



# The Accountant

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January 2018



## A Message From The President

*James P. Upton, III*



**James P. Upton, III**

A new year is now upon us, and with that our busy season begins in full force. I know in our office we are busily cranking out quarterly reports, W-2's, and all the good things that come along with those items. I also hope all our members are staying warm as North Carolina faces one of the longest stretches of bitterly cold weather in recent history. It makes days trapped in the office not seem so bad!

Over the New Year's holiday I did learn one exciting piece of news: Charlotte will host the National Society of Accountants Annual Meeting and Convention in 2019. This is a great honor for our state and our society; I hope many of you will make plans to attend the event when it is right in our backyard. Current NSA President Brian Thompson revealed this information on our affiliated state organization (ASO) message board. I know Curt Lee, Margie Strider, and Jim Holmes who work heavily with NSA on our behalf have no doubt made a great impression for our state. We need to show some hospitality in August 2019; mark it on your calendars now, and look for more details later.

At the end of last month, historical tax reform was passed by congress the likes of which has not been seen since 1986. As we have predicted before this "so-called" simplification in reality makes our job more complex and will ensure that the accounting and tax profession is a safe one for many more years. So let's talk about the new law for a moment; our Editor has compiled a good article on the individual changes, so I will just mention briefly here that your Schedule A filers will see the largest impact, with those filing Form 2106 most affected. As many of you know, I prepare several tax returns for clergy. The issue for 2018 is how the elimination of unreimbursed employee expenses will affect them because that figure is calculated into their self-employment tax calculation. The new law will make estimated tax calculations very interesting this year. With regards to the business provisions, I recommend checking out the following online article from Forbes and written by Tony Nitti; it contains without a doubt the most detailed discussion of the 20% pass through deduction I have seen.

<https://www.forbes.com/sites/anthonymitti/2017/12/26/tax-geek-tuesday-making-sense-of-the-new-20-qualified-business-income-deduction/#3b11001844fd>

The quick takeaway is that most business owners with employees who have AGI less than \$315,000 on an MFJ return (\$157,500 single) will reap a benefit from the deduction. But as noted in my recent Kiplinger Letter (glad I renewed my subscription!) this is the most complex portion of the law and regulations are still being written.....interpret carefully!

CCH, The Tax Book, Quickfinder, and others have good summaries of the law, and NSA ([www.nsacct.org](http://www.nsacct.org)) and TaxSpeaker.com are offering webinars on the subject. We are working on a seminar offering after tax season that will go more in depth. I know we are all busy preparing for the tax season at hand, but I recommend familiarizing yourself with the new law in order to properly advise clients during the current tax season when it is on their minds because some will be in for surprises next year, and not all good.

Let's all dig in and make the best of this season; the next one will be much interesting no doubt!

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## Chapter News

### Burlington

The Burlington chapter will meet on Thursday, January 25 at 6:30pm at Kimbers Restaurant. Speaker and topic is TBD. 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 will meet on Monday, January 22<sup>nd</sup>. Cape Fear Chapter meets on the 1<sup>st</sup> Monday after the 15<sup>th</sup> of each month. For more information contact Marsha Wheeler at [mwheeler14@nc.rr.com](mailto:mwheeler14@nc.rr.com)

### Central

The Central Chapter will meet on Monday, January 22 at Sagebrush Steakhouse at 6:00pm with a round table discussion. 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 will meet Thursday, January 25 at Crown Point Restaurant with Karen Bargsley from NC Department of Revenue speaking. In February they will meet on February 22, 2018 at Crown Point Restaurant with Senator Jeff Jackson of the NC Legislative speaking. The Charlotte Chapter meets the 4<sup>th</sup> Thursday each month. For more information contact Trina Stahl at [trina@jensehaynes.com](mailto:trina@jensehaynes.com)

