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THE OREGON ACCOUNTANT

A NEWSLETTER FOR MEMBERS OF THE OREGON ASSOCIATION OF INDEPENDENT ACCOUNTANTS

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www.OAIA.net

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OAIA

1804 N.E. 43rd Avenue
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What's Happening At NSA By Sue Robertson – NSA State Director

First of all, congratulations to OAIA's Joyce Funkhouser-Lingelbach. She was elected to the Board of Governors for the National Society of Accountants on August 14, 2009 at the national convention in San Diego, CA. She ran a good clean campaign against a well qualified opponent. She spoke to the issues that concerned the delegates and consequently won the election.



Joyce Funkhouser-Lingelbach
NSA's New District IX Governor

The convention was jam packed with elections, bylaw amendments, education, and issues relating to practitioners on a national level. NSA's president, James Nolan testified at a hearing on July 30, 2009 called by the IRS on national tax preparer regulation. The IRS is finally on board with the idea of national licensing. NSA feels that

it's only a matter of time before legislation is enacted to make this a reality. NSA is on top of the matter and is monitoring the situation. To get the full story read the article on page 2.

There were four constitution and bylaw amendments that were up for vote at the convention.

1. A change to allow Board Members to receive a salary or fee for educational purposes only as authorized by a majority vote of the Board of Governors. – **Passed**
2. A change to allow all members who attend the convention the ability to vote. – **Passed.**
3. To change the name of National Society of Accountants to National Society of Accountants and Tax Consultants. – **Did not Pass.**
4. A change to allow online voting for NSA Officers, District Governors, State Directors and Bylaw Amendments – **Tabled** until next year's convention due to too many revisions from original amendment that was presented to the delegates to the final amendment that was presented on the floor.

Your 2009 – 2010 slate of line officers is as follows:
President – Robert L. Cross – Northglenn, CO
1st Vice-President – Donny Woods – Nashville, AR
2nd Vice-President – Sharon Cook – St. Louis, MO
Secretary-Treasurer – Steven Hansen – Cokato, MN

If you have any questions about NSA, please don't hesitate to call or e-mail me, Sue Robertson or our new district governor, Joyce Funkhouser-Lingelbach. We would be happy to answer your questions.

“The philosophy of the school room in one generation will be the philosophy of government in the next”
-Unknown

NSA President James Nolen Testifies at IRS Hearing on Tax Preparer Regulation

WASHINGTON, DC, July 30, 2009 – James H. Nolen, President of the National Society of Accountants (NSA), testified at a July 30, 2009 hearing called by the Internal Revenue Service (IRS) to hear from stakeholders regarding the possible regulation of tax preparers.

In addition to his elected role as NSA President, Nolen is also the owner of Nolen's Accounting and Tax Service in Oklahoma City, OK.

"A minimum competency exam at the front end along with tax preparer registration, required continuing education and significant penalties for non-registrants should be mandatory," Nolen said. "This should be coupled with aggressive enforcement by the IRS."

He emphasized the importance of tax preparer preparation before they begin serving clients.

"Given that a client's financial well being is sometimes at stake, it is not unfair to have minimum standards or to require a test," Nolen said. "In fact, NSA bylaws require a professional credential as a condition of continuing membership."

One way to verify adequate education is testing. "If a barber or a beautician needs to pass a competency examination, then a tax preparer should as well, given that a poor effort by the preparer can have substantially worse effects on the client than a bad haircut," Nolen declared.

But he added that a number of practitioners have earned a waiver of the examination requirement by passing a valid examination. For example, NSA recognized in the early 1970s that some preparers had no test available to them if they did not want to become an Enrolled Agent, Certified Public Accountant (CPA), or attorney. As a result, NSA formed the Accreditation Council for Accountancy and Taxation (ACAT) to offer tax credentials. ACAT examinations are administered by Professional Credential Services, Inc. (a subsidiary of the National Association of State Boards of Accountancy), the same group that administers the CPA examination. ACAT examinations are psychometrically validated and are certified by the National Organization of Credentialing Agencies.

"I am sure that other organizations may have developed valid examinations as well," Nolen explained. "We believe it appropriate that an examination waiver of the examination requirement be provided for any practitioner who passes or has passed an ACAT examination. Of course, the IRS should have the right to audit these ex-

aminations to ensure they meet whatever objective standards are set."

