



ARKANSAS SOCIETY OF • ACCOUNTANTS

RESPECTED ACCOUNTING PROFESSIONALS SERVING OUR COMMUNITIES

Monthly Newsletter

August 2006

Priority Issues for Upcoming Year
Telephone Tax Refund for All
IRS Online Payment Application Agreement
Trouble with AT&T Stock Basis

• FROM YOUR PRESIDENT'S PEN •



Dear Members,

As I write this article, the annual accounting seminar is only days away. This seminar represents the only CPE our society offers covering the practice areas of compilations and reviews. I hope this seminar is well attended.

As summer heats up, it is time for all of us, as members of the Arkansas Society of Accountants, to make plans to attend our annual convention and business meeting. As always the convention and business meeting will be held in conjunction with the Gear Up business entities seminar on September 27, 28, and 29, at the Holiday Inn Select in Little Rock. Please plan to attend, not only the business entities seminar, but the ASA annual business meeting on the 27th as well. This is the time that we, as ASA members, elect officers for the coming year; and conduct the business of our Society. Your participation is needed.

The Gear Up 1040 seminar will be sponsored by the ASA two times this year.

The first will be in Little Rock on November 16, 17 at the University Hilton. The second presentation will be in Springdale on November 30 and December 1. Check the ASA website, www.arspa.org, for all of the details. As most of you know, we will get a new tax bill in some form or fashion this year. This new tax bill alone is enough reason to make your plans to attend one of the 1040 seminars.

The streamlined sales tax project appears to be something that all of us need to stay informed about. For all of the particulars on the SSTP, visit www.streamlinesalestax.org. This initiative could generate some confusion on the part of our clients. The more we know about the SSTP, the better equipped we will be to answer our clients questions.

I hope that you are having a wonderful summer, and I look forward to seeing you at the upcoming seminars, and our annual convention.

Sincerely,

Bryan K. Johnston. CPA
President, ASA

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NATIONAL TAXPAYER ADVOCATE RELEASES REPORT TO CONGRESS; IDENTIFIES PRIORITY ISSUES FOR UPCOMING YEAR

Washington: National Taxpayer Advocate Nina E. Olson today delivered a report to Congress that identifies the priority issues the Office of the Taxpayer Advocate will address in the coming fiscal year. These issues include the rules governing the use or disclosure of tax return information by return preparers, a recently imposed requirement that taxpayers submitting lump-sum offers in compromise make a

down payment of 20 percent of the amount of the offer, IRS guidelines in evaluating “non-hardship effective tax administration” offers, and the importance of safeguarding taxpayer rights as the IRS rolls out its private debt collection initiative. Olson also released a report, presented as Volume II, that examines the roll the IRS plays in facilitating the refund anticipation loan (RAL) industry, and makes recommendations to improve refund delivery to taxpayers, including the “unbanked.”

The Advocate’s report, which is required by law, notes that the IRS is under significant pressure to both reduce the tax gap and to maintain and improve taxpayer services. The report commends the IRS for adopting a more strategic approach to these objectives. “I am concerned, however, that the IRS is approaching its taxpayer service and enforcement initiatives almost entirely on separate tracks,” Olson writes. “In the IRS today, enforcement employees work on enforcement initiatives and taxpayer service employees work on taxpayer service initiatives, and never the twain shall meet.” Citing the offer in compromise as an example, Olson maintains that incorporating high quality service within enforcement initiatives will ultimately help bring noncompliant taxpayers into compliance and thus reduce the tax gap.

The report sets out the objectives of the Office of the Taxpayer Advocate for the upcoming fiscal year and provides substantive analysis of issues as well as

statistical information. The report identifies four areas for particular emphases in FY 2007:

1. Rules Governing the Use or Disclosure of Tax Return Information by Return Preparers. The statute and regulations governing what tax preparers may do with confidential tax return information they receive from their clients were written in the 1970s. To make the rules more applicable to e-filing and other changes that have occurred over the past 30 years, the IRS issued proposed regulations late last year. Olson states that the proposed regulations provide more protection to taxpayers than the existing regulations. She acknowledges that some improvements to the proposed rules can be made, and she advocates for limiting the use and disclosure of tax return information solely to instances where it is necessary for tax administration purposes.

