

THE Wisconsin - Accountant

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Upcoming Seminars

November 3-4
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December 1-2
Bob Jennings 1040 Update
1120, 1065, 1120S
Kalahari Resort
Wisconsin Dells \$99
(877) 254-5466

December 8-9
Gear Up 1040
Hudson House Inn
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IRS Seeks to Return \$266 Million in Undeliverable Refunds And Economic Stimulus Payments to Taxpayers

Submitted by Bob Jennings, Taxspeaker.com

WASHINGTON — The Internal Revenue Service is looking for taxpayers who are missing more than 279,000 economic stimulus checks totaling about \$163 million and more than 104,000 regular refund checks totaling about \$103 million that were returned by the U.S. Postal Service due to mailing address errors.

“People across the country are missing tax refunds and stimulus checks. We want to get this money into the hands of taxpayers where it belongs,” said IRS Commissioner Doug Shulman. “We are committed to making the process as easy as possible for taxpayers to update their addresses with the IRS and get their checks.”

All a taxpayer has to do is update his or her address once. The IRS will then send out all checks due.

Stimulus Checks

It is crucial that taxpayers who may be due a stimulus check update their addresses with the IRS by Nov. 28, 2008. By law, economic stimulus checks must be sent out by Dec. 31 of this year. The undeliverable economic stimulus checks average \$583.

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WAA Officers

President:

James H Molenda, EA
9401 W Beloit Rd Ste 201
Milwaukee, WI 53227
(414)545-2800
molendatax@aol.com

Vice Presidents:

William E Suttner, CPA
PO Box 187
Chilton, WI 53014
(920)849-9346
wes@suttnercpa.com

Thomas M Adler, CPA
1110 Fourier Dr Ste 110
Madison, WI 53717
(608)664-1944
tadler@adlercpa.com

Secretary:

Daniel T Mayer, EA, ABA, ATA, ECS
PO Box 307
Medford, WI 54451
(715)748-4110
dan-mayeracctg@charter.net

Treasurer:

James Badertscher, EA, ABA
112 West 5th St
Marshfield, WI 54449
(715)387-1782
dataflow-jlb@tznnet.com

NSA State Director:

Samuel J Micale, EA, ABA
12201 W Burleigh St Ste 6
Milwaukee, WI 53222
(414)431-1570
sjmicale@yahoo.com

Past President:

Tom Jankowski, EA, ATP, ATA
6200 Gisholt Dr Ste 100
Madison, WI 53713
(608)221-1685
tahoetom@tds.net

Directors:

Kimberley Hart, EA, ATP, ATA
5930 Seminole Centre Ct, Suite H
Madison, WI 53711
(608)288-8484
khart@hartassoc.net

Nick Krause, EA
PO Box 8033
Stevens Point, WI 54481-8033
(715)341-7100
nickk@retailfinancialservices.biz

Paul F. Kersten, CPA
112 W Division St
Shawano, WI 54166
(715)524-2302
paul_kersten_cpa@yahoo.com

Mary Jo Boldt, EA
820 Philip Dr, Ste A
Waukesha, WI 53186
(262)549-1700
maryjo@tomhoye.com

WAA OFFICE

Byron Dopkins, WAA Executive Director
PO Box 356, River Falls, WI, 54022
715-425-0482 1-800-237-4080

Executive Corner . . .

I just returned from our Federal Tax Update seminar in Wausau/Mosinee WI. Prof. John Connors did a great job of teaching the material to all attendees. WAA Vice President, Bill Suttner, is looking into scheduling Prof John Connors to present his depreciation seminar at next years convention. This is an awesome seminar with a great manual! Look for Connors to present the 2nd day of the convention which will be held in La Crosse next September. Also, looking ahead to May 2009, we are expecting Bob Jennings to be back presenting his technology seminar in Green Bay at the Radisson Hotel.



**Byron Dopkins,
Executive Director**

This fall we still have some great seminars in Waukesha and Hudson featuring Gear Up's 1040 and Bob Jennings' 1 day 1040 and 1 day Business Entities seminar at the beautiful Kalahari Resort and Waterpark at the WI Dells.

Finally, a reminder if you are not a member of the WAA you pay an additional \$60 per two day seminar more than if you were a member. This is an individual membership and not transferred to all employees of your firm. So why not become a member today? Check out our website at waainc.org

Byron L Dopkins, EA ABA ECS
WAA Executive Director

From the President . . .

WOW!

This is my first message as your newly elected president. Since this is the November issue, I would like to wish everyone a Happy Thanksgiving.



