Achieving Success Together

That phrase has served Kathy well in both her leadership style and career. Now she brings it to the role of NSA President with a focus on membership service, growth and retention.

NSA Officers meet with Commissioner Koskinen

Tips from the Tax Desk - Checklists:
Corporation Liquidation Checklist & Deferred Like-kind Exchange
ACHIEVING SUCCESS TOGETHER

WHY WAIT? THE SCIENCE BEHIND PROCRASTINATION.

LICENSURE AND CREDENTIALS EQUATE TO HIGHER SALARY

WHY WAIT? THE SCIENCE BEHIND PROCRASTINATION.

ENGAGE YOUR EMPLOYEES WITH ELEVATED COMMUNICATION.

HOW TO PROTECT YOUR PRACTICE AGAINST GROWING CYBER THREATS
A Message from the President, November 2015

We are achieving success together!

As President of NSA, I am continually building on the successes of the past, tackling the challenges of today, and inspiring progress for the future. This is an exciting time for NSA and our profession. With ongoing changes and regulations in tax and accounting standards, we are diligently fighting for your right to practice. We continue to offer quality CE and resources to help grow and maintain small firms as well as our membership. NSA is here for you, we support our members.

We are representing you! On Wednesday, November 18th, NSA officers and EVP Ams will be meeting with IRS Commissioner Koskinen. We look forward to this opportunity to bring forward the thoughts, ideas, and concerns from our members and to better understand how the IRS is assisting our profession. We will also have the chance to get direct feedback from the IRS Commissioner on NSA’s very own Tax Practitioner Bill of Rights! You can make a difference by signing our petition!

We also have been very busy with various programs and initiatives this fall; here are a few of the highlights:

• IRS Tax Forums: spending my summer in front of practitioners across the country as a speaker and representative for NSA was a great experience! The forums were very successful for membership recruitment and retention, as well as promoting our Tax Practitioner Bill of Rights. It was a great opportunity to meet new and potential members as well as visiting with our current members.

• Networking Conference & Legislative Strategy Conference: we had over 50 people in attendance at this year’s leadership training in Minneapolis. I found it to be one of the best conferences we have had in years! One of the greatest benefits NSA offers our ASOs and leaders is this conference and training.

• NASBA Annual Meeting: EVP John Ams and I had the privilege of attending the NASBA meeting in Dana Point, CA. We were very well received by the leadership and everyone was open to input and ideas from NSA. There is an overwhelming amount of regulation and oversight heading down the pike! Our Regulation and Oversight Committee monitors this activity in every state, thankful, and stays alert to the issues facing our members. NSA and our members need to continue to stay present and attentive at all the state board of accountancy meetings.

As you can see, it has been a very busy fall for NSA. I am excited and proud of all the work that has already been accomplished and am looking forward to everything the next year has in store. This is a challenging, yet essential time for NSA in keeping our place of influence. We will faithfully continue to represent and serve our members while remaining dedicated to our mission and vision.

Please feel free to contact me with your thoughts, concerns, and ideas. I would love to hear from you!

Thank you for the privilege of serving as your President!

Kathy Hettick, EA, ABA, ATP
NSA President, 2015-2016
Kathy Hettick was installed as NSA president at its 70th Annual Meeting in August. A successful leader who applies her catch phrase, “Achieving Success Together” to both her leadership style and career, Kathy is looking forward to focus her energy on membership service, growth and retention. She is approaching the next year with a positive attitude and the motivation to get things done.

NSA's Mainstreet Practitioner took some time to speak with Kathy about her vision for NSA in the coming year, how she’s benefitted from her NSA membership, and the path she took to get where she is today.

NSA: Congratulations on being named NSA President! Your last position with NSA was 1st Vice President. What lessons or experiences stand out for you from that year?

KH: Having the opportunity to see how things operate as 1st Vice President enabled me to better understand the structure and protocol of the offices. Last year provided an opportunity to observe how things are done and to develop my own timeline of what needs to be done – when and how. My position as an NSA Administrative Chair for several years provided a solid foundation for my current role as President and plays a huge part in who I am today. Working at the committee level and being the boots on the ground with many other volunteers is the best training opportunity for future leaders.

NSA: What are your favorite things about being an NSA member?

KH: I value the resources NSA provides for both tax preparation and accounting, because I do both in my practice. NSA is an organization that serves its members well by providing them with valuable benefits. Among those benefits are continuing education, the opportunity to prepare for professional credentials, leadership training, platforms for networking opportunities, protecting the right to practice, and the list goes on. If you want to grow professionally, grow as a leader and grow as an individual, NSA provides the tools and resources to do so.

NSA: What are your goals for NSA during your 2015-2016 presidential year?

KH: The face of the organization has changed and the face of our members has changed. My goal is to continue NSA’s efforts to be the best organization for accounting and tax professionals while continuing to protect our right to practice. We will accomplish this by evaluating the way we do business – trying to be more efficient and effective in what we are doing and how we do it. We must be nimble, effective and efficient as we move forward by continuing to provide electronic meeting platforms, networking, and education to ensure reaching all of our members.

We have been privileged to have many great NSA leaders that have made a difference during their term and I hope to do the same. I want to continue to have a positive impact on our members and the profession.

NSA: What has been keeping you busy lately?

KH: I represent NSA as a speaker at the IRS Nationwide Tax Forums, which keeps me busy during the summer. My speaking partner, Gene Bell, and I have been speaking at these forums for the last five years and we feel privileged to be able to reach thousands of accounting and tax professionals across the country. It is a great opportunity to network and to see how practitioners are coping with the demands of their clients, constant tax law changes, and continuing education. Speaking and traveling have allowed me to gain a better understanding of who our members are.

NSA: You also have held the post of President of the Washington Association of Accountants (WAA). What was that like and what were your key accomplishments during that timeframe?

Continued on page 4
KH: I was honored to serve as the WAA president from 2006-2008. WAA is an Affiliated State Organization, or ASO, and these organizations are member driven and a crucial part of NSA. WAA is where I started; it’s my leadership foundation. My experiences there taught me the value of belonging to a professional organization. When I was elected, it was a time of transition for WAA; we had to focus on what needed to be done and exercise the discipline to stay the course. I was able to provide the leadership, structure, and accountability that were needed.

Knowing that you’re working for the greater good of the organization and looking at the bigger picture is what leadership is all about. I look back on that term as being a great success and an opportunity of growth, to better understand how to lead and build a culture of trust. I plan to use these experiences and skills as I serve as NSA president.

NSA: You received the Joe McReynolds Award from WAA for your “commitment, service, and dedication to WAA members in protecting the non-licensed accountants right to practice” and your work with NSA, IBA, and Board of Accountancy for 2013-2014. Can you explain more about the importance of protecting the non-licensed accountant’s right to practice?

KH: I am dedicated to protecting the right to practice for all tax and accounting professionals; licensed and non-licensed. I have worked closely with the Washington State Board of Accountancy to make certain that non-licensed accountants can continue to serve their clients with the relevant financial information they need. WAA has a strong relationship with our State Board, which enables us to work effectively together despite our licensing differences.

Regulations for accounting and professional licensing vary from state to state. Our NSA committees monitor all of the states as well as federal jurisdictions relating to legislative and rule-making changes that affect our member’s right to practice. Our top priority is keeping our members in business and able to meet their client’s needs.

NSA: What was your path to becoming an accountant and an Enrolled Agent (EA)? Did you major in business or accounting in college? What did you think you would do as a job when you were a little girl?

KH: Upon realizing I couldn’t play college soccer for the rest of my life, I tried a couple of different paths and found my niche in accounting. I dove into the profession and got my AA in accounting and business so that I could get to work. Shortly after, I joined WAA which was the beginning of my leadership growth in the profession. I then went on get my ABA credential and joined NSA, which motivated me to study and pass the EA exam.

I would have never thought that I would be in this profession, but I quickly realized that it came very naturally. There is a huge service aspect in being an accounting and tax professional and I love being able to help my clients. It has been a truly rewarding career.

NSA: You’ve owned an accounting and tax practice for 28 years. What are some of the changes you’ve seen over those years, both positive and negative?

KH: The most dramatic changes we’ve seen in this profession are technology advances and tax law changes. We are now very dependent on technology, where before we were reliant on pencils, green ledger paper, calculators, and file cabinets! Today, our practices rely on: electronic communication, data entry and computer processing, electronic filing of tax returns and documents, and “cloud” storage. These advances have allowed us to grow our practices while maintaining efficiency, accuracy, and customer service.

The ever-changing tax law forces us to stay educated and keep processes and procedures in our office to ensure we are doing a thorough job. We have to be sure we have all the facts and information to accurately prepare a return, which translates into asking our clients more questions and requiring appropriate documentation. Keeping up-to-date on tax laws is a challenging process, especially when we are working under pressure. Having access to the appropriate resources, education, and peer support enables us to be well-informed practitioners.

NSA: We are hearing a lot about the use of social media for the 2016 presidential election and in business. Do you or your Continued on page 5
firm use social media to communicate to or advertise for new clients?

KH: We use social media to drive clients to our website, which houses a multitude of resources. We have information for all of our clients, businesses and individuals, tax and accounting, as well as resources for fellow practitioners. We try to keep our FaceBook updated; it is a great tool if there is something we want our clients to see immediately. Most of the FaceBook posts point our clients to our website, the “keeper of the goods” as we like to call it.

NSA: What would you say NSA does well?

KH: NSA does an excellent job of representing our members on a national level and keeping their right to practice a priority. We have a great relationship with the IRS and will continue to keep an open line of communication. We were just on The Hill a couple months ago visiting with senators and bringing the rights of our members forward. We are the voice for our members. We will continue to have influence and input with our elected officials as well as the IRS and stay in front for our “main street tax and accounting professionals.”

In addition to protecting our member’s right to practice, NSA also provides a variety of mediums to connect with members and peers. We offer fantastic education via webinars, self study courses, and live events. Our leadership training is exceptional – it has given NSA the opportunity to grow members personally and professionally. We will continue to pursue what NSA does well in order to give our members what they need.