He added that examination waivers should be granted any individual holding a license from a state Board of Accountancy.

NSA has a long history of providing continuing education for tax preparers, and Nolen said, "We support a requirement for continuing education to ensure continuing competence with respect to basic tax knowledge, especially given our ever changing tax code. All of the education recognized by NSA for continuing professional education purposes must meet the standards established by the National Association of State Boards of Accountancy (NASBA). This is the same standard recognized for purposes of maintaining the CPA license and ensures the education taken is of sufficient professional quality. We recommend that any education required for tax preparers should also meet minimum professional standards."

As for implementation of an IRS tax preparer regulatory program, Nolen said, "NSA believes that an orderly, phased implementation of registration and/or testing over a two or three-year period is mandatory. A shorter time period is likely to unnecessarily disrupt the filing process."

NSA supports the establishment of an "administrative entity" to oversee tax preparers and ensure that any fees paid by preparers are used for regulation and to educate consumers. This is preferable to a state-by-state approach.

"NSA has been dismayed that a number of states are considering imposing fees on tax preparers merely as a means of enhancing state budgets," Nolen said. "This does nothing to address competence and does nothing to educate consumers about the financial perils or possible criminal penalties they may face if they engage the services of unscrupulous preparers."

Nolen also encouraged the IRS to launch a robust consumer education program. "Without such a program, we are concerned that those individuals who do not comply with current requirements will not comply with any new requirements, either," he said. "A key is to bring those individuals into the tax preparer system and the best way to do so is to ensure that they suffer significant financial harm if they willingly flout the law. If we fail to bring these preparers into the system, we will merely be trying to increase compliance by the compliant and this effort will have missed its mark."

Nolen also noted, "Taxpayers must also be educated, by a number of means, to understand that a paid preparer must sign a return."

To obtain a complete copy of his testimony, visit www.nsacct.org

The 7 Most Important Things About Your Website Why Most Accounting Firm Websites Fail By Hugh Duffy

According to The CPA Technology Advisor's 2008 poll, 57% of accounting firms have a website. Or said another way, 43% of accounting firms do not have a website. Scary in today's day and age that 43% of accounting firms do not have a website. Anyway, I decided to visit over two hundred accounting firm websites to identify the most common mistakes. Overall, the quality of websites in the marketplace has improved dramatically as mid-sized firms have really gotten on board and made sizeable investments over the past two years. Here is what I found and encourage you to avoid making the same mistakes.

- 1. Your website can not be found on the search engines.** The success of every website revolves around being found on the search engines. In other words, your website needs to be towards the top of the search engines in order to generate new business for your practice. Otherwise, it's just another website that is lost in space, which is useless. The vast majority of accounting websites that I visited were not search engine optimized, which means they are brochureware with very little value.
- 2. Your phone number is not on every page.** I always laugh at accounting firm websites that make it difficult for the prospect to find your phone number. In most cases, the phone number is either in tiny print or it is difficult to find the contact us page which is where most web designers bury your phone number. For most of us over the age of 40, it's difficult to read tiny print. Make it easy for your prospects, put your phone number on every page, make it large enough and inform them who to ask for... (e.g., Call us at XXX-phone number and ask for Jeff).
- 3. Ensure that the content is well written and in plain-English.** The internet is an information-driven medium. Make it easy for your website visitors to determine if your firm is perfect for them. Avoid using accounting jargon as most small business owners have no idea what reviews, compilations and write-up services entail.
- 4. The graphic design, colors and photography need to flow.** We all have far too many things to read. Photography can quick create an impression and help prospects determine if your website is worth reading further. And yes, you should also place your picture on the About Us page so prospects know what you look like.
- 5. Make your content easy to scan.** Website content is very different than print content. On the internet, visitors tend to scan your pages rather than read them. As a result, it is important to use bulleted lists, highlighted keywords, and short paragraphs. Do not take a firm brochure and expect this content will work on a website.
- 6. Answer your prospects questions.** Prospects using the internet to locate an accounting firm are highly goal-oriented. They visit websites because they are searching for a solution. Help them determine if your firm can address their needs.
- 7. Website navigation should be dummy proof.** Because most website visitors are impatient and very good at hitting the back button, your website navigation must be easy and intuitive. Visitors should be able to navigate to any page on the website in less than 3 clicks. As well, you can't assume that website traffic will enter your website from the home page because search engines drive traffic to specific pages within your website. In other words, poor navigation on the interior pages means you are sending prospects to a dead end page.