**Jim Molenda,
President**

This year again, one of our focal points will be member participation through local chapters. On a more personal basis, our chapters can provide us with an opportunity to compare and share ideas, reinforce our commitment to quality accounting procedures and more. An occasional "to the point" speaker on a pertinent subject is always a possibility. However, the "round table" discussion with our fellow members is always worthwhile. Believe me, you will never walk away from a chapter meeting without some benefit. A few meetings ago, two of our members got together and worked out a buy/sell arrangement (no broker necessary).

The point is.... Try one of your chapter meetings, you'll like it.

I have asked the chapter presidents to have one meeting prior to year end. Then watch for information from your chapter for a May meeting.

This is Your Association, if there is anything we can help you with, please call any one of us officers.

I am looking forward to a great year as your president. See you at one of our up and coming seminars.

Jim Molenda, EA
WAA President

IRS Seeks to Return \$266 Million in Undeliverable Refunds And Economic Stimulus Payments to Taxpayers

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The "[Where's My Stimulus Payment?](#)" tool on this Web site is the quickest and easiest way for a taxpayer to check the status of a stimulus check and receive instructions on how to update his or her address. Taxpayers without internet access should call 1-866-234-2942.

Regular Refunds

The regular refund checks that were returned to the IRS average \$988. These checks are resent as soon as taxpayers update their address.

Taxpayers can update their addresses with the "[Where's My Refund?](#)" tool on this Web site. It enables taxpayers to check the status of their refunds. A taxpayer must submit his or her social security number, filing status and amount of refund shown on their 2007 return. The tool will provide the status of their refund and in some cases provide instructions on how to resolve delivery problems.

Taxpayers checking on a refund over the phone will be given instructions on how to update their addresses. Taxpayers can access a telephone version of "Where's My Refund?" by calling 1-800-829-1954.

Unsure?

Taxpayers not sure of which type of check they may be due should check on a potential economic stimulus check first because of the looming deadline. See instructions above.

For Most People

The vast majority of checks mailed out by the IRS reach their rightful owner every year. Only a very small percent are returned by the U.S. Postal Service as undeliverable. Through September 2008, the government distributed 116 million economic stimulus payments with only about 279,000 checks being undeliverable. Meanwhile, the IRS has distributed more than 105 million regular refunds this year with only about 104,000 being undeliverable. In both cases, well under one percent of refunds or stimulus checks were undeliverable.

Avoiding Future Problems

The IRS encourages taxpayers to choose direct deposit when they file their return because it puts an end to lost, stolen or undeliverable checks. Taxpayers can receive refunds directly into personal checking or savings accounts. Direct deposit is available for filers of both paper and electronic returns.

Final Regulations Change Rules for S Corporation Open Account Debt

By Thomson Reuters PPC

(10/30/2008) Responding to comments that the proposed regulations' aggregate principal threshold of \$10,000 was too low, final S corporation regulations increase the threshold amount for open account debt and make other changes as well. On October 17, 2008, the Treasury Department finalized the proposed regulations with some important changes. See TD 9428, which revises Regs. 1.1367-2 and 1.1367-3. The final regulations apply to any and all shareholder advances to the S corporation made on or after October 20, 2008, and repayments on those advances by the S corporation.

WAA Benefits

- Seminars and Educational Forums
- Accreditation
- Local Chapter Involvement
- Government Agency Liaison
- Monitor Legislation
- Insurance Programs
- Accountants Protection Plan

WAA Objectives

- To raise professional standards and improve the practice of accountancy.
- To strive for excellence in the profession.
- To encourage accountants in a continuing program of professional development.
- To foster increased recognition for the professional in the public, private and educational sectors of our state.
- To initiate legislative action and provide government liaison between the accounting profession and government leaders.
- To provide meetings and fellowship for accountants.
- To promote the highest standard of ethical conduct among its member.



QUOTE OF THE MONTH

"You will never find time for anything. If you want time, you must make it."

Special Pricing for the WAA



Our association receives a donation for each product purchased under this special discount code - and you receive a discounted price on every product! The WAA discount code is G850. Go to quickfinder.thompson.com to place your order.

New 2008 Emergency Tax Act-Small Firm Issues ONLY

Submitted by Bob Jennings

The 2008 Act was signed into law by President Bush on Friday, October 3, 2008. Sec. 303 extends the effective date for the debt discharge for qualified principal residence exclusion to 12/31/2012.

Sec. 103 of the Energy Bill portion extends the business solar credit and geothermal credit through 12/31/2016 and allows it to be applied against AMT for years beginning after 10/02/2008.

