inconsistent guidance and training from an AICPA Board and staff that has difficulty deciding which direction it wants to follow. Then, the conclusion is the problem must be reviewer performances.

Peer reviewers have been trained to express an opinion on the overall system of quality control. They do so considering all of the functional aspects of a firm in addition to reviewing engagements. Now, the program has determined that enhanced oversight reviewers who are primarily large firm AICPA insiders with no peer review experience, and minimal experience with small firms should be given almost unlimited time to look at one engagement with the goal of finding something/anything wrong so that they can call the engagement non-conforming. That, in turn, will almost always result in a modified peer review report. The program has lost its original focus and field reviewers who followed the original guidance are being singled out as the cause for what really is an administrative failure.

## The Concept

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In December 2014, the AICPA issued its “Concept for the Future of Practice Monitoring”. Under this concept, the peer review program performed by one of your peers would be discontinued. In its place, all attest engagements would be submitted to the AICPA where they would be evaluated by AICPA staff. Since the concept was issued, its program has been moving to that end, with little discussion as to cost of such a program. You are about to see a program where the AICPA is your reviewer on all attest engagements, and the cost of that service will be significant.

## A Theory

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In recent years, the AICPA has undergone significant expansion. Some members believe it acts more like a Fortune 500 Company than a service organization. It has been said that joining and paying dues to the AICPA is like joining Sam’s Club – all it gets you is the right to buy things. In an expansion minded AICPA, what better way to expand influence and increase revenue than to take over the peer review program. The first step is to create a crisis in audit quality. The next step is to find the current peer review program does not work by having insiders perform enhanced oversight. With that established, the AICPA can institute its concept to monitor your practice. If you want to find the real reason driving peer review changes, follow the money.

## Conclusion

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Indeed, the times are a changin’ for your profession. One of the greatest forces in allowing this to occur may be member lack of knowledge or apathy. The changes will have a substantial effect on the profession. Consider whether it is what you want.

The December/January article in the Minnesota Society of CPAs entitled [“The Times They are a Changin’”](#) offered some hints to the developments in the peer review process that came into effect as of January 1, 2017.

(The views and opinions expressed in this article are solely those of the author.)



### About the Author:

James V. Lewis, CPA has been a CPA in public accounting for 46 years. Over 40 of them with small firms. He had been heavily involved in peer review since 1988, and has served on peer review committees for four RABs in three states. Mr. Lewis has chaired the MAPA and MNCPA peer review committees on several occasions, and performs peer reviews for small firms in seven states.

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**Presenters:**



John O. Everett, CPA, Ph.D., is Professor Emeritus of Accounting at VCU in Richmond, VA. John's teaching specialty is federal taxation. He has authored or co-authored over 90 articles in academic and professional journals including the NSA EA Exam Review Course and 1040 101 Course, and is the coauthor of several textbooks, including CCH Practical Guide to Schedule M-3 Compliance, The HBJ Federal Tax Course, Income Tax Fundamentals, and Tax Planning With the Computer.



William A. Duncan, CPA, Ph.D., is an Associate Professor of Accounting at Arizona State University. Dr. Duncan was formerly a Director with Ernst & Young where he guided tax education for the firm. He is the author or co-author of three textbooks and has published a number of articles on a variety of tax topics in publications ranging from Taxes and The CPA Journal to the Journal of the American Taxation Association. He has taught in the AICPA National Tax Education program for over 20 years.

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For more information and to register, visit <http://www.nsacct.org/eacourse> or contact NSA at 800-966-6679 or [members@nsacct.org](mailto:members@nsacct.org). Learn more about NSA at [www.nsacct.org](http://www.nsacct.org).

**See the following page for schedule and hotel registration information**

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*ATP course ends at 6:00pm*  
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#### Monday, August 21

**EA Part 2: Businesses**  
8:00am - 5:00pm  
**ATP Exam**  
9:00am - 12:00pm

#### Tuesday, August 22

**EA Part 2: Businesses, continued**  
8:00am - 12:00pm  
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<i>Choose Any 1 Part or All 3!</i>	NSA Member	Nonmember
<b>Complete Course (Parts 1, 2 &amp; 3)</b> August 20-22; 8:00am – 5:00pm each day	___\$699	___\$775
<b>Part 1: Individuals/ATP Combo</b> Sunday, August 20; 8:00am - 5:00pm <i>ATP class concludes at 6:00pm</i>	___\$275	___\$325
<b>Part 2: Businesses</b> Monday, August 21; 8:00am - 5:00pm Tuesday, August 22; 8:00am - 12:00pm	___\$375	___\$425
<b>Part 3: Representation, Practices &amp; Procedures</b> Tuesday, August 22; 1:00pm - 5:00pm	___\$200	___\$250
<b>ATP Exam</b> Monday, August 21; 9:00am - 12:00pm	___\$100	
<b>Total    \$_____</b>		

### Hotel Information

Nugget Casino Resort  
1100 Nugget Avenue  
Sparks, NV 89431  
Group rate: \$69 + \$10 resort fee  
[Reserve Online](#)  
(800) 648-1177  
Group Code: GNSA17  
*Reserve by July 25, 2017 to receive the group rate.*



Accreditation Council  
for Accountancy and Taxation

### Payment Information

Credit card: ☐ Discover ☐ MasterCard ☐ Visa ☐ American Express ☐ Check made payable to NSA

Card Number \_\_\_\_\_ Exp. Date \_\_\_\_\_

Cardholder Signature \_\_\_\_\_

**Return to: NSA 1330 Braddock Place, Suite 540 Alexandria, VA 22310; Fax: 703-549-2984; [members@nsacct.org](mailto:members@nsacct.org)**

**Questions?** For more details including CPE information, go to <http://www.nsaacct.org/eacourse> or call NSA at 800-966-6679

# RENO

THE BIGGEST LITTLE CITY IN THE WORLD

NATIONAL SOCIETY OF ACCOUNTANTS 72<sup>ND</sup> ANNUAL CONVENTION AUGUST 21 - 24, 2017

## NSA 72<sup>ND</sup> ANNUAL CONVENTION IN RENO, NEVADA

Registration is open for the National Society of Accountants (NSA) 72nd Annual Convention at the Nugget Casino Resort in Reno, Nevada

This year's annual convention promises to be a great combination of education, networking and social events.



The Annual Convention kicks off on Monday, August 21st with an opening reception in the evening. Social events are scheduled throughout the event. These include an evening at the National Automobile Museum, a dessert reception, awards luncheon, and

the scholarship walk. Visit the [Social Events Schedule](#) for more details.

*A la carte tickets will be available for social events.*

### Education

Prior to the conference, the NSA will offer the [EA Exam Review Course & Accredited Tax Preparer Review Course/Exam](#).

During the annual convention, more than sixteen hours of continuing education will be offered on Wednesday, August 23rd and Thursday, August 24th. Sessions will include four hours of accounting topics, such as accounting fraud cases, fiduciary accounting for 1041, statement of cash flows and unpleasant current trends in Peer Review, taught by William Leonard, CPA. Beanna Whitlock, EA, CSA will present a two-hour ethics class: Ethics – A Tax Professional's Friend which will address the "real world" of tax preparation that many tax professionals frequently are engaged, how to respond and how to use Circular 230, Federal Code of Regulations to respond in difficulty situations.

This year, the NSA is also offering a new [Tax Planning Boot Camp](#), taught by John Everett, CPA, William Duncan, CPA and Cherie Hennig, CPA will cover Individual Tax Planning, Retirement Planning, Gift & Estate Planning and Business Tax Planning.

The full CPE schedule is now online.