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Deadline for Articles
The 25th of the month of prior publication.

Susan Robertson,
Executive Director
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503.282.7247
srobertson4oia@aol.com

Change of Address
Please notify Executive Director of any change of address.

Copy Deadline - 25th of the month prior to publication. All advertising must be prepaid.

Classified Advertising
25 cents per word (excluding file or box # referral)
Minimum \$6.75 per ad, per issue.

Limitations
No boxes or other differentiations.

Content must be limited to four categories:

- (1) Help Wanted
- (2) Situations Wanted
- (3) Professional
- (4) Purchase & Sale Of A Practice

Display Advertising
Business Card \$17.70
One-sixth page \$35.00 per Issue
One-third page \$50.00 per Issue
One-half page \$75.00 per Issue
One full page \$150.00 per Issue

**The Unknown Rules of IRS Code Section 1237:
Converting Ordinary Income to Capital Gains when
selling Real Estate
By Bob Jennings**

A developer who sells lots is considered to be in the trade or business of real estate development. This means the sales are considered sales of inventory, and subject to ordinary income tax rates, as well as self employment tax in certain business forms.

Internal Revenue Code Section 1237 allows capital gains treatment when land held for investment is subdivided into lots. To qualify for IRC 1237 all of these requirements will have to be met:

1. A C corporation cannot own the land.
2. The land is one tract of land. Other tracts can be owned, but not be for sale simultaneously with the tract trying to be qualified.
3. The land has not previously been for sale in the ordinary course of your trade or business. If you had previously held it for sale under IRC 1237, it is eligible for consideration.
4. No substantial improvements have been made, or as part of the sale, agreed to be made. Necessary improvements are allowed, such as surveys and deeds. Generally, if the improvements do not increase the value of the lots by 10 percent, the improvements are not considered substantial.
5. You have held the property for at least 5 years or received the property through inheritance.
6. No other real estate can have been held by you for sale to customers in the year of sale.

Even where subdivided lots qualify for capital gains benefits, if more than five subdivided lots are sold, up to five percent of the selling price will be taxable as ordinary income. Specifically, if more than five subdivided lots are sold or exchanged, gain from any sale or exchange occurring in or after the tax year in which the sixth sale or exchange is made is taxable as ordinary income to the extent of five percent of the selling price

Per IRC 1237, the term 'tract of real property' means a single piece of real property, except 2 or more pieces of real property shall be considered a tract if at any time

they were contiguous in the hand of the taxpayer or if they would be contiguous in the hand of the taxpayer except for the interposition of a road, street, railroad, stream, or similar property."

In [TC Memo 2009-142](#) the courts allowed capital gains treatment on the sale of several excess property lots as investment property. The taxpayers, husband and wife, purchased several contiguous parcels of undeveloped property to build their home. The seller presented the land to them as a package, all-or-nothing deal without the option of buying only one or two of the parcels. Once they started building their home, they immediately divided the rest of the property into smaller lots and began selling them off, mostly for homes.

The Tax Court found that the taxpayers initially purchased the land as an investment and not as property held for sale to customers in the ordinary course of business. As such, gain from the sale of the excess lots was subject to capital gains treatment. The court considered it important that the taxpayers did not have the option to purchase only part of the property to build their "dream home." The court also found the taxpayers' advertisements more reflective of actions by investors, rather than property dealers. The taxpayers spent very little time to selling the excess lots. Moreover, they sold the lots to friends and acquaintances, primarily by word of mouth.

OAIA 2009 Education Schedule

- **Oct. 22 & 23**
Estates and Trusts Seminar
Jennings Seminar
Holiday Inn —Wilsonville
- **Nov. 12 & 13**
1040 Seminar
Jennings Seminars
Eugene Valley River Inn — Eugene
- **Dec. 3 & 4**
1040
Seminar Jennings Seminars
Portland Shilo Inn —Portland Airport
- **Jan. 8, 2010**
State & Fed Update
Various Speakers
Portland — Ambridge Event Center

2009 Oregon Legislature Passes Senate Bill 880 creating a Tax Amnesty Program for Oregon taxpayers

What is tax amnesty?

