



THE ARKANSAS PUBLIC ACCOUNTANT

A monthly publication of the Arkansas Society of Public Accountants

April 2003

From the President's Pen

Sales taxes on the services of accountant's! By the time you read this article, the Arkansas Legislature may very well have passed legislation requiring accountants and other professionals to collect a sales tax on all our services. Your board and executive secretary continue to monitor the progress of these bills and to have an impact on action taken by contacting our senators and representatives. I hope that many of you are taking the same action as you become aware of this legislation.

Other legislation that will affect our practices which is being considered by the Arkansas Legislature include a 10% surcharge on the State Income Tax. The current bill which has been introduced would levy the surcharge for a two year period. The Governor has requested that the legislature change the due date of the Arkansas State Income Tax return to April 15 of each year rather than the current May 15 deadline we now have. Many of our clients who are faced with paying federal balance due taxes and the first quarter federal income tax estimate have appreciated having an additional month in which to file and pay state tax balances due.

I appreciate those of you who have contacted your representatives and senators to let them know your views on legislation which directly affect our practices and our clients. I especially appreciate those of you who have either called or e-mailed me to let me know that you have done so. Please let me continue to hear from you! My e-mail address is www.donny@totalnet.us and my phone number is (870) 845-4422. All your officer and district governor email addresses are listed on the ASPA web site at www.arspa.org along with a lot of other information which will be of interest to you.

Donny Woods, President
Arkansas Society of Public Accountants 

TECHNOLOGY SEMINAR JUNE 6 OR JUNE 7, 2003

IRS OFFERS SCHEDULE K-1 REMINDERS

As the preparation of 2002 federal income tax returns continues, the Internal Revenue Service is offering the following reminders regarding schedules K-1 from Partnerships, S-Corporations and Trusts:

1. Report income in the proper location on individual returns as instructed by Schedule K-1, column (c).
2. Avoid netting or combining income and deductions on Schedule E, except for passive activity income and deductions from Form 8582. Generally, income and related deductions (such as unreimbursed partnership expenses and the section 179 expense deduction) must be reported separately. For more details, refer to the Schedule E instructions.
3. Report losses carried forward from prior years due to the at-risk and basis limitations on a separate line of Schedule E. Do not combine them with amounts reported for the current year.
4. Refer to Form 8582, Passive Activity Loss Limitations, for instructions on properly reporting income and losses from passive activities. Beginning with tax year 2002, filers of Form 8582 must attach all three pages of Form 8582 (including the worksheets) to their tax returns.
5. Report flow-thru income even if a Schedule K-1 has not been received at the time the 1040 is filed. Except for partners in certain small partnerships, Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), must be attached to the tax return to indicate that the partner, shareholder, or beneficiary either did not

receive a Schedule K-1 or disagrees with the amounts reported on the Schedule K-1.

6. Identify amended information by checking the "Amended K-1" box on the Schedule K-1. The flow-through entity is responsible for ensuring that the box is clearly marked.

In closing, as with all IRS forms, please ensure correct taxpayer identification numbers are entered on K-1s. Following these instructions will help you and your clients properly report K-1 income as the IRS continues its program of matching Schedule K-1 forms to individual returns.



IRS PROVIDES INTERNET LINK FOR SUGGESTIONS TO THE TAXPAYER ADVOCATE

The National Taxpayer Advocate announced the development of a new Internet-based program for submitting, to her office of Systemic Advocacy, systemic problems and suggestions to improve tax administration. The program provides another way for taxpayers to make suggestions or bring issues to the attention of IRS management.

"This new Systemic Advocacy program provides the Taxpayer Advocate Service with an innovative approach to evaluate, analyze and pursue ideas from multiple internal and external sources," said National Taxpayer Advocate Nina E. Olson. "Our distinctive role in the area of advocacy for taxpayers affords us the opportunity to resolve issues from a global viewpoint and use new methods to find solutions to repetitive, systemic problems."