### Pre-Conference Program

#### *EA Exam Review Course & Accredited Tax Preparer Review Course/Exam*

Sunday, August 20

EA Part I: Individuals/Accredited Tax Preparer (ATP) Exam Review Course

Monday, August 21

EA Part II: Businesses

Accredited Tax Preparer (ATP) Exam (Proctored)

Tuesday, August 22

AM: EA Part II: Businesses

PM: EA Part III: Representation, Practices and Procedures

*Early Bird Discount Rates Register by July 8th*

Register

### QUICK LINKS

[Annual Convention schedule](#)

[Registration Packages](#)

[CPE Schedule](#)

[Hotel and Travel information](#)



### CPE Schedule

Wednesday, August 23

8:00am

[Current Accounting Fraud Cases](#) – Bill Leonard, CPA, CFFA

8:00am-5:00 (with lunch break, resumes at 1:00)

[Tax Planning Bootcamp](#) – William A. Duncan, Ph.D., CPA  
• John O. Everett, CPA, Ph.D. • Cherie J. Hennig, CPA, Ph.D.

9:00am

[Fiduciary Accounting for 1041](#) – Bill Leonard, CPA, CFFA

10:00am

[Statement of Cash Flows](#) – Bill Leonard, CPA, CFFA

11:00am

[Unpleasant Current Trends in Peer Review](#) – Bill Leonard, CPA, CFFA

1:00pm

[Tax Planning Bootcamp](#) – William A. Duncan, Ph.D., CPA  
• John O. Everett, CPA, Ph.D. • Cherie J. Hennig, CPA, Ph.D.

Thursday, August 24

8:00am

[Ethics – A Tax Professional's Friend](#) – Beanna J. Whitlock, EA CSA

10:15am-5:00pm (with lunch break, resumes at 1:00pm)

[Tax Planning Bootcamp](#) – William A. Duncan, Ph.D., CPA  
• John O. Everett, CPA, Ph.D. • Cherie J. Hennig, CPA, Ph.D.

1:00pm

[Tax Planning Bootcamp](#) – William A. Duncan, Ph.D., CPA  
• John O. Everett, CPA, Ph.D. • Cherie J. Hennig, CPA, Ph.D.

### REGISTRATION

*Early Birds Can Save \$100 on Registration*



#### Full Conference Registration Rates

Early Bird Discount: Register by July 8th: NSA Members: \$579; Nonmembers: \$725

After July 8th: NSA Members: \$679; Nonmembers: \$825

#### 2-Day Registration Rates

Early Bird Discount: Register by July 8th: NSA Member: \$439; NSA Nonmember: \$499

After July 8th: NSA Members: \$499; Nonmembers: \$550

#### Spouse/Guest Registration Rates

The Spouse/Guest Package is intended for guests of NSA members and is not available to NSA members.

Early Bird Discount: Register by July 8th: NSA Member: \$295

After July 8th: \$325

#### Youth/Child Registration Rates

\$99 includes all meal functions except box lunches

[Register](#)

[Download a Registration Form](#)

Not an NSA Member? Not a Problem. Sign up for NSA's 72<sup>nd</sup> Annual Convention at the nonmember rate and get a FREE year of NSA membership!





## REGISTRATION FORM

Please print legibly to avoid errors and delays on-site

Name \_\_\_\_\_  
 Title \_\_\_\_\_  
 Name to Appear on Badge \_\_\_\_\_  
 Company \_\_\_\_\_  
 Street Address \_\_\_\_\_  
 City \_\_\_\_\_  
 State \_\_\_\_\_ Zip \_\_\_\_\_  
 Phone \_\_\_\_\_ Fax \_\_\_\_\_  
 Email \_\_\_\_\_  
 NSA Member ID# \_\_\_\_\_  
 CTEC Member ID# \_\_\_\_\_  
 PTIN# \_\_\_\_\_  
☐ This is my first NSA Annual Convention  
☐ I am an ACAT credential holder  
☐ Special meal request: \_\_\_\_\_  
☐ I have special needs and would like to be contacted by an NSA Representative

### 4 EASY WAYS TO REGISTER

- ONLINE** [www.nsareno2017.org](http://www.nsareno2017.org)
- MAIL** this form with a check or credit card payment to:  
NSA, 1330 Braddock Place, Suite 540, Alexandria, VA 22314
- FAX** form with credit card payment to: 703-549-2984
- CALL** 800-966-6679

### METHOD OF PAYMENT

☐ Check ☐ Discover ☐ MasterCard ☐ Visa ☐ AmEx  
 Credit Card # \_\_\_\_\_  
 Exp. Date \_\_\_\_\_  
 Signature \_\_\_\_\_  
**Total Due: \$** \_\_\_\_\_

**Cancellation Policy:** Registration fees are refundable (less a \$75 per registration administration fee) until August 1, 2017.

**No refunds after August 2, 2017.**

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

### REGISTRATION PACKAGES

#### Early Bird Discount

Postmarked By: July 8 After July 8

#### Full Conference

includes a full year  
NSA Membership! →

NSA Member: ☐ \$579 ☐ \$679  
 Nonmember: ☐ \$725 ☐ \$825

#### 2-Day Package

NSA Member: ☐ \$439 ☐ \$499  
 Nonmember: ☐ \$499 ☐ \$550

Select two days you wish to attend:

☐ Tues., 8/22 ☐ Wed., 8/23 ☐ Thurs., 8/24

#### Spouse/Guest:

☐ \$295 ☐ \$325

**The Spouse/Guest Package is intended for guests of NSA members and is not available to NSA members.**

Child 3-12: ☐ \$99

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

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

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

### EA Exam Review Course & Accredited Tax Preparer Review Course/Exam

	NSA Member/ACAT Credential Holder	Nonmember:
Full Course:	<input type="checkbox"/> \$699	<input type="checkbox"/> \$775
EA Part 1/ATP:	<input type="checkbox"/> \$275	<input type="checkbox"/> \$325
ATP Exam Fee:	<input type="checkbox"/> \$100	<input type="checkbox"/> \$100
EA Part 2:	<input type="checkbox"/> \$375	<input type="checkbox"/> \$425
EA Part 3:	<input type="checkbox"/> \$200	<input type="checkbox"/> \$250

#### A la Carte Tickets (order now, prices increase \$10 onsite)

Opening Reception 8/21: \$65 x \_\_\_\_\_ = \_\_\_\_\_  
 Automobile Museum 8/22: \$75 x \_\_\_\_\_ = \_\_\_\_\_  
 Awards Luncheon 8/22: \$50 x \_\_\_\_\_ = \_\_\_\_\_  
 Boxed Lunch 8/23: \$25 x \_\_\_\_\_ = \_\_\_\_\_  
 Boxed Lunch 8/24: \$25 x \_\_\_\_\_ = \_\_\_\_\_  
 Installation Banquet 8/24: \$85 x \_\_\_\_\_ = \_\_\_\_\_

#### NSA PAC Suite Deal Raffle

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

NSA PAC Suite Deal Raffle Tickets: \$50 each x \_\_\_\_\_ = \_\_\_\_\_  
 The PAC can not accept corporate contributions.

