



The Accountant

Official Publication

of the North Carolina Society of Accountants

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January 2016



A Message From The President

Ronald D. Powell



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TEAMWORK-Ownership of the Project. During this year, we have met challenges and, with each event, the "Project" has been ours. Working as a team we have had success. This is what makes NCSA the member organization for today and tomorrow. Each person brings talent and experience needed at just the right time and place. During the year, individuals are selected and volunteer to take on responsibility of our Society. Always we have success. We identify the needs, determine how to meet those needs, and engage resources to meet those needs. As we begin our new year, let's build on the success of our past and press on to serving the needs the needs of our profession in North Carolina.

As you have heard and will see in this issue, changes have occurred with the IRS extending the deadlines for those issuing Form 1095s. This will have some impact on completing tax returns. Keep up to date through our website and *The Accountant*, and make changes to your tax processing as needed. This year these forms will be critical to processing the returns correctly.

Our annual Convention will be June 16-17. We will meet at the Sheraton Four Seasons in Greensboro. Mark your calendars to attend. On Thursday, June 16, we will have six hours of accounting continuing education on practice management presented by Kathy Hettick, NSA President and Paul Bumgarner, NCSA and NSPA Past President. Friday, June 17, we will have our annual business meeting with updates on our Society and elections for the coming year. We will have Board of Directors meetings the day before and after these events. These meetings always are informative, and everyone is welcome to attend.

The New Year is here and so is tax season. We have taken a break (hopefully), we have been educated, we have updated our software—we are ready for the challenge!

Chapter News

January is here! Time to get those W-2's and 1099's prepared and brush up on your tax knowledge; filing season begins on the 19th! With all the excitement don't forget your chapter meetings. They provide a great outlet for information sharing and general commiseration when the tax season load gets heavy. Here we go again, hang on for the ride!

Burlington

The Burlington Chapter will meet at Kimbers in Gibsonville on Thursday, January 28, 2016 topic and speaker to be announced. The Burlington chapter normally meets on the 4th Thursday of each month. For more information about the Burlington chapter contact Jim Holmes at jholmes.acct@yahoo.com

Cape Fear

The Cape Fear chapter met at The Brass Lantern in Dunn for their Christmas party; much fun was had by all. The next meeting will be on Monday, January 18th at Sammio's in Fayetteville. Bill Fischer will speak on NC Tax Updates. The chapter meets the 1st Monday after the 15th each month. For more information contact Merry Arnett at mparnett@embarqmail.com

Central

The Central Chapter met on Tuesday, December 15th at Positano's Italian Restaurant in Asheboro, with 28 in attendance. Nutritionist Karen Pfohl spoke on Healthy Eating during Stressful Times (like Tax Season!). Eugenia Tabon of IRS will be on hand for the meeting on Monday, January 25th at Sagebrush in Asheboro at 6pm. Central Chapter meets on the 4th Monday of each month. For more information contact Kevin Robinson at kevrob@triad.rr.com

Charlotte

The Charlotte Chapter met for a Christmas Social at Captain Steve's on Monroe Rd. on December 17th at 6:15pm. The Charlotte Chapter normally meets on the 4th Thursday of each month. For more information contact Louise Pistole at pistole9@windstream.net

Eastern

The Eastern Chapter will meet January 26, 2016 at H&R Block in Greenville. The meeting will feature a Tax Updates discussion. The Eastern chapter meets on the 4th Tuesday each month at H&R Block in Greenville. For more information contact Ronald Powell at ron@powellaccounting.com

Hickory

The Hickory Chapter met for a Christmas Gathering at The Charolais Steakhouse in Hickory on Tuesday, December 8 at 6pm. The Hickory Chapter normally meets the last Monday of each month. For more information contact Susan Dale Moore at susan@dalesaccounting.com

Piedmont

The Piedmont Chapter met for its Christmas Party at Sagebrush in Kernersville on Tuesday, December 15th at 6:30pm, with many games and tons of fun. The chapter will meet next on Thursday, January 28, 2016 at Sagebrush in Kernersville, more details to be announced. Piedmont Chapter normally meets on the last Thursday of each month. For more information contact Carol Smith at clstaxes@bellsouth.net