Created in May 2002, the Taxpayer Advocate Service Office of Systemic Advocacy has been providing oversight and direction for identifying, analyzing systemic, procedural and operational problems. This includes determining approaches to make improvements by eliminating these problems with IRS. Additionally, the office assists in the preparation of the National Taxpayer Advocate's Annual Report to Congress. This report outlines the 20 most serious problems taxpayers encounter, the 10 most litigated issues and recommends potential legislative remedies. This office assesses methods that

will help create solutions to repetitive long-standing issues within the IRS.

The new Web system is now operational. Suggestions and issues can be communicated to the Taxpayer Advocate Service Office of Systemic Advocacy by e-mail at systemic.advocacy@irs.gov, by sending the information via the internet at www.irs.gov/advocate/index.html or by fax at (202) 622-3125.

As in the current system, with the new web-based procedure, no taxpayer information is to be included in issues submitted. Issues should focus on systemic problems, not individual taxpayer taxpayer cases.

The new web-based system will enable the IRS to do a better job tracking systemic issues and monitoring all issues to more quickly find solutions. Visit the Systemic Advocacy program on the Taxpayer Advocate Service Website: www.irs.gov/advocate/index.html to submit Internal Revenue Service systemic, procedural and operational problems.



NSA District Governor's Column APRIL 16 TAX FREEDOM DAY FOR PRACTITIONERS

April 15 is just around the corner and on its heels comes rest and relaxation.

Every year we go through the preparatory functions of getting ready for tax season. We pull up an extra supply of determination and adrenalin from somewhere deep within, and we burn the midnight oil as we keep our noses to the grindstone. Along about March 20, we realize how tired we are and wonder how in the world we will ever get all the work out that has accumulated on our desks. But we always do. Somehow, we get it out. We go back to work and the next time we look up, it's April 16.

As we focused our attention on service our clients and preparing their tax returns, NSA focused on providing representation and support for us. Lots of things have been happening in our Executive Office.

.....NSA has agreed to participate in the 2003 IRS Tax Forums and will assist with marketing them. A special discount registration will be made avail-

able to NSA members for the three-day sessions. The discount will also be extended to members of NSA's affiliated state societies.

Make plans now to attend one of them: July 8-10, 2003 (Atlantic City, N.J.) July 22-24, 2003 (Orlando, FL) August 5-7, 2003 (Atlanta, GA) August 19-21, 2003 (St. Louis, MO) September 2-4m 2003 (San Antonio, TX) or September 16-18, 2003 (Las Vegas, NV).

....NSA has been active in tracking and preparing comments for the hearing record on the IRS Advance Notice of Proposed Rule Making regarding possible changes to IRS Circular 230, particularly in areas such as defining what constitutes practice before the Service and the nature of services provided by enrolled individuals.

....NSA has also prepared comments for the hearing record of the Senate Finance Committee and the House Ways and Means Committee on tax-related issues involved in the President's proposed 2004 budget.

....NSA prepared comments for the Ways and Means Committee's hearing record on the National Taxpayer Advocate's annual report to Congress and the free tax filing program.


....NSA prepared a letter to the chair of the IRS Oversight Board expresses concern that the Board appears to be shifting from an oversight function to an advocacy function.


....NSA prepared comments on various proposals to improve tax administration for the Ways and Means Oversight Subcommittee.

....NSA arranged for discounts on tax reference materials for its members (see the NSA website for ordering information.)

....And the benefit that most members find most valuable to them is that, throughout the entire tax season, research help is made available by NSA at no charge to members! Answers to difficult tax questions are available by calling Bernie Phillips, Tax Manager, at 1-800-966-6679, extension 1321, or by e-mail to bphillips@nacct.org.


NSA is there for you, through April 15...and beyond!