#### NSA Scholarship Walk Donation:

Pre-registration: \$35 per person x \_\_\_\_\_ = \_\_\_\_\_  
 Sleep in for Scholars: \$50 per person x \_\_\_\_\_ = \_\_\_\_\_

**FOR REGISTRATION PACKAGE DETAILS CLICK HERE.**





## REGISTRATION PACKAGE DETAILS

### REGISTRATION PACKAGE DETAILS

**Your Full Registration Package is All-Inclusive!**

**You Get:**

- Earn up 16 Hours of CPE
- Welcome Reception
- Party at the National Automobile Museum
- Awards Luncheon
- Three Continental Breakfasts
- Two Boxed Lunches
- Dessert Reception
- Expo
- Installation Reception and Banquet

#### 2-Day Package

2-Day Package includes programs offered on the days selected:

##### Tuesday, August 22

- Continental Breakfast
- Awards Luncheon
- Business Sessions
- Expo
- Evening at the National Automobile Museum

##### Wednesday, August 23

- CPE Sessions (eight-hours offered in accounting and taxation including the Tax Planning Bootcamp)
- Continental Breakfast
- Boxed Lunch
- Expo
- Dessert Reception

##### Thursday, August 24

- CPE Sessions (eight hours offered including the Tax Planning Bootcamp and ethics)
- Continental Breakfast
- Boxed Lunch
- Expo
- Installation Reception and Banquet

#### Spouse/Guest Package

The Spouse/Guest Registration Package includes:

- Three Continental Breakfasts
- Welcome Reception
- Dessert Reception
- Awards Luncheon
- Installation Reception and Banquet
- Party at the National Automobile Museum

*The Spouse/Guest Package is intended for guests of NSA members and is not available to NSA members.*

#### Child

Includes Main Street Practitioner June 2017 lunches.

### HOTEL INFORMATION

#### Nugget Casino Resort

1100 Nugget Avenue  
Sparks, NV 89431

Room rate: \$69 + \$10 resort fee

Includes round trip airport transportation, wifi in sleeping room, (2) bottles of water per day, use of pool & fitness center and parking.

Reserve [Online](#) or call 800-648-1177

NSA Group Discount Code: GNSA17

Reserve your room by July 25, 2017 to receive the discounted group rate.

*The hotel offers a free airport shuttle departing from the hotel every hour, on the hour from 5:00 a.m. to 11:00 p.m. The airport shuttle picks up at the airport every hour on the half hour from 5:30 a.m. to 11:30 p.m. outside door D of the baggage claim area.*



## NSA'S TOP RATED SPEAKER TEAM PRESENTS NEW SESSIONS THIS SUMMER AT THE IRS TAX FORUMS

NSA is presenting sessions at five summer IRS Tax Forums on Tuesdays and Wednesdays. Visit our table, meet NSA staff and volunteers, and learn more about NSA benefits. You can even renew your membership or join NSA onsite.

### **Dealing with the Partnership K-1 on the 1040- What You Really Need to Know!**

Tuesday: 8:00 AM – 8:50 AM Room 3

Wednesday: 2:15 PM- 3:05 PM Room 4

*CE: 1 hour/Federal Tax Law*

Do you feel overwhelmed when your client hands you a Partnership K-1? Where do you start, what questions do you ask and what do you need to know? With the increasing popularity of pass through entities, it is more likely that you may be dealing with a K-1 from a partnership on your client's tax return. This seminar will show you how to take the K-1 items to the 1040 tax return and practice points on issues such as passive and active participation, the Net Investment Income Tax, basis issues and unreimbursed partner expenses. This session includes real life examples, potential hazards and resources to keep you in compliance and help you report the K-1 correctly.

### **A Practitioner's Look at Limited Liability Companies (LLC) and Their Tax Entities**

Tuesday: 10:10 AM – 11:00 AM Room 4

Wednesday: 9:05 AM – 9:55 AM Room 4

*CE: 1 hour/Federal Tax Law*

What kinds of LLCs are there and how are they taxed? LLCs are very popular but they can be very confusing and complicated for tax reporting purposes. Which form of business is right for your client? This session examines various tax aspects of the LLC, from a single member disregarded entity taxed on Schedule C to a multiple member LLC taxed as a partnership or corporation and the tax elections that are available. Included in this session are real life examples, potential hazards, and resources to help you understand the various reporting issues for the LLC.

### **This year's summer 2017 NSA Speaker Team is:**



**Kathy Hettick, EA, ABA, ATP**, has been the owner and principal of an accounting and tax practice for over 23 years. She has held numerous leadership positions at local, state, and national levels, including WAA President and served as NSA's President 2015-2016. In January 2017, she was appointed to, and now serves on, the Internal Revenue Service Advisory Council (IRSAC).



**Gene Bell, EA, ATA, CFP**, is the owner and president of Gene Bell & Associates, Inc. where he provides personal and business tax preparation and planning as well as wealth management services. He was awarded the NSA Distinguished Service Award for 2012, and received the NSA's Speaker of the Year Award in 2015.



**Terry O. Bakker, EA** is the owner and president of O'Leary's Tax Service, Ltd. in Vancouver, WA. She has been providing personal and business tax preparation and planning for over 25 years. Terry is Past President of the Oregon Association of Independent Accountants, active in NSA, and a representative to the IRS Stakeholder Liaison programs. She speaks at the local and national level to practitioners.



**James L. Holmes** is an Enrolled Agent and has been a practicing accountant in Alamance County North Carolina for over 46 years. He provides personal and business tax preparation for his clients as well as representation before the IRS. His professional memberships include NSA, NCSA, and NAEA. Jim has taught income tax seminars for NC State University for the past 23 years. He was president of the NC Society of Accountants in 1996-1997 and will again be president of the NCSA for June 2016-2017.

### 2017 Locations

#### Orlando, FL

Hilton Orlando Resort

July 11 – 13, 2017

Pre-Registration Deadline: May 31

#### Dallas, TX

Hilton Anatole

July 25 – 27, 2017

Pre-Registration Deadline: May 31

#### National Harbor, MD

Gaylord National Hotel and  
Convention Center

August 22 – 24, 2017

Pre-Registration Deadline: May 31

#### Las Vegas, NV

Rio All-Suite Las Vegas Hotel and  
Casino

August 29 – 31, 2017

Pre-Registration Deadline: May 31

#### San Diego, CA

Town & Country Resort and  
Convention Center

September 12 – 14, 2017

Pre-Registration Deadline: May 31

Register to attend one of the five IRS Tax  
Forums in destination cities throughout  
the U.S.

Register

The NSA will be exhibiting at the  
2017 IRS Tax Forums locations.  
Stop by to check in, say hello, renew  
your membership or join.

## NSA 2017 ELECTION AND PROXY VOTING

NSA strongly encourages Active and Life members Members as of 7/15/17 to exercise their right to vote. The roles to be filled by this year's election include, the President, Vice President, Second Vice President, Secretary Treasurer, and the District Governors for districts 1, 3, 5, 7, 9, and 11. Voting for State Directors in even numbered Districts will also be held at the annual convention. Look for candidate information on [www.nsareno2017.org](http://www.nsareno2017.org) this month.

A member's voting right may be exercised either in person at the Annual Meeting or by a proxy vote. A "proxy" is a "signed statement authorizing a person to vote in the stead of the signer in the signer's absence at a meeting". Proxy voting will open July 15 and close on August 6. Register for the Annual Convention in Reno

Register

[Download a Registration Form](#)





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## NSA CONNECTED WEBINAR SCHEDULE SPRING-SUMMER 2017

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The NSA offers top-tier professional development webinars for today's accounting and tax professional. NSA ConnectED webinars are offered both live, and on-demand for the convenience of tax and accounting professionals.

For a complete list of all NSA ConnectEd webinars, go to: <https://nsawebinars.nsacct.org>.

**Order 4 or more webinars in one order save 20%! Click "Add More Webinars" and when you have at least 4 webinars in your cart, 20% will be taken off at the final step of checkout when you click "Next".**

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### Basis Issues for Estates

Tuesday, June 6, 2017

2:00-3:00 pm (EDT)

IRS CE: 1 Hour/Federal Tax Law;

NASBA CE: 1 Hour/Taxes

[Register](#)

Being an executor for an estate is a difficult job that involves probating the will, identifying heirs, and inventorying and distributing estate assets. Understanding how to value the estate assets and provide the basis to be used by beneficiaries is another important, but challenging task.

