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A Message From The President

James L. Holmes



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Today is April 5, 2017, and there are only 13 days left in the first phase of the 2017 tax season. I say that because I know that many of us will be getting a large number of extensions this year. It seems that each year the returns get a little more complicated and take more time, the brokerage houses are sending out their 1099s later each, and now we are seeing many of the corrected brokerage statements for returns that we already have done.

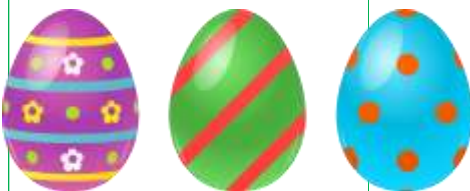
I have talked to many accountants and tax preparers around the state in the last few weeks, most of them are having a little problem with a return and want someone to talk to about what is bugging them. Tax season is the time of year we really find out what being a member of the North Carolina Society of Accountants is all about. We find out we are not alone and that help is only a phone call away. It is really comforting to be able to call someone for help.

It's time to start thinking about some time off and about our annual convention which will be at the Grandover Resort in Greensboro June 21-23. Be sure to put it on your calendar. James Upton will be coming in as your new state president, and I am sure he has a lot of good things in store for us in the coming year.

Kathy Hettick, the Past President of NSA and a nationally recognized speaker, will be doing our continuing education and also installing the new officers and directors of NCSA. It should be a good convention and the Grandover Resort is an excellent place to have a convention.

I wish all of you a good next 2 weeks and remember we the members of the North Carolina Society of Accountants are here to help each other. If you have a question call someone in NCSA and work out the answer.

I will leave you with this quote from Albert Einstein. *"If a cluttered desk is a sign of a cluttered mind, of what, then, is an empty desk a sign?"*



E-589F

Wake County has joined Durham and Orange as the highest Sales and Use Tax counties in the state by adding the 0.5% transit tax. Starting April 1, report the Sales and Use Tax for these three counties on Form E-589F.

EA Exam

Eugenia Tabon reports that the fee for taking each of the three parts of the Special Enrollment Examination increased to \$111.94 on March 1. The increase is due to a change in the vendor's portion of the fee; the IRS portion remains unchanged.

Fast Track Settlement

In Rev. Proc. 2017-25, the IRS announced Fast Track Settlement for SB/SE filers. It is a much faster way to settle IRS disputes.

The idea of Fast Track Settlement is for you and the IRS auditor to agree on the issues and have a mediator from Appeals hear both sides. The mediator tries to find middle ground. Fast Track Settlement leapfrogs the Appeals process and aims for a quick deal.

Application into the program requires you, the IRS auditor, and the auditor's manager to agree. You and the auditor must prepare an application, Form 14017, along with a list of specific issues for possible settlement. If accepted, the mediator will review both sides and set a conference to discuss the issues. You and the IRS agent will present your positions and the resolutions you each think are appropriate. At the end, the mediator will propose a deal. You are not bound by the proposal and can leave the process at any time. If you leave, you go through the normal IRS protest process.

Fast Track Settlement works only if the auditor agrees. If you have a poor relation with the auditor or manager, they may not be willing to accommodate you. Try to keep on everyone's good side.

Turbotax® & ProSeries®

The NC DOR issued a warning of an error in TurboTax® and ProSeries® tax returns to NC which was fixed March 30. In some cases the software did not add back the amount of the deduction taken on the federal return for qualified educational expenses associated with the taxpayer's spouse.

A taxpayer may be allowed to take an above-the-line deduction for qualified tuition and related expenses for the taxpayer, spouse, and dependent. NC law does not follow federal law in regard to this deduction, and taxpayers must add back the federal amount on the NC return. While the federal returns were processed correctly, the NC returns may not have been.

Using an updated copy of TurboTax or ProSeries, redo NC returns for taxpayers claiming a federal deduction for tuition. Any person with a difference must file an amended NC return. If the amended return reflects additional tax due, the taxpayer will avoid a late payment penalty if the additional tax on the amended return is paid when the amended return is filed. If the amended return reflects additional tax due, add a 5% per year interest from April 18.

