

IAPA TODAY



The Newsletter for Idaho's Accounting & Tax Professionals

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President's Message

By IAPA President W. L. "Lee" Grigg, ABA

Here I am. President for a second time! It has surely given me time to reflect on the why of it all.

I started my career in accounting prior to the day I graduated from Idaho State University in 1959. I spent the first 25 years working in the private sector. Then in the spring of 1986 I cleaned out a spare bedroom, purchased a computer and various other office items and went to work as a tax consultant.

It didn't take me long to realize I needed help if I were to really succeed in this venture. I reasoned that there must be a source or a group of people that I could turn to for help, and I ended up going to a meeting held by the IAPA. By the second meeting I found myself accepting the position of Secretary/Treasurer. Shortly thereafter I joined the National Society of Public Accountants.

There are currently about 200 of us now in IAPA. The sad part of it is that only a handful are really active. The rest are members probably for the purpose of attending our seminars to keep abreast of the many changes going on in the field of tax preparation and accounting.

Your board of directors serves for a purpose. We are here to help and encourage competency in our desire to serve the public sector. There are CPA's, LPA's and non-licensed professionals in our association. Our group has a voice, from our representation on the Idaho State Board of Accountancy to our monitoring of the State Board. We keep abreast of any changes that would affect every one of us.

NSA, our national affiliate is there to help non-licensed accountants, LPA's, CPA's, EA's and any one else



practicing as accountants and tax consultants. Both of these groups foster and encourage leadership. You need us and we need you.

Since I joined these two associations I've traveled extensively. What a joy this has been to my wife, NaDene, and me. I've watched people like you and me rise to high office. I've watched individuals grow and develop into leaders. There are 11 Districts in NSA. We are in District IX which encompasses the states of Alaska, Colorado, Idaho, Montana, Oregon, Washington, and Wyoming. Currently Andrew Morehead of Colorado is serving as NSA President. Robert Gross, also of Colorado,

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Jagels named to ID Board of Accountancy

Joan Jagels, CPA, Twin Falls, was recently appointed by Gov. Butch Otter to a five-year seat on the Idaho State Board of Accountancy. She replaces Bette Jo Berryman, LPA, Meridian, as the IAPA representative on the Board.

Joan began her term on the board September 1, 2007. She has been a past president of the IAPA and is currently IAPA's Secretary/Treasurer. If you have any concerns or questions, contact Joan at 733-0585.



Foreclosure Tax Relief Available to Many from IR-2007-159

The IRS unveiled a special new section on IRS.gov for people who have lost their homes due to foreclosure. The IRS also reassured homeowners that, although mortgage workouts and foreclosures can have tax consequences, special relief provisions can often reduce or eliminate the tax bite for financially strapped borrowers who lose their homes.

The new section of IRS.gov includes a variety of information, including a worksheet designed to help borrowers determine whether any of the foreclosure-related relief provisions apply to them. For those taxpayers who find they owe additional tax, it also includes a form they can use to request a payment agreement with the IRS. In some cases, eligible taxpayers may qualify to settle their tax debt for less than the full amount due using an offer-in-compromise.

The IRS urges struggling homeowners to consider their options carefully before giving up their homes through foreclosure.

Under the tax law, if the debt wiped out through foreclosure exceeds the value of the property, the difference is normally taxable income. But a special rule allows insolvent borrowers to offset that income to the extent their liabilities exceed their assets.

The IRS cautions that under the law, relief may be limited or unavailable in some situations where, for example, part or all of a home was ever used for business or rented out. Borrowers whose debt is reduced or eliminated receive a

year-end statement (Form 1099-C) from their lender. By law, this form must show the amount of debt forgiven and the fair market value of property given up through foreclosure. Though the winning bid at a foreclosure auction is normally a property's fair market value, it may not necessarily reflect its true value in some cases.

The IRS urges borrowers to check the Form 1099-C carefully. They should notify the lender immediately if any of the information shown on their form is incorrect. Borrowers should pay particular attention to the amount of debt forgiven (Box 2) and the value listed for their home (Box 7).

The IRS also reminds lenders of their obligation to provide accurate information on the Form 1099-C. By law, the lender must send a copy of this form to the IRS. IRS follow-up contacts with taxpayers involved in foreclosure are based largely on the information reported on this form, and whether it conflicts with information provided by the taxpayer on their federal income tax return.

The IRS normally initiates these follow-up contacts by sending the borrower a notice. The tax agency urges borrowers with questions to call the phone number shown on the notice. The IRS also urges borrowers who wind up owing additional tax and are unable to pay it in full to use the installment agreement form, normally included with the notice, to request a payment agreement with the agency.

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CHANGE OF ADDRESS: Please notify the editor of any change of address, phone number or email.

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was elected to serve as NSA's 2nd VP. I've enjoyed being part Dist. IX, the largest district within NSA. Networking with state leaders from Dist. IX and other states has proven beneficial; whenever I have a question, I have a host of professionals across the country to call upon for answers.

