



# The Accountant

Official Publication

of the North Carolina Society of Accountants

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April 2015



## Inside this Issue

Chapter News 2

1095-A 3

Identity Verification 3

Unwanted Calls 3

Recent Tax Court Cases 4

TIPA 5

2015 Convention Information attached

May 15 Spring PAS Registration attached

## A Message From The President

Margie H. Strider



Margie H. Strider

Daylight savings time has really got some of us confused as to what time our day ends. I know I have looked at the clock and wondered if it was right as it was still very bright at 6 to 6:30 pm. It sure makes for a long day.

April now is upon us—April showers bring May flowers, and I hope some pleasant days with sunshine. Easter has just past. I hope everyone took time to remember why we celebrate this special day each year and what Christ did on the cross for each of us. The end of the tax filing season soon will be here as well for those clients that have given us their information for the “regular” filing date. I know a lot of us are looking forward to this coming to a close so the stress level can minimize and we can take a day or so off. This has been a hectic season for the majority of us. Some of our clients think we have cost them their refund when it came to the State return. At least some of mine have and have questioned why can’t they file like they have always done in the past as they don’t want to file the “changed” way—don’t they have a choice. They say they weren’t aware of any changes and know nothing about a new NC4 they filled out for their employer so why has their refund disappeared or they owe more than ever. It has been a struggle trying to explain the new flat tax to those folks.

I hope you have made arrangements and have reserved your place for the Spring Professional Accounting Seminar (Spring PAS) to be May 15 at Pinewood Country Club here in Asheboro. A head count is mandatory at least 10-14 days prior to this event in order for them to get everything ordered and know what is to be expected of them at Pinewood. They have done a great job for us in the past, and I’m sure this will prove to be no different. This is a seminar like we have never had in the past, and I feel we all will benefit in knowing how we can protect ourselves or limit some of our liability in our profession. Lunch will be provided after the seminar. A board meeting will follow lunch, and then a meeting will be with all those in my Leadership Program. **Mentors and participants** are to attend this meeting and both bring their workbooks. A board meeting is a requirement of the program, so please plan to attend this meeting which will be just before us meeting to discuss the leadership program.

Upcoming events also include the annual convention of NCSA which will be in Blowing Rock at the Chetola Resort. Please register early and reserve your room so we can get a head count and start planning for the meals. A lot of fun activity is being planned, and again, something we have never had before at any of our events. I have been told that I have done things as never before with NCSA. I hope being different hasn’t caused any problems for anyone. I get tired of the same thing over and over again and like to add a little spice to life. We get into a rut and need to experience a little excitement once in a while.

I want to thank all of you for your continued support and for everything each of you do for NCSA. I hope to see you at our Spring PAS. Y’all come now; see you soon!

Let’s keep Garland Steele’s family in our thoughts and prayers as I just learned of his passing.



## Chapter News

What a tax season it has been! 1095 forms (and their corrections), Repair Regs, 3115's and winter storms made this one of the most challenging tax seasons in memory. Aren't you glad that you are a member of NCSA and had a network of colleagues to support you this tax season? Its time to focus on getting back to business as usual, after some needed rest and relaxation. NCSA chapters took a hiatus in February due to the weather (except Central, kudos to you for getting a meeting in). March activities were back on track and you can read on to see what has been going on at our local chapters.

