



# ARKANSAS SOCIETY OF • ACCOUNTANTS

RESPECTED ACCOUNTING PROFESSIONALS SERVING OUR COMMUNITIES

## Monthly Newsletter

December 2007

More on the AMT Fix  
Needless Tax Returns

Tax Credit for Access Accommodations  
2008 Cost of Living Adjustments

### • FROM YOUR PRESIDENT'S PEN •



Dear Members  
and fellow Hog fans,

### **Arkansas 50, LSU 48**

Talking about something to be thankful for! Talking about an early Christmas present! I love the holidays! Every year there are new memories to be made. To a family of Hog fans, this holiday season started off with a bang. It was pandemonium in the family home of Donald and Jane Crain on black Friday as the nervous tension in the room erupted into joyous celebration based on a failed 2 point conversion by the Tigers. My wife Katherine literally leapt into my arms in a vertical display not seen since her days cheerleading for Prescott High School sometime around '90 or '91. After putting her back down, I engaged in an impromptu "Hammer-time" dance. Unfortunately, this near tragic attempt at a long unpracticed dance move ended shortly as my gyrations to the right resulted in stepping

on my 21 month old Georgie. After making sure she was more startled than injured, I proceeded to chest bump my brother, hug my sister, and in a somewhat embarrassing twist, kiss my brother-in-law on the forehead. As the celebration wound down over the next couple of hours, and now unable to look my brother-in-law in the eye, I knew we would always remember where we were when Arkansas destroyed the national championship hopes of the number 1 ranked LSU Tigers.

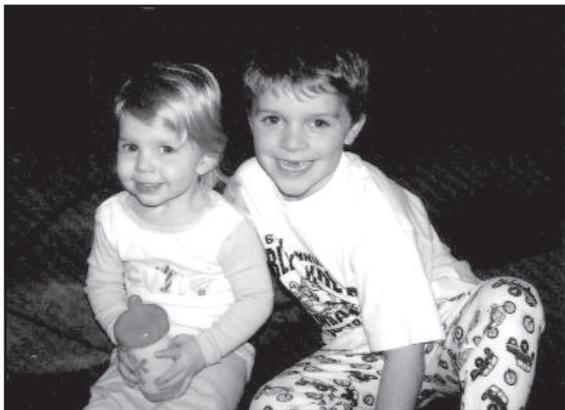
As I've gotten older, it just seems like this time of year flies by so fast. I don't know if it's because I'm so busy with everyday life, or if it's because I no longer have the child-like anticipation that wrings out every last second before the arrival of good old St. Nick. I'm not sure what it is. I just know it goes by way too fast. How many times have we gotten so caught up in the hustle and bustle of Christmas shopping and Christmas parties and still trying to get our work done, that we don't really enjoy the holiday season? Well this year I'm going to try my best to just enjoy every moment and remember what makes the holiday season so special. I encourage each of

you to do the same.

I'm so thankful for my family and if that was ever in doubt, I want to make sure they know that this year. I've included a picture of a couple of those family members who have made me feel like the most blessed man on the planet. I'm thankful for my clients and my employees who have helped us have a successful accounting practice this year, and I want to make sure they know it. As I look forward to Christmas this year, I want to celebrate the true meaning of Christ-mas and not get too caught up in the commercial venture that it has become. Once again, I encourage each of you to do the same.

Oh, and back to that Arkansas dismantling of the number one ranked LSU Tigers. That victory just may have given me something else to be thankful for, a new year's vacation in Dallas for the Cotton Bowl (fingers crossed as I write this).

Brad Crain, C.P.A.  
President



"MERRY CHRISTMAS  
&  
HAPPY NEW YEAR!"

### **We Have Buyers! We Need Listings!**

For Sale: NEW-NW AR Gross \$296K; Russellville area Gross \$67K; Sharp County Gross \$425K-Sele Pending; NW AR Gross \$120K-Sold; Hot Springs County Gross \$55K; North Central AR Gross \$287K. Thinking of Selling? We do all the work to make it quick and easy by bringing you serious and qualified buyers! Completely risk-free and confidential.

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### **MORE ON THE AMT FIX?**

Are your clients looking for a tax refund to pay off their holiday shopping bills? Tell them not to count on it.

Thanks to foot-dragging by both the Administration and Congress, the tax rules are still up on the air even as the holidays are upon us. Lawmakers have yet to pass legislation that would save 20 million taxpayers from the dreaded Alternative Minimum Tax (AMT) and extend several favorable tax provisions due to expire this year.