Sec. 106 of the Energy Bill portion extends the residential energy tax credits through 12/31/2016 and in 106(b)(2) removes the limit of \$2,000 for solar electric property for years starting after 12/31/2008. It also allows a new 30% small wind energy credit for residential purposes, and increases the 30% geothermal heat pump credit to a \$2,000 maximum, all allowed against AMT.

Sec. 30D allows for a new plug-in electric vehicle credit calculated as the total of \$2,500 plus \$417 for each hour of traction battery capacity in excess of 4 KW hours. There is a phase-out of the credit beginning at totals US sales of 250,000 vehicles. Credits are limited by the weight of the vehicle:

Weight	Credit
≤ 10,000 pounds	\$7,500
10,000-14,000 pounds	\$10,000
14,000-26,000 pounds	\$12,500
>26,000 pounds	\$15,000

Sec. 211 allows an excludable fringe benefit of \$20 per month for years beginning after 12/31/2008 for employer payment or reimbursement of bicycle purchase and improvement costs, repairs and storage if the bicycle is used for commuting.

Sec. 403 requires brokers to report stock basis with transactions beginning in 2011.

The "Tax Extenders and Alternative Minimum Tax Relief Act of 2008" portion of the bill made these changes:

- Extension of AMT brackets through 12/31/2008
- Increase of AMT exemption amounts
- Increase of refundable amounts for AMT credits carried forward
- Underpayments of tax and related penalties and interest related to the treatment of incentive stock options are abated if outstanding on 10/2/2008 and related to ISO's before 1/1/2008.
 - o Additionally the AMT refundable credit amount for the taxpayer's first 2 taxable years beginning after December 31, 2007, are each be increased by 50 percent of the aggregate amount of the interest and penalties which were paid by the taxpayer before the date of the enactment of this subsection and which would (but for such payment) have been abated.
- An AMT refundable credit amount is allowed for individuals of 50% of the long-term unused credit.

Sec. 201 extends the sales tax deduction through 12/31/2009.

Sec. 202 extends the tuition deduction through 12/31/2009.

Sec. 203 extends the \$250 teacher deduction through 12/31/2009.

Sec. 204 extends the brand new real property tax deduction through 12/31/2009.

Sec. 205 extends the tax-free IRA transfer to charity rule through 12/31/2009.

Sec. 301 and 302 extends the research credit and the new markets credit through 12/31/2009.

Sec. 305 extends the 15 year depreciation life for leasehold improvements and restaurant improvements through 12/31/2009 (but does not make it eligible for bonus depreciation).

Sec. 504 treats Exxon Valdez litigation settlement payments as payments to fishermen and therefore allows them for income averaging purposes.

1. It also allows contributions of the lesser of the settlement received or \$100,000 to qualified retirement plans to avoid taxation. The contribution must be made by the due date of the return for the year received and is treated as a qualified rollover.
2. It may also be rolled into a Roth IRA or Roth 401(k) but is considered taxable income in those situations.
3. No settlement payment is subject to SE tax.

Sec. 505 treats farm equipment purchased after 12/31/2008 and before 1/1/2010 as having a 5 year depreciation life.

Title 7, the "Heartland Disaster Tax Relief Act of 2008" applies Hurricane Katrina GO Zone tax treatment to the midwestern severe storms, tornados and flooding occurring on or after 5/20/2008 and before 8/1/2008 in Presidentially declared disaster areas of Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska and Wisconsin. See our Greensburg Kansas disaster discussion for these rules. The bonus depreciation and Section 179 provisions of the Greensburg Kansas discussion do not apply to the Midwestern storms.

2009 Inflation Adjustments Widen Tax Brackets and Expand Tax Benefits

Submitted by The IRS Newswire

WASHINGTON — For 2009, personal exemptions and standard deductions will rise and tax brackets will widen because of inflation adjustments announced today by the Internal Revenue Service.

By law, the dollar amounts for a variety of tax provisions must be revised each year to keep pace with inflation. As a result, more than three dozen tax benefits, affecting virtually every taxpayer, are being adjusted for 2009. Key changes affecting 2009 returns, filed by most taxpayers in early 2010, include the following:

- The value of each personal and dependency exemption, available to most taxpayers, is \$3,650, up \$150 from 2008.
- The new standard deduction is \$11,400 for married couples filing a joint return (up \$500), \$5,700 for singles and married individuals filing separately (up \$250) and \$8,350 for heads of household (up \$350). Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions and state and local taxes.
- Tax-bracket thresholds increase for each filing status. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent bracket from the 25-percent bracket is \$67,900, up from \$65,100 in 2008.
- The maximum earned income tax credit for low and moderate income workers and working families with two or more children is \$5,028, up from \$4,824. The income limit for the credit for joint return filers with two or more children is \$43,415, up from \$41,646.
- The annual gift exclusion rises to \$13,000, up from \$12,000 in 2008.

