NASSAU/SUFFOLK CHAPTER NEWSLETTER

Issue 5 | January 2019

199A Two Part Series

The Educational Foundation of the Nassau Suffolk Chapter of NCCPAP
Is proud to announce two very special seminars being moderated by our "Dynamic Duo"
Robert Barnett and Bob Goldfarb

2/13/2019 & 2/27/2019

Crest Hollow Country Club, 8325 Jericho Turnpike
Woodbury, NY 11797

Registration Check-In: 4:30 PM
Dinner/Program: 5:00 PM - 8:30 PM

SPECIAL DISCOUNT FOR BOTH PARTS
6 CPE TAX & IRS CE

- **Members: On or before Friday, February 1 - $250**
- **Non-Members: On or before Friday, February 1- $300**
- **2018 LITPS THREE DAY Attendees $200! (Use coupon code SAVE50 when registering)**

These special pricings will end February 1!

Wednesday, 2/13/19 - a discussion of 199A, the interest expense rules, and utilization of Net Operating Losses under the new law.

Wednesday, 2/27/19 - We will continue with a workshop on the effect these new rules have on the tax return, with special discussion on the new aggregation rules. This worksheet format will emphasize fact patterns, and the resulting tax return implications.

CLICK HERE FOR MORE PRICING INFORMATION AND REGISTRATION

The Wayfair Decision and its Effect on Nexus

Wednesday, January 30th, 2019

Description

Learn the details of the Wayfair Decision and how it effects sales tax nexus for internet sellers as well as other multi-state sellers. Find out if Wayfair effects Corporation and Income Tax nexus. Learn in which cases Wayfair does not effect a nexus review.

Registration

2 CPE/TAX

Members Cost: On or before Friday, Jan. 25 - $30; **After Friday, Jan. 25 - $40**

Non-Members: On or before Friday, Jan. 25 - $40; **After Friday, Jan. 25 - $50**

At-the-door - $50

To Register Please Visit: http://go.nccpap.org/nschapter/home

Location

On Parade Diner, 7980 Jericho Turnpike Woodbury, NY 11797

Registration/Breakfast/Program: 7:45 AM – 10:00 AM

Speakers

Brian Gordon, CPA

Mark L. Stone, CPA, MST

CLICK HERE TO REGISTER

To register for any of our meetings, please visit **go.nccpap.org**

Meeting Schedule 2018-19

NASSAU/SUFFOLK CHAPTER of NCCPAP
EDUCATIONAL FOUNDATION OF N/S NCCPAP
22 Jericho Turnpike, Suite 110, Mineola, NY 11501
Phone (516) 997-9500 Fax (516) 997-5155
Email: kcasey@ns-nccpap.org
Website: go.nccpap.org

Meeting Locations

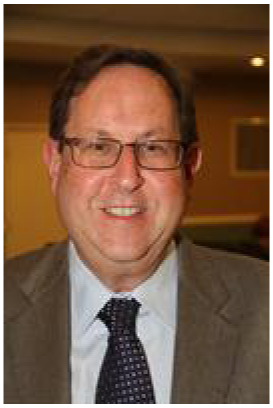
MAP Meetings
On Parade Diner
7980 Jericho Turnpike
Woodbury, NY 11797

***Chapter Meetings**
The Mansion at Oyster Bay
1 South Woods Road, Woodbury, NY 11797
(In the Town of Oyster Bay Golf Course)

***LITPS**
Crest Hollow Country Club
8325 Jericho Turnpike
Woodbury NY 11797

W	Jan 30	7:45 AM-10:00 AM	The Wayfair Decision and its Effect on Nexus	2 CPE/TAX	On Parade
W	Feb 13*	4:30-8:30 PM	199A Part 1	3 CPE/TAX*	Crest Hollow*
W	Feb 27	4:30-8:30 PM	199A Part 2 + Workshop	3 CPE/TAX*	Crest Hollow*
Th	March 7*	5:30-8:30 PM	Roundtable Mid-Season Session	2 CPE/TAX	The Mansion
W	April 24	7:45 AM-10:00 AM	Post Tax-Season Roundtable Discussion	2 CPE/TAX	The Mansion
Th	May 2*	5:30-8:30 PM	Partnerships 754 Elections and Capital Accounts	2 CPE/TAX	The Mansion
W	May 22	7:45 AM-Noon	Accounting & Auditing Update Part 1	4 CPE/A&A	The Mansion
W	May 29	7:45 AM-10:00 AM	Public Speaking - Eliminate the um's	2 CPE/MAP	On Parade
Th	June 6*	5:30-8:30 PM	Chapter Meeting	2 CPE/TAX	The Mansion
W	June 12	7:45 AM-Noon	Accounting & Auditing Update Part 2	4 CPE/A&A	The Mansion
Th	June 20	7:45 AM-Noon	Ethics	4 CPE/Ethics	The Mansion
W	June 26	7:45 AM-10:00 AM	Investments - Efficient selections	2 CPE/MAP	On Parade
Th	July 11*	5:30-8:30 PM	Chapter Meeting	2 CPE/TAX	The Mansion
W	July 17	7:45 AM-Noon	Accounting & Auditing Update Part 3	4 CPE/A&A	The Mansion
W	July 31	7:45 AM-10:00 AM	MAP Meeting	2 CPE/MAP	On Parade
Th	Aug 1*	5:30-8:30 PM	Chapter Meeting	2 CPE/TAX	The Mansion
W	Aug 28	7:45 AM-10:00 AM	MAP Meeting	2 CPE/MAP	On Parade
Th	Sept 5*	5:30-8:30 PM	Chapter Meeting	2 CPE/TAX	The Mansion
W	Sept 25	7:45 AM-10:00 AM	MAP Meeting	2 CPE/MAP	On Parade
Th	Oct 3*	5:30-8:30 PM	Chapter Meeting	2 CPE/TAX	The Mansion
W	Oct 30	7:45 AM-10:00 AM	MAP Meeting	2 CPE/MAP	On Parade
	Nov 20, 21 & 22		Long Island Tax Professionals Symposium	Crest Hollow Country Club	
W	Nov 27	7:45 AM-10:00 AM	MAP Meeting	2 CPE/MAP	On Parade
Th	Dec 5	5:30-8:30 PM	Chapter Meeting	2 CPE/TAX	The Mansion
W	Dec 18	7:45 AM-10:00 AM	MAP Meeting	2 CPE/MAP	On Parade

