



ARKANSAS SOCIETY OF • ACCOUNTANTS

RESPECTED ACCOUNTING PROFESSIONALS SERVING OUR COMMUNITIES

Monthly Newsletter

July 2006

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A Message from your District VIII Governor
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• FROM YOUR PRESIDENT'S PEN •



Dear Members,

It seems that every letter that I have written for this newsletter either starts or finishes with the same topic, continuing professional education. I am sorry to say that this letter will be no different. The primary member benefit of the Arkansas Society of Accountants is our ability to provide quality educational opportunities, at competitive prices, to our members.

By the time you read this letter, you should have already signed up for our Compilation and Review seminar scheduled for July 26th and 27th at the Holiday Inn Select in Little Rock. If you have not signed up, you may do so by visiting the ASA website at arspa.org.

Our annual convention is just around the corner. Our president-elect, Ronny Woods, has scheduled a QuickBooks seminar for the first day of our convention. If you have clients that use QuickBooks accounting software, this will be a must-attend seminar. Following the QuickBooks seminar and our annual business session, we have scheduled the Gear Up business entities seminar

for September 28th and 29th. The annual convention, and the Gear Up business entities seminar will also be held at the Holiday Inn Select in Little Rock.

If you are looking for a summer getaway combined with some quality CPE, checkout the NSA website at nsacct.org. The National Society of Accountants annual meeting will be held in Providence, Rhode Island on August 16th through 19th. If you are thinking about attending the NSA annual convention, contact LaVerne for delegate information.

Some of you may not be aware that Tom Ed Simmons, our second vice president, replaced Robin Clatworthy on the Arkansas State Board of Public Accountancy. The next time you see Robin; thank him for his service to our profession; and when you see Tom Ed congratulate him on his appointment to the Board.

I look forward to seeing each of you in Little Rock later this month for the accounting seminar.

Sincerely,

Bryan K. Johnston. CPA
President, ASA

IRS OFFICE OF TAXPAYER BURDEN REDUCTION PARTNERS WITH PUBLIC TO MAKE COMPLYING WITH TAX LAWS EASIER

WASHINGTON—The Internal Revenue Service's Office of Taxpayer Burden Reduction is soliciting recommendations from members of the public on ways to reduce taxpayer burden. Taxpayer burden is defined as the time and money taxpayers spend to comply with their federal tax obligations. An example of taxpayer burden could be the average time and expense required to file a tax form.

The Office of Taxpayer Burden Reduction encourages tax professionals, business owners and others to submit their proposals for ways to reduce burden by using referral Form 13285A, Reducing Burden on America's Taxpayers. The form requests a specific description of the problem as well as a description of the proposed solution and the type of taxpayers or businesses that are affected. More information on completing the form is available on the IRS Web site at IRS.gov.

Established in early 2002, the Office of Taxpayer Burden Reduction provides direction and leadership for burden reduction efforts, such as the simplification of forms and publications and stream-lining of internal procedures. The office's project managers work with specialists from all divisions and functions of the IRS and consult with outside experts, such as tax professionals, business groups and state and federal agencies.

This year there are several initiatives coordination through the Office of Taxpayer Burden Reduction that are designed to help

ease taxpayers' burden in complying with federal tax laws. They include:

AMT Assistant for Individual Taxpayers

The AMT Assistant is a new online tool that helps individual taxpayers determine whether they are potentially subject to the alternative minimum tax (AMT). More information is available in the Newsroom on IRS.gov.

Streamlined Extension of Time to File

Taxpayers are able to request an automatic, six month tax-filing extension for most common individual and business returns. The new regulations make this option available to most non-corporate business taxpayers, including partnerships and trusts. Additional information on extensions for individuals and businesses is available on IRS.gov.

Simplified Tax Filing Requirements for Small Employers with Form 944

Beginning January 1, 2006, certain employment tax filers are able to file the new Form 944, Employer's Annual Federal Tax Return, once a year rather than filing Form 941, Employer's Quarterly Federal Tax Return, four times a year. The first Form 944 is due January 31, 2007. For additional information, visit the newsroom.

Revised Schedule K-1 for Partnerships, S-Corporations and Trusts

The Internal Revenue Service revised Form 1041 Schedule K-1 for this year's filing season. The schedule has been simplified to reduce common errors and the burden associated with preparation and filing requirements.