Information about the pension and retirement plan-related changes can be found in IR-2008-118. Other inflation adjustments are described in Revenue Procedure 2008-66.

What's Good for the Goose,?

Submitted by the NSA

The European Commission on September 29 proposed that EU member states have the option to exempt small companies from EU accounting directives, in a move designed to help reduce administrative costs for firms with 15 or fewer employees. The move came in light of small firms' increasing costs and the greater difficulty they are experiencing in finding financing. If approved, the exemption could save small companies as much as \$8 billion annually, the commission said.

This is an interesting development in light of the decision by US regulators to move toward adoption of international Financial Reporting Standards, or IFRS. The question is whether such possible exemptions are included in IFRS when they are adopted and if they are, would US regulators vote to allow an exemption. The European Commission reported that when the commission first put forward a possible exemption for small companies, 59 percent of those submitting comments were in favor of the idea. The majority of opinions opposing the exemption for small companies came from representatives in the accounting profession, the commission said. We wonder whether those representatives have small business clients or, if they do, whether those small businesses were asked their opinion.

NSA Foundation Announces 2008 Scholarship Winners

Submitted by the NSA

Alexandria, VA, October 1, 2008 — Like all professions, the accounting profession is continually working to ensure a steady flow of qualified young people into its ranks.

Since 1969, the National Society of Accountants (NSA) Scholarship Foundation has provided nearly \$1 million to deserving undergraduate and graduate students who are committed to pursuing a career in accounting, helping to develop more qualified young accountants.

This year, 44 students will receive scholarships ranging from \$500 - \$2,000. These recipients were selected from more than 750 applicants on the basis of an overall outstanding academic record, demonstrated leadership and participation in school and community activities, honors, work experience, stated goals and aspirations, and financial need.

"Our scholarship program not only ensures that we continue to promote our distinguished profession," explains NSA Scholarship Foundation President Harold F. Krieger, Jr., "but that we have helped, in some small part, the next generation of accountants that will be needed in the future."

The 2008 scholarship recipients include:

Allen D. Christianson
Northcentral Technical College
Wisconsin Association of Accountants

Colleen M. Easton
Milwaukee Area Technical College
SE Chapter of Wisconsin Association of Accountants

Jesse S. Graewin
University of Wisconsin-Madison
Wisconsin Association of Accountants

Rebecca J. Shotwell
Northcentral Technical College
Wisconsin Association of Accountants



Under-Reporting of Rental Income Likely To Draw More IRS Scrutiny

The accurate reporting of rental income on tax returns is likely to become a focus for IRS activity after the GAO reported that more than half of individual taxpayers with rental real estate misreported their rental real estate activities for tax year 2001, resulting in an estimated \$12.4 billion of net misreported income

The GAO report, which was conducted as part of its estimate of the 2001 tax gap, said even this amount is understated, because the Internal Revenue Service knows it does not detect all misreporting during its National Research Program examinations and adjusts the amount of underreporting it detects.

GAO said the noncompliance rate was so high that even small improvements in taxpayer compliance could result in substantial revenue. GAO provided nine recommendations to IRS to improve compliance, and also suggested that Congress consider making all taxpayers report rental real estate activity subject to the same information reporting requirements as other taxpayers with a trade or business.

Because of the significant revenue involved, the IRS is expected to focus on methods of increasing compliance in this area, especially since the Treasury Department and the Congress have been pressuring IRS to further reduce the so-called tax gap. A copy of the report, Tax Gap: Actions That Could Improve Rental Real Estate Reporting Compliance, is available at the following website: <http://www.gao.gov/new.items/d08956.pdf>

Financial Bailout Bill Also Has AMT Fix, Extenders, Changes Tax Position Disclosure Standards

Submitted by the NSA

Division C of the Emergency Economic Stabilization Act of 2008 (the bailout bill), is titled the Tax Extenders and Alternative Minimum Tax Relief Act of 2008 and provides this year's patch of the AMT as well as the extension of the deduction of sales taxes, qualified tuition payments and other items. Key to tax return preparers is that the Act changes the disclosure standard for specific tax positions taken on a return to "substantial authority" from "more than likely than not."

Specifically, the Act provides:

AMT Patch. Currently, a taxpayer receives an exemption of \$33,750 (individuals) and \$45,000 (married filing jointly) under the AMT. Current law also does not allow personal credits against the AMT. At the end of last year, H.R. 3996 increased the exemptions to \$44,350 and \$66,250, respectively, and allowed the personal credits against the AMT to hold the number of taxpayers subject to the AMT at bay. The provision expired December 31, 2007. The proposal increases the exemption amounts to \$46,200 (individuals) and \$69,950 (married filing jointly) for 2008. The proposal will also allow the personal credits against the AMT.