### Eastern

The Eastern Chapter will meet on Tuesday, January 23. Topic and Speaker is TBD. The Eastern Chapter meets the 4<sup>th</sup> Tuesday each month. For more information contact Karen Spruill at [kspruill@downsouthtax.com](mailto:kspruill@downsouthtax.com)

### Hickory

The Hickory Chapter will meet on Monday, January 29. Hickory Chapter 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 will meet Thursday, January 25. Piedmont Chapter meets on the last Thursday of each month. For more information contact David Hooker at [dlhacct@triad.rr.com](mailto:dlhacct@triad.rr.com)

### Raleigh

The Raleigh Chapter will meet on Tuesday, January 23. The Raleigh Chapter normally 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

For more information contact April Eads at [angelicape@aol.com](mailto:angelicape@aol.com)

### Western

The Western Chapter will meet Tuesday, January 30 at the Gondolier Italian Restaurant with a speaker from NC Department of Revenue. The Western Chapter meets the 4<sup>th</sup> Tuesday of each month. For more information contact Beth Evans at [beth.evans@precisionacct.com](mailto:beth.evans@precisionacct.com)

### Wilmington

The Wilmington Chapter will not meet until the month of May 2018. For more information contact Susan Corliss-Bland at [susan@intrstar.net](mailto:susan@intrstar.net)

**TELL THE ACCOUNTANT WHAT IS HAPPENING IN YOUR CHAPTER. E-MAIL NEWS  
TO: [jawmneill@gmail.com](mailto:jawmneill@gmail.com) OR FAX TO 336-873-7650.**

## QAR Surveys

David Hooker, our Quality Assurance Review committee has sent every member a QAR survey that we need to have returned to him as soon as possible. This is necessary as we continue to move forward with the mandatory QAR implementation that was voted on at our last convention. David included a great summary of the program and information, but if you have questions he is the best one to contact, and will gladly guide you. Thanks for your support of this project that will continue to show NCSA's commitment to professionalism in accounting

### New for 2018 Form 1040

Tax rates are 10% for taxable income up to \$9,525 single and \$19,050 joint. After that, the tax rates are 12% for taxable income up to \$38,700 single and \$77,400 joint. After that, the tax rates are 22% for taxable income up to \$82,500 single and \$140,000 joint. After that, the tax rates are 24% for taxable income up to \$157,500 single and \$315,000 joint. After that, the tax rates are 32% for taxable income up to \$200,000 single and \$400,000 joint. After that, the tax rates are 35% for taxable income up to \$500,000 single and \$600,000 joint. For taxable income above that, the rate is 37%. All of these rates expire after December 31, 2025.

The standard deduction is \$12,400 single and \$24,000 joint. The additional deduction for elderly and blind remain. After December 31, 2018, the deduction is adjusted for inflation. The rates expire after December 31, 2025. The personal exemption is repealed through December 31, 2025

The child tax credit is \$2,000 for child under 17 indexed to next \$100 with amounts up to \$1,400 refundable. This credit is phased out for incomes over \$200,000 single and \$400,000 joint. The credit expires after December 31, 2025.

The education incentives remain the same except that the 529 credit of up to \$10,000 annually can be used for primary and secondary education at all but home schooling.

The mortgage interest deduction is limited to debt of up to \$750,000 for new purchases and refinancing after December 15, 2017. Cannot deduct interest on home equity debt through December 31, 2025. The deduction for a second home remains.

Charitable deductions of cash are limited to 60% of taxable income. Cannot deduct purchase of college athletic seating rights. The deduction expires after December 31, 2025.

State and local tax deductions for income, sales, and property tax are limited to \$10,000 through December 31, 2025.

Educator expense deduction is \$500. Medical expense deduction floor is 7.5% of adjusted gross income for 2017 and 2018 then returns to 10%. Deductions for disaster-related personal casualty and property losses and alimony payments are maintained. Tax preparation fees and moving expenses (except for military) are repealed.

Capital gains on home sales remain unchanged.

