



ARKANSAS SOCIETY OF • ACCOUNTANTS

RESPECTED ACCOUNTING PROFESSIONALS SERVING OUR COMMUNITIES

Monthly Newsletter

February 2009

Cell Phones as a Tax-Free Fringe Benefit

Debt Forgiveness

Crain's Corner

IRS Announces Two New Appeals Programs

• FROM YOUR PRESIDENT'S PEN •



Dear Members

Perspective

Webster's defines perspective in one of the following ways: "a proper evaluation with proportional importance give to the component parts"

Unfortunately I've been getting a great lesson in perspective this past week. It's the week of the first tax deadline, January 31. With a large bulk of our practice being centered around bookkeeping services, it is always a little crazy. We have the usual mad dash to get w-2's, 1099's, and a good close on all of our bookkeeping clients so we can start February with corporate returns. But this week has been different.

I received a frantic call on Sunday night from the key employee of one of our better clients. The client was embroiled in a bitter divorce and child custody dispute. Very tragically my client took his own life early Sunday morning. Three years ago this same client had asked me to be the executor of his estate. So I've spent most

of the week trying to deal with attorneys, red tape, families who don't get along, etc. It's been a huge lesson in perspective. I've been forced to look at the situation from many different viewpoints.

What's your perspective this tax season? Over the next three months we will encounter clients in many different circumstances. It's really easy for me to see clients from the perspective of my side of the desk. But this season we need to try a little harder to walk around the desk and see things from their vantage point. Seeing things through their eyes will always help us do a better job for our clients.

I know tax season sometimes makes you feel just like I have this week... like a fish swimming up stream. Expending tons of energy but not really going anywhere. We always end up taking care of the squeakiest wheels first. But with the economy in its current state, it's more important than ever that we actually listen to what our clients have to say. The advice we give, the extra deductions we find, these are part of what makes us the "most trusted advisors" and what set us apart from the "box store" preparers.

Tom Ed Simmons
President – ASA

Obama will move fast on tax cuts in 2009 in an effort to shore up the faltering U.S. economy. But key tax hikes will probably be delayed beyond 2009. Obama wants to give the economy time to get back on its feet before ending Bush's tax cuts for high-income earners. As of now, we think he'll succeed in reining in those in his party who are clamoring to raise taxes on upper-income taxpayers right away.

Claiming cell phones as a tax-free fringe benefit will get easier soon. Congress is prodding IRS to loosen rules that require taxing personal use of employer-provided cell phones and keeping detailed records of business usage. Under current IRS rules, workers have to document the business purpose, time and place of calls they make. Lawmakers say cell phone usage should be on a par with employee use of company desk phones or e-mail, which needn't be tracked.

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**GREETINGS FROM YOUR
DISTRICT VIII GOVERNOR**

Greetings:

Have you heard of IFRS? The International Financial Reporting Standard, promulgated by ISAB, is being super-promoted to replace GAAP, our General Accepted Accounting Principles, as the standard world-wide. Now, the Securities and Exchange Commission (SEC) along with other international bodies has joined in support of IFRS.

NASBA is taking issue with the rush to adopt this change. If the replacement of GAAP and the Financial Accounting Standards Board (FASB) does not involve all major vested

groups, particularly the largest accounting regulator in the world, the State Boards of Accountancy, we will be remiss. Ignoring State Boards in the process and all the licensed CPAs, the public will not be served.

In our profession, whether we do accounting, tax preparation, compilation, review or auditing, we have opportunity to provide services behind others who precede us. We have been able to see the work those others have done. Every barrel of apples is not of the same quality, although most all will have one apple or more that is 'bad'.

Can you remember the time when there were the "Big Eight" megas in existence? Do you remember the "Penn Square" debacle? Then, they were seven, six, five, four and etc. And, will it continue? Was our profession ahead of its time in using IFRS? It appears that some may have been using "principle based", a more "judgmental" approach, even before the IFRS term originated!

Just what does IFRS allow? IFRS appears to take the position as a "principle-based" approach to standard setting and implementation, rather than the prescriptive, less judgment-oriented "rules-based" approach of GAAP. An effective argument might be made that more judgment increases the probability of engineering transactions to fit the principles.

In time of crisis, do we need rules that allow maneuverability?

We think we learn from our experiences. Some of us apparently have short memories. Some seem to feel the end justifies the means.

It is asserted that over 100 countries have adopted IFRS. Many of the so-called adopting countries have retained legacy practices, national

interest applications and political adaptations. The numbers appear to a myth.

So, how does this debate affect our NSA and our ASOs? Will be become players in the issues? It's a bit early to see what and how the positioning might play out. But, stay tuned, there's more to come and time will tell.

