

MISSISSIPPI ASSOCIATION

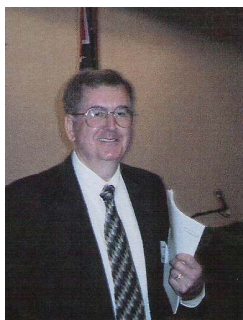


OF PUBLIC ACCOUNTANTS

ACCOUNTANTS' REGISTER

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FROM THE MAPA EXECUTIVE DIRECTOR

Sanford D Warren, CPA

CHARITABLE CONTRIBUTIONS

Donors must comply with specific substantiation requirements in order to claim a charitable contribution deduction on their returns. Special rules apply to any contribution of cash or property valued by the donor at \$250 or more. Several court cases within the last few months have resulted in taxpayers losing the deduction for lack of substantiation. Cash contributions must be supported with a cancelled check and a receipt from the donee organization. Property contributions require some detail in order to be deductible.

COURT MAKES A MINISTER A CHRISTIAN FOR TAX PURPOSES

A minister defended his refusal to pay income taxes by claiming that: (1) He was not a citizen of the United States but rather of "that place where one day I intend to permanently reside, which is Heaven." (2) He had been "supernaturally provided for by the Lord Jesus Christ through the unsolicited freewill love offerings of others" and received no taxable wages. (3) "Christians such as myself are precluded by God's law (the Bible) from depending on the interpretations of men of the law, including the constitution and the Internal Revenue Code...especially concerning the proclamations of the Pharisees (lawyers)." The IRS treated the argument as frivolous and the Tax Court agreed. The taxes will be paid.

FDIC RAISES INSURANCE LIMITS ON SOME BANK ACCOUNTS

For the first time in 25 years, Congress has raised the limit on federal deposit insurance coverage which protects against loss if a banking institution fails. The higher insurance limit applies only to certain kinds of retirement accounts at banks and savings associations insured by the FDIC and at credit unions insured by the National Credit Union Administration. The higher insurance coverage applies primarily to traditional and Roth IRAs, Self-directed Keogh accounts and employer-sponsored "defined contributions plan" accounts that are self directed. The sum of all your retirement account deposits at the same insured bank are added together and the total is insured up to \$250,000. The basic insurance coverage for other accounts remains \$100,000. To view this special bulletin from FDIC in its entirety visit www.fdic.gov/consumers and follow the links to Consumer news.

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EXECUTIVE DIRECTOR'S REPORT - CONTINUED

OBTAINING YOUR CREDIT REPORT

The Fair Credit Reporting Act (FCRA) requires each of the nationwide consumer reporting companies (Equifax, Experian and TransUnion) to provide you with a free copy of your credit report, at your request, once every 12 months. A credit report includes information on where you live, how you pay your bills and whether you've been sued, arrested, or filed for bankruptcy. Nationwide consumer reporting companies sell the information in your report to creditors, insurers, employers and other businesses that use it to evaluate your application for credit, insurance, employment or renting a home. You can call 1-877-322-8228.

AMT RELIEF

Congress is increasing the exemption for AMT for 2006 to \$62,550 for joint filers and \$42,500 for singles. Not great, but some help.

SOCIAL SECURITY WAGE BASE INCREASING

The Social Security wage base will be \$98,400 for the year 2007. Medicare Part B premiums will rise to \$99.50 a month for next year, up by \$11.00 from 2006.

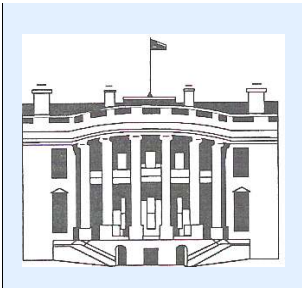
HOPE AND LIFETIME LEARNING CREDIT

The maximum HOPE and lifetime learning credits are doubled for 2005 and 2006 for students in schools in areas hardest hit by Katrina. Students who attended school in the spring of 2005 can get this break if they were enrolled in a college located in one of the areas covered by the law. The higher credits apply even to students who had graduated before the hurricane hit.

SYMPATHY

William Howell Yates, EA, age 76, departed this life on March 20, 2006. Howell became a member of MAPA in June of 1977. He was more than a member - he was an **active** member. During his 29 years of membership he served on many committees and on the MAPA Board of Directors. He never missed a convention and attended practically every seminar MAPA sponsored and many sponsored by NAEA, NATP and other accounting organizations. Howell opened his office in Taylorsville, Mississippi, in July of 1970 and provided the city with accounting, tax and insurance services until the time of his stroke in November 2005. He will be missed, not just by his family but by the many clients he served and those MAPA members who knew him.

MAPA extends its sympathy to Past President Perry Smith and all the family on the loss of Perry's mother earlier this month. Please keep them in your prayers during this time of sorrow.