NSA: This year, the NSA annual meeting was held in Vancouver, BC, where you were officially installed as president. What are some of the benefits of the annual meeting that keep you coming back each year?

KH: It’s always great to see people face to face! I have been attending the annual meeting for the last 10 years and it is always enjoyable to catch up with old friends and meet new ones. Spending time in Vancouver with family, friends, and peers for my installation as President was very meaningful.

The NSA annual meeting provides a platform that allows us to network, conduct business, and earn continuing education (CE). We are able to connect with people and resources from across the country. Change is on the horizon. We are making a concerted effort to offer our membership more value to the annual meeting with additional CE and networking events. I am already looking forward to attending next year’s 71st Annual Meeting in Tampa, Fla.!

NSA: Tell us a little about yourself.

KH: Spending time with my family and friends and enjoying a good glass of wine are among my favorite things to do!

The support and encouragement I receive from all of my family is truly amazing and I feel very fortunate to have such great people along side of me. My three wonderful children are my life’s greatest blessing, and I am so very grateful for their unconditional presence and love. Josh, my oldest, is a firefighter in Enumclaw and he and his wife, Stephanie, live on Lake Sawyer. My daughter, Kelly, works for me as my business and accounting manager; she and her partner, Michael, just bought a home close to the office. Kevin, my youngest, just passed his CPA exam and he and his wife, Jordyn, live in Bellingham. I am fortunate to have them all relatively close, and am so proud of each of them.

In my spare time, I love running. Not only does it give me the opportunity to explore the places I travel to, it also allows me the time to mentally sort things out and debrief.

NSA: What book has influenced you most, and why?

KH: I love to read and for the last 10 years I have focused my reading on leadership and personal growth books. If I had to pick one favorite, it would be Gung Ho (Gung Ho! Turn on the People in any Organization by Ken Blanchard). It’s a very simple read, but it’s extremely motivational and sentimental for me as I based my two-year WAA presidency on Gung Ho. Currently, I am reading “Traction” and while it is more challenging, it is certainly bringing forward great ideas and processes for a successful organization.

Everything I have experienced, read and learned in my life builds me up for the next journey. So here I am, and it will be a great year!
Licensure and Credentials Equate to Higher Salary

Findings from the NSA 2014-2015 Compensation & Benefits Survey Report show salary increases across the board since 2012; practitioners with licensure and credentials reap the greatest benefits.

Licensed/credentialed practitioners with 20 years or more experience earned $18,000 more than not licensed/not credentialed practitioners with similar experience, according to findings from the 2014-2015 Compensation & Benefits of Accountants and Tax Preparers in Public Practice Survey Report (2014-2015 Compensation & Benefits Report).


NSA Members may download the full 2014-2015 Compensation & Benefits Report through the NSA Library.

Key findings of the 2014-2015 Compensation & Benefits Report include:

• Salaries for full-time licensed/credentialed practitioners are higher by as much as 35% more than salaries of not licensed/not credentialed practitioners with similar years’ experience.

• The salary gap between full-time licensed/credentialed practitioners and not licensed/not credentialed practitioners widens over the years, from a low of 20% for practitioners with less than 5 years’ experience to a high of 35% for practitioners with more than 20 years’ experience.

• Hourly wages for part-time licensed/credentialed practitioners are higher by as much as 50% more than hourly wages of not licensed/not credentialed practitioners with similar years’ experience.

• The average annual salary for principal/partners increased 5% in 2014 when compared to 2012; however the average of additional compensation decreased 17%.

• The top three fringe benefits offered to all full-time staff include continuing education/CPE, professional dues, and health insurance.

The typical Independent Accountant respondent:

• is a 60.5 year-old male.
• has been in practice for 27.5 years.
• is a sole proprietor.
• is an Enrolled Agent.
• belongs to about four tax and accounting organizations.
• has not made any succession plans for their business.
• is located mostly in the South Atlantic or Pacific regions

Compensation of Full-Time Employees

Principal/Partner

While the average annual salary for principal/partners increased 5% in 2014 when compared to 2012, the average of

Continued on page 7

The report also found that the average annual salary of principal/partners varied by type of practice. Top salaries for principal/partners were reported for those whose practice was designated LLC-Partnership ($101,065), Partnership ($98,133), Professional Corporation ($83,627) or C Corporation ($82,451). Principals/Partners whose practice was designated LLC-C Corporation reported the lowest average annual salary of $59,778.

Principals/partners located in the Northeast averaged the highest salaries with New York ranking number 1 with an average annual salary of $102,084, followed by Connecticut and Pennsylvania, reporting average annual salaries of $98,111 and $98,000, respectively. Alabama, reported the lowest compensation with an average annual salary of $31,286.

The top three fringe benefits offered to principals/partners include continuing education/CPE (33%), professional dues (31%), and health insurance (23%). The percent of fringe benefits paid by the company to principals/partners was the highest for professional dues (100%), continuing education/CPE (99%), and life insurance (95%). Companies also paid more than 90% of the benefits for cash bonus, automobile, health insurance and long-term disability insurance. In addition, In addition, 35% of the responding practices offer flex time to principals/partners and nearly a quarter (24%) of respondents offer telecommuting to principals/partners.

The annual salaries for full-time licensed/credentialed practitioners ranged from $40,467 for those with less than 5 years’ experience to $70,923 for those with 20 years or more experience. In contrast, the annual salaries for full-time not licensed/not credentialed practitioners ranged from $33,276 for those with less than 5 years’ experience to $52,962 for those with 20 years or more experience.

According to the 2014-2015 Compensation & Benefits Report:

- Licensed credentialed practitioners with 20 years or more experience earned $18,000 more than not licensed/not credentialed practitioners with similar experience, which equates to a 33% difference.
- Licensed credentialed practitioners with 10-19 years’ experience earned $16,500 more than not licensed/not credentialed practitioners with similar experience, which reflects a 35% difference.
- Licensed credentialed practitioners with 5-9 years’ experience earned $12,000 more than not licensed/not credentialed practitioners with similar experience, which demonstrates a 30% difference.
- Licensed credentialed practitioners with less than 5 years’ experience earned $7,000 more than not licensed/not credentialed practitioners with similar experience, which represents a 22% difference.

The 2014 salary data for full-time licensed/credentialed practitioners reflect an average 15% increase over 2012; however, the largest increases were noted for practitioners with 10-19 years’ experience and 5-9 years’ experience, which saw an increase of 18% and 24%, respectively. Practitioners with less than 5 years’ experience and those with 20 years or more experience saw an increase of 9% each over 2012 data.

Data collected on full-time not licensed/not credentialed practitioners reflect an average gain of more than 17% when compared to 2012 data. Salary data for 2014 reflect a 28% increase for practitioners with 20 years or more experience, 25% increase for practitioners with 10-19 years’ experience, 10% increase for practitioners with 5-9 years’ experience, and 8% increase for practitioners with less than 5 years’ experience.

Full-time, licensed/credentialed practitioners with 20 or more years of experience reported the highest average annual salary from Professional Corporations and LLC-Partnerships, averaging $104,566 and $104,500, respectively. In contrast, full-time not licensed/not credentialed practitioners with 20 or more years of experience reported the highest average annual salary of $62,100 operating from a C Corporation, followed by $61,500 from a LLC-Partnership and $58,250 from a Partnership.

The top three fringe benefits offered to other full-time employees (not principals/partners) include continuing education/CPE (20%), professional dues (15%) and health insurance (14%).

The 2014-2015 Compensation & Benefits Report also noted that the company paid, on average, 98% of the benefits for both professional dues and continuing education/CPE and 85% of the health insurance benefits. In addition, 38% of the responding practices offer flex time to other full-time employees.
Compensation of Seasonal and Part-time Employees

The hourly wages for part-time or seasonal licensed/credentialed practitioners ranged from $20.68 for those with the least experience (less than 5 years) to $46.49 for those with 20 years or more experience, whereas the hourly wages for part-time or seasonal not licensed/not credentialed practitioners ranged from $15.76 for those with less than 5 years’ experience) to $33.81 for those with 20 years or more experience.

According to the 2014-2015 Compensation & Benefits Report:

- Licensed credentialed practitioners with 20 years or more experience earned approximately $13 more per hour than not licensed/not credentialed practitioners with similar experience—a 37% increase.
- Licensed credentialed practitioners with 10-19 years’ experience earned approximately $13 more per hour than not licensed/not credentialed practitioners with similar experience—a 50% increase.
- Licensed credentialed practitioners with 10-19 years’ experience earned approximately $9 more per hour than not licensed/not credentialed practitioners with similar experience—a 39% increase.
- Licensed credentialed practitioners with less than 5 years’ experience earned approximately $5 more per hour than not licensed/not credentialed practitioners with similar experience—a 31% increase.

Part-time/seasonal employees who are licensed/credentialed practitioners with 20 years or more of experience reported the highest hourly wage of $91.25 at LLC-Partnership, followed by $70.18 at C-Corporation. The hourly wage reported dipped substantially to $42.33 and $26.50, respectively, when compared to non-licensed/credentialed practitioners.

The typical practice:

- operates as a sole proprietorship.
- had an annual gross practice in 2013 of $285,605.
- had a new income of $104,236 in 2013.
- has 4.2 full-time employees.
- has 1.9 part-time employees.
- has 2.0 full-time principals/partners, when a partnership.
- has salaries/benefits (other than retirement) that represent 44% of total expenses.

Report Background

The 2014-2015 Compensation & Benefits of Accountants and Tax Preparers in Public Practice Survey Report contains cross-tabulations using various characteristics of the firm, such as type of practice, location, community size, gross firm income, and full-time staff. Data is included for state-by-state comparisons as well as national statistics. Additionally, regional breakouts are included based on U.S. Census District definitions. Detailed tables include annual salary and additional cash compensation for full-time employees, hourly wages for part-time employees, and fringe benefits.

