

MISSISSIPPI ASSOCIATION

MAPA
OF PUBLIC ACCOUNTANTS

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FROM THE DESK OF THE PRESIDENT

MARSHALL E. JENKINS, EA, ABA, ATA

MERRY CHRISTMAS AND HAPPY NEW YEAR!!!

Wow! Another year is almost over....again! I know this because I just completed my first ritual of “year end”.....the Gear Up 1040 seminar. I’ve been attending Gear Up (formerly Nuts and Bolts) for 17 years and I can’t imagine tackling tax season without it. If you weren’t one of the 212 attendees then you missed some great information and some (sorta) good jokes! Of course the speakers were excellent. I tell everyone that Gear Up has the best speakers and this year was a prime example. Thanks to all of you who attended. If you weren’t able to attend, we hope to see you back next year!

We hosted the “Dutch-treat” breakfast again this year and had a record number of people attend both days. Those of us who got up early enough had an opportunity to catch up with old friends, meet some new members, and talk to the speakers one-on-one. If you didn’t make it this year, we’ll look for you next time.

We awarded our 2002 Neil Magruder Scholarship during the Tuesday session. Congratulations to Kimberly Rogers from Millsaps. Kim’s essay on why she chose accounting as a profession, as well as her transcript and the recommendations from her professors earned her \$2,000 to use toward her education expenses. MAPA awards this scholarship every year to a student majoring in accounting at a Mississippi college or university who has reached at least the level of Junior. In awarding the scholarship, the committee looks at need, scholarship, and sincerity of purpose. Employees and family members are

eligible. Contact Jean McKay for more details and an application.

Good luck to everyone this tax season and don’t forget, you don’t have to know everything as long as you know where to find it (or better yet, call a friend...that’s what networking is all about).....SURE-U-CAN!

Marshall E. Jenkins



With tongue in cheek we all hope that 2003 holds a better return on investments for both our clients and ourselves. Here’s to:

A BOUNTIFUL 2003!

TECHNOLOGY SEMINAR IS ABOUT TO BECOME A REALITY. PUT ON BY GEAR UP, IT IS SURE TO BE THE HIGHLIGHT OF 2003. KEEP AN EYE OUT FOR MORE INFORMATION. COMING TO YOU SOON.

MEET THE NEW MEMBERS

J. Thomas Sanderson, III, CPA has recently joined the staff of Robert E. Donnell, III, CPA in Columbia, MS. He received his BBA from Mississippi State and his Masters of Taxation from Georgia State University and is a member of AICPA, MSCPA and Rotary Club of Columbia. He and his wife, Robin, have one son and attend the First Baptist Church of Columbia.

J ohn Mark King, CPA practices in Grenada. He received his BA from the University of Mississippi and is a member of AICPA, MSCPA, LACPA and Chamber of Commerce. He and his wife, Felecia, have two children and attend the First Baptist Church of Grenada.

A nita Walton is employed by John Mark King, CPA. She received her BBA from Mississippi State University. Anita and her husband, Terry, have one son and attend the First Baptist Church of Grenada.

V ivian Gray is employed by Hardy Manufacturing Company in Philadelphia. She is a graduate of East Central Community College. She and her two children live in Philadelphia and attend East Philadelphia Baptist Church.

NSA Leadership Networking Conference In Albuquerque, NM

By: Paula J. Pixler, Director

I hate that I had to go it alone. However, I am thankful that I was given the opportunity to attend this informative and fun-filled seminar. The focus of the Leadership Networking Conference was membership recruitment and retention. The latter seems to be what we need to work on within MAPA. I got a lot of great ideas and met some wonderful people. I look forward to and would welcome the opportunity to discuss what I learned in depth with the membership committee. For everyone though, please be sure to notice those new members who attend MAPA functions and seminars and take the time to let them know you are glad they are a part of our organization. Also, when attending these functions and seminars notice who is not a member (no red dot at Gear Up or no permanent name tag) and invite them to join the organization. The best way to encourage someone to join MAPA is to tell them what MAPA means to you and does for you on a continuing basis.

