THE Wisconsin Accountant

Wisconsin Association of Accountants ■ 1-800-237-4080 - 715-425-0482 - www.wiassociationofaccountants.com

2011 Seminars

September 18 - 20
WAA Annual Convention
Waukesha
Marriott Milwaukee West
(877) 651-7666

October 3 - 4
Bob Jennings
Business Entities
Wisconsin Dells
Kalahari Resort
(877) 254-5466

October 24 - 25
Federal Tax Update
Wausau
Stoney Creek Inn
(715) 355-6858

November 7 - 8
Gear Up 1040
Waukesha
Country Springs Hotel
(800) 247-6640

November 28 - 29
Bob Jennings
1040 Update
Wisconsin Dells
Kalahari Resort
(877) 254-5466

December 5 - 6
Gear Up 1040
Hudson
Hudson House Inn
(715) 386-2394

Abuse by Boyfriend Supported Theft Loss

Submitted by Ashwaubenon Tax Professionals

Ms. Herringtons relationship with her boyfriend was marked by intimidation and physical abuse. When she failed to do what he said or tried to leave him, he reacted violently including throwing her from a moving car, threatening her with a gun, and threatening to hurt her daughter.

The boyfriend convinced Ms. Herrington to acquire two video poker licenses in her own name and open two sandwich shops with video poker machines. The boyfriend took charge of the finances and books and had check signing authority. The boyfriend wrote checks including some to himself or to Cash, signing either his own name or Ms. Herringtons name. Ms. Herrington had a friend at the bank who would tell her when she was in an overdraft situation so she could make a cash deposit to cover the checks by noon and therefore avoid overdraft fees.

On her tax return Ms. Herrington claimed a deduction for consulting fees for the monies the boyfriend took out of the business of $114,000 in one year and $96,000 in the other year.

IRS denied the compensation deduction. Tax Court ruled in favor of IRS stating the money the boyfriend took was not compensation. Tax Court has previously defined compensation as a payment made with the intent to compensate someone. Based on Ms. Herringtons own testimony she was not aware of when the boyfriend would write a check to himself nor how much it would be, therefore the monies were not for consulting services provided by the boyfriend.

Tax Court did agree with Ms. Herringtons alternative argument that the disallowed amounts should then be deductible as theft losses. The theft happened every time the boyfriend took money from the business. Ms. Herringtons history of abuse by the boyfriend helped show she did not voluntarily give him the money. The deduction for the theft loss is not tied to whether Ms. Herrington pressed charges or whether the boyfriend was convicted or prosecuted. Ms. Herrington needed to prove that a theft occurred under the laws of her state. Her abusive situation as well as her arrangement with the bank helped show the movements of the monies the boyfriend was taking were induced by the boyfriends actions and threats.

Mona Lisa Herrington, TC Memo 2011-73

This case can be found at www.taxcourt.gov by clicking on Opinion Search and entering the taxpayers name.

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Executive Corner . . .

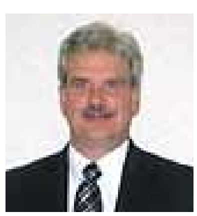

Byron Dopkins, Executive Director

As summer comes to an end we look forward to fall....leaves change color, football is in the air and most important it is the time to improve your skills and learn more to better serve your clients. This fall we start with our annual convention this year at beautiful Milwaukee Marriott West. This is the best value in CPE ever! Great seminars at a great location with the lowest coast per CPE hour ever! If you don't take advantage of this offer you are making a mistake. We are starting the event after our Sunday morning board meeting with a golf outing at Naga-Waukee Golf Course. Tee time is Noon and we will be done in time for the Sunday night festivities featuring dinner and comedian, Chris Barnes. As always, enjoy your favorite drink in the WAA sponsored hospitality room. Monday's speakers are Dave and Mary Mellem ~ Ethics and Planning for College and FAFSA and Karyl Richson a public affairs specialist with SSA. He will explain how you qualify for benefits, how your earnings and age affect benefits and how you may qualify for other benefits. Monday afternoon the WAA has a formal annual business meeting. This is the time to see your leaders and hear them tell what has happened this year and what is being planned for the future. At this meeting we elect the new board members and ask for future volunteers. Monday evening we have a banquet and install our new officers and the incoming president speaks on their plan for the year. Again, join us in the hospitality room after the banquet. Tuesday brings us Gear Up speaker Dave Krebs on Practice Management. You will pick up ideas to take back to your business and improve it. This course is designed to teach you the ten secrets to a successful tax and accounting practice. Dave Krebs is an outstanding speaker and I am looking forward to his presentation All of this for $150.00 for WAA members and $365.00 for non members. This deal is offered to member as a member benefit!

