

MAIN STREET **PRACTITIONER**

The Magazine for Tax and Accounting Professionals

Cross-Selling to Capture Full Client Value

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

Overcoming Tax Pro Challenges

PRESIDENT'S MESSAGE



CROSS-SELLING TO CAPTURE FULL CLIENT VALUE



HOW TO YIELD HIGHER QUALITY LEADS



Main Street Practitioner

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THE BEST THING YOU CAN DO FOR YOUR BANK OR CREDIT UNION CLIENTS IN 2019



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

President's Message: June 2019

In my President's column at the beginning of tax season, my message was plan, schedule, and take charge. Now that tax season is mostly behind us, it is time to review, craft, and implement. Some of the issues we had during tax season were not within our control — who would have thought we would start the season with the government shutdown in the year of the biggest tax change in 35 years? Now that the season is over, have you evaluated what was good and what you might want to change? Some of you are thinking, I don't want to do that now, I'll wait until the fall closer to the next season.

I'll tell you why I think that may not be such a great idea. Right now, everything is fresh in your mind and you can remember your successes and as well as what malfunctioned. Time changes our perspective on things. While your thoughts are still fresh, plan for next year. Maybe you need to hire more employees or different employees. Maybe you didn't take credit cards and have more open invoices than you would like. Maybe you have a great front office person but with a little more training they could be invaluable. Possibly you or someone you know had a cyberattack of some kind. Many of your younger clients (this assumes you are getting older like me) want to text you but you don't want to give out your personal cell phone.

Or maybe, you have figured out you need some additional CPE, but you really need to have some fun but don't know how you can do both. Maybe because you need to figure out how to raise your fees without losing half your clients.

As the old saying goes, most people don't plan to fail, they fail to plan. As I stepped into the NSA Presidency this year I knew without a plan, I would definitely have a D- tax season instead of a B+ one. I planned my appointment schedule much more carefully than previous years and I became a much earlier riser than past years. I couldn't tell you how many 6 and 7 am appointments I had with the NSA office this season. The plan served me well and although there were many unforeseen issues to be dealt with, I had the time, and the plan, to accommodate them.

So, why do I tell you this? Let NSA help you jump start a great next tax season, now, after all that is why we are here, to serve you.

If you are looking for fun and CPE all in one location, [please join us in Charlotte for this year's annual meeting](#). In addition to great CPE provided by Wolters Kluwer, we are going to a ball game and have evening of games, including our own Bingo version-N-S-A-G-O! This will be a great opportunity to have fun, and get some great CPE. There is even an opportunity to dine with a member of the Board of Governors and learn about the inner working of NSA.

Perhaps, you have need for Errors and Omissions Insurance or Cyber Insurance or most any other kind of insurance, [NSA Member Insurance Program](#) is here for you. Check out our [income and fees survey](#) and set your billing plan for next year. Time is money, and we have a [one stop shop](#) for self-study CPE, and tax and accounting publications. Make sure you sign up for [Verifyle](#) for safe document sharing. Use [ZipWhip](#) to text your clients without using your cellphone.

If I were a betting person, I would bet that there are many NSA benefits of which you aren't aware. Visit the [MemberConnect](#) website and see all we have to offer.

Time passes quickly, and before we know it, next year will be here and we will wonder why we didn't plan better. As one of my favorite authors, Dr. Seuss said, "How did it get so late so soon?" Don't let it be too late for you.

"Today is your day, your mountain is waiting. So, get on your way!"

Chris

Christine Z. Freeland
NSA President

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Cross-Selling to Capture Full Client Value

Amy Franko

It's a whole new world out there. As a consumer, you've almost certainly noticed the changes. Whether you're part of a firm or an independent practitioner, chances are you've also seen a shift in your business environment. Client requirements and buying behaviors have become more sophisticated. Trends like accelerated return on investment, commoditization, and increasing buyer control, are here to stay.

That's the new sales economy, and it's impacting virtually every industry, including the accounting profession. Our prospects and clients have higher expectations of us than ever before, and firms are under more pressure to set their services apart in a meaningful way. This shift is especially challenging for professionals who play a dual role of practitioner and business developer.

One way you can break through in the new sales economy is to build upon your already strong client relationships by cross-selling services. You've likely seen the statistics... acquiring a new client costs 5–25 times more than keeping an existing one ([Harvard Business Review](#)). Growing existing relationships is a strategic way to lower your business development costs while increasing overall margins and client loyalty.

In a series for the NSA Main Street Practitioner, I'll cover the topic of cross selling to clients. In this piece, we will explore how to uncover cross-selling opportunities by leveraging your existing client meetings. The second article will look at how to cultivate relationships within the client. And the third will share how to open new doors and build engagement with prospective clients.

Making the Most of Meetings to Uncover Cross Selling Opportunities

Cross-selling is a fundamental aspect of growing your book of business. As a strategic advisor, your role is to help clients understand the value you can deliver, beyond the services they know you for or the current engagement.