Now for the social aspect; this happens to be my favorite part. Albuquerque has a GORGEOUS casino at the foot of the Sandia Mountains. (I won \$10 the first night of the seminar.) The second night we ate dinner at “The High Finance Restaurant” at the highest point in NM, which was over 10,000 feet atop Sandia Mountain. The temperature was below freezing at the top and 55 at the bottom of the mountain. On the way up (on the world's longest single section cable aerial tramway) it was sunset and on the way down it was, obviously, nighttime. The lights of Albuquerque at night were spectacular. The experience of going to the top of that mountain was one I will not soon forget. I was in bed asleep, but those that went to Hawaii to the would love to know that the Hawaiians that came to this seminar rocked the night away in the hotel bar and even sang a little Karaoke.

REPORT ON IRS LIAISON MEETING

By: John O. Jenkins, EA, ABA

John Montgomery and John Jenkins represented MAPA at the IRS Liaison Meeting on December 10, which was held in the Community Room at the Clarion Ledger Building.

The IRS was represented by Dennis Caranna, Gloria Dodd, Cathy Herrington, Kathy Heidorn, Sammy Liddell, Lisa Shipp, Nancy Richardson, and Will Brown. Also, Terry Smith, Deputy Director of the Mississippi State Income Tax Division was there.

From the many issues and services that were discussed, I will mention a few that practitioners may find most helpful.

In Cathy Herrington's remarks about the Taxpayer Advocate Service, she said there is a new policy that enables them to charge off as "uncollectible" an old balance, in order to put more current balances on an installment agreement. This might happen when, with the old balance, the entire amount would not qualify for an installment and the taxpayer is not able to pay off the oldest amount. Certain criteria have to be met, of course, so don't think that the Service will just always write off the oldest amount.

Terry Smith of the Mississippi State Tax Commission said that last year there were 85,000 returns filed for direct deposit with only 10 deposit errors - and most of those were because the taxpayer tried to use an account that had been closed. She also reminded us that the three percent Mississippi withholding on this year's gaming W-2G's is a non-refundable income tax. We will not have to report income and losses from Mississippi gaming, and the three percent withholding on these W-2G forms is not to be included on a Mississippi return. This non-refundable withholding was implemented to eliminate about 100,000 revenue neutral non-resident tax returns that the Commission was having to process each year.

Mississippi does not follow the federal rules on the bonus depreciation or the NOL carryback. Also, if you have any clients who have averaged over \$20,000 per month in state withholding, sales tax or use tax during the past 12 months, those clients will be required to make a prepayment of 75% of their estimated June tax liability by June 25th. The balance of the June liability will be due on the regular due date in July. A notice will be mailed to those the STC feels will meet the criteria for this and it is stressed that the payment must be in their hands by the June 25 deadline so they can include the payment in their current fiscal year ending June 30 (being postmarked on June 25 will not cover this). This is an ingenious plan by the legislature to borrow from the next year in order to balance the budget. The law, H.B. 1329, can be viewed on the STC's web site.

Sammy Liddell reported on the voluntary tip reporting agreements the IRS can make with restaurants and other businesses with tipped employees.

Lisa Shipp, of the Office of Taxpayer Burden Reduction, (didn't know we had one of those, did you?) said that the IRS recognizes that if we can lessen the time and money expended by taxpayers in order to comply with tax law, it will actually increase compliance. With this in mind, the IRS is actively seeking input from practitioners that will simplify forms and filing. There is a form 13285A which can be used to report problems or issues that are causing taxpayer burden. As part of this program, the IRS has already announced that beginning with 2002 returns, companies with less than \$250,000 gross income and less than \$250,000 in assets will no longer have to complete Schedules L, M-1 and M-2 of Form 1120 and Schedules L and M-1 of Form 1120S.

Dennis Caranna reported on various illegal tax avoidance schemes that are being seen today.

Nancy Richardson had some interesting information on electronic filing for business returns. A practitioner or firm with 100 business returns e-filed - this can be cumulative over more than one year, and includes Schedule C, 941, 940, W-2 and 1099's - will qualify to have on-line access to certain client information and other information that we now have to obtain through IRS. This access will, of course, require appropriate security measures, and is not available yet, but should be in the near future. Forms 1120 and 1120S are scheduled to be set for electronic filing in January of 2004.



