Vol. 8 Issue 2
August 2016

Journal of the CPA Practitioner

INSIDE

MINNESOTA
IS THE PLACE TO BE
AUGUST 3-6, 2016
****
NCCPAP THANKS THE MINNESOTA CPAs FOR INVITING US TO HAVE OUR NATIONAL MEETING THERE!

Check us out at:
go.nccpap.org

A MESSAGE FROM THE PRESIDENT

Dear Members,

Competition, according to Wikipedia, is the foundation upon which capitalism is justified. Competition keeps prices low and quality high. It encourages the development of new products, services and technology.

I am often asked, “Why would I want to network with my competition? What am I going to get out of it?” My answer? Far more than you give! I am but one mind by myself but I have the wealth of many when I attend a NCCPAP meeting.

Each month our members gather to network, educate, share information, brainstorm and yes, sometimes even commiserate together. We share many similar experiences and issues in our practices but each of us brings something different to the table. We talk the same language and understand the similar needs we each have.

Is your practice struggling? Have you reached a plateau in your practice? Come to a MAP meeting to evaluate and improve your practice. Look around the room. Why does one practice appear more successful than another? What services do others offer that may be a good fit for your practice? Does a fellow member’s website pop off the page while yours gets lost on it? Are others state of the art in technology while you still use an abacus? Evaluate what you see and use it to improve and grow your practice.

How often do you wish you had more hours in the day? As hard as we try, we cannot do everything. Try referring business that you cannot or do not want to handle to a fellow member. Perhaps some day they will refer business back to you.

Do you have enough time to stay current on all the changes or updates taking place in our profession, probably not? NCCPAPis a great place to learn what is changing in our field. Have a question about a tax return you’re working on? Post your question on our interactive discussion board at go.nccpap.org.

Try to remember the last time you took a vacation without answering twenty phone calls or emails? Wouldn’t it be great if you had someone to rely on so you could take time off without answering your cell phone? Become friends with one of our members and they could cover emergency situations while you take a vacation far away from the email.

Have you thought about retiring? Have you thought about what might happen to your practice if you became ill for an extended period of time? NCCPAP can help you there, too! There are many members willing and able to help out in a time of crisis. There are many more looking to partner or purchase in the future.

At NCCPAP we have many answers! Look for a meeting near you. If there is no chapter in your area, start one! You won’t regret it.

Sandy Johnson, CPA
President - NCCPAP
sjohnson@islandtax.com

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NCCPAP Past Presidents

2012-2014: Edward Caine, CPA
2011-2012: Lana Kupferschmid
2009-2011: Andrew L. Hult, CPA
2007-2009: Karen Giunta, CPA
2005-2007: Dennis Scott, CPA
2003-2005: Carol C. Markman, CPA
2001-2003: Alan Feldstein, CPA
1999-2001: Robert Goldfarb, CPA
1998-1999: Carole M. Roble, CPA
1996-1998: Herbert Schoenfeld, CPA
1995-1996: Theodore Feher, CPA
1993-1995: Mitchell Klein, CPA
1991-1993: Peter Ciccone, CPA
1989-1991: Charles W. Newton, CPA
1988-1989: Jerome Fien, CPA*
1987-1988: Edwin Kliegman, CPA*
1986-1987: John Sehrt Jr., CPA *
1985-1986: Eli Mason, CPA*
1984-1985: Irwin Pomerantz, CPA
1983-1984: John MacMullen, CPA
1982-1983: Sam Fisher, CPA
1981-1982: Ralph Rehmet, CPA
1980-1981: Clint Romig, CPA*

(Deceased)*

WELCOME....New Members!

SEPTEMBER 2015 - JULY 2016

A & A Williams	Shelter Island	NY
Anubhav Chopra CPA PC	West Babylon	NY
Becker & Associates Planning Services	Garden City	NY
David R. MacMillan, CPA	Glen Mills	PA
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Livrieri & Golub, Inc.	Hicksville	NY
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Michael J. Mirras, CPA, PC	Wainscott	NY
Nannette Watts, CPA	Wantagh	NY
Picker & Auerbach CPA	Brooklyn	NY
Portney & Company, CPAs	River Edge	NJ
Strebel & Klein, LLP	Hauppauge	NY
Raich Ende Malter & Co., LLP	Melville	NY
Rally & Associates, LLC	Lake Worth	FL
Robert Eckhardt & Co PC	Melville	NY
Robert M. Fein & Co. CPAs PLLC	Melville	NY
Rynkar Vail & Barrett, LLP	Mineola	NY
Sam Susser, CPA	Boynton Beach	FL
Solomon, Schneider Orenstein & Liebowitz	Freeport	NY
Steven Rose CPA LLC	Melville	NY
Summit Funding	Flushing	NY
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The Wolf Law Group	Mineola	NY
Weinstein & Wohlafka CPA PC	Westbury	NY

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National Conference of CPA Practitioners (NCCPAP)

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Price per issue: $2.50 ©2015 NCCPAP -ISSN 2152-4661

TRIBUTE TO PROFESSOR ROBERT KATZ, ESQ.

On July 23, 2016, Robert Katz, Esq. passed away.

It is difficult to write a brief tribute to Professor Robert Katz, Esq. and say all that should be said, while at the same time remaining professional and keeping my own emotions in check. I know that if I were to walk down any supermarket aisle on Long Island, and there were ten people there, none of them being tax professionals, Bob impacted at least a few of their lives, if not directly, through one of his countless disciples.

While he brought his great legal mind to the practice of law, he educated thousands as a professor at Hofstra University, CPA review courses, and frequent lecturer. You could not call yourself a tax professional on Long Island unless you experienced Bob Katz. As busy as he was, he was always accessible, and always had the answer, as if he knew in advance what you were going to ask.

In November of 2014, as would only be fitting, NCCPAP awarded Bob the first ever Samuel A. Dyckman Award in recognition as an outstanding discussion leader to the Long Island Tax Professionals Symposium, and the CPA Community. I was fortunate enough to be there to personally congratulate Bob, and to thank him for making my career possible.

On behalf of all of us at NCCPAP, I would like to convey our heartfelt condolences to Bobbie, Lori, Neil, and the rest of the Katz family for their loss. Thank you for allowing us to share him.

Robert N. Brown, CPA - N/S NCCPAP President

DUE DATE REMINDERS

Yes, it's that time of the year again! Now that we've had a chance to recover from our last deadline and set of adventures that was brought with it, we need to refresh ourselves on what we need to know for the upcoming filing season.

The first of the changes is the due dates for 2016 W-2s and most 1099s. W-2s have to be provided to the employee and e-filed with the Social Security Administration by January 31st. Automatic extensions are not available. Forms 1099-MISC have to be furnished to the recipient and filed with the IRS by January 31st if payments are reported in box 7 (Non-employee compensation).

Business entity due date modifications which go into effect for tax years beginning after December 31, 2015 are as follows: Calendar year partnership returns are now due by March 15th. Fiscal year partnerships will be due by the 15th day of the third month following the end of the partnership tax year. Partnerships can be put on extension for up to six months. Calendar year C Corporations are due by the 15th day of the fourth month; however, C Corporations with a fiscal year end of June 30th have special rules. An extension for C Corporations gets a little tricky. Six month extensions apply except for calendar year C Corporation which get up to a five-month extension. June 30th year end filers would get a seven-month extension. S Corporations are still due by March 15th and are allowed a six-month extension.

While the due dates remain the same for individuals, that is not the case for those filing fiduciary returns or FBAR reports. The extended due date for a calendar year-end fiduciary will be September 30th. The FinCen 114 report will now be due by April 15th, however the FBAR due date can be extended to October 15th. This is very positive considering that you only had a June 30th due date prior to the law changes and were not allowed extensions.