### Burlington

The Burlington Chapter met on Thursday, March 26<sup>th</sup> at Kimbers in Gibsonville IRS Senior Stakeholder Liaison **Eugenia P. Tabon** spoke on Identity Theft, a timely topic The Burlington chapter normally meets on the 4<sup>th</sup> Thursday of each month. For more information about the Burlington chapter contact Jim Holmes at [jholmes.acct@yahoo.com](mailto:jholmes.acct@yahoo.com)

### Cape Fear

The Cape Fear chapter met on Monday, March 16<sup>th</sup> at Sammio's Italian in Fayetteville. NCSA Past President **Bill Fischer** spoke on the new NC flat tax and other NC Tax Changes. The chapter normally meets the 1<sup>st</sup> Monday after the 15<sup>th</sup> each month. For more information contact Merry Arnett at [mparnett@embarqmail.com](mailto:mparnett@embarqmail.com)

### Central

The Central Chapter held their monthly meeting on Monday, March 23<sup>rd</sup> at Sagebrush Steakhouse. The meeting was a lively roundtable discussion, and included discussion of ACA issues, preparers who depreciate land, and the proper reporting of timber sales, 1099-Q ESA's and Coverdell's. The upcoming meeting in April will be part 1 of Technology for Today's Accountant led by NCSA President Elect **Ron Powell**. Central Chapter meets on the 4<sup>th</sup> Monday of each month. For more information contact Kevin Robinson at [kevrob@triad.rr.com](mailto:kevrob@triad.rr.com)

### Charlotte

The Charlotte Chapter met on Thursday, March 26<sup>th</sup> at their normal meeting place, Captain's Galley on Independence Blvd (US Hwy 74) in Matthews. NCSA Past President **Paul Bumgarner** led the discussion on ACA and the new Repair and Capitalization Regulations. For more information contact Louise Pistole at [pistole9@windstream.net](mailto:pistole9@windstream.net)

### Eastern

The Eastern Chapter members are busy with tax season but will meet again on Tuesday, April 28<sup>th</sup> at Parker's BBQ in Greenville. The Eastern chapter meets on the 4<sup>th</sup> Tuesday each month. For more information contact Ronald Powell at [ron@powellaccounting.com](mailto:ron@powellaccounting.com)

### Hickory

The Hickory Chapter normally meets the last Monday of each month. For more information contact Susan Dale Moore at [susan@dalesaccounting.com](mailto:susan@dalesaccounting.com)

### Piedmont

The Piedmont Chapter met on Thursday, March 26<sup>th</sup> at Sagebrush in Kernersville. The meeting was a tax season roundtable discussion. Piedmont Chapter normally meets on the last Thursday of each month. For more information contact Carol Smith at [clstaxes@bellsouth.net](mailto:clstaxes@bellsouth.net)

### Raleigh

The Raleigh Chapter met on Tuesday, March 24<sup>th</sup> at Manchesters on Leesville Rd in North Raleigh. The chapter leaders led a roundtable discussion of the members and guests tax season issues. The Raleigh Chapter meets on the 4<sup>th</sup> Tuesday of each month. For more information contact Stephen Metelits at [metelits@usa.net](mailto:metelits@usa.net)

### Sandhills-Sanford

The Sandhills-Sanford Chapter cancelled their January meeting and will not meet again until May. Happy Tax Season to our members. For more information contact Mark Bouchier at [mbouchier@mabaccounting.net](mailto:mbouchier@mabaccounting.net)

### Western

The Western Chapter members are busy with tax season and decided to meet again on Tuesday, April 28<sup>th</sup> with the location and topic to be determined. For more information contact John McKinney at [johnm@accuraaccounting.com](mailto:johnm@accuraaccounting.com).

### Wilmington

The Wilmington Chapter members are busy with tax season and will not meet again until April. Please check your email inbox for information or email Marie Izzo or Louise Pistole for updates. Contact Chapter President Marie Izzo for more information at [marie@johnizzocpa.com](mailto:marie@johnizzocpa.com)

**We cannot compile this report without your information. If you have news of your chapter or its members including photos or interesting things that happened at your chapter meeting please email James Upton at [jamesupton@rtmc.net](mailto:jamesupton@rtmc.net) or call (336) 873-7690.**

## 1095-A

In a news release from the Department of the Treasury regarding additional incorrect information on certain Marketplace tax statements (Form 1095-A), the Treasury Department is implementing the relief it announced on February 26 which will mitigate any harm to tax filers. Any individual who enrolled in qualifying Marketplace coverage, received an incorrect Form 1095-A, and filed this or had their tax return based on that form does not need to file an amended return. The IRS will not pursue the collection of any additional taxes from these individuals based on updated information in these forms.