Deduction of State and Local General Sales Taxes. The American Jobs Creation Act (AJCA) provided that a taxpayer may elect to take an itemized deduction for State and local general sales taxes in lieu of the itemized deduction. The provision expired on December 31, 2007. The proposal would extend the provision to the end of 2009. The proposal is effective for tax years beginning after December 31, 2007.

Qualified Tuition Deduction. The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) created an above-the-line tax deduction for qualified higher education expenses. The maximum deduction was \$4,000 for taxpayers with AGI of \$65,000 or less (\$130,000 for joint returns) or \$2,000 for taxpayers with AGI of \$80,000 or less (\$160,000 for joint returns). This deduction expired on December 31, 2007. The proposal would extend the deduction to the end of 2009. The estimated cost of this proposal is \$5.333 billion over ten years.

Teacher Expense Deduction. The bill extends the provision allowing teachers an above-the-line deduction for up to \$250 for educational expenses. The provision expired on December 31, 2007. The proposal extends the deduction to the end of 2009. The proposal is effective for taxable years beginning after December 31, 2007. The estimated cost of this proposal is \$410 million over ten years.

Additional Standard Deduction for Real Property Taxes. The Housing and Economic Recovery Act of 2008 added a real property tax calculation to the standard deduction for taxpayers who do not itemize. The real property tax deduction is the lesser of the amount allowable as a deduction of State and local and foreign real property taxes, or \$500 (\$1,000 in the case of a joint return). The provision expires at the end of 2008. The proposal extends the provision to the end of 2009. The proposal is effective on the date of enactment.

A copy of the legislative text of Divisions B and C of the Emergency Economic Stabilization Act, with the language of Division C beginning at page 148, may be found at the following website: <http://finance.senate.gov/sitepages/leg/LEG%202008/100108econ%20leg.pdf>. A summary of the tax provisions in Divisions B and C of the Act prepared by the staff of the Senate Finance Committee may be found at the following website: <http://finance.senate.gov/sitepages/leg/LEG%202008/100208%20Economic%20Stabilization%20Summary.pdf>

NSA Happenings from the District V Governor . . .

Now for my report on the 2008 NSA Annual Meeting held in Kansas City, MO having an exciting time. Upon my Monday evening arrival, Judy and my room was bumped because Obama's presidential campaign stop was at the Hyatt taking over three floors. Many secret service and press people.



Harlan Rose
NSA District V Governor

During the 2008 NSA sessions, IAAI's Joan LaValley from District V was awarded the 2008 distinguished "NSA Accountant of the Year". Great job!

Jim Nolen was installed as the 2008-09 NSA President. Robert Cross was elected as the 2008-09 NSA First Vice President. Many of you met Bob as he performed our Green Lake WAA 2008 WAA Board and Officer Installation. I too received an honor to be Senior Governor for the NSA Board during the upcoming year.

I now enter my final year as District V Governor but NSA doesn't stop for me there. Many NSA members encouraged me to continue leadership in NSA so I have decided to pursue election to NSA Second Vice President in 2009 at San Diego. I will need WAA's support in the election so please come and help me. A WAA full delegation would be great.

District V will continue to hold the Serving Aging America event in 2009. Bob Thoma is finalizing plans for dates (early September 2009) and details.

It is now time I will make my way to Burlington, VT for the fall Board of Governor's Meeting October 23-26. Hopefully Judy and I can see some beautiful fall foliage from the air.

As you read this, our "seminar season" is upon us where we benefit from the NSA and WAA efforts.

Harlan Rose, EA, ABA
District V Governor

Welcome to our NEW MEMBERS

Kari Apel – Apel Associates Inc

Prairie du Sac

Amy Guntz – Midwest Hardware Association Inc

Stevens Point

Dale Van De Loo – Kersten Accounting & Tax

Shawano

Chapter News Contacts

NW: Dan Mayer

P.O Box 307

Medford, WI 54451

715-748-4110

NE: Roberta Jezeski

P.O. Box 176

Black Creek, WI 54106

920-984-3555

SW: Arland Stone

431 Park Avenue

Beloit, WI 53511

608-365-1558

SE: James H Molenda

9401 W. Beloit Road #201

Milwaukee, WI 53227

414-545-2800

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214 N. Main St.

River Falls, WI 54022

Tel 715.426.1750

nancy@hub70.com

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