

MAIN STREET PRACTITIONER

The Magazine for Tax and Accounting Professionals



Keeping Your Head When a Client Loses Theirs

Those Pesky Short-Term Rentals (Part 1 of 2)

Why Social Media is Important to My Practice

PRESIDENT'S MESSAGE



KEEPING YOUR HEAD WHEN A CLIENT LOSES THEIRS



THE ADVANTAGES OF THE ENROLLED AGENT DESIGNATION



Main Street Practitioner

Publisher
National Society of Accountants

Chief Executive Officer
John Rice

Editorial
James Crawford
editor@nsacct.org

Press and Media Contact
jcrawford@nsacct.org

NSA Officers 2018-2019
President
Christine Freeland, CPA, ABA, ARA
Chandler, AZ

First Vice President
Joel Grandon, LPA, EA
Marion, IA

Second Vice President
Curtis Banks Lee, Jr., ATA, ATP
Raleigh, NC

Secretary-Treasurer
Ruth Godfrey, EA
Upland, CA

Main Street Practitioner is published by the National Society of Accountants, 1330 Braddock Place, Suite 540, Alexandria, VA 22314.

© 2019 All Rights Reserved National Society of Accountants. Provided online at: www.mainstreetpractitioner.org

CONTENTS

February 2019

FEATURES

5
KEEPING YOUR HEAD WHEN A CLIENT LOSES THEIRS

7
THE ADVANTAGES OF THE ENROLLED AGENT DESIGNATION

10
WHY SOCIAL MEDIA IS IMPORTANT TO MY PRACTICE

12
HOW TO INCORPORATE AGILE PROJECT MANAGEMENT PRACTICES TO GET MORE DONE

15
THOSE PESKY SHORT-TERM RENTALS (PART 1 OF 2)

DEPARTMENTS

2
PRESIDENT'S MESSAGE
Christine Freeland,
NSA President 2018-2019

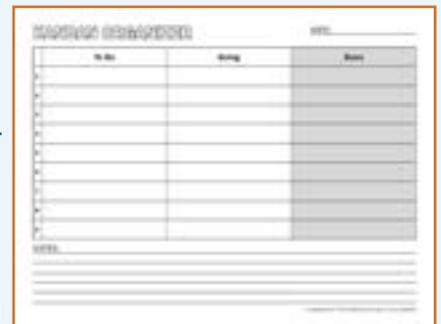
17
ALL AROUND NSA

21
TAX HELP DESK

23
LEGISLATIVE LINK

Exclusive

Members can download their own Kanban daily organizer template!





Christine Z. Freeland,
CPA, ABA, ARA
NSA President, 2018-2019

President's Message: February 2019

I love tax season. I know that sounds like a crazy statement, but I do. I truly enjoy most of my clients and look forward to seeing them. I'm also a problem solver and I genuinely enjoy helping my clients with whatever concerns they may have. And what's not to love about the cash flow that goes with tax time. However, this year, I am approaching the season with a little more dread and uncertainty. My original concern was TCJA, with all its complications, but now we have added a month-long IRS shutdown to the equation. While IRS may have reopened it will be months before the backlog is caught up. How do you spell S-T-R-E-S-S?

So, while I love tax season and my clients, I have also learned a few things along the way that helps me to remember why I love tax season as I get bogged down in countless phone calls and late nights. I try to keep stress to a minimum and want to share a few of the things I have learned along the way.

I am a big believer of taking charge of your practice and not letting the clients run the show. Set a schedule and stick to it. Don't cave in when a client wants an appointment that doesn't fit in your schedule. When setting appointments, don't ask your client what time they would like, offer them times you have open. Not every client is a good fit for your practice, be selective. Know the client you are looking for and choose wisely.

When planning your schedule make sure you allow times to stop and have a meal and maybe even schedule in some exercise or meditation time. It is amazing how much more energy you will have. A few years ago, I learned from a Tax Talker that he had healthy meals delivered so he didn't end up eating fast food and junk. I have done this for the last 3 years and while it can be a little pricey, it is so worth it. So, take care of yourself and tax season will flow a little smoother.

Don't forget that NSA has resources that can help with this crazy season. If you need a quick question answered, post it to [Tax Talk](#). It never ceases to amaze me how quick they are to respond, especially during tax season. If Tax Talkers can't help you, use one of your five free tax research questions, at the [Tax Help Desk](#). Let us spend the time on the research while you work on more important things. Don't forget you have access to [CCH Tax Center](#) with its online library and searchable database. You can look up information to help you make those research decisions. We even have the two page [2018 Key Facts and Figures](#) cheat sheet on the website, in case you didn't receive one of those slick laminated ones.

And don't forget, while you are working on that cash flow, check out the [NSA Income and Fees Survey](#) to see if your fees are in line with others in your area.

As your love for tax season dwindles and the stress builds, remember NSA is here for you, our member. If you need help, we are an email, members@nsacct.org or phone call, 1-800-966-6679, away.

Here's to a less stressed tax season.

Chris

Christine Z. Freeland
NSA President

BE PREPARED FOR THE UNEXPECTED

FINAL EXPENSE GROUP WHOLE LIFE INSURANCE PLAN

It's the best parting gift you can provide to your loved ones. You and your spouse, ages 45-75, are eligible for the **NSA Group Final Expense Whole Life Insurance Plan**, which can help those you leave behind cope with funeral expenses, unpaid bills or other unexpected expenses. During a difficult time, this supplemental insurance plan of up to \$25,000 can also help boost an existing life insurance policy, or it can be used to bequeath funds to a special person or organization.

The Final Expense Whole Life Plan is permanent life insurance that requires no physical exam and has no reduction in benefits as you age. Your beneficiary of choice can be changed at any time with a written request.



Underwritten by:



Not available in all States. Subject to policy exclusions and limitations.

Arkansas license #71742; California license #0532939.