## Identity Verification

In a press release, the IRS reminded taxpayers who receive requests from the IRS to verify their identities that the Identity Verification Service website at [idverify.irs.gov](http://idverify.irs.gov) offers the fastest, easiest way to complete the task. Taxpayers may receive a letter when the IRS stops suspicious tax returns that have indicators of being identity theft but contains a real taxpayer's name and/or SSN. Only those taxpayers receiving Letter 5071C should access [idverify.irs.gov](http://idverify.irs.gov).

The website will ask a series of questions that only the real taxpayer can answer. Once the identity is verified, the taxpayers can confirm whether or not they filed the return in question. If they did not file the return, the IRS can take steps at that time to assist them. If they did file the return, it will take approximately six weeks to process it and issue a refund.

Letter 5071C is mailed through the USPS to the address on the return. It asks taxpayers to verify their identities in order for the IRS to complete processing of the returns if the taxpayer did file it or reject the returns if the taxpayers did not file it. The IRS does not request such information via e-mail, nor will the IRS call a taxpayer directly to ask this information without you receiving a letter first. The letter number can be found in the upper corner of the page.

The letter gives taxpayers two options to contact the IRS and confirm whether or not they filed the tax return. Taxpayers may use the [idverify.irs.gov](http://idverify.irs.gov) site or call a toll-free number on the letter. Because of the high volume on the toll-free numbers, the IRS-sponsored website, [idverify.irs.gov](http://idverify.irs.gov), is the safest, fastest option for taxpayers with web access.

## Unwanted Calls

The Federal Trade Commission (FTC) talks about unwanted telephone calls. You signed up for the "Do Not Call Registry" ages ago, but you're still getting a bunch of unwanted calls. What can you do? Hang up. When you get illegal sales calls or robocalls, don't interact in any way. Don't press buttons to be taken off the call list or talk to a live person. That just leads to more calls. Instead, hang up and file a complaint at [donotcall.gov](http://donotcall.gov).

Your number is on the Do Not Call Registry, so why are you still getting calls? Because of scammers. Most legitimate companies don't call if your number is on the Registry. If a company is ignoring the Registry, there's a good chance that it's a scam.

The FTC has sued hundreds of companies and individuals for placing unwanted calls. The FTC also is leading several initiatives to develop technology based on solutions. Those initiatives include a series of robocall contests that challenge tech gurus to design tools that block robocalls and help investigators track down and stop robocalls.

You filed a complaint—or several complaints—and you wanted to know when you'll hear from the FTC. Due to the volume of complaints, the FTC can't respond directly to each one. But please keep to complaints coming because the FTC and other law enforcement agencies analyze complaints to spot trends and to take legal action against wrongdoers. To date, the FTC has brought more than a hundred lawsuits against companies and individuals for Do Not Call violations.

But I gave you the phone number of the company that called me! Current technology makes it easy for scammers to fake or "spoof" called ID information, so the number you reported in your complaint probably isn't real. Without more information, it's difficult for the FTC to identify the actual caller. Nonetheless, the FTC analyses complaint data to identify illegal callers based on calling patterns. The agency also is pursuing a variety of technology based solutions to combat illegal calls and practices.

## Recent Tax Court Cases

*Excerpts from Parker's Federal Tax Bulletin  
[with permission]*

### **Hobby Loss Case: Metz v. Commissioner**

Focusing on subjective intent, the Tax Court held that because the taxpayers were genuinely optimistic their failing horse farm would eventually be profitable and were able to attribute poor results to weak economic conditions, millions in losses sustained over a six year period were not hobby losses. *Metz v. Comm'r*, T.C. Memo. 2015-54.