Hope to see you at convention!

Byron L Dopkins, EA, ABA
WAA Executive Director

From the President . . .


Thomas Adler, President

I wish to thank all the board, officers and Byron for their help and a great job throughout the year. The year went fast and several of the goals I hoped to complete did not get done, but the seeds have been planted for future presidents.

I wrote often about improving our chapters. The board will be meeting to review our chapters operations and attendance. The goal is to increase the attendance and bring value to your clients and you.

I hope you will overcome the barriers that keep you from attending chapter meetings and can help your chapter grow and be successful. Please feel free to contact your board members and officers' with your ideas.

I wish to thank you for allowing me to be the president of the WAA and wish the organization the best for future years.

Thomas M. Adler, CPA, ATA, ATP
WAA President

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.

District V Governor's Report

Submitted by Durette Hauser

ALEXANDRIA, Greetings! I have just returned from the Annual Meeting and Convention held in Anchorage, Alaska. I feel very privileged to have visited this part of the United States. The area is absolutely beautiful! I even saw a Moose with two calves!

On Monday evening the Pre-Board Meeting took place. Tuesday morning we had the Board Meeting. Wednesday afternoon was the first business meeting where we introduced to the candidates running for office and the proposed bylaw change. Wednesday evening we were taken to the Alaskan Native Heritage Center for dinner and entertainment. Several young Alaskan children demonstrated games to us and we were entertained by Alaskan Native dancers and musicians. There were 15 CPE's offered to attendees at the Convention. Thursday the second business meeting took place where the following people were elected (or re-elected) at this year's Annual Meeting:

District I: Jerome Sweeney
District III: William Silzer
District V: Durette Hauser
District VII: Eric Hansen
District IX: Joyce Funkhouser-Lingelbach
District XI: Brian Iwata
2nd Vice-President: Steven Hanson
1st Vice-President: Harlan Rose
President: Sharon Cook

The bylaw change was approved. The bylaw was to admit the future Registered Tax Return Preparer's in as active members subject to the same requirements as any new member. They will be required to obtain a credential within 5 years and will have the same CPE requirement as all other members. I am pleased we have accepted this bylaw change and look forward to many new members in NSA.

The NSA Scholarship Auction and Breakfast took place on Friday morning. I would like to express my sincere gratitude for WAA's continued support to the NSA Scholarship Foundation. A PowerPoint presentation was played during the second business session consisting of pictures of many of this year's NSA Scholarship recipients. The NSA Scholarship Foundation raised nearly $50,000 at this year's Convention. Two special memorial scholarships were setup. The first one honoring NSA Past President Steve Desdier of California. The other memorial scholarship was setup in memory of Ronny Woods. The Foundation will continue to accept donations for either one of these memorial scholarships.

The Installation of Officers took place on Friday evening with all attendees looking spiffy!

Next year's Annual Meeting will be in Maui, Hawaii. A link for the hotel reservations will be sent out in October for the Hyatt Regency in Maui. The room rates are $169, $189, and $230. It has been suggested if you are planning to go to Maui to reserve early as the room block will be going quickly.

I have really enjoyed serving as your District V Governor for the past two years and consider it a privilege to continue on as your Governor for the next two years. Thank you for your confidence and support!

Respectfully Submitted,

Durette D. Hauser

Durette D. Hauser

IRS Updates September 2011

Submitted by IRS

IRS Releases Specifications for Registered Tax Return Preparer Test

The Internal Revenue Service today released the specifications for the competency test individuals must pass to become a Registered Tax Return Preparer. For more information, see IR-2011-89.

Other News Publications

- To read the Summer edition of the Employee Plans News, please visit the Retirement News for Employers page in the Retirement Plans Community section of the IRS.gov Web site.
- To read the August 23, 2011 edition of the Employee Plans News, please visit the Employee Plans News page in the Retirement Plans Community section of the IRS.gov Web site.

Draft 2012 Form 941

The latest draft of the 2012 Form 941, Employer's Quarterly Federal Tax Return is now available on IRS.gov.

Substantiating Travel Expenses

Announcement 2011-42 advises taxpayers the IRS will discontinue authorizing the high-low per diem method for substantiating expenses incurred in traveling away from home. This was originally announced in Rev. Proc. 2010-39.

Technical Guidance:

Notice 2011-71 Provides guidance under section 6050W of the Internal Revenue Code regarding the documentation and reporting obligations of payment settlement entities that are United States payors making payment outside the United States to an offshore account.