- Tax amnesty is an opportunity for taxpayers to file or amend tax returns in exchange for a waiver of penalty and partial interest.

The Oregon tax amnesty program *does not* apply to taxpayers who currently owe back taxes.

When is tax amnesty?

- Applications must be filed between October 1, 2009 and November 19, 2009.
Tax returns must be filed between October 1, 2009 and January 19, 2010.

What taxes and tax periods are included?

- Personal Income taxes,
- Lane and Tri-Met Transit District self-employment taxes,
- Corporate income and excise taxes, and
Trust and estate income taxes.
Inheritance tax returns originally due before January 1, 2008. This means the date of death must have been prior to April 1, 2007.

What are the benefits of participating in tax amnesty?

- Full waiver of all penalties otherwise due under Oregon law; penalties can be more than the actual tax owed.
Waiver of half the interest owed.

Who qualifies for tax amnesty?

- Taxpayers who have past due tax returns,
Taxpayers who have filed returns but need to amend them.

Who does not qualify for tax amnesty?

- Taxpayers who already received a bill for tax from the department for a year they'd like to apply for amnesty.
- Taxpayers who need to file returns for
 - o tobacco taxes;
 - o employer withholding taxes; or
 - o tax programs not specifically stated above.

How do I get tax amnesty?

You will get amnesty if you meet all the above requirements, and:

- File an amnesty application with the Department of Revenue between October 1, 2009 and November 19, 2009. Your application must ask for amnesty on all required years.
- File your returns no later than January 19, 2010.
Pay the entire tax liability plus one-half of the interest due.
No extensions are available for any amnesty deadlines.

Remember to write "Amnesty" across the top of all returns filed under the amnesty program.

Note from Executive Director Oregon State Board of Tax Practitioners

The Oregon Department of Revenue has created a new Web site dedicated to the Tax Amnesty Program which is found at www.oregontaxamnesty.com.

This Web site contains valuable information about the Tax Amnesty Program, including links to Senate Bill 880, Common Questions, Contact information, and the period the Program is available. We have worked with the Department of Revenue and were able to have them include information at the bottom of the home page explaining that if you pay someone to help you with your taxes to be sure they are a CPA, attorney, or licensed as a tax preparer or tax consultant. A link is provided to the Board of Tax Practitioners' Web site page "Licensed Tax Consultants in Your Area."

You may want to save this Tax Amnesty Web site to your favorites on your Web browser for easy access to updates about the Tax Amnesty Program

Ron Wagner ,Executive Director
Oregon State Board of Tax Practitioners
503-378-4733 ron.a.wagner@state.or.us

New Members Welcomed **Please welcome our newest members to OAIA:**

Active:

Phyllis Schmitz, PA, Lebanon
Beverly Stone, EA, Wood Village

Associate:

Shawn Haddon, Salem
Heather Search, Lebanon



THE OREGON ASSOCIATION OF INDEPENDENT ACCOUNTANTS
invites you to join us for two one-day seminars:

Oct. 22, 2009 - Form 1041: Trusts & Fiduciaries
Oct. 23, 2009 - Form 706 & 709: Estate and Gift Taxes
8:00 a.m. to 4:30 p.m.



Day 1- In today's current environment of planning for tax savings activities, the use of trusts as an asset protection tool, as well as for estate and tax planning is expanding rapidly. This 8 hour class is designed, written & taught by practicing Attorney/CPAs who work daily in forming trusts; accounting, reporting and tax preparation of the Form 1041; and advising clients with hands-on expertise. Taught to provide the beginner with basic knowledge, and the experienced attendee with planning ideas and compliance tips, this practical class is just the course the professional needs to expand their practice.

Day 2- This intermediate class is oriented towards the preparation of these complex returns. Written and taught by practicing CPAs-Attorneys who specialize in estate planning, formation, administration and tax preparation, this class is the answer for tax professionals wishing to enter the field or needing a review of the preparation of these returns. We review the formation of the estate; the administration of the estate; the preparation of the 706 estate tax return; the preparation of the Form 709 Gift Tax return and it's interaction with the 706, while discussing those hidden tax preparation issues and solutions. In order to provide the best hands-on information this course is taught by full-time practitioner CPA-Attorneys.