Most accountants will meet with clients at least once during busy season, and probably other occasions, as well. When you are face-to-face, it's an opportunity to extend the value of that time together.

Here are four steps to leverage your existing client meetings to uncover new cross-selling opportunities.

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Gather pre-meeting intelligence.

For any client meetings on the calendar, be sure to know who is attending and then do some brief homework on each person. This research can involve reviewing their LinkedIn profiles, or looking for “triggering events,” like annual reports, leadership changes, and other company and industry shifts. This can help you in leading a strategic discussion and uncover potential problems in their business that you may help solve. This elevates your role beyond the tasks at hand and helps the client consider their business differently—you help them elevate their thinking to become more visionary, rather than reactionary.

Brainstorm the areas in the client’s business where you are NOT doing business today.

These are opportunities to “sell deep” within the client and create more value for the them.

Using your research, where can you introduce services that have an additional or higher fee value? Or where can you offer a specialized service that warrants the additional investment?

Professional service providers, like accountants, have historically underestimated the curiosity of clients and their interest in knowing what other services could benefit them. Always be thinking about what opportunities and ideas you can bring to the table to create value for them.

Prepare an agenda.

Client meetings provide some of the best opportunities for business development, and you can build it right into your agenda.

Prepare a short agenda with the overall meeting goal and timing. For example, if you know the meeting is one hour, you might plan 15 minutes in the agenda for a discussion on future initiatives or industry challenges. That ensures the opportunity for discovery becomes a natural part of the agenda, and you can also position yourself as a strategic advisor.

As part of the preparation, create 3-5 open-ended questions — related to their business initiatives — to help you learn more during the meeting. These questions will guide the conversation and help you uncover new opportunities to deliver value to the client.

Ownership in the follow-up.

After the meeting, and while it’s fresh, send an email to your client thanking them for their time. Include a short summary of the action items (including any new cross-selling opportunities), your ownership, and the timing. Also send out a calendar invitation for the next meeting.

From there, delivering on your action items within the timeframes and staying in communication with the client shows your ownership and leadership. It’s how you continue to build credibility and provide value as a trusted, strategic advisor.

In this new sales economy, a focus on your current clients can exponentially grow your book of business. With these deeper, strategic relationships, you’ll uncover new ways to help your clients solve their biggest challenges. You’ll also differentiate yourself and keep your competitors out. Watch for my next article on how to cultivate multiple relationships within the client.

About the Author:



Amy Franko is a strategic sales expert working with professional services, insurance, and technology organizations to accelerate sales results. She’s a keynote speaker, sales strategist, and author specializing in B2B sales and sales leadership development. With over 20 years of client-facing sales experience, Amy began her career with global companies IBM and Lenovo before pivoting into entrepreneurship. Her book of business includes some of the world’s most recognizable brands. Amy’s book, *The Modern Seller*, is an Amazon best seller and was also named a 2018 top sales book by Top Sales World. Learn more and download a free chapter at www.amyfranko.com.



How to Yield Higher Quality Leads

Hugh Duffy

About 10 years ago, you would win the online marketing race by having a well-designed generalist website. Heck, it worked well and the return on investment (ROI) was a no brainer.

As more accountants caught on, it became more challenging to stay ahead of the curve, and still get more than your fair share of website leads. The general public became aware of search engine optimization, and pay per click advertising, and the competition to be in the top of search engine results got harder and harder. The ROI was still very attractive, but you had to spend more to acquire the same number of leads.

Today, it is harder and harder for a single generalist website to be placed towards the top of the search engine results pages for all of the services provided in your practice. And if you operate in multiple geographic markets, it is even more difficult to be towards the top, because your message to the search engines is more complex and watered down.

As more accounting firms have well-designed websites, integrated blogs, a social media presence, pay-per-click advertising, retargeting advertising and reputation management, it becomes more competitive to dominate the online lead-generation game. Not only does this mean that you're left struggling to stand out amongst the competition, but it makes it harder to target your ideal customer. Not only do many accountants find the flow of new leads slowing, they find that the quality of their leads have also diminished.

So, what is the solution? How do you once again stand out in the crowd while targeting your ideal client?

While there is no single solution, many savvy accounting firms have deployed a multiple website strategy to obtain dominate search engine placement for a limited set of keywords.

Here's why it works.

Essentially, search engines scan your website and look for patterns which identify what you do, where you are located, and compare your website against a set of criteria within their algorithm. The more consistent and clear your message, the easier it is for the search engines to give you higher placement within Google, Bing, and Yahoo. This translates to more leads.

Secondarily, the multiple website approach enables you to tailor your message to the prospect and talk out of multiple sides of your mouth to create that "A-ha!" moment for the prospect. In other words, some small business owners are searching by location and others are searching for a type of accountant (e.g., bookkeeper, enrolled agent, CPA Firm) and others are looking for a specialist (e.g., CPA for doctors, non-profit accounting for churches, business valuation, etc.). Using multiple websites allows you to speak to each one of these kinds of people.