What a blessing this is to me. During the past five years I have seen the Uniform Accountancy Act adopted by all states. In Idaho I have seen the acceptance of various credentials including those created by the Accredited Council for Accountancy and Taxation (ACAT). One of them is the Accredited Business Accountant. Today we are working well with the IRS and Congress to create a new law requiring all of us to be licensed. This has been going on for the past two years and is expected to pass Congress this year and probably go into effect as early as July, 2008. We have worked hard to get into that bill the opportunity to grandfather us into obtaining that license without having to retest for competency.

Hey, do not keep sitting on the sidelines; instead become active. IAPA is divided into three Districts covering north, central and eastern Idaho. We need your participation to further promote competency and foster new friendships to help us to grow as individuals. Check our Web site at www.iapacct.com for the dates of our board meetings – everyone is welcome to attend.

Being president is an honor you have bestowed upon me and I truly express to you my thanks for this opportunity.

Relief for Late S-Corp Elections from the IRS

Businesses that are eligible to elect S-corporation tax treatment now have a simpler process for requesting relief for late elections under a change announced by the Internal Revenue Service on Oct. 9.

Revenue Procedure 2007-62 allows small businesses that missed filing Form 2553, Election by a Small Business Corporation, before filing their first Form 1120S, U.S. Income Tax Return for an S Corporation, to file both forms simultaneously. The change is effective for taxable years that end on or after Dec. 31, 2007. Internal Revenue Bulletin 2007-41 includes this new guidance.

The IRS cautioned that the requirement for filing Form 2553 to estab-

lish the election in advance of filing the initial Form 1120S remains in effect. However, the new process will save time and effort for those taxpayers who can establish reasonable cause for making a late election. Form 2553 will be updated to reflect the new rules, so taxpayers filing paper Forms 2553 should download the most recent revision from IRS.gov. Form 2553 can also be submitted electronically as an attachment to an e-filed Form 1120S.

There is relief under earlier guidance for late elections for taxpayers who meet certain conditions. Previously, taxpayers had to submit Form 2553 along with a statement explaining the reasons for the late election. The new guidance provides a simplified

method to request relief by permitting taxpayers to file their first Form 1120S along with Form 2553 and include the statement on the form.

Small business corporations that are eligible for tax treatment under Subchapter S of the Internal Revenue Code enjoy the advantages of the corporate structure while being taxed similarly to a partnership or sole proprietorship.

The new procedure will reduce taxpayer burden by allowing the agency to process a properly completed tax return and its corresponding election without delays or additional contacts with taxpayers to resolve the issue of a missing election.

Reporting Auction Income and the Tax Gap from IRS FS-2007-23

Many people don't realize the income they earn from auctions and consignment sales may be taxable. This fact sheet, the 16th in the Tax Gap series, will help taxpayers better understand what income they are required to report and what deductions they may be entitled to take. The tax gap, or the amount of tax that goes unpaid each year, results from taxpayers underreporting their taxable income. Fortunately most people want to pay their fair share of taxes and many simply need a better understanding of their obligations.

What's Taxable

All income from auctions, traditional or online, and consignment sales is generally taxable unless certain exceptions are met. This income is usually considered either "business" or "ordinary" income. In certain circumstances such income can qualify for capital gain treatment. There are also some exceptions where income can be excluded from taxable income.

Business income resulting from an

auction or consignment sale is subject to the same taxes as the income of any other retail or service business. That may include income tax, self-employment tax, employment tax, or excise tax. A retail or service business owner must include this income in his or her business income.

A person must report a gain from a sale whether he or she operates a business or not. A reportable gain is the income above the original cost or basis of the item. These gains may be business income or capital gains. Income resulting from auctions akin to an occasional garage or yard sale is generally not required to be reported. However, there may be exceptions. If an online garage sale turns into a business with recurring sales and purchasing of items for resale, it may be considered an online auction business.

Some people sell a product or service online as a hobby. This income generally must be reported and deductible expenses are limited. The deductions cannot total more than

the income reported and can only be taken if deductions are itemized on Form 1040, Schedule A, Itemized Deductions.

For additional information about whether an activity is a business or a hobby, see April's fact sheet titled, Business or Hobby? Answer Has Implications for Deductions.

What's a Deductible Expense

Traditional or online auction and consignment sellers in the business to make a profit can generally deduct expenses that are both ordinary and necessary. An "ordinary" expense is one that is common and accepted in a trade or business. A "necessary" expense is one that is helpful and appropriate for a trade or business. Verifiable auction and consignment fees and commissions are examples of allowable business expenses.

Expenses related to personal, living, or family matters are generally not deductible. There are expenses that are partly personal and partly business-related. The business portion of the expense is deductible.



Congratulations!