For over two decades, Henry and Christie Metz owned an Arabian horse farm, Silver Maple Farm, Inc. (SMF), an S corporation specializing in "Straight Egyptian" Arabian horses, prized for their elite genetics.

Despite great effort by the Metz's, the venture was decidedly unprofitable. SMF had only one profitable year, and that was a result of the sale of a piece of real estate used in the business. SMF averaged annual losses in excess of \$1,000,000 between 1999 and 2009. Undeterred, the Metz's attempted to outrun these losses, moving the farm several times in the hopes of finding a better market and eventually settling in California.

During its lifespan, SMF lost over \$14.5 million, leading the IRS to determine the business couldn't possibly be motivated by a desire to turn a profit. The IRS issued notices of deficiency for 2004 through 2009 disallowing the pass-through losses from SMF, as well as related net-operating-loss carry forwards.

Reg. Sec. 1.183-2(b) provides a nonexclusive list of nine factors relevant in ascertaining whether a taxpayer conducts an activity with the intent to earn a profit. The factors listed are: (1) the way the taxpayer conducts the activity; (2) expertise of the taxpayer or his advisers; (3) time and effort the taxpayer spends in carrying on the activity; (4) expectation that assets used in the activity may appreciate in value; (5) taxpayer's success in carrying on other similar or dissimilar activities; (6) taxpayer's history of income or losses with respect to the activity; (7) amount of occasional profits earned, if any; (8) taxpayer's financial status; and (9) elements of personal pleasure or recreation.

After analyzing the factors the court held that the losses were allowable. Practitioners with clients who have businesses at risk of being deemed a hobby may want to study this case.

### **Restauranteur Fails to Pin \$1.6 Million Omission on Accountant; Slammed with Fraud Penalty**

The Tax Court determined a restaurant owner had vastly underreported his businesses income for multiple years, and found the taxpayer's attempt to shift blame to his accountant unconvincing. The court determined the omission was fraudulent, noting the taxpayer met multiple "badges of fraud," and imposed a 75 percent penalty. *Musa v. Comm'r*, T.C. Memo. 2015-58.

Alaa Musa formed Casablanca Restaurant, LLC (Casablanca) as a single-member limited liability company in 2005. The restaurant used an industry standard point-of-sale system to fulfill orders and record sales reports from cash and credit card purchases. Musa kept diligent records of credit card receipts, but he would frequently throw away the records of the cash receipts. Musa never deposited more than a minimal amount of Casablanca's cash receipts into the operating account and would generally take the cash home with him.

In early 2006, Musa hired J&M Accounting & Tax Services (J&M) to provide accounting and tax services for Casablanca. J&M prepared monthly sales tax returns for Casablanca based on sales numbers Musa provided over the phone. Musa did not provide J&M with copies of daily sales reports, and the sales numbers he provided were far below what was reflected on the reports.

The IRS audited Casablanca for 2006 to 2009 and issued a notice of deficiency. The audit found Musa had vastly underreported the restaurant's income in excess of \$1.6 million, and the IRS assessed a civil fraud penalty under Code Sec. 6663(a).

Musa argued that his accountant at J&M was to blame for the inaccuracies in his tax returns, claiming that J&M had access to his financial records and chose to underreport his income. The tax court found this unconvincing and implausible, noting that J&M did not have access to the point-of-sale reports until after the audit began, that Musa failed to disclose all of his bank accounts, and that he gave no explanation as to why his accountant would be motivated to prepare grossly inaccurate returns. Further, the court noted that under *Metra Chem Corp. v. Comm'r*, 88 T.C. 654 (1987), as a general rule, taxpayers cannot avoid the duty of filing accurate returns by placing responsibility on a tax return preparer.

