



THE ARKANSAS PUBLIC ACCOUNTANT

A monthly publication of the Arkansas Society of Public Accountants

March 2003

FROM THE PRESIDENT'S PEN


Dear Members:

We are halfway through the tax filing season! Before we know it, we'll have it behind us and then we can get busy doing those things for our clients that we've told "I'll get right on that just as soon as the tax filing season is over." That will keep many of us busy during the summer.

Our office staff is making the transition to a "paperless office" during the filing season and I am proud of our accomplishments in this area of our practice. We are concentrating on generating as little paper as possible in our tax practice and we are winning. The eFileCabinet program we purchased at the Gear Up 1040 Tax Seminar in December is working very well and has been surprisingly easy to use. Our staff has been receptive to the idea and we are planning to begin Phase II in July when we will begin to generate little or no paper in our write-up practice. I am anxious to know how many of you are moving in this direction.

Technology is available for all of us to use and enhance our practices. I'm convinced that the technology available to us can help us "work smarter" rather than "work harder." Our Gear Up Technology Seminar which will be held at the Holiday Inn Select on June 6 and 7 will help all of us learn more of what is available in this area. Remember, you will have a choice of attending either of the two days, but it is important that you register as soon as possible and indicate your date preference, since we are expecting a large attendance.

Don't forget to continue take advantage of the ASPA web site at www.arspa.org and the NSA web site at www.nsacct.org which are designed for your use. There you will find articles, practice helps and links to other sites that will be of use to you. ASPA and NSA are your organizations - get involved and make the most of them!

Donny Woods, President 
Arkansas Society of Public Accountants


ED note: The registration form for the technology seminar will be mailed on April 15 or 16. We will be limited to 80 attendees for each day. If I am full on the first day, I will automatically register you for the 2nd day unless you note otherwise on the form. This will be on a first come first served basis. I will play no favorites, so please do not ask me to.

ACAT TO ADMINISTER EXAMINATION FOR ACCREDITATION IN ACCOUNTANCY CREDENTIAL ON JUNE 6

Alexandria, VA - The Accreditation Council for Accountancy and Taxation (ACAT) will hold its next Comprehensive Examination for Accreditation in Accountancy on Friday June 6, 2003 in multiple sites across the United States. The examination is the first step in earning the Accreditation in Accountancy (ABA) credential, the voluntary public accounting alternative to the certified public accountant designation. At a time when the accounting industry is under close consumer scrutiny, the ABA credential offers an important way for independent accounting professionals to convey their technical proficiency and commitment to excellence to the general public.

The ACAT Comprehensive Examination, which is administered nationally only twice a year, establishes a uniform measure of proficiency which employers and clients can use in selecting an accounting, tax and/or financial services professional. The examination tests technical proficiency of candidates in financial accounting, compilation services, managerial accounting, taxation, business law and ethics. Emphasis is on a practical approach to professional accounting services required by small business entities.

Individuals who pass the examination and meet ACAT's experience requirement become Accredited in Accountancy and may use either the Accredited Business Accountant or Accredited Business Advisor (ABA) designation, as permitted by state law. Individuals maintain accreditation through compliance with ACAT's mandatory continuing education (CPE) requirements and adherence to ACAT's Code of Ethics and Rules of Professional Conduct. Credential holders are listed in the "Find a Professional" section of the ACAT website.

The deadline to register for the June exam is May 1, 2003. The fee is \$150. For more information and /or an examination application, contact ACAT toll-free at (888) 289-7763 or via email at info@acatcredentials.org, or visit the ACAT website at www.acatcredentials.org. Organized in 1973, ACAT is a nonprofit, independent accrediting body affiliated within the National Society of Accountants in Alexandria, Virginia. 

NSA ALERT NATIONAL SOCIETY OF ACCOUNTANTS

The Internal Revenue Service requested NSA to poll their membership about the current filing season. If you are experiencing any problems with IRS during this filing season or if you feel that IRS service is running smoothly, please give us your feedback as soon as possible. We realize this is a busy time, but if you could spare just a few minutes to tell us about your experiences, reply to bphillips@nsacct.org.



IRS UPDATES THE DIRTY DOZEN WARNS OF 121 COMMON SCAMS

The IRS and other agencies are aggressively pursuing and prosecuting promoters of abusive tax schemes and charging their clients with fraud and tax evasion. This can result in imprisonment, fines, and repayment of taxes owed with interest and penalties. Even innocent taxpayers involved in these schemes face a staggering amount of back interest and penalties.

