



# The Iowa Accountant

Year 2007 Issue 1

Summer, 2007



**IVAN GING**  
President

Evolution – we know it happens over thousands of years, but how does it affect us in our short life span? Our world, countries, cities, homes and professions are evolving faster and faster each day. Technology, legislation, and competition are three examples of how evolution is directly affecting our profession and the Accountants Association of Iowa. It is up to us to determine how the Association will evolve. We must be willing to change, to change quickly, and to communicate.

Effective communication is critical to survive evolution. There are many barriers to overcome to have good communication. The means by which we communicate is a barrier due to differing technologies and personal skills. However, the largest barrier to communication, by far, is the lack of desire to listen. We don't spend enough of our time listening to others. We dislike spending our time listening to those who disagree with us or annoy us for some reason. This is a terrible mistake. Since the day we were born, our primary

method of learning has been through listening. Even so, the art of listening, which is the foundation of effective communication, is extremely difficult. If we aren't willing to continue developing listening skills, we limit our ability to learn. Ninety percent of communication is the art of listening. If we communicate (listen), we learn. If we learn, we adapt. If we adapt, we will evolve and survive.

There is a story in the Bible about a king who wanted to build a tower tall enough to reach into the heavens so he could touch God. Without communication this awesome endeavor could never be accomplished. The thousands of people working on this huge structure all spoke and understood the same language. As the story goes, God did not like the building of this tower so He caused the people to speak in different languages. Rather than taking the time and patience to hear and understand what others were saying, the people formed small groups of those who could hear and understand one another and dispersed. This rapid evolution created a barrier that ended construction of the tower.

Personally, I find the art of listening very difficult. I have to focus on listening and work hard at it every day. It seems to be just as difficult for me to speak in ways that motivate others to listen. I sincerely hope that in this new-year, we will all look beyond each others' shortcomings, until we can hear what is being said. Only then can we understand, acknowledge and appreciate each other's strengths. I hope that we will practice communication -- the fine art of listening -- in the coming year so we can learn and adapt to our rapidly evolving environment.

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**Joel Grandon**

**Director at Large**

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Vacant position

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Vacant Position

**Harold Alt, LPA**

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**District 5 Director**

Vacant position

**Wayne Gardner**

**District 6 Director**

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**Joel Grandon**

**NSA State Director**

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## VOLUNTEERS NEEDED

**AAI needs some members who are interested in serving the organization while gaining valuable experience for themselves.**

**Current vacancies include:  
District Directors for  
Districts 1, 2 and 5.**

Linda Schmitt of Lohrville, IA

Has been named as the new

LPA Representative on the Board of Accountancy.

**ACCOUNTANTS ASSOCIATION**

**OF IOWA**

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# Upcoming Events

## 2007

**August 21, 2007**

Business Entity  
Bob Jennings, Speaker  
Hilton Garden Inn  
Johnston, IA

**November 15-16, 2007**

Gear Up 1040  
Hilton Garden Inn  
Johnston, IA

**November 26-27, 2007**

PTI  
Sheraton  
Cedar Rapids, IA

## 2008

**May 19-20, 2008**

Spring Seminar  
Bob Jennings  
Gateway Center  
Ames, IA

**August 19, 2008**

Summer Seminar  
Bob Jennings  
Hilton Garden Inn  
Johnston, IA

We have revised and updated our Web Site.  
Please take a look and send comments to the  
Executive Office at 641-782-2401 or  
E-mail: [aai\\_iowa@iowatelecom.net](mailto:aai_iowa@iowatelecom.net)

# AAI News

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ACCOUNTANTS ASSOCIATION OF IOWA  
REGULAR BOARD MEETING  
HILTON GARDEN INN, JOHNSTON, IOWA  
NOVEMBER 16, 2006

President Joel Grandon called the meeting to order with the following members present:

Harold Alt, Ken Stoakes, Wayne Gardner, Gen McGregor, Lori Murphy, Ivan Ging, Joel Grandon,

Paul Nielsen, Gary Fisher and Kay Puscas.

Harold Alt made a motion to waive the reading of the minutes and accept them as presented.

Seconded by Lori Murphy. Motion carried.

Ken Stoakes presented the Financial Statements.

George Appleby from Carney Law Office reported on Legislative matters and announced the next

AAI Legislative Day will be January 23<sup>rd</sup>.

#### OLD BUSINESS:

Gary Fisher reported there were 53 in attendance at the PTI meeting in Cedar Rapids.