A hearty welcome goes out to the newest members of the IAPA:

Susan Hatch, CPA Twin Falls
Imajeon Hetherington, CPA Boise
Christy McPherson, CPA Hailey
Doug Pollow, CPA Twin Falls
Ralph Powell, COA Blackfoot
Lynn Robinson Boise
Jack Spellerberg, CPA Hailey
Susan Tenney, CPA Twin Falls

Condolences

We would like to extend our deepest condolences to board member Wilma Christensen, Harrison. Her grandmother and former IAPA member Wilma Schorzman, LPA, passed away in May.



In addition, our sympathies go to the family and friends of IAPA member Bob Jackson, LPA, of Hailey, who passed away in August from cancer at the age of 81.

IAPA Savings

G580

G580 is the code to use when ordering any products from Gear Up/Thomson/PPC.

This association discount will provide you with a 10-20 percent savings on all the QuickFinder handbooks, self-study courses, products, Accountant City, and Independent Tax Practitioners Network. **You must order by phone or fax** to receive the discounts.

Not only will you net the discount, but the IAPA will receive a donation for each transaction! Thanks to all of you who ordered with the **G580** this past year.

CCH also has a savings plan set up for IAPA members. Go to <http://onlinestore.cch.com/default.asp?ProductID=4815>

To receive a **30%** discount on CCH products.

Thank You

It's never too late to donate to the Betty Schmidt Memorial Scholarship Fund. Recent donations have come from **Daniel Barclay** of Boise and **LaFonda Merrick** of Nampa. Thank you!

Retirement News

Two IAPA members have sent us notice of their retirements this year.

Ralph Gines, CPA, JD, and **Nile Clark**, both practiced in Boise. Best wishes go to Ralph and Nile!

2007 Fall Seminar Schedule

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1-888-208-IAPA

Oct. 25-26	Gear Up 1040 8 am—4:30 pm Idaho Falls, Shilo Inn
Nov. 1-2	Gear Up 1040 8 am-4:30 pm Boise, DoubleTree Riverside
Nov. 1	Gear Up Ethics 5 p.m. to 7 p.m. Boise, DoubleTree Riverside Hotel

2008

Next year look for a combo of a two-day Estates & Trust course followed by a one-day Business Entities course in both Twin Falls & Post Falls.

Send Us Your News!

What's up out there??? Give me a call, drop me an email, or even write me a letter via snail mail. Keep me informed on what is happening with our membership, or former members, and I'll let others know as well.

Fill me in on retirements, special achievements, awards, illness, deaths, or whatever you feel is important to let others know about.

Or, perhaps **you** have an urge to write? Oh, that's a nasty five-letter word, is it? Don't let it be. Articles from our members on concerns regarding the accounting profession add vitality to this newsletter and may become a focal point of discussion. Just give me a call and I'll let you know how many words to write. And the pay is awesome—it's a huge THANK YOU from me!
Barb

NSA News

NSA Executive Vice President John Ams and NSA's outside counsel recently held a number of meetings on Capitol Hill and with Treasury Department officials to discuss tax preparer registration legislation. Topics included the need to recognize ACAT credentials and the validity and appropriateness of the ACAT tests that credential holders have passed to earn their credential.

IRS Tidbits

The IRS is now sending letters advising 13,000 randomly selected taxpayers that their 2006 return has been selected for audit as part of the latest National Research Program study. Tax research on individuals needs updating because as time passes, patterns of noncompliance change. The data obtained will enable the IRS to audit fewer taxpayers with accurate tax returns, which lessens the burden on compliant taxpayers.

Taxpayers can now request an Employer Identification Number (EIN) online through www.IRS.gov and get it within minutes. The EIN is immediately recognized by IRS systems, so your clients can begin using it right away for most business purposes.



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IAPA Members:

Receive Member Rates for Idaho State Tax Updates

Your board of directors is proud to announce a new member benefit that you, as a member of the Idaho Association of Public Accountants, can take advantage of immediately.

If you have received a registration form for the State of Idaho Tax Updates, you'll notice that this year the ISCPA is charging \$40 additional for non-members of the ISCPA. However, the IAPA is now co-sponsoring these tax updates and as a result, IAPA members can pre-register at the member rate of \$85.

When you complete your registration, *simply write on the form that you are a member of the IAPA* and then pay the member pricing. We do not issue member numbers, so simply write that "Yes, I'm an IAPA Member." If you have already filed your registration, contact the ISCPA at 1-208-344-8984 to confirm your membership and receive a refund of the non-member fee.

[State Tax Update Registration Form](#) click here online, or call 1-888-208-4272 for a registration form.

Dates and locations of the State Tax Updates are:

Oct. 24: Coeur d'Alene **Oct. 25:** Lewiston **Oct. 31:** Idaho Falls **Nov. 1:** Twin Falls **Nov. 7:** Boise

If you have any questions at all, feel free to give the IAPA office a call at 1-888-208-4272.