Schedule K-1 for Forms 1065 and 1120S were revised last year. More information is available at IRS.gov regarding the new K-1 for trusts as well as the revised K-1s for partnerships and S-corporations.

The IRS often partners with members of the public, tax professionals, businesses and other to obtain input on a variety of issues relating to tax administration. Partnership may take the form of formal committees and programs or less formal activities such as requests for comments on proposed guidance.

BE SURE TO REGISTER FOR THE ACCOUNTING AND ETHICS SEMINAR THIS MONTH IN LITTLE ROCK. REGISTRATION FORM IS AVAILABLE ON OUR WEB SITE @ www.arspa.org

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From Jim's Desk:

A message from your District VIII Governor

Well, summer is here and I'm out on the road at the moment attending the New Mexico Society Annual Convention. In a few days I'll be in Louisiana for their convention. In July I'll be heading to the Texas convention and later attending my home state convention in Tulsa.

You'll hear more about some of the following items when I visit your state convention this summer. For our members in Arkansas, please know that I am forwarding to your Society the document that I speak from when giving my Governor's report at the conventions this summer. That way you too will get the full update.

I hope many of you have not only received your information on the NSA Convention in August, but hopefully District VIII will be well represented at the meeting. Our district has one of the best records on convention attendance, usually with one or more states having "full" delegations. I know Providence is a long way off and it's not the cheapest place in the country, but please be aware that District I (basically the New England states) hasn't had a convention in a while and it should help NSA overall to have some activities in the northeast for a change. Next year the convention will be in Portland, OR and the following year in Kansas City.

There is a bunch of really neat convention activities planned as well as some great CPE. Please make an effort to attend – you'll be glad you did.

The Accounting Standards committee now has the Tax Accounting Guidelines for Small

Business (TAGSB) available on the NSA web page. TAGSB is for those practitioners who are not directly regulated by the State Board of Accountancy and is an alternative financial statement presentation to GAAP. There will be a segment in the CPE sessions at the National Convention on TAGSB, so if you want to know more about it, plan on attending the convention.

I am very pleased to report that the Scholarship Foundation has made tremendous strides this year in cutting overhead expenses of administering the scholarships. This is mainly reflected in next year's budget which call for about a \$30,000 reduction in the reimbursement from the Foundation to NSA for overhead. Great going Foundation Trustees Norma Jean Ogle and Deane Wymer!

The Foundation has given out around \$39,000 in scholarships to students plus \$10,000 to help underwrite the cost of NSA's Accounting and Tax Symposiums. The restricted fund of the Foundation is just under \$560,000 at this time.

At last year's annual convention District VIII became the FIRST district to have all ASOs donate \$1,000 toward the Foundation's "Circle of Support." The "Circle of Support" funds are used to help cover the overhead expenses of running the Foundation and not to fund scholarships. This is a very critical element in the overall health of the Foundation. It's great to give away scholarships to worthy students. It's great to run a national scholarship program. But these things have direct cost associated with them that must be paid for and the "Circle of Support" is one of the main sources. As a result of the success we enjoyed at last year's convention in District

VIII, earlier this spring I issued a challenge to my fellow Governors to match District VIII's response and encourage the ASOs in their respective states to this year donate \$1,000 to the "Circle of Support" in addition to any scholarship funds they wish to contribute or have NSA administer for them.

Therefore I'm counting on District VIII to come through again with all states contributing to the "Circle of Support" (\$1,000 each) at this year's convention as well.

If NSA is to have a scholarship program, it must be paid for somehow. NSA does not have sufficient general funds available to do this once we cover general NSA overhead and fund our committees and programs such as our legislative efforts and our educational programs.

NSA needs its ASOs and the ASOs need NSA. It's that simple.

NSA's Right to Practice Committee has really had a busy year with testifying and meeting with Congressional leaders on Senate Bill 832 (licensing of all tax preparers) and with proposed changes to Circular 230. Bob Cross and his committees deserve everyone's applause and thanks for a job exceptionally well done.

Roger Berryman's SROC committee has completed the updating of the Synopsis of State Accounting Laws and it is also available on NSA's web page. That committee also has several District VIII members on it.