Ivan Ging gave a report regarding the Web Site. No changes at this time.

Joel Grandon reported his efforts to work with the Iowa Society on joint meetings.

Joel announced that Districts 1, 2 and 5 are still open.

#### NEW BUSINESS:

Lori Murphy made a motion that the combined expenses for the NSA State Director's Convention expense and AAI members attending Leadership Conference be limited to a total of \$2500.00.

Seconded by Wayne Gardner. Motion passed.

No report was presented from Director At Large, Lori Murphy.

Harold Alt, District Director 1, reported an October 6th meeting was held.

Gen McGuire gave a report regarding the Newsletter.

Nominating Committee reported Ken Stoakes and Harold Alt would be nominated for a second term.

The Board decided the January meeting would be held on Legislative Day, January 23<sup>rd</sup> at 2:30 at

Carney Law Office.

Lori Murphy made a motion to raise Jim Carney's Legislative fees to \$14,000 per year.

Seconded by Ivan Ging. Motion carried.

Paul Nielsen reported the meeting dates for 2007.

May 21 & 22 Liaison & Accounting Seminar in Ames with Bob Jennings as speaker.

August 21 or September 7<sup>th</sup> to be Business Entity. Final date announced later.

November 15 & 16<sup>th</sup> Gear Up 1040 at the Hilton Garden Inn, Johnston IA.

Harold Alt made a motion the meeting be adjourned. Lori Seconded.

Kay Puscas

Executive Secretary



●INTERNAL REVENUE SERVICE NEWS for TAX PROFESSIONALS  
JULY 2007

● On May 25, 2007, P.L. 110-28 (H.R. 2206), the U.S. Troop Readiness, Veterans Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007 ("Act"), was signed into law. The Act increases the minimum wage, provides tax incentives mall businesses, and makes technical corrections. The text of the law and/or House Resolution will be available at <http://thomas.loc.gov/>

● New legislation simplifies reporting for husband and wife owned businesses. Effective for tax years beginning after Dec. 31, 2006, a husband and wife who file a joint return ma to report their proportionate interest on Schedule Cs and not as a partnership. The husband and wife must be the sole owners of the business and both spouses must materially participate in the business to make this election. See page 10 of the [technical explanation](#) of the Small Business and Work Opportunity Tax Act Of 2007 for more information on the Section 8215, Family Business Tax Simplification.

● People who buy US property from foreigners are required to withhold 10% of the sales price. FIRPTA requires the 10% withholding to ensure US taxation of capital gains. Form 8288 is used to document this withholding. If the sales price is equal to or less than \$300,000 and the buyer plans to use the property as a personal residence, the withholding is generally exempt.

[Foreign Investment in Real Property Tax Act of 1980 \(FIRPTA\)](#)

● Farmers [Fact Sheet-2007-20](#), highlights some income sources and deductible business expenses of farmers. Incorrect reporting of farm income and expenses accounts for part of the estimated \$345 billion per year in unpaid taxes.

● The IRS alerts taxpayers to the latest versions of an e-mail scam, including one that contains a **Trojan Horse** that can take over a hard drive, and urges them not to click on any links or open any attachments in unsolicited e-mails or e-mails from people they don't know. Get specific details in [IR-2007-109](#).

● Read the [latest issues](#) of policies and procedures (IMRS) that have been resolved for you.

● Beginning August 25, 2007, the Social Security Administration (SSA) will implement changes to the [Social Security Number Verification Service](#):

- SSA will return all names and numbers submitted, not just the mismatches
- Where names and SSNs match, SSA will return only the last four digits of the SSN

A new unverified code "6" will now be returned when appropriate

● [Form 2678 Employer/Payer Appointment of Agent](#), has been revised.

● Beginning May 2007, Reporting Agents ([Form 8655](#)) who are accepted IRS e-file participants will be provided access to several of the IRS e-services Web-based products tailored to meet your client's needs.

● Upcoming programs on [Tax Talk Today](#) ([www.taxtalktoday.tv](http://www.taxtalktoday.tv)) include

- [The Role of Appeals in Tax Administration](#) Tuesday, July 10, 2007 1- 2 p.m. CT
- [Campus Compliance Services and You](#) Tuesday, September 11, 2007, 1-2 pm CT

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● **Upcoming Phone Forums:**

Register at [www.attevent.com](http://www.attevent.com) using the applicable participant access codes noted. For more information, [see the Tax Pro Events](#) pages.