Revenue Ruling 2011-18 Provides the rates for interest on tax overpayments and underpayments for the calendar quarter beginning October 1, 2011. The interest rates will be 3 percent for overpayments (2 percent in the case of a corporation), 3 percent for underpayments, 0 and one-half percent for the portion of a corporate overpayment exceeding 10,000, and 5 percent for large corporate underpayments. This quarterly determination is required by section 6621 of the Internal Revenue Code.

IRS Releases Specifications for Registered Tax Return Preparer Test

Submitted by IRS

WASHINGTON — The Internal Revenue Service today released the specifications for the competency test individuals must pass to become a Registered Tax Return Preparer.

The test is part of an ongoing effort by the IRS to enhance oversight of the tax preparation industry. Preparers who pass this test, a background check and tax compliance check as well as complete 15 hours of continuing education annually will have a new designation: Registered Tax Return Preparer.

The specifications identify the major topics that will be covered by the test, which will be available starting this fall. Although individuals who already have a provisional preparer tax identification number (PTIN) from the IRS do not have to pass the exam until Dec. 31, 2013, they may take the exam at any time once it is available.

The test will have approximately 120 questions in a combination of multiple choice and true or false format. Questions will be weighted and individuals will receive a pass or fail score, with diagnostic feedback provided to those who fail.

Test vendor Prometric Inc. worked with the IRS and the tax preparer community to develop the test. The time limit for the test is expected to be between two and three hours. The test must be taken at one of the roughly 260 Prometric facilities nationwide.

To assist in test preparation, the following is a list of recommended study materials. This list is not all-encompassing, but a highlight of what the test candidates will need to know.

- Publication 17, Your Federal Income Tax
- Form 1040, U.S. Individual Income Tax Return
- Form 1040 Instructions
- Circular 230, Regulations Governing Practice before the Internal Revenue Service (rev. 8/2/11)
- Publication 334, Tax Guide for Small Business
- Publication 970, Tax Benefits for Education
- Publication 1345, Handbook for Authorized IRS e-file Providers
- Form 6251, Alternative Minimum Tax – Individuals
- Form 6251 Instructions
- Form 8879, IRS e-File Signature Authorization

Some reference materials will be available to individuals when they are taking the test. Prometric will provide individuals with Publication 17, Form 1040 and Form 1040 instructions as reference materials.

The fee for the test has not been finalized but is expected to be between $100 and $125, which is separate from the PTIN user fee. Currently there is no limit on the number of times preparers can take the test, but they must pay the fee each time. Individuals must pass the test only once.

Only certain individuals who prepare the Form 1040 series are required to take the test. Attorneys, Certified Public Accounts and Enrolled Agents (EAs) are exempt from testing and continuing education because of their more stringent professional testing and education requirements. Also exempt are supervised employees of attorneys, CPAs, attorneys or EAs who prepare but do not sign and are not required to sign the Form 1040 series returns they prepare and individuals who prepare federal returns other than the Form 1040 series.

Approximately 730,000 return preparers have registered and received PTINs in 2011. Approximately 62 percent do not have professional credentials. The IRS does not yet know how many preparers will fall into other exempt categories, but those individuals will be required to identify themselves when they renew an existing PTIN or obtain a new

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As Tax Filing Extension Deadlines Near, IRS and HHS Announce New Round of Outreach to Small Businesses and Practitioners About the Small Business Health Care Tax Credit

Submitted by IRS

WASHINGTON — As the upcoming filing extension tax deadlines approach, the Internal Revenue Service, in partnership with the Department of Health and Human Services, is announcing a new round of outreach to small employers and the professional service providers they rely on to encourage them to review the new Small Business Health Care Tax Credit to see if they are eligible.

"As the filing deadlines approach, we want to make sure that small business owners don't leave any money on the table," said IRS Commissioner Doug Shulman. "Small businesses that offer health insurance should learn about this credit and claim it if they are eligible."

The small business health care tax credit was included in the Affordable Care Act enacted last year. Small employers that pay at least half of the premiums for employee health insurance coverage under a qualifying arrangement may be eligible for the small business health care tax credit. The credit is specifically targeted to help small businesses and tax-exempt organizations that primarily employ 25 or fewer workers with average income of $50,000 or less.

