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July 2017



A Message From The President

James P. Upton, III



James P. Upton, III

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[This is the speech President Upton gave at the Convention Banquet. He began by welcoming everyone to the 70th Installation Banquet.]

It is indeed an honor to stand before you tonight and accept this position. I am such a long way from where I began with NCSA. I would not be here today without some special people, and I would like to recognize them now. First, I thank God for his hand upon my life; I fail Him daily, but He never has failed me.

I've been blessed with a wonderful mother and father. Their love and support have made me who I am today. I also am thankful for the support of my business partner Julie McNeill, her husband (my cousin) Brent, and their family. I know their family life often is disturbed by our office work and NCSA duties, including taking me at 1:00 am to Waffle House during tax season or staying up all night so we can work to beat a snowstorm. My staff is one of the best around.

Among NCSA, I would like to thank those who have helped me tremendously including Margie Strider, Florence Black, Marsha Wheeler, Cheryl Hudson, Jense Creighton, Jim Holmes, Curt Lee, Ron Powell, Denise Hammond, Louise Pistole, David Hooker, John McKinney, Mary Fuller, Paula Brown, Kevin Robinson, Sarah McKoy, Lottie Neal, Erma Reynolds, and Larry Matthews. No doubt I have omitted some, but please know you are appreciated no less. Our Executive Director Candace Cansler also has been a great help to me in my NCSA duties.

As many of you know, my family has owned a tax and accounting practice since 1959. Needless to say, I was not there in 1959. I never felt like it was a choice to work in the business; it just was what I did, and I started out simply. In 1996 when I started working for my Aunt Margaret Hayes, I remember posting transaction into red Ideal Bookkeeping books for small clients, and preparing an elementary P&L on a 5 column green pad. I remember how we thought One-Write Systems were amazing; and how we always filled in sales tax forms in blue ink. The state included a copy in the booklet to use because they assumed no one had a copier. I remember the yellow tax deposit coupon books and rushing to the banks by 2:00 pm on the 15th to make payments after I could drive. I remember when we started filing 941s on the computer. We would save the envelopes from the IRS packages mailed each quarter. And how I was told to always put the *SSA/IRS Reporter* on my bulletin board; and to try not to tear the pages out of my *Package X* so we would not lose the forms.

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A Message From The President *(continued from page 1)*

James P. Upton, III

Some of you may not ever know the things I am talking about, they seem so foreign to you. You are used to QuickBooks, EFTPS, Google, and irs.gov. And I am too, but I am thankful to know the old ways; it helps me appreciate the technology I have now.

I always imagined my Aunt Margaret as a genius. Everyone came to her for advice on taxes and most anything else. She held court during tax season in what was her formal living room but was then her large office with four desks in it. I sat at a desk in the corner and absorbed all I could.

Due to a cancer diagnosis my aunt was forced to turn the practice over to me in 2003; I was 24 years old. Thankfully, my mother had retired early recently and was able to become a tremendous help in the office. I always will be thankful for her support during that time.

I had been a member of NCSA as a student but not active. I remembered Wade Powell coming by and signing up my Aunt as a member. Her NCSA certificate on the wall and a bound directory of members on the shelf. But that was my only knowledge of NCSA other than chance meetings with people like Margie Strider who always spoke highly of the society. Like clockwork every month I would receive an invitation to attend from people who I never had met but who I imagined were great geniuses of accounting. They had names like Sarah McKoy, Lottie Neal, and Erma Reynolds. I imagined these meetings being intimidating, with the talk way above my head. I always would jot down the date of the meetings. But with finishing a master's degree and managing the business, I never found the time to go. As a sole owner of a practice, I began to realize that I needed to get involved with an association that could keep me updated on the issues that affected my clients. So in 2007 I attended my first chapter meeting. The chapter needed help, and it wasn't long before I was a chapter officer. Soon I was attending Board meetings and Conventions; I had often plugged into the society, and there was no turning back.