TITLE	DATE	TIME	PARTICIPANT ACCESS CODE	AREA
Power of Attorney	July 18, 2007	9-10 am CT 8-9 am MT	223948	National
Power of Attorney	July 18, 2007	12-1 pm CT 11 am-12 pm MT	752753	National
Power of Attorney	July 18, 2007	3-4 CT 2-3 MT	427963	National
Offers in Compromise	July 26, 2007	12-1pm CT 11 am-12 pm MT	604080	Regional
E-Services Part 1: Introduction to E Services and Password Management	July 24, 2007	12 -1 pm CT; 11 am - 12 pm MT	854724	Regional
E-Services Part 2: ERO Application and Delegation	August 2, 2007	12 -1 pm CT; 11 am - 12 pm MT	845985	Regional
E-Services Part 3: Disclosure Authorization	August 9, 2007	12 -1 pm CT; 11 am - 12 pm MT	464384	Regional
E-Services Part 4: Transcript Delivery	August 21, 2007	12 -1 pm CT; 11 am - 12 pm MT	840763	Regional
E-Services Part 5: Electronic Accounts Resolution	August 24, 2007	12 -1 pm CT; 11 am - 12 pm MT	564401	Regional
Payroll & Foreign Workers	August 15, 2007	9 - 10 am CT 8 - 9 am MT	351656	National
Payroll & Foreign Workers	August 15, 2007	12 - 1 pm CT 11 am - 12 pm MT	921867	National
Payroll & Foreign Workers	August 15, 2007	3 - 4 pm CT 2 - 3 pm MT	483502	National
EFTPS Enhanced Batch Software	Sept. 13, 2007	12-1 pm CT 11 am - 12 pm MT	414676	Regional

**RECENT TECHNICAL GUIDANCE**

- [Headliner 205](#): *Working in a Combat Zone? - Notify the IRS, Receive Benefits*

# NOTES FROM



## NSA OFFERS MICROSOFT PROFESSIONAL ACCOUNTANTS NETWORK

I first learned of the Microsoft Professional Accountants' Network (MPAN) while attending NSA's national convention in Providence Rhode Island. This is a great opportunity for us to get great deals on Microsoft products and support, as well as education.

The Microsoft Professional Accountants' Network is a new program started by Microsoft to market their "Accounting Professional" software. This is an accounting package that integrates all of your Microsoft Office applications into an accounting program. It is competing with Peachtree and Quickbooks. It is trying to be more user friendly than its competitor's products.

I have included a list of the registered member benefits from the Microsoft website. I am also including the link: <http://accounting.microsoft.com/accountants/partnerprog.asp>



**Joel Grandon, State NSA Director**

Here are registered member benefits:

- Free online directory listing for your firm (requires Microsoft Office Accounting Professional 2007 training)
- One complimentary license of [Microsoft Office Accounting Professional 2007](#)
- Free unlimited support for one year
- Free CPE training on Office Accounting Professional 2007
- Free non-CPE training on Microsoft Office programs
- Access to managed newsgroups

Users can either register for a free membership, which will give them these benefits, or they can purchase an "ActionPack" for \$299.00 and receive a range of desktop and server applications, including such Microsoft products as Office 2007, Windows 2003 and other popular Microsoft Software.

Joel

## Are You a Tax *Professional* or a Tax *Preparer*?

By **Bob Jennings, President**, Jennings Seminars,  
[www.taxspeaker.com](http://www.taxspeaker.com)

With the explosion of Internet competition it has become even more important this year for the tax *professional* to differentiate themselves from canned software, poorly trained or inexperienced preparers and volume-only "check the box" human machines who are *preparers* rather than *professionals*.

How does a professional separate themselves from this pack of preparers? A true *professional* adds value through knowledge and experience and helps their client to the maximum refund or minimum balance due by asking probing questions and applying the specialized knowledge that a *preparer* doesn't have. We present below several "tax professional" questions and ideas for this tax season.

### Katrina Mileage Deduction

One of the most common errors made by the *preparer* is the assumption that the special 32 cents per mile Katrina volunteer mileage deduction is available only in New Orleans. The *professional* knows that the deduction is available for Katrina relief-related volunteer mileage anywhere in the country. Did your client drive their car for volunteer mileage between their church in Tulsa and a Goodwill warehouse in Oklahoma City? Ask them if it was related to Katrina relief, and if it was, the deduction is 32 cents rather than the 14 cents per mile normally available for volunteer mileage.