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The third step is to support each one of the websites with pay-per-click advertising to drive traffic to the website. Then, use retargeting, which is designed to pull prospects back to the website. Pay-per-click advertising will help ensure you're showing up for the keywords you want to. But, since you're driving the ads to a website with a specific message it makes it easier and less expensive to compete on ad bids.

The fourth, and final, step is to support everything reviewed online in Google and Yelp. Online reviews are crucial to overcoming skepticism, and instilling trust in prospective leads.

With this four-step approach, accountants are using the multiple website strategy to maximize lead generation and hone in on their ideal client. From a marketer's perspective, each website is relatively inexpensive and pulls in far more business than the annual cost. In fact, each website should make you money. Therefore, running a business with just one website is like playing golf with just one golf club. Realistically, who plays golf with just one golf club? Nobody.

The solution is simple, you need to identify the segments of your accounting practice that you want to grow and then develop a website to focused against that industry or type of service.

About the Author:



Hugh Duffy is the Co-Founder and Chief Marketing Officer of www.buildyourfirm.com, 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.



Overcoming Tax Pro Challenges

Heather Ryan, EA

As a tax pro are you ever able to be on vacation on April 15? I was! That's right. I was in Mexico at the beach during the final weekend of the 2019 tax season. Yes. I had my laptop with me and yes, I did a few hours of work. However, there were no late nights or being cooped up in my hotel room all day. Instead, I was able to relax by the pool, soak up some sun and check-in with a couple of last minute tasks for an hour or two on April 15. Once April 16 came you can bet I totally disconnected. How'd I overcome challenges and keep my cool as the filing deadline approached? Here's how.

First, I start connecting with my clients early. Once the calendar hits January, I reach out to all my previous year's clients with a welcome letter and tax organizer. My tax organizer is designed to help my clients gather the data necessary for filing an accurate and complete return. They can either fill it out completely or use it as a guide for information needed to complete their return. Only a handful of my clients receive a paper letter and organizer in the mail. Instead, most of them get an email with links to download my tax organizer which I schedule ahead of time to send via my email marketing software, MailChimp.

Using email marketing software has also helped me overcome other communication gaps with my clients. I schedule reminders to go out about deadlines including the deadline of getting me their paperwork in order to file on time. Setting a deadline is important because it makes my clients respect my time and many people work better with a deadline on the calendar. Having a deadline has also helped me not feel pressured or rushed as the filing date approaches because I have all the data I need well before the filing date. Using email marketing software allows me to compose and schedule these reminder emails in January so I'm not doing extra tasks in the thick of tax season. One less thing to think of or worry about is always helpful, right?

Why is this helpful?

Because it allows me to focus on my clients during my busy season. It keeps me on task and less distracted by not having to nag my clients for their documents. I also utilize task management software to keep me organized and on task. I currently use Asana, but there are many to choose from including JetPack Workflow, AeroWorkflow, Trello and more. I create the following columns - Prepare Return, Waiting for Answers/Updates, Get Signature, Waiting for Payment, Return E-filed..

Once a client gets me their paperwork, a new task gets created. Within each task I can also create subtasks with deadlines and even assign the work to an employee should I have one. You can even create Project templates to use to avoid repeating the same thing over and over. As the client moves along the process, they move to a new column until their return has been e-filed. This workflow makes sure I don't lose track of where each client return is in the process. Without a workflow, I would find it harder to track client updates, payments, signatures and whether or not a client return has been filed successfully.

Continued on the following page

Being your own boss has its ups and downs. It means you wear many hats and can easily face challenges. One of the biggest challenges I find that tax pros face is time. We not only work on a strict deadline, but we also are stuck waiting for client paperwork before our process can even begin. Overcoming these challenges is what keeps me on track and able to take that vacation at the end of tax season!

About the Author:



Heather Duffy, EA is the owner of [Tax Queen LLC](#), a tax firm supporting mobile entrepreneurs. As both a QuickBooks and Xero ProAdvisor with years of bookkeeping experience, she also offers tax services as an Enrolled Agent. She continues to support her clients through educational blog posts and has written a book to help explain tax law to the small business owner. She currently travels full-time in an RV with her husband and two dogs exploring the greatness of North America.



Is it a Phishing Attack?

Robert Siciliano

Is it a Phishing Attack? Here are some Signs to Look for.

A phishing attack is a common action by hackers who are looking to trick their potential victims. They do this by creating, and then sending, a fake email that seems to be from a legitimate source. The email might ask for things like your username and password for a company database, or it might have a link or attachment, which will download malware to your computer or network. More targeted phishing attacks look like they are internal company communications or between clients and employees. Here are some signs that a you might be dealing with a phishing attack:

The Email Asks for Personal Info

One sign that an email is a phishing attempt is if it asks for personal information. Most of these emails look extremely legitimate, and they look like they might be coming from a source like your bank or the owner of your company. However, in the case of a phishing email, this is not the case. Your bank, for instance, wouldn't ask for your account information. They already have that information on record...so, if things seem a little out of place, they probably are.