The problem is simple: The Internal Revenue Service (IRS) says it needs 10 weeks following the signing of new legislation to re-program its computer systems to reflect the changes. For example, if new legislation is signed into law on December 15, 2007, the earliest date the IRS may be able to accept

tax returns for processing would be February 23, 2008. Of course, normal processing will take several weeks in most cases and refunds will not get to taxpayers until at least the beginning of March.

“This is a very frustrating situation for everyone,” says Andrew T. Moorehead, CFP,ATP,ECS, president of the National Society of Accountants (NSA). “The IRS is especially frustrated – the agency doesn’t make the law; it just has to implement the rules.”

### **His advice?**

“Be prepared! This is not the year to count on an early tax refund. Plan to handle your expenses, especially holiday gift shopping expenses, without it – when your refund finally does arrive, you’ll have some extra cash.

Without the expected legislation, about 23 million Americans will pay hundreds or thousands of dollars more in taxes because more income will be subject to AMT tax provisions, and millions more will be caught by other expiring provisions Moorehead warns, “Even if you do not have sufficient income to be affected by the AMT, your refund may be delayed because you claim deductions or credits that are affected by the AMT provisions, such as the credit for dependent and child care expenses.” If congress does not act, some of the

popular tax provisions set to expire or change at the end of this year include ending the deductibility of college tuition and fees, eliminating the election to deduct state and local sales taxes, and ending deductions for classroom supplies for teachers.

“2008 is an election year, and Congress will almost certainly act to extend most of these laws and avoid an AMT disaster,” Moorehead says, “But it appears increasingly likely that there will be a tax return processing disaster that is unavoidable.”

Moorehead adds that qualified tax preparers will continually monitor the situation and should be able to advise taxpayers on any tax law changes as soon as legislation is passed.

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### **Don’t let family members file tax returns needlessly.**

More than eight million individuals file returns needlessly each year, incurring \$390 million in costs, says a new study by the Treasury. The largest group of such filers consists of children younger than age 21 who owe no tax and file to get a refund of tax withheld by an employer, when they could have been exempt from withholding because they

earned too little to owe tax and could be claimed as a dependent on another's return.

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**Taxing you on income not paid until after your death**

...The IRS is able to rely on a provision in the law known as income in respect of a decedent (IRD). This permits the IRS to levy income tax (separate and apart from estate tax) on money your estate or beneficiary receives after you die. Commissions and bonuses that a decedent had earned at the time of his/her death, but that were not paid until after death, are common examples of IRD. Such payments would be taxable to the estate or to a legatee of the estate to whom they are paid. Tax break: Federal estate tax paid that is attributable to IRD can be taken as an itemized income tax deduction by the beneficiary.

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**One spouse can contest the other's innocence even after death.**

The IRS assessed tax on a joint return filed by a couple who had since divorced. The wife said that she was an "innocent spouse" and that the tax bill

was due entirely to her husband, so he alone should be liable for it. The IRS, as required by law, sought to inform the husband to enable him to intervene to defend his interest in the innocent spouse proceedings – but he had died. Question: Did the right to intervene die with the husband, or did it pass to his estate and heirs? Tax Court: Since the husband's survivors may be harmed by the wife's claim, the right to intervene passes to them. The IRS must make an effort to find and notify them. *Suzanne Vance Fain, 129 TC No. 11*

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**Position that was initially reasonable became unreasonable.**

A woman defeated the IRS in court and asked the court to order the IRS to pay her legal fees. The IRS answered that its position had been reasonable in the case, so it shouldn't owe the fees. Court: The IRS's position in the case originally was reasonable. But after new facts were developed in court, the IRS's central office that specializes in this kind of dispute advised the IRS's litigators to concede. Instead, they continued to pursue the case. At that point, the IRS's position became unreasonable. Therefore, the woman is entitled to have it pay back the legal fees she incurred after then. *Estate of Charles A. Lippitz et al, TC Memo 2007-293.*

## **Nail down tax credit for access accommodations.**

If you own a small business that's open to the public, or you run an office where employees work, you're legally obligated to make the business premises accessible to disabled individuals. But it's possible to defray part of the expense with some smart tax planning.

**Strategy:** Ensure that most, if not all, renovations costs qualify for the disabled access credit. The credit reduces your business tax bill dollar-for-dollar. If you qualify, you can literally write off up to half your costs!

What's more, the disabled access credit might cover a lot more than you'd think. It's not just limited to installing ramps and guardrails.

*Here's the whole story:* A small business can claim the disabled-access credit for making business premises more accessible to disabled individuals. For this purpose, a "qualified small business" is an operation that had gross receipts \$1 million or less or one that didn't employ more than 30 full-time employees in the preceding tax year.

How much is the disabled-access credit? It's equal to 50% of the first \$10,000 of qualified expenses. Actually, you can exclude the first \$250 of expenses, so the credit applies to the first \$10,250 of

expenses. In other words, the maximum credit is \$5,000.