This webinar will examine the methods used to establish this estate valuation and new basis for the beneficiaries, as well as look at the use of the alternate valuation date and post-mortem techniques for improving the estate tax and income tax aspects of both the decedent's final returns and the heirs moving forward. The new basis consistency and information reporting requirements will also be covered.

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

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### Your Bankruptcy Questions Answered

Wednesday, June 7, 2017

2:00-4:00 pm (EDT)

IRS CE: 2 Hours/Federal Tax Law;

NASBA CE: 2 Hours/Taxes

[Register](#)

What role do you play in your client's bankruptcy? Expand your working knowledge and your understanding regarding the specialized area of taxation and tax management dealing with bankruptcy.

This webinar taught by expert speaker Robert E. McKenzie will enhance your understanding of what pushes a person towards bankruptcy and how this can affect the tax returns you prepare for them and the money they owe to the IRS.

You will learn about the taxation issues raised by bankruptcy, the special rules for taxation of individuals in Chapter 7, 13 & 11, the discharge of indebtedness and the taxes discharged by bankruptcy and review filing obligation in Chapter 7, Chapter 11 and Chapter 13, and also explore more of unusual taxation situations and consequences.

*Presented by Robert McKenzie, EA, ESQ*

Continued on the following page



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## EA Exam Prep Part 2: Businesses Part 1

(There are two 3-hour webinars devoted to Part 2 - Businesses of the Enrolled Agents Exam)

Thursday, June 8, 2017

2:00-5:00 pm (EDT)

*IRS CE: 1 Hour/Federal Tax Law; 1 Hour/Federal Tax Law Update; 1 Hour SEE Exam Preparation; NASBA CE:3 Hours/Taxes*

### [Register](#)

This webinar will cover ten topics often tested on Part 2, including business income and expense topics applicable to all businesses, sales or exchanges of business properties, and partnership taxation. Materials include several comprehensive diagrams covering such topics as MACRS rules, tax-deferred exchanges, Sec. 1231 property nettings, depreciation recaptures, and partnership formations. Length: 3-hours.

1. Business Income: Special Inclusion Rules
2. MACRS Cost Recovery Deductions
3. Business Bad Debt Deductions
4. Tax-Deferred Exchanges
5. Sec. 1231 Gains and Losses
6. Depreciation Recaptures
7. Self-employment Taxes, Estimated Taxes, ACA Penalties, and Other Special Computations
8. Partnerships: Formation Issues at Under Sec. 721
9. Partnerships: Reporting Partnership Income and Guaranteed Payments
10. Partnerships: Distributions and Sales of a Partnership Interest

- Sample questions for each topic are interspersed within the presentation and will be worked on and explained.
- Test-taking tips and tricks will be emphasized.
- You'll also receive a link to the "Top 150" questions per part—essential questions complete with explanations on topics that you will absolutely need to master to pass the EA exam.

*Presented by John O. Everett, CPA, Ph.D., and Cherie J. Hennig, CPA, Ph.D.*

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## EA Exam Prep Part 2: Businesses Part 2

(There are two 3-hour webinars devoted to Part 2 - Businesses of the Enrolled Agents Exam.)

Wednesday, June 14, 2017

1:00-4:00 pm (EDT)

*IRS CE: 1 Hour/Federal Tax Law; 1 Hour/Federal Tax Law Update; 1 Hour SEE Exam Preparation; NASBA CE:3 Hours/Taxes*

### [Register](#)

This webinar will review ten topics that are often tested on Part 2 of the exam, including all tax issues related to both C Corporations and S Corporations, estate and trust income taxation, and business retirement plans. Materials include several comprehensive diagrams covering such topics corporate formation, corporate tax format, corporate distributions, and business retirement plans. Length: 3-hours.

1. C Corporations: Formation Issues Under Sec.351

### NSA EA Exam Prep Webinars

This series of four webinars cover selected, heavily-tested parts of the Enrolled Agent (EA) exam—you can take the complete series or any part.

May 24, 2017: [Part 1: Individuals](#) (available as a self-study webinar)

June 8, 2017 & June 14, 2017: [Part 2: Businesses](#) (two different 3-hour webinars cover the content in Part 2)

June 28, 2017: [Part 3: Representation, Practice and Procedures](#) (2 hours)

**Register for all four in one order and save 20%!**

2. C Corporations: Dividends Received Deduction and Charitable Deduction

3. C Corporations: Other Deductions

4. C Corporations: Capital Transactions and Related Party Rules

5. C Corporations: Earnings and Profits (E&P) Determinations

6. C Corporations: Distributions

7. S Corporations: Key Requirements

8. S Corporations: Taxable Income and Distributions

9. Estate and Trust Income Taxation: A Broad View

10. Business Retirement Plans

- Sample questions for each topic are interspersed within the presentation and will be worked on and explained.
- Test-taking tips and tricks will be emphasized.
- You'll also receive a link to the "Top 150" questions per part—essential questions complete with explanations on topics that you will absolutely need to master to pass the EA exam.

*Presented by John O. Everett, CPA, Ph.D., and Cherie J. Hennig, CPA, Ph.D.*

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### **Penalty Games: Reducing IRS Penalties**

Wednesday, June 21, 2017

2:00-4:00 pm (EDT)

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

#### [Register](#)

Each day the Internal Revenue Service asserts millions of dollars in tax penalties against taxpayers. Many of those penalties are subsequently abated because of quality representation by experienced practitioners.

In *Penalty Games: Reducing IRS Penalties*, tax litigation expert Robert E. McKenzie covers the basics of the IRS's abusive preparer program, preparer penalties, and due diligence. You'll learn details about the IRS tax code that can substantially reduce many tax penalties asserted by the IRS against your clients.

This webinar will cover the basics of supporting reduction of IRS tax penalties. You will learn about:

- Reasonable Cause
- Ordinary Business Care and Prudence
- Internal Revenue Service Preferred Reasons for Abatement of Penalties
- A practical approach to seeking abatement of penalties

*Presented by Robert McKenzie, EA, ESQ*

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### **EA Exam Prep Part 3: Representation, Practice and Procedures**

Wednesday, June 21, 2017

2:00-4:00 pm (EDT)

*IRS CE: 2 Hours/Ethics;*

*NASBA CE: 2 Hours/Regulatory Ethics*

## [Register](#)

This webinar will reviews ten topics that are often tested on Part 3- Representation, Practice and Procedures of the Enrolled Agents Exam. Materials include several comprehensive diagrams covering such topics as the sources of primary tax authority, possible tax preparer penalty thresholds, and indirect income estimation methods. Length: 2-hours.

1. Practice Before the IRS and Unenrolled Preparers
2. Enrollment to Practice and CPE Requirements
3. Power of Attorney Issues
4. Tax Information Authorizations (TIAs) and Central Authorization Files (CAFs)
5. Administration Proceedings for Complaints Against Enrolled Agents
6. Electronic Filing - Special Issues
7. IRS Notices of Deficiencies and Audits'
8. IRS Appeals Procedures and Court Options
9. Tax Preparers: Definitions and Possible Penalties
10. Tax Advice

- Sample questions for each topic are interspersed within the presentation and will be worked on and explained.
- Test-taking tips and tricks will be emphasized.
- You'll also receive a link to the "Top 150" questions per part—essential questions complete with explanations on topics that you will absolutely need to master to pass the EA exam.