The survey was conducted during 2014 and covers actual compensation data for 2013 and 2014. As in past surveys, all 50 states and the District of Columbia are represented in the database.

Data collection, tabulation, and analysis were conducted by Association Research Inc., an independent survey research firm located in Gaithersburg, Maryland. The report is in its 17th edition.

The 2014-2015 Compensation & Benefits of Accountants and Tax Preparers in Public Practice Survey Report was released in October 2015 and is available online at www.nsacct.org.

Jodi L. Goldberg is Vice President and Director, Marketing and Member Services, NSA
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Why Wait? The Science behind Procrastination.

Eric Jaffe

People cost themselves hundreds of dollars by rushing to prepare taxes near the April 15 deadline. Now, psychological science is beginning to understand the complexities of procrastination.

Believe it or not, the Internet did not give rise to procrastination. People have struggled with habitual hesitation going back to ancient civilizations. The Greek poet Hesiod, writing around 800 B.C., cautioned not to “put your work off till tomorrow and the day after.” The Roman consul Cicero called procrastination “hateful” in the conduct of affairs. (He was looking at you, Marcus Antonius.) And those are just examples from recorded history. For all we know, the dinosaurs saw the meteorite coming and went back to their game of Angry Pterodactyls.

What’s become quite clear since the days of Cicero is that procrastination isn’t just hateful, it’s downright harmful. In research settings, people who procrastinate have higher levels of stress and lower well-being. In the real world, undesired delay is often associated with inadequate retirement savings and missed medical visits. Considering the season, it would be remiss not to mention past surveys by H&R Block, which found that people cost themselves hundreds of dollars by rushing to prepare income taxes near the April 15 deadline.

In the past 20 years, the peculiar behavior of procrastination has received a burst of empirical interest. With apologies to Hesiod, psychological researchers now recognize that there’s far more to it than simply putting something off until tomorrow. True procrastination is a complicated failure of self-regulation: experts

10 Ways to Combat Procrastination

It's all in your head

- Remind yourself how good it feels to accomplish a task.
- Bargain with yourself: if you finish the task now, you can go out to dinner later.
- Announce what you plan to do so you feel more compelled to get it done.
- Eliminate temptations around you so you can focus on the task at hand.
- Ask someone to help you.
- Actions Speak Louder than words

Make a list of things that need to get done.

- Prioritize the list, placing items that others need to review or handle first so you can hand them off and keep working.
- Then tackle the easiest or hardest task next (whichever makes you feel more accomplished)
- Set a deadline and stick to it.
- Stretch, walk or take a break, to revitalize yourself with the end goal of coming back energized to finish the task.

Continued on page 11
define it as the voluntary delay of some important task that we intend to do, despite knowing that we'll suffer as a result. A poor concept of time may exacerbate the problem, but an inability to manage emotions seems to be its very foundation.

“What I’ve found is that while everybody may procrastinate, not everyone is a procrastinator,” says APS Fellow Joseph Ferrari, a professor of psychology at DePaul University. He is a pioneer of modern research on the subject, and his work has found that as many as 20 percent of people may be chronic procrastinators.

“It really has nothing to do with time-management,” he says. “As I tell people, to tell the chronic procrastinator to just do it would be like saying to a clinically depressed person, cheer up.”

Suffering More, Performing Worse

A major misperception about procrastination is that it’s an innocuous habit at worst, and maybe even a helpful one at best. Sympathizers of procrastination often say it doesn’t matter when a task gets done, so long as it’s eventually finished. Some even believe they work best under pressure. Stanford philosopher John Perry, author of the book The Art of Procrastination, has argued that people can dawdle to their advantage by restructuring their to-do lists so that they’re always accomplishing something of value. Psychological scientists have a serious problem with this view. They argue that it conflates beneficial, proactive behaviors like pondering (which attempts to solve a problem) or prioritizing (which organizes a series of problems) with the detrimental, self-defeating habit of genuine procrastination. If progress on a task can take many forms, procrastination is the absence of progress.

“If I have a dozen things to do, obviously #10, #11, and #12 have to wait,” says Ferrari.

“The real procrastinator has those 12 things, maybe does one or two of them, then rewrites the list, then shuffles it around, then makes an extra copy of it. That’s procrastinating. That’s different.”

One of the first studies to document the pernicious nature of procrastination was published in Psychological Science back in 1997. APS Fellow Dianne Tice and APS William James Fellow Roy Baumeister, then at Case Western Reserve University, rated college students on an established scale of procrastination, then tracked their academic performance, stress, and general health throughout the semester. Initially there seemed to be a benefit to procrastination, as these students had lower levels of stress compared to others, presumably as a result of putting off their work to pursue more pleasurable activities. In the end, however, the costs of procrastination far outweighed the temporary benefits. Procrastinators earned lower grades than other students and reported higher cumulative amounts of stress and illness. True procrastinators didn’t just finish their work later — the quality of it suffered, as did their own well-being.

“Thus, despite its apologists and its short-term benefits, procrastination cannot be regarded as either adaptive or innocuous,” concluded Tice and Baumeister (now both at Florida State University). “Procrastinators end up suffering more and performing worse than other people.”

A little later, Tice and Ferrari teamed up to do a study that put the ill effects of procrastination into context. They brought students into a lab and told them at the end of the session they’d be engaging in a math puzzle. Some were told the task was a meaningful test of their cognitive abilities, while others were told that it was designed to be meaningless and fun. Before doing the puzzle, the students had an interim period during which they could prepare for the task or mess around with games like Tetris. As it happened, chronic procrastinators only delayed practice on the puzzle when it was described as a cognitive evaluation. When it was described as fun, they behaved no differently from non-procrastinators. In an issue of the Journal of Research in Personality from 2000, Tice and Ferrari concluded that procrastination is really a self-defeating behavior — with procrastinators trying to undermine their own best efforts.

“The chronic procrastinator, the person who does this as a lifestyle, would rather have other people think that they lack effort than lacking ability,” says Ferrari. “It’s a maladaptive lifestyle.”

A Gap Between Intention and Action

There’s no single type of procrastinator, but several general impressions have emerged over years of research. Chronic procrastinators have perpetual problems finishing tasks, while situational ones delay based on the task itself. A perfect storm of procrastination occurs when an unpleasant task meets a person who’s high in impulsivity and low in self-discipline. (The behavior is strongly linked with the Big Five personality trait of conscientiousness.) Most delayers betray a tendency for self-defeat, but they can arrive at this point from either a negative state (fear of failure, for instance, or perfectionism) or a positive

Continued on page 12
one (the joy of temptation). All told, these qualities have led researchers to call procrastination the “quintessential” breakdown of self-control.

“I think the basic notion of procrastination as self-regulation failure is pretty clear,” says Timothy Pychyl of Carleton University, in Canada. “You know what you ought to do and you’re not able to bring yourself to do it. It’s that gap between intention and action.”

Social scientists debate whether the existence of this gap can be better explained by the inability to manage time or the inability to regulate moods and emotions. Generally speaking, economists tend to favor the former theory. Many espouse a formula for procrastination put forth in a paper published by the business scholar Piers Steel, a professor at the University of Calgary, in a 2007 issue of Psychological Bulletin. The idea is that procrastinators calculate the fluctuating utility of certain activities: pleasurable ones have more value early on, and tough tasks become more important as a deadline approaches.

Psychologists like Ferrari and Pychyl, on the other hand, see flaws in such a strictly temporal view of procrastination. For one thing, if delay were really as rational as this utility equation suggests, there would be no need to call the behavior procrastination — on the contrary, time-management would fit better. Beyond that, studies have found that procrastinators carry accompanying feelings of guilt, shame, or anxiety with their decision to delay. This emotional element suggests there’s much more to the story than time-management alone. Pychyl noticed the role of mood and emotions on procrastination with his very first work on the subject, back in the mid-1990s, and solidified that concept with a study published in the Journal of Social Behavior and Personality in 2000. His research team gave 45 students a pager and tracked them for five days leading up to a school deadline. Eight times a day, when beeped, the test participants reported their level of procrastination as well as their emotional state. As the preparatory tasks became more difficult and stressful, the students put them off for more pleasant activities. When they did so, however, they reported high levels of guilt — a sign that beneath the veneer of relief there was a lingering dread about the work set aside. The result made Pychyl realize that procrastinators recognize the temporal harm in what they’re doing, but can’t overcome the emotional urge toward a diversion.

A subsequent study, led by Tice, reinforced the dominant role played by mood in procrastination. In a 2001 issue of the Journal of Personality and Social Psychology, Tice and colleagues reported that students didn’t procrastinate before an intelligence test when primed to believe their mood was fixed. In contrast, when they thought their mood could change (and particularly when they were in a bad mood), they delayed practice until about the final minute. The findings suggested that self-control only succumbs to temptation when present emotions can be improved as a result.

“Emotional regulation, to me, is the real story around procrastination, because to the extent that I can deal with my emotions, I can stay on task,” says Pychyl. “When you say task-aversiveness, that’s another word for lack of enjoyment. Those are feeling states — those aren’t states of which [task] has more utility.”

**Frustrating the Future Self**

In general, people learn from their mistakes and reassess their approach to certain problems. For chronic procrastinators, that feedback loop seems continually out of service. The damage suffered as a result of delay doesn’t teach them to start earlier the next time around. An explanation for this behavioral paradox seems to lie in the emotional component of procrastination. Ironically, the very quest to relieve stress in the moment might prevent procrastinators from figuring out how to relieve it in the long run.

“I think the mood regulation piece is a huge part of procrastination,” says Fuschia Sirois of Bishop’s University, in Canada. “If you’re focused just on trying to get yourself to feel good now, there’s a lot you can miss out on in terms of learning how to correct behavior and avoiding similar problems in the future.”