Taking part in NCSA has afforded me many great opportunities. Without NCSA, I never would have organized a meeting for 150 people with the sitting governor of our state. I never would have been present for receptions in honor of the opening session of our legislature. I never would have learned the protocol for taking minutes and presenting them to a board of directors. I never would've prepared educational topics and then presented them to people unknown to me. I never would have organized seminars, meetings, and conventions of people with all that entails including preparing budgets, selecting menus, smoothing egos, and putting out fires of all sorts. But the thing that strikes me most is that I never would have met you, my fellow NCSA members. By far, meeting and getting to know and learn from you has made me a much better accountant. I cannot tell you how many times I have reached out to a fellow member for counsel or advice.

I have visited every chapter of the society at least once and some of them multiple times. This has shown me the diversity of our practices and personalities, our strengths and weaknesses. Our society is made up of one of the most remarkable collective groups of individuals I know. We each have areas where we excel—some in financial accounting, some in tax; some have been given a gift of teaching, writing, and leading. Others the gift of supporting, listening, and being available to serve in any way. Our members have come from every walk of life. Some like myself always have been accountants. Others had past lives as teachers or bankers; and some have served our nation in the military. Some of you have faced obstacles in your lives and careers; you were single moms or dads, you worked a day job and started your accounting business at night. Regardless of how we all got here, NCSA is our common bond.

We are far removed from the times in which this society was founded 70 years ago. If the cofounders—Harper Elam, EA Palmgren, Fred Calhoun, and Marcus JC Deal—sat among us tonight, what advice would they give us? Our challenges are great: recruitment and retention of members, relevance as an organization, providing for our members, and engaging them in modern ways. We are not reaching the people where they are anymore. In years past, it was simple to offer good quality information in a central location to a group of accountants, and they would come. Now our chapters struggle to get attendance. We had 33 members today making the decisions for a membership of nearly 250 and 4,000 other non-member accountants. One thing I have learned that you do not have to be part of an elite group to serve or lead. You must have determination, an iron will, and enough compassion to know when, as Martha McDowell said this morning, “Doing the right thing is not logical, but just right.” We need leaders; we need long time leaders and new leaders alike. Without fresh ideas, innovation, and change, we will not continue. Think hard this year about the future of NCSA. Talk to our Steering Committee; John McKinney is chairing the committee this year and is charged with charting a recommended course for the society.

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A Message From The President *(continued from page 2)*

James P. Upton, III

As we begin this new year, I ask each of you to put personalities and preconception aside and be prepared to work together in a renewed way. We cannot continue to do the same thing over and over again expecting different results; that is the definition of insanity. As I look across this room, I see no one who fits this bill. I see intelligent, hardworking, dedicated, and sincere people who can meet these challenges, if they choose to. We have been a blessed group of people and have had many wonderful leaders in the past. I ask each of you to pray that I will be able to continue this record of leadership. At the end of each day we all are closer to the end of our story; let's make a positive impact while we can. Good night, and God bless you all!

Budget

The Legislature passed SB 257, the budget bill, which the Governor vetoed, and the Legislature overrode. Some of the tax consequences of the law take place this year and others in subsequent years.

Starting July 1, 2017:

- Income tax rate is 3% of net income of every C corporation doing business in NC.
- The corporate franchise fee (Secretary of State's annual fee):
 - For C corporations, it is \$1.50 per \$1,000 of tax base.
 - For S corporations, it is \$200 for first \$1,000,000 of tax base plus \$1.50 per \$1,000 of tax base over that.
 - The minimum fee is \$200 for any corporation.

Starting January 1, 2018:

- A taxpayer allowed a federal child tax credit is allowed a NC child deduction based on AGI:
 - Joint and surviving spouse: \$2,500 for AGI up to \$40,000; \$2000 for AGI up to \$60,000; \$1,500 for AGI up to \$80,000; \$1,000 for AGI up to \$100,000; \$500 for AGI up to \$120,000; and \$0 over that amount.
 - Head of household: \$2,500 for AGI up to \$30,000; \$2000 for AGI up to \$45,000; \$1,500 for AGI up to \$60,000; \$1,000 for AGI up to \$75,000; \$500 for AGI up to \$90,000; and \$0 over that amount.
 - Single and separate: \$2,500 for AGI up to \$20,000; \$2000 for AGI up to \$30,000; \$1,500 for AGI up to \$20,000; \$1,000 for AGI up to \$50,000; \$500 for AGI up to \$60,000; and \$0 over that amount.
- Income tax rate is 2.5% of net income of every C corporation doing business in NC.