*Presented by John O. Everett, CPA, Ph.D., and Cherie J. Hennig, CPA, Ph.D.*

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## Death and Taxes: Estate Planning Fundamentals

Thursday, June 29, 2017

2:00-4:00 pm (EDT)

IRS CE: 2 Hours/Federal Tax Law; NASBA CE: 2 Hours/Taxes

## [Register](#)

Accountants and tax preparers are often confronted with estate tax and estate planning issues, from assisting attorneys with transfers following a client's death to filing tax returns for trusts and estates.

This webinar will cover the basics of estate planning, including an overview on wills, trusts, and powers of attorney, as well as introduce participants to some advanced estate planning techniques. The course will also cover various tax implications involving trusts and estates, including a review of the estate tax, gift tax, and generation skipping tax.

*Presented by Travis A. Greaves and T. Joshua Wu*

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## Analyzing 990s and Expanding Not-for-Profit Practice

Tuesday, July 18, 2017

2:00-4:00 pm (EDT)

IRS CE: 2 Hours/Federal Tax Law; NASBA CE: 2 Hours/Taxes

## [Register](#)

In this webinar, we will discuss the different reporting requirements of Form 990 and its related schedules, including how to use a company's 990 when trying to retain them as a new client. We will also look at common mistakes practitioner's make

when preparing Form 990 and ways to increase realization on preparing these returns.

*Presented by Nicholas Preusch, CPA*

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### **Wading Through Murky Waters: How to Successfully Represent Your Client in Collection Matters**

Wednesday, July 19, 2017

2:00-4:00 pm (EDT)

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

#### [Register](#)

Tax collections can be as stressful on the tax advisor as they can be on the client. There are various forms and letters that the IRS may send and a number of different collection procedures and defenses that may be employed.

This webinar will cover the foundations of tax collections, the tools the IRS has to collect outstanding tax liabilities, the options available to the taxpayer to resolve a collection case, and the procedures for reaching a resolution. Concepts to be covered include tax liens and levies, collection due process hearing, installment agreements and offers in compromise.

*Presented by Travis A. Greaves and T. Joshua Wu*

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### **Solving Financial Challenges for Retirees**

Thursday, July 20, 2017

2:00-4:00 pm (EDT)

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

#### [Register](#)

When should I begin drawing Social Security? How will I be able to fund my retirement? How should I choose the appropriate beneficiaries on my life insurance and retirement plan contracts? How do I adjust my investment portfolio as the economy, the markets, tax laws, and my personal situation change over time? Will I have enough money to last for the next 25 to 30 years? Will I need long-term care and how will I pay for it? These are some of the most commonly asked questions clients have about retirement.

This webinar will help you identify and provide solutions for risk factors that can hinder a successful retirement, identify sources of cash flow to be used in retirement, and provide guidance to help clients reach their retirement goals.

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

*NSA is approved by NASBA, the IRS, ACAT, and CTEC as a provider of continuing professional education.*

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## NEW INSURANCE BENEFITS AVAILABLE TO NSA MEMBERS

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The National Society of Accountants is pleased to announce New Professional Liability Pick a Premium Plans and Final Expense Group Whole Life Insurance Plans that are available to our members through our partner, [Forrest T. Jones](#).

### New Professional Liability Pick a Premium Plan

Professional liability insurance protects you and your firm against lawsuits for the services you provide to your clients. Whether you're currently insured, or haven't yet made that decision, you may have the impression that completing an insurance application is too much of a hassle, and not something you want to spend your time doing. If so, here is some great news for NSA members! Travelers now offers a new Pick a Premium Plan and application for NSA member firms with annual revenues of \$500,000 or less.

Here's how it works:

- If your revenues are \$100,000 or less, you're able to pick your insurance premium from among four popular limit options, and lock it in with a \$0 deductible, for two years! This means no need to complete another application for two years, allowing you to budget for your insurance premium, knowing that it can't change for two years.
- If your firm's revenues are more than \$100,000 but less than \$500,000, you can still lock in your premium for two years, so you can enjoy the benefit of great insurance protection locked in for two years, at a competitive premium based on the accounting services your firm provides.

To find out more, contact [Ladonna Filler](#) at Forrest T. Jones, for complete information on the Pick A Premium two-year policy options for your E&O insurance protection, and then spend your time doing something else!

FTJ also offers a full Professional Liability plan with flexible limits, premium installment options, and deductibles let you customize coverage to fit your practice. For more information and to receive a no-obligation quote on the Accountants Professional Liability Plan, go to: <http://www.ftj.com/nsa> or call 800-821-7303.

### Final Expense Group Whole Life Insurance Plan

At age 45, you and your spouse are eligible for the NSA Final Expense Whole Life Plan, which can help those you leave behind cope with unexpected funeral expenses and unpaid bills. During a difficult time, this supplemental insurance plan of up to \$25,000 can also help boost an existing life insurance policy, or it can be used to bequeath funds to a special person or organization.

The Final Expense Whole Life Plan is permanent life insurance with benefits payable to the beneficiary of your choice. You can change the beneficiary at any time with a written request. The benefits are determined by the amount of coverage they select, ranging from \$5,000 to \$25,000. Furthermore, there is no physical exam and no reduction in benefits as you age.

Other important plan features include:

- Additional benefits for death resulting from accidental injury;
- Cash value accumulations beginning at the end of the second policy year.

NSA members, download your application for Final Expense Group Whole Life Insurance [here](#).

### Cyber Liability

Accounting and bookkeeping firms face security challenges other small businesses don't because of the sensitive data they retain for client tax preparation and payroll. Social security numbers, bank account information, and other types of highly sensitive financial data can be easy pickings for a hacker if your security is lax.

In a world where you see and hear about cyber-related events, businesses failing and client lawsuits, it might be possible to still think that it couldn't happen to you. Not so. The incidence of data theft and security breaches is steadily rising. Cyber Liability insurance provides protection for your firm's liability to third parties for network or security breaches. To learn more about how this variety of Professional Liability Insurance can protect you, go to <http://www.ftj.com/nsa> or call 800-821-7303.

NSA also offers Professional Liability Insurance; Business, and Life & Health Insurance through plan administrator Forrest T. Jones.

The National Society of Accountants sponsors these insurance plans as a service to members, but does not incur expenses or income from their sales. FTJ wants NSA members to be completely satisfied with the plans NSA sponsors. Should you decide that a life or health plan you have purchased is not right for you, return your certificate (without claim) within 30 days and your money will be refunded promptly - no questions asked, and no forms to fill out. For more information, visit [www.ftj.com/nsa](http://www.ftj.com/nsa), or call FTJ at: 800-821-7303.



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## MOTIVATE, ENGAGE, LEAD, SUCCEED!

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NSA 2017 NSA Legislative Strategy & Leadership Networking & Training Conference

July 24-25, 2017

Phoenix, AZ

Registration is open for NSA's 2017 Legislative Strategy & Leadership Networking and Training Conference. Make plans to attend this great leadership program. You will not be sorry that you took the time out to attend this networking group and will make new friends as well.



### Keynote Speaker:

**Jeffrey A. Kramer.** Mr. Kramer is a certified member of The John Maxwell Team as a leadership and personal development coach, trainer and speaker and founder of the Ascension Leadership Group, LLC. He is committed to encouraging, equipping, and empowering aspiring, and existing leaders to reach new heights by providing transformational coaching, training and speaking services.

### Leadership Topics:

- Motivate and Engage your Membership For Leadership
- Teamwork – Listening for Success
- Succession Planning for your ASO

### Legislative Topics:

- Legislative Bill Analysis
- Effective Lobbying
- Emerging Issues

Registration Fee: \$220

[Register Online](#)

### Attention State Directors!

Stay for State Director Training immediately following the conference on July 26th. RSVP [here](#).