Finally, the bill addresses various other due dates including modifications which allow exempt organizations to fi le for an automatic six-month extension as opposed to having to fi le for two three-month extensions.

Observations are that the notable changes for partnership and fiduciary returns should take some pressure off when gathering information to finalize individual tax returns by the extended due dates. It is very important to also note that you should consult each state and local municipality for deadlines for their own return due dates.

This article was submitted by Scott M. Cheslowitz of Rothenberg & Peters, PLLC. He can be reached at scott.cheslowitz@rothenbergpeters.com or (516) 773-3200

2016-2017 OFFICER, DIRECTOR CANDIDATES

The Nominating Committee has proposed the following slate of Candidates for the 2016-2017 term.

The Officer Candidates:

President:	Stephen F. Mankowski, CPA
Exec. Vice -President:	Neil H. Fishman, CPA
Vice -President	Donald Ingram, CPA
	Frank A. Gallo, CPA
	Mark A. Stewart, CPA
Secretary:	Barry D. Zalk, CPA
Treasurer:	Stuart G. Lang, CPA

Director Candidates:

Kenneth Hauptman, CPA ('19)
David J. Rothfeld, CPA ('19)
Sandy E. Zinman, CPA ('19)
Joeseph Lowe, CPA ('17)
Steve Palmerio, CPA ('17)

Independent nominations for an Officer or elected Director may be made by petition files with the Secretary forty days following the August meeting (September 14th). The petition shall be signed by at least twenty-five members of the Conference, and shall certify that the nominee has consented to server, if elected. Profiles of independent nominations received prior to October 3rd will appear in the next regular issue.

In addition, three of the five voting members of the Nominating Committee are to elected from the membership. Nomination for members of the Nominating Committee, other than members elected by the Board, shall be by petition filed with the Secretary prior to the vote at the Annual Meeting of the Members. Each petition shall be signed by at least ten members. The signing members shall certify that the nominee has consented to serve if elected.

2016-2017 Election Ballots will be mailed October 4th. If you are not attending the Annual Meeting on October, be sure to mail your ballot so as to be received in the National Office prior to the October 18th.

PROFILES OF THE CANDIDATES

STEPHEN F. MANKOWSKI, CPA

Stephen is the Chair of the Tax Policy Committee and National Secretary of the National Conference of CPA Practitioners (NCCPAP). In this role, Steve represents NCCPAP members at the National Public Liaison meetings held monthly by the IRS. In addition, Steve participates on the 2014 IRS Mid-Atlantic Working Together committee.

Stephen, a graduate of La Salle University with a Bachelor of Science degree in Accounting and Finance, has over 27 years' experience in accounting and management. Steve is a partner with the firm EP Caine & Associates CPA, LLC. The firm has offices in Pennsylvania, New Jersey & New York. His client base centers on the mid-Atlantic region but reaches throughout the continental United States.

The firm serves individuals and small businesses through its' accounting, taxation, business consulting and litigation support services. It prides itself in offering clients expert advice interpreting it in an easily understood manner. The firm has a market niche of small and start-up enterprises.

Steve has served on numerous Boards including Portside Arts Center, a small community based non-profit enterprise and has previously served as President, Vice President and Educational Coordinator of the Ivyland Chapter of Business Network International (BNI).

In 2001, Steve served on a Pennsylvania committee to promote recycling businesses within the Commonwealth.

Neil H. Fishman, CPA, CFE, FCPA, CAMS

Neil has been in practice since 1989. He is a graduate of the SUNY College at Oneonta, and is licensed as a CPA in New York and Florida. He is a member of the New York State Society of CPAs, the Florida Institute of CPAs, the Association of Certified Fraud Examiners, the Association of Certified Anti-Money Laundering Specialists, the Forensic CPA Society, and ncCPAp, where he has served on the National Board in various capacities, including as Chairman of the National Tax Policy Committee (2008-2011). He is also the founding President of the South Florida Chapter (2008-2012).

Neil has authored several articles that have appeared in The CPA Journal, published by the New York State Society of CPAs, California CPA, published by the California Society of CPAs, Florida CPA Today, published by the Florida Institute of CPAs. In March 2005, Neil was a panelist on taxtalktoday.tv, a webcast run by the IRS, where the topic was "How the Bank Secrecy Act Affects You and Your Clients." Neil has assisted in the drafting of tax legislation introduced in the United States House of Representatives; discussed tax issues with key support personnel of the United States Senate Committee on Health Education, Labor & Pensions; and provided assistance on the drafting of testimony presented to the United States Senate Committee on Finance and House of Representatives Judiciary and Small Business Committees.

DONALD INGRAM, CPA

Donald is a Certified Information Systems Auditor (CISA) with a practice in Plainview, New York. He is a graduate of Adelphi University with a BBA in Accounting as well as an MBA.

Donald is a Past President of the Nassau/Suffolk Chapter of NCCPAP as well as co-chair of the LITPS Accounting Technology Forum. He is also on the Long Island IRS Service Liaison Committee and a member of the NYSSCPA, the Institute of Management Accountants and the National Association of Tax Professionals.

Donald resides in Plainview, New York with his wife Myrna. He was named "Businessperson of the Year" in 2005 by the Nassau County Chambers. He is active in the Plainview Jewish Center, where he is a past President. He is a Vietnam Vet who served in the U.S. Navy.

Frank A. Gallo, CPA, MBA

Frank is the managing partner of Gallo & Company, CPA's LLP located in Jericho, NY. He is a graduate of Pace University with a Master of Business Administration and was a manager at Kenneth Leventhal and Company before starting his own practice in 1986.

Frank has been in public accounting for more than thirty years and has expertise in audits, reviews, compilations, broker dealers, nonprofits, manufacturing, real estate, pension plans, construction and peer reviews.

He is a member of the New York State Society of CPA's and National Conference of CPA Practitioners. He is also a member of the American Institute of Certified Public Accountants, Institute of Management Accountants and the National Society of Accountants. He serves on both the New York State Society of CPA's and National Conference of CPA Practitioners peer review committees.

Mark A. Stewart Jr., CPA

Mark is the Secretary for the National Conference of CPA Practitioners (NCCPAP). Mark is the incoming President and current Program Chair for the Westchester/Rockland County New York chapter of the National Conference of CPA Practitioners.

Mark is currently the Co-Managing Member of Feldstein & Stewart LLP, a full service public accounting firm located in Rockland County, NY that serves medium and small business clients. The firm provides a broad range of services including tax preparation, financial planning and audit/review/compilation attestation services.

Mark is a member of the American Institute of Certified Public Accountants, the New York State Society of Certified Public Accountants and the National Conference of CPA Practitioners.

Mark graduated summa cum laude from the State University of New York at New Paltz with two degrees, a Bachelor of Science in Accounting and an Honors Program degree.

BARRY D. ZALK, CPA

Barry is a graduate of Northeastern University in Boston where he received his BS in BA in Accounting in 1973. He has practiced public accounting for over 41 years.

Barry started his accounting career while in college where he interned with various Boston accounting firms and Boston Gas Company. He also interned with J.K. Lasser and Company in New York City where he also worked after graduating. In 1976 he joined an accounting practice with his father until his father's retirement in 2012. He is currently a sole practitioner in Huntington, NY.

Barry is a Past-President of the Nassau/Suffolk Chapter of NCCPAP and is the Chairperson of their Public Relations Committee. He is also the current chairperson of National's Ethics Committee and a member of the National Board of Directors. He is a member of the NYSSCPA and the FICPA. He is certified in New York and Florida.

Barry resides in Greenlawn, New York with his wife Lynn and has three daughters and a granddaughter.