## TIPA

On March 31 Governor McCrory signed into law SB 20 which updated NC's reference to the IRC as of January 1, 2015. As a result, NC corporate and individual income tax law generally follows the *Tax Increase Prevention Act of 2014* (TIPA) which extended several provisions of federal law that had sunset at the end of 2013. The law does not follow TIPA in the following six instances:

1. Bonus depreciation—Include addition on Form CD-405, Schedule H, Line 1g or Form D-400, Schedule S, Part A, Line 3.
2. Code Section 179 limitations—Include addition on Form CD-405, Schedule H, Line 1g or Form D-400, Schedule S, Part A, :Line 3.
3. Mortgage insurance premium—Do not include on Form D-400, Schedule S.
4. Cancellation of qualified principal residence debt—Include addition on Form D-400, Schedule S, Part A, Line 3.
5. Qualified tuition—Include addition on Form D-400, Schedule S, Part A, Line 3.
6. Charitable distribution from an IRA—Include addition on Form D-400, Schedule S, Part A, Line 3. Deduct on Form D-400, Schedule S, Part C, Line 18 if itemizing.

Anyone who already filed a 2014 return and whose corporate federal taxable income or individual federal adjusted gross income is impacted by TIPA from which North Carolina has decoupled must file an amended NC return. If the amended return reflects additional tax due, the taxpayer will avoid interest if the additional tax is paid by the original due date of the return. The taxpayer also will avoid a late-payment penalty if the additional tax reflected on the amended return is paid when the amended return is filed.

## NCSA Schedule of Events

### 2015

May 15–**Complex Business Issues**,  
Pinewood Country Club, Asheboro, 8 am

May 15–**Board of Directors Meeting**,  
Pinewood Country Club, Asheboro, 2 pm

May 15–**Leadership/Mentor Meeting**,  
Pinewood Country Club, Asheboro,  
after Board of Directors Meeting

June 17–**Accounting Seminar**,  
Chetola, Blowing Rock, 8 am-4:30 pm

June 18–**Convention**, Chetola, Blowing Rock, 9 am-3 pm

July 17–**Leadership & Committee Day**

August 5-7–**Carolina's Tax Professional Forum**,  
Charlotte University Hilton

August 19-22–**NSA Convention**,  
Hyatt Regency, Vancouver, BC

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**June 17-18, 2015**  
**NCSA's 68th Annual Convention**  
**Chetola Resort**  
**Blowing Rock, NC**

**Events**

**Wednesday June 17**

**8:30am-Noon**

**4 Hr Accounting CPE Class**

**Free Afternoon for sightseeing and relaxation**

**6:30-7:00PM Presidents Welcome Reception**

**7:00PM Lakeside Casual Dinner**

**9:00PM Scholarship Bingo/Nominating Committee**

**Thursday June 18**

**8:30AM Devotions**

**9:00AM 68th Annual Convention Business Session**

**12:00PM Past Presidents Luncheon**

**7:00PM Installation Banquet and Presentation of Awards**

There will not be a board meeting on Friday June 19. Take this additional free time to enjoy the beauty of Blowing Rock.



REGISTRATION FORMS ARE BEING FINALIZED  
AND WILL BE IN THE NEXT ISSUE OF

**THE ACCOUNTANT**

**MAKE YOUR RESERVATIONS NOW!**

A limited number of rooms are available at \$154 per night and include breakfast for 2 each day. Some deluxe rooms are also available at \$175 per night and also include breakfast each day. Our room block will be held until 05/15/2015, please make your reservations early! **To make a reservation call 1-828-295-5500** (sorry no online reservations) and tell the reservation specialist that you are with the NC Society of Accountants group. Our block arrival date is Tuesday, June 16 and the departure date is Friday, June 19. Any stay outside those dates will be at the prevailing rate of the hotel. This is a unique opportunity to visit a great location, reserve today!