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### Hotel Information

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#### [Embassy Suites by Hilton Phoenix Airport](#)

2333 East Thomas Road

Phoenix, AZ 85016

\$85 per night single/double

Reservation cut-off: June 30, 2017

[Reserve Online](#)

Or call 602-957-1910 and be sure to ask for the NSA group block.

All suite hotel with complimentary 24-hour airport shuttle service, breakfast and evening receptions included.

[Register](#)

**Refunds and Cancellations:** *Requests for registration fee refunds must be received in writing by July 1, 2017 and are subject to a \$50 cancellation fee. No refunds will be granted after July 1.*

Follow the



on Social Media!



Be sure to join in on the discussions in our [LinkedIn group](#).

Register today to attend  
**NSA's Leadership Strategy & Leadership Networking and Training Conference.**  
**July 24 - July 25, 2017**  
 Phoenix, AZ

#### Leadership, Networking & Training Topics:

- ❖ Motivate and Engage Your Membership for Leadership
- ❖ Teamwork - Listening for Success
- ❖ Succession Planning for Your ASO

#### Legislative Strategy Topics:

- ❖ Legislative Bill Analysis
- ❖ Effective Lobbying
- ❖ Emerging Issues

#### State Director Training

Wednesday, July 26



#### Keynote Speaker: Jeffrey A. Kramer

A certified member of The John Maxwell Team as a leadership and personal development coach, trainer and speaker and founder of the Ascension Leadership Group.

#### Hotel Information

Embassy Suites by Hilton Phoenix Airport  
 2333 East Thomas Road  
 Phoenix, AZ 85106  
 \$85 single/double  
 Reservation cut-off: June 30, 2017  
 Reserve Online  
 Call 602-957-1910 and ask for NSA group.

## REGISTRATION FORM

☒ **Yes!** I want to attend NSA's 2017 LNC!

**Conference registration: \$220**

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City, State, Zip \_\_\_\_\_  
 Phone \_\_\_\_\_  
 Email \_\_\_\_\_

#### Payment:

☐ Check made payable to NSA enclosed  
 Charge to: ☐ Visa ☐ MasterCard ☐ American Express ☐ Discover  
 Name as it appears on card \_\_\_\_\_  
 Card Number \_\_\_\_\_ Exp Date \_\_\_\_\_  
 Signature \_\_\_\_\_

#### Three Ways to Register:

1. Mail:  
 National Society of Accountants  
 1330 Braddock Place, Suite 540  
 Alexandria, VA 22314
2. Fax: (703) 549-2984
3. Online: [www.nsacct.org/LNC](http://www.nsacct.org/LNC)

Questions? Call NSA (800) 966-6679

*Please note: Refunds issued until July 1 less a \$50 cancellation fee. No refunds issued after July 1.*

## 2017 NSA GEAR UP 1040 INDIVIDUAL TAX SEMINAR



NSA brings Gear Up back to Mohegan Sun Resort in CT, November 15-16 2017

This comprehensive course covers key tax issues for completing complicated individual returns. All topics include coverage of new legislation, revenue rulings and procedures as well as new case law to help the busy practitioner stay current. Speakers are all practicing preparers who share effective tips and insights to help you get ready for this tax season. Some of the hot topics we cover include changes to health care law, resolving ID theft problems, reporting in the sharing economy and adjusting for compensation-based covered securities. All new law, once passed, will be covered.

16 hours CPE: 13 hrs Tax + 3 hrs Tax Update

Schedule:

November 15: 8:00 am - 4:30 pm

November 16: 8:00 am - 4:30 pm

Prerequisites: None

Advance Preparation: None

Who should attend? CPAs, EAs, CTEC, CFPs, ALL TAX PROS

**Register by September 1st and Save!**

NSA Member: \$365

Nonmember: \$425

After 9/1/17:

**Register**

NSA Member: \$399

Nonmember: \$479

### *Refunds and Cancellations:*

Requests for refunds must be received in writing by October 15, 2017 and will be subject to a \$75 cancellation fee. No refunds will be granted after October 15, 2017.

For more information regarding refund, complaint and/or program cancellation policies, please contact our offices at (800) 966-6679.

### Hotel Information



Mohegan Sun Casino and Resort,  
1 Mohegan Sun Boulevard  
Uncasville, CT 06382

General Information: 1.888.226.7711

Hotel Reservations: 1.888.777.7922

[Click here to reserve your room online](#)

Group code: NSACC17

Group rate: \$149 plus 15% tax\*

Resort fee not included

Dates available: November 14-15, 2017

\*Reserve your room by October 24, 2017 to receive the group rate.

**Mohegan Sun**, created in 1996 by the Mohegan Tribe of Connecticut, is one of the world's most amazing destinations with some of New England's finest dining, hotel accommodations, retail shopping, live entertainment and sporting events. Amenities include: three world-class casinos, a 10,000 square foot pool, a luxurious day spa, and a state-of-the-art Poker Room. Make a vacation of it!

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## IT'S NSA 2017 AWARD NOMINATION TIME

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Every year, the NSA awards program recognizes the contributions of our individual members, volunteers and Affiliated State Organizations (ASOs) for furthering the work of the society and the profession. We encourage members to submit nominations for these prestigious awards, which will be awarded at NSA's Annual Meeting Awards Luncheon on Tuesday, August 22nd in Reno.

The Awards Committee is accepting nominations for the following awards until July 7th:

### Accountant of the Year

The Accountant of the Year award recognizes an individual's service and contributions to the profession, to NSA or an Affiliated State Organization and public service (business and civic). Any NSA member in good standing is eligible, except members of the NSA Board of Governors. All NSA members in good standing may nominate themselves or other NSA members in good standing.

To nominate an accountant, click [here](#).



### Young Professional of the Year

This new award honors a young professional who is making a difference in the profession, who may be stepping forward in leadership and is enthusiastic about the future of our profession.

Who is Eligible? Young professionals are under 40 years old and/or are new to the industry (less than three years' experience). Nominees must also be NSA members in good standing.

Nominate a deserving Young Professional [here](#).

### Above & Beyond Award

The Above & Beyond Award identifies and recognizes those members who have gone above and beyond to provide exceptional voluntary service in our profession or to their community. NSA wants to recognize those services or achievements with this award. The Awards Committee accepts nominations for this award throughout the year.

[Nominate a member today!](#)

### Tax Talker of the Year Award

This award is given to a person who has contributed significantly and consistently to the NSA Tax Talk member discussion forum with technical, knowledgeable and practical assistance to member tax questions and needs.

The NSA Award Committee evaluates Tax Talk contributions to find the most deserving winner.



### ASO Awards

#### ASO of the Year

This award honors the overall achievements of a NSA's Affiliated State Organization (ASO) for excellence in member recruitment, legislative activity, education, seminars, and promotion of NSA programs.

[Download an ASO of the Year Nomination Form](#)

### Keith Billings Memorial Award

This designation honors the most outstanding ASO publications, judged according to the importance of topics, coverage of activities, timeliness of articles and format and overall appearance. There are two divisions: states with 300 or more NSA

members and states with fewer than 300 members.

To submit an issue for consideration, send a PDF file or link to the issue to the NSA Award Committee Chair: [Shanson@phbcpa.com](mailto:Shanson@phbcpa.com).

#### National Editorial Award

This award recognizes both the outstanding original article and a series of articles (2 awards) written by NSA members for their Affiliated State Organization publications.

To submit digital articles for consideration send to NSA Award Committee Chair: [Shanson@phbcpa.com](mailto:Shanson@phbcpa.com).

#### Accountancy Board Monitoring Award

This award recognizes ASOs that meet the criteria established by the State Regulation and Oversight Committee in monitoring the state accountancy boards.