Starting January 1, 2019:

- Personal income tax rate goes to 5.25%.
- The standard deduction is \$20,000 joint and surviving spouse, \$15,000 head of household, and \$10,000 single and separate.

By-laws

At the Convention on June 24, the Constitution & By-laws Committee reported that it is important to establish a mandatory program so we may solidify our professionalism with the NC Legislature, the NC Board of CPA Examiners, bankers, the general public, and our clients. But more importantly, ourselves as professionals. To that end, the following was added to the by-laws Article I, Membership:

Section 13, Quality Assurance Review

Quality Assurance Review shall be mandatory for all members that submit and issue Compilation financial statements to third parties (banks, investors, and insurance companies). Compilation and Preparation financial statements for their client's use only are not required at this time.

Members that qualify shall have five (5) years from July 1, 2017, to submit their financial statement to the Quality Assurance Review Committee. There will be \$50 assessed by the Board of Directors at their discretion for members who do not submit. Any fees related to the cost of the reviews shall be determined by the Board of Directors.

Committee Chairs

President Upton named the following committee chairs: Jan Allison, AP Manual; JR Lawson, Assistance; Jim Holmes, Financial Review; Sarah McKoy, Budget; Marsha Wheeler, Chapter Promotions; Stephen Metelits, Communications; JR Lawson, Constitution & Bylaws; Curt Lee, Legislative; Florence Black and Cheryl Hudson, Convention 2017-18; EA Coordinator, Bob Pia; Florence Black, Education; Paula Brown, Ethics & Grievance; Curt Lee, Executive Director Review; Jense Craighton, Membership; Margie Strider, Past President's Advisory; Peggy Bartsch, Practitioners' Forum; Denise Hammond, Public Relations; David Hooker, Quality Assurance Review; Margie Strider, Historian; Paula Brown, Resolutions & Memorials; and John McKinney, Steering.

Directory

Check your information in the Directory. If it is not correct, send changes to [Candace](#) by the end of the month. That is the cutoff so that the Directory can be printed and distributed in the Fall.

Dues

At the meeting of the Board of Directors on June 24, the dues for the fiscal year starting July 1 are \$180 for Full Members, \$120 for Associate Members, and \$20 for Student Members. This is the same as last year.

Convention Elections

At the annual Convention June 23, new officers were installed. They are: James Upton III, President; Jense Creighton, President-Elect; John McKinney, Secretary; and David Rollins, Treasurer.

Elected to the Board of Directors: Kevin Robinson, Paula Brown, Jan Allison, Julie McNeil, Marsha Wheeler, Lottie Neal, JR Lawson, Trina Stahl, L Dean Gunter, and Mark Bouchier.

Elected to the Nominating Committee: Margie Strider, Lynanne Gray, Florence Black, Mary Fuller, Jan Allison, Curt Lee, and Ron Powell elected Chair by the Committee.

We recommended to the NSA Convention that they elect Margie Strider as our State Director.

HSA for 2018

In Rev. Proc. 2017-37 the IRS has provided the 2018 inflation adjusted amounts for HSAs.

For calendar year 2018, the annual limitation on deductions for an individual self-only coverage under a high deductible health plan is \$3,450 and for an individual with family coverage it is \$6,900.

For calendar year 2018, a "high deductible health plan" is defined as a health plan with an annual deductible that is not less than \$1,350 for self-only coverage or \$2,700 for family coverage. The out-of-pocket expenses (deductibles, co-payments, and other amounts, but not premiums) do not exceed \$6,650 for self-only coverage or \$13,300 for family coverage.

ITIN Renewal

An Individual Taxpayer Identification Number (ITIN) is issued by the IRS to those who need a Social Security Number to file a tax return but do not qualify for one. The ITIN is a 9-digit number in the form 9nn-NN-nnnn. If the middle two digits are 70, 71, 72, or 80, the ITIN will expire on December 31, 2017. All ITINs not used on a federal tax return at least once in the last three years will expire on December 31, 2017.