## NCSA SPRING PROFESSIONAL ACCOUNTING SEMINAR COMPLEX BUSINESS ISSUES FRIDAY, MAY 15, 2015

*The North Carolina Society of Accountants will present its  
 Spring Professional Accounting Seminar (PAS) at the  
 Pinewood Country Club,  
 247 Pinewood Road Asheboro, North Carolina 27205*

<b>COURSE LEVEL: INTERMEDIATE</b>	<b>METHOD: LECTURE &amp; DISCUSSION</b>
<b>PREREQUISITE: NONE</b>	<b>ADVANCE PREPARATION: NONE</b>
<b>FIELD OF STUDY: BUSINESS LAW &amp; ACCOUNTING</b>	<b>4 CONTACT HOURS</b>

### Complex Business Issues

**Course Description and Topics:** This course will cover complex issues that face business owners and their accountants including the following:

- ◆ Disputes in Closely Held Entities (S-Corps, LLC's and Partnerships)
- ◆ You've had a Data Breach: What Next?
- ◆ Non-Compete, Non-Disclosure and Non-Solicitation Agreements (Business Lifesavers)
- ◆ Responding to a Subpoena for your Client's Records

**Friday, May 15, 2015 (Class 8:30am - 12:45 pm)**

*Lunch will be provided for attendees at the conclusion of the class*

About our seminar presenters, both are attorneys with Carruthers & Roth in Greensboro:

#### Michael J. Allen

Mike Allen dedicates his practice to protecting clients' rights and assets, including their contract rights, intellectual property rights, shareholder rights, estate rights, and creditors' rights. His unique blend of experience in negotiating, contracting, counseling, and litigation helps him provide meaningful insight to clients at any stage of their business relationships.

Though Mike's goal is to protect each client's interests without the need for litigation, he is poised to litigate vigorously when necessary. He has 30 years of litigation and dispute resolution experience and has been recognized among the "Best Lawyers in America" and North Carolina's "Legal Elite." He also holds an "AV" rating from Martindale-Hubbe, the highest rating awarded.

#### Mark K. York

Mark York has a well-earned reputation as a leader and a problem solver. Much of this reputation was earned during his 20-year career in the U.S. Army, more specifically by his actions with the most elite special operations team conducting high risk missions in the Global War on Terrorism. That experience taught him how to unravel complex problems and make smart, well-informed decisions under even the toughest conditions.

Mark now brings those same leadership and problem-solving skills to his work as a litigator at Carruthers & Roth. He is experienced in a wide range of commercial, construction and employment disputes, as well as medical malpractice and insurance defense matters. Mark's clients find him a determined advocate, clearly committed to their best interests.



# REGISTRATION

Registration includes continental breakfast and lunch at the conclusion of the class.



Please complete and return this form to the NCSA office:  
NCSA, Post Office Box 1126, Conover, NC 28613  
Phone: 866-755-6272 Fax: 828-695-2522

**REGISTRATIONS WILL BE ACCEPTED UNTIL MAY 8, 2015**

REGISTRATION FEE

Member	\$85.00
Non-Member	\$100.00

**Local overnight accommodation recommendations**

We do not have a room block reservations are on your own at prevailing rates:

Hampton Inn Asheboro	336-625-9000
Holiday Inn Express Asheboro	336-636-5222
Duck Smith House Bed & Breakfast Seagrove	336-873-7099

Name

Address

City, State, Zip

Telephone

Credit Card Number

Exp. Date

Billing Address for Card

Signature

**METHOD OF PAYMENT:**

\_\_\_\_ Check (Make payable to NCSA)

\_\_\_\_ Visa

\_\_\_\_ MasterCard

\_\_\_\_ Discover

**Cancellation Policy**

You can reach the NCSA Executive Director toll free at 1-866-755-6272, 24 hours a day to leave a message to cancel your registration for this seminar. There is no fee for cancellations received prior to May 8, 2015. No refunds will be allowed after this date without approval of the NCSA Board of Directors. No shows will forfeit their entire registration fee and materials. Please call and cancel your registration before the event date to not be considered a No Show.