Monitoring reports are submitted throughout the year to NSA headquarters.

#### Charles W. McAllister Memorial Award

This award is presented to the ASO with the highest net growth in NSA membership.

The award nomination forms and additional information can be found at [www.nsacct.org/awards](http://www.nsacct.org/awards). If you have any questions, please contact the awards committee at [Shanson@phbcpa.com](mailto:Shanson@phbcpa.com).

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### SAVE WITH NSA MEMBER BENEFITS

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The National Society of Accountants offers members everything from education to publications to practice management tools to insurance. Below is a selection of what is available to our members, and more benefits can be found on <http://www.nsacct.org/nsastore>.



SmartCenter provides simple practice management software for small tax firms. You can manage all your tasks, clients & documents, in one place, so nothing falls through the cracks.

SmartCenter offers a 15 day free trial as well as discounts to NSA members. Click [here](#) to start your trial and sign up for SmartCenter service.



NSA offers discounted insurance through our plan administrator, [Forrest T. Jones](#).

These products include:

- Professional Liability Insurance
- General Liability & Business Office Property
- Group Life Insurance
- Term Life Insurance
- Tax Season Group Disability Income Protection
- Health Insurance
- Group Business Overhead Expense Insurance
- Cyber Liability Insurance
- Cancer Insurance
- Medicare Supplement Insurance
- Final Expense Whole Life Insurance



Contact [FTJ](#) to learn more.



NSA Members can save up to 80% on over 93,000 products. Great for your printing, cleaning and office needs. Shop online or in any Office Depot or OfficeMax store. Enjoy FREE next-day delivery on online orders over \$50!

[Click here](#) to shop online or print off a FREE Store Purchasing Card.



NSA members are eligible for unique benefits for their firm, as well as discounts to refer to clients. New Paychex clients referred by NSA members will receive one month of free services on payroll, retirement, and/or HR services, and a six-month, money-back satisfaction guarantee on payroll and retirement. Member firms enjoy free integrated payroll processing (up to 50 employees) upon subscribing to our CPA Member Program. The program also provides our 401(k) recordkeeping service at a highly reduced rate with thousands of fund choices, all while you continue to work with your existing financial advisor. Managing payroll and employee benefits is easiest when they are seamlessly integrated. Encourage your clients, and your own firm, to visit us online or contact a local [Paychex branch](#).



Constant Contact®, Inc.'s email marketing and online survey tools help small businesses and organizations connect to customers quickly, easily, and affordably and build stronger relationships. NSA Members receive an additional 10% off the standard prepay discounts. That is 20% off six months, or 25% off the full year. Pre-payment is required for these member exclusive savings. Click [here](#) to start today!



NSA members can take advantage of discounted insurance policies from GIECO. Visit GIECO's [website](#) to learn how you can save money on car insurance.



As a part of ongoing efforts to enhance member marketability and client service, the NSA has negotiated a 20% discount on all GetNetSet website services. GetNetSet caters specifically to tax and accounting professionals. A professional website enables our members to attract more business and service their clients more efficiently.

Benefits at a glance:

- Professional custom website design – Look professional on all computers and mobile devices without spending a dime with a free customized design.
- Secure Client Portal – Allow clients to securely send (W2s, 1099s, QB, PDFs, etc.) or receive files 24/7/365.
- Managed Content The content on your website is updated for you, keeping it fresh and full of useful information to satisfy clients and attract new leads.
- No Contracts. No Setup Fees

Learn more about GetNetSet website services and to reserve your NSA member discount, [click here](#).

Discount Code: NSA20OFF



In today's ever-increasing digital world, most important files are now kept on your computer. Whether it's medical documents and health records or personal information like family videos, digital pictures, and music, the computer has become the main repository of important keepsakes. If a hard drive failure or disaster were to affect your computer today, what would you lose?

Protect your business and back up with Mozy.

NSA members save 15% on MozyHome and MozyPro. Click [here](#) to learn more.



#### NSA Members can save up to 30% on shipping

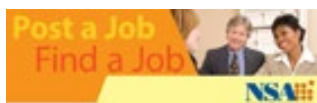
UPS is pleased to help members save time and money through special services and shipping discounts. We put the power of logistics to work for you every day by providing speed, outstanding reliability and technology tools so you can focus on your business – not your shipping. Click here to sign up for a [UPS account](#) and start saving.



NSA also offers discounts on vital Tax and Accounting Publications. Learn more with the links below.

- [CCH Tax & Accounting Publications](#)
- [PPC & RIA Tax Publications](#)
- [Quickfinder Handbooks](#)
- [TheTaxBook Publications & Libraries](#)

Whatever it takes. NSA is here for you! If you have any questions about your NSA membership, please contact NSA Member Services toll-free at 800-966-6679 or email [members@nsacct.org](mailto:members@nsacct.org).



NSA has a brand new [Career Center](#) for Members. Advertise for your next great employee, or upload your resume and search for your dream job. NSA Members receive special discounts on job advertisements placed on our site.

## Classifieds

NSA's classified advertising community is a place where members can now post for sale, wanted, help wanted, and other kinds of classified ads. There is no charge to post a classified ad and only NSA members can post classifieds. View current listings at: <http://connect.nsacct.org/classified-ads>.

Call toll-free at 800-966-6679 or email [members@nsacct.org](mailto:members@nsacct.org), if you have questions or need help posting your classified ad.

[Post an Ad](#)

NSA's tax research team is busy helping members answer the toughest Federal tax questions.

# Tax Topics

Tax season was very busy for the NSA Tax Help Desk and we are glad we were there to help so many members. Here is a selection of some common questions that came across the path of the Tax Help Desk this past tax season. Questions ranged from filing status and dependent questions to international and tax treaty based issues; from individual issues to corporate, estate, and trust situations.

### Question

*The taxpayers have been filing a Form 1041 and that entity has assets within it from either a death or a transfer by the owners or grantors. What happens when those assets and items within the estate or trust are ultimately distributed to the entities beneficiaries? Is there a gain or loss, and what is the basis in those assets to the beneficiaries?*

### Answer

*The basis of assets distributed out of an estate or trust that has been filing a Form 1041 is the basis of that property in the hands of the estate or trust. This particular rule is covered under IRC Sec. 1014 and the specifics of IRS Regulation 1.1014-4(a)(2). There is no taxable event triggered by the distribution of assets out of the estate or trust entity to the beneficiaries of that estate or trust.*

*The beneficiaries basically step into the shoes of the estate or trust and there is a carryover basis, a carryover character of the asset and if applicable a carryover depreciable method and life, including any accumulated depreciation.*

### Question

*What happens to the suspended passive losses of a rental property that an estate or trust maintains that is distributed to that entities beneficiaries? In other words, if an estate or trust—filing a Form 1041—that has been reporting a rental activity that has been running a loss in the past couple of years, now distributes that property to its beneficiaries. What happens to the suspended passive losses trapped within the estate or trust?*

### Answer

Unlike most items in an estate or trust that are distributed to the beneficiaries, and that maintain their character and form in tax treatment... the suspended passive carryover loss does not. This type of loss does not maintain its character upon the underlying property which produced its loss is distributed. The provisions of IRC Sec 469(j)(12) required that the suspended passive losses be added to the basis of the property being distributed. They do not retain their character as suspended passive losses.

This is a departure from other types of losses or deductions that in fact retain their character when distributed in the final year of an estate or trust. Items like a net operating loss (NOL), a capital loss carryover or the excess deductions upon termination all retain their character and pass-thru to the beneficiaries upon filing the final Form 1041 for an estate or trust.