As of the May Board of Governor's meeting the following individuals are running for NSA elected office at the upcoming convention:

- District II Robert H. Sommer (NJ),
Re-election
- District IV Martha Bell (FL)
- District VI Charles O. Jones (AL)
Re-election
- District VIII R. Deane Wymer (OK)
- District X Norma Nick Taylor (CA)
Re-election
- Secretary/Treasurer
Donny J. Woods (AR)
Re-election
- Second Vice President
James H. Nolan (OK)
- First Vice President
Andrew T. Morehead (CO)
- President Robert H. Fukuhara, Jr. (HI)

ROTH OR TRADITIONAL IRA?

If your clients have money to save in an IRA should they be using a Roth or a traditional IRA? Here are factors to consider helping them arrive at the best decision for each case. They start out equal:

.....A traditional IRA provides a deduction on contributions, but distributions from it are taxable as ordinary income.

.....A Roth IRA provides no deduction on contributions, but distributions after retirement age can be totally tax free.

In a hypothetical world, when “all other things are equal,” these two arrangements are exactly equivalent, giving the same after-tax value to retirement savings in the end.

Example: A person in the 25% tax bracket today earns \$100 that he uses to fund an IRA contribution. It earns a 7% return for 20 years, and then it and the compound earnings on it are distributed while the individual is still in the 25% bracket. With A.....

....Traditional IRA the full \$100 is contributed to the IRA (unreduced because of its deductibility), then grows over 20 years to \$387-which, after 25% tax on distribution, leaves \$290.

....Roth IRA, the initial \$100 is reduced by 25% tax, leaving \$75 to put in the IRA, which grows over 20 years to \$290 tax free.

So, with all other things equal, the traditional and Roth IRA give the same result.

But in reality, it's very unlikely that all other things will be equal.

Expected changes in your future tax bracket can

I look forward to seeing you at your state convention and/or the national convention.

Until next time,

Jim Nolen

An IRS auditor has a new framed sign over his/her desk. Guess what it says?

“The customer is always wrong”

How whopping refunds hurt. The IRS has just announced that the average federal tax refund for 2005 returns, so far, tops \$2,400 – That's up 4% from 2004 returns. This is good news for Uncle Sam, who effectively had an interest-free loan from taxpayers of \$10 billion in refund money. It is bad news for taxpayers who lost the use of that money.

make either kind of IRA more attractive than the other. With a...

.....Traditional IRA, if one is in a higher tax bracket when deductible contributions are made than when taxable withdrawals are taken, one saves tax-wise. But if one is in a higher bracket when withdrawals are taken, one loses tax-wise.

.....Roth IRA, it's the reverse – the advantage accrues to one who is in a lower tax bracket when contributions are made than when withdrawals are taken.

Thus, Roth IRAs are generally advantageous for children and persons in their lower-tax-bracket, early earnings years, who expect to be in a higher tax bracket later in life.

With a traditional IRA, after reaching 70 1/2, annual distributions become mandatory, with the amounts based on life expectancy. If you don't really need the money to live on, this forces taxation on unwanted distributions at top rates.

No minimum distribution requirement applies to Roth IRAs. Thus, you can leave funds in them as long as you desire to receive additional tax-free compound investment returns.

Because of the lack of any lifetime minimum required distributions, one can plan to leave a Roth IRA to children or grand children who then may receive totally tax-free income from it at any age over their entire lives. Even a small amount left in such a Roth to compound over such a long time – perhaps several decades – may provide huge total returns to the children.

In contrast, pre-death mandatory annual required distributions from traditional IRAs reduce amounts that can be left to children through them – and if a traditional IRA is left to heirs, it will pay distributions that are taxable to them at top ordinary rates.

Distributions taken out of a traditional IRA funded with deductible contributions are subject not only to income tax, but also to a 10% penalty if withdrawn before age 59 1/2.

But contributions made to a Roth IRA can be withdrawn at any time tax free and without penalty—only earnings on contributions are subject to penalty if withdrawn prematurely.

Moreover, withdrawals from Roth IRAs are deemed to be made up of contributions first, until all are withdrawn.

A Roth IRA can serve as a tax-free source of funds at any time before retirement if necessary.

When a traditional IRA is converted to a Roth IRA, the converted amount can be withdrawn without penalty after five years.

SEE YOU AT THE ACCOUNTING SEMINAR JULY 26 & 27, 2006. DON'T MISS IT. IT WILL BE GOOD.



**APPLICATION FOR MEMBERSHIP IN
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www.arspa.org

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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.

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