What expenses qualify for the credit?" They must be incurred to meet the requirements established by the Americans with Disabilities Act (ADA). But the list is more expansive than generally thought. For instance, a small business can claim the credit for the following costs:

- Removing architectural, communication, physical or transportation barriers that prevent a business from being accessible to, or usable by, disabled individuals.
- Providing qualified interpreters or other effective methods of making orally delivered materials available to hearing-impaired individuals.
- Providing qualified readers, taped texts and other effective methods of making visually delivered materials available to visually impaired individuals.
- Acquiring or modifying equipment or devices for disabled individuals.
- Providing other similar services, modifications, materials or equipment.

**Prime example:** In a Tax Court case, an optometrist purchased an automatic refractor that allowed him to treat disabled patients. Prior to buying the refractor, the

optometrist had been forced to turn away individuals who were disabled. Result: The Tax Court approved the disabled-access credit even though non-disabled patients also could use the refractor. (Hubbard, TC Memo 2003-245)

Note, however, that the outcome would have been different if the optometrist had been able to treat disabled patients prior to buying the refractor.

Tip: You can claim the disabled-access credit as part of the general business credit. Take it on Form 8826.

- The kiddie tax exemption will rise to \$1,800 (up from \$1,700 in 2007). This means that the first \$900 of unearned (investment) income is tax free, the second \$900 is taxed to the child at the child’s tax rate, and unearned income over this threshold is taxed to the child at the parent’s highest marginal tax rate.
- The first year expensing deduction limit will be \$128,000 up from \$125,000. This limit starts to phase out when equipment purchases exceed a set amount -- \$510,000 in 2008 up from \$500,000 in 2007.

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### **2008 COST OF LIVING ADJUSTMENTS**

Based on changes in the Consumer Price Index—all Urban Consumers, federal tax brackets and other items have been adjusted for inflation for 2008.

- The standard deduction will increase to \$5,450 for singles and \$10,900 on a joint return ( up from \$5,350 and \$10,700 respectively, for 2007). The standard deduction for dependents will increase slightly – to \$900 in 2008 (up from \$850 in 2007).
- The personal exemption will rise by \$100, to \$3,500 from \$3,400.

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**HAVE A SAFE AND JOYUS  
HOLIDAY SEASON AND  
DON'T FORGET TO REST  
DURING THE UPCOMING TAX  
FILING SEASON.**

**“MERRY CHRISTMAS” TO ALL!**

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**APPLICATION FOR MEMBERSHIP IN  
THE ARKANSAS SOCIETY OF  
ACCOUNTANTS**

P.O. Box 725  
Newport, Arkansas 72112  
asalaverne@hughes.net  
www.arspa.org

Last Name \_\_\_\_\_ First Name \_\_\_\_\_ Middle Initial \_\_\_\_\_ Business Phone \_\_\_\_\_ Home Phone \_\_\_\_\_

Business Address \_\_\_\_\_

How many years of accounting have you had? \_\_\_\_\_ Date of Birth \_\_\_\_\_

Sole Practitioner [  ] Partner [  ] Employee [  ] Corporate Officer [  ]

Name of Firm \_\_\_\_\_ Number of Employees \_\_\_\_\_

Name of Partner(s) \_\_\_\_\_

Are you a Licensed, Registered or Certified Public Accountant? \_\_\_\_\_ If yes, give License# \_\_\_\_\_

Are you an Accredited Public Accountant? \_\_\_\_\_ If yes, give Accreditation # \_\_\_\_\_

Are you an Enrolled Agent \_\_\_\_\_ If yes, give EA # \_\_\_\_\_

Do you hold an Associate or Baccalaureate degree with a minimum of 24 semester hours in Accounting? Yes \_\_\_\_\_ No \_\_\_\_\_

Are you engaged in any other trade or profession? \_\_\_\_\_ If yes, please describe \_\_\_\_\_

Please list other accounting organizations in which you hold membership: \_\_\_\_\_

I hereby state that the accompanying statements are correct to the best of my knowledge and belief. I further state that I will abide by the Constitution and By-Laws of the Society and will practice in strict conformity with the Code of Ethics and Rules of Professional conduct adopted by the Society.

Date \_\_\_\_\_ Signature of applicant \_\_\_\_\_

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## FOR YOUR INFORMATION

The ARKANSAS PUBLIC ACCOUNTANT is the monthly publication of the ARKANSAS SOCIETY OF ACCOUNTANTS. We are a professional organization dedicated to the promotion of accountants and tax preparers in the State of Arkansas. We accept newsworthy articles and advertising. If you have either of these for publication, please contact the editor.

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