Stuart G. Lang, CPA, CGMA, FABFA

Stu is a Partner and Director of Quality Control at G. R Reid Associates, LLC. He specializes in representing small to medium sized businesses performing compilations, reviews and audits, and has performed or participated in many peer reviews under the AIPCA Peer Review and National Peer Review Programs. He is an active member of the AICPA, NYSSCPA and its Nassau Chapter, and the National Conference of CPA Practitioners (NCCPAP). He serves on the NYSSCPA's Public Schools Accounting Committee and has frequently acted as a discussion leader and lecturer at the Nassau Chapter Compilation and Review Conference and the Nassau/Suffolk Chapter of NCCPAP Accounting Seminars. He has also served as member of the New York State Society's AICPA Peer Review Committee (the committee whose charge is to accept peer reviews performed in NYS), NYSSCPA's Nassau Chapter Accounting Procedures Committee and the NYSSCPA's Professional Ethics Committee. He is a Past-President of the Nassau/Suffolk Chapter of NCCPAP, and current Treasurer of NCCPAP. In addition, he is a consultant to other CPA firms in the area of Governmental Auditing with an emphasis on School Districts. Stu also serves as a consultant to school districts in accounting matters, including financial statement preparation and internal controls, and has also performed external audits of school districts.

Stu received his Bachelors of Arts in Accounting from

Queens College, CUNY in June, 1982, and his Associate in Science in Business from Queensborough Community College, CUNY in August, 1980. He was elected Phi Theta Kappa at Queensborough Community College in June, 1980. He was granted a license to practice as a Certified Public Accountant in New York State and Florida. He is a Fellow, American Board of Forensic Accounting.

KENNETH HAUPTMAN, CPA

Ken obtained his Bachelor of Science in Economics, with a specialization in Accounting, in 1972 from Brooklyn College, and a Master of Science in Taxation from Long Island University–C.W. Post Center in 1979.

Ken has been practicing public accounting for over 45 years, initially with Lutz and Carr, CPAs and later as a partner with the firms of Weinick, Sanders & Co., CPAs and Hauptman, Elsner & Co., CPAs, prior to establishing his own CPA practice. After 25 years in his own practice, he merged with the firm Wild, Maney & Resnick, LLP on January 1, 2013.

Ken is well versed as a general practitioner; he has been involved in performing a variety of services for a diverse base of clientele: Audit, Review or Compilation of Financial Statements; Tax consultation, representation or preparation.

He is a member in good standing of the American Institute of CPAs and the New York State Society of CPAs (NYSSCPA), and NCCPAP.

Ken is currently a member of the Board of Directors of NCCPAP National; the ncCPAp Education Foundation and the Nassau Chapter of the New York State Society CPAs, as well as Co-chairperson of the NYSSCPA Nassau Chapter Small Firm MAP Committee and a member of the NCCPAP National MAP Committee.

During the years 2009–2016, Ken has served as Vice President, Treasurer and a member of the Board of Directors of NCCPAP National; from 2003 to 2008, Ken served as Secretary, a member of the Board of Directors and Co-chaired the MAP Committee of the Nassau/Suffolk Chapter.

Ken resides in Old Bethpage, NY with his wife Robyn.

DAVID ROTHFELD, CPA

David has been a CPA since 1977 and has worked for several accounting firms including David Tarlow & Co in NYC in the late '70s as well as Feldman & Feldman in Bellrose, N.Y. David graduated from Adelphi University, receiving both a BBA and an MS in Accounting. He has spent more than thirty years serving small- to middle-market companies and individuals through his accounting, tax preparation and planning, and financial planning practice in Hicksville, New York.

David currently is Treasurer of the Educational Foundation of the Nassau/Suffolk Chapter of NCCPAP, Office Operations Chairperson of the Chapter, Educational Foundation, and National as well as member of the Education, Insurance and Budget Chapter committees. He serves as a member of the National Board of Directors as well as being co-chair of the By-Laws committee and is a member of the Membership and Education Committees. He is a member of the Financial Planning Association and is treasurer of the Civil War Forum of Metropolitan New York.

David resides in West Islip, New York, with his wife Ellen.

JOSEPH LOWE, CPA

Joe is the sole shareholder at Lowe and Associates, PC. in Trappe, Pennsylvania. He began his public accounting career with several regional accounting firms prior to establishing his own practice in 1988.

A graduate of La Salle University in Philadelphia, Joseph has served on the board of the Perkiomen Valley Chamber of Commerce, acting as treasurer for over ten years and has also served as treasurer of Trappe Borough in Montgomery County, Pennsylvania.

Joseph currently serves as President of the Delaware Valley chapter of NCCPAP.

STEVE PALMERIO, CPA

Steve has over 30 years of experience in public accounting and management information systems consulting. This experience covers a wide area of practice including non-profit organizations, accounting, legal, and other professional firms along with distribution/manufacturing cost accounting systems.

Application experience includes products for Microsoft and Sage along with design and supervision of custom applications based on client specifications. Steve's current focus is on Microsoft Dynamics GP and has implemented the financial and distribution series, project accounting, payroll, manufacturing series, Management Reporter (formerly FRx), Microsoft Forecaster, and the Integration Manager. Steve's project roles include implementation planning and design, documentation, training, and client coaching.

Steve brings a wealth of diversified experience to Paradigm Technology Consulting, LLC. Clients benefit from Steve's experience with multiple product lines, a diversified accounting and auditing background, and overall experience with vast amount of business types. Over the years, he has worked on special assignments for Paradigm and, on June 1st, 2004, became part of Paradigm's consulting staff.

Steve graduated from St. Joseph University in 1971 with BS in Accounting and has been a CPA since 1974.

SANFORD E. ZINMAN, CPA, MBA

Sandy is president of Sanford E. Zinman, CPA PC in White Plains, New York. He graduated from Iona College with a Master of Business Administration in Public Accounting and started his own practice in 1983. He has been in public accounting for more than thirty years, with expertise in compilations and tax. He is licensed in New York and Connecticut and has a diversified clientele including architectural firms, attorneys, authors, child care providers, interior designers, construction and real estate developers, insurance professionals, medical/ dental professionals, restaurants, and retail operations. He provides business and individual tax services and compilation services and well as individual and corporate tax planning and payroll and payroll tax services.

Sanford is a member of the AICPA and NCCPAP, where he serves as president of the Westchester/ Rockland Chapter. He has testified before the Senate Finance Committee and the House Committee on the Judiciary on various tax and identity theft issues.

Still Serving on the Board are:

LYNNE MARCUS, CPA, CFP

Lynne has a BA in Accounting from Queens College and an MBA in Finance from St. John's University. She completed the Certified Financial Planner program of the College for Financial Planning at Queens College and has a General Securities License and Insurance License. She is an Investment Advisor Representative with HD Vest Investment Services, a member of the FINRA and SIPC.

Lynne began her accounting career with Price Waterhouse in their Small Business Department. She has worked in both large and small companies. Her experience includes banking, real estate, service and retail organizations, and in her current practice with EP Caine & Associates CPA's LLC, in Great Neck, New York and Boynton Beach, Florida, she offers services including computerized accounting and bookkeeping, tax return preparation and tax planning, budgeting, estates, trusts, investment, insurance and retirement planning. Lynne has been an Adjunct Professor at several New York and Florida universities, where she taught Accounting and Auditing courses. She was Program Coordinator and teacher in the Certified Financial Planner Program and Foundation in Financial Planning in conjunction with the College for Financial Planning in Denver, Colorado. Lynne was also the 1992-1994 chairperson for the NYS Society of CPAs, Nassau (NY) Chapter–Personal Financial Planning Committee. She is the Florida Chapter President and on the National Board of Directors for NCCPAP.