Policy SW-30

Policy Form M-1017



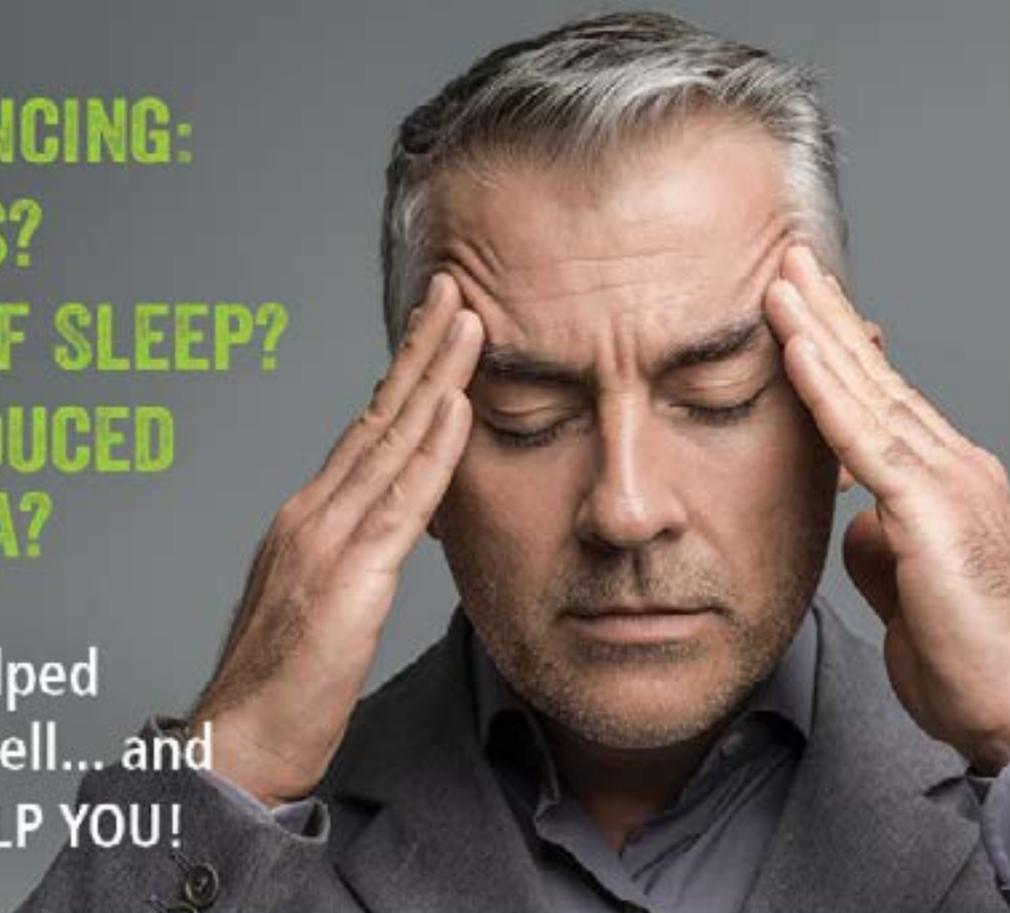
Our proven strategy will expose your practice to the greatest number of qualified buyers, provide you with expert representation, and maximize your value... and we do this while maintaining your confidentiality.

TAX SEASON CESSATION PROGRAM

EXPERIENCING:

- **STRESS?**
- **LACK OF SLEEP?**
- **IRS INDUCED NAUSEA?**

We have helped
thousands sell... and
WE CAN HELP YOU!



DELIVERING RESULTS - ONE PRACTICE AT A TIME



**ACCOUNTING
PRACTICE SALES**
THE GLOBAL LEADER IN PRACTICE SALES

877-632-1040

www.APS.net



Keeping Your Head When a Client Loses Theirs

Jeffrey A. Schneider

When a client receives that dreaded certified letter informing them that one or more years of returns are being audited, their first thought is “OMG. How can this happen to me? I only fudged a few things.” Even when they get “only” a CP-2000, the fear they feel is real as they do not understand why the IRS is asking for more money. If they use a tax professional (or even an off the shelf program), they will blame everyone and everything but themselves. Though no tax professional is infallible, in my experience, a vast majority of the time, the reason for the notice is taxpayer error (“Oops, I did not give this to you” or “I never received that 1099”).

If the taxpayer is a former client, they just show up. If it is a new person, they tend to call. So, what do we, as tax professionals, do when a client, new or existing, comes in to the office in a panic? I will describe what to do in two separate lists. The first is related to us as tax and accounting professionals, with the second talking about you and the client.

For the Tax Professional

If it is an existing client, any tax preparer with a PTIN can help them. If it is a new client, you can advise, but you cannot represent them before the IRS unless you are an Enrolled Agent, CPA or Attorney. In any case, make sure that your AFSP certificate, your EA, or CPA, license is current. Most of all, you must be sure that you have renewed your PTIN annually. There is no cost to renew your PTIN and it is super easy, so there is no excuse. All you need do is go to this link: <https://rpr.irs.gov/datamart/mainMenuUSIRS.do> and renewing is simple.

Make sure that your continuing education related to audits and alternative collections is up to date. As much as things stay the same, everything is constantly changing, from the national and local standards to the Internal Revenue Manual (IRM). Keep the IRM handy. As one of my past instructors always says, “You need to know their job better than they do”.

Do not give away the farm. Get a retainer for work to be done and a detailed engagement letter that stipulates exactly what you will and won't do and especially, what is expected of the client before you start telling him/her what you will do and how.

How to handle the Client

Offer the client a drink. Nothing calms an upset client more than a glass of water or cup of coffee. Offering the upset taxpayer a beverage sets the mood for a more calming environment.

This may sound silly, but have a box of tissues handy. I have been in many a situation, be it due to an audit notice or going over what

Continued on the following page

is needed to prepare several years of back returns. I have dealt with new clients that had to file several years, and in those years, they have gone through one or more traumatic events (i.e., death, divorce, loss of a home, etc.). You will be able to deal with the tears.

Many times, the client tends to clam up, meaning getting information is like pulling teeth. It can be very painful, not only for them, but for you. You must be patient.

Be confident. Make sure that you convey that you are in complete control of the situation.

Do not say anything that the client may interpret as you placing blame. The client can be audited just because they are unlucky. In the situation of a notice, it could very well be the client's fault, but do not pass judgment.

Be confident. Make sure that you convey that you are in complete control of the situation. Your client can pick up any vibes of your own fear and insecurities.

Do not take on an engagement that you are not fully able to take on. Not only in terms of ability, but in terms of giving the time the client and the case needs.

I have been in this field many years and I have taken on cases that I could not give my all to until the very last minute. That is not doing anyone any good, you or the client. Make sure you have a good handle on what must be done and how long it may take for you to complete the job. Once that is done, you need to make sure that you and the client understand this and it can be done.

Anytime you deal with a client as it relates to taxpayer representation, it can be very emotional. You just can't get emotional. Leave that to the client.

