

# Arkansas Public Accountant

*A Publication of the Arkansas Society of Public Accountants*



**February 2004**

• **FROM YOUR**  
**PRESIDENT'S PEN** •



Dear Members:

At the time of this writing, the legislature is still in the special session. However, there is plenty of doubt as to what they should do seeing that they have been unable to come to an agreement on education in Arkansas. While education and consolidation is in limbo, so is how to pay for it. ASPA is keeping close watch on this issue. Several bills have come before the legislature to place a sales tax on professional services in an effort to raise revenue. So far, none of them have made it out of committee. We are continuing to monitor this and will doing everything possible to fight it.

I have one tip or request for you this tax season. We all tend to get chained to our desks with clients coming in one after another. Bad things can happen to you if you sit too long without moving around. Try and get up and walk around at least once an hour, even if it is just walk around your desk.

Tax season is here and April 15<sup>th</sup> seems like a long time away right now. At the beginning of tax season, I always take a minute to reminisce about my first tax season and think about that first client.

I was in a different office than I am now; however, still in the same building. The phone was setting on the left side of my desk. My computer monitor was just behind my phone next to the wall. Yes, I started preparing taxes in the age of computers. I know many of you began preparing taxes before computers were even invented. I have only heard stories of how it used to be. Manually

## Topics Covered in this Newsletter

**NEW YEAR'S RESOLUTIONS  
FOR A PROFESSIONAL**

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

**A VALENTINE STORY**

writing on the form, making tax forms from transparencies, using an overlay, or chipping the form out of stone, those are just some of the stories I've heard. But thank goodness I started in the day of the computer. But I digress.

I can remember receiving that page on the phone and a voice asking me if I was ready for a tax client. I think my response went something like, "I g-g-guess so." Someone brought the client back to my office and I invited him to set down. There were two chairs that sat in front of my desk and he chose the left one. We exchanged introductions in an effort to break the ice. I quickly began to enter data into the computer for his tax return as he sat there in front of me. Out of the corner of my eye, I spotted him looking around the room, probably looking for a certificate or some other piece of paper of reassurance that said that I knew what I was doing. I think I managed to distract from his search with my incredible typing skills and a few questions. My hands and fingers were like ice, which by the way, made it very difficult to type. I think I used the backspace key more on that return than all the combined returns since.

I did manage to eventually finish the return and the client the left. If you were wondering, he was smiling when he left, or maybe just happy to get out of my office. I remember only having to call him two or three times to get additional information from things that I forgot to ask while he was in my office. So whenever I get that first client of the new season, I think back to where I started and recollect about the good ole days.

Sincerely,

Brian  
**Brian L. Thompson, CPA**  
President, ASPA

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*A lot of people don't have much to say, and that's fine. The trouble with some of them is you have to listen a long time to find it out.*

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*Psychologists say that if you ask people to write down on a piece of paper all their personality strengths, they will come up with only five or six. Asked to do the same for their weaknesses, the list will be two or three times as long.*

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District Governor's Column

*NEW YEAR'S RESOLUTIONS  
FOR A PROFESSIONAL*

*Happy New Year!*

When we think of a new year, we think of new beginnings and of ways in which we can improve ourselves. Many of us use the opportunity to set new goals by making New Year's Resolutions. Most of our resolutions are personal in nature, but maybe this is the year to think seriously about setting some professional goals for ourselves. Maybe, in fact, you will join me in adopting the following professional- related resolutions:

I shall expand my personal knowledge and expertise by selecting and attending seminars on a variety of topics including at least one in an area I haven't taken in the past five years.

I shall serve my clients better through improved and timely communication by means of phone calls, update letters, or newsletters.

I shall enhance my professional image and improve my self-image by seeking a new credential – CPA, ABA, ATA, EA, or the Elder Care Specialist designation offered by ACAT.

I shall become more valuable to my clients by offering a wider variety of services and identify a specific niche in which to specialize, such as retirement planning, eldercare services, business valuation or payroll services.

I shall strengthen my ethical Awareness by reviewing NSA's or AICPA's Code of Ethics and Rules of Professional Conduct and IRS Circular 230; and I shall take at least one course in professional ethics.

I shall identify and maintain membership in at least one national and state professional society.

I shall take fuller advantage of beneficial networking opportunities provided by meetings with other practitioners.

I shall become active in a professional Society at either the national, state, or chapter level and assist in furthering its goals by donating time, talent,

effort and funds.

I shall pay my organizational dues on time.

I sincerely hope that 2004 finds you and yours happy, healthy, and prosperous.

Wanda Samek  
District Governor  
NSA District VIII

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

Treasury Issues Rules to Increase Transparency and Halt Abusive Tax Avoidance Transactions

*Reins Tightened on Lawyers, Accountants & Other Tax Advisors*

The Treasury Department and the IRS issued four items of administrative guidance as part of their ongoing effort to halt abusive tax avoidance transactions and maximize effective use of IRS audit resources. The first of the items released today is aimed at strengthening the tax system through heightened standards for tax advisors. The other three are aimed at increasing transparency and disclosure of information to the IRS. Improved disclosure coupled with more effective use of the information disclosed are central to the Treasury Department and IRS's strategy for identifying abusive tax avoidance transactions early and addressing them promptly. In addition, the transparency that disclosure brings

services as a deterrent to abusive tax avoidance transactions.

“Taken together, the actions we are announcing today represent another significant step to end the proliferation of abusive tax avoidance transactions that has undermined confidence in our tax system.” Said Treasury Assistance Secretary for Tax Policy Pam Olson. “We are proposing a set of best practices that makes clear that tax professionals should adhere to the highest ethical standards and ensure that their clients are well-advised of the law and any risks they are taking.”

Proposed changes to Circular 230 that set high standards for the tax advisors and firms that provide opinions supporting tax-motivated transactions.