Small employers face two important tax filing deadlines in coming weeks:

- September 15. Corporations that file on a calendar year basis and requested an extension to file to September 15 can calculate the small employer health care credit on Form 8941 and claim it as part of the general business credit on Form 3800, which they would include with their corporate income tax return.
- October 17. Sole proprietors who file Form 1040 and partners and S-corporation shareholders who report their income on Form 1040 and request an extension have until October 17 to complete their returns. They would also use Form 8941 to calculate the small employer health care credit and claim it as a general business credit on Form 3800, reflected on line 53 of Form 1040.

In addition, tax-exempt organizations that file on a calendar year basis and requested an extension to file to November 15 can use Form 8941 and then claim the credit on Form 990-T, Line 44f.

As these 2010 deadlines approach and businesses begin planning for the end of 2011 and 2012, the IRS's new outreach campaign will focus on working with our partners:

- The tax software industry to improve access to educational information and to help alert small employers and practitioners when taxpayers may be eligible for the credit.
- Insurance agents, brokers and carriers who work with small businesses to help ensure that participants in the health insurance marketplace understand the features and benefits of the credit. The Department of Health and Human Services today sent an email to 2,000 agents and brokers alerting them to the credit for their small business clients.
- The small business and tax practitioner community to provide additional webinars and educational opportunities about the credit.

Information will also be available through social media and other venues, including IRS YouTube videos in English, Spanish and American Sign Language. Targeted e-mails and tweets will be sent to the small business community and tax preparers.

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IRS Releases Specifications for Registered Tax Return Preparer Test

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PTIN beginning in October 2011.

The IRS will notify those preparers who have a testing requirement and provide more details.

Once the test is available, preparers who have on-line accounts at www.irs.gov/ptin can use their accounts to schedule a test time and select a Prometric site.

At the time the current version of Publication 17 went to press, there were certain tax benefits that had not been finalized and several tax benefits were subsequently extended. See Legislative Changes Affecting the 2010 Publication 17 on IRS.gov for the details needed for study purposes.

As Tax Filing Extension Deadlines Near, IRS and HHS Announce New Round of Outreach to Small Businesses and Practitioners About the Small Business Health Care Tax Credit

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The IRS's new outreach effort will remind employers about the upcoming extension deadlines and will also provide details on other important information about the credit, including:

- Businesses who have already filed can still claim the credit: For small businesses that have already filed and later determine they are eligible for the credit, they can always file an amended 2010 tax return. Corporations use Form 1120X and individual sole proprietors use Form 1040X
- Businesses without tax liability this year can still benefit: The Small Business Jobs Act of 2010 provided that for Tax Year 2010, eligible small businesses may carry back unused general business credits (including the small employer health care tax credit) five years. Previously these credits could only be carried back one year. Small businesses that did not have tax liability to offset in 2010 should still evaluate eligibility for the small business health care tax credit in light of this expanded carry back opportunity.
- Businesses that couldn't use the credit in 2010 can claim it in future years: Some businesses that already locked into health insurance plan structures and contributions for 2010 may not have had the opportunity to make any needed adjustments to qualify for the credit for 2010. So these businesses may be eligible to claim the credit on 2011 returns or in years beyond. Small employers can claim the credit for 2010 through 2013 and for two additional years beginning in 2014.

In addition to today's IRS announcement, HHS posted additional information on this credit to HealthCare.gov at: http://www.healthcare.gov/news/blog/smallbusiness09072011.html.

Additional information about eligibility requirements and calculating the credit can be found on the Small Business Health Care Tax Credit for Small Employers page of IRS.gov.

AFRs and 7520 Rates for September 2011

Submitted by Ashwaubenon Tax Professionals

When a taxpayer makes a loan or sells something on installment, a minimum interest rate normally has to be charged. The minimum rate depends on the month of the loan or sale. The IRS releases the Applicable Federal Rates (AFRs) each month. They are broken down into short-term (3 years or less), mid-term (more than 3 years, but not more than 9 years), and long-term (more than 9 years). They are further broken down into Annual, Semi-Annual, Quarterly, or Monthly compounding periods.

The September 2011 applicable federal rates (AFRs) are (annual, semi-annual, quarterly, monthly):
Short-term—.26—.26—.26—.26
Mid-term—1.63—1.62—1.62—1.61
Long-term—3.57—3.54—3.52—3.51

** IRC 7520 Rates These rates are normally used when determining life estate & remainder interests when property has been gifted with the giver retaining a life estate. The rate for September is 2.0%.

Revenue Ruling 2011-20

A pdf copy of this document can be obtained from www.irs.gov/pub/ by clicking on irs-drop and then on rr-11-20. Recent revenue rulings containing AFRs can also be found by searching for afr on www.irs.gov.