CENTRAL OFFICE NEWS

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

Tax season has come and gone (except for all those extensions) and now it is time to catch up on all those things we let go during the crunch

On February 24th the MAPA Central Office moved to its new location at 231 South Valley Street, Carthage, Mississippi. Early that morning President John Winstead and three hired hands began loading John's big truck, several cars and pickups and making trips to the new office (only half a mile away), unloading and coming back for another load. By mid-afternoon the old office was vacant and the new one was full of boxes to be unpacked. If you are ever by this way we would love to have you drop in for a visit.

Registrations for the two May forums have been very slow coming in, but the forums will be held, as scheduled, even though it appears attendance will be small.

Convention plans are complete and were posted to the MAPA web site on the calendar page earlier this month. Hotel reservations must be made by May 20th so you need to get them made now. For those of you who do not have internet access, a copy of the hotel information, schedule of events and registration form are enclosed with this newsletter. In addition, this issue includes a special invitation from the convention co-chairman, Jimmy Boyd, urging you to attend.

Statements for 2006/2007 dues will be mailed this month. When you receive your statement please remit promptly so we do not have to mail out additional statements. When you send your check, don't forget to check the box about your CPE hours and return the top part of the statement with your payment. Remember, a motion was passed by the board to forgive the 2006/2007 association year dues for any member residing in the 15 counties outlined in IRS Bulletin 2005-94. When you receive your first statement for dues in May 2006, if you live in one of these counties and need to have your dues forgiven, just write "Please Forgive" on the statement and return it to the central office.

Contracts have been signed for the Gear Up Business Entities Seminar (Oct. 3-4) and the 1040 Seminar (Nov. 30-Dec.1). Information will be posted on the web site as soon as a hotel contract has been signed. Remember, you will no longer be getting a brochure in the mail about these seminars. All the information will be posted on our web page. You will be notified by e-mail, fax or, as a last resort, snail mail when the information is sent to the web master.

CALL TO ANNUAL MEETING

In accordance with Article IX, Section 3, By-Laws of the Mississippi Association of Public Accountants, you are hereby called to attend the 59th Annual Meeting of the association to be held on Friday, June 23, 2006, at the Chattanooga Hotel, Chattanooga, Tennessee (time and room to be announced). Each of you is urged to attend this important business meeting and actively participate in planning the future of MAPA

Pamela C. Stamps, CPA
MAPA Secretary



Mississippi Association of Public Accountants

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**ANNOUNCING THE JOINT MISSISSIPPI-TENNESSEE ACCOUNTANTS
CONVENTION – JUNE 21, 22, 23, 24, 2006
AT THE CHATTANOOGAN HOTEL
1201 BROAD STREET, CHATTANOOGA, TN 37402
423-756-3400 (chattanoogaehotel.com)**

WOULD YOU BELIEVE?????????

It's convention time again. The Tennessee Association of Accountants is hosting this year's convention in the beautiful town of Chattanooga in a top class downtown hotel. I had a chance a few months back to visit the hotel and visitor's bureau and have plenty of information to share with anyone needing brochures on the area. Susan Beard and I are co-convention chairs for Mississippi and we have been working with Tennessee to provide you the best accommodations and program in the limited time we will spend at convention. I hope you will be there to share in the celebration of MAPA's 59th Annual Convention.

Nestled along the shores of the Tennessee River, downtown Chattanooga offers a variety of activities to captivate every member of the family. Chattanooga has world-famous attractions like the Chattanooga Choo Choo, extraordinary sightseeing, rich history, arts and culture, outdoor adventure, unique shops and restaurants! I've already sampled the ribs and fudge so I know what you're in for. Oh, did I forget to mention this is the home of the "Moon Pie"! Whether you're there to see the South's favorite aquarium – the Tennessee Aquarium, the IMAX 3D Theatre, Look Out Mountain, Rock City Gardens, Ruby Falls, take a breathtaking river boat ride on the Southern Belle Riverboat or visit the children's Creative Discovery Museum I don't think you will be disappointed.

Convention is a time to take care of the business of our association and elect MAPA officers and directors, adopt a budget for the upcoming year and nominate delegates to represent our state at the National Society of Accountants convention in August. There will be twelve hours of CPE and very valuable opportunities to network with accountants in both Mississippi and Tennessee spread over the four-day schedule. But the most rewarding part of convention to me is the chance to fellowship with the families of our two associations.