About the Author:



Jeffrey A. Schneider, EA, CTRS, NTPI Fellow has been in the field of taxation for over thirty-five years working for multi-national companies and has been in private practice full time since 1999. He's been a member of National Association of Enrolled Agents (NAEA), the Florida Society of Enrolled Agents (FSEA), American Society of Tax Problem Solvers (ASTPS) and the National Association of Tax Practitioners (NATP). He is a past president of the Florida Society of Enrolled Agents (2013/2014) and is a former President of the Treasure Coast (2013/2015) and Palm Beach Chapters (2009/2010 & 2010/2011) of the FSEA. He was a two term member of NAEA's National Board of Directors (2014-2016 & 2016-2018).

Schneider is also the author of guide book, *Now What? I got a Tax Notice from the IRS. Help!*, the first in a series of "Now What, Help!" books.

And most recently, Jeffrey was honored to be selected to the Internal Revenue Service Advisory Council (OPR Subgroup) for the next three years.



The Advantages of the Enrolled Agent Designation

Stephanie Ng

The Internal Revenue Service (IRS) awards the enrolled agent (EA) designation to qualified tax practitioners with technical expertise in taxation. Enrolled agents possess full authorization to represent taxpayers before all administrative levels of the IRS. Consequently, this level of privilege greatly benefits new and unenrolled tax preparers, particularly those without an accounting or law degree.

The following advantages demonstrate that the EA designation is the best way for all tax preparers to propel their careers forward.

The Advantages of the EA Designation

Unlimited Representation before the IRS

The IRS only grants unlimited representation to two types of professionals: enrolled agents and Certified Public Accountants (CPAs). Enrolled agents can manage any type of tax matter (even audits, collections, and appeals), represent any taxpayer in any state and represent clients before any IRS office.

The national acceptance of the EA differs directly with the CPA license. The state boards of accountancy bestow the CPA individually. Furthermore, CPA license requirements vary from state to state, and the CPA Exam does not delve as deeply into tax topics as the EA exam. For these reasons, the tax abilities of a CPA may or may not be equivalent to those of an EA. Only the EA proves that a tax preparer meets the government's tax standards.

Enrolled agents must acquire 72 hours of CE every three years with a 16-hour minimum per year. At least two of the 16 annual hours must address ethics. The cost of CE courses can range from \$200-\$300 a year.

So long as an EA maintains the continuing education (CE) and Preparer Tax Identification Number (PTIN) requirements, they will remain in the IRS National Database.

Untold Earning Potential

With unlimited rights before the IRS, enrolled agents never have to decline opportunities to make money by offering tax services.

Continued on the following page

On average, enrolled agents earn about 10% more than unenrolled agents.

Enrolled agents can complete more complicated tax returns that justify higher fees or longer hours. They can also aid clients with audits, prepare and file documents on a client's behalf, attend hearings and conferences in place of a client, and impart written advice to third parties about the tax implications of certain business transactions.

As these services are both extensive and in demand, they are very profitable. Entities such as accounting firms, corporate accounting departments, state departments of revenue, banks, and private practices require the assistance of enrolled agents, so countless work opportunities are available. Therefore, enrolled agents have the luxury of deciding if they will work full-time or part-time, year-round or solely during the busy season, and for themselves or others.

Enrolled agents never have to turn away clients in situations outside their professional clearance level.

Increased Client Confidence

The EA designation is a sign to clients that the practitioner has confirmed tax expertise. When the IRS approves an application for enrollment, they are verifying a tax authority. Knowing that the Department of Treasury regulates the EA designation, all 50 states recognize and respect it.

Job Security

Taxes are a reality in the lives of Americans, so enrolled agents have unwavering job security. Even when the United States endures trying economic times, the EA designation helps keep tax preparers financially secure. Continuous changes to the tax code also preserve the value of the EA.

The need for EAs remains even in healthy economic climates. As the IRS has been increasing the number of examinations they perform each season more people will need enrolled agents to guide them through audits each year.

Minimal Requirements

Many accounting certifications, such as the CPA, CMA, and CIA, include education and experience requirements. However, the EA does not. EA candidates do not have to hold any specific degree or any specific job to become an enrolled agent.

Rather, EA candidates must complete these three tasks:

1. Obtain a PTIN - All paid tax preparers must have a PTIN, or Preparer Tax Identification Number. Acquiring one simply involves creating an account at the IRS's website and completing the PTIN application.
2. Pass the EA exam or have a work history with the IRS - The Special Enrollment Examination (SEE), or EA exam, is a 3-part exam about federal taxation. Each part contains 100 multiple-choice questions that candidates must answer in 3.5 hours. Pass rates for each part of the Enrolled Agent exam range from 61-86%. Enrolled agents who enhance their tax knowledge with an enrolled agent review course should not find the exam too difficult.

An alternative way to earn the EA is by securing 5 years of job experience with the IRS. During their time at the IRS, EA candidates must have regularly engaged in applying and interpreting the Internal Revenue Code and certain tax regulations. Normally, having one of the following tax-payer facing positions qualifies a candidate:

1. Appeals officer
2. Special agent
3. Revenue officer
4. Revenue agent
5. Tax specialist
6. Tax law specialist
7. Settlement officer

For EA candidates with IRS experience, the enrollment process involves filling out a form, undergoing a background check, and having their tax transcripts reviewed.

3. Apply for Enrollment - EA candidates who take the EA exam must apply for enrollment within one year of passing their final exam part. The application includes a form and a \$30 fee. The IRS may take 60 days to process an enrollment application, and during this time, they will conduct a review of the EA candidate's personal tax compliance.

Relatively Low Cost

Another benefit of the EA designation is the minimal amount of funds and time it necessitates.

The expense of passing the EA exam begins at \$545.82 (\$181.94 per part) in exam fees. To be completely prepared for the exam, candidates should purchase EA exam study materials, or take an EA course like those offered by the National Society of Accountants. Many of the options for study are priced at around \$500. The exam enrollment fee of \$30 takes the EA total to just under \$1,100. Many accounting certifications cost much more to earn.

Passing the EA exam also entails an investment of time. EA candidates must pass all three exam parts within two years. However, candidates who are already familiar with the tax code can sufficiently prepare for the exam in as few as four to seven weeks. Conversely, those requiring further tax law training may see their review last up to four months. However, once again, the EA exam time commitment is more diminutive than that of the CPA, CIA, or CMA exam, which can extend for one to two years.

Networking Opportunities

The final advantage of the EA designation is expanded networking opportunities. Enrolled agents can attend many Enrolled Agent Association events where they can augment their tax knowledge and strengthen their professional connections. Occasionally, EAs can even earn CE from these industry conferences and seminars.