The proposed rules set out clear and specific requirements for tax opinions provided by attorneys and accountants and expectations for those with supervisory responsibility for a professional services firm’s tax practice.

In an effort to halt the rush to the bottom that pervaded the 1990s and restore the confidence of the public in tax professionals, the proposed changes also describe best practices for tax advisors and call on professional services firms to put in place procedures for all of the firm’s personnel that are consistent with these best practices.

To ensure clients are well-advised, the proposed changes would obligate tax advisors to inform

clients explicitly about what protections, if any, an opinion provides to the client. For example, tax advisors would have to advise clients about issues that the opinion does not address and warn the client if the opinion will not protect the client against penalties.

The Treasury Department and the IRS are working with professional organizations to promote best practices among tax professionals through setting aspirational standards and self-regulation. The proposed changes would put in place a framework for that effort.

The proposed changes replace changes proposed in January 2001. They reflect a careful consideration of the comments received on the January 2001 proposals and information gathered by the IRS in its audit of professional services firms’ compliance with the tax shelter rules.

Final regulations that will increase the cost of failing to disclose abusive tax avoidance transactions. The regulations also apply to taxpayers who do not disclose that they have reported items on their tax returns that are based on the position that a Treasury regulation is invalid. Under the final regulations, for purposes of the imposition of penalties, a taxpayer’s failure to disclose an abusive tax avoidance transaction is treated as a strong indication that the taxpayer acted in bad faith with respect to any additional tax owed as a consequence of the transaction. Similarly, taxpayers who do not disclose items that are based on advice that a Treasury regulation is invalid

will be deemed to have acted in bad faith with respect to any additional tax that is owed as a consequence of those items.

“We are taking the administrative steps we can under current law to create downsides for those who choose not to disclose my making it clear that failing to disclose significantly increases the likelihood of penalties being imposed,” continued Assistant Secretary Olson. “Having the IRS hunt for an abusive transaction hidden on a tax return is a waste of IRS resources. If a taxpayer is willing to enter into a transaction, then the taxpayer should be willing to disclose that transaction on its return.”

Revised final regulations clarifying that the disclosure of confidential transactions on a return is limited to transactions for which a promoter has imposed confidentiality on a taxpayer to protect the promoter’s tax strategies from disclosure. The revisions are intended to reduce unnecessary paperwork for taxpayers and advisors and to allow the IRS to focus its attention on transactions with potential for abusive tax avoidance, not on transactions for which confidentiality is required for non-tax reasons.

“We continue to believe that sunshine is the best disinfectant for abusive transactions,” noted Assistant Secretary Olson. “Ensuring that the rules are focused appropriately on the transactions with potential for abusive tax avoidance will further that goal. Burdening taxpayers and burying the IRS with useless paper will not. As a consequence, we have narrowed the disclosure

of confidential transactions to situations in which the promoter imposed confidentiality to keep the promoter’s tax strategy out of view.”

Proposed new Form 8858 requiring information reporting by U.S. persons that own foreign entities that are disregarded for U.S. tax purposes. The need for information is not limited to the area of abusive tax avoidance transactions. Appropriately tailored disclosure and information reporting requirements provide the means to better focus the audit resources aimed at protecting the integrity of our tax system. Ready access to information allows the IRS to identify potential compliance issues efficiently and is critical to achieving the IRS’s commitment to reducing the time needed to complete an audit. The proposed Form 8858 will be required for annual accounting periods beginning after December 31, 2003. Comments on the text of the proposed new Form 8858 are requested from the public by March 1, 2004.

“Lack of information increases the time it takes for the IRS to identify and address potential compliance issues efficiently and effectively,” Assistant Secretary Olson stated. “The proposed new form will increase transparency for offshore entities, allowing the IRS to better focus its resources and improve compliance. The disclosure will also have a deterrent effect.”

“The Treasury Department has adopted measures that do as much as possible to stem abusive tax avoidance transactions without legislative change. We urge Congress to pass the legislation

the Treasury Department and IRS proposed in March 2002 to deter abusive tax avoidance and facilitate the upfront identification of questionable transactions,” concluded Assistant Secretary Olson .

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If you need additional information related to the above topics, please contact the local Taxpayer Education and Communication office at 501-324-5328 ext. 276.

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### A VALENTINE STORY

An old man got on a bus one February 14, carrying a dozen red roses. He sat beside a young man. The young man looked at the roses and said, “Somebody’s going to get a beautiful Valentine’s Day gift.”

“Yes,” said the old man.

A few minutes went by and the old man noticed that his young companion was staring at the roses. “Do you have a girl friend?” the man asked.

“I do,” said the young man. “I’m going to see her now. I’m bringing her this.” He held up a

Valentine’s Day card.

They rode along in silence for another 10 minutes, and the old man rose to get off the bus. As he stepped out into the aisle, he suddenly placed the roses on the young man’s lap and said. “I think my wife would want you to have these. I’ll tell her that I gave them to you.”

He left the bus quickly, and as the bus pulled away, the young man turned to see the old man enter the gates of a cemetery.

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Let us all take time out of our busy schedule to recognize those we care about on this Valentine’s Day.

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May I be the first to wish all of you a

**HAPPY VALENTINE’S DAY!**

SEE YOU NEXT MONTH UNTIL THEN  
HAVE A VERY NICE DAY!



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

P.O. Box 725  
Newport, Arkansas 72112  
llonga@ipa.net  
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)

Do Not Write Below This Line

State Member Approving Membership

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Signature

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Date

Sponsor, If Any

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\*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.

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## FOR YOUR INFORMATION

The ARKANSAS PUBLIC ACCOUNTANT is the monthly publication of the ARKANSAS SOCIETY OF PUBLIC 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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