Wanda Samek, Governor
NSA District VIII 

Keep informed about taxes by subscribing to the IRS's new free "e-news" services on specific tax subjects. Included: An expanded "Digital Dispatch" with national tax news....e-news for Tax Professionals relating state-by-state IRS developments...."IRS Newswire" providing news releases formerly provided only to the media...."Tax Tips" for individuals preparing their tax returns...and specialized e-news services for small businesses, employee plans, and government entities. To suscribe: at www.irs.gov, go to "The News room" and "e-News Subscriptions." 

TOO GOOD TO BE TRUE

Two of the big international accounting firms are reported to have been selling "tax shelters" to the executives of their audit clients. The accounting firms collected multimillion-dollar fees for their efforts.

The firms claimed that they had discovered a way to eliminate current taxes when stock options are exercised. The IRS has disallowed the schemes and the unhappy executives are now suing the accounting firms. The temptation to avoid income tax is so great that even the most sophisticated person can be deceived. You've heard it before - if a tax-saving scheme seems too good to be true, it probably is. 

**TECHNOLOGY SEMINAR -
JUNE 6 OR JUNE 7, 2003. REGISTER NOW.**

IRS ALLOWS STANDARD MEAL RATE FOR FAMILY DAY CARE PROVIDERS

As part of its Industry Issue Resolution Program, the Internal Revenue Service recently issued Revenue Procedure 2003-22, which allows taxpayers engaged in the trade of business of providing family day care, the option of using a standard meal and snack rate to compute their allowable meal expense deduction, in lieu of computing their actual meal expense deduction.

A family day care provider may use the standard meal and snack rates for a maximum of one breakfast, one lunch, one dinner, and three snacks per eligible child per day. The rates apply regard-

less of whether a family day care provider is reimbursed for its food costs, in whole or in part, under the Child and Adult Food Care Program, or under any other program for a particular meal or snack. A family day care provider who receives reimbursements, however, may only claim an expense deduction; to the extent their computed expense exceeds the amount of their reimbursements.

The allowable rate is the Tier 1 United States Department of Agriculture, Child and Adult Food care Program rate in effect each December 31, of the year preceding the current calendar year. The rates in effect for calendar year 2003 for most of the United States except Alaska and Hawaii (which have different rates) are: Breakfast - \$0.98, Lunch or Supper - \$1.80 and Snacks - \$0.53.

Visit Child Care <<http://www.irs.gov/businesses/small/industries/content/O,,id=99878,00html>> for additional information and visit the U.S. Department of Agriculture <<http://www.fns.usda.gov/cnd/care/programbasics/htm>> for the current rate. (The USDA will adjust the rate annually on July 1st)

Taxpayers, who use the standard meal and snack rates to compute their expense deduction, must maintain records to substantiate their computation of the total amount claimed. The records should include the name of each child, ages and hours of attendance in the family day care, and the type and quantity of meals and snacks served. The appendix to Revenue Procedure 2003-22 provides a sample meal and snack log, which satisfies the substantiation requirements.

Revenue Procedure 2003-22 applies to any family day care provider, whether or not they are licensed, registered, or otherwise regulated by the state or locality in which they the day care operates.



**CHECK OUT
THE ARSPA
ONLINE FOR
ALL BACK
ISSUES**

ARKANSAS SOCIETY OF PUBLIC ACCOUNTANTS

WWW.ARSPA.ORG

CALENDAR OF EVENTS - CPE 2003

June 6 - Gear Up Technology Seminar

June 7 - Gear Up Technology Seminar

A one day event - to be held at the Holiday Inn Select, Little Rock, AR

July 24 -25 Gear Up Accounting Seminar - (This is a two day seminar to be held at the Holiday Inn Select in Little Rock.)

September 24 - ASPA Annual Convention

September 25 & 26, Gear Up Business Entities Seminar (This is a two day seminar also to be held at the Holiday Inn Select in Little Rock)

December 17 & 18, Gear Up 1040

Double Tree Hotel & Robinson Center, Little Rock

MAKE NOTE OF THESE DATES



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