FROM THE MAPA EXECUTIVE DIRECTOR

Sanford D. Warren, CPA

Just a reminder about the new legislation that was passed during 2002. One of the features was a 13 week extension of unemployment benefits. Most of you are familiar with and have discussed already the additional 30% first year depreciation for eligible property. The bill also extends the general net operating loss carry back period to five years for 2001 and 2002. A new provision is the creation of an above the line deduction for educators. This is \$250.00. The bill extended the exclusion for qualified foster care payments. If payments are made to an organization that has five or more such foster care people there is a question about it being deductible. The Archer Medical Savings Accounts are extended through 2003. The bill also limits the non-accrual method of accounting for the performance of qualified services. This method is elected. The non-accrual experience method of accounting is limited to amounts to be received for the performance of qualified services including health, law, engineering, architecture, accounting, actuarial science, performing arts or consulting. There are some credits which were supposed to expire which have been extended through the end of 2003. The non-refundable personal tax credits are allowed as an offset against both regular and AMT.

Another item of importance is that tax returns for our area will go to Atlanta, GA 39901. There has been some question about where the partnership and corporate returns will be filed. Be sure to look at the packages sent out by the IRS. Some of the IRS people are still confused about where these returns are to be filed.

We will probably have some new legislation this year to try to stimulate the economy. More specifically, one of the proposals is to raise the IRA contribution to \$5,000. There is also talk that the child care credit will be increased to \$1,000 per child.

Mississippi is no longer following the federal tax laws for every item. The state has opted out of some of the rules and changes set by the IRS for federal returns. BE AWARE! Look for these differences when filing the returns.

MONEY PURCHASE PLANS CLARIFICATION

By: John Stevko, Gear Up

There has been a lot of confusion regarding Money Purchase plans and how much can be contributed under the new law.

Contributions to Money Purchase Plans are limited to the lesser of 100% of compensation or \$40,000 with an upward compensation ceiling of \$200,000. However, the employer deduction is limited to 25% of aggregate compensation for all participants.

Since most of our clients will only contribute that which they can deduct, the effective contribution rate will be 25% for the typical client.

Thanks again for attending our seminars. Please watch for further updates.



NEWS YOU CAN USE



MIGHT RATHER LOSE



NEW TOLL FREE NUMBERS FOR TAXPAYERS-I recently had an opportunity to talk with an IRS representative who shared with me the phone numbers that are now in effect. They are as follows:

For forms 1120, 1120S, 1065, 940, 941 - Any questions that your taxpayers have regarding any of the foregoing forms should be placed to: **1-800-829-4933**

For small businesses filing Schedules C or F, taxpayers should call: **1-800-829-4933**

For W-2's and investment income only returns, taxpayers should call: **1-800-829-0222**

For taxpayers checking on their refunds, they should call: **1-800-829-1954**

According to my "source", these changes should make for a faster connection time. We shall see?!

PRACTITIONER PRIORITY HOTLINE - At the beginning of January 2002 (yes, that is correct) the following number was mailed from IRS to all of the state CPA organizations. **1-866-860-4259**. This number is for use by practitioners only. As always, in order for them to talk with you they must have a valid POA on file.

Your PIN for SSA electronic wage filing will expire if you do not change your password. This must be done yearly. Don't forget.

FIRSTGOV.GOV is the U. S. Government's official internet web portal. It will connect you to over 22,000 federal and state government websites. Firstgov has attempted to make it easy with three distinct gateways:

- (1) for Citizens
- (2) for Businesses
- (3) for Governments

Let this be your first click for government transactions, information and services.

CONSUMER ALERT FROM IRS- Once again the IRS is issuing a consumer alert regarding employers who seek to avoid withholding federal income tax and employment taxes from wages paid to their employees. Sub S corporations are once again growing in use to help reduce or eliminate salaries and wages for owners/shareholders and replace these payments with dividends since the distribution of profits (dividends) is not subject to employment taxes. Be AWARE these issues are under the gun, big time, again, and act accordingly.

NANNY TAX THRESHOLD RISES-The Social Security Administration announced that for the tax year 2003, the Nanny tax threshold will increase from \$1,300 to \$1,400.

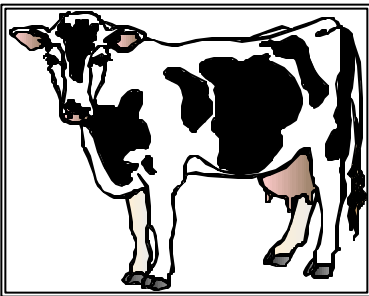
IRS INTEREST RATES-The interest rates for the calendar quarter beginning January 1, 2003 are the lowest since 1975, when a tax law change provided that interest rates would be adjusted based on money market rates. The rates will drop by one percentage point (1%) in each category to:

- 5% for overpayments(4% in the case of a corporation);
- 5% for underpayments;
- 7 % for large corporate underpayments; and
- 2.5% for the portion of a corporate overpayment exceeding \$10,000.