Calendar is subject to change



Message from the Editor

This issue marks the start of year two of the revitalization of our Chapter newsletter. Several of you may recall that many years ago our chapter printed a monthly newsletter under the editorial guidance of Ed Kliegman.

It is with tremendous pride, as a Past President, and the current newsletter editor, that I can report on the growth of our Chapter.

Our NCCPAP family has now established itself prominently in social events, charitable endeavors, as well as participating on many councils with Intuit, New York State Tax and Internal Revenue Service representation.

In this family centered issue, I reflect back in time to our own NCCPAP family and the support we have given to our members over the years:

- Three sold-out seminars reviewing cost segregation issues
- Standing room only seminars when something called “electronic filing” was initiated
- A sold out three-part series on the Tax Cuts and Jobs Act
- Our Summer Accounting & Auditing series
- Our annual ethics classes
- Our Annual Long Island Tax Professionals Symposium which continues to be our “Jewel in the Crown” with over 28 hours of credits on a variety of timely and critical issues
- Our continued commitment to keeping our members informed on the latest tax pronouncements and laws such as the Wayfair decision and Sexual Harassment Training requirement

We have been successful in our role while continuing under new Education Foundation Presidents, MAP and program chairpeople. Again we continue our commitment as we look to the two-part workshop planned for this February specifically to review the pronouncements on the Tax Cuts and Jobs Act and the implementation of Internal Revenue Service Code 199A.

As I indicated in this family issue, on behalf of all our members, we salute and thank our Presidents, our leaders, speakers, volunteers, sponsors, and give special thanks to our newsletter committee (listed elsewhere) for making this a newsletter we can enjoy and be proud of.

It is an achievement to our family, that we have survived and flourished based on those that have diligently served as listed on our slate of Past Presidents, as well as our current leaders. Now our NCCPAP family turns to our newly formed young professionals committee to continue our legacy into the future.

Remember during tax season to post questions via the GO.NCCPAP app and receive opinions and answers from our family. Our NCCPAP national tax chairman Sandy Zinman CPA will be scanning the content for issues to bring to our friends in Washington, D.C. this May.

Finally, as this is a family issue, remember to make time this tax season for your family!

We are a family because our fundamental core has always been:

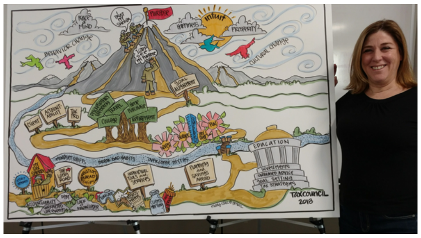
“Member helping Member”

Wishing you the very best these next few challenging months.

Gary Sanders CPA is President of Gary Sanders CPA PC in North Bellmore, NY. Gary has served as both past President of the Nassau/Suffolk Chapter and Educational Foundation of NCCPAP. In addition, Gary currently serves as our newsletter editor.

President's Message

State of the Nassau/Suffolk Chapter



NCCPAP members have often voiced that we feel like a family, always comfortable reaching out to each other for help with complex tax and practice management issues and being rewarded with thoughtful feedback indicating that we really care about each other.

As we head into what may be the most challenging tax season of our careers, we are grateful for the in-depth training we have received from the many great seminars provided through the efforts of our Nassau/Suffolk chapter and Education Foundation… and we're not done yet!

The lineup of meetings planned for January, February and March will continue to support us with our quest to remain relevant and a source of guidance to our clients, by including practical approaches to the implementation of the tax law to this year's returns.