The Incentive of the EA Designation

The benefits of the EA designation are numerous. Additionally, each will prove its merit in time. There's no need to leave any of these benefits on the table. Learn more about the EA today so you can begin the process of earning such a desirable designation.

About the Author:



Stephanie Ng is the author of *How to Pass The CPA Exam* (published by Wiley) and the publisher of several professional accounting exam prep sites. Stephanie is a licensed CPA (not in public practice) and is an avid proponent of encouraging others to become certified and/or earn other prestigious designations, such as the enrolled agent.

Stephanie spent several years working at Morgan Stanley as an investment banker, and later went to work in internal corporate finance in the private sector.

Stephanie now volunteers full-time as a CFO with the charitable organization New Sight, and she is also still very much committed to helping tax preparers, accountants, and future accountants find guidance and helpful information on her websites.



Why Social Media is Important to My Practice

Hugh Duffy

Today, social media is playing a bigger role in how consumers make decisions about whether to buy a product or service. Social media provides a platform for everything from their initial research to asking for a referral from a trusted source to reading reviews about your product.

The reality is that these consumers are choosing the time and place to start a conversation with your firm, many times after researching you using social media. In light of this, you need to be communicating, sharing relevant information, educating and building a relationship with that person to increase business.

For many years, communication has been a one-way street, with businesses pushing information onto customers and prospects without any regard for what they wanted or needed, with the customers having little to no voice in affecting the process. With social media, customers now have a voice through a two-way dialog for businesses to communicate more directly with their customers and prospects.

By participating in social media networks, you have a better chance to connect with others and share ideas, keep up with changes in your industry, talk directly with your customers, stay informed and increase the number of leads you generate for your firm.

Benefits of Participating

Social media, unlike Internet marketing, is not totally turnkey. However, if you put forth the effort, the benefits to your practice can be significant. These benefits include the following:

Trust marketing. Social media helps you capitalize on the trust you have established with clients, friends and past colleagues over many years. In turn, you slowly attract more clients to your firm because your client's network will believe in you.

Controlling your "personal brand." Social media for professional services is about generating more awareness to you (and your practice) in your local market and making more connections with small business owners. This social media program will seek to enhance your "personal" brand.

Lower your marketing costs. Social media, executed properly, can gradually lower your marketing costs for each new client.

After starting slow, it will gradually pick up speed.

Drive traffic to your website. In social media, your sacrifices are often rewarded. Posting questions or responding to them with helpful advice helps you build trust with people. It also allows you as a place to create meaningful links to your website to get new traffic visiting your site and viewing your services.

Improved Search Engine rankings. Google is changing the game on search engine marketing by placing a much heavier emphasis on real-time, user-generated search results. With the popularity of social media, your information is far more likely to appear if you are actively participating.

No longer can practices trying to attract small business accounts rely on just search engine results as a source of lead generation and website traffic. The real-time results are getting preferred positioning - and, as a result, more search traffic.

Which Social Media Platform is Right for my Practice?

Before starting any social media strategy, you need to determine which social networks are right for your firm. A basic rule is to consider what each network offers and how you can benefit from their resources. It's also good to think about which platforms you currently use. Sometimes sticking with a platform you already know is more effective than trying to reinvent the wheel and learn a new one.

For most accounting firms, getting the most bang for your buck comes from three networks. We recommend you focus on LinkedIn (<http://www.linkedin.com/>), Twitter (<http://www.twitter.com/>) and Facebook (<http://www.facebook.com/>). This doesn't mean you should necessarily try to do all three at once. It's better to choose one (or two) to focus your efforts and do them well instead of trying to do all three only partly.

Blogs

While a blog can certainly be useful, not putting in the time and energy required to be successful will make it meaningless. You must make it interesting and relatable to the reader. Here are some guidelines:

- A blog must have a strong, personal voice. If your voice is boring, no one will read it.
- A blog needs to start and end with original content that is significantly better than anything else in your industry.
- Blogging takes lots of time. We're talking two to four hours a post to research, write, edit and post, and that's if you are a good writer.
- Blogs are not cheap. They require technical support to get them set up, a graphic designer to make it stand out and match your firm's identity and a dedicated writer to keep it up to date.

To have a productive blog, you need to drive traffic to it. This takes time, effort and money.

YouTube

Despite competing with a sea of videos featuring the latest craze, YouTube is a powerful, effective business tool. However, if you do not have time to write a script, video yourself and edit the video, it can be an overwhelming process. Remember, that not every video needs to be perfectly edited and filmed. Consumers are more and more used to seeing video that's not necessarily professional quality. It's about getting your face out there as a way to connect.

There are three primary ways to use YouTube for your business:

1. Expertise and thought leadership
 1. Upload recordings of presentations you've given to demonstrate authority, position yourself as an expert and build trust.

Continued on the following page

2. Share slides from presentations that weren't recorded.
 3. Create short videos of valuable tips of interest to your prospects and clients to show off your expertise.
2. Marketing and advertising
 1. Post customer video testimonials.
 2. Create a video explaining your services.
 3. Add your YouTube channel URL to your marketing and social media profiles.
 4. Show the results of someone using your services.
 5. Use a video to introduce your staff or show a tour of your office.
 6. Post links to your videos on various social networks.
 7. Add overlays to your videos to drive traffic to your web site.
 8. Display company information in your videos including name, URL, phone number and email address.
 3. Customer service
 1. Create "how to" videos to help your clients and prospects with common issues related to tax planning, accounting, QuickBooks and incorporations.
 2. Answer frequently asked customer questions using videos.
 3. Embed videos on your web site on appropriate pages.
 4. Go the extra mile by adding closed-captions or subtitles to your videos. Remember that not everyone can watch or hear videos in the same way.

About the Author:



Hugh Duffy, is the Co-Founder and Chief Marketing Officer of [Build Your Firm](#), a website development and marketing company for accounting firms. With more than 30 years of marketing experience, he has been coaching accountants on how to improve their marketing and make more money from their accounting practice since 2003. Hugh takes great pride in the impact his coaching has on the practices and lives of his clients.



How to Incorporate Agile Project Management Practices to Get More Done

Forrest Brown

Being a CPA can feel like walking on a rolling barrel.

You spend hours preparing reports and statements to have them ready for the next month only for another cycle of preparation to begin as soon as you're done. The cyclical nature of your work is dizzying, and that's only before the beginning of tax season.

With so many tasks vying for your attention at what seems like a constant pace, working efficiently while retaining (some of) your sanity can seem like the biggest task of all, especially if you're working alone or with a small staff. This is a daunting feat, but, odd as it may seem, you may have something helpful to learn from a software development philosophy known as "Agile".