### Telephone Tax Credit

Remember to take the \$30 standard credit for telephone tax (plus \$10 per person, \$60 max per return) for all 1040 clients. Tax preparers will overlook this 1-time credit, while professionals will automatically pick it up. What about taking the actual tax if greater? We recommend this one only if the client wants to add up the receipts!

### Energy Credit

Remember Form 5695 this year-it's back! There are 3 main energy credits that went into effect this year as a result of the 2005 Act: The energy-efficient window credit (10%, \$200 max.), the energy-efficient furnace/air credit (100%, \$300 max.), and the insulation credit (10%, \$500 max.) that make up the residential energy credit component of the 2005 Act. Remember that the limit on credits for the entire house is \$500 total from all 3 credits, and that the house must be a personal residence that is owned, not rented. *Preparers* will miss this brand new credit; *professionals* can earn their entire fee!

While you are at it, ask the client if they bought a brand new hybrid car in 2006, and then ask for the paperwork for the purchase date (Toyota/Lexus only 50% after 9/30/06 for 2006). This credit can pay the professional's fee for several years in most cases.

### Form 8888 Multiple Refund Account

This brand new 2006 Form was released with a lot of fanfare and many preparers and professionals will use it for 2006 returns. The *professionals* however know about the traps:

If the client has an error or past-tax due, the IRS will reduce the refund in reverse order of the accounts listed on Form 8888. For example, if the client has a \$6,000 refund and wants \$1,000 to go to checking, \$1,000 to savings, and \$4,000 to go in an IRA, if the IRA is listed last and the return has an error or past-tax due, the IRA contribution will be reduced, reducing the refund and requiring an amended return!. The professional will know to list the IRA contribution first on Form 8888, and to never list it last to avoid this problem!

If the refund will be deposited to just one account, do not use Form 8888, use Form 1040 as in past years.

If the client is e-filing and designates part of the refund to be directly deposited to an IRA, we recommend suspending the preparation of this e-filing form by April 1 in order to allow enough processing time for the IRS and IRA trustee to make the IRA deposit by April 15.

If the client has some other tax-offset amount (like child support) the refund will be reduced by looking at the lowest routing number first, not the last account listed.

### Teacher Deduction

The Extender Act in December brought back this \$250 front-of-the-1040 deduction for K-12 teachers. *Preparers* won't have attended a class or read any guidance and *professionals* will be sure to remember this one!

### Sales Tax Deduction

The Extender Act in late 2006 also brought back the optional sales tax deduction. *Practitioners* in states with income tax assume that the income tax deduction is higher, but *professionals* know that this may save their clients additional tax, even in states with an income tax, because *professionals* remember to add in sales tax on new vehicles, home material purchases, and the like. We love CFS Tax Tools sales tax calculator for helping us maximize this deduction.

### Non-deductible IRAs

2006's TIPRA raised the one-time possibility, in 2010, of converting IRAs to Roth IRAs, without worry about the normal \$100,000 conversion limit. Many clients still won't be able to capitalize on this change however, because their high income prohibits a traditional IRA contribution. Tax *practitioners* overlook an exciting option that tax *professionals* don't overlook. The non-deductible IRA is available to all taxpayers, regardless of income, and even though there is no deduction for the contribution, earnings on the account are not taxed until withdrawn. If the 2010 special conversion rule is still with us in 2010, clients with non-deductible IRAs will be able to convert to Roth IRAs at a low cost. *Professionals* also know that, even if the 2010 rule is removed, there is no downside to the non-deductible IRA because earnings are still tax-deferred.

