



# ARKANSAS SOCIETY OF • ACCOUNTANTS

RESPECTED ACCOUNTING PROFESSIONALS SERVING OUR COMMUNITIES

## Monthly Newsletter

September 2006

NSA Accountant of the Year!

IRS Information and Tips.

Subjects to be covered at Gear Up Seminar

A Message from the NSA State Director

### • FROM YOUR PRESIDENT'S PEN •



Dear Members,

I have just returned from the NSA annual convention held in Providence, Rhode Island. The annual convention of the NSA is very similar to the annual convention of the ASA, which is coming up on September 27th. Our ASA president-elect, Ronny Woods, was named NSA's "Accountant of the Year" for 2006. This is the most prestigious award given by the National Society of Accountants. When you see Ronny at our convention congratulate him on this well-deserved award.

As some of you already know, our return from the NSA annual convention was met with some sad news. Carl Dalrymple's wife, Lanora, passed away on Sunday August 20th. Let's keep the Dalrymple family in our prayers.

This will be my last letter to the ASA membership. My term as President of this organization is quickly drawing to a close. It has been an honor to serve the ASA membership as its President for the past year. I hold the ASA and its members close to my heart, and I will continue to serve our organization as best I can.

As I have alluded to, the ASA annual convention and the GearUp Business Entities seminar will be held on September 27, 28, and 29. Intuit will give a seminar on several QuickBooks topics on the morning of

September 27. The annual convention and business meeting of the Arkansas Society of Accountants will be held on the afternoon of September 27. Taking care of the ASA business, which includes electing officers, is every member's right and responsibility. I look forward to seeing each member at the annual convention.

In conjunction with the Annual Convention and the GearUp Business Entities seminar, we will be having our annual silent auction. The proceeds of this silent auction will be used to make a donation to the NSA Scholarship Foundation. Through your generous support, the NSA Scholarship Foundation awards a scholarship to an accounting student from Arkansas each year. Donna Gowan and Shelly Russell have coordinated this endeavor for as long as I can remember. Let's thank them for their hard work and dedication by opening up our wallets and bidding. If you have an item you would like to donate to the silent auction, please contact Donna, Shelly, or myself. Every donation will further our ability to educate future accounting professionals in Arkansas.

In closing, I would like to say again how much I have enjoyed my year as your ASA president. I look forward to seeing each of you in Little Rock on September 27, 28, and 29.

Sincerely,

Bryan K. Johnston. CPA  
President, ASA

**We need listings!  
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Also visit us at:  
[www.accountingpracticesales.com](http://www.accountingpracticesales.com)**

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**TIME IS SHORT FOR REGISTERING  
FOR THE CONVENTION AND  
BUSINESS ENTITIES SEMINAR TO  
BE HELD IN LITTLE ROCK AT THE  
HOLIDAY INN SELECT.  
REGISTER NOW!**

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**NSA  
ACCOUNTANT OF THE YEAR**



**RONNY W. WOODS**

**We are pleased to announce the recipient of the “NSA Accountant of the Year” is our own President-Elect Ronny Woods. He is certainly well qualified to receive this prestigious award. But we all know that don’t we?**

**It was so exciting to be there and see the surprise in his face when this was announced at the awards breakfast on Friday morning.**

**I know that each of you will take the first opportunity you have to congratulate him and show him your support.**

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**The IRS will allow refunds to be “split” between accounts. Starting in 2007, taxpayers who receive refunds by direct deposit will be able to split them among up to three (3) different accounts,**

including checking, savings, and retirement accounts. The government hopes that making it easier to deposit refunds into savings and retirement accounts will encourage individuals to save more. IRS News Release IR-2006-85.

**IRS issues Fact Sheet explaining new tax credit for energy-saving purchases.**

Individuals may take tax credits starting in 2006 under the Energy Policy Act of 2005. Examples: For installing exterior windows and doors, insulation systems, circulating fans, qualified water heaters. The Fact Sheet also explains the credit of up to \$3,400 for autos with hybrid gas-electric engines, and the rules under which this credit phases out. Full text: Go to [www.irs.gov](http://www.irs.gov) and click on “Newsroom” then “Fact Sheets,” then “FS-2006-14, Highlights of the Energy Policy Act of 2005 for Individuals.”

**Pay attention to IRS notices.** It is not uncommon for the IRS to send a notice to an individual explaining that it believes that dividends, interest or stock sales occurred but were not included on the individuals’ income tax return. If the letter is ignored, the IRS will eventually issue a notice of deficiency and, if you can’t resolve the matter within 90 days of the issuance of the notice of deficiency, you must file a petition with the US Tax Court to protect your rights. Sometimes, the items the IRS is questioning go back more than two years, so getting your hands on the records might be tough. Make sure that when you respond

to the IRS, you send correspondence to a specific person so that you can follow up if you don’t hear from him/her within a reasonable period of time.