The IRS urges people to avoid these common schemes:

1. OFFSHORE TRANSACTIONS
2. IDENTITY THEFT
3. PHONY TAX PAYMENT CHECKS
4. AFRICAN AMERICANS GET A SPECIAL TAX REFUND
5. NO TAXES WITHHELD FROM WAGES.
6. IMPROPER HOME-BASED BUSINESS
7. PAY THE TAX THEN GET THE PRIZE
8. FRIVOLOUS AGRUMENTS
9. SOCIAL SECURITY TAX SCHEME
10. I CAN GET YOU A BIG REFUND
11. SHARE/BORROW EITC DEPENDENTS
12. IRS AGENT COMES TO YOUR HOME TO COLLECT



KEHOE TO LEAVE IRS

A report in the press says that Joe Kehoe, Commissioner of the IRS Small Business/Self/Employed Operating Division will leave the IRS in early April. Kehoe has been with the IRS 3 1/2 years, following 26 years with Pricewaterhouse Coopers.



TAX INFORMATION FROM THE IRS PROVIDED BY SB/SE TAXPAYER EDUCATION AND COMMUNICATION, LITTLE ROCK, AR

The Internal Revenue Service announced the creation of a new Office of Professional Responsibility as part of its ongoing modernization effort and the appointment of Brien Downing as director.



The office of Professional Responsibility will be charged with enhancing the oversight of tax professionals. It replaces the office of the Director of Practice. "The creation of the office of Professional Responsibility and the appointment of a senior executive to lead the office are examples of our continuing commitment to ensuring the integrity of the American tax system and recognition of tax professionals as an integral part of effective tax administration," said Acting Commissioner Bob Wenzel.

As Director of the Office of Professional Responsibility, Downing will lead an organization responsible for licensing "enrolled agents," who are tax professionals who have met the requirements to represent clients before the IRS. His office will investigate allegations of misconduct and negligence against agents, attorneys, accountants and other professionals representing taxpayers before IRS.

The new office will have more than twice the staff that was available under the previous organization. With the additional resources, the Office of Professional Responsibility will thoroughly concentrate on enforcing the standards of practice for those who represent taxpayers before the IRS as detailed in Circular 230.

"My office will coordinate its efforts with the associations of tax professionals in dealing with representatives who fail to meet the standard of professional conduct," Downing said. "Tax professional organizations are close working partners with the IRS and they understand the problems that result when members abuse the tax system. The creation of this office is a direct result of the concerns of the professional organizations."

Downing is a career IRS employee with 30 years in tax administration. For the past 10 years, he has served in a wide variety of executive positions. Most recently, Downing was the Director of Accounts Management in the IRS Small Business/Self Employed Division.

Patrick McDonough, formerly the Director of Practice, will continue as the Executive Director of the Joint Board for the Enrollment of Actuaries, where he will be able to direct all his efforts toward enrolling actuaries and monitoring their conduct and continuing professional education. Enrolled Actuaries are individuals who specialize in the sections of the law governing the funding of employee pension plans. The Joint Board is an independent federal body, created by the Employee Retirement Income Security Act of 1974 (ERISA) and charged with responsibility for enrolling individuals to perform actuarial services for plans.




TECHNOLOGY 2003

Gear Up's exciting new technology seminar has been updated for 2003 with all of the newest practical technology tips - networks (including wireless), security concerns and blocks, electronic filing cabinets, new software for productivity, speed and applications.


The only seminar of its kind in America, last years' attendees stated, "It was the most useful seminar they have ever attended", and it's all live and interactive.

- America's only LIVE-HANDS ON all day Technology seminar with equipment, Internet and software used that you need to use in your practice-all visible to the entire audience on large screens.
- What's New? We will start the morning by reviewing all the latest technology tools-storage, wireless, software, security, productivity, etc.
- The novice user will be pleased with our new reference section for the "basics" and our easy-to-understand format.
- The experienced user will learn about what's new, what can help your office, and what doesn't work.
- Hands on demonstrations and application tips for productivity oriented software-throw away your fax machine, throw away your file cabinets, throw away your calendars, throw away those file copies, throw away those e-file forms (New little-known IRS rule change) and stop your copying because where we're going we don't need paper!
- Checklists, planning steps and guidelines to lead your through all of the processes,
- Software, guidelines, evaluations and suggestions:
 - Which software to use and which ones to avoid , including price guidelines
 - Little known tricks and traps to get the best and remove the worst from your software.
 - How to utilize the latest hardware in your business with "hands-on" examples.
 - Remote office tools-who needs an office with these tools!
 - Website application tips-we will show you how to set that website on fire!
 - Hot new marketing ideas with technology, cd and dvd burners-you name it, we will try it and tell you what works and what doesn't.
 - Grab that client signature electronically, no need for paper engagement letters- we will show you how.