A few years ago, Sirois recruited about 80 students and assessed them for procrastination. The participants then read descriptions of stressful events, with some of the anxiety caused by unnecessary delay. In one scenario, a person returned from a sunny vacation to notice a suspicious mole, but put off going to the doctor for a long time, creating a worrisome situation.

Afterward, Sirois asked the test participants what they thought about the scenario. She found that procrastinators tended to say things like, “At least I went to the doctor before it really got worse.” This response, known as a downward counterfactual, reflects a desire to improve mood in the short term. At the same time, the procrastinators rarely made statements like, “If only I had gone to the doctor sooner.” That type of response, known as an upward counterfactual, embraces the tension of the moment in an attempt to learn something for the future. Simply put, procrastinators focused on how to make themselves feel better at the expense of drawing insight from what made them feel bad.

Recently, Sirois and Pychyl tried to unify the emotional side of procrastination with the temporal side that isn’t so satisfying on its own. In the February issue of Social and Personality Psychology Compass, they propose a two-part theory...
on procrastination that braids short-term, mood-related improvements with long-term, time-related damage. The idea is that procrastinators comfort themselves in the present with the false belief that they’ll be more emotionally equipped to handle a task in the future.

“The future self becomes the beast of burden for procrastination,” says Sirois. “We’re trying to regulate our current mood and thinking our future self will be in a better state. They’ll be better able to handle feelings of insecurity or frustration with the task. That somehow we’ll develop these miraculous coping skills to deal with these emotions that we just can’t deal with right now.”

**The Neuropsychology of Procrastination**

Recently the behavioral research into procrastination has ventured beyond cognition, emotion, and personality, into the realm of neuropsychology. The frontal systems of the brain are known to be involved in a number of processes that overlap with self-regulation. These behaviors — problem-solving, planning, self-control, and the like — fall under the domain of executive functioning. Oddly enough, no one had ever examined a connection between this part of the brain and procrastination, says Laura Rabin of Brooklyn College.

“Given the role of executive functioning in the initiation and completion of complex behaviors, it was surprising to me that previous research had not systematically examined the relationship between aspects of executive functioning and academic procrastination — a behavior I see regularly in students but have yet to fully understand, and by extension help remediate,” says Rabin.

To address this gap in the literature, Rabin and colleagues gathered a sample of 212 students and assessed them first for procrastination, then on the nine clinical subscales of executive functioning: impulsivity, self-monitoring, planning and organization, activity shifting, task initiation, task monitoring, emotional control, working memory, and general orderliness. The researchers expected to find a link between procrastination and a few of the subscales (namely, the first four in the list above). As it happened, procrastinators showed significant associations with all nine, Rabin’s team reported in a 2011 issue of the Journal of Clinical and Experimental Neuropsychology.

Rabin stresses the limitations of the work. For one thing, the findings were correlative, meaning it’s not quite clear those elements of executive functioning caused procrastination directly. The assessments also relied on self-reports; in the future, functional imaging might be used to confirm or expand the brain’s delay centers in real time. Still, says Rabin, the study suggests that procrastination might be an “expression of subtle executive dysfunction” in people who are otherwise neuropsychologically healthy.

“This has direct implications for how we understand the behavior and possibly intervene,” she says.

**Possible Interventions**

As the basic understanding of procrastination advances, many researchers hope to see a payoff in better interventions. Rabin’s work on executive functioning suggests a number of remedies for unwanted delay. Procrastinators might chop up tasks into smaller pieces so they can work through a more manageable series of assignments. Counseling might help them recognize that they’re compromising long-term aims for quick bursts of pleasure. The idea of setting personal deadlines harmonizes with previous work done by behavioral researchers Dan Ariely and Klaus Wertenbroch on “precommitment.” In a 2002 issue of Psychological Science, Ariely and Wertenbroch reported that procrastinators were willing to set meaningful deadlines for themselves, and that the deadlines did in fact improve their ability to complete a task. These self-imposed deadlines aren’t as effective as external ones, but they’re better than nothing.

The emotional aspects of procrastination pose a tougher problem. Direct strategies to counter temptation include blocking access to desirable distraction, but to a large extent that effort requires the type of self-regulation procrastinators lack in the first place. Sirois believes the best way to eliminate the need for short-term mood fixes is to find something positive or worthwhile about the task itself. “You’ve got to dig a little deeper and find some personal meaning in that task,” she says. “That’s what our data is suggesting.”

Ferrari, who offers a number of interventions in his 2010 book Still Procrastinating? The No Regrets Guide to Getting It Done, would like to see a general cultural shift from punishing lateness to rewarding the early bird. He’s proposed, among other things, that the federal government incentivize early tax filing by giving people a small break if they file by, say, February or March 15. He also suggests we stop enabling procrastination in our personal relationships.

“Let the dishes pile up, let the fridge go empty, let the car stall out,” says Ferrari. “Don’t bail them out.” (Recent work

Continued on page 14
suggests he’s onto something. In a 2011 paper in Psychological Science, Gráinne Fitzsimons and Eli Finkel report that people who think their relationship partner will help them with a task are more likely to procrastinate on it.

But while the tough love approach might work for couples, the best personal remedy for procrastination might actually be self-forgiveness. A couple years ago, Pychyl joined two Carleton University colleagues and surveyed 119 students on procrastination before their midterm exams. The research team, led by Michael Wohl, reported in a 2010 issue of Personality and Individual Differences that students who forgave themselves after procrastinating on the first exam were less likely to delay studying for the second one.

Pychyl says he likes to close talks and chapters with that hopeful prospect of forgiveness. He sees the study as a reminder that procrastination is really a self-inflicted wound that gradually chips away at the most valuable resource in the world: time.

“It’s an existentially relevant problem, because it’s not getting on with life itself,” he says. “You only get a certain number of years. What are you doing?”

By Eric Jaffe

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References and Further Reading:


Engage Your Employees with Elevated Communication.

Ascanio Pignatelli

Engaged listening creates a space for others to express their views without feeling like they are being judged. It tells the sender that their communication has value.

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In many ways, Adrian Aragon was a great CEO; hard-working and completely devoted to his staff and organization, but it was not until he analyzed his CEO performance review that he noticed the blind-spot in his leadership: the gap between how he saw his communication, and how his employees were interpreting it. Committed to becoming a better communicator and more effective leader, Adrian met with an old colleague Ivana Smith, one of the finest leaders and communicators he had ever met. After scrutinizing his report for what seemed like an eternity, Ivana asked Adrian: “Why do you think so many of your employees believe you have a negative mindset and don’t communicate effectively with them?”

Adrian took a moment then muttered, “With all the stress it’s hard to always maintain a positive and enthusiastic attitude.”

Ivana nodded in agreement. “That’s true, being positive when stressed is a real challenge, however doing so will help lower your stress, increase your energy and make you feel a lot better. It will also help set the tone for your entire company.”

“I guess you’re right. I should probably be more positive.”

“More positive yes, but the real key is to really listen to them. The most important part of communication is effective listening. Most of us are rather disengaged when we listen, but if you can really listen to what your employees are saying you will be able to build more trust and rapport with them, resolve more conflict and connect in a deeper way with them.”

Ivana is right. Effective listening does two things; it ensures that the sender’s communication has been received as intended, and it tells the sender that their communication has value. There’s an old saying, “Listening is love.” Great listeners are masters at making those they are listening to feel important, and perhaps on some deeper level, loved. To really connect with your staff and make them feel valued you’ll want to move towards empathetic listening.

Disengaged Listening

Have you ever had a conversation with someone you felt just didn’t get anything you said despite their involved contribution to the conversation? You probably sensed their minds were completely focused on what they wanted to say next, and not on absorbing and processing what you were saying. Well, that is disengaged listening, and most of the time although we might be hearing what’s being said, our minds are actually busy thinking about what to say next. Disengaged listening isn’t just responsible for corrupting the communication that’s being received; it leaves the speaker feeling unimportant.

To escape the disengaged listening trap, the next time you are having a conversation with someone begin to notice when your mind either starts to wander from the conversation or is thinking about what to say next. The simple act of bringing awareness to how you listen will make you a much better listener and leave those you communicate with feeling valued.

Engaged Listening

Engaged listening means listening without judgment, opinions or preconceived notions. Engaged listening creates a space for others to really express what they are thinking without them feeling like they are being judged. It also ensures they are heard, and that their thoughts and feelings are important to you. You can become a more engaged listener by asking empowering questions; questions that probe, seek clarity, focus on solutions and put the power to solve a problem or challenge into the other person’s hands. For example, “How might you accomplish that?” or “What’s another way of seeing that?”

Continued on page 16
There is a direct link between employee engagement and how much those employees feel their company values them. Organizations that have created a culture that values its staff by listening to them in an engaged and nonjudgmental way will find its members reciprocating the value and respect they feel by raising their energy and level of engagement while at work. You can become a much more engaged listener by acknowledging and validating the feelings other people express to you the same way Ivana did with Adrian.

**Empathetic Listening**

This is the highest form of listening and will build strong ties with your employees if you master it. Empathetic listening is feeling what the other person is feeling through their communication. It includes deciphering body language, reading between the lines, listening for tonal discrepancies and looking for what’s not being said as much as what’s being said.

Listening at such a high level lets the person who is speaking know that you’ve captured their emotional experience. Although empathetic listening requires considerable focus, effort and concentration, with enough practice it can become routine.

Adrian worked hard at being a more positive and effective communicator. He became a lot less judgmental and shifted his focus from finding problems to finding solutions. Whenever his employees were upset about something he’d acknowledge and validate their feelings. And when they became stuck or frustrated, he’d ask them empowering questions to shift their perspective. He developed more rapport with them, and earned more of their trust, which left them feeling more valued, respected and connected to him. It didn’t take long after that for their own performance and engagement to increase as well.

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**About the Author:**

Ascanio Pignatelli is an award winning speaker, seminar leader, coach and author of the forthcoming book Lead from Need. He is the founder of ApexCEO, an executive coaching and leadership development group that helps C-level executives develop the leadership and communication skills to create more engaging workplaces. To book Ascanio for your next speaking event or workshop, please call him at 310.913.2313 or visit [http://www.apexceo.com/](http://www.apexceo.com/).
Protect Your Practice Against Cyber Threats.