**The previously issued “Headliner #152, IRS Offers Tips on How to Correct Reporting of Misclassified Workers** advised employers to utilize Forms 4669, Statement of Payments Received, and 4670, Request for Relief from Payment of Income Tax Withholding. However, these forms could not be downloaded from IRS.gov as referenced. The problem has been corrected and the forms are linked from Headliner #152. <http://www.irs.gov/businesses/small/article/0,,id=155756,00.html>

**New Temporary Procedure for Certain Expedited Ruling Requests.** The IRS is updating its temporary procedure for processing requests for certain expedited letter rulings for reorganizations and section 355 distributions. The temporary procedure was put in place because the main IRS headquarters building is temporarily closed due to extensive repairs required after a major flood.

<http://www.irs.gov/newsroom/article/0,,id=160910,00.html>

**Everson Chairs International Tax Forum, Emphasizes Enforcement.** Commissioner Everson has been elected chairman of the Forum on Tax

Administration, a panel of national tax administrators that is part of the Paris-based Organization for Economic Cooperation and Development.

**Recent Significant Developments in Tax Preparer Investigations.** The Department of Justice (DOJ) filed a suit to stop a Texas man from preparing so-called “zero” income tax returns. The civil injunction lawsuit alleges he claims his customers are not subject to federal income taxes because they are citizens of their states, not U.S. citizens.

A federal court permanently barred the last of three California men from acting as an income tax return preparer. The suit against them alleged they prepared more than 8,000 tax returns understating their customers’ tax liabilities by an average of \$16,000 per return.

In South Carolina, a federal judge permanently barred a woman from promoting an alleged tax-fraud scheme. In a separate suit, DOJ asked the same court to permanently bar her ex-husband from promoting schemes. The suits allege their divorce decree divided the tax-fraud schemes as marital assets.

Most tax return preparers are extremely professional and honest, but the IRS is aggressively addressing those who are not. The Justice Department has

obtained almost 200 injunctions against scheme promoters and abusive preparers. Information about other cases is available on the DOJ website.

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## **CPE REMINDER**

### **SUBJECTS TO BE COVERED**

**GEAR UP 2006**

**1040 SEMINAR**

**I DID NOT RECEIVE THESE SUBJECTS IN TIME TO COVER THEM IN OUR 1040 SEMINAR MAILOUT SO I AM INCLUDING THEM IN THIS MONTH’S PUBLICATION. IF YOU HAVE QUESTIONS PLEASE BE IN TOUCH AT:**

**[laverne1@cox-internet.com](mailto:laverne1@cox-internet.com)**

**FAX: 870-217-0154 or**

**PHONE: 870-523-5329**

**2 Days ..... 16 CPE Hours**

Updated to cover everything you need to know about 2006 legislation! Join us to learn about the new tax law changes including comprehensive coverage of all the new credits and deductions allowed under the 2005 Energy Tax Bill, update on Katrina and other hurricane tax relief, and the latest retirement planning strategies, rules, and planning tips.

- ◀ Bankruptcy Reform Bill-tax implications
- ◀ Further analysis and clarification of Code Section 199-the new tax break for manufacturers
- ◀ Health Savings Accounts: IRS rulings, 2006 changes, and planning tips including the HSA vs. MSA conversion trap.
- ◀ Uniform definition of a child – impact on filing status choice and credits
- ◀ Planning tips for solving AMT problems
- ◀ Strategies to cope with the IRS' new focus on enforcement
- ◀ Practical suggestions for working with tax-free exchanges including recent developments with related party exchanges and reverse exchanges
- ◀ IRS e-Services – using these great tools to improve your practice
- ◀ New information on W-2 forms, solve W-2 problems and analyze Box 12
- ◀ The BEST planning tips for education, divorce and Social Security, with planning calculators for Social Security benefits.
- ◀ Schedule A problems – new rules for automobile donations
- ◀ Small business specialist section (schedule C, E, F and 2106 issues
- ◀ Summary of tax issues for contractors
- ◀ Summary of farm tax issues

## HOW MUCH ARE YOUR OLD SOCKS WORTH?

Not as much as they were last month.

Under the Pension Protection Act of 2006 for contributions made after the enactment date, no deduction is allowed for contributions of clothing and household items that are not in “good used condition or better.”

In addition, the IRS may deny a deduction for any item with a minimal monetary value, such as used socks or undergarments. A deduction may be allowed for a contribution of an item of clothing or a household item not in good condition or better if the item is more than \$500 and the taxpayer includes with his return a qualified appraisal with respect to the property.

So let me see if I understand this correctly. If my old socks are not in good condition, I cannot deduct them. But if I have so many old socks (in poor condition) that together they are worth more than \$500 then I can deduct them but only if I get an appraisal.

So my tax planning will have to change. From now on rather than give away my old socks frequently; I shall save them all in a huge pile. When the pile is worth more than

\$500 I will take them to be appraised. Assuming I can get that done at a reasonable cost (less than \$500) then I will get a deduction. That is, if I am still itemizing at that time.

Wasn't there a President who deducted used underwear at \$4 a pair? But his were

probably in good condition.