The Email Asks for Money

Emails between employees, or from a client, requesting wire transfers are often fraudulent and should be followed up with phone calls or in person meetings. What makes the employee/client phish effective is often because either the employee or clients email account had been compromised, which means the criminal has the username and password for the email account and is actually sending/receives emails as the victim.

There is a Sense of Urgency or Panic

Emails from employees, coworkers or clients requesting urgent transfers are probably scams. The moment "urgency" comes in the picture, expect its fraud. Some hackers create scam emails that are designed to cause panic or to imply that you have to move quickly. For instance, the email might claim that your bank account is compromised, and to stop it, you must go to a specific site, enter your log in details, and then change your password. But, when you go to that site and enter your log in details, the scammer now has your banking information.

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The Email Address or Website Looks a Bit Strange

Another sign of a phishing email is an email address or website looks a bit strange. In general, the bad guys try to put the name of the company they are trying to copy in the address, but it probably won't be exact. For instance, if you have Chase Bank as your bank, and you get an email from @chasebank.com instead of @chase.com, you should delete it.

Do You Have Business with This Company?

You should also consider your relationship with the company that the email appears to come from. For instance, any email from your health insurance company, your bank, etc. should come from the organization's system, not from a weird looking address. Also, if you don't have an account, or business relationship, with the company that is asking for information, it is almost always a scam.

Your Email Address is in the "From:" Spot

Take a look at the email. Who is it from? Is it from you? Technically, it isn't, but scammers try this all of the time. Delete these emails.

There are a lot of Email Addresses in the "to:" Spot

Also, look at the address where the email is going. Is it only to you? Is it going to a number of email addresses that you are not familiar with? In most cases, if a company has business with you, it will send the email only to you.

Look for Links

One of the most common ways people become victims of these scams is because they click on links in the emails they get. Some of these links download malware to your system, and other links take you to a page that will attempt to steal your identity. Before clicking on any link, hover over it and see where it goes. If the address looks strange, do not click on it.

There are a lot of Grammar/Spelling Errors

Many of these scam emails come from overseas or from people who just can't write. So, if you see a lot of grammar or spelling errors in an email, take note: it's likely a scam.

Finally, if there is a weird attachment, PDF, Word Doc, even a .zip file in an email that you aren't expecting? If so, then you should never, ever, open it. It is very likely there is a virus or malware contained within it. If you think the attachment might be legitimate, you should scan it with your antivirus software just to make sure.

About the Author:



[Robert Siciliano](#), personal security and identity theft expert and speaker on security awareness training is the author of [Identity Theft Privacy: Security Protection and Fraud Prevention: Your Guide to Protecting Yourself from Identity Theft and Computer Fraud](#). See him knock'em dead in this [Security Awareness Training video](#).



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The Best Thing You can do for Your Bank or Credit Union Clients in 2019

Charlie Kelly

If you work for an independent CPA firm that supports banks or credit unions, it is important to understand how much of your client's expense budget is allocated to the vendors that support their technology platforms. Here are a few interesting facts:

- Third Party technology vendor expenses are, on average, the second largest non-interest expense for community banks and credit unions in the US, behind only personnel expenses.
- Most Banks and Credit Unions in the U.S. have their core platforms hosted at the vendor's site.
- Core platform vendor contracts average 60 months, with 94-98% of those contracts renewing with their current vendor. The result is that most contract discussions do not include a vendor change.
- There is a wide disparity between what major bank and credit union vendors charge their clients. Even clients of similar size, with similar products often pay vastly different amounts.
- Most vendor contract renewals are managed internally by either the CFO or CIO, rather than being outsourced to a contract consultant.

Let's face it, vendor contract management is not sexy. On the list of a CFO's favorite things to do, it falls just above shopping for employee health insurance and just below cleaning out the gutters at your house.

One of the first questions we ask a CFO is:

"When is your core contracts up for renewal, and are the main services (core, debit/credit, eCommerce, item processing) contracts co-terminus?"

You would be amazed at how many CFO's cannot answer that question. With such a high percentage of their non-interest expense tied up in these agreements, you'd think that contract dates would be top of mind.

After working in the industry for several years, here are my “Top 3 reasons why trying to get the best deal from your vendor is not higher on the CFO priority list”:

1. The infrequency of contract renewals puts an added burden on the day job of the CFO, making it difficult to be proactive, and spend enough time on an effective negotiation.
2. Most contracts, and the personal relationships, with the vendor representatives have been in place for years, often a decade or more. Discussing a reduction in rates is can be an uncomfortable topic under these circumstances.
3. Even if a CFO knows that she is overpaying, the process of negotiating with the vendors is often an emotional and frustrating experience.