What is Agile?

There are probably more misconceptions surrounding Agile than there is real understanding of what it is. A quick Google search for "Agile" returns just shy of a million results, so cutting through the clutter to find a simple answer can prove challenging.

In short, Agile is a project management philosophy pioneered by a group of software developers in 2001 to help other developers around the world create better technology. It's an iterative philosophy that values people, results, collaboration, and adaptability over some of the more rigid approaches to project management popular in the 20th century.

While initially codified for the software industry, Agile has spread far and wide since its inception, and an entire industry has sprung up around Agile methodologies. At its core, though, Agile is really about consciously adapting processes and attitudes to better suit the demands of the 21st century. We think accountants can benefit from at least one aspect of its approach.

Taking a look at methodology

Agile is a set of values and principles, but it doesn't prescribe one particular path for enacting those beliefs. This is where methodologies come into play.

There are a few different methodologies for practicing Agile. These include Scrum, Waterfall, Lean, and Kanban, but the one we'd like to focus on for the sake of accounting is Kanban.

The Kanban approach comes from the Japanese word *kamban* (看板), which literally translates to “signboard.” It’s a just-in-time approach to project management that was originally developed in Toyota factories in the 1940s, but it has since been adapted for use across countless other industries.

What does Kanban have to do with accounting?

Kanban historically works by pulling tasks from a backlog of work to be done and visualizing them using wooden tablets. These tablets are then hung on a board that divides them into one of three columns: to do, in progress, and complete.

This seems like a straightforward approach, but the real genius of Kanban (and perhaps the reason for its widespread adoption across industries) lies in its use of work in progress (WIP) limits for columns.

Work in progress limits are just that—they place constraints on the number of tasks you can have in any one column simultaneously. This is helpful for teams of all sizes, as it allows managers to identify bottlenecks, or traffic jams, in workflows and pull workers from other tasks to knock out slowdowns.

If your staff has a pileup of 1040 tax returns that need attention, the Kanban method makes visualizing this congestion simple, allowing other workers to notice the bottleneck and jump on getting some of those tax returns out of the way before moving on to other tasks.

This approach is what earned Kanban its designation as a just-in-time management practice. By using a system that limits the number of tasks you can work on at a time, you force yourself to only focus on the most urgent, necessary tasks. Your efficiency is boosted, and you’re prevented from wasting time on tasks that don’t require immediate attention.

Numerous project management systems have Kanban-based task tracking and reporting built in. Because Kanban visualizes the entire workload and breaks it out in intuitive lanes based on a particular project’s or task’s status, identifying backlogs is much simpler. In addition, project visibility across the entire team can help eliminate unproductive status meetings and endless emails.

On the surface, software development and accounting seem to have little to nothing in common. Some describe software development as “inventing on a schedule” by using a variety of programming languages, while accounting is much more task-oriented and uses a set, widely agreed-upon method.

This doesn’t mean, however, that accountants have nothing to learn from software developers. While many Agile methodologies such as Scrum or Waterfall may not have direct or obvious applications to accounting, Kanban is a versatile method of Agile project management that can help practitioners get more done in a shorter amount of time irrespective of their profession.

The proverbial barrel may still be rolling, but by using Kanban, we can hopefully learn to manipulate its speed and mitigate some of our dizziness.

NSA member exclusive: download your [Kanban organizer template](#) and keep track of your day!

About the Author:



Forrest Brown, is a writer for [TechnologyAdvice.com](#), covering B2B and technology. Originally from Atlanta, Forrest currently resides in Nashville with his wife and calico cat where he enjoys creative writing, sampling tasty food, and traveling often.



Those Pesky Short-Term Rentals (Part 1 of 2)

Kelly Myers

When you think of rental property, most people think about the traditional rental. That is, a single-family residence rented on a monthly or annual basis. Or maybe even a multi-family or commercial property with longer term tenants. With the advent of new generational thinking and the shared economy, the perennial question arises this time of year regarding the tax treatment of non-traditional rental property. That is, what does the preparer have to consider when reporting vacation-type property or even the “room for rent” under a shared economy model?

Just how many Code sections come into consideration when accounting for rental property? The list is often more extensive than you think, and the determinations are very factually driven. In this article I will peel back just a few layers to help the preparer sort through some of these aspects. Specifically, let’s look at Internal Revenue Code (IRC) sections 280A and 469. We will save IRC sections 199A, 1402, and 1411 for Part 2.

Let’s think a little more about non-traditional property. What does it look like? Well, it could be many forms including a vacation condo on the beach, a short-term property in town, or a spare bedroom in your house. Each of these properties have special considerations beyond simply reporting income and deductions.

IRC section 280A, Business Use of Home, is one of my first mental stops when looking at a non-traditional property. I need to know if the property is a “dwelling unit”. This includes many assets that you may not initially consider. The Code provides a list of dwelling units to include “... house, apartment, condominium, mobile home, boat or similar property, and all structures or other property appurtenant to such dwelling unit.” IRC section 280A(f)(1). The courts have further expanded the list to include motor homes, travel trailers, and houseboats. The regulations further explain a dwelling unit is any arrangement with the capacity to sleep, cook, and toilet. Prop. Treas. Reg. 1.280A-1(c)(1). So, you can see the definition of a dwelling unit is quite broad.

Once I determine the property is a dwelling unit then I need to determine if it is a “residence”. The dwelling unit is deemed to be a residence if there is personal use of the greater of 14 days or 10% of the days at fair rental value (FRV). IRC section 280A(d). Personal use is further defined, in general, to include occupancy by any owner, any family member of any owner, or anyone at less than FRV. IRC section 280A(d)(2). There are a couple exceptions to personal use which include occupancy for maintenance or if a relative is occupying the property as their primary residence.

Why are these definitions so critical? The character of the property will determine the allocation and possible limitations of expenses. Expenses of the dwelling unit are required to be allocated between personal use and FRV use beginning with the first day of personal use. So, let’s look at a few examples.

Example 1. Your client has a rental duplex that is rented one half to an unrelated party and the other half to their mother as her principal residence. Both tenants pay \$900 per month which is deemed to be FRV. The property consists of two dwelling

units; each side of the duplex is a living unit. Even though one unit is rented to a family member it is not deemed personal because it is rented at FRV as her principal residence. IRC section 280A(d)(3).