*Reprinted with permission from Gear Up Gold Rush Newsletter, Vol 2, Issue 9.*

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## **A Message From the NSA State Director**

Having recently returned from the 61st Annual Convention of NSA, I wanted to commend those responsible, especially Wanda Samek of District VIII, the outgoing national president. The convention was one of the best organized events presented by NSA that I have attended. There were multiple opportunities for networking with peers, for learning at seminars, and for experiencing fun activities with friends.

I am very proud of the involvement in NSA by members of the Arkansas Society of Accountants. Donny Woods was re-elected to the office of Secretary-Treasurer. Ronny Woods was recognized with the Accountant of the Year Award by NSA which is a really BIG DEAL. Congratulations, Ronny! Several other ASA members were recognized for their work with various committees (more on this in a later article). From District VIII, Jim Nolan, our immediate past Governor was elected 2nd Vice President for the coming year. All in all, both Arkansas and District VIII was very well represented – congratulations to everyone!

While I am very pleased with the representation of Arkansas and District VIII (every state in our district was represented),

I am dismayed and frankly, perplexed at what I found wrong with the convention. Available to NSA was a total of 715 delegates if every state/territory filled to capacity their allotment of delegates. Of that 715, only 232 delegates were seated and available to vote on the business of NSA. Only 32% of the total delegates were seated so only a 17% vote constituted a majority vote and control of the business of NSA. Thirteen states/territories did not have even 1 delegate present so they were effectively without representation! Rhode Island, our host state, was without representation. How sad it is when an opportunity to have a voice is denied or worse yet, ignored, because no one shows up! More effort must go into getting every state/territory represented at national meetings. Our profession depends on NSA as their representative in Washington, D.C., in legal matters affecting our rights to practice, and in so many other ways. It is imperative that the national office staff, together with the elected leaders make a priority of reaching full participation. Otherwise, whose voice are they representing?

A new service from NSA bears mention – if you are a member, go to the NSA website, [www.nsacct.org](http://www.nsacct.org) and link to the bookstore. There you will find a 30% discount is being offered on many publications. Check it out and save some money in the process.

Lonnie Taylor

NSA State Director

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## **SEE YOU AT CONVENTION?**



**APPLICATION FOR MEMBERSHIP IN  
THE ARKANSAS SOCIETY OF  
ACCOUNTANTS**

P.O. Box 725  
Newport, Arkansas 72112  
longaspa@cox-internet.com  
www.arspa.org

Last Name                      First Name                      Middle Initial                      Business Phone                      Home Phone

Business Address

How many years of accounting have you had? \_\_\_\_\_ Date of Birth \_\_\_\_\_

Sole Practitioner [        ]      Partner [        ]      Employee [        ]      Corporate Officer [        ]

Name of Firm \_\_\_\_\_ Number of Employees \_\_\_\_\_

Name of Partner(s) \_\_\_\_\_

Are you a Licensed, Registered or Certified Public Accountant? \_\_\_\_\_ If yes, give License# \_\_\_\_\_

Are you an Accredited Public Accountant? \_\_\_\_\_ If yes, give Accreditation # \_\_\_\_\_

Are you an Enrolled Agent \_\_\_\_\_ If yes, give EA # \_\_\_\_\_

Do you hold an Associate or Baccalaureate degree with a minimum of 24 semester hours in Accounting? Yes \_\_\_\_\_ No \_\_\_\_\_

Are you engaged in any other trade or profession? \_\_\_\_\_ If yes, please describe \_\_\_\_\_

Please list other accounting organizations in which you hold membership: \_\_\_\_\_

I hereby state that the accompanying statements are correct to the best of my knowledge and belief. I further state that I will abide by the Constitution and By-Laws of the Society and will practice in strict conformity with the Code of Ethics and Rules of Professional conduct adopted by the Society.

Date \_\_\_\_\_ Signature of applicant \_\_\_\_\_

Annual dues are payable IN FULL in advance and are prorated for credit by ASPA on a monthly basis to August 31 - the end of ASPA's fiscal year.

[    ] Membership Annual Dues \$85.00      [    ] Firm Annual Membership \$50.00      [    ] Diamond State Annual Dues \$15.00  
(Non-Residents only)

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Signature

Title

Date

Sponsor, If Any

FOR ASPA OFFICE USE ONLY

Amount

Date Received

Control Number




\*State Society dues payments may be deductible as an ordinary and necessary business expense. However, they are not deductible as charitable contributions for Federal income tax purposes.

# OFFICERS & GOVERNORS

Bryan Johnston.....President	Donna Gowan.....Governor District II
Ronny Woods.....President Elect	Mickey Stafford.....Governor District III
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**ARKANSAS SOCIETY  
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LaVerne Long /EXECUTIVE SECRETARY

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[www.arspa.org](http://www.arspa.org)

## FOR YOUR INFORMATION

The ARKANSAS PUBLIC ACCOUNTANT is the monthly publication of the ARKANSAS SOCIETY OF ACCOUNTANTS. We are a professional organization dedicated to the promotion of accountants and tax preparers in the State of Arkansas. We accept newsworthy articles and advertising. If you have either of these for publication, please contact the editor.

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