Pat Friesen

Social security numbers, bank accounts, and other sensitive data can be easy pickings for a hacker if your security is lax. Protect yourself and your clients.

Accounting and bookkeeping firms face security challenges other small businesses don’t because of the sensitive data they retain for client tax preparation and payroll. Social security numbers, bank account information, and other types of highly sensitive financial data can be easy pickings for a hacker if your security is lax.

“You can't hide by being small, because the [cyber] attacks are so automated,” David Cieslak, principal at accounting technology firm Arxis Technology Inc., said in a recent Accounting Today article. “Some of the least protected systems are in small businesses. You can't let your size trick you into thinking you are safe.”

The first step in your cyber security plan is to understand the coverage provided by your professional liability insurance. Check to see if your insurance plan contains network and information security offense protection covering: (1) claims for the transmission of computer viruses; (2) claims for failure to control access to the insured's computer or network; and (3) failure to prevent unauthorized access to, or use of, data containing confidential information of others. These three items are necessary for your business to have adequate coverage in the face of cyber security threats.

Then to limit your exposure to cyber security breaches, follow these best practices recommended by accounting security professionals for firms that aren't large enough to have internal IT departments.

1. Do the obvious. If you are still running Windows XP, upgrade to Windows 8.1. Set all computers to automatically install security patches from Microsoft. Keep the server firewall in place and anti-virus program up to date. Set the anti-virus program to sweep the entire network on a regular basis. Back up all data at least daily, if it’s necessary to retain data on the premises. Ensure passwords are used on all computers, and are changed on a regular basis. Don’t use the same password for the network and external Web sites.

2. Physically secure the network. Keep the office server in a locked cage with appropriate backup power and ventilation. Set access controls so that only those with a need for it have access. Use software locks for all mobile devices, and additional physical locks on all laptops. Control access to the office through key system management, use an alarm system, and install security cameras in critical areas.

3. Set a security policy and enforce it rigidly. Users of the network are its weakest link. A single careless moment can bring the business to its knees through data theft or ransomware. The policy should address the purpose of the policy; internal access control to computers and servers; a ban on use of personal software on office computers; a ban on temporary storage devices such as thumb drives; a ban on opening attachments to any e-mail; limited access to Web sites; termination and retirement procedures; and procurement policies for computer equipment and mobile devices.

4. Use a secure portal for all client communications. Portals allow for secure communications between the accounting firm and the client, as well as secure storage of documents in transit. Every major accounting and tax software vendor now offers a client portal service specifically designed for the needs of the industry. Not using a portal is to risk a violation of the law, with fines and penalties.

5. Move to the cloud. That said, consumer cloud services are not appropriate for accounting files. Perform due diligence on cloud providers, even those that are known

Continued on page 18
vendors to the industry. For example, look for cloud storage providers that are PCSI- (payment card) and/or HIPAA-certified. In addition, look for providers that have a Service Organization Control 2 or SOC 3 attestation report.

6. **Adopt end-point security.** Defensive systems built around protecting the server with a firewall and anti-virus program alone are over. End-point security aims to protect the data by managing remote access to the network. It requires each computing device on a corporate network (“end-points”) to comply with certain standards before network access is granted. Endpoints can include PCs, laptops, smart phones, tablets and specialized equipment such as bar code readers or point-of-sale terminals. The precise services offered as “end-point security” may differ from one vendor to another, but generally combine legacy firewall and anti-virus programs with anti-spyware and intrusion detection systems.

7. **Lock down the e-mail system.** E-mail is one of the weakest links in the network, and one of the two major ways malware gets in. All e-mail communications should be encrypted, even though encryption is not foolproof. In addition, the firm should enforce a policy of never opening attachments for any e-mails — if a document needs to be transmitted, the client portal or cloud storage system should be used for this purpose. This may be one of the more difficult policies to enforce, but also the most important.

8. **Clean up local data storage.** Retain only the data that is actually needed and move it to the cloud for secure storage. The rest should be archived in longer-term storage where it is still accessible but is kept safe.

To learn more about the coverage we make available as a Member Benefit, visit [NSA Accountants Professional Liability Plan web page](#).

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**About Pat Friesen**

Pat Friesen is a contributing writer to this blog with 30 years of direct response copywriting experience selling insurance and other financial services to consumers and owners of small to mid-size businesses. She's also a columnist for several direct marketing trade publications.

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**Do I have to pay my employees for that?**

*Complicated nuances related to overtime rules and compensation for off-site office events are just a few complexities that cause confusion for business owners.*

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Employees around the country look forward to receiving their paychecks on a regular basis – but rarely do they consider how they are paid. Complicated nuances related to overtime rules, forms of payment and compensation for off-site office events are just a few complexities that cause small business owners to question, “Do I have to pay my employees for that?”

Here are some succinct answers to nagging questions that will help business owners better understand and address misconceptions about today’s pay practices.

**Q:** The Fair Labor Standards Act (FLSA) requires employers to pay non-exempt employees for all “hours worked.” What does this include?

**A:** This includes all time spent on work activities during and after an employee’s scheduled shift. It also includes time spent on other activities such as training, company events and travelling.

**Q:** When can employees waive their right to overtime pay?

**A:** Employees may not waive their right to overtime. If they don’t satisfy the tests for exemption, they must be classified as...

Continued on page 19
non-exempt and paid overtime whenever they work more than 40 hours in a work week.

Q: If an employee is terminated, should they receive payment on the regular pay day or another day?

A: Under federal law, a departing employee’s final paycheck must generally be provided by the next regular payday, but many states have implemented shorter timeframes for providing final pay.

Q: The practice of “working interviews” is becoming more common. This is when a prospective employee spends time on the job before being offered a position to see if they are a good fit. Are there any requirements around pay for working interviews? Is it true that employers only need to begin payment when the prospective candidate is hired?

A: Actually, it’s a common misconception that candidates don’t require payment for working interviews. When interviewees spend a few hours or days embedded in a workplace environment, they get a real-world glimpse of what it might be like to report there every day, while interviewers can observe whether the potential employee would be a good fit for the role and their organization. No matter how long the working interview lasts, the candidate must be paid for the time spent working.

Q: What about work-related injuries? Is an employer required to offer compensation for time spent seeking treatment?

A: Yes – if the employer encouraged the employee to seek treatment during normal working hours, the employer is required to pay for time spent waiting for and receiving medical attention.

Q: Are employers required to pay non-exempt employees for the time they spend in required training?

A: Yes. Under FLSA, training is considered directly related to the employee’s job if it is designed to help the employee handle his or her current job more effectively. In instances where all four of the following criteria are met, training time may be unpaid:

- Attendance is outside of the employee’s regular working hours;
- Attendance is voluntary;
- The course, lecture, or meeting is not directly related to the employee’s job; and
- The employee does not perform any productive work while attending the training.

Q: Are employers required to receive compensation for off-site, work-related events?

A: That depends. If the event is required or occurs during work hours, then yes, employees must be compensated for time spent at the event. However, if attendance is not required, nor is the event occurring during work hours, then compensation is not required.

These are just a few of many complexities employers face around compensation practices. Business owners are encouraged to consult their labor guidelines on a state-by-state basis and consider bringing in outside assistance as needed. Partnering with a third party can remove some of the administrative burden and allow business leaders to focus on what really matters: building their business.

Chris Rush is Division Vice President, Strategy, ADP Small Business Services
NSA elected a slate of new officers and several new District Governors at its 70th Annual Convention in Vancouver, British Columbia, Canada. Under the leadership of President Kathy R. Hettick, EA, ABA, ATP, the 2015-2016 NSA Board will focus on a “members first” approach to strengthen NSA’s position as the best organization for accounting and tax professionals while continuing to protect members’ right to practice.

**Officers**

**President**  
**Kathy R. Hettick, EA, ABA, ATP**  
Kathy Hettick is the principal at Hettick Accounting in Enumclaw, Wash., where she leads the organization’s efforts to offer a wide range of services to both individual and business clients. She has been a small business owner focused on accounting and tax practices for more than 28 years. An active member of several professional organizations including the National Society of Accountants (NSA) and the Washington Association of Accountants (WAA), Hettick has held numerous leadership positions at local, state and national levels, including WAA President and, currently NSA President. An industry expert and sought-after speaker, Hettick has presented workshops at professional conferences both locally and nationally, including the IRS Nationwide Tax Forums where she presented for five consecutive years (2010-2014). Her practical approach to difficult tax issues includes practice management tips and tools with quality instruction. She also speaks on behalf of NSA at many ASO meetings throughout the United States. Recently, Hettick was awarded the Joe McReynolds Award from WAA for her “commitment, service, and dedication to WAA members in protecting the non-licensed accountants’ right to practice and her work with NSA, IBA & Board of Accountancy for 2013-2014.”

**First Vice President**  
**Alfred Giovetti, CPA, ABA, ATA, ARA**  
Alfred Giovetti is a Principal at Giovetti and Giovetti Certified Public Accountants in Catonsville, Md., a full-service, small CPA firm he founded in 1992. He has been self-employed as an accountant since 1982. During this time he has worked as a lecturer and adjunct professor at local community colleges and the University of Maryland. Active in the industry, Giovetti has served on numerous state and national committees and presented at numerous organizational events including the Internal Revenue Service, Small Business Administration, Accreditation Council on Accountancy and Taxation, National Association of Accountants, Maryland Society of Accountants and NSA.