About the Author:



Charlie Kelly, is a Principal at Remedy Consulting. Remedy advises Banks and Credit Unions on Systems Selections, Contract Negotiation, Vendor Management, Mergers and Acquisitions and Technology Strategy

Prior to Remedy, he served as the Vice President of Product Pricing and Contracts at one of the largest fintech core vendors, where he managed a team that was responsible for negotiating the majority of client contracts each year, and setting product and pricing decisions.

Charlie has a bachelor’s degree in Marketing from the University of Wisconsin, and a MBA from Marquette University. He can be reached at 312-270-3490 or ckelly@remedyconsult.net



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

Kelly Myers

Welcome back to a discussion on short-term rentals. Our focus in this two-part series is the non-traditional rental property. In the first installment we discussed the interactions of Internal Revenue Code (IRC) sections 280A and 469. Part 2 will focus on IRC sections 199A, 1402, and 1411. If you missed Part 1 you can [\[click here\]](#) to read. Remember, we are discussing rentals often referred to as short term rentals or even rentals in the shared economy. This includes vacation-type property or even the “room for rent” under the shared economy model.

These non-traditional properties can take different 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.

In Part 1 I walked through implications of IRC 280A, Business Use of Home, Rental of Vacation Homes, etc., and how IRC 469, Passive Activity Losses impact this business space. Now, I am going to progress into subsequent considerations. IRC 199A, Qualified Business Income, applies to activities that rise to a trade or business under IRC 162. This is a factual determination you have to consider for each activity. Generally, most short-term rentals will rise to an IRC 162 trade or business whether they are owner-managed or utilize a property manager. If the activity rises to an IRC 162 trade or business, then the activity is included in the Qualified Business Income (QBI) computation. This is true whether the activity generates a profit or loss. Caution, if the activity results in a suspended loss, say due to basis, at-risk, or passive limitations, the loss would enter the QBI computation only when it releases. Keep in mind that only TCJA losses are included in the QBI computation. If a pre-TCJA loss is released in a QBI year, it is not “effectively connected” and not included in the QBI computation.

IRC 1402(a), Net Earnings from Self-Employment, provides under (a)(1) that the rental of real property is excluded from self-employment (SE) tax. This creates confusion among some preparers who conclude that because a property is excluded from the rental definition, say for IRC 469, that it is included in SE tax: that is simply not so. The threshold for inclusion for SE tax purposes is a hotel, motel, inn, or bed & breakfast environment. When considering whether to subject the activity to SE tax consider whether the tenant is provided with items such as meals, daily maid service, concierge services, etc. Absent providing these extraordinary services, the activity is reported on Schedule E (or Form 8825 in a passthrough entity) and not subjected to SE tax.

IRC 1411, Net Investment Income Tax (NIIT), assesses a surtax of 3.8% of certain income. This includes income from passive activities. These activities may rise to an IRC 162 trade or business under IRC 199A or may not. If the activity is already subject to SE tax, then it is not subjected to net investment income tax. To be clear, this functions independent from other Code sections like QBI and is only tangential to others like the passive loss rules. Thus, it requires a separate analysis and thought process.

Let's look at a few examples to solidify your thinking.

Example 1: 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 with tenancy averaging less than 7 days. The rental comes with limited access to the kitchen, laundry, and family pool. The client only cleans the room between tenants, and no other services are provided. After applying IRC 280A as discussed in Part 1, the client has taxable income from the activity of \$20,000 and the activity is considered active under the passive loss rules. Assume the activity rises to an IRC 162 trade or business and is included in QBI. The client files MFJ with taxable income before QBI of \$300,000. The client would have a \$4,000 QBID ($\$20,000 \times 20\%$). Since there are limited services, the activity is not subject to SE tax. Additionally, net investment income tax is not applicable because the activity is non-passive.

Example 2: Assuming the same facts in Example 1 but the client is filing single — under IRC 199A, the QBID would be limited under the “W-2 Test” because income is over the phase-out of \$207,500. This test looks to wages and unadjusted basis of property. Assume there are no wages and the UBIA is \$15,000 for that portion of the house; the QBI limitation would be 2.5% of UBIA, or \$375.

Example 3: Your client owns a ski condo that rises to an IRC 162 trade or business in 2018. The average customer use is less than 7 days and there are no significant services. You apply IRC 280A to arrive at net income of \$30,000 for the year. The client meets material participation for the activity. Your client files MFJ with taxable income before QBI of \$300,000. The activity is reported on Schedule E and is not subject to SE tax. The income is not subject to NIIT either since it is active under IRC 469. The income is QBI, so the client is allowed a QBID of \$6,000 ($\$30,000 \times 20\%$).

Example 4: Assume the same facts in Example 3 except the rental had a prior year (2017) suspended passive loss of \$45,000. In this case the prior year loss would release due to the current year income resulting in a net income of \$0 and a \$15,000 passive loss carryforward to 2019. The QBID would remain the same because the 2017 loss is not QBI and not reduce the 2018 QBI from the condo.