## 2007 Pension Comparison Table

	<b>Traditional IRA</b>	<b>Roth IRA</b>	<b>Non-Deductible IRA</b>	<b>Roth 401-K</b>
<b>Highlights</b>	Excellent savings plan for those not covered by other plans but who have earned income	Great long-term plan that offers tax-free accumulations and withdrawals	Worst of the 3 IRAs but better than nothing	Fantastic way to save big bucks with no future taxation, but must be employer sponsored
<b>Max. Employee Contribution</b>	\$4,000	\$4,000	\$4,000	\$15,500
<b>Max Employer Contribution</b>	N/A	N/A	N/A	\$45,000
<b>Max Contribution All Sources</b>	\$4,000	\$4,000	\$4,000	\$45,000
<b>Over Age 49 Additional Catch-Up</b>	\$1,000	\$1,000	\$1,000	\$5,000
<b>Tax Deduction</b>	Yes	No	No	No
<b>Withdrawals</b>	Taxed	Nontaxable	Earnings Taxed	Nontaxable
<b>Earnings</b>	Tax Deferred	Nontaxable	Tax Deferred	Nontaxable
<b>Penalty Exceptions</b>	Death, disability, education, 1 <sup>st</sup> home, more	Death, disability, education, 1 <sup>st</sup> time home, more	Death, disability, education, 1 <sup>st</sup> time home, more	Death, disability, education, 1 <sup>st</sup> time home, more
<b>Form By (2007)</b>	4/15/08	4/15/08	4/15/08	12/31/07
<b>Contribute By</b>	4/15/08	4/15/08	4/15/08	Due date + Extension
<b>Penalty Issues</b>	10% before 59 ½	10% before 59 ½ on earnings only	10% before 59 ½	10% before 59 ½
<b>Tests</b>	1-Earned Income 2-Max age 70 ½ 3-Not covered by other plan 4-If covered, must be below income limits	1-Earned income 2-Max Income under 110k single, 160k MFJ	1-Earned income	Employer sponsored
<b>Distributions</b>	Start by 4/1 of year after turning 70 ½	No requirement	No requirement	Plan based
<b>Bankruptcy Protection</b>	\$1,000,000	\$1,000,000	\$1,000,000	Unlimited
<b>5500 Required?</b>	No	No	No	Yes
<b>More Information</b>	Pub 590	Pub 590	Pub 590	<a href="#">Publications 560</a>

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## 2007 Pension Comparison Table

	<b>Simple IRA</b>	<b>SEP</b>	<b>Solo 401-K</b>	<b>401-K</b>
<b>Highlights</b>	Excellent choice for side businesses, small businesses and those with <\$50k annual income. 97% employee funded	Excellent contribution limits, no 5500 make this a winner, but 100% employer funded. Voluntary contributions.	The best plan for family businesses, those with only part-time employees as long as they want to fund more than a SIMPLE. Better than a SEP in many cases.	Excellent plan, partly employee funded, but watch the dreaded top-heavy rules which can make this a bad choice for some businesses.
<b>Max. Employee Contribution</b>	\$10,500	-0-	\$15,500	\$15,500
<b>Max Employer Contribution</b>	\$4,800	\$45,000	\$45,000	\$45,000
<b>Max Contribution All Sources</b>	\$10,500 + 3% of W-2 Before Deferral	\$45,000	\$45,000	\$45,000
<b>Over Age 49 Additional Catch-Up</b>	\$2,500	N/A	\$5,000	\$5,000
<b>Tax Deduction</b>	Yes	Yes	Yes	Yes
<b>Withdrawals</b>	Taxed	Taxed	Taxed	Taxed
<b>Earnings</b>	Deferred	Deferred	Deferred	Deferred
<b>Penalty Exceptions</b>	Most IRA exceptions	Most IRA exceptions	Most IRA exceptions	Most IRA exceptions
<b>Form By (2007)</b>	10/1/07	Due date + extension	12/31	12/31
<b>Contribute By</b>	Due date + extension	Due date + extension	Due date + extension	Due date + extension
<b>Penalty Issues</b>	25% 1 <sup>st</sup> 2 years	10% before 59 1/2	10% before 59 1/2	10% before 59 1/2
<b>Tests</b>	No other active plan	No other active plan	Employer sponsored, other plans ok	Employer sponsored, other plans ok
<b>Distributions</b>	Plan based	Plan based	Later of 70 ½ or retirement	Later of 70 ½ or retirement
<b>Bankruptcy Protection</b>	Unlimited	Unlimited	Unlimited	Unlimited
<b>5500 Required</b>	No	No	Yes	Yes
<b>More Information</b>	<a href="#">Publications 560</a>	<a href="#">Publications 560</a>	<a href="#">Publications 560</a>	<a href="#">Publications 560</a>

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## **How to Contact Your Iowa Legislators**

Senator's Mailing Address: Iowa Senate, State Capital,  
Des Moines, IA 50319

Representative's Mailing Address: Iowa House, State  
Capitol, Des Moines, IA 50319

House Switchboard: 515-281-5011

Senate Switchboard: 515-281-3371

Status of Bills: 515-281-5129

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