**Second Vice President**  
**Brian L. Thompson, CPA, ABA, ATA, ARA**  
Brian Thompson, CPA, of Bailey & Thompson Tax & Accounting in Little Rock, AR, has more than 20 years of experience as an accountant. His long-standing volunteer efforts include serving as the NSA Secretary-Treasurer for the last four years, NSA State Director in Arkansas, and Chair of the NSA Budget Committee. He also has served as President of the Arkansas Society of Accountants.
Secretary-Treasurer
Curtis Banks Lee, Jr., ATA, ATP, Raleigh, NC

Curt Lee, ATA, ATP, has owned and operated C.B. Lee & Company in Raleigh, N.C., for more than 34 years. He is an active member of several organizations including the National Society of Accountants and the North Carolina Society of Accountants, holding numerous leadership positions with both organizations. He has served as NSA State Director for North Carolina since 2008 and has been as Legislative Chair in North Carolina since 1996 protecting the rights of unlicensed accountants. Active in industry, he has been an instructor for the North Carolina State University Income Tax Schools since 2005 reaching more than 1,800 tax practitioners each year. He has traveled across the country speaking and promoting NSA at many ASO meetings and conferences from 2005 to present. He is a Quick Books Pro Advisor. Additionally, he travels extensively in North Carolina and across the nation speaking about practice rights of unlicensed accountants and promoting the value of memberships in ASO & NSA.

Executive Vice President
John G. Ams, JD, CAE, Alexandria, VA

John Ams assumed the position of Executive Vice President of the National Society of Accountants (NSA) in July 2001. Prior to joining NSA, he served 16 years in various tax, financial management and administrative capacities for the Interstate Natural Gas Association of America (INGAA), eventually serving as Senior Vice President. A graduate of Michigan State University and Georgetown University Law Center, John began his professional career with the corporation tax division in the National Office of the IRS. Subsequently, he served as Director of Tax Programs for the National Association of Realtors and as Tax Counsel for the Council of State Housing Agencies before joining INGAA.

At NSA, John is the chief staff executive and is responsible for the administration of the Society. He also maintains a part-time tax consultation business specializing in real estate and oil and gas matters.

Immediate Past President
Marilyn Niwao, JD, CPA, ATA, CGMA, Maui

Past President
Steven Hanson, CPA, EA, Cokato, MN

Governors

Governors are elected to a two-year term and can serve up to two terms. Individuals elected to a first term are noted with an asterisk (*); individuals elected to a second term are noted with two asterisks (**). The 2015-2016 election focused on Governors serving in odd-numbered districts (1, 3, 5, etc.); even-numbered districts will be elected or re-elected in the 2016-2017 elections.

Governor, District I
Milton “Sandy” Martin, ATP, ATA, RTRP ** Exeter, NH

Governor, District II
Robert Genovese, RTRP, ATA, ATP Howard Beach, NY

Governor, District III
Paul V. Thompson, EA, ABA, ATA, ARA * Alexandria, VA

Governor, District IV
Dave Rancourt, EA, ATA, ABA, ARA Sarasota, FL

Governor, District V
Jim Weickgenant, EA, ATA ** Baraboo, WI

Continued on page 22
NSA recognizes members and industry leaders

Accounting and tax professionals who made significant contributions to the accounting profession were honored at the recent National Society of Accountants (NSA) 70th Annual Convention in Vancouver, British Columbia, Canada. Several NSA Affiliated State Organizations (ASOs) were also presented with major awards. Congratulations to the individuals and organizations who were this year’s awards recipients.

Person of the Year: Karen Hawkins

Hawkins recently retired after six years as the Director of the Internal Revenue Service (IRS) Office of Professional Responsibility (OPS). During her tenure, she positioned OPS as a valuable resource for the accounting profession, encouraging continuing education and adherence to ethics, which elevated the profession.

Accountant of the Year: Joseph Santoro, CPA, ABA, CVA

Santoro, of Wolfeboro, NH, was honored for outstanding achievement and service to NSA, the accounting and tax profession, the state society, and the community. A former two-term NSA District I Governor, he has chaired numerous NSA committees, including Budget, Education, National Affairs, and Peer Review and Accounting Standards Committee and also serves as a member of the Board of Directors for the Accreditation Council for Accounting and Taxation, where he has for many years worked as a subject matter expert for its credentialing examinations. Santoro is known nationwide as an author and lecturer for Gear Up, an organization he has been associated with for more than 20 years. He continues to lecture on accounting and taxation at more than 80 seminars each year.

Distinguished Service Award: Joan LeValley, EA, ATA, ATP

LeValley, owner of JCL & Company in Park Ridge, Ill., was recognized for significant and exemplary contributions for the betterment of NSA and its membership as well as the accounting profession. She is a past chair of the NSA Federal Taxation Committee and past president of the Independent Accountants Association of Illinois (IAAI). LeValley served a six-year term on the Internal Revenue Service Advisory Council (IRSAC), was recognized as the NSA Accountant of the Year in 2008, and is a three-time recipient of the IAAI Person of the Year Award. Currently she is chair of the NSA Tellers Committee.

Affiliated State Organization (ASO) of the Year
North Carolina Society of Accountants (NCSA)

NCSA was recognized for its commitment to NSA and its members during the past year. With a strong commitment to educating
its members at the state and chapter levels, NCSA actively demonstrates the importance of educating the professional community, the public and state legislators about NSA and NCSA. It’s highly professional website serves as a portal for news and information and has worked to promote membership in both NCSA and NSA.

Norma Kraus State Director of the Year Award: Curtis Banks Lee, Jr., ATA, ATP

Banks, owner of C.B. Lee & Company in Raleigh, N.C., was recognized for his leadership and work as a visible proponent in his state for protecting the accountants’ right to practice. He also has exercised influential leadership while upholding the highest levels of integrity and civility. Lee was elected Secretary-Treasurer of NSA at its 70th Annual Convention.

Golden Quill Award: Joe Santoro

Santoro’s, “SARS 21 is Coming” series was recognized for its outstanding contributions to the NSA magazine –Main Street Practitioner. Manuscripts were judged on subject matter, accuracy, and clarity of presentation. Santoro’s series tackled a tough subject with a well-written and informative style, giving readers clear insight into a significant change in the world of compilation and review services. In the article Santoro offered a detailed guide of “things to come” with emphasis on the major changes coming to financial statement reporting.

National Editorial Award: Bob McKinley, CPA, PC

McKinley’s article, “Pruning,” featured in the, November 2014 issue of the Washington Association of Accountants WAA Update was honored as the best article of the year. In the article he likened his personal experience in pruning grape vines in his garden to pruning clients in a practice and shared practical advice and the list that guides him in choosing clients to prune.

Outstanding Tax Talker Award: Mark Nelson, Jr., EA

Nelson, of Nelson Tax Accounting in Milwaukee, Wisc., was recognized for his exceptional participation on the NSA Tax Talk, an online discussion forum launched in 2006 that grows in popularity every year.

Keith Billings Memorial Award

- Pennsylvania Society of Tax & Accounting Professionals and its publication, Pennsylvania Accountant—ASO with 300 members or more.
- Arkansas Society of Accountants and its publication, ASA News—ASO with fewer than 300 members.

This award is given in memory of Keith Billings, a mainstay of the original NSA Editorial Review Committee — for outstanding ASO publication based on content, coverage of activities, timeliness of articles, newsletter format and overall appearance:

Keith Billings Memorial Award

- California Society of Tax Consultants —ASO with 300 members or more.
- Public Accountants Society of Colorado —ASO with fewer than 300 members.
SSARS NO. 21 SAMPLE LETTERS.

On October 23, 2014 the Accounting and Review Services Committee of the AICPA released SSARS No. 21, which is the most significant change to the presentation of non-audited financial statements since SSARS was introduced in 1978. This standard—which is mandatory for reporting periods that end on or after December 15, 2015 but is available for early implementation—effectively expands financial statement presentation and reporting options to five:

1. The Audit
2. The Review
3. The Compilation with full disclosure
4. The Compilation in which substantially all disclosures are omitted
5. The Preparation

The following Sample Letters are available for you to download and personalize:

- SSARS Representation Letter
- Preparation Engagement Letter under SSARS No. 21
- Compilation Engagement Letter with Respect to Financial Statements Prepared in Accordance with the Tax Basis of Accounting under SSARS No. 21
- Accountant’s Compilation Report of Comparative Financial Statements Prepared in Accordance with the Tax Basis of Accounting, and Management Has Elected to Omit Substantially All Disclosures Ordinarily Included in Financial Statements Prepared in Accordance with the Tax Basis of Accounting

HOW DO YOUR FEES COMPARE? ACCESS THE NSA FEE STUDY TO SEE!

The NSA Income & Fees Survey provides detailed fee, operating, benefit, and compensation information for tax preparation and accounting firms, broken out by state, region, and practice size. NSA members get full access to the survey results and analysis for free. Here is a sample of what is included:

- NEW for 2015: Online calculators to find specific fee information in a snap! Click here to access the online calculator
- National fee averages along with average minimum and hourly fees for federal tax returns by form and schedule
- State fee averages for federal tax returns by form and schedule
- National average hourly fees and average fixed monthly fees for additional client services, such as payroll
- Average hourly fees by state for additional client services, such as payroll
- Additional fee averages for IRS representation, expediting returns, extensions, etc.
- Practice management data, including average operating expenses, marketing, technology, and practice mix

Quick Links:
- Online Calculator
- Income & Fee Survey
- Tax Prep Fees National Average
- SSARS Representation Letter

TAX PREP FEE NATIONAL AVERAGES

<table>
<thead>
<tr>
<th>Form/State Return Description</th>
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<tr>
<td>Remissed 1040 with Schedule A &amp; State Return</td>
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<tr>
<td>Federal Form 940 (federal unemployment)</td>
<td>$68</td>
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<tr>
<td>Federal Form 1065 (partnership)</td>
<td>$634</td>
</tr>
<tr>
<td>Federal Form 1120S (S corporation)</td>
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<td>$457</td>
</tr>
<tr>
<td>Federal Form 990 (tax-exempt)</td>
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</tbody>
</table>

How do your fees compare? Access the NSA fee study to see!
NSA OFFICERS MEET WITH COMMISSIONER KOSKINEN

NSA issues “Tax Practitioners Bill of Rights”.