Mary E. Duff, CPA

Mary is founder and President of Duff Accounting Solutions LLC, a financial services firm dedicated to providing small and mid-size businesses with the level and professionalism normally available only to large corporations. Duff Accounting Solutions' clients include services for privately held companies, manufacturing businesses and non-profit organizations in the Mid-Atlantic region. Service offerings include: Tax Preparation for Corporate and Individuals; General Accounting and CFO Services for those organization who need the expertise of a seasoned professional, but are not ready to hire a full-time executive; Business Planning Services to develop financial projections for venture or private equity funding; and Financial Management Assessments to determine where the business is and to support the company's current financial staff with ongoing procedures.

Before entering public accounting, Mary worked for Shared Medical Systems in their Accounts Receivable and Billing Departments. In 1990, she joined Irwin & Company, a Radnor CPA firm that later became Beucler, Kelly & Irwin, Ltd. Mary has been involved in compilation, review and tax engagements for closely held businesses for over ten years. In 1999, she was named President of BKI Solutions, Inc. predecessor to Duff Accounting Solutions LLC.

Mary's clients include services privately-held companies, manufacturing businesses and nonprofit organizations in the Mid-Atlantic region. Service offerings include: General Accounting and CFO Services for those organization who need the expertise of a seasoned professional, but are not ready to hire a full-time executive; Business Planning Services to develop financial projections for venture or private equity funding; and Financial Management Assessments to determine where the business is and to support the company's current financial staff with ongoing procedures.

Mary is a Certified Professional Advisor for QuickBooks and is a recognized member of the local business community. She has served as the National Vice President and Treasurer of the Accounting and Financial Women's Alliance and is a former President of the Philadelphia Chapter. She also served as a Treasurer of the National Association of Women's Business Owners, and the Center for Advancement in Cancer Education. She is currently a Board Member of National Conference of CPA Professionals (NCCPAP).

Mary holds a Bachelor of Science degree in Accounting from the University of Scranton.

RONALD C. TOCKMAN, CPA

Ron is a graduate of Suffolk University class of 1971. Ronn has been a practicing CPA in his own firm since 1975, servicing clients primarily in Eastern Massachusetts, Southern New Hampshire and the Rhode Island area.

He is a member of NCCPAP, AICPA, and the Massachusetts Society of CPAs (MSCPA). He has served on the Federal Tax Committee of the MSCPA since 1979 and as the chairman of the Infoshare subcommittee for several years. Ronn has served on the Board of Directors of NCCPAP, as National Secretary and as National Vice President and as Boston Chapter President. Ronn lectures on current tax topics for both continuing education courses for the MSCPA and to private groups on tax law updates.

Ronn lives in Stoughton, Massachusetts.

SCOTT CHESLOWITZ, CPA

Scott, a partner of Rothenberg & Peters, PLLC, is a general practitioner for over 28 years working with closely held entities, estates and high net worth individuals. His services include accounting, tax and business planning for Corporations, Limited Liability Companies, Partnerships, and Individuals. Scott also provides for estate planning and estate tax work along with estate and trust fiduciary income tax preparation.

Scott graduated Queens College, CUNY with a degree in accounting and is a Certified Public Accountant licensed in the State of New York. He is On the Board of Directors of the National Conference of CPA Practitioners (NCCPAP), and a member of the American Institute of Certified Public Accountants (AICPA), and the New York State Society of Certified Public Accountants (NYSSCPA). Scott has written tax questions for the AICPA Uniform CPA Exam, is currently a member of the AICPA Tax Practice Management Committee and formerly has served as the Chair of the New York State Society of Certified Public Accountants Tax Division Oversight Committee (TDOC). He is also former Chair of The NYSSCPA's Closely Held & S Corporations tax committee and a former co-chair of "Rapid Response" subcommittee for the Tax Division Oversight Committee in which Comment letters to the government and tax articles have been developed for the good of the membership and for the tax profession.

Scott has been an Adjunct professor at Queens College and has been published several times in the CPA Journal, The Tax Advisor and in the NYSSCPA Trusted Professional. In addition, he co-authored a chapter in "The Handbook of Budgeting" through Wiley Publishing. He has appeared multiple times on FoxBusinessNews, Bloomberg on demand and Business Week TV. He has been quoted several times in the media including the Associated Press, Newsday, The Daily News; Inc Magazine, Forbes online, etc...

SAVE THE DATES

NATIONAL QUARTERLY CONFERENCES

FALL - OCTOBER 19-21, 2016

DOUBLETREE PHILADELPHIA-VALLEY FORGE
301 W. DEKALB PIKE, KING OF PRUSSIA, PA
1-800-879-8372
RESERVATIONS MUST BE MADE PRIOR TO
SEPTEMBER 29, 2016
AFTER WHICH THE BLOCK OF ROOMS WILL BE RELEASED.
NCCPAP CONFERENCE RATES: $129 DOUBLE: QUEEN/QUEEN

WINTER - JANUARY 4-6, 2017

DOUBLETREE BY HILTON
4431 PGA BLVD., PALM BEACH GARDENS, FL 33410
561-622-2260
RESERVATIONS MUST BE MADE PRIOR TO
DECEMBER 12, 2016
NCCPAP CONFERENCE RATES: $119.00

SPRING - MAY 10-12, 2017

HYATT REGENCY - BETHESDA, MD

SUMMER - AUGUST 2-4, 2017

FALL - OCTOBER 25-27, 2017

WINTER - JANUARY 3-5, 2018

U.S. DEPT. OF LABOR EXPANDS OVERTIME ELIGIBILITY FOR WHITE COLLAR EMPLOYEES

The United States Department of Labor has announced a new rule that it claims will extend overtime protections to an estimated 4.2 million workers who currently are exempt. The effective date of the new rule is December 1, 2016. In this article we will examine the scope and impact of the rule.

The Fair Labor Standards Act (FLSA) currently requires that most employees in the U.S. be paid at least a minimum wage and overtime pay at time and one-half the regular rate of pay for all hours worked over 40 in a work week. However, the FLSA provides an exemption from both minimum wage and overtime pay for individuals employed as executive, administrative, professional, outside sales and computer employees. Moreover, some occupations are not eligible for overtime pay (including teachers, doctors and lawyers).

Increased Salary Requirements

Generally speaking, to qualify for the exemption under the FLSA, employees were required to meet certain tests regarding their job duties and be paid on a salary basis at not less than $455 per week. The new rule increases the salary level required for the exemption from $455 a week ($23,660 annually) to $913 a week ($47,476 annually). The increase is of particular significance in New York State, since the standard weekly salary level required for the overtime exemption in New York is currently $675 a week. Future updates of this threshold will occur every three years, beginning on January 1, 2020.

The Duties Test

The duties tests remain unchanged under the final rule. These tests are summarized below:

Professional Exemption. There are several different kinds of exempt "professional" employees. These include "learned professionals", "creative professionals", teachers, and employees practicing law or medicine. Under the final rule, exempt professional employees must receive at least $913 a week on a salary or fee basis and must primarily perform work that either requires advanced knowledge in a field of science or learning, usually obtained through a degree, or that requires invention, imagination, originality, or talent in a recognized field of artistic or creative endeavor. Some businesses may employ certain professionals who will be unaffected by the new salary level. Specifically, the salary level and salary basis requirements do not apply to teachers, lawyers, or doctors.

Administrative Exemption. To qualify for the administrative exemption, an employee must receive at least $913 a week (the equivalent of$47,476 a year) on a salary or fee basis, and the employee's primary duty must be the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer's customers. Additionally, the employee's primary duty must include the exercise of discretion and independent judgment with respect to matters of significance.