We on the Chapter Boards and Committees realize that there is a wealth of information generated at each meeting and certainly at our annual symposium. In our effort to make sure you have easy access to this information we have taped symposium sessions and memorialized Chapter meetings with our "takeaways". I was thrilled to learn that I no longer have to wait for the release of the Tax Symposium MP3's in order to listen to sessions in my car. I can access any audio recordings once I log into my "libraries" on the go.NCCPAP app. Have cellphone and earbuds, will travel, thank you Ross Kass.

In my last article I urged you all to plan to implement your Tax Symposium session "takeaways" into your 90-day action plans. This year I vow to focus more on "family matters."

Once I walk my individual tax clients through the changes they are seeing on their returns, I will recommend that they schedule follow up meetings for financial discussions centered around:

- Whether to send their kids to the college of their choice and how to meet that financial obligation.
- How to afford taking memorable family vacations where they can reconnect.
- Financing or obtaining the help their children need when floundering in school or with behavioral or mental issues.
- How they can still be charitable through volunteering and charitable giving, even with no tax incentive.
- How they can set quality of life retirement goals and attain them.

I believe that we as NCCPAP members have the resources provided through our conferences, seminars, meeting sponsors and speakers to continue to provide meaningful services to our clients. Let's use the uncertainty in the Tax Cuts & Jobs Act as an opportunity to do so.

I am the "NCCPAP representative" on the Intuit Tax Council. During our November semi-annual meeting we were tasked with solving this "Problem Statement": How can technology and advisors combine to help non-business clients achieve their financial goals and power prosperity?

Our pre-reads alerted us to the statistics showing that many working individuals have little or no savings. They live paycheck to paycheck and have either a non-existent or tiny financial security net. Our group pondered these issues and, as we worked up possible solutions coined the term "Accounting Sherpa". With the help of a local artist we depicted the problem, solution and goal in an illustration attached to this message. How alien these issues seemed just a few months ago, as these individuals are not my typical client. Now with the partial government shutdown, I am thinking about those government employees who are not receiving paychecks and may not have the funds to make their next rent or mortgage payment. Having an Accounting Sherpa to help them prepare for the unexpected would have enabled them to feel more secure right now!

Andrea Parness *is owner of A. Parness Company CPA, a niche market CPA firm based in Belle Harbor, Queens, NY. Her firm offers cloud accounting software conversions, integrations, support, virtual CFO services, business coaching and advisory services, accounting firm support and medical office consulting.*
Andrea@AParnessCPA.com https://aparnesscpa.com (718)-318-2677

Education Foundation President's Message

Once again, another successful NCCPAP symposium has come and gone. The question I am constantly asked is, "how do you people put this together?" My answer always is, "I attend all the planning meetings and I sign the checks, and frankly I have no idea how they do it."

There are so many aspects, that when combined, make the Long Island Tax Professionals Symposium like no other event. It starts with a committee that is committed to making it better every year. This has worked well due to the fact that everyone has a voice and an opinion and they are all respected. Then we have those great speakers, with relevant topics, bringing their knowledge, passion and enthusiasm to every program. Of course, if you are going to sit through three days, it helps to have energy and inspiration. We have people like Jim Bourke from Withum, Smith & Brown, bring his very special delivery on what you need next to drive your practice. We have John and Mark Cronin giving us a unique lesson, on how to build an extraordinarily successful business, and doing it in a very impactful way.

Then we have the intangibles, which are impossible to value, and yet the most valuable asset. It is of course, our community. All of you who come to learn, to share, to help each other. The secret sauce is made by all those who attend. The Linda Fund and our furry friend Linda have brought our inner community closer and allows us to help those in need outside of our circle.

Please remember that while the federal government may be closed for renovations, the most challenging tax season ever, is coming very soon. Please look at our upcoming meeting schedule as we are continually trying to deliver what you need, as it comes out.

Don't forget to reach out to your NCCPAP community and help your firm and your colleagues!

Thank you all for being part of it!

Robert N. Brown, CPA, CGMA *is the owner of Robert N. Brown, C.P.A., in Jericho, NY. He has spent more than 35 years in public practice serving small to middle market companies, and individuals in the areas of tax preparation, tax planning, tax controversy, estate planning, multi-state taxation, tax representation, financial statement preparation and management advisory services. He is a frequent lecturer to accountants and other professionals on tax, accounting and management matters.*

Mr. Brown currently serves as president of the Education Foundation of the National Conference of CPA Practitioners, and is the immediate past president of Nassau Suffolk Chapter. He is a member of the American Institute of Certified Public Accounts, the AICPA Private Companies Practice Section, the New York State Society of Certified Public Accountants, and the National Conference of CPA Practitioners. He can be reached at Rbrown@rnbcpa.com.

Why Long Term Care Planning is an Important Family Decision
A Financial and Non-Financial Perspective

By Natalie Karp & Rona Loshak

With the new year upon us, now is the time to appreciate all the good stuff and think forward about the future. Avoid being nearsighted in planning for longevity. Spoiler Alert - It's not about you.

Rather than thinking about statistics or longevity, weren't we all just 29 anyway? Instead, let's reframe the conversation to thinking about the consequences, of not having a plan will do to those you love.

In reality, long term care, is something that happens to your family. Caregiving results in difficult decisions and economic consequences. No one wants to be a nurse or a purse.