As tax professionals, individual and small business taxpayers are well aware, trying to get help from the IRS - whether responding to questions or even answering a taxpayer phone call – has moved from “difficult” to “virtually impossible.” In order to focus attention at both the IRS and in Congress, the National Society of Accountants (NSA) has issued a “Tax Practitioners Bill of Rights”. NSA hopes this Bill of Rights will establish timely enactment of tax laws and regulations and reasonable levels of IRS service for tax practitioners, who file 60 percent of the tax returns received by the IRS each year. Among the provisions in the NSA Tax Practitioners Bill of Rights are:

• The right to have tax laws and rules passed in a timely manner
• The right to quality service from the IRS
• The right to practice without undue IRS demands during tax filing season

And the IRS is listening.

In a letter to NSA from IRS Commissioner, John A. Koskinen, the commissioner states the Tax Practitioner Bill of Rights “contains several commendable, common sense ideas, articulated as rights aimed at addressing some of our mutual concerns about the tax system. I am deeply concerned about the uncertainty and practical challenges that can result from late-year or retroactive legislation, and the decline in taxpayer services that has resulted from diminished IRS funding.”

The Commissioner is correct that funding levels have had a severe impact on IRS service to taxpayers. The House and Senate Appropriations Committees are currently considering additional cuts to the IRS budget, an additional cut of more than $800 million in the House version. Adjusted for inflation, this is less than the IRS received ten years ago. Enough is enough. On November 17th, NSA delivered a strongly worded letter to the chairs and ranking members of the Appropriations Committees of the U.S. Senate and House of Representatives pointing out that individual and small business

Continued on page 26
taxpayers are being harmed by IRS budget cuts on a daily basis. The NSA letter asked the legislators:

- How is your budget helping taxpayers or tax professionals when individuals calling for help are more likely to receive incorrect information or no information because of the lack of training?
- How is your proposed budget helping the IRS in the fight against identity theft and tax refund fraud?
- How is your proposed budget giving the IRS the funds to safeguard taxpayer information?
- How is your budget helping taxpayers if, because of the lack of funds, they face inappropriate adjustments and assessments, inappropriate levies or inappropriate liens because IRS enforcement employees are not well trained?

The letter responded for them, “The answer is obvious: it does not.”

On Wednesday, November 18, NSA officers met with Commissioner Koskinen to discuss IRS budget cuts, the NSA Tax Practitioner Bill of Rights, identity theft and the need for better security, and any upcoming filing season issues that our members need to know.

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**NSA SCHOLARSHIP FOUNDATION**

**Help the NSA Scholarship Foundation Support Accounting Students.**

Each year, hundreds of college students contact NSA seeking help to meet the ever-increasing costs of higher education.

The NSA Scholarship Foundation works to build career paths into and within the accounting profession. With its scholarship awards, the Foundation assists dedicated students who are committed to a career in accounting by providing financial assistance to support their education.

The NSA Scholarship Foundation awards scholarships to undergraduates who are U.S. or Canadian citizens, enrolled part-time or full-time in an accounting degree program at an accredited two- or four-year college or university.

Since its formation in 1969, the NSA Scholarship Foundation has awarded over $1 million to dedicated students pursuing a career in the accounting profession. Scholarships range from $500 - $2,200 and 30 or more scholarships are awarded each year. In 2015, the Scholarship Foundation awarded $45,875 to 39 deserving individuals.

The Foundation is a 501(c)3, tax-exempt organization and relies on voluntary, tax-deductible contributions to support student scholarships. You can help by making a year-end tax-deductible donation to the NSA Scholarship Foundation. With your help, we can increase the number of awards in 2016 and beyond. Donating is easy. Go to: [http://www.nsacct.org/donate](http://www.nsacct.org/donate) and click on “Donate Now”. Do you shop online? Make your purchases count. Click on the link to shop on AmazonSmile and a donation will be made to the NSA Scholarship Foundation for every purchase you make.

Students can apply for 2016-2017 scholarships online between January 1 and March 31, 2016. Scholarship guidelines, eligibility requirements and FAQs are online at [www.nsacct.org/apply](http://www.nsacct.org/apply).
FOR SMALL BUSINESSES: IRS RAISES TANGIBLE PROPERTY EXPENSING THRESHOLD TO $2,500; SIMPLIFIES FILING AND RECORDKEEPING.

The de minimis threshold in the tangible property regulations was raised today, November 30, 2015, from $500 to $2,500 as a result of a meeting with IRS Commissioner John Koskinen and the NSA Executive Committee led by NSA President Kathy Hettick.

The NSA contingent informed the Commissioner about the significant extra work that small business would have to undertake just to comply with the unreasonably low $500 limit. Ms. Hettick also pointed out that many practitioners have already scheduled year end tax planning meetings with their clients during which equipment purchases – and the tax consequences of such purchases - would be a major topic of conversation.

The Internal Revenue Service simplified the paperwork and recordkeeping requirements for small businesses by raising from $500 to $2,500 the safe harbor threshold for deducting certain capital items.

The change affects businesses that do not maintain an applicable financial statement (audited financial statement). It applies to amounts spent to acquire, produce or improve tangible property that would normally qualify as a capital item.

The new $2,500 threshold applies to any such item substantiated by an invoice. As a result, small businesses will be able to immediately deduct many expenditures that would otherwise need to be spread over a period of years through annual depreciation deductions.

“We received many thoughtful comments from taxpayers, their representatives and the professional tax community, said IRS Commissioner John Koskinen. “This important step simplifies taxes for small businesses, easing the recordkeeping and paperwork burden on small business owners and their tax preparers.”

Responding to a February comment request, the IRS received more than 150 letters from businesses and their representatives suggesting an increase in the threshold. Commenters noted that the existing $500 threshold was too low to
effectively reduce administrative burden on small business. Moreover, the cost of many commonly expensed items such as tablet-style personal computers, smart phones, and machinery and equipment parts typically surpass the $500 threshold.

As before, businesses can still claim otherwise deductible repair and maintenance costs, even if they exceed the $2,500 threshold.

The new $2,500 threshold takes effect starting with tax year 2016. In addition, the IRS will provide audit protection to eligible businesses by not challenging use of the new $2,500 threshold in tax years prior to 2016.

For taxpayers with an applicable financial statement, the de minimis or small-dollar threshold remains $5,000.

Further details on this change can be found in Notice 2015-82, posted Nov. 24, 2015, on IRS.gov. Guidelines, eligibility requirements and FAQs are online at www.nsacct.org/apply

HIGHLIGHTS OF THE NSA 70TH ANNUAL MEETING

The National Society of Accountants (NSA) held its 70th Annual Convention and Expo August 19-22, 2015, at the Hyatt Regency Vancouver in Vancouver, British Columbia.

The event drew accountants and tax professionals from across the United States and Canada for continuing education and networking opportunities. Leading industry speakers were onsite to address critical topics including ethics, practice management, accounting, and risk management, including: Walter Davenport, Chairman of the National Association of State Boards of Accountancy (NASBA) and NASBA President and CEO Ken Bishop; and Karen Hawkins, who will conclude a six-year stint as the Director of the Internal Revenue Service (IRS) Office of Professional Responsibility.

Attendees had the opportunity to earn up to 14 hours of continuing professional education (CPE).

On the lighter side, social activities highlighted some of unique attractions in Vancouver. The event started with a Vancouver harbor dinner cruise aboard the Magic Spirit and later in the week included a tour of Grouse Mountain and the Capilano Suspension Bridge. For those who arrived early, an optional tour to Victoria and Butchart Gardens was available.

Be sure to check out the NSA Flickr site to view all the images from the event.
SAVE ON TAX AND ACCOUNTING PUBLICATIONS IN THE NSA STORE.

As an NSA member, you can save with special discounts from on tax and accounting research and publications.

Visit the NSA Store for your discount information on:

- Quickfinder Handbooks: Use NSA Discount Code is Q690
- TheTaxBook Publications and Libraries: Use NSA Discount Code is: 385
- CCH Tax and Accounting Publications: Use NSA Promo Code is Y5179
- PPC & RIA Tax Publications: Use NSA Discount Code is Q690

CCH December Specials

1. Multistate Corporate Tax Guide, 2016 ($465.00, regularly $775.00)
2. U.S. Master GAAP Guide ($59.25, regularly $98.75)
3. CCH Federal Tax Perspectives ACA Large Employer Compliance and Reporting, 2015 ($29.97, regularly $49.95)
4. CCH Federal Tax Perspectives: ACA Small Business Tax and Compliance ($11.97, regularly $19.95)

NSA WEBINARS

Now is always a great time to brush up on your knowledge and earn some additional PDHs. To register for NSA Webinars, go to https://nsawebinars.nsacct.org/. In addition to the live webinars noted below, NSA also offers on demand webinars as well as self-study exam preparation courses.

Advantages and Disadvantages of Electing to be Taxed as an S-Corporation
Includes a Live Event on 12/10/2015 at 2:00 p.m. (EST)
IRS CE: 1 Hour/Federal Tax Law Update NASBA CPE: 1 Hour/Taxes

S-Corporations continue to be the most popular entity for a small business. But, is it the best choice for your client? Learn the tax advantages and disadvantages of electing to be taxed as an S-Corporation. You will better understand, issues such as: the built in gains tax; NIIT, double taxation; flow through; insufficient basis and at-risk rules; debt basis; fringe benefits; distributions vs payroll; dividends; small business stock sale; one class of stock; inability to make special allocations; limited shareholders; limited liability; perpetual life; strict administration and avoiding accumulated earnings tax…and more.

Presented by Kathy Hettick, EA, ABA, ATP and Gene Bell, EA, ATA, CFP

Basis, Basis, Basis for S-Corp Shareholders
Includes a Live Event on 12/17/2015 at 2:00 PM (EST)
IRS CE: 1 Hour/Federal Tax Law NASBA CE: 1 Hour/Taxes

Learn how profits and losses, distributions, dividends and shareholder loans affect basis & get a process for establishing basis for your S-Corporation and shareholder tax clients.