Executive Exemption. To qualify for the executive exemption, an employee must receive compensation on a salary basis of not less than $913 per week and have the primary duty of managing the enterprise, or managing a customarily recognized department or subdivision of the enterprise. Additionally, the employee must customarily and regularly direct the work of at least two other full-time employees or their equivalent (for example, one full-time and two half-time employees are equivalent to two full-time employees), and have the authority to hire or fire other employees, or the employee's suggestions and recommendations as to the hiring, firing, advancement, promotion, or any other change of status of other employees must be given particular weight.

Compliance Options

In order to comply with the new rule, employers may wish to reorganize workload distributions or adjust employee schedules. For example, work assignments that are predictable could be assigned at the beginning of the workweek (rather than, for instance, late in the day on Friday for an employee who typically works Monday-Friday) in order to manage overtime hours. Or, when employees regularly perform duties outside of a 9 to 5 workday, companies may consider adjusting those employees' schedules to encompass when most of the work takes place, so that they will not work more than 40 hours each workweek.

To reduce or eliminate overtime hours, employers may also decide to hire new employees or redistribute work hours in excess of 40 across current staff, such as by increasing the work hours of staff who work less than 40 hours per week.

Employers May Use Bonuses to Satisfy Part of the Salary Level Test

The new rule allows "non-discretionary" bonuses and incentive payments (including commissions) to satisfy up to 10% of the standard salary test requirement. Such bonuses include, for example, non-discretionary incentive bonuses tied to productivity or profitability (e.g., a bonus based on the specified percentage of the profits generated by a business in the prior quarter or a bonus based on achieving certain production goals). Where large bonuses are paid, however, the amount attributable towards the standard salary level is capped at 10% of the required salary amount. For employers to credit non-discretionary bonuses and incentive payments (including commissions) toward a portion of the standard salary level test, such payments must be paid on a quarterly or more frequent basis.

Highly Compensated Workers

In addition, the new rule increases the threshold salary level for highly-compensated workers. Such workers were exempt from overtime pay if their annual compensation was $100,000 and they customarily and regularly perform at least one of the duties of an exempt executive, administrative or professional employee. The new threshold is $134,000 per year.

Congressional Response to Overtime Rule

While the DOL's rule is scheduled to take effect on December 1, 2016, at the time this article was written, both Democratic and Republican congressmen have been proposing legislation that would either block the new rule or would incrementally phase in the new threshold over a three year period. Naturally, any bill which either blocks or slows the implementation of the new rule faces the possibility of a presidential veto.

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STREAMLINED CRITICAL PAY AUTHORITY
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IRS COLLECTIONS - NO WAY TO KNOW WHEN YOU WILL HEAR BACK
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CONGRESS IS PERPETUALLY STRUGGLING WITH "TAX SIMPLIFICATION"

What's already known is that small businesses make up an overwhelming majority of the number of businesses in our country. According to a GAO report published in June of 2015, small businesses, as defined by less than $10 million in total revenue, make up roughly 99 percent of all businesses. That same report states that 69 percent of those small businesses are individual taxpayers while 31 percent come from partnerships or corporations. The report also indicates that 20 percent of the small business population hire at least one employee and produce about 71 percent of total small business income. The small business community is vital to America. It's vital to our economy and it's vital to keeping alive the American dream for all. Today, small business deals with massive hurdles brought on by the burden of dealing with tax compliance related activities. These compliances vary depending on the type of business entity, industry type, number of employees, asset size, to name a few. Without going into the overwhelming number of separate items which would necessitate the conversation for sweeping tax reform, we need to now resolve the tremendous cost burden that the small business owners must endure.

Many Mom and Pop businesses, which I call "micro" businesses, operate the same way they did 50 years ago. Many are sole proprietors or Subchapter S Corporations. The life of a business often begins when the owner seeks advice from his or her attorney. Just as often, the attorney recommends that the owner gets the opinion of a qualified tax advisor - usually a CPA. The form of organization is often irrelevant to the business owners. They just want to get out there and make some money.

What do these "micro" business owners want? They want to better their lives and keep as much of their profits as they legitimately can for themselves. It's safe to say that this is the American way. When these individuals come to me and want to start a business, the first thing they want to know is what is the simplest type of business to open that will protect their existing assets while costing them the least amount of tax. Of course, this is never a standard "C" Corporation.

Life was simpler 50 or 60 years ago, but we aren't there anymore. New types of business organizations have been created. Each one has potential benefits and potential pitfalls. CPA's will explain the nuanced differences between a corporation, an S Corporation, a partnership and an LLC. Ultimately, the differences are not extremely significant in the big picture. However, these differences can cause unnecessary complications in the decision making process.

The interview process requires the CPA to determine a business owner's sophistication regarding the tax law and tax regulations. Do they understand the payroll process along with the filing and paying of payroll taxes? Are they responsible to pay their own quarterly estimated taxes? What are their medical insurance needs? Only after these conversations can a CPA provide meaningful guidance. Yet the issues raised do not necessarily help the business owner in achieving his or her true objective: to put food on the table. Additionally, although the form of business entity chosen may meet the current needs of the owner, these needs may change over time. Then the organizational structure, which was originally correct, may no longer be the proper one. Over the years I have met with business owners believing that their lawyer or CPA caused problems because they set things up wrong. After some prodding, I find that the nature of the business changed and what was correct before no longer is.

We try to help our clients choose a business structure that is right for them. The similarities and differences among business entities often make the choice a difficult one. There can be a simpler common taxation approach to the various business entities.

Types of Business Entities - An Overview

(Sources: Internal Revenue Service and Small Business Administration) This section is not meant to be a complete review of all types of business entities or the related taxes.

C Corporations

In forming a corporation, prospective shareholders exchange money, property, or both, for the corporation's capital stock. A corporation generally takes the same deductions as a sole proprietorship to figure its taxable income. A corporation can also take special deductions. For federal income tax purposes, a C Corporation is recognized as a separate taxpaying entity. A corporation conducts business, realizes net income or loss, pays taxes and distributes profits to shareholders. The profit of a corporation is taxed to the corporation when earned, and then is taxed to the shareholders when distributed as dividends. This creates a double tax. The corporation does not get a tax deduction when it distributes dividends to shareholders. Shareholders cannot deduct any loss of the corporation.

S Corporations

S Corporations are corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. Shareholders of S Corporations report the flow-through of income and losses on their personal tax returns and are assessed tax at their individual income tax rates. This allows S Corporations to avoid double taxation on the corporate income. S Corporations are responsible for tax on certain built-in gains and passive income at the entity level.

All states do not tax S Corporations equally. Most recognize them similarly to the federal government and tax the shareholders accordingly. However, some states (like Massachusetts) tax S Corporations on profits above a specified limit. Other states don't recognize the S Corporation election and treat the business as a C Corporation with all of the tax ramifications. Some states (like New York and New Jersey) tax both the S Corporations profits and the shareholder's proportional shares of the profits. The corporation must file the Form 2553 to elect "S" status within two months and 15 days after the beginning of the tax year or any time before the tax year for the status to be in effect.

To qualify for S Corporation status, the corporation must meet the following requirements:

- Be a domestic corporation
- Have only allowable shareholders
  May be individuals, certain trusts, and estates and May not be partnerships, corporations or non-resident alien shareholders
- Have no more than 100 shareholders
- Have only one class of stock
- Not be an ineligible corporation (i.e. certain financial institutions, insurance companies, and domestic international sales corporations).

An S Corporation is created through an IRS tax election. An eligible domestic corporation can avoid double taxation (once to the corporation and again to the shareholders) by electing to be treated as an S Corporation.