Karp Loshak LTC Insurance works with individuals and families who want to protect those they love from the emotional, physical and financial devastation created by a family member needing care over an extended period of time.

There are three kinds of consequences; emotional, physical and financial.

The Emotional. The good bad and the ugly, except it's mostly ugly.

Picture this – 3 or 4 siblings who have busy lives of their own; marriages, businesses, children, mortgages, 401Ks, 529s, Moreover, these siblings have unlimited discretionary time, money and always agree on the big stuff. Wait, don't they?

Three adult kids, who fall back into their respective roles, do not usually share the burden or the responsibilities equally or equitably.
It takes time, energy and resources to traverse the medical system, social services and manage caregiver demands. They will still need to deal with those issues but will not have to worry about care choice when a LTC Insurance plan is in place.

Long term care burdens the well spouse and children and challenges blended families. Are we feeling joyful or resentful? Especially if all siblings are not in the same financial situation? It's emotional. Just keeping it real.

The Physical.

Providing care becomes all consuming. The family member who is providing care, will experience a decline in their qualify of life. If no insurance is in place, regardless of "how much money " may be resourced, the healthy spouse will ultimately wind up acting as caregiver. Providing care to chronically is people makes healthy caregivers chronically ill.

Caregivers are compromised, exhausted and less vibrant. The joie de vivre, has evaporated, vanished and faded. It's not a walk in the park.

Financial.

Lets get practical- you are the numbers people, after all. Care giving and chronic care is expensive and is not covered under your health care insurance or medical supplements. It is either out of pocket or you're on government assistance. Let us know what the tax laws say in 20 and 30 years, and we will let you know what Medicaid (government assistance) looks like. Fair?

Present value dollars are after tax dollars with opportunity costs and are tax inefficient. Future value dollars will demand significantly more from your portfolio given the rising costs of health care and inflation. The "grey tsunami" is here. It's really hard to get help, and expensive to get good help. Hard stop.

Long term care is the largest unfunded risk to your portfolio, your family's well being and threatens to disrupt assets and income and creates wealth transfer conflicts and pressures multi-generational families and competing financial needs.

What's your plan?

Where is the income going to come from? Perhaps consider this is you're presently "self funding ", which is to say you have not spent the time to get educated. How are you going to pay for an extended care need?

Invasion of retirement portfolio?
Compromised income stream for well spouse?
Disruption to your asset allocation?

Oh, yes, your discretionary money! Wait, nothing is discretionary?

Your lifestyle, your club, your second home – you do not want to give up anything. Frankly, who can blame you? No one wants to compromise lifestyle. You have worked too hard for too long.

Without a plan the financial impact could be devastating to the family and any continuing financial obligations.

Rather than look at long term care at happening to you, think about it as something that is happening to your family. LTC is not a "him or her " problem, it's a "them" problem.

Super Hero CPA or just plain CPA?

Many people are unaware of the problems they can experience without proper planning. How would you feel if you could help your client plan for longevity? And, more specifically, encourage them to get educated? on appropriate and suitable options (age and health are the metrics)

If your clients are women near or over the age of 50 and are experiencing life transitions- empty nests, semi or full retirement, divorce, loss of spouse, etc. In each transition, their financial well-being is a defining issue.

If your clients have blended families with adult children where everyone and "no one " is in charge.

If your clients have families they love and care about who are thinking about the consequences, planning for independence will have a profound influence on their future.

You are in the position to be a superhero CPA or plain Jane CPA; which do you prefer?

Gifts from the Government, yes, really.

Consumers are encouraged to take action with a multiple of tax incentives:

- NY State Tax Credit of 20% on total LTC premiums
- Federal deductions for business owners or those who itemize medical expenses
- HSA accounts can be used to pay standalone LTC premiums
- 1035 exchange using cash in life insurance to purchase LTC tax free

  The landscape of planning options includes Life and LTC linked benefits, asset based and hybrid solutions. Traditional long-term care insurance can be designed with shared care plans for married or domestic partners. Plans can be designed for maximum flexibility - allowing informal care and paying cash benefits.

Financial experts and superhero CPAs agree that without long term care planning, your family's financial and personal lifestyle goals are incomplete. We look forward to helping you extend your superhero reach.

Natalie Karp, MBA, CLTC and Rona Loshak, MBA, CLTC *are independent brokers who affiliate with all the leading LTC Insurance carriers. The duo is trusted source of information on Long Term Care Insurance for individuals, business owners, and employer groups. Exclusively focused, their expertise includes traditional (stand alone) Long Term Care Insurance policies, Hybrid Life/LTC plans, Life with LTC riders, financing LTC Insurance, and providing LTC Insurance with tax and estate advantages. Award winning specialists with recognition from Congress and State Senate, Goldman Sachs 10,000 Small Business and Long Island Achievers' Honorees.*
www.karploshak.com 516-801-1419

Hiring Domestic Employees in New York: Potential Risks and Liabilities

By Glenn Franklin

Families often hire domestic employees to care for their children or an elderly family member. They meet the person, get referrals and background information, and agree on a weekly salary. The entire process is usually done very informally. However, under New York law, individuals who hire domestic workers are considered “employers” and are subject to various requirements under the law.