The call for new webinar ideas has been productive and has resulted in come 59 potential programs. Archived webinars from July 2007 to date will qualify for CPE through an online evaluation prepared exclusively for webinar playbacks.

NSA is implementing a "bill me" membership option available to May 1, 2009. The 'try-on' membership includes all benefits except the Tax Help Desk, a new member package and a membership certificate. Do you know someone who could be a potential member?

Best regards,

R. Deane Wymer, District VIII Governor

Good news if you plan to convert a 401(k) to a Roth IRA: New rules from the IRS offer a sweet deal for any after-tax contributions. The total amount of your after-tax contributions can be converted free of tax. this is a much more liberal rule than when converting a regular IRA to a Roth. In that situation, the portion of the rollover that is deemed to be tax free is based on the ratio of your non-deductible payins to the total in your IRA accounts. If you have \$60,000 in your IRA with \$6,000 total non-deductible contributions and you convert \$6,000 to a Roth IRA, just \$600 would escape income

tax. The remaining \$5,400 would be taxed. But in the same situation with a 401(k), the full \$6,000 would avoid tax. The same goes for 403(b) plans and 457 plans.

Preparers of returns with the earned income credit face tougher rules.

More stringent documentation will be needed., the Revenue Service says. Preparers will have to contemporaneously document questions they asked customers who give inconsistent or incomplete information about their eligibility for the credit. Violators will be hit with a penalty of at least \$100 per return. IRS expects this rule to be in place for 2008 returns. The current requirements for documenting claims for the credit still apply. Preparers must verify a filers eligibility usiny Form 8867 or a similar checklist. And they must retain these documents, including a record of how the credit was figured and backup from filers, for at least three years.

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IRS interest rates are one percentage point lower for the first quarter of 2009. On overdue taxes, the Revenue Service will charge 5%. For corporations that owe the agency more than \$100,000 in back taxes, the interest rate will be 7%. On refunds, the IRS will pay to 5% to individuals and 4% to corporations. For corporate refunds that exceed \$10,000, however, the rate on the excess is 2.5%

Debt Forgiveness – (1099-C and Form 982) Extended Through 2012.

A new law extends a temporary rule for cancellation of indebtedness income. When a lender forecloses on property, sells the home for less than the borrower's outstanding mortgage and forgives all or part of the excess mortgage debt, the tax code treats the cancelled debt as taxable income to the homeowner. The Mortgage Forgiveness Debt Relief Act, enacted in late 2007, excludes from federal tax those discharges of indebtedness up to \$2 million of indebtedness (\$1 million for separate filers) secured by a principal residence and incurred in the acquisition, construction or substantial improvement of the residence. The new law extends this treatment from the end of 2009 through 2012.

The Mortgage Forgiveness Debt Relief Act also helps homeowners whose mortgage debt may have been reduced through a restructuring (also known as a "mortgage workout") Short sales and deeds-in-lieu-of foreclosure are also covered by the extension.

Important note: If part of the forgiveness is due to personal debt, then that portion will have to be included in income by the taxpayer unless the taxpayer is insolvent. See instructions for Form 982. There are additional debts that might be excludable on Form 982.

See IRS Publications 4681 and 4702 for additional information.

CRAIN'S CORNER

Dear Members:

I recently attended my first professional basketball game at the American Airlines Arena in Dallas, TX. It was a tightly contested affair between the Dallas Mavericks and Utah Jazz that ended with the home team coming away with the 115-108 victory. I had a wonderful time. I bought Hank a Dirk Nowitzki jersey, I said "hi" to Mark Cuban, and I greatly enjoyed an extremely large plate of nachos. While I was watching the players warm up and eventually play the game, I had two thoughts running through my head. First, I was in awe of the fact that these guys that I usually see on TV, such as Dirk, Jason Kidd, Derron Williams, and former Razorback Ronny Brewer, were right in front of me playing basketball. That was just cool. I felt like I did at the PGA Championship a couple of years ago when Tiger Woods and Phil Mickelson were walking right in front of me. Second, I completely understand why these guys were professional basketball players and not me. When I was a kid, I dreamed of playing professional basketball even though I was short and not particularly fast. Watching a game in person only further confirmed how completely delusional I was at the time. Let's take Dirk for example. He's 7 feet tall and can handle the ball and shoot better than I ever could; pouring in 39 points in the game I attended. That's why he's Dirk Nowitzki, NBA all-star, and I'm Brad Crain, CPA.