What makes the S Corporation different from a traditional corporation (C Corporation) is that profits and losses pass through to the shareholder's personal tax return. Consequently, the business is not taxed itself. The corporation must furnish copies of Schedule K-1 (Form 1120S) to the partners by the date Form 1120 is required to be filed, including extensions. There is an important caveat however: any shareholder who works for the company must pay him or herself "reasonable compensation". Basically, the shareholder must be paid fair market wages, or the IRS might reclassify any additional corporate earnings as "wages".

Advantages of an S Corporation

- **Tax Savings** One of the best features of the S Corporation is the tax savings for the owners and the business. While members of an LLC are subject to employment tax on the entire net income of the business, only the wages of the S Corporation shareholder who is an employee are subject to employment tax. The remaining income is paid to the owner as a "distribution", which is taxed at a lower rate, if at all.
- **Business Expense Tax Credits** Some expenses that shareholder/employees incur can be written off as business expenses. Nevertheless, if such an employee owns 2% or more of the shares, then benefits like health, disability and life insurance are deemed taxable income.
- **Independent Life** An S Corporation designation also allows a business to have an independent life, separate from its shareholders. If a shareholder leaves the company, or sells his or her shares, the S Corporation can continue doing business relatively undisturbed. Maintaining the business as a distinct corporate entity defines clear lines between the shareholders and the business that improve the protection of the shareholders.

Disadvantages of an S Corporation

- **Stricter Operational Processes** As a separate structure, S Corporations require scheduled director and shareholder meetings, minutes from those meetings, adoption and updates to by-laws, stock transfers and records maintenance.
- **Shareholder Compensation Requirements** A shareholder must receive reasonable compensation. The IRS takes notice of shareholder red flags like low salary/high distribution combinations, and may reclassify distributions as wages. An owner could pay a higher employment tax because of an audit with these results.

Partnerships

A partnership is the relationship existing between two or more persons who join to carry on a trade or business. Each person contributes money, property, labor or skill, and expects to share in the profits and losses of the business. A partnership must file an annual information return to report the income, deductions, gains, losses, etc., from its operations, but it does not pay income tax. Instead, any profits or losses pass through to its partners. Each partner includes his or her share of the partnership's income or loss on his or her tax return. Partners are not employees and must not be issued a Form W-2. The partnership must furnish copies of Schedule K-1 (Form 1065) to the partners by the date Form 1065 is required to be filed, including extensions. Because partnerships entail more than one person in the decision-making process, it's important to discuss a wide variety of issues up front and develop a legal partnership agreement. This agreement should document how future business decisions will be made, including how the partners will divide profits, resolve disputes, change ownership (bring in new partners or buy out current partners) and how to dissolve the partnership. Although partnership agreements are not legally required, they are strongly recommended and it is considered extremely risky to operate without one.

Types of Partnerships

There are three general types of partnership arrangements:

- **General Partnerships** assume that profits, liability and management duties are divided equally among partners. If partners opt for an unequal distribution, the percentages assigned to each partner must be documented in the partnership agreement.
- **Limited Partnerships** (also known as a partnership with limited liability) are more complex than general partnerships. Limited partnerships allow partners to have limited liability as well as limited input with management decisions. These limits depend on the extent of each partner's investment percentage. Limited partnerships are attractive to investors of short-term projects.
- **Joint Ventures** act as general partnership, but for only a limited period of time or for a single project. Partners in a joint venture can be recognized as an ongoing partnership if they continue the venture, but they must file as such.

To form a partnership, the partners register the business with resident state, a process generally done through the Office of the Secretary of State. A business name must be established. The legal name is the name given in the partnership agreement or the last names of the partners or a fictitious name (also known as an assumed name, trade name, or DBA name, short for "doing business as").

Most businesses will need to register with the IRS, register with state and local revenue agencies, and obtain a tax ID number or permit. A partnership must file an "annual information return" to report the income, deductions, gains and losses from the business's operations, but the business itself does not pay income tax.

Partnership taxes generally include:

- Annual Return of Income
- Employment Taxes
- Excise Taxes

Partners in the partnership are responsible for several additional taxes, including:

- Income Tax
- Self-Employment Tax
- Estimated Tax

Advantages of a Partnership

- **Easy and Inexpensive** Partnerships are generally an inexpensive and easily formed business structure. The majority of time spent starting a partnership often focuses on developing the partnership agreement.
- **Shared Financial Commitment** In a partnership, each partner is equally invested in the success of the business. Partnerships have the advantage of pooling resources to obtain capital. This could be beneficial in terms of securing credit, or by simply doubling seed money.
- **Complementary Skills** A good partnership should reap the benefits of being able to utilize the strengths, resources and expertise of each partner.
- **Partnership Incentives for Employees** Partnerships have an employment advantage over other entities if they offer employees the opportunity to become a partner. Partnership incentives often attract highly motivated and qualified employees.

Disadvantages of a Partnership

- **Joint and Several Liability** Similar to sole proprietorships, partnerships retain full, shared liability among the owners. Partners are not only liable for their own actions, but also for the business debts and decisions made by other partners. In addition, the personal assets of all partners can be used to satisfy the partnership's debt.
- **Disagreements Among Partners** With multiple partners, there are bound to be disagreements. Partners should consult each other on all decisions, make compromises, and resolve disputes as amicably as possible.
- **Shared Profits** Because partnerships are jointly owned, each partner must share the successes and profits of their business with the other partners. An unequal contribution of time, effort, or resources can cause discord among partners.

LLC's

A Limited Liability Company (LLC) is a hybrid type of legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. The "owners" of an LLC are referred to as "members". An LLC is a business structure allowed by state statute. Each state may use different regulations. Depending on the state, the members can consist of a single individual (one owner), two or more individuals, corporations or other LLCs. Unlike shareholders in a corporation, LLCs are not taxed as a separate business entity. Instead, all profits and losses are "passed through" the business to each member of the LLC. LLC members report profits and losses on their personal federal tax returns, just like the owners of a partnership would.

A few types of businesses generally cannot be LLCs, such as banks and insurance companies. There are special rules for foreign LLCs. Depending on elections made by the LLC and the number of members, the IRS will treat an LLC as either a corporation, partnership, or as part of the LLC's owner's tax return (a "disregarded entity"). Specifically, a domestic LLC with at least two members is classified as a partnership for federal income tax purposes unless it files Form 8832 and affirmatively elects to be treated as a corporation. And an LLC with only one member is treated as an entity disregarded as separate from its owner for income tax purposes (but as a separate entity for purposes of employment tax and certain excise taxes), unless it files Form 8832 or Form 2553 and affirmatively elects to be treated as a corporation. An LLC that does not want to accept its default federal tax classification, or that wishes to its classification, uses Form 8832, Entity Classification Election, to elect how it will be classified for federal tax purposes. Generally, an election specifying an LLC's classification cannot take effect more than 75 days prior to the date the election is filed, nor can it take effect later than 12 months after the date the election is filed. An LLC may be eligible for late election relief in certain circumstances.

In the eyes of the federal government, an LLC is not a separate tax entity, so the business itself is not taxed. This is similar to an S Corporation or a partnership. Instead, all federal income taxes are passed on to the LLC's members and are paid through their personal income tax. While the federal government does not tax income on an LLC, some states do. Since the federal government does not recognize an LLC as a business entity for taxation purposes, all LLCs must file as a corporation, partnership, or sole proprietorship tax return. As noted above, LLCs that are not automatically classified as a corporation can choose their business entity classification. To elect a classification, an LLC must file Form 8832. This form is also used if an LLC wishes to change its classification status. There is always the possibility of requesting S Corporation status for an LLC by making a special election with the IRS to have the LLC taxed as an S Corporation using Form 2553; The LLC remains a limited liability company from a legal standpoint, but for tax purposes it can be treated as an S Corporation.