First and foremost, if the domestic employee works at least 40 hours per week, employers MUST have a disability insurance policy and a workers’ compensation policy in the event that the domestic worker is injured on or off the job. Failure to provide workers’ compensation coverage could result in a penalty of up to $2,000.00 for every 10 days without coverage. New Yorkers who employ domestic workers also need to apply for New York unemployment insurance and New York Paid Family Leave coverage.

When it comes to paying domestic employees, people often set a weekly salary because it is the easiest thing to do. However, domestic workers need to be paid on an hourly basis and all of their hours need to be recorded accurately. They need to be paid at least the applicable minimum wage. They also need to be paid overtime at 1.5 times their regularly hourly rate for all hours worked after 40 in a week. If the domestic worker lives in the home of the employer, he or she is entitled to overtime pay for all hours worked after 44 hours in a week. If an employer gives a domestic worker meals and/or lodging, the employer may be granted a specific credit toward the minimum wage paid to the worker, but it has to be calculated accurately. Failure to accurately record a domestic employee’s hours and pay him or her overtime could lead to substantial liability for unpaid wages. Recently, our firm represented a family who hired a domestic worker to care for their elderly father. They paid him a weekly salary and did not pay overtime. The Department of Labor’s initial calculations stated that the domestic worker was owed $110,000.00 in unpaid overtime wages. Our firm was able to reduce that number significantly, but the family still had to pay a considerable sum in unpaid overtime wages. In addition to accurately recording a domestic employee’s hours and paying overtime, employers must also provide domestic employees with a pay stub, indicating the hours they worked, their overtime hours, rate of pay, payroll deductions, taxes, etc. Failure to provide a domestic worker with a pay stub can result in a fine of up to $5,000.00.

In addition to accurately recording hours and paying domestic workers correctly, upon hiring, there are certain documents that need to be filled out. For example, federal law requires employers to fill out an I-9 form to verify the domestic worker’s status to work legally in the United States. Under New York law, all newly hired employees need to also be given a wage notice that informs them of their hourly rate, overtime rate, payday and other pertinent information regarding their wages. Failure to provide a domestic worker with this wage notice can result in a fine of up to $5,000.00.

There are several other factors to consider when hiring a domestic worker. If you are considering hiring a domestic employee, please contact an attorney at Franklin, Gringer & Cohen, P.C. at 516-228-3131 to discuss how to do it correctly and reduce your exposure to liability.

Collaborative Divorce: Another Path Worth Consideration

By Elizabeth Vaz & Nannette Watts

A client says the word "divorce" and your immediate response is images ranging from bitter fights, to grief-stricken children, to costly courtroom battles. You've heard the stories all too often. And while the majority of divorcing couples want to move forward with integrity and in a peaceful manner; the current system does not promote thoughtful conflict resolution between parties. Yet there is a better way, and it can help couples divorce in a dignified manner that does not bankrupt either one financially or emotionally.

Most practitioners understand the concept of mediation, but there is another alternative process on the rise called Collaborative Divorce. This process offers a team approach to guide the couple through the complexities of the divorce while establishing a road map for their future. The team includes an attorney for each party, a financial expert, a divorce coach and perhaps a child specialist.

The most enticing part of Collaborative is that the court system is not involved. Meetings take place in a comfortable setting where discussions are had within a supportive team environment. Attorneys act as legal advocates to their own client but they are not adversaries, rather they are counterparts working toward a resolution. The financial professional and the divorce coach are neutrals who absorb the information given to them and educate the family on the best options for them going forward. The team focuses on finding immediate solutions and empowering the couple to have meaningful discussions about the future needs of the family, with the ultimate decisions concerning assets, finances, and parenting being their own.

Families are often concerned with length of the process, the impact on their children and the total cost. While it is impossible to predict the time and costs, it is fair to say that a couple's time and money are much better spent on reaching a resolution than battling in court. By maintaining control over the timing and frequency of each meeting, the process is completely in the hands of the couple. They can craft an agreement within a few months and generally no more than one year. When the couple comes prepared to discuss issues of any mistrust or concerns about the children, using the skills of the divorce coach helps avoid a tremendous amount of emotional turmoil for the entire family. Finally, by utilizing the financial professional wisely and avoiding unnecessary court appearances and motion practice, the couple can save several thousand dollars compared to litigation and have a grasp on the future budget for their family. Collaborative practice provides a very nuanced approach to resolving family disputes that may seem unconventional at first, but the truth is that the traditional litigation model has not served the public well and has actually been instrumental in destroying some families altogether. While the Collaborative process may not work for everyone, your clients can benefit knowing that there is an alternative to divorce that shifts the power from the courts to the family.