Employee fringe benefit bicycle commuting expense reimbursements deductions are repealed through December 31, 2025.

There is no change from present law for dependent care flexible spending accounts.

The recharacterization of Roth IRA contributions is repealed.

## Health Coverage Forms Extension

In IR-2017-209, the IRS announces the extension of the due date for furnishing to employees the 2017 Forms 1095-B and 1095-C from January 31 for 30 days. These extensions are automatic. The due dates to the IRS are February 28 for paper filers and April 2 for electronic filers. These forms are not required to file Form 1040. They can be prepared and filed using other information about health coverage.

## No Marketplace?

Notice N-2017-74 provides that individuals who are not eligible for coverage under an eligible employer-sponsored plan and who lack access to affordable coverage should not be denied the use of the affordability exception of the IRC merely because they reside in an area served by a Marketplace that does not offer a bronze-level plan. Consequently, for purposes of the affordability exemption, if an individual resides in a rating area served by a Marketplace that does not offer a bronze plan, the individual generally should use the plan lowest in cost metal-level plan available in the Marketplace service the rating area in which the individual resides.

## Mileage Rates for 2018

In IR-2017-204 the IRS issue the 2018 optional standard mileage rates. Beginning January 1, the standard mileage rates for the use of a car, van, pickup, or panel truck are:

- 54.5¢ per mile for business travel
- 18¢ per mile for medical or moving travel
- 14¢ per mile for charitable travel

## Strong Passwords

In IRS Tax Tip 2017-92, there are several things you should consider when creating and protecting passwords:

- A strong password should be at least 8 characters with at least one capital letter, one lower-case letter, numbers, symbols, and special characters.
- Do not include personal information in passwords.
- Do not share passwords with anyone.

## Withholding

The IRS is working to develop withholding guidance to implement the new tax law. The guidance is anticipated to be issued in January to be implemented in February. In the meantime, continue using the 2017 withholding tables and systems.

## Casualty Loss Safe Harbors

Rev. Proc. 2018-08 provides safe harbor methods for use in determining the amount of casualty and theft losses for personal-use residential real property and personal belongings. The revenue procedure provides additional safe harbor methods that may be used in the case of casualty and theft losses occurring as a result of any federally declared disaster. The IRS will not challenge the loss in market value if the determination of such loss is based on the fair market value from one of these safe harbor methods.

If an individual owns two or more parcels of personal-use residential real property, the use of a safe harbor method for one parcel does not require the use of the same safe harbor method, or any safe harbor method, for any other parcel.

Under the **Estimated Repair Cost Safe Harbor Method**, to determine the decrease in the fair market value of the personal-use residential real property, an individual may use the lesser of two repair estimates prepared by two separate and independent licensed contractors. The two estimates must set forth the itemized costs to restore the personal-use residential real property to the condition existing immediately prior to the casualty. However, the costs of any improvements or additions that increase the value of the property above its pre-casualty value must be excluded from the estimate for purposes of the safe harbor. This method is available for losses of \$20,000 or less.

Under the **De Minimis Safe Harbor Method** to determine the decrease in the fair market value of the residential real property or personal property, an individual may make a good faith estimate of the cost of repairs required to restore the personal-use residential real property to the condition existing immediately prior to the casualty. The individual must maintain records describing the personal belongings and detailing the methodology used for estimating the loss. However, the costs of any improvements or additions that increase the value of the residential real property above its pre-casualty value must be excluded from the estimate for purposes of the safe harbor. This method is available for losses to real property or personal property of \$5,000 or less.

Under the **Insurance Safe Harbor Method**, to determine the decrease in the fair market value of the personal-use residential real property, an individual may use the estimated loss determined in reports prepared by the individual's homeowners' or flood insurance company setting forth the estimated loss the individual sustained as a result of the damage to or destruction of the personal-use residential real property.