Advantages of an LLC

- **Limited Liability** Members are protected from personal liability for business decisions or actions of the LLC. This means that if the LLC incurs debt or is sued, members' personal assets are usually exempt. This is similar to the liability protections afforded to shareholders of a corporation.
- **Less Recordkeeping** An LLC's operational ease is one of its greatest advantages. Generally there is less registration paperwork and in many states there are lower start-up costs.
- **Sharing of Profits** There are fewer restrictions on profit sharing within an LLC, as members distribute profits as they see fit. Members might contribute different proportions of capital and sweat equity. Consequently, it's up to the members themselves to decide who has earned what percentage of the profits or losses.

Disadvantages of an LLC

- **Limited Life** In many states, when a member leaves an LLC, the business is dissolved and the members must fulfill all remaining legal and business obligations to close the business. The remaining members can decide if they want to start a new LLC or part ways. However, the operating agreement can include provisions to prolong the life of the LLC if a member decides to leave the business.

- **Self-Employment Taxes** Members of an LLC are considered self employed and must pay the self-employment tax contributions towards Medicare and Social Security. The entire net income of the LLC is subject to this tax.

This article was submitted by Sanford E. Zinman, CPA of Zinman Accounting. This is an excerpt of Sandy's testimony to the Senate Finance Committee. He can be reached at sandy@zinmantax.com or (914) 253-6511.

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WHAT ACCOUNTANTS MUST KNOW ABOUT MAXIMIZING SHAREHOLDER VALUE

Introduction

A fundamental principle taught to all accounting and business students is that the goal of the firm is maximization of shareholder value (MSV). The renowned economist, Milton Friedman (1970), felt very strongly that top management must be solely concerned with increasing shareholder wealth, not social welfare. He made it very clear that the only responsibility of business is to increase its profits. Friedman's idea led to the dangerous view — usually attributed to Michael C. Jensen and William H. Meckling (1976) — that the goal of the firm should be maximization of shareholder value (Denning, 2013).

In practice, corporations have not lived up to their professed stewardship of shareholders' value. Progressively, the notion of "shareholder value" became synonymous with higher share price. This is a cynical and perverted view of shareholders' interest. However, it serves the narrow interest of directors and executives because share price is a major factor in determining executive compensation. The plethora of corporate scandals and the related loss of share value, including the dissolution of some companies, are inconsistent with considerations for shareholders' value. A small sample of some of the worst accounting scandals in the United States – Waste Management, Enron, WorldCom, Freddie Mac, AIG, WaMu, Lehman Brothers , etc. – reveals that most were driven by a desire to increase stock prices and have resulted in significant losses in shareholders' wealth. Yau & Brutoco (2012) assert:

> More shareholder value has been destroyed in the pursuit of profits in the name of shareholder value maximization than for any other reason. In fact, shareholder maximization not only failed to occur in the run-up to the Great Recession from 2008 to 2009, but shareholder value was destroyed on a massive scale while societal costs were created that will be borne by the next several generations.

Examination of the COSO 2013 Internal Control – Integrated Framework (2013) makes it apparent that the roles of accountants and auditors are changing and they now must strive to ensure an "ethical tone at the top." The Institute of Internal Auditors (2012) also maintains that there is a crucial need for auditors to help create a corporate culture where ethical decisions are made:

> What rationalization does a company make to justify a corporate culture where ethics are ignored? In recent years, greed, fraud, and a lack of ethical conduct have led to the collapse of many organizations. A variety of internal and external pressures can lead companies down the wrong path. And once the first misstep is taken, it's a slippery slope to hurting stakeholders, the community, and your reputation.

In order for accountants and auditors to provide firms with ethical recommendations that keep a firm strong and healthy, they must understand the consequences of MSV as a business philosophy.

MSV from a Legal Point of View

According to Smith (2014), this belief has no legal merit since "Shareholders are at the very back of the line. They get their piece only after everyone else is satisfied." Clearly, what trumps this goal is the principle of not doing anything that will cause the firm to go bankrupt, even in the long run. Furthermore, there is no evidence that the MSV goal has any positive consequences for firms adopting it (McSweeney, 2008).

Encouraging Accounting Sleight of Hand

Lazonick (2014) blames MSV for creating a culture where accounting fraud, grossly excessive CEO remuneration via stock options, crony capitalism, and little concern for the welfare of employees are the normal way of conducting business. Focusing on shareholder value, which is dependent on earnings per share, encourages firms to use accountants and auditors that know how to use accounting gimmicks to make earnings and balance sheets look better than they really are. Accounting and auditing irregularities contributed or caused several of the major bankruptcies in the United States – Lehman Brothers, Washington Mutual (WaMU), Worldcom, and Enron. As an example, Lehman Brothers, the largest bankruptcy ever, in an attempt to maximize shareholder value, moved $50 billion of assets off the balance sheet in order to deceive the public as to the true financial condition of the firm (Dealbook, 2010).

Encouraging Use of non-GAAP Numbers

Many companies present two kinds of financial results: the GAAP numbers that are based on accepted standards, as set forth by the Financial Accounting Standards Board (FASB) and pro-forma or non-GAAP numbers. The pro-forma presentations are financial results with various key costs removed (these costs might include stock compensation costs and/or costs associated with acquisitions of other firms) and do not comply with any particular standard. Needless to say, the non-GAAP numbers seem to have a huge impact on the price of a stock. Recently, Valeant – a major pharmaceutical company in the news for its tactics in acquiring companies and then raising the price of drugs to obscene levels – found that its market value dropped by $60 billion. The stock valuation was based on non-GAAP numbers (which factored out the cost of the acquisitions) and commanded an inflated premium that made no sense (Morgenson, 2015). One would think that companies should be very cautious when using the non-

GAAP numbers; actually, 334 of the 500 Standard & Poor companies presented them alongside the GAAP numbers. The difference in profits between the two sets of numbers – GAAP and non-GAAP – is a staggering $132 billion (Morgenson, 2015).

Encourages the use of Funds for Stock Buybacks Rather than Capital Investments

William Lazonick, in an article that appeared in Harvard Business Review, noted that between 2003 and 2012, 449 of the 500 S&P companies spent $2.4 trillion to buy back their stock (Nocera, 2014). There are legitimate reasons for buybacks, but not if the sole purpose is to enrich executives. In many cases the purpose of the buybacks is to enrich executives who hold many shares and stock options. The problem with buybacks is that this money is not being used to strengthen the future of the company by making capital investments. It is also a myopic strategy that means fewer jobs and weakens the entire economy of a country. Capital investment means more employment; the more jobs, the greater the profits for all firms. Everyone gains with a growing and more prosperous middle class.

Results in Ignoring the Maximization of Customer Satisfaction

Jack Welch, former CEO of GE, asserts that the corporate objective of maximizing shareholder value was immoral, the "dumbest idea in the world", and a good way to destroy an organization in the long-run (Denning, 2011). Welch believes that a firm's objective should be to make a high quality, constantly improving product to maximize customer satisfaction. Ironically, the goal of MSV does not have this effect in the long run. Denning (2012) describes its ruinous economic effects and how it is actually counter-productive to its stated purpose:

> Thus a focus on maximizing shareholder value leads the firm to do things that detract from maximizing long-term shareholder value, such as favoring cost-cutting over innovation that adds value to customers and builds the brand, pursuing "bad profits" that destroy brand equity, and excessive C-suite compensation.

McSweeney (2008) cites studies that conclude:

> A corporate purpose focused on providing value to customers not only is competitively superior to a purpose of maximizing shareholder wealth, but also typically produces greater long-term returns to shareholders.