Raleigh

The Raleigh Chapter held its Holiday Social at Manchesters on Leesville Rd in Raleigh on December 1, 2015. The party included food, giveaways, gossip and other sundry entertainments of the season. The Raleigh Chapter meets on the 4th Tuesday of each month. For more information contact Stephen Metelits at metelits@usa.net

Sandhills-Sanford

The Sandhills-Sanford Chapter met for a Christmas Social at the home of April Eads on Friday, December 11th. Details of the next meeting will be announced. For more information contact Gaye Saunders at gaye@saundersaccounting.org

Western

The Western chapter met on December 8th at Beef O'Brady's in Arden and enjoyed a Chinese Gift Exchange. Western Chapter normally meets the 4th Tuesday of each month. For more information contact Beth Evans at precisionacct@mindspring.com.

Wilmington

The Wilmington Chapter did not meet in December, details of the January meeting will be announced. Contact Chapter President Marie Izzo for more information at marie@johnizzocpa.com

We cannot compile this report without your information. If you have news of your chapter or its members including photos or interesting things that happened at your chapter meeting please email James Upton at jamesupton@rtmc.net or call (336) 873-7690.

Large Employers

In HCTT-2015-80, the IRS reminds us that the *Affordable Care Act* requires applicable large employers (ALEs) to file information reporting returns with the IRS and employees. The vast majority of employers are not ALEs (those with 50 or more full-time employees or equivalents at the end of the previous year).

However, those who are must use Form 1094-C, *Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns*, and form 1095-C, *Employer-Provided Health Insurance Offer and Coverage*, to report the information about offers of health insurance and enrollment in health coverage for their employees. Here are 8 things ALEs should know:

1. Form 1095-C is used to report information about each employee who was a full-time employee of the ALE member for any month of the calendar year.
2. Form 1094-C must be used to report to the IRS summary information for each employer and to transmit Forms 1095-C for each employer and to transmit Forms 1095-C to the IRS.
3. ALEs file a separate Form 1099-C for each of its full-time employees and a transmittal on Form 1094-C for all of the returns filed for a given calendar year.
4. Employers that offer employer-sponsored self-insured coverage use Form 1095-C to report information to the IRS and to employees about individuals who have minimum essential coverage under the employer plan.
5. The information reported on Forms 1094-C and 1095-C are used in determining whether an employer owes a payment under the employer shared responsibility provisions.
6. Form 1095-C is used by the IRS and the employee to determine the eligibility of the employee for the premium tax credit.
7. An ALE may satisfy this requirement by filing a substitute form, but the substitute form must include all the information required on Forms 1094-C and 1095-C and satisfy all form and content requirements as specified by the IRS.
8. A substitute form or Forms 1094-C and 1095-C must be filed regardless of whether the ALE member offers coverage or the employee enrolls in any coverage offered.

Wage Withholding

In a notice, the NC DOR informs employers of changes in tax law and tax tables for 2016. You can download NC-30, *Income Tax Withholding Tables and Instructions for Employers*. It is updated to reflect law changes for 2016.

The new withholding rate is 5.85%. New NC-4s and NC-4Ps do not require filing again if no substantial change from 2015 exists. Withholding is not required on compensation paid to an ITIN holder who temporarily is admitted to the US to perform agricultural labor or services and who is not subject to federal withholding.

A Form NC-3, *Annual Withholding Reconciliation*, for 2016 is due January 31, 2017. A failure to file penalty will be assessed on any Form NC-3 filed after that date.

Mileage Rates

In Notice 2016-1, the IRS announced the mileage rates effective January 1. The rates are:

- Business—54¢/mile
- Medical—19¢/mile
- Moving—19¢/mile
- Charity—14¢/mile

A taxpayer may not use the business mileage rate for a vehicle after using any depreciation method under MACRS or Section 179. In addition, the business mileage rate cannot be used for more than 4 vehicles used simultaneously.

For automobiles a taxpayer uses for business purposes, the portion of the business mileage rate treated as depreciation is:

- 2012—23¢/mile
- 2013—23¢/mile
- 2014—22¢/mile
- 2015—24¢/mile
- 2016—24¢/mile

For purposes of computing the allowance under a FAVR plan, the standard automobile cost may not exceed \$28,000 and the standard van or truck cost may not exceed \$31,000.