2. New Partial Payment Requirement with Submissions of Offers in Compromise. A taxpayer who is unable to pay his or her tax liability in full may seek to compromise the debt by submitting an "offer-in-compromise." The offer program is a good deal for both the government and the taxpayer. The government benefits because it frequently collects more than it would in the absence of the program and the taxpayer is induced to pay taxes on time and in full in the future; a taxpayer whose offer is accepted must remain fully compliant for 5 years into the future or face a reinstatement of the compromised tax

debt. The taxpayer benefits because he or she is able to make a fresh start. Legislation enacted this year will require taxpayers who submit "lump sum" offers to make a down payment of 20 percent of the amount of the offer with the submission. Olson writes that this requirement "will reduce the number of viable offers the IRS receives, increase the number of accounts not resolved, and reduce the amount of revenue collected." Her office is working with the IRS and the Treasury Department to implement the requirement, and she intends to make a legislative recommendation to repeal the requirement in your year-end report to Congress.

3. Guidance on Non-Hardship Effective Tax Administration Offers. In 1998, Congress expanded the authority of the IRS to compromise tax debts by directing it to consider equity, public policy, and hardship in cases where doing so would promote effective administration of the tax laws. The Advocate has criticized the IRS in prior reports for reading this authorization too narrowly. In 2004, the IRS developed unsigned and unpublished internal guidance that it has been using to evaluate non-hardship offers. The Advocate writes that the IRS should make this guidance public to assist taxpayers and their representatives in determining whether they may qualify for relief and to make clear what standards they need to meet. The Advocate also believes that this guidance should be made more widely available within the IRS. This year she will push

within the IRS for broader dissemination of the guidance.

4. Private Debt Collection Initiative. In 2004, Congress granted IRS the authority to use private debt collectors to collect certain tax debts, and the IRS is now working actively to implement the initiative in the coming months. Olson has previously stated her opposition to this initiative, citing risks to taxpayer privacy and confidence in the federal tax system. In FY 2007, Olson's office will monitor the initiative closely – with respect to both specific cases and systemic issues – and will immediately share any significant observations or concerns with the IRS and Congress. Olson's office will also try to track the amount of "re-work" the initiative creates for the IRS and taxpayers to help facilitate comprehensive and accurate return-on-investment calculations to assist in evaluating the program.

In Volume II of the report, Olson states that the IRS facilitates RALs by not conducting sufficient oversight of Electronic Return Originators (EROs) that retail RALs by not promulgating stricter protections for taxpayer privacy with respect to the Debt Indicator, and by failing to develop a fast, secure and free refund delivery option for "unbanked" taxpayers. Moreover, she states that the IRS's rule permitting an ERO to purchase up to a 49% ownership interest in RALs creates a conflict between the ERO's and the taxpayer's financial interests.

TELEPHONE TAX REFUND FOR ALL

After losing a string of court cases, the US Treasury has finally conceded that the 1898 federal excise tax on long-distance service is antiquated and that businesses and individuals are entitled to refunds. Refunds will apply to excise tax billed since February 28, 2003, and will include interest. Individuals, who will claim refunds on their 2006 returns, will be given the option of claiming the actual excise tax they paid or a standard amount to be set by the Treasury Department and the IRS. Businesses will have to calculate the actual tax paid.