Encourages the Destruction of the Environment

According to Pitelis (2002) MSV results in firms being indifferent to the long term and societal goals and can lead society towards monopoly, inequitable distribution of income, unemployment, and environmental disaster. After all, excessive concern with the environment and global warming might increase costs and thus reduce the price of the stock. There are definitely cases where green marketing can be profitable for a firm, at the very least in the long run. However, there are certainly situations where a policy of zero waste and zero emissions may be wonderful for society but can be very costly for the firm. A firm that focuses on MSV may feel that it is too costly to attempt to achieve zero waste and zero emissions, and focus instead on maximizing profits. Howard (1997) uses the expression "tragedy of maximization" to describe the devastation that the philosophy of maximizing self-interest has wrought.

There is now evidence that at least 30 executives at Volkswagen were involved in using illegal software designed to cheat on emissions tests from diesel engines. Approximately 11 million cars were involved in this deception. Some believe that these pollutants will result in the early deaths of dozens of people (Zhang, 2015).

Conclusion

We do not begrudge the right of companies to set their own standards for executive compensation or bonuses; we do believe that they should be careful not to use the announcements of these computations to stir the markets with less than comprehensive information. Furthermore, we believe that maximizing shareholder value, as currently practiced, may, in many instances, reduce shareholder value in the long term. According to Dichev, etal, (2015), CFOs believe that "in any given period a remarkable 20% of firms intentionally distort earnings, even though they are adhering to generally accepted accounting principles".

Martin Shkreli, CEO of Turing Pharmaceuticals, and now one of the most hated people in the United States, caused a huge stir when he raised the price of Daraprim from $13.50 a tablet to $750 (Pollack & Tavernise, 2015). Shkreli felt that he was doing his job and making earnings per share rise and thus maximizing shareholder value. This is the kind of behavior accountants, as the gatekeepers of truthful finanical reporting should discourage.

The accounting profession is beginning to understand how important ethics is to accounting. Tamayo de-Guzman (2012) asserts:

> Today's professional accountants are less involved in traditional accounting functions and are more concerned with leadership and management. Today's accountants are leaders in their field providing key support to senior management and are directly involved in many important decisions.

It is therefore crucial for accountants to encourage management to move away from MSV as a philosophy and embrace maximizing *stakeholder* value as the preferred philosophy.

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DELAWARE VALLEY, PA

Contact: Joseph Lowe, CPA – (610) 489-8007

To Be Determined

FLORIDA

Contact: Lynne Marcus, CPA (561) 806-6299

Thursday, August 18 - 8:00 AM - 5:00 PM,
A&A Regulations - 4 CPE/A&A
Payments by the Gov't - 2 CPE/Tax
Retirement Issues and Planning - 2CPE/Tax
@ Farmer's Table in the Wyndham Hotel, Boca Raton, FL

Thursday, September 22 - 8:00 AM - 10:00 AM
Offer in Compromise - 2 CPE/Tax
@ The Egg & I, Boynton Beach, FL

Thursday, November 3 - **SAVE THE DATE** for Evening Meeting

Thursday, December 8 - **SAVE THE DATE** for Morning Meeting

LONG ISLAND EAST

Contact: Jim Diapoules, CPA - (631) 547-1040

Wednesday, September 21 - 8:00 AM - 12:30 PM
A&A Updates, SSARS21 & Rules on Plain Paper Reporting - 4 CPE/A&A
Hotel Indigo East End - Riverhead, NY

Tuesday, October 18 - 5:30 PM - 8:00 PM
Payroll & Affordable Care Updates - 2 CPE/Tax
Hotel Indigo East End - Riverhead, NY

NASSAU/SUFFOLK

Contact: Chapter Office (516) 997-9500
Chapter Meetings: Registration/Dinner/Networking -
5:30 PM; Seminar – 6:30 PM
Location: The Woodlands @ Woodbury, 1 Southwoods Road, Woodbury, NY 11797 (In the Town of Oyster Bay Golf Course)
Map Meetings: On Parade Diner, 7980 Jericho Tpke, Woodbury, N.Y.

Thursday, August 11 - 7:45 AM - 10:00 AM
New Rules for NOL's for NYS, Little-Known Credits Available for NYS - 2 CPE/TAX
@ The Woodlands @ Woodbury, NY

Wednesday, August 17 - 7:45 AM - 10:00 AM
Labor Law Update - FLSA - 2 CPE/MAP
@ On Parade Diner - Woodbury, NY

Thursday, September 8 - 5:30 PM - 8:30 PM
Asset Protection - FLPs - 2 CPE/Tax
@ The Woodlands @ Woodbury , NY

Wednesday, September 28 - 7:45 AM - 10:00 AM
Planning for the Elder Client - Checklist - 2 CPE/MAP
@ On Parade Diner - Woodbury, NY
Thursday, October 6 - 5:30 PM - 8:30 PM
What Is New With IRS Issues - ID Theft, Collections, Refunds, New POA - 2 CPE/Tax
@ The Woodlands @ Woodbury, NY

Wednesday., October 26 - 7:45 AM - 10:00 AM
TBA - 2 CPE/MAP
@ On Parade Diner - Woodbury, NY

November 16-18 - All Day
2016 Long Island Tax Professionals Symposium
@ Crest Hollow Country Club

Wednesday, December 7, 5:30 PM - 8:30 PM
ACA Update - 2 CPE/TAX
@ The Woodlands @ Woodbury, NY

Wednesday, December 14 , 7:45 AM - 10:00 AM
New Rules for 2016 1099s & W-2s, Due Date Changes to 1/31/17 - 2 CPE/MAP
@ On Parade Diner - Woodbury, NY

NEW JERSEY (NORTHERN)

CONTACT: FRED BACHMAN, CPA (973) 316-0444

Monday, August 1, 2016 6:00 PM - 8:00 PM
SHOW ME THE MONEY! - 2 CPE/MAP
@ TWIN DOOR TAVERN - MAYWOOD, NJ

WESTCHESTER/ROCKLAND

Contact: Mark Stewart, CPA 845-634-4674

Thursday, August 11, 8:00 AM - 10:00 AM
New York Estate Tax Update - 2 CPE/Tax
@ M & T Bank - Tarrytown, NY

Tuesday, September 13, 8:45 AM - 1:00 PM
Audit Update - 4 CPE/A&A
@ Doubletree Hotel - Tarrytown, NY

Tuesday, October 11 - 8:45 AM - 1:00 PM
Compilation and Review Update - 4 CPE/A&A
@ Doubletree Hotel - Tarrytown, NY

Tuesday, December 6, 2016 - 8:15 AM - 5:00 PM
Individual Tax Update - 8 CPE/Tax
@ Doubletree Hotel - Tarrytown, NY

Tuesday, December 20, 2016 - 8:15 AM - 5:00 PM
Tri-State Tax Update - 8 CPE/Tax
@ Doubletree Hotel - Tarrytown, NY

The Following Chapters Have No Current Meetings Scheduled
CENTRAL NEW JERSEY - NEW YORK CITY - MASSACHUSETTS

2016 LONG ISLAND TAX PROFESSIONALS SYMPOSIUM

SAVE THE DATE

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NOVEMBER 16, 17, 18

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Firm Information

Name:______________________________________

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Contact Person:______________________________

Is the firm required to have a peer review? YES/NO

Referred by:______________________________

Mailing Address:

____

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Physical Address (if Different):

____

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Email address:______________________________

Phone number:______________________________

Fax #: ______________________________

Website:______________________________

CPA Owner/Partner/Shareholder – Entitled to Vote

Name:______________________________________

Email Address:______________________________

CPA License #:__________________State:______

PTIN #:______________________________________

First Individual – non-CPA firm – No Voting rights

Name:______________________________________

Email Address:______________________________

PTIN #:______________________________________

Other Owner/Staff Member - No Voting rights

Name:______________________________________

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Please list other owners(s)/staff member(s) on separate page

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Dues Schedule (includes $195/base charge)

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