I was digging through some prior convention folders and the first one I came across was the 2000 convention with John Montgomery's call for all to attend the first Mississippi joint convention with Tennessee and an invitation to his 77th birthday party. I wouldn't have missed that party for anything...remembering John dancing with every lady at his party, he threw for himself, at his own expense. We lose so much as individuals when our membership does not want to participate in the annual convention. It's sad to think this may be the last convention we might have been able to spend time fellowshiping with a particular member...the John Montgomery's, the Howell Yates' amongst our membership. Though John and Howell are both deceased, our conventions together will be cherished. Will you come and have a slice of cake and a cup of coffee in honor of John and Howell?

I asked a couple of attendees to give me their input on our conventions. One member wrote: "In the beginning of MAPA's joint conventions, I was hoping mostly for a networking of accountants from multiple states. Hopefully this would provide more educational resources as well as human resources for information and

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JOINT ANNUAL CONVENTION - CONTINUED

specific contact people in other states that we have personal relationships with. The immeasurable ties that have been formed with members from both Tennessee and Alabama have far exceeded my early expectations. Additionally, it would be difficult for us to afford the cost at the quality level we are experiencing jointly, both amenities and education.”

A spouse wrote the following while thanking me for the opportunity to share her views: “ I am a creature of habit. To me being around familiar faces and places is secure and comforting. I have never done change really well. When we began many years ago joining with Tennessee for our annual convention, I thought they would be one group and we would smile politely and be another group. Not so. Getting to know these neighbors was getting to love them. The friendships that have been formed with members of Tennessee and Alabama are precious and I count them a blessing. There are many members or spouses from MAPA that I only see once a year, but getting to spend fun and fellowship time even annually is something I look forward to. I have found that state borders don’t limit friendship and hospitality. I personally am grateful for the opportunity to bond with the other states.”

I hope everyone will be able to come and enjoy Chattanooga, this joint convention with the members of Tennessee and most importantly, each other. In the beginning of my 19 years as a member of MAPA, I was reluctant in registering for my first convention but once I started going, I quickly learned that the fellowship and networking there has been not only a very valuable resource tool used in my accounting and tax practice but more importantly it has developed friendships that will last a life time.

Jimmy Boyd
Convention Co-chair

For more information visit the following websites:

chattanoogaofun.com (visitor’s guide info)

CARTA-BUS.org (free downtown shuttle bus)

LookoutMtnAttractions.com (Ruby Falls, Rock City & Incline)

antiques-southside.com (downtown antique shopping)

tnagua.org (TN Aquarium and IMAX theatre)

UPDATE ON ANNUAL TESTING OF TAX PREPARERS

In his monthly update to ASOs (Affiliated State Organizations) John G. Ams, Executive Vice President of NSA, reported the following:

On Tuesday, April 4, Phil Ufholz (NSA’s Director of Federal and Legislative Affairs) attended a hearing before the Senate Finance Committee that had been intended to focus on the topic “Preparing Your Taxes: How Costly Is It?” This was supposed to lead to a discussion of the IRS tax burden tables. However, the hearing was sidetracked almost immediately by testimony from General Accounting Office (GAO) witnesses. The GAO conducted an undercover investigation of the paid tax-preparer industry in an attempt to determine the true cost of preparing a tax return. Instead of getting to the cost issue, the GAO discovered one unscrupulous tax preparer after another among the chain tax preparation firms visited (e.g., H&R Block and Jackson Hewitt). Of the 19 tax preparer outlets investigated, not one prepared a correct return according to GAO. The returns were simple, not complex, so the investigators expected to receive honest and correct results. Instead, preparers consistently gave out incorrect and, in some cases, illegal advice to the investigators. The GAO report was so damaging that it led two other witnesses - National Taxpayer Advocate Nina Olson and NAEA’s President Frank Degen - to urge the Finance Committee to report out S. 832 as the only means to address this outrageous situation in the tax preparer industry. Olson and Degen said that all tax preparers should be examined and registered and have FBI background checks run on them.

Mentoring the Small-Business Owner

By Brian Hamilton, ProfitCents, Inc.

The first day of my finance career was both exciting and inspirational. As a budding young credit analyst in a New England bank, I went to my first meeting for analysis trainees. Anxious and attentive, I listened to our credit manager describe our *real* job as bankers: "We are here to not only lend money but to help business owners succeed." The thought of becoming a trusted business advisor made my 22-year-old heart soar.

Alas, reality set in. I quickly discovered that we spent the vast majority of our time simply making credit decisions. Truthfully, most banks are money-selling factories. And this leaves most bank customers incapable of distinguishing one bank from another. This is a painful admission, because most finance people are competent professionals who have a genuine desire to help small-business owners succeed. Unfortunately, we are charged with generating revenue by lending money to good credits. Some banks have tried to implement far-reaching programs to help their bankers become mentors to clients. Though most of these programs have met with only limited success. The challenge is that for any company to stay in business, they have to focus on the bottom line.

In the grand scheme, how can we, as financial professionals, keep fulfilling our company's revenue-generating goals while helping our clients succeed? It requires following some simple methods that require minimal time and effort.