TAX SOFTWARE CONSORTIUM-Be aware of the IRS' new program to offer FREE web-based tax preparation and electronic filing with a consortium of tax software providers. This is for the federal only; no decision has yet been made regarding the state.

UGLY - Please e-mail me, ann@beardacctg.net with a definition of Ugly. Still looking for an answer!!

With a brand new slate opening up before me this is your "News You Can Use or Might Rather Lose" columnist signing off until the next issue. MAY 2003 RICHLY BLESS US ALL.



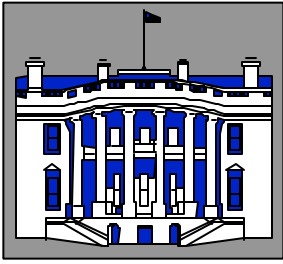
TILL THE COWS COME HOME

FARM SEMINAR IS SET FOR MONDAY, SEPTEMBER 8, 2003
GOLDSTRIKE CASINO AND RESORT, TUNICA, MS

1-888-24k-STAY
MAKE YOUR RESERVATIONS NOW!
SGL/DBL \$54 PER NIGHT PLUS 10% TAX
CUT-OFF DEADLINE FOR ROOMS IS AUGUST 11, 2003

WE LOOKED AT YOUR COMMENTS AND WE HAVE TALKED WITH BOB JENNINGS OF GEAR UP AND SPECIAL ATTENTION WILL BE GIVEN TO TIMBER ISSUES, CREDITS FOR FARMERS, AND THE HANDLING OF CCC LOANS AND AGRICULTURAL PROGRAM PAYMENTS. WE HAVE GONE TO GREAT LENGTHS TO ASSIST BOB AND GEAR UP WITH THE NECESSARY INFORMATION TO MAKE THIS FARM SEMINAR FIT THE NEEDS OF THE VARIOUS FARMING ENTERPRISES IN THE SOUTHEASTERN AREA, FROM CATFISH TO WORMS. YOU WILL NOT WANT TO MISS THIS SEMINAR.

MONDAY, SEPTEMBER 8, 2003. **BE THERE** WHEN THE COWS COME HOME!



CENTRAL OFFICE NEWS

By: *Jo M. Allen, EA, ABA, ATA*
MAPA Executive Sec./Treasurer/Editor

DATES SET FOR MAY ACCOUNTING FORUMS

The dates have been set for the Hattiesburg and Millsaps accounting forums in May. Mark your calendars now. The programs will be mailed in mid-April, so watch for them in the mail when you return from your tax season break as there will only be three weeks left to register without paying a late fee. Following is an outline of what will be covered at each of the forums:

Millsaps - May 22, 2003

1. Accounting for Legal Reorganizations and Liquidations.
2. Internal Control for Specific Small Businesses
3. Accounting for Income Taxes
4. Partnerships: Termination and Liquidation
5. Accounting for Estates and Trusts

Hattiesburg - May 27, 2003

1. Long-lived Asset Accounting
2. Accounting for Liabilities
3. Stock Compensation Accounting

Both of these forums will qualify for eight hours of Accounting/Auditing and should prove beneficial to everyone.

In accordance with the notice received from the Mississippi State Board of Public Accountancy (posted earlier on the web site) that the National Association of State Boards has removed the American Center for Continuing Professional Education, Inc. (ACCPE) from the approved list of CPE sponsors, the Mississippi board has announced it will not accept credits from ACCPE for the current reporting period ending June 30, 2003. Therefore, MAPA will join in this decision and will not accept credits from ACCPE after December 31, 2002, the close of our last three year cycle.

Charles and I would like to thank all of you for your prayers and many phone calls after his surgery on December 17th. He is recovering nicely and slowly regaining his strength. He is scheduled for several more rounds of surgery and the first one, a hip replacement, could be this month. Please keep us in your prayers. I will probably be in and out of the office a good bit this year, but will always be available by phone. Jane will be in the office when I am not and will always be able to reach me.

Here's hoping each of you has a smooth, successful tax season. I'm not really looking forward to mine as tax returns and closing everyone's books for the year will have to be done on the fly between here and the hospital. But, with the help of the Lord, everything will get done on time.