To apply for or renew an ITIN, you must submit a completed Form W-7, *Application for IRS Individual Taxpayer Identification Number*, and all required identification documents to the IRS. Use the most current revision of Form W-7 (Revision 9-2016), and refer to the Form W-7 instructions for guidance. All family members listed on a tax return can renew their ITINs at the same time.

No action is necessary if you do not need to file a tax return.

PTIN

On June 1, the US District Court for the District of Columbia upheld the IRS's authority to require the use of PTINs, but it enjoined the IRS from charging a user fee for the issuance and renewal of PTINs. As a result of this order, PTIN registration and renewal was suspended on June 2.

The IRS, working with the Department of Justice, still is considering how to proceed, but it will make PTINs available while deciding how to address the court order. The IRS resumed issuance of PTINs, without charge, on June 21.

New Phishing e-Mail

In IR-2017-111, the IRS warned tax professionals to beware of phishing e-mails purporting to be from a tax software education provider and seeking extensive amounts of sensitive preparer data. The e-mail's origin is unknown. This preparer information will enable the thieves to steal client data and file fraudulent tax returns.

The IRS reminds all tax professionals that legitimate businesses and organizations never ask for usernames, passwords, or sensitive data via e-mail. Nor should a preparer ever provide such sensitive information via e-mail if asked.

Fake e-mails use the name of a real US-based preparer education firm. Here is the opening text as it appears in phishing e-mails being sent to tax professionals. *"In our database, there is a failure, we need your information about your account."*

Taxpayers' Online Account

In IR-2017-106, the IRS announced the addition of several new features to the online account tool first introduced late last year. The online account allows individual taxpayers to access the latest information available on their federal tax account through a secure and convenient tool on IRS.gov.

In December 2016, the tool assisted taxpayers with basic account inquiries such as information about their balance due and access to the various IRS payment options. The IRS has added new features allowing taxpayers to:

- View up to 18 months of tax payment history.
- View payoff amounts and tax balance due for each tax year.
- Obtain online transcripts of various Form 1040-series through Get Transcript.
- Give feedback on their experience with their online account and make suggestions for improvements.

Before accessing the tool, taxpayers must authenticate their identities through the rigorous Secure Access process. This is a two-step authentication process which means returning users must have their credentials (username and password) plus a security code sent as a text message to their mobile phones. To register for the first time, taxpayers must have their personal and financial information including: Social Security number, specific financial information such as a credit card number or loan numbers, e-mail address, and a text-enabled mobile phone in the user's name.

Privilege License Tax

We all pay \$50 every year for a privilege license; it is the price of doing business as a professional in our state. However, NC General Statute 105-41(b) states:

The following persons are exempt from the tax:

- A person who is at least 75 years old.
- A person practicing the professional art of healing for a fee or reward, if the person is an adherent of an established church or religious organization and confines the healing practice to prayer or spiritual means.
- A blind person engaging in a trade or profession as a sole proprietor. A "blind person" means any person who is totally blind or whose central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or where the widest diameter of visual field subtends an angle no greater than 20 degrees. This exemption shall not extend to any sole proprietor who permits more than one person other than the proprietor to work regularly in connection with the trade or profession for remuneration or recompense of any kind, unless the other person is in excess of one so remunerated is a blind person.

NCSA Schedule of Events

2017

July 21—**Leadership Day**,
Pinewood, Asheboro, 9:00 am

July 21—**Board of Directors**,
Pinewood, Asheboro, 1:30 pm

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

August 21-24—**NSA Annual Meeting**,
Nugget Casino, Reno, NV

September 29—**Business Tax Class**,
Pinewood, Asheboro, 8:00 am-5:00 pm

November 3—**Board of Directors Meeting**
Pinewood, Asheboro, 10:00 am

November 14-15—**PTI**,
Sheraton Four Seasons, Greensboro

November 14—**Board of Directors**,
Sheraton Four Seasons, Greensboro, 6:00 pm

November 15-16—**PTI**,
DoubleTree by Hilton, Charlotte

November 16-17—**PTI**,
Long Bay Resort, Myrtle Beach, SC

2018

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

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