Example 2. Changing the facts slightly in Example 1, the mother only pays \$500 per month. Now her side of the duplex is deemed a personal residence of the owner and you must allocate expenses for that unit based on personal use. If she occupied the unit for the entire year, then 100% of expenses (including depreciation) are deemed personal and not reported on Schedule E (or equivalent). Rents paid are reported as Other Income and the expenses are personal; mortgage interest and real estate taxes flow to Schedule A with applicable limitations applied.

Example 3. Your client has an in-law suite in their principal residence with an outside entrance. They want additional income, so they list the room for rent. The rental comes with limited access to the kitchen, laundry, and family pool. They are successful in renting the room for 100 days during the year. They also had family visitors throughout the year who stayed in the room for a total of 50 nights. The client now has a mixed-use footprint that requires an allocation of expenses based on occupancy. Expense to maintain the room are allocated between the personal use (50 nights) and the FRV use (100 nights). Therefore, 2/3rds of the expenses are allocable to the rental subject to the passive loss rules. The only expenses allocable to the rentals are those exclusive use to the rental; there is no allocation for costs related to common areas such as the kitchen, laundry, or pool.

Passive activity loss (PAL) limitation under IRC section 469 is the next question to consider when looking at these rentals. This can be a complex set of rules but let's take a brief look at our basic examples.

In Example 1 the treatment is the common situation. The rental is per se passive with the exception when the client is a real estate professional (topic for another article). Additionally, if the client has modified adjusted gross income (MAGI) under \$100,000 they may qualify for the \$25,000 special allowance.

In Example 2 the PAL rules do not come into play for the mother's side of the duplex. The income and expense are both excluded from the PAL computations. The income is under Other Income and the expenses are all personal; thus, no affect. The unrelated rental has the same application as in Example 1.

In Example 3 you have to develop some additional facts after you have carved off the deemed personal use portion of the expenses. Now you must compute the average customer use; that is, was the average customer use 7 days or less. If so, the activity is deemed not a rental under PAL and the client looks to the hourly material participation tests to determine passive status. Treas. Reg. 1.469-1(e)(3)(ii)(A). There are some additional exceptions to the rental rule if significant or extraordinary personal services are provided but that is beyond the scope of this article. If the activity has an average customer use of more than 7 days, it is deemed a rental. IRC section 469(c)(2). This is an annual determination, so the in-law suite could be a rental in Y1 and excluded from the rental definition in Y2.

This will give you a few more points to consider the next time a client says, "I bought a short-term rental property..." There are many points of law to consider and I have addressed a few here. I will extend these scenarios further into IRC sections 199A, 1402, and 1411 in Part 2.

About the Author:



Kelly H. Myers, MBA, EA, Tax Consultant, is a consultant with Myers Consulting Group, LLC providing seminars, tax planning, consulting, and controversy services to clients across the United States. Kelly has spoken nationally both as a consultant and during his 30+ year career with the IRS (retired 2017). Kelly spent his last 20 years of his IRS career working for the Washington, DC Headquarters as a Senior Technical Advisor. Kelly is an Enrolled Agent (EA) qualifying to practice before the Internal Revenue Service. He has an MBA from the University of Tampa with emphasis in Accounting and Taxation. His BA is from Western State College with a double major in Accounting and Business Administration with a minor in Economics. He resides in Huntsville, Alabama.

• ALL AROUND NSA

MEMBER BENEFIT SPOTLIGHT: CCH TAXAWARE PLUS CENTER



Tax Season is here, and CCH's TaxAware Plus Center is even more valuable to you than ever. TaxAware Plus Center allows you to quickly and easily get answers to all your federal and state tax questions in one place. You don't have to waste time searching all over for crucial news and information that you need quickly.

Wolters Kluwer's TaxAware Plus Center includes these resources:

- CCH Federal Tax Weekly — Stay up to speed on all the significant tax developments for the current week.
- CCH Federal Tax Day and CCH State Tax Day — Customized daily news on the latest developments in federal and state tax.
- Tax Court Reports — Weekly reporting of Tax Court Regular and Tax Court Memorandum decisions.
- Federal and State Tax News Highlights — Receive the day's top tax headlines on both Federal and State tax topics.
- Federal Tax: Bill Worth Watching — Includes recently proposed bills, bill names, bill status and the date of any reports issued.
- CCH Tax Briefings — Get expert analysis, key insights and simple explanations on the latest changes impacting professionals and their clients.
- Federal Tax Practitioner's Newsletter — Complete monthly resource for all the latest federal tax developments with clear analysis, explanations and examples.
- Federal Tax Regulations
- Internal Revenue Code
- CCH® Tax Calendar
- United States Tax Cases

NSA provides you this benefit — *worth \$1,060* — complimentary with your membership. NSA supports members on every front by giving members access to excellent tax resources, National advocacy, practice management solutions, and a wide range of insurance products through plan administrator Forrest T Jones.

To access your CCH benefit, visit [this](#) page and log in, or create a CCH login if this is your first visit.

TAX SEASON REMINDER!

Tax Season has arrived. NSA wants to remind you of the benefits we offer you that may prove helpful over the coming months.

Tax Research & Information

NSA Tax Help Desk: Active & Associate members get five federal tax questions researched and answered free each year — this is a value of \$125 you receive as an active member!

Having this resource at your fingertips can save you time when clients arrive with complex tax issues.

CCH Tax Center: NSA members can access tax code information, regulations, court cases, daily tax news, briefings, and tax alerts as part of the service.

NSA Tax Talk: Ask and answer questions and get input from other members with their wide range of experience. Plus you can search the discussion archives anytime online by topic or keyword!

Why is Tax Talk so valuable?

How much do you charge per hour of your time? How long would it take you to find the answer to a question that you posted on Tax Talk? If you charge \$150 per hour, and a question takes two hours to answer, and Tax Talkers answer it for free, then you've just saved \$300 and two hours of your time. Imagine what you can do with that time. And your membership is already paid in full!

Tax Tools and Resources

NSA Resource Libraries: Download sample client, disclosure, and engagement letters, the 2018 tax organizer and more.

NSA Bookstore & Discounts: Members save on CCH publications, Quickfinder, The TaxBook; cyber liability insurance, office supplies, credit card processing, client newsletters, shipping. Your benefits and discounts now include VeriFyle and ZipWhip!

Technology Search: When you need help finding the right accounting or tax software for your practice, use the free Technology Search for help.

If you have any questions about your NSA membership, please contact NSA Member Services toll-free at 800-966-6679 or email members@nsacct.org.