### Question

*The issue of gambling winnings and gambling losses always comes up during tax season if not for the seemingly unfair tax treatment of the two items and their inability to net with each other on the tax return. The question of where to deduct*

**NSA Active and Associate members get five federal tax questions researched and answered FREE each year.**

**For more information and to submit a question, log on and go to [Tax Help Desk](#).**

Continued on the following page

NSA's tax research team is busy helping members answer the toughest Federal tax questions.

# Tax Topics

*gambling losses will often be asked, and the twist to the question is what if the taxpayer does not itemize deductions using the Schedule A?*

### Answer

This is a problem for most taxpayers whom gamble, win, receive a Form W-2G, and do not file a Schedule A with their tax returns but instead use the standard deduction. The general rule is that gambling winning are reported on Line 21 of the front page of the Form 1040, and that gambling losses are reported on Line 28, of the Schedule A, are not subject to the 2% of AGI limit.

Unless you are a professional gambler, and are eligible to use the Schedule C on the front page of the Form 1040 – there not an above-the-line deduction for gambling losses.

However, in this age of electronic tracking of the gambling card or players' card – the nonprofessional gambler will use this card to track their gambling activity for casino perks and comps. This card will track a gambler's coin-in and coin-out on a session or daily basis.

The IRS has finally drafted and released a fairly current temporary ruling under IRS Notice 2015-21. This IRS Notice and the Shollenberger case have left nonprofessional gamblers with a form of netting on a daily per session, or per visit basis gambling winnings with gambling losses. This system of determining a net gain or a net loss from gambling activity will allow for an above-the-line deduction for gambling losses that would typically not be allowed.

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### Question

*There were a lot of limited liability company (LLC) questions and the type of entity that a limited liability company is and what type tax return it files. The Tax Help Desk also encountered various issues dealing with the change in an LLC status by making an election or adding or deleting a member in the LLC.*

### Answer

The overall taxable status, or entity classification, of a limited liability company (LLC) is governed under the rules of IRC Sec. 7701 and the IRS Regulation 301.7701-1 and 301.7701-3. There is what is referred to as a default status to any LLC based on the number of members that it has at its formation. So an eligible entity formed under the laws of a particular State as an LLC with a single member is by default a disregarded entity and is not considered a separate entity from its owner and will file as a Schedule C, sole proprietor. The eligible entity formed under the laws of a particular state as an LLC with more than one (1) member will, by default, be considered a partnership and will file a Form 1065.

The LLC, as an eligible entity, can change its default treatment to some form of corporate status by filing the Form 8832. The filing of this form allows the taxpayer to change the LLC from its default status to that of a regular C-Corporation filing a Form 1120. Should the taxpayer wish to be viewed as an S-Corporation, it would merely file a Form 2553 instead of the Form 8832.

Then there are events when LLC's move from one (1) member to more than one (1) member and it will change from that default entity into a partnership entity. Or where the LLC moves from an entity with two (2) or more member to just one (1) member and they move from a partnership filing a Form 1065 to a disregarded entity that will actually have to close out their Form 1065 with a final return because they become a Schedule C, single-member LLC.

The tax practitioner can look to some rules and guidance in IRS Revenue Rulings 99-5 and Revenue Ruling 99-6 regarding the issues that occur when LLC move from single member to multiple member or from a multiple member entity to one with a single member.

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Continued on the following page

NSA's tax research team is busy helping members answer the toughest Federal tax questions.

# Tax Topics

### Question

*The Tax Help Desk sees a lot of questions regarding required minimum distributions (RMD) and those distributions being missed. The taxpayer comes in and they are 73 years old and they have never taken a distribution from their IRA after turning age 70 ½? Or your taxpayer walks in and informs you that they inherited an IRA from a relative whom passed a couple of years ago? Now what is to be done?*

### Answer

The first reaction of the taxpayer is that they somehow have to catch-up, that they have to make-up all of those missed distributions. That, however, is not the case... there is NO catch-up, there is no requirement that a taxpayer take a total of all of the missed RMD amounts in the current year. The taxpayer must merely “start” with the minimum required distribution, they need to get those distributions started so that they comply in the future on an annual basis with IRC Sec 401(a)(9)(A).

The larger problem here is the 50% penalty under IRC Sec 4974 for the failure to take those minimum required distributions in the past. This penalty is assessed on an annual basis, it is figured on the Form 5329 Part IX and is 50% of the amount that should have been distributed each year... a rather steep penalty for taxpayers that often cannot afford to lose that kind of money in retirement.

The IRS does provide for a procedure for the waiver of this penalty. This waiver procedure can be found in IRC Sec 4974(d) and Regulation 54.4974-2. It is based on the theory of reasonable cause and that the taxpayer is taking, or has taken, protective steps to remedy the situation. The waiver procedures are also performed through the filing of the Form 5329 for the affected tax years.

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The Tax Help Desk would like to thank all of the members whom made use of this service during the tax season and we hope that you found it beneficial. We offer this service “year round” and encourage that you take advantage of this valuable member benefit and use the Tax Help Desk anytime!



# Legislative Link



John Ams  
Executive  
Vice President

## IRS Rebuts AICPA Challenge to Annual Filing Season Program

As of May, 2017, the IRS and the AICPA are still in court, arguing about the agency's statutory authority to implement its Annual Filing Season Program.

The AICPA challenged the Internal Revenue Service program in 2014. The IRS won at the District Court level in 2016 and the matter is currently on appeal at the U.S. Court of Appeals for the District of Columbia. Recently the IRS, in an April 26 brief, said the program helps return preparers obtain additional training and that the lower court correctly ruled that the AICPA has no cause of action.

As readers are aware, preparers in the voluntary program must complete 15 hours of continuing education training annually and pass a written examination. The IRS lists those who pass the exam and receive a "Record of Completion" in its online "Directory of Federal Tax Law Return Preparers."

The AICPA's position is that the Administrative Procedure Act prohibits the IRS from acting without statutory authority, and that the program would allow competitors to peddle misleading credentials to win business.

The IRS said in its brief that 31 U.S.C. Section 330 is a taxpayer-protection statute giving the Treasury secretary explicit authority to regulate the conditions under which persons may represent taxpayers before the IRS. "The competitive interest of the Institute's members are directly contrary to the purpose of the statute; their interest in reducing the qualified competition harms taxpayers," the IRS said. AICPA obviously disagrees.

Oral arguments have yet to be scheduled in the case.

## Treasury Close To Choosing New IRS Chief

The Treasury Department is "very close" to reaching a decision on who will replace John Koskinen as head of the IRS, according to Treasury Secretary Steven Mnuchin. "We're looking forward to having a seamless transition. This is one of the most important positions we will be appointing. We're close to making a final decision on it, and the president and I have discussed it,"

Koskinen's term ends in November, and he has said on numerous occasions that Treasury and the White House should focus on picking a replacement sooner rather than later to ensure there's enough time to transition. Mnuchin did not address any timeline for the selection of a nominee for the IRS post or an announcement, so it is unclear if Commissioner Koskinen will resign before his term ends, or when a replacement is announced.

Continued on the following page

# Legislative Link



John Ams  
Executive  
Vice President

## Trump Administration Budget Proposal

The Administration's [budget proposal](#) released on Tuesday, May 22, includes two provisions that may affect NSA members.

In the section of the budget proposal related to reducing improper payments, there is a proposal to increase oversight of paid tax return preparers as well as a proposal to provide more flexible authority for the IRS to address correctable errors. According to the budget documents, the preparer oversight provision is expected to reduce the federal budget deficit by \$439 million during the ten year budget window, whereas correctable error authority is expected to reduce the budget deficit by \$655 over the same timeframe.

NSA Executive Vice President, John Ams has already been in contact with IRS official offering NSA's assistance in working on these two matters if/when they are enacted.