Example 5: Assume the facts in Example 3 above, but the husband has a 50% interest in a construction activity held in a partnership with a \$50,000 non-passive loss...Also assume the condo is passive. The SE tax is zero because the partnership has a loss. There is no QBI deduction because the QBI is a negative \$5,000 ($\$45,000$ condo income less $\$50,000$ K-1 loss). The minus \$5,000 QBI is a carryforward to 2019 to offset future QBI. The client will be subject to \$1,710 of NII for the condo rental income ($\$45,000 \times 3.8\%$) because income is over the MAGI threshold for MFJ of \$250,00.

There are many fact patterns that arise as we work with clients and the slightest change in facts can critically change the tax computation. A key takeaway is that each of these Code sections operate independent of each other. The tax professional has to be attentive to the many moving parts to ensure the tax computation is substantially correct. The foremost lesson: anticipate the result in order to detect preparation errors; either input errors or software limitations.

[Read Part 1](#)

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

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NSA partners with getnetset to help you put your best foot forward by presenting clients with a clean web presence. Their service provides you with:

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Creating alliances with top providers to give you discounts on products and services is how NSA works for tax and accounting professionals.

1040 FEE SURVEY RESULTS

In the May 8, 2019 MemberLink newsletter, we surveyed members to see if the Tax Cuts and Jobs Act's new version of Form 1040 changed their fees. Here are the questions and results from the survey.

Question #1: Did you keep your fees for the 1040 the same this past tax season?

Yes: 24.6%

No: 75.4%

Question #2: Did you charge by the hour for the 1040 this year?

Yes: 17.4%

No: 82.6%

Question #3: Did you raise your fee to file the 1040?

Yes: 75.4%

No: 24.6%

Question #4: If you raised your fee, about how much did you raise it?

5%: 40%

10%: 40%

20%: 9%

More: 11%

What the results tell us is that the simplification of Form 1040 had effects that filtered down to tax preparers and their clients. It is safe to say that tax preparers took more time to properly complete it, which translated into clients paying more. Did you experience any other changes to your usual process or fees during the past tax season? Let us know using the contact form.

REGISTER FOR THE SUMMER ACAT EXAMS

ACAT credentials are a sign to both colleagues and potential clients, that a holder has met the educational, ethical, and experience, requirements necessary to maintain this prestigious designation.

Exams for the [ABA Accredited Business Accountant/Advisor®](#) (ABA); [Accredited Tax Advisor®](#) (ATA); [Accredited Retirement Advisor®](#) (ARA); and [Accredited Tax Preparer®](#) (ATP); are offered twice each year. Accountants and tax professionals who wish to take these exams during the Spring exam window must register before June 30, 2019. Exams will be held from June 1-July 15, 2019 at [Castle Testing Centers](#) across the country.

The registration fees for the 2019 ACAT exams are:

- ABA Full Examination (Part 1 and Part 2): \$400
- ABA Partial Examination (Part 1 or Part 2): \$250
- ATA Examination: \$250
- ATP Examination: \$250
- ARA Examination: \$250

To register for an ACAT exam, visit: <http://web.nasacct.org/Home/ACAT-Exam-Registration>.

Proctored ACAT exams will be offered at the NSA's 74th Annual Meeting in Charlotte, NC, this August. Accounting professionals who are unable to schedule an opportunity to sit for the exam of their choice may register to take it in person in Charlotte.

To register to take an exam at the Annual Meeting, visit:

For more information about the exams and requirements, visit: <https://www.acatcredentials.org/steps/examdetails>. The NSA produces self-study materials to help candidates prepare for the ACAT exams. For more information, visit: <https://www.nasacct.org/nsacctwww/nsastore/cpe>



ABOUT ACAT

The Accreditation Council for Accountancy and Taxation® (ACAT) was established in 1973 as a non-profit independent testing, accrediting and monitoring organization. The Council seeks to identify professionals in independent practice who specialize in providing financial, accounting and taxation services to individuals and small to mid-size businesses. Professionals receive accreditation through examination and maintain their accreditation through commitment to a significant program of continuing professional education and adherence to the Council's Code of Ethics and Rules of Professional Conduct.

NSA AUGUST LIVE EA EXAM REVIEW COURSE

NSA is offering a Live EA Exam Review Course, August 19 – August 21, 2019, prior to the opening of NSA's Annual Meeting. This review will cover material from the July 1, 2019 SEE updates, which update the exam to include the TCJA of 2017.

The Live EA Exam Review Course offers a fast-paced, comprehensive review to get you through the EA Exam the first time. And the learning doesn't stop after the three-day live course; extras offered with the course will help guide your final review after the live course...Extras like access to the Exam Review community where participants can download extra preparation materials, and have direct access to the presenters.