Password Protection

In Tax Tip 4, the IRS says it's time to have a word about your password. Many of us use the same sign-on and password over and over for our on-line accounts. That's why phishing scams, which often seek password information, are so successful. Once a criminal has your password for one account, it's highly likely you've used the same sign-on information for other accounts.

The IRS, state revenue departments, and the tax industry have teamed up to combat identity theft in the tax arena. We all have agreed to new, stronger standards that you will see when you access your tax software products and file the taxes. These include:

- A password that has 8 or more characters, including upper and lower case letters, numbers, and a special character.
- New features include a timed lockout and limits on unsuccessful log in attempts.
- You must complete 3 security questions.
- Tax software partners must verify e-mail addresses. In many cases, this means a PIN will be sent to your e-mail or text that you must use to verify your address before you can proceed with your tax software.

These are just a few of the new protections that are in place for the 2016 tax season to protect you from identity thieves. Most of the protections we are taking may not be visible to you, but they will add layers of protection nonetheless, adding new and stronger protections during tax time.

While we are taking these steps, it's a good time for you to think about the passwords you use for other accounts. You always should use strong passwords with a mix of letters, numbers, and special characters. Do not use the same password for multiple accounts. The longer, the better. And change your passwords regularly.

Transition Relief

In Notice 2016-04, the IRS announces the extension of the due date for furnishing the 2015 Forms 1095-B and 1095-C from February 1 to March 31. This notice also extends the due date for filing with the IRS the 2015 Forms 1094-B and 1094-C from February 29 to May 31 (if not filing electronically) or from March 31 to June 30 (if filing electronically).

In view of these extensions, the provisions regarding automatic and permissive extensions of time for filing information returns and permissive extensions of time for furnishing statements will not apply to the extended due dates. Employers or other coverage providers that do not comply with these extended due dates are subject to penalties for failure to timely furnish and file.

However, employers and other coverage providers that do not meet the extended due dates still are encouraged to furnish and file, and the IRS will take such furnishing and filing into consideration when determining whether to abate penalties for reasonable cause. The IRS also will take into account whether an employer or other coverage provider made reasonable efforts to prepare for reporting the required information to the IRS and furnishing it to employees and covered individuals. In addition, the IRS will take into account the extent to which the employer or other coverage provider is taking steps to ensure that it is able to comply with the reporting requirements for 2016.

Some individuals may be affected by the extension of the due date for employers to furnish information on Form 1095-C. An employee is not eligible for the premium tax credit for any month for which the employee is eligible for coverage under an eligible employer sponsored plan that provides minimum value and is affordable.

The Form 1095-C generally includes information on the coverage offered by the applicable large employer to the full-time employee. The information reported will assist the employee in determining eligibility for the premium tax credit.

However, most individuals offered employer-provided coverage will not be affected by the extension. Specifically, the extension will not affect employees who enrolled in the employer-sponsored coverage or in other coverage that was not offered through the Marketplace; employees who, for any reason, would not qualify for a premium tax credit, employees who enrolled in coverage through the Marketplace and received the benefit of advance payments of the premium tax credit based on a determination by the Marketplace that the employee's offer of employer-sponsored coverage was unaffordable, or employees who did not enroll in any coverage.

Nonetheless, some employees who enrolled in coverage through the Marketplace but did not receive a determination from the Marketplace that the offer of employer-sponsored coverage was not affordable could be affected by the extension if they do not receive their Form 1095-C before they file their income tax returns. As a result, *for 2015 only*, individuals who rely upon other information received from employers about their offers of coverage for purposes of determining eligibility for the premium tax credit when filing their income tax returns need not amend their returns once they receive their Forms 1095-C or any corrected Forms 1095-C. Individuals need not send this information to the IRS when filing their returns but should keep it with their tax records.

Similarly, some individuals may be affected by the extension of the due date for providers of minimum essential coverage to furnish information on either Forms 1095-B or 1095-C. Individuals generally use this information to confirm that they had minimum essential. Because, as a result of the extension, individuals may not have received this information before they file their income tax returns, *for 2015 only*, individuals who rely upon other information received from their coverage providers about their coverage for purposes of filing their returns need not amend their returns once they receive the Forms 1095-B or 1095-C or any correction.