Under the **Contractor Safe Harbor Method** for federally declared disaster areas, to determine the decrease in the fair market value of the individual's personal-use residential real property, an individual may use the contract price for the repairs specified in a contract prepared by a licensed contractor setting forth the itemized costs to restore the property to the condition existing immediately prior to the federally declared disaster. However, the costs of any improvements or additions that increase the value of the property above its pre-disaster value must be excluded. To use this method, the contract must be binding and signed by the individual and contractor.

Under the **Disaster Loan Appraisal Safe Harbor Method** for federally declared disaster areas, to determine the decrease in the fair market value of the individual's personal-use residential real property, an individual may use an appraisal prepared for the purpose of obtaining a loan of federal funds or a loan guarantee from the federal government setting forth the estimated loss as a result of the damage to or destruction of the individual's personal-use residential real property

## Casualty Loss Safe Harbors

*(continued from page 5)*

Under the **Replacement Cost Safe Harbor Method** for federally declared disaster areas, an individual may use this method to determine the fair market value of the individual's personal belongings located in a federally declared disaster area in order to compute the amount of a casualty or theft loss. If the individual uses this method, it must be applied to all personal belongings for which a loss is claimed. To use this safe harbor method, an individual first must determine the current cost to replace the personal belonging with a new one and reduce that amount by 10% for each year the individual owned the personal belonging. If the personal belonging was owned by the individual for nine or more years, the pre-disaster fair market value is 10% of the current replacement cost. Subtract any insurance or other reimbursement the individual received or expects to receive for the personal belonging. This method may not be used for a boat, aircraft, mobile home, trailer, vehicle, or an antique or other asset that maintains or increases its value over time.

## Get to Know NCSA

*Julie McNeill*

**Julie McNeill** joined NCSA about 4 years ago along with joining the Central Chapter. She has served as Vice-President of Central Chapter for 3 years now.

Julie is originally from King but moved throughout NC due to father being a Baptist minister. She met the love of her life in 1989 in the town of Seagrove, and she later married him, Brent McNeill. They have been married 22 years last December. They have 3 children, Tyler who is 18 and attending Randolph Community College this fall to major in Automotive and Light-Duty Diesel mechanic while working fulltime at Thomas Tire in Archdale; her daughter Taylor is 17 and a senior at North Moore and has worked at our local pharmacy part time for the last 3 years; and her son Tucker is 6 and will be starting Kindergarten this year. They challenge her daily but keep her young!

Julie received her Associates degree in Accounting at Randolph Community College, her Bachelors degree in Accounting at Garner-Webb, and her Masters of Curriculum and Instruction at American Intercontinental University. Julie's career began with work at Black and Decker on the product line. She then began her Accounting career with Klaussner Furniture and worked in a variety of accounting roles with a few companies. She taught math at the middle school and high school levels for 11 years before settling in her role as business partner with James P. Upton, III, at Upton Accounting in Seagrove. She has been working with James for about 7 years and as a business partner full time for 4 years.

Julie brings a lot to the table when it comes to NCSA. Although she is young and some may feel inexperienced as she has only been with NCSA for 4 years she has over 17 years of experience in accounting, tax, business, and education. By joining Central Chapter and NCSA Julie has gained a network of people she can call on for assistance in any case she may need. She has also enjoyed the camaraderie that is felt when you attend chapter meetings and convention.

It is amazing to see all the "legends" that have served NCSA over the years and have helped shape and mold it into what it is today. As members we have big shoes to feel in order to keep NCSA going as we recruit and retain members and evolve with an ever changing landscape of the future of accounting and taxes.

Her life quote is, "Life is Life!" We can't change what is; all we can do is live each day the best we can and adapt and be flexible with it.

## NCSA Schedule of Events

**2018**

May 18—**Board of Directors Meeting**,  
Pinewood Country Club, Asheboro 10:00 am

June 20-23—**Convention**, Pine Needles, Pinehurst

July 20—**Leadership Conference**, Pinewood Country Club,  
Asheboro 9:00 am

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