THE REGISTRATION FORMS FOR THE GEAR UP 1040 SEMINAR TO BE HELD IN TWO LOCATIONS – LITTLE ROCK AND SPRINGDALE ARE NOW POSTED ON THE WEB SITE: www.arspa.org AND THE CONVENTION AND BUSINESS ENTITIES SEMINAR IS ALSO POSTED THERE. BE SURE TO REGISTER EARLY AND TAKE ADVANTAGE OF THE DISCOUNT

August 1, 2006

From Jim's Desk:

A message from your District VIII Governor-

This will be my final letter as your District VIII Governor. I have truly enjoyed holding this wonderful office and I truly have mixed feelings about leaving it. I have had a wonderful time traveling around the district and representing you on NSA's Board of Governors. No experience in my life thus far has come close to the pride I feel holding this office. I know that you will extend the trust and kindness toward our next District VIII Governor as you have to me.

I would like to thank all my friends in New Mexico, Louisiana, Texas and Oklahoma who extended me such a warm welcome at the state conventions this June and July. I had a wonderful time and wish your new Officers and Governors the best of everything this coming year. You are all very talented and I feel certain that great things will be happening this year in District VIII.

To my friends and colleagues in Arkansas I want to extend special thanks for your friendship and support over the past two years. You have two great leaders in Donny and LaVerne and several "rising stars" in your organization. I suspect that in coming years, we will also be hearing from them as they continue their involvement in ASA

and NSA.

NSA and its Affiliated State Organizations are strong, viable organizations because of commitment and involvement. Yes it takes time away from our businesses, but I feel that such time is being spent in worthwhile endeavors. Without individual involvement, whether on the state or national level, our organizations cannot hope to continue to effectively represent our membership and profession. Every ASO in District VIII is well known in their state Legislature and respective Boards of Accountancy. We are leaders in providing CPE to members and non-members alike.

We cannot back down and take back-seat rolls. There are always those out there who would seize the opportunity to increase themselves at our and the public's expense.

Whether your inclination for involvement is at the state or national level, my final thoughts to you are: BE INVOLVED, if your not involved, GET INVOLVED, if you are involved, STAY INVOLVED. That is how we maintain ourselves and pass these wonderful organizations and their heritage on to the next set of leaders.

Jim Nolan

**IRS LAUNCHING ONLINE
PAYMENT AGREEMENT
APPLICATION**

Issue Number: IR-2006-119

Washington: Tax professionals are helping launch a new system that will allow many individuals who owe delinquent federal taxes to apply online for a payment agreement, the IRS announced today.

The IRS is implementing the new Online Payment Agreement (OPA) application through national partnerships with the tax professional community. Members of tax professional organizations are using OPA to apply for payment agreements for clients who owe taxes. This application will eliminate the need to write or call the IRS toll-free number for assistance. When fully implemented, OPA will provide an easier way for taxpayers on their own or with the help of tax professionals to voluntarily resolve tax liabilities.

“This new system reduces taxpayer burden by providing the convenience of online service during extended hours and on weekends,” said IRS Commissioner Mark W. Everson. “Taxpayers can set up an agreement and arrange for payment options including automatic payments through direct debit or payroll deduction.”

The IRS estimates that 90 percent of taxpayers who qualify for a payment agreement will be able to obtain one through OPA once the application is available to the general public

later this year.

TROUBLE WITH AT&T STOCK BASIS

The stock of AT&T was long the most widely held in the United States.

But, as a result of the many split offs and mergers involving AT&T since 1984, former AT&T shares today exist in the form of shares of the many companies created in whole or in part from it (such as Verizon, Lucent, NCR and Comcast).

Moreover, AT&T itself recently merged with SBC Communications, which itself was spun off from the original AT&T, with the new combined company calling itself “AT&T.”

For longtime holders of AT&T shares, and the shares of other firms received for original AT&T shares, computing tax basis in them to determine gain or loss on a sale has become extremely complicated.

Check the basis calculator of all AT&T-related stocks at www.attaxcalculator.com. Available in on-line and CD versions. Cost \$19.95

Have a happy day!



**APPLICATION FOR MEMBERSHIP IN
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ACCOUNTANTS**

P.O. Box 725
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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
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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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