I may not be able to play in the NBA, but I can be an all-star for my clients. We may not get to sign a multi-million dollar contract to play a game (Dirk's 2009 salary is \$18 million), but there is a reason we are accountants and tax preparers. We have an expertise that pretty much every person in our community needs,

and it's up to each one of us to determine how good we can be. Professional athletes keep their edge through practice and working out. We keep our edge by continuous learning and study. If an athlete stops practicing or gets out of shape, he will not be as good. In the same way, if we think we know everything we need to know and stop trying to learn and apply our knowledge to our clients' individual situations, we won't be as good either. How do we know if we are doing a good job for our clients? They look at us just like I did Dirk, and say, "I know why Brad is a CPA, and not me." If my clients feel that way about me, I'm on my way to being an All-Star. If not, I could be out of the game. It's our choice.....

Brad Crain C.P.A. (All-Star in training)

NEW STOCK MARKET TERMS

(these seem so appropriate lately):

CEO- Chief Embezzlement Officer

CFO – Corporate Fraud Officer

Bull Market – A random market movement causing an investor to mistake himself for a financial genius.

Value Investing – The art of buying low and selling lower.

P/E RATIO- The percentage of investors wetting their pants as the market keeps crashing.

Broker – What my broker has made me.

Standard & Poor – Your life in a nutshell.

Stock Analyst – Idiot who just downgraded

your stock,

Financial Planner – A guy whose phone has been disconnected.

Stock Split- When your ex-wife and her lawyer split your assets equally between themselves.

Market Correction – The day after you buy stocks.

IRS ANNOUNCES TWO NEW APPEALS PROGRAMS

The IRS has announced a two-year test of two programs: the post-Appeals mediation and arbitration procedures for Offer in Compromise (OIC) and Trust Fund Recovery Penalty (TFRP).

Beginning December 1, 2008, for a two year test period, Appeals will offer post-Appeals mediation and arbitration for OIC and TFRP cases for taxpayers whose appeals are considered at the Appeals office in Atlanta, GA; Chicago, IL; Cincinnati, OH; Houston, TX; Indianapolis, IN; Louisville, KY; Phoenix, AZ; and San Francisco, CA.

Under these two alternative dispute resolution programs, the taxpayer or Appeals may request non-binding mediation. The taxpayer may decline Appeals' request for mediation. Appeals will evaluate a taxpayer's request for mediation based on the criteria detailed in Revenue Procedure 2002-44 and Announcement 2008-III. A request for binding arbitration must be made jointly for the taxpayer and Appeals. The mediation and arbitration procedures do not create any additional authority for settlement of Appeals.

During the test period, Appeals employees will advise the taxpayer of the availability of these alternative dispute strategies, and the deadline for requesting such strategies, when a rejection of an OIC is sustained or a proposed TFRP assessment is sustained. An OIC submitted during Collection Due Process (CDP), as an alternative to Collection action, is not eligible for these alternative dispute resolution strategies during the test period.

The Post-Appeals mediation process is available for both legal and factual issues. The mediator's role is to facilitate settlement negotiations so the parties can reach their own agreement. The mediator does not have settlement authority over any issue.

The Arbitration procedure is available for factual issues only. The arbitrator's role is to hear both sides of a disputed issue and then render a decision on the specific factual issue being arbitrated. The decision is binding on both parties. However, the arbitrator does not have the authority to decide that the offer in compromise itself must be accepted, or that a person is/is not liable for the TFRP under SS 6672. Neither party may appeal the decision of the arbitrator or contest the decision in any judicial proceeding.

Complete procedures for initiating a request for post-Appeals mediation or arbitration are in [Announcement 2008-III](#). The agency will seek appropriate Offer in Compromise and Trust Fund Recovery Penalty cases for both post-Appeals mediation and arbitration, during the two year test period in order to evaluate the effectiveness of alternative dispute resolution for these cases.

FAMOUS QUOTES

Those who dream by day are cognizant of many things which escape those who dream only by night.

Edgar Allen Poe, 1809-1849

The most important thing is to be whatever you are without shame.

Rod Steiger, 1925-2002

The cruelest lies are often told in silence.

Robert Louis Stevenson
1850-1894

Dance is hidden in the language of the soul.

Martha Graham. 1894-1991

Life is either a daring adventure or nothing. Security does not exist in nature, nor do the children of men as a whole experience it. Avoiding danger is no safer in the long run than exposure.

Helen Keller, 1880-1968

Accustom yourself continually to make many acts of love, for they enkindle and melt the soul.

Saint Teresa of Avila
1515-1582

Real success is finding your lifework in the work that you love.

David McCullough

Cherish all your happy moments; they make a fine cushion for old age.

Christopher Morley
1890-1957

To find a fault is easy; to do better may be difficult.

Plutarch, 45-125 A.D.

I want you all to know that the reason this publication is so late is the fact that I had no electricity for 10 days after the ice storm and I am very sorry. -LaVerne



**APPLICATION FOR MEMBERSHIP IN
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Business Address _____

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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 _____

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