Presented by Kathy Hettick, EA, ABA, ATP and Gene Bell, EA, ATA, CFP

NSA’s own Kathy Hettic and Gene Bell are two of the most highly-rated session speakers. Recently, they presented two classes at the tax forums and received very high reviews from attendees. Their “Consents and Disclosures” was ranked 4 out of 40 and their “S-corp” session ranked 6 out of 40. Join in on their upcoming webinars and discover for yourself what sets them apart!

Register today at https://nsawebinars.nsacct.org/.
ACAT ACCREDITED TAX PREPARER (ATP) ACCREDITATION EXAM EXTENDED THROUGH DECEMBER 31.

Extension enables tax professionals to earn the ATP in time for the 2016 filing season and the IRS voluntary Annual Filing Season Program.

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Registration for and testing through the Accreditation Council for Accountancy and Taxation® (ACAT) to obtain the Accredited Tax Preparer (ATP) credential has been extended one month through December 31, 2015. The previous window for testing was scheduled to end on November 30.

The opportunity to earn the ATP credential is important because ATPs automatically qualify for the IRS Annual Filing Season Program Record of Completion and are exempt from taking the Annual Federal Tax Refresher (AFTR) course and exam that is part of the new Internal Revenue Service (IRS) voluntary Annual Filing Season Program (AFSP).

Beginning January 1, 2016, rules about who may represent clients before the IRS will change. ATPs who are Annual Filing Season Program (AFSP) Record of Completion Holders will have limited representation rights, meaning they can represent clients whose returns they prepare and sign, before examination, customer service representatives and the Taxpayer Advocate Service.

Tax return preparers who are not CPAs, EAs, attorneys or do not participate in the Annual Filing Season Program will not be permitted to represent any clients before the IRS for tax returns and claims for refund prepared and signed after December 31, 2015.

ATPs participating in the Annual Filing Season Program will also be included in the 2016 IRS Online Directory of Federal Tax Return Preparers.

Achieving ACAT accreditation provides a distinction that sets accounting and tax professionals apart and open doors for practice development and career advancement. Earning ACAT credentials provides evidence to clients that accounting and tax professionals have achieved a high level of knowledge and skills and abilities needed to effectively serve their clients.

The ATP exam can be taken until December 31, 2015 at PSI test sites across the United States. The ATP exam fee is $200 plus a $50 registration fee.

ATP candidates must pass the exams and meet experience requirements to earn the credential. A blueprint for the exam with more information on topic areas is available at www.acatcredentials.org.

For more information about ACAT credentials and to register, visit www.acatcredentials.org or call 888-289-7763.

Exam Prep Made Easy

Get a head start on your Exam preparations by using these online practice exams. Click on the title below and be directed to the online exam on that topic.

- Deductions for AGI
- Ethics & Professional Conduct
- Filing Considerations and Determination of Tax
- Income Tax Credits
- Itemized Deductions
- Corporate Taxation
- Worksheet Preparation

The Accreditation Council for Accountancy and Taxation (ACAT) is an independent accrediting and monitoring organization affiliated with the National Society of Accountants. ACAT accredits professionals in independent practice who have demonstrated measurable knowledge of the principles, practices, and ethical standards of accounting, taxation, information technology and related financial services. For more information, visit www.acatcredentials.org.
Visit MemberConnect and click on or hover over the Benefits tab to find these and other valuable resources.

NSA/CCH Online Tax Center: Get tax news, updates, and information without searching multiple sources. Daily tax news, articles, tax alerts, newsletters, IRS code and regs, court cases, and Taxtrackers are all housed in one place.

Tax Talk: Tax Talk is a member-to-member networking forum where you can exchange ideas and benefit from the experience, knowledge, and wisdom of your peers.

NSA Tax Help Desk: Get expert answers to your Federal tax questions. Active and Associate members get five questions answered FREE!

Resource Libraries: Articles, worksheets, sample engagement letters, financial guides, planning calendars, sample agreements, client tax tools, disclosure language, and other media resources are all located in the fully searchable libraries.

Publication Discounts: Save up to 30% on the Master Tax Guide and other CCH books. Also save on Quickfinder, TheTaxBook, TaxScripts, RIA & PPC, and other publications.

NSA Income & Fees Survey: Compare your practice to others in terms of business mix, fees, and compensation using this newly updated report. FREE with your NSA membership.

Tax Organizer: Customize the Tax Organizer with firm information and send it to clients to collect important information.

Tax Season Marketing Tools and Vendor Discounts: Explore the many discounts provided by NSA’s national buying power to pay less for the products and services you use every day.

FREE Technology Search—a $100 value: Need help finding the right software? Let NSA help you narrow down your search. Get a report on the software programs that meet your criteria.

Save on CPE and Self-Study Courses: NSA offers discounted self-study courses, including an EA Review Course, and self-study CPE libraries, such as CCH, Checkpoint, Becker, and Surgent. Plus, save on hot-topic tax webinars, such as the 1040 101 course.

Access Your Membership Tax Resources on connect.nsacct.org Today!
Checklists

For this issue of Main Street Practitioner, we feature two important checklists which include information in response to frequently asked questions submitted to the NSA Tax Help Desk.

Corporate Liquidation Checklist

The following list of items can be helpful in finalizing a corporate entity and filing all of the documents in that final year.

• Determine a date of liquidation that works best for corporate and shareholder tax planning.
• File a final corporate tax return (Form 1120 or 1120-S) – mark the “final” box on Page 1.
• File any final state or local paperwork that will finalize the corporate charter.
• Plan for the due date of the final tax returns – normally 2 ½ months after the final month.
• Draft a plan of liquidation or add references to the liquidation in the company’s minutebook.
• File the Form 966 with the IRS – this form has a “within 30 days” of the liquidation plan due date, but appears to be accepted with the “final” tax return.
• Complete a Form 1099-DIV for any liquidating distributions to the shareholders.
• Remember the Form 4797 within the “corporate” tax return to report the gain/loss on the distribution of any appreciated/depreciated property.
• Deduct any unamortized costs remaining on the corporate books, ie start-up or goodwill.
• Deduct any legal or accounting fees for the liquidation and/or final returns.
• Review any debts, mortgages or liabilities of the entity and have shareholder take the proper steps to resolve the amount owed or transfer them personally to the shareholders.
• Write off any basis in any abandoned assets or worthless inventory that was not distributed.

This list is certainly not every possible issue or event that a corporate entity will encounter in wrapping-up all of the affairs it may encounter – but it is a nice list to review with the owners as they consider that final year of their corporate entity.

Deferred Like-kind Exchange under IRC Sec 1031 Checklist

The like-kind exchange rules are strictly adhered to by the IRS and the Form 8824 is just part of that compliance. With a deferred exchange and the use of a qualified intermediary – there are other steps that are required to pull-off a successful exchange.

• Identify and contract with a reputable like-kind exchange agent. A firm that specializes in the handling of deferred Sec 1031 based exchanges.
• Verify and review the “exchange” contract documents – make sure that there are forms that deal with the replacement property needing to be “identified” before the end of the 45-day identification period.
• Confirm that this document allows for the identification of more than one (1) replacement property – the IRS allows up to three (3) properties without regard to FMV or more than three (3) properties if the aggregate FMV does not exceed 200% of the aggregate FMV of the relinquished property(s).
Checklists, continued

- The replacement property needs to be properly identified, with adequate property descriptions signed and properly disclosed and delivered to all parties to the transaction. This includes street addresses and “legal” property descriptions.
- Confirm provisions in the contract terms that any changes, revocations of or to the replacement properties be properly documented and handled within the 45-day identification period.
- Check for terms and conditions that the replacement property(s) will be delivered with proper title work by the end of the 180th day – the exchange period. And that this is substantially the same property that was “identified”.
- The confirmation of documents and terms such as the “45-day identification period” and the “180-day exchange period” will confirm that you have a valid IRC Sec 1031 exchange agent and/or entity.
- The relinquished property(s) need to be transferred to the “qualified intermediary”, the exchange agent prior to its’ sale.
- The taxpayer cannot be in control or “constructive” receipt of the sales proceeds of the relinquished property. This will create a “sale” and eliminate the benefits of Sec 1031.
- Confirm that the taxpayer will receive a copy of the “sales contract” – review of this document before the sale is not a bad idea – the taxpayer should not be listed as the direct seller of the relinquished property.
- Obtaining the names and phone numbers of the parties involved, as well as the attorney, any settlement or escrow agent.
- Obtain a relinquished property addendum to any contract offer or sale that the seller’s intent is to enter into a “like-kind” Sec 1031 exchange – allowing the contact to be that of the qualified intermediary or at least assignable to them.
- Look for and/or confirm such documents as the “exchange and escrow account agreement”, a “notification of assignment” form, an ‘assignment of the replacement property” document and maybe even a copy of the Form 8824, etc… The existence of all or at least some of these forms and documents helps confirm things are being done right and compliance with the provisions for the IRC and the regulations are done.
- The “qualified” escrow account should be confirmed – this account is used to avoid “constructive receipt” of sales proceeds and “limits” the use of the funds to the exchange. Thus preventing there pledge, use or borrow for any other purpose.
- Document the existence of any “related parties” involved in the exchange. This does not violate the tax-free exchange but will result in additional disclosures and post-exchange holding periods.
- Finally – review the Form 8824 and make sure that each and every question can be answered and filled-in from the documents provided by the qualified intermediary. There contracts and documents should allow for this form to be completed in its’ entirety – if not, something just might be missing.

This list is not all-inclusive and is designed to be a guide and not full compliance with either the IRS Code and/or regulations or a qualified intermediaries procedures. State and local real estate laws can also change, add to or delete any of the provisions of a Sec 1031 exchange – so again consultation with experts in this field before entering into an exchange is always advisable!