Presenters

- **John O. Everett, CPA, Ph.D.**, is Professor Emeritus of Accounting at VCU in Richmond, VA. John's teaching specialty is federal taxation. He has authored or co-authored over 90 articles in academic and professional journals including the NSA EA Exam Review Course and 1040 101 Course, and is the coauthor of several textbooks, including CCH Practical Guide to Schedule M-3 Compliance, The HBJ Federal Tax Course, Income Tax Fundamentals, and Tax Planning With the Computer.
- **William A Duncan CPA, Ph.D.**, is an Associate Professor of Accounting at Arizona State University. Dr. Duncan was formerly a Director with Ernst & Young where he guided tax education for the firm. He is the author or co-author of three textbooks and has published a number of articles on a variety of tax topics in publications ranging from Taxes and The CPA Journal to the Journal of the American Taxation Association.

Schedule

Monday, August 19, 2019

EA Part 1: Individual Exam Review/ATP review 8:00am - 5:00pm

CPE: 2 Hours/Federal Tax Law Update; 2 Hours/Federal Tax Law; 4 Hours/SEE Exam Preparation

Tuesday, August 20, 2019

EA Part 2: Businesses

8:00am - 5:00pm

Wednesday, August 21, 2019

EA Part 2: Businesses, continued

8:00am - 12:00pm

Total CPE Part 2: 3 Hours/Federal Tax Law Update; 3 Hours/Federal Tax Law; 6 Hours/SEE Exam Preparation

EA Part 3: Representation, Practices & Procedures

1:00pm - 5:00pm

CPE: 2 Hours/Ethics/Regulatory Ethics

Breakfast and lunch will be provided.

Registration

Complete Course (part 1, 2, & 3)	NSA Member: \$699	Nonmember: \$775
EA Part 1:	NSA Member: \$275	Nonmember: \$325
EA Part 2:	NSA Member: \$375	Nonmember: \$425EA
Part 3:	NSA Member: \$200	Nonmember: \$250

Registration will be available on the National Society of Accountants' [Annual Meeting](#) website soon.

Requests for refunds must be received in writing and will be subject to a \$75 cancellation fee. For more information regarding refund, complaint and/or program cancellation policies, please contact our offices at (800) 966-6679.

Program Level: Basic/Intermediate

Prerequisites: Basic knowledge of federal taxation

Advance Preparation: None

Delivery Method: Group Live

Did you know?

Taking the EA Live Review Course Part 1 prepares you for the [Accredited Tax Preparer](#) (ATP) Exam. The ATP is a credential you can earn on your way to becoming an EA and allows you to be exempt from the Annual IRS Filing Season Program Tax Refresher Course each year while also demonstrating that you have thorough knowledge of the existing tax code and the preparation of individual tax returns. Find out more about the ATP credential and when and where the exam is offered [here](#).

This year, the ATP exam, as well as exams for all of ACAT's credentials will be available at the Annual Meeting in Charlotte.

Tax Topics

The 2019 tax season produced a variety of questions, but one particular, the IRS Code Section, stood out.

The Tax Cuts and Jobs Act of 2017 (TCJA) introduced IRC Sec. 199A and a 20% deduction for an amount known as “qualified business income” (QBI). This tax deduction dominated the scene this tax season, producing a substantial tax deduction for many taxpayers, along with a lot of confusion and interpretation concerns in the world of tax preparation.

One of the more common tax questions that we fielded here at the Tax Help Desk these past few months dealt with the real estate rental property; the taxpayer’s passive rental income from those properties, and whether or not the rental income qualified the taxpayer for the 20% tax deduction under the new IRC Sec. 199A.

Well, the answer to that question is a definite maybe! Congress and the IRS left us with a rather vague definition of the rental property’s eligibility. The Tax Cuts and Jobs Act of left us with the need to determine if a taxpayer’s passive rental income qualified for the 20% tax deduction under IRC Sec. 199A, with a definition that asks if the rental activity “rise to the level of a trade or business.”

That was pretty much it, initially. There were no quantitative measures to test or use as a guide. There were no number of rental properties, no hours of participation, and no test to determine if our taxpayers were eligible for the 20% tax deduction on their rental activity income.

Since the deduction under IRC Sec. 199A for rental activity income is not based in IRC Sec. 469—which is the code section used for passive rental activities—we could not use the history of testing and hours of activity in that specific code section. Because the deduction, under IRC Sec. 199A, is based within the business deduction IRS Code Section of 162.

We did receive some IRS guidance in the form of Notice 2019-7 that provided a “safe harbor” for rental activities that we, as tax practitioners, now have. Therefore, with the provisions and conditions of this IRS notice, we can safely take a 20% tax deduction for our taxpayer’s net rental income as being a part of the QBI within the 1040 tax return, if the four (4) conditions are met.

However, uncertainty remains with some properties and situation that do not fit within the provisions of the IRS notice and under IRC Sec. 199A, as a whole. The determination of whether our taxpayer’s rental activity is eligible for the IRC Sec. 199A deduction is still one of those uncertain issues that a new Tax Act, and its new and vague provisions can produce.