Late Tax Law

The *Protecting Americans From Tax Hikes Act of 2015*, passed in December has over 300 provisions. Many of them are included below:

- The Child Tax Credit is "permanent" and, to the extent the credit exceeds the taxpayer's liability, the taxpayer is eligible for a refundable credit (the Additional Child Tax Credit) equal to 15% of earned income in excess of a threshold amount of \$3,000.
- The Hope Scholarship Credit is \$1,800 indexed for inflation for the first two years of post-secondary education and phases out for AGI starting at \$48,000 (single) or \$96,000 (joint).
- The American Opportunity Tax Credit is \$2,500 for four years of post-secondary education, is "permanent", and phases out for AGI starting at \$80,000 (single) or \$160,000 (joint).
- The Earned Income Tax Credit is "permanent," workers may be eligible for the credit with 3 or more children, and the marriage penalty is reduced by increasing the income phase out range by \$5,000 (joint), and indexed for inflation.
- The teachers above the line deduction of \$250 is "permanent" and indexed for inflation starting in 2016.
- Income for employer-provided mass transit and parking benefits are "permanent" and excluded from income.
- The deduction of state and local income taxes is "permanent."
- The charitable deduction for contributions of capital gain real property is "permanent." Starting in 2016, Alaska Native Corporations can deduction up to 100% of taxable income.
- The ability of individuals at least 70½ to exclude from income charitable distributions from IRAs up to \$100,000/year/taxpayer is "permanent."
- The limitations of the charitable deduction for contributions of food inventory beginning in 2016 is increased to 15% of AGI.
- The R & D Tax Credit is "permanent" and beginning in 2016 eligible small businesses (up to \$50 million gross receipts) may claim the credit against AMT and the credit can be used by certain small businesses against the employer's FICA liability.
- For employers with up to 50 employees, the 20% employer Wage Credit for employees called to active duty is "permanent" and, in 2016, extends to all employers.
- Section 179 Property:
 - Small business expensing limitation (\$500,000) and phase out amounts (\$2 million) are "permanent" and adjusted for inflation beginning in 2016
 - Also made "permanent" are expensing for computer software, leasehold improvements, restaurant property, and retail improvements
 - HVAC units are added beginning in 2016
- Exclusion of 100% of gain and AMT on certain small business stocks for non-corporate taxpayers to stock acquired and held for more than 5 years is "permanent."
- The period for which an S corporation must hold its assets following a conversion from a C corporation is 5 years to avoid the tax on built-in gains.
- The 9% minimum credit for the Low-Income Housing Tax Credit for non-federally subsidized new buildings is "permanent."
- The exclusion of military basic housing allowances from the calculation of income for determining eligibility as a low-income Housing Tax Credit building is "permanent."
- The Work Opportunity Tax Credit applies to employers who hire qualified long-term unemployed individuals beginning in 2016 is 40% of the first \$6,000 of wages and extends through 2019.

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Late Tax Law

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- Bonus depreciation:
 - 50% for property placed in service 2015-2017, 40% for property placed in service 2018, and 30% for property placed in service in 2019.
 - In lieu of bonus depreciation, can accelerate the use of AMT credits
 - Includes qualified improvement property and certain trees, vines, and plants bearing fruit or nuts when planted or grafted rather than after placed in service.
- The exclusion from gross income of discharge of qualified principal residence indebtedness through 2016.
- The treatment of mortgage insurance premiums as qualified residence interest extends through 2016 and phases out ratably for a taxpayer with AGI of \$100,000 to \$110,000.
- The above the line deduction of tuition and related expenses is capped at \$4,000 for AGI of \$65,000 (single) or \$130,000 (joint) or capped at \$2,000 for AGI less than \$80,000 (single) or \$160,000 (joint)..
- The first \$15 million of costs may be expensed for qualified film, television, and live theater productions through 2016.
- The 2.3% excise tax on the sale of medical devices does not apply 2016-2017.
- A credit of 10% of the amount paid or incurred for non-business energy improvements up to \$500 through 2016 only.
- A credit of up to 30% of the cost of installing of alternative fuel vehicle refueling property through 2016.
- The credit for 2-wheel plug-in electric vehicles of 10% is capped at \$2,500 through 2016.
- The \$1/gallon tax credit for biodiesel and biodiesel mixtures and the small agri-biodiesel producer credit of 10¢/gallon through 2016.
- An eligible contractor may claim a \$1,000 or \$2,000 credit for the construction or manufacture of a new energy efficient home that meets qualifying criteria through 2016.
- The above-the-line-deduction for energy efficient improvements to lighting, heating, cooling, ventilation, and hot water systems in commercial buildings through 2016.
- The credit of between \$4,000 and \$40,000 (depending on the weight of the vehicle) for the purchase of a new qualified fuel cell motor vehicle.
- For returns filed in 2017 or later, Forms W-2, W-3, and returns or statements to report non-employer compensation must be filed by January 31 of the year following the calendar year to which such returns relate.
- *De minimis* errors on information returns and payee statements:
 - Failure to file or errors on information returns or payee statements; if the error is \$100 or less (\$25 or less in the case of tax withholding), there is no penalty and no requirement to file a corrected return.
 - A recipient can elect to have a corrected return issued to them and filed with the IRS.
 - For forms filed after December 31, 2016
- ITIN requirements:
 - The applicant must provide documentation in person to the IRS, a certified acceptance agent, or by mail.
 - Individuals issued an ITIN before 2013 are required to renew their ITIN on a staggered schedule between 2017 and 2020.
 - ITINs expire if an individual does not file a tax return for 3 consecutive years.