One is to meld the credit process with the client engagement process by teaching small-business owners how to read financial statements. For most business owners, financial statements are cryptic. The Small Business Administration and the U.S. Department of Commerce have cited statistics showing that many businesses fail because their executives don't use financial information correctly. The rate of business failures is alarming, and one cannot help but think banks and accountants are unable to substantially reduce this rate.

In 1995, while sitting in the office of a CEO who ran an Inc. 500 company, I explained the importance of reviewing a balance sheet. He confronted me with the question, "Why do I even need a balance sheet? Each month, all I do is look at the income statement. If the revenue column is larger than the expense column, I know I am doing fine." To some finance people, it may seem like a naïve question; however, it is an excellent one. This CEO was a trained engineer who developed a revolutionary construction technology. In other words, he was an intelligent and capable businessman. Later, as with numerous businesses, his once highly-successful company failed. Several reasons contributed to the company's downfall, including its inability to monitor important balance sheet trends, such as how changes in accounts were quickly depleting cash. Even accomplished finance professionals rely too heavily on an income statement when looking at credits — another factor currently surrounding EBITDA (earnings before interest, taxes, depreciation and amortization).

As finance professionals, you have the responsibility to sit down with your clients and review their financial statements carefully. Here are three analytical tools to consider:

Explain to customers the different key metrics that should be reviewed.

When reviewing financial statements, help the client to focus on those few factors, KPIs (key performance indicators), that, if managed properly, will propel the company in the right direction. A KPI for a pharmaceutical company will be the cost of goods sold. A KPI for a construction company is generally labor dollars as a percentage of sales. A KPI for a coin-operated laundry will be utility expenses as a percentage of sales. Those of us in finance have a tendency to miss the big picture. By becoming so involved with the details of financial statements, we get lost in the minutiae. Ingrain in your clients the key data integral to their success. In my entire banking and consulting career, I cannot recall any company that had to focus on more than five or six KPIs. If we can help the client focus on these few controllable metrics, then the balance sheets and income statements will take care of themselves.

Tie the balance sheet and income statement together.

Discuss how operating performance (income statement performance) can drive asset and liability performance (balance-sheet performance). Remember, most of your clients manage their business from a revenue and expense perspective. Owners do not realize they are either tacitly or directly controlling balance-sheet metrics. For example, they find it

difficult to understand that the credit they receive is under their control and can be measured by fairly reliable metrics. Also, if you can show how profits and losses transfer to the balance sheet, it is a great help to non-financial managers.

Help customers benchmark their performance against other companies in the industry.

Many business owners do not always know that there is fairly reliable industry data enabling them to compare performance within an industry. Benchmarking is a great tool for projection analysis. Benchmarks show customers how their revenues and expenses will grow with the company. In some industries (like software), costs tend to decrease consistently as a percentage of revenue alongside the growth of sales. In others, such as manufacturing, costs will decrease while a company grows within its relevant operating range and then dramatically increase when the company expands beyond certain production points. This type of analysis can be of tremendous help to your small-business customer who is caught up in the day-to-day management of his or her enterprise.

Helping your customers learn how to read and use financial statements is easy to do and a good first step toward helping them reach their goals. It is neither time-consuming nor will it take away from your mission to make money for your firm. In fact, you may find that helping customers will increase their allegiance as well as generate cross-selling opportunities.

Brian Hamilton is the chief executive officer and leader of the management team for Sageworks, Inc., which develops ProfitCents, an application that aids accountants in communicating with clients. Mr. Hamilton holds an MBA degree from Duke University and a bachelors degree from Sacred Heart University. He is a noted expert in finance who has been published and quoted in many journals and periodicals. Brian can be reached at brian.hamilton@sageworksinc.com or 919-851-7474, extension 501.

AFRs AND 7520 RATES FOR MAY 2006

AFRs - 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 (three years or less), mid-term (more than three years but not more than nine years), and long-term (more than nine years). They are further broken down into Annual, Semi-Annual, Quarterly or Monthly compounding periods. The minimum rate for an installment sale is the lowest of the rates applicable for the month of the sale or the prior two months. A table of the May applicable rates is given below.

TERM	ANNUAL RATE	SEMI-ANNUAL RATE	QUARTERLY RATE	MONTHLY RATE
Short-term	4.85	4.79	4.76	4.74
Mid-term	4.84	4.78	4.75	4.73
Long-term	5.00	4.94	4.91	4.89

IRC 7520 RATES - These rates are normally used for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest. The rate for May is 5.8%.

Revenue Ruling 2006-24

A PDF copy of this Revenue Ruling can be obtained from www.irs.gov/pub by clicking on irs-drop and then on rr-06-24.