Phishing

Eugenia Tabon

The IRS has received reports at phishing@irs.gov of an e-mail scam that claims to be an update from a legitimate CPA professional organization. Instead, it is a scam that seeks to steal password information. The phishing e-mail uses the name of a legitimate tax preparer who also may be victimized. The e-mail contains a PDF attachment that claims to be a "Secured File." The attachment contains a hyperlink to view the file that the recipient is directed to open. The link directs the recipient to a phishing site that asks for the recipient's e-mail address and password.

Although the e-mail has been sent to two East Coast CPA organizations, it is highly likely that the cyber-criminals are using an e-mail address list of a previous victim. Remember, do not share your e-mail password with anyone. Never open attachments or links from suspicious sources, and be cautious about opening links and attachments from sources that appear legitimate.

Private Collection of Some Overdue Federal Taxes

In IR-2017-74, the IRS announced it will begin sending letters to a relatively small group of taxpayers whose overdue federal tax accounts are being assigned to one of four private-sector collection agencies. The new program enables these designated contractors to collect, on the government's behalf, unpaid tax debts. Usually, these are unpaid individual tax obligations that are not currently being worked by IRS collection employees and often were assessed by the tax agency several years ago.

The program began with a few hundred taxpayers receiving mailings and subsequent phone calls, with the program growing to thousands a week later in the spring and summer. Taxpayers with overdue taxes always will receive multiple contacts, letters, and phone calls, first from the IRS, not private debt collectors.

The IRS always will notify a taxpayer before transferring their account to a private collection agency (PCA). First, the IRS will send a letter to the taxpayer and their tax representative informing them that their account is being assigned to a PCA and giving the name and contact information for the PCA. This mailing will include a copy of [Publication 4518](#), *What You Can Expect When the IRS Assigns Your Account to a Private Collection Agency*.

Only four private groups are participating in this program: CBE Group of Cedar Falls, Iowa; Conserve of Fairport, N.Y.; Performant of Livermore, Calif.; and Pioneer of Horseheads, N.Y. The taxpayer's account will be assigned to only one of these agencies, never to all four. No other private group is authorized to represent the IRS.

Once the IRS letter is sent, the designated private firm will send its own letter to the taxpayer and their representative confirming the account transfer. To protect the taxpayer's privacy and security, both the IRS letter and the collection firm's letter will contain information that will help taxpayers identify the tax amount owed and assure taxpayers that future collection agency calls they may receive are legitimate.

The private collectors will be able to identify themselves as contractors of the IRS collecting taxes. Employees of these collection agencies must follow the provisions of the *Fair Debt Collection Practices Act*, and, like IRS employees, must be courteous and must respect taxpayer rights.

The private firms are authorized to discuss payment options, including setting up payment agreements with taxpayers. But as with cases assigned to IRS employees, any tax payment must be made, either electronically or by check, to the IRS. A payment should never be sent to the private firm or anyone besides the IRS or the U.S. Treasury. Checks should only be made payable to the United States Treasury. To find out more about available payment options, visit [IRS.gov/Payments](https://www.irs.gov/Payments).

Private firms are not authorized to take enforcement actions against taxpayers. Only IRS employees can take these actions, such as filing a notice of Federal Tax Lien or issuing a levy. To learn more about the new private debt collection program, visit the [Private Debt Collection](#) page on [IRS.gov](https://www.irs.gov).

Real Property

The Sales and Use Tax Division of the Department of Revenue on March 17 issued an "important notice" which included 11 pages of transactions by category. These are general guidelines to assist with making a determination as to whether a transaction is a real property contract with respect to a capital improvement to real property; subject to tax as a retail sale of repair, maintenance, and installation services to real property; or exempt from sales and use tax.

The listed transactions generally constitute a real property contract with respect to a capital improvement to real property when performed for new construction, reconditioning, or remodeling.

The notice "is not specific tax advice." The application of sales and use tax may differ based on the facts and circumstances.

NCSA Schedule of Events

2017

June 21-23–**Convention**,
Grandover, Greensboro

July 31-August 2–**Carolina Professionals Tax Forum**,
Hilton University, Charlotte

2018

June 20-23–**Convention**,
Pine Needles, Southern Pines

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