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Late Tax Law

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- o Cannot retroactively claim the Child Tax Credit for prior years in which the individual or child for whom the credit is claimed did not have an ITIN.
 - o Cannot retroactively claim the American Opportunity Tax Credit for prior years in which the individual or child for whom the credit is claimed did not have an ITIN.
- For tax years beginning after December 31, 2015, there is an expansion of the paid-preparer due diligence requirements with respect to the Earned Income Tax Credit (the \$500 penalty for failure to comply), to cover returns claiming the Child Tax Credit, and to cover returns claiming the American Opportunity Tax Credit.
- There are restrictions on taxpayers who improperly claim credits for prior years on the Earned Income Tax Credit for 10 years if convicted of a fraud and for 2 years if they have been found to have recklessly or intentionally disregarded the rules, to apply to the Child Tax Credit and American Opportunity Tax Credit for tax years beginning after December 31, 2015.
- The penalty for tax preparers who engage in willful or reckless conduct is the greater of \$5,000 or 75% of the preparer's income with respect to the return.
- To claim the American Opportunity Tax Credit, the taxpayer must supply the EIN of the educational institution to which the taxpayer makes payment for tax years beginning after December 31, 2015, and expenses paid after that date.
- For Form 1098-T, education institutions are required to report only qualified tuition and related expenses actually paid after December 31, 2015.
- For tax years after December 31, 2014, a disabled person can open an ABLÉ account in any state.
- Any monetary awards that an individual receives for wrongful incarceration is excluded from gross income.
- After December 20, 2015, a taxpayer can roll over amounts from an employer-sponsored retirement account to a Simple IRA provided the plan has existed for at least 2 years.
- After December 20, 2015, taxpayers who have been victimized by the IRS, for example through the unauthorized disclosure of private tax information, to find out basic facts such as whether the case is being investigated or whether the case has been referred to the Justice Department for prosecution.
- After December 20, 2015, gift tax does not apply to contributions made to organizations exempt from tax under Sections 501(c)(4), (5), and (6).
- After December 20, 2015, employers are required to provide a truncated SSN on Form W-2.
- After December 20, 2015, enrolled agents can use "enrolled agent," "EA," or "E.A."

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NCSA Schedule of Events

2016

January 13–NCSU Introductory,
McKimmon Center, Raleigh, 830 am-4:45 pm

June 15–**Board of Directors**,
Sheraton Four Seasons, Greensboro, 5:30 pm

June 16–**Accounting Seminar**,
Sheraton Four Seasons, Greensboro, 8 am-4:30 pm

June 17–**NCSA Convention**,
Sheraton Four Seasons, Greensboro, 9 am-3 pm

June 18–**Board of Directors**,
Sheraton Four Seasons, Greensboro, 9 am

July 22–**Leadership & Committee Day**

August 17-20–**NSA's 71st Annual Meeting**,
Grand Hyatt Tampa, Tampa Bay, FL

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