Elizabeth Vaz *is a divorce attorney, focusing on alternative divorce solutions for Long Island Families. She is the founder of the Long Island Collaborative Divorce Professionals group (licdp.com) and a Long Island native, with an office in Hauppauge. She can be reached at 844-785-2900 or via email at e.vaz@vazlaw.com.*

Nannette Watts *is a CPA, Accredited in Business Valuation (ABV) and Certified in Financial Forensics (CFF). She is a founding member of the LI Collaborative Divorce Professionals group. Nannette can be reached at 516-506-8224 or via email at nwatts@nwattscpa.com.*

Message From the Co-Editor

By Carol Markman

Since the theme of this newsletter is family, I thought I would write about a different type of family. Wikipedia, knower of all things, defines family as a "group of people related by either by consanguinity (by recognized birth), affinity (by marriage or other relationship), or co-residence…" For me NCCPAP has been what my mother called a "family by choice". I chose to join NCCPAP in 1984 and quickly became involved in the Nassau/Suffolk chapter. I have served as Chapter President in 1993-1994 and was president of NCCPAP National during 2002-2004 and I am still involved.

As a sole practitioner CPA for most of my professional career, the Nassau/Suffolk chapter served as my water cooler, the "place" where I could ask questions and find answers. I also learned and taught at NCCPAP meetings. I gained far more from NCCPAP than I gave because of the opportunities that NCCPAP afforded to me. I met CPAs from all over the country and traveled widely. Through my work with NCCPAP and our cooperation with the AICPA, I served on several AICPA tax committees. My last AICPA committee was the Tax Executive Committee, the tax policy committee of the AICPA. I served a three year term of the Internal Revenue Service Advisory Council with Charles Rettig, the newest IRS Commissioner.

Carol C. Markman, CPA *currently serves as a co-editor of our newsletter. Carol continues to be a frequent speaker at many of our seminars, and has previously served as Past Chapter President.*

It's Called the Offer in Compromise Program, NOT the "Pennies on the Dollar" Program

Basics of a Federal Offer

By Hana Boruchov, Esq. of Tenenbaum Law, P.C.

We all know too well that a new year means a new tax season. For families already experiencing financial woes, more taxes can carry serious consequences. An Offer in Compromise ("OIC") is an agreement between the taxpayer and the Internal Revenue Service ("IRS") in which the taxpayer's liability is reduced. If successful, an OIC can provide a fresh start for families burdened by tax liabilities.

Terms and Qualification

When entering into an OIC, the taxpayer must agree to pay the offer amount within a designated timeframe and remain compliant for five years: (i) timely filing all returns and paying any taxes due, (ii) agreeing to the retention, by the IRS, of any tax refunds, payments, and credits applied to the taxpayer's tax debts prior to the acceptance of the OIC and (iii) forfeiting any tax refunds that would have been payable during the calendar year that the OIC is approved. While an OIC is being considered, the IRS will cease all collection action. Once an OIC is accepted and the offer amount is paid in full, the liabilities covered by the OIC will be considered satisfied. If the taxpayer defaults on any of the terms of the OIC, the IRS may reinstate the original tax liability including penalties and interest.

To qualify for an OIC, the taxpayer must be current on tax filings and payments for the current year. If the taxpayer is an employer, they also must be current on any federal tax deposits for the current quarter. Generally, the IRS will not accept an OIC unless the amount offered is equal to or greater than the reasonable collection potential ("RCP") of the taxpayer. The RCP measures a taxpayer's ability to pay their liabilities. It includes amounts that could be realized from the liquidation of the taxpayer's assets, such as real property, retirement accounts, investment funds, and bank accounts. In addition, the RCP calculation also includes the taxpayer's anticipated future income less amounts allowed by the IRS for reasonable living expenses.

Grounds for Acceptance

The IRS may accept an OIC based on one of three grounds: doubt as to liability, doubt as to collectibility, or efficient tax administration. First, an OIC may be made on the basis of doubt as to liability where there is a genuine dispute as to the existence or amount of the correct tax debt under the law. Doubt as to collectibility refers to when the taxpayer's assets and net income or RCP are less than the full amount of the tax liability. Finally, effective tax administration may be applicable where there is no doubt that the tax is legally owed and that the full amount owed could be collected but requiring payment in full would either create an economic hardship or would be unfair and inequitable due to exceptional circumstances.

Offer Payment Options

There are two options for payment of the offer amount. The first is the lump sum option. For this option, an initial payment of twenty percent (20%) of the total offer amount must be submitted with the application. Once accepted, the remaining balance of the offer must be paid off within five months. The second option is periodic payment. Under this option, the offer amount must be paid in no more than twenty-four monthly installments, the first of which must be included with the offer application. The taxpayer must continue to make payments while the offer is being considered. Both payment options require a $186 filing fee with the application. However, if eligible, the IRS may waive the requirement of the initial payment, application fee and monthly installment payments while the offer is pending review.

Conclusion

While the OIC program is an effective means to provide relief to taxpayers experiencing unbearable debt, it is important to note that not everyone will qualify. Having a professional with OIC experience handle the paperwork and negotiation process may help increase the taxpayer's odds of getting their OIC accepted.

Hana Boruchov, Esq. *is a tax attorney concentrating in tax dispute resolution with the Melville, New York firm of Tenenbaum Law, P.C. Hana can be reached at hboruchov@litaxattorney.com or at (631) 465-5000.*

The MAP Committees of the Nassau/Suffolk chapter of NCCPAP and the Nassau chapter of the NYSSCPA held a recent breakfast meeting at On Parade Diner.