Answers to all of your small business computer questions: Your speakers encourage and answer your questions.

And the Famous Bob Jennings will be our speaker on June 6 & 7. Be sure to attend on just one of these days. You will get all this and more. 


ROTH IRA DISTRIBUTIONS BECOME TAX FREE THIS YEAR

If you have clients who opened a Roth IRA in 1998, the five-year requirement for tax free distributions passed January 1, 2003. If the client is 59 1/2, he/she can now take distributions from such a Roth IRA, without tax. If he/she converted to a Roth in 1998 and are not 59 1/2, you can withdraw the converted amount (but not earnings) tax and penalty free. 


IRS AMNESTY OFFER

The IRS has begun examining credit card records to identify taxpayers who maintain unreported foreign bank accounts and use credit cards to tap them. But now it is offering amnesty to taxpayers who voluntarily report such accounts, letting them escape criminal prosecution and civil fraud penalties. To obtain amnesty, individuals must pay back taxes plus interest and certain penalties, and tell the IRS about promoters and give the details of their tax avoiding schemes. IRS News Release IR-2003-5 

PAYING THE IRS WITH JEWELRY DOESN'T HELP

An individual with outstanding tax debts sent a letter to the IRS conceding "defeat" and enclosing two rings "for the benefit of the U S Treasury." The IRS tried to return the rings but couldn't, so it gave them to the General Services Administration (GSA), which manages US property. 

IRS LEGAL

Opinion: Although the IRS may levy on a taxpayer's property to collect taxes, it had not done so here and had no authority to take the rings in payment for tax. Thus, while the GSA may sell the rings for the benefit of the US, the proceeds should not be remitted to the IRS - and so will not be credited to the individual's tax bill. 

FORMER IRS COMMISSIONER ADMITS HIS AGENCY NEEDS HELP

Initially, Charles Rosotti was hailed as the savior of failed efforts to modernize the IRS. But the recently departed commissioner now acknowledges that, although there has been significant progress made in the way the

IRS operates, the Service is at risk if Congress does not allocate adequate resources. Problem: The sharp decline in the number of IRS audits makes it easier for taxpayers to cheat on their returns and get away with it. Big picture, billions of dollars of taxpayer money have been wasted in failed computer modernization programs that were supposed to cure operating problems at the IRS.



DIVORCE TRAP

Payments intended as child support may be alimony. A divorce decree required the husband to pay his wife "family support" equal to 29% of his income plus \$150 per month. The RS taxed all the money to the wife as alimony, but she said only the \$150 was alimony and the 29% was non-taxable child support. Tax Court: the 29% was intended to serve as child support, the divorce court judge and court papers referred to it as such, and it was to be reduced as the children left home. But the Tax Code requires child support to be specifically described by the divorce decree as such. That wasn't the case here, so all the "family support" is taxed as alimony. Carrie A. Lesnik, TC Summary Opinion 2001-72.



EXECUTOR'S TRAP

The executor of an estate incurs personal liability to the IRS for estate taxes owed by the state, and may not be able to escape liability even by declaring bankruptcy. Case: Daniel Tomlin served as executor of this father's estate. When estate taxes went unpaid, the IRS held him personally liable for them. He declared Chapter 7 bankruptcy to escape the tax bill. COURT: Under state law, the executor of an estate has a fiduciary duty to pay the estate tax - and federal bankruptcy law states that a debt that results from violating a fiduciary duty cannot be discharged in bankruptcy.



OFFICERS & GOVERNORS 2002 - 2003

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CALENDAR OF EVENTS

| When | Where | What |
|------------------------|------------------------------------|----------------------------|
| June 5, 2003 | TBA | Board Meeting |
| June 6-7, 2003 | Holiday Inn Select, Little Rock | Gear Up Technology Seminar |
| July 23, 2003 | TBA | Board Meeting |
| July 24-25, 2003 | Holiday Inn Select, Little Rock | Gear Up Accounting Seminar |
| September 23, 2003 | TBA | Board Meeting |
| September 24, 2003 | Holiday Inn Select, Little Rock | Convention |
| September 25-26, 2003 | Holiday Inn Select, Little Rock | Gear Up BE Seminar |
| December 16, 2003 | TBA | Board Meeting |
| December 17 & 18, 2003 | Robinson Center & Doubletree Hotel | Gear Up 1040 Seminar |