NSA'S ACCOUNTING SCHOLARSHIP APPLICATION WINDOW IS OPEN

The application window for NSA's accounting scholarships is open from 1/1/19 through 4/1/19.

Interested students should begin [applying now](#).

Who is eligible to apply?

To be eligible for this award, you must:

- Be a United States or Canadian citizen.
- Permanent residents are NOT eligible to apply with the exception of applicants from Arizona. Legal residents from Arizona may apply.
- Be majoring in accounting, having maintained a 3.0 cumulative GPA or higher (on a 4.0 scale).
- Be an undergraduate enrolled part- or full-time at an accredited (2) two-year or (4) four-year college or university in the United States.
- Applicants from Arizona must carry a minimum of 9 credit hours.
- Students in an accredited (2) two-year college may apply following their first semester grades or during their second year if transferring to a (4) four-year institution, provided they are committed to a major in accounting throughout the remainder of their college careers.
- Students in an accredited (4) four-year college may apply for the scholarship for their second, third, or fourth year of studies, provided they are committed to a major in accounting throughout the remainder of their college careers.

Note: High School Seniors or College Students not yet enrolled in an undergraduate accounting program are NOT eligible to receive NSA Scholarship Foundation Awards.

What is the selection criteria?

An independent selection committee will evaluate the applications and select the recipients considering:

- Academic achievements and records
- Leadership and community involvement
- Honors and awards
- Work experience
- Statement of goals and aspirations
- Financial need (Arizona financial need scholarship only)

Decisions of the selection committees are final and are not subject to appeal. No application feedback will be given.



What are the details of the award?

- Award amounts range from \$500 to \$2,200.
- Awards are for undergraduate study only and are not renewable (with exception of the Stanley H. Stearman Award); however, students may reapply each year as long as they continue to meet the eligibility criteria.
- The scholarships will be applied to tuition, fees, books, supplies and equipment required for course load at accredited, nonprofit two- or four-year colleges/universities in the United States.
- Students may transfer from one institution to another and retain the award.

For more information, download the [Scholarship FAQ](#).

WELCOME TO NSA'S NEW MEMBERSHIP DIRECTOR

NSA is pleased to announce and welcome Ms. Jennifer Harrison as Membership Director. Ms. Harrison will be responsible for membership development, retention, and membership services. She will also contribute to strategic planning and execution of association programs.

“I am thrilled to be a part of a long-standing and well-respected society and am excited to work with the members and staff to maintain the reputation while shaping a society for the future,” Harrison said.

Ms. Harrison comes to NSA with over 10 years of association experience ranging from membership to event planning to operations. Most recently, Harrison worked at the National Association of Enrolled Agents in the Membership Department overseeing all day-to-day membership operations. There, she developed and implemented membership outreach efforts, including presentations, training, and marketing.

“NSA is pleased to bring Jennifer Harrison on board as our new Membership Director,” said NSA CEO John Rice. “Her experience in the tax and accounting industry will benefit the members and organization as a whole.”

NSA RELEASES BRAND NEW 2018 ANNUAL REPORT



The NSA has just released a brand new annual report for 2018. It recaps last year, but carries a broader message: NSA is changing for the benefit of its members.

Here is an excerpt from President Christine Freeland’s message to members: “...I am working closely with NSA’s CEO John Rice and our Board of Governors to re-energize NSA. We have created a new Strategic Plan to chart NSA’s course forward. As part of that new plan, we sent out an education survey to you this year and learned quite a bit about your preferences for live events which will inform our decisions regarding educational programs for this year and beyond.

You will read about our new effort to increase our communication with you...Your input and replies to surveys help us create a truly valuable membership experience...”

Download a [copy](#) and read more about the future of the National Society of Accountants.

NSA's tax research team is busy helping members answer the toughest Federal tax questions.

Tax Topics

From the Tax Help Desk, a few of the most recent inquiries regarding the Tax Cuts and Jobs Act of 2017 (TCJA). WE here at the Tax Help Desk have been fielding inquiries about the new tax act of which most of its' provisions became effective in 2018 and play into how we will start to prepare tax returns in the up-coming weeks.

The Tax Cuts and Jobs Act of 2017 (TCJA) implemented a new tax code and deduction in IRC Sec 199A. This new code section has probably generated the most questions of the new legislation. And we hope to share here some of those inquiries and their answers. Or at least the extent of the answers that we have found.



Q-1 Does the rental activity of a taxpayer or a taxpayers' pass-thru entity qualify for the 20% tax deduction under IRC Sec 199A?

A-1 The 20% deduction under IRC Sec 199A is basically defined as 20% of the taxpayers' "qualified business income" or QBI. A taxpayers' qualified business income or QBI is broadly defined in the "Act's" language as the taxpayers' net amount of items of income, gain, deduction and loss with respect to the taxpayers' trade or business. Some of the key items that are NOT included in QBI or business income are wages and salaries of an employee, and any type of investment or portfolio income. Also not included in the definition of QBI are a partners' guaranteed payments, and partners guaranteed payments do not create QBI at the individual 1040 level, like employee wages.

However, the Act did not by name or code section exclude rental income from those listed as ineligible for the 20% tax deduction. But what they did not provide is a clear definition of which rental properties or activities did qualify.

The temporary regulation issued this past August also di not assist much with that definition. Therefore, as practitioners' we are left with a decision, this tax season, whether or not to use Schedule E based rental activities, or the Form 4835, farm rental, as a trade or business for the 20% deduction under QBI.

We are dealing with a definition, that is vague at best, and reads something like this... trade or business income is an activity that is undertaken regularly and continuously and has a profit motive. The definition of trade or business within IRC Sec 199A uses IRC Sec 162, therefore do not confuse the definition of a trade or business in rental as one with material participation or active participation or having any "hours" of time tied to it, for this definition is a part of IRC Sec 469, which is not specifically mentioned in IRC Sec 199A.

This really, effectively leaves us with a judgement call, at have level does a rental activity rise to the level of a trade or business... officially this is still unknown.



Q-2 What does the very last definition of a "specified service trade or business" (SSTB) entail when they use the broad definition of a business where the owners' or employees', skill and reputation, produce the trade or business income?

A-2 The original tax act language within IRC Sec 199A left most tax practitioners thinking that pretty much "all" service business, with qualified business income (QBI), over certain income levels, would basically loss the benefit of this 20% deduction.

However, here we were saved by the provision of the proposed regulations. In August of 2018, the proposed regulations put an end to the speculation with this rule and mapped out three (3) very specific "service" businesses. The specific industries or businesses seem to surround the fact that the individual's skill or reputation rises to the level of their name been known or famous and that their endorsements or promotion, which produces their QBI sells a products or service.