The meeting was a roundtable discussion of management issues we face for the Current Tax Season.

Our thanks to the chairs of both Committees!

What is the Best Way to Transfer Ownership of a Business?

By Martin E. Levine

Business succession is one of the most complicated subjects that all privately held business owners are eventually faced with. Business owners do not want to give up control. I recently heard a great comment from a former business owner who finally at age 85 decided to sell to an unrelated third party: I should have sold 15 years earlier!" In this business owner's family, no one was interested in going into the business. But it is much more complicated when family is involved versus not. Either way, there are many reasons to wait. There are also many reasons to act expeditiously. Below are some issues and approaches to consider when dealing with business succession. Your accountant or tax advisor and lawyer should be consulted before any strategies are implemented.

Leaving your ownership to your family via your Will – This strategy is typically the default if no time or thought process was involved. When this strategy is looked at more closely there are a host of issues. Here are a few:

Is the spouse qualified to run the business? If he or she is, that would be terrific. What about professional licenses - would these be required to run the business? If it is a business that has not kept up with the times, how much of an investment is required to bring it current? Does it even make sense to do that? If the business entity owns real estate, maybe the real estate is worth more as a rental property. As you can see, many, many questions can come up. It is best to discuss these issues sooner rather than later. The loss of the founder and his/her long term relationships can be a colossal failure for the business if the succession process is not planned and started early.

Gifting the business to family member employees during the owner's lifetime – Does the business employ qualified family members who are interested in continuing operations after the owner is done? If so, the strategy of gifting the business certainly offers many planning opportunities. If the founder is hesitant to hand over ownership all at once, then the strategy can be to give a little each year. Consideration must be given when determining the value of a gift and the hiring of an appraiser. All gifting options would require the business to be appraised. This could get very expensive if done every year. Once the business owner gives up 49% of the ownership, they can stop and keep control. Should a trust be used to protect family from outside invaders, like lawsuits, divorce and taxes? Should the trust provide income back to the business owner? Who are the beneficiaries of the trust and how long should the assets stay in the trust?

Selling ownership to a third party – Does selling the ownership interest make the most sense? It depends on many factors, including the health of the owner, family considerations, the type of business, and whether the owner still enjoys being involved. I have recently seen more and more business owners unable to sell their business because they waited to long. I always think of the basketball coach of the UCLA Bruins, John Wooden, as an example of someone who retired at the top of his game. He's a college basketball legend. When a business owner is at the top of his game, he can negotiate from a position of strength and potentially get the highest value on sale.

Cash flow projections should be performed for all potential strategies before any of them are implemented. It's better to err on the conservative side when considering future taxes, interest rates, rates of return, and longevity risk.

In my book, **The Widow's Survival Guide**, I include the following passage, which is pertinent to this conversation:

"Remember, ultimately our considerations have to do with quality of life – your life. Your financial planning should be designed to ensure a comfort level for you and your emotional security. Keep your family together as best you can. Too many families are spread out over vast geographical areas. Whenever possible, it is best to minimize the emotional space between family members. The best investment I can recommend is to maintain the health and growth of family ties." This passage remains true today as it did yesterday and will continue to be true in the future.

***Martin Levine** is the Chief Financial Officer and a shareholder of 4Thought Financial Group (www.4tfg.com). In addition to his corporate finance role, Martin specializes in holistic financial planning by coordinating all aspects of a client's financial life. mlevine@4tfg.com 516-300-1617*

My Client No Longer Dreads My Phone Calls

By Monica Monzo

I work with a very “non-tech” lawyer whose idea of technology is looking at pictures of his grandchildren on his iPad. Despite this, he is very aware that his accounting system is in real time and that we manage his bank account transactions remotely.

In the “olden days” we would perform a write-up of the firm’s escrow and operating accounts once we received a copy of the hand-written check register and bank statements. It felt like all our telephone calls were centered around document requests, and many times it felt like I was interrupting his business.

Over the years I detected fraud against his bank accounts; I found altered checks as well as similar check images created and passed through his account with forged signatures. I would notify our client, who would then notify the bank, who would research the transaction. This process would take months or weeks to complete, and in the end the bank might not reimburse the client for the full financial loss and certainly not for the time and stress involved.

Several years ago, I converted his accounting to a cloud-based system, including limited access to all his accounts, automated bank and credit card feeds, and “fetch and analytic rules”. In addition to the many other benefits of real time data analysis I can and have, identified several fraudulent transactions within days of the occurrence.

My telephone calls are now answered immediately as my client sees me as an asset in his economic chain as opposed to the “pest” of the past. I have helped him recoup any potential thefts against his account almost immediately and in a few instances, he was able to determine the source of the theft and cut ties with the vendors.

There have been several intangible benefits as well. Our client is so comfortable with our process that he now leaves the financial oversight to me. This has freed up office time for him, enabling him to spend more quality time with his family. In addition, our firm has access to more accurate and timely data, enabling us to help him meet his business, retirement, and investment goals through enhanced advisory services. Technology has truly transformed our relationship!