Another part of the “new” IRC Sec. 199A tax deduction that produced a lot of questions and issues is what the Tax Act has labeled specified service trade or businesses (SSTB). The general rule is that if our taxpayer is otherwise eligible for the qualified business income (QBI) deduction under IRC Sec. 199A— but is classified as being in one of many “service” trade of businesses—then they can lose the benefit of the 20% of QBI deduction if they have higher levels of income.

Here, the level of income is the key, if a single filing taxpayer has income under \$157,500, or a joint filing taxpayer have income under \$315,000, the 20% deduction under IRC Sec. 199A is allowed in full. Once those income thresholds are exceeded the 20% deduction is reduced and/or eliminated.

The list of “service” businesses includes those in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services or brokerage services. The term specified “service trade or business” also includes taxpayers who participate in investing and investment management, trading or dealing in securities, partnership interests, or commodities. However, the list does not include taxpayers in the service businesses of engineering, architecture, or insurance.

So, the TCJA offered a real nice new tax deduction, that taxpayers do not even have to make a monetary expenditure for but, as with all new tax law changes, there are always restrictions, limits, phaseouts and exceptions.

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

Tax Topics

Another tax issue that was common this tax season involved the IRA, or pension plan, distribution that run through an estate from the death of the owner of the retirement plan. This tax issue always results in dozens of tax questions each, and every, tax season.

The first thing to remember about inherited IRAs and pension plan assets, is that they do not benefit from the stepped-up basis rules of IRC Sec 1014, so the subsequent distribution becomes a fully taxable event. The inherited IRA or pension distribution is governed under IRC Sec. 691 and the tax concept known as “income in respect of a decedent.” So, the bottom line here is the post-death distribution to the estate, or the beneficiary, is taxable; although NOT subject to the 10% penalty under IRC Sec. 72(t).

The distributions also generally need to start as early as December 31st of the year following the year of death.

The rules can be a bit more complicated than this, depending on whether the decedent turned 70 ½ before death, and if there are no listed beneficiaries or multiple beneficiaries, if the estate is named beneficiary, and if there is a surviving spouse involved.

The questions on this issue are frequent and varied, but the bottom line often surrounds the “at death” clauses, or beneficiary designations in the actual IRA plan document or pension plan instrument...so gaining access to or obtaining a copy of the retirement plan document is key to most of the answers to issues involving death and retirement plans.

Should any NSA member reading this need more information on IRC Sec 199A, or really any other “new” tax provision stemming from the Tax Cuts and Jobs Act of 2017 (TCJA) please reach out to us here at the Tax Help Desk, as we would be happy to try and assist with any tax issue that you may have. Remember that the Tax Help Desk is available as part of your NSA Member benefits.

The image shows the U.S. Capitol building in Washington, D.C., under a blue sky with scattered white clouds. The building is a large, white, neoclassical structure with a prominent central dome. In the foreground, there is a green lawn and some trees. A dark red banner is overlaid at the bottom of the image, containing the text 'Legislative Link' in white.

Legislative Link

IRS Guidance on Foreign Tax Credits

The Tax Cuts and Jobs Act of 2017 modified the foreign tax credit rules. These rules allow US taxpayers to offset their taxes by the amount of foreign income taxes paid or accrued, in several important ways, some of which affect international and domestic businesses, such as deductions, depreciation, expensing, tax credits and other tax items. 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, TCJA amends § 965—which previously allowed foreign income earned by a foreign subsidiary of a U.S. corporation (generally) be exempt from U.S. tax until the income is distributed as a dividend to the U.S. corporation—with a transition tax on untaxed foreign earnings.

The Tax Cuts and Jobs Act also modified how taxable income is calculated for foreign tax credit limitation purposes. See [Comparison of changes to rules for foreign tax credits under TCJA, IR-2018-235](#) and the [proposed regulations](#) for more information. The new foreign tax credit rules apply to 2018 and future years.

IRS Guidance on Redemption of Stock

Guidance on the application of subchapters C and S of chapter 1 of subtitle A of the Internal Revenue Code (Code) has been made available to tax and accounting professionals. The revenue ruling, 2019-13 (available [here](#)), provides an answer to:

If, during a former S corporation's post-termination transition period, the corporation distributes cash in redemption of a shareholder's stock and the distribution is characterized as a distribution under § 301 of the Internal Revenue Code (Code), should the corporation reduce its accumulated adjustments account (AAA) pursuant to § 1368 of the Code?

According to the new guidance, RR-19-13 holds that—to the extent a corporation makes such a cash distribution that is subject to section 301 of the Code by reason of section 302(d) of the Code—the cash distribution should reduce the corporation's accumulated adjustments account (within the meaning of section 1368(e) of the Code) to the extent of the proceeds of the redemption according to section 1368 of the Code.