Tax Topics

NSA's tax research team is busy helping members answer the toughest Federal tax questions.

The three specific services or categories deal with income from endorsing products or services. Or where the income is derived from licensing of the individual's image, likeness, name, signature, voice, or any other symbol associated with the individuals' identity. And finally, income is received for appearing at an event on the radio, television or any other media format.

Therefore, this so called "catch-all", in the initial act language, has been narrowly defined to include just three (3) very specific services and the individuals' rendering those services.



Q-3 Is the deduction for entertainment and business meals really gone? Is the deduction for the business trip eliminated under the new act?

A-3 The repeal of the deduction for entertainment, amusement or recreation expenses that are directly related to or associated with an active trade or business is a true statement in the Act's language. It left us, tax practitioners', with the feeling that the literal language eliminated the deduction for the business meals that often accompanied that entertainment or recreation.

Well, this fear or concern turns out to be unwarranted. The IRS has issued some guidance, in the form of an IRS Notice, Notice 2018-76. This notice clarifies that the 50% deductible business meal is still a tax deduction. This is despite it being so regularly associated with and incurred in the entertainment setting.

Therefore, the business meal is safe under the new ban on entertainment in the TCJA of 2017. As long as the food and beverage expense is ordinary and necessary under IRC Sec 162. That the expenses or costs are not lavish or extravagant and the taxpayer or employee are present at the meal or event. The food and/or beverage must be provided to and for a current or potential client or customer and must be purchased separate from the entertainment. So in other words the old hot dog, drink and a ticket deal is dead in the business world, for to be deductible the two (2), the food and beverage and the cost of the attendance at the event must be purchased separately.

Despite all of this discussion, remember that the Form 2106 is still eliminated, so the employee version of this tax deduction, if unreimbursed, is lost in the overall elimination of the itemized deductions subject to the 2% AGI floor.

The Form 2106 is still available in 2018, but only for a few very specific individuals and professions. You can find the specific list right on top of the 2018 version of the Form 2106, as well as in the forms' instructions or the discussion in IRS Publication 17.

NSA Active and Associate members get five federal tax questions researched and answered FREE each year. For more information and to submit a question, log on and go to Tax Help Desk.

Legislative Link



John Ams

Final, New Proposed Section 199A Regulations Released

Pass-through entities on January 18 received final and new proposed regulations on how to qualify for a new 20% tax deduction on certain types of income, the IRS stated in a package of guidance.

The final rules, adopting with modification proposed regulations (REG-107892-18) released in August, provide guidance on how pass-through entities can aggregate income with costs to qualify for the new deduction under tax code Section 199A, created by the 2017 tax act, Pub. L. No. 115-97. Additionally, the final regulations provide an anti-avoidance rule under Section 643 to treat multiple trusts as a single trust. Proposed regulations, issued concurrently, would provide guidance on the treatment of previously suspended losses that constitute qualified business income. The proposed regulations would also provide guidance on determining Section 199A deductions for taxpayers that hold interests in regulated investment companies, charitable remainder trusts, and split-interest trusts. The IRS stated that the final regulations are effective on and generally applicable to taxable years ending after the date of publication in the Federal Register. However, taxpayers may rely on the rules in Treasury Regulations Section 1.199A-1 through Section 1.199A-6, in their entirety, or on Proposed Regulations Section 1.199A-1 through Section 1.199A-6, in their entirety, for taxable years ending in calendar year 2018. A copy of the final rules is available [here](#). A copy of the new proposed regulations is available [here](#).

The IRS made a series of changes to make it simpler for businesses to determine if they can or can't get the tax break, a senior Treasury official said when the package was released.

For example, the regulations include a test for rental real estate owners to know if they can get the tax break. If they meet the test, they will be treated as a trade or business solely for the purpose of Section 199A. IRS explained in Notice 2019-07 (available [here](#)) that to qualify for treatment as a trade or business under the safe harbor, a rental real estate enterprise would have to satisfy the requirements of the proposed revenue procedure, including the maintenance of separate books and records to reflect income and expenses, maintenance of contemporaneous records, and for taxable years beginning before January 1, 2023, 250 hours or more of rental services performed per year. After December 31, 2022, the 250 hour requirement would apply to any three of five consecutive taxable years, the IRS noted. If an enterprise fails to satisfy the requirements, the rental real estate enterprise would still be treated as a trade or business for purposes of Section 199A if the enterprise otherwise meets the definition of trade or business in Treasury Regulations Section 1.199A-1(b) (14). The proposed revenue procedure is proposed to apply generally to taxpayers with taxable years ending after December 31, 2017, the IRS stated. However, until the revenue procedure is published in final form, taxpayers may use the safe harbor described in the proposed revenue procedure for purposes of determining when a rental real estate enterprise may be treated as a trade or business solely for purposes of Section 199A.

The new rules also make clear that companies can't use a tax planning technique called "crack and pack" to avoid limits on the new tax break. Professional service providers had hoped to use the

Legislative Link



John Ams

technique to get around the income limits set for owners of pass-through businesses.

The strategy would have allowed them to split their firms into different entities to lower their tax bills. For example, an accounting firm could have put all of its secretarial staff into one entity and its accountants into another to get the full deduction on the income tied to the administrative work. But companies with some income that qualifies and some that doesn't can still delineate those different activities, such as through separate accounting books, to get the deduction on the eligible income. For example, banking activities qualify for the deduction but wealth management advising doesn't, so a bank with some investment advising can separate the bookkeeping for those two units and still get the deduction on the qualifying income.

The deduction is limited for employers who pay low wages or hire few workers. The rules make it easier for related pass-through businesses to maximize their deduction by allowing companies to combine at the entity level or at the owner level. For example, two related businesses -- one with a lot of employees but little profit, and another with a lot of profit but few wages -- could aggregate their payroll and income to get a bigger tax break.

The rules retain a provision meant to simplify record-keeping if companies only have a small amount of income from ineligible activities, such as health or law. If less than 10 percent of the income is from ineligible sources, the company can still get the full deduction on all its profits.

Despite Treasury effort in making it more clear how the law is implemented, not all questions have been addressed. One comment already received by Treasury notes that it is still unclear how to apply the law is still unclear in cases where a taxpayer has multiple trades and businesses held within the same entity. By way of example, the commenter said it is not clear how much of a deduction would be available to an optometrist who sees patients, which is a service business subject to the cap, and also grinds lenses, which is a manufacturing business that is not.