Monica Monzo *is a senior accountant at A. Parness Company in Belle Harbor NY, a CPA firm supporting cloud accounting software solutions and business advisory services. Her role includes introducing and training business clients “Moving to the Cloud”, providing support with the conversion and integration of software and applications.* *https://aparnesscpa.com/ 718-318-2677 monica@aparnesscpa.com*

NYS Tax Changes for 2018

A big thank you to board member Robert Wilson for sharing this informative list of NYS deductions!

Click here to view the list

IRC §401(h) Medical Expense Account (In a Defined Benefit Plan)

By Stephen Abramson

Section 401(k) allows a defined benefit plan, either traditional or cash balance, to include a post retirement medical expense account. Retirement is defined as "…eligibility to receive retirement benefits under the plan, OR, treated as retired due to permanent disability…" in the plan. Benefits are available to the participant, spouse of the participant and dependents. The contributions to fund the 401(h) account must be in a fund separate from the pension assets. In addition, the funding of the account must be determined by an enrolled actuary based on the medical expenses identified in the plan that will be covered, e.g. long-term care, dental, vision, etc. Generally medical benefits identified in IRC §§105 and 106 are eligible for the medical expense account. Any funds remaining in the 401(h) account after all expenses are paid must be returned to the plan sponsor as a taxable distribution. Benefits for "key employees" as defined in IRC §416(i) must be held in a separate account from the funding of the non-key employee benefits.

Since the medical expense account is an ancillary benefit relative to the retirement benefits the contributions to fund those benefits are limited similar to the limits on contributions used to fund life insurance premiums in a qualified plan. In this case the contributions to the 401(h) account cannot be more than one-third of the contributions necessary to fund the defined benefit plan. This limit is cumulative, i.e. each year the cumulative 401(h) contributions must be compared to the cumulative pension contributions resulting in no more than one-third of the cumulative pension contributions. Under some circumstances funds from the pension plan can be transferred to the 401(h) plan as a non-taxable distribution if the transfer is from excess assets in the pension plan, the amount is no more than is necessary to pay the medical expenses in the year, and if the transfer is not used in that year it is transferred back to the pension plan.

Annual reporting would require that the 401(h) account benefits and assets are identified on the Form 5500. To establish the 401(h) account a custom pension document must be prepared as there are no prototype documents available. As a result, the cost can range from $3,000 to $5,000 for the document. In addition, the pension plan cannot be terminated until all liabilities of the 401(h) account are satisfied otherwise the remaining assets in the 401(h) account would become taxable. As a practical matter a 401(h) account is best suited for a small owner only plan or a very large plan considering the operating guidelines. Further detailed guidance can be found at IRC §401(h), IRC §420 which addresses transfer of assets from the pension plan to the 401(h) account, Treasury Reg 1.401-14 covering qualification issues, and Treasury Reg 1.404(a)-3(f) covering deduction issues. The non-discrimination rules applicable to qualified plans also applies to the medical expense benefits.

For any question please contact the author by phone or e-mail.

Stephen Abramson CPC, CLU, ChFC *is the President and Co-Founder of APS Pension & Financial Services, a mid-size consulting and actuarial firm employing twenty two professional and support staff specializing in pension and pension-related services.* *steve@apspension.com 516.228.8444*

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GOOD & WELFARE

Congratulations to:

Glenn Franklin for his recognition in the NY Times article "2018 Long Island's Leading Lawyers," and the birth of his new granddaughter, Devin Sienna McCorvey

Ruth Sattig Betz, CPA on being selected to speak to the Farmingdale Rotary club on January 9 on the new tax law

Sandra Johnson, CPA on the birth of her fifth grandchild, Ayla Rose born December 18, 2018 to proud parents Chris and Caroline

Rona Loshak of Karp Loshak Insurance Solutions, on the marriage of her daughter Sara Loshak in November to Maxwell Wein.

Past President Don Ingram on being honored for the 2018 recipient of the Leon Alpern award at our NCCPAP Symposium. Don has remained an active leader, friend, and advisor to countless members through the years. He continues to serve as our liaison in Albany and in our Technology Day at the Symposium.

Neil Katz on being honored as the recipient of the Samuel Dyckman award for Distinguished Teacher and Presenter at our annual NCCPAP Symposium. Neil has been a vital part of our organization, leading in his father Robert Katz footsteps as a respected leader and friend. Neil and Robert made NCCPAP history as the first father and son to both receive the distinguished award. This is an honor that will likely remain!

Our Condolences to:

Our member Jeffrey Kravitz on the passing of his mother, Dorothy Kravitz.

Our long time member, Michael Labruzzo on the passing of his father, Anthony Labruzzo.

Our Good & Welfare Chairman is Stephen Sternlieb, CPA steve@ssternliebcpa.com

The Nassau/Suffolk Chapter of NCCPAP

22 Jericho Turnpike
Suite 110
Mineola, New York 11501
Tel. (516)997-9500
Fax (516)997-5155
info@ns-nccpap.org

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