—Location—
Holiday Inn-Portland South
2425 SW 95th Ave.
Wilsonville, OR 97070
(503) 682-2211
Fax: (503)-682-5596

SEMINAR REGISTRATION

October 22 & 23, 2009 • REGISTRATION DEADLINE: October 8, 2009

Name _____
Address _____
City _____ State _____ Zip _____
Daytime Phone: (_____) _____ Fax: (_____) _____
E-mail Address: _____

It pays to be a member of OAIA!

SEMINAR FEES: Attend One Seminar Only: \$150.00 (Members)
\$180.00 (Non-Members)
Attend Both Seminars: \$279.00 (Members)
\$309.00 (Non-Members)

Indicate which Seminar(s) you will attend Form 1041: Trusts & Fiduciaries - Thursday, October 22
 Form 706 & 709: Estate and Gift Taxes - Friday, October 23

METHOD OF PAYMENT:

Check in the amount of \$_____. (Make payable to: OAIA.)
 Credit card - Please fill in information below:
If you are using a credit card, we must have your card mailing address.

I authorize the OAIA to charge \$ _____ to my: MasterCard VISA

Card # _____ Exp. Date _____

Signature _____

Names of All Persons Attending _____ Mailing Address _____

No-Show Registrants: Refunds/credits will not be issued to no-show registrants. No-show registrants will receive seminar materials.

Cancellation Policy: Cancellations received 8 or more days prior to the event will incur no penalty. Cancellations received 7 or less days prior to the event will be charged a \$50.00 cancellation fee or without penalty you may: 1) send a substitute; 2) Transfer your registration to another event of your choice. Registration fees can be transferred anytime prior to the event date and will incur no penalty. Requests for refund or transfer on, or following, the event date cannot be honored. Refunds will be returned to company/individual issuing original payments.

NO CONFIRMATION will be sent.

Each seminar may qualify for 8 hours of CPE credit.



1040 Tax Seminar Locations:

Eugene
Nov. 12 & 13
Valley River Inn
1000 Valley River Wy.
Eugene, OR 97401-2115
541-681-5073
Fax: 541-687-0289

Portland
Dec. 3 & 4
Shilo Inn – Portland Airport
11707 NE Airport Way
Portland, OR 97220-1075
Phone: 503-254-0794
Fax: 503-252-7500

Annual 1040 Tax Seminar

Hosted by the
Oregon Association of Independent Accountants
Eugene – Thursday & Friday, November 12 & 13, 2009
Portland – Thursday & Friday, December 3 & 4, 2009



Join us for the 2-Day 1040 Seminar in Eugene or Portland. Seminar hours are 8:00 a.m. to 4:30 p.m. both days, both seminars. Pick the location most convenient for you. Make reservations directly with the hotel – mention OAIA. Registration Deadlines: Eugene – October 30; Portland – November 20

It pays to be a member of OAIA!

REGISTRATION FEE: \$279 for members, \$309 for non-members

Fee includes the manual (in print and CD-ROM form), a continental breakfast, plated lunch, and all breaks.

CPE Credit 16 hours.

Add \$15 late fee for registrations postmarked after posted deadlines. (Late registrants cannot be guaranteed printed materials.)

ACCOMMODATIONS:

You are responsible for your own hotel reservations and costs. Mention OAIA when you contact the following hotels:

EUGENE:
Valley River Inn
1000 Valley River Way
Eugene, OR 97401-2115
Phone: 541-681-5073
Fax 541-687-0289

PORTLAND:
Shilo Inn – Portland Airport
11707 NE Airport Way
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Phone: 503-254-0794
Fax: 503-252-7500

1040 SEMINAR REGISTRATION (Please check a box)

Eugene • Nov. 12 & 13 • REGISTRATION DEADLINE: Oct. 30, 2008
 Portland • Dec. 3 & 4 • REGISTRATION DEADLINE: Nov. 20, 2008

Name _____
Address _____
City _____ State _____ Zip _____
Daytime Phone: (_____) _____ Fax: (_____) _____
Email address: _____

Check which session you will be attending: Eugene Portland

REGISTRATION FEE: \$279 for members, \$309 for non-members

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Check in the amount of \$_____. (Make payable to: OAIA.)
 Credit card - Please fill in information below:
If you are using a credit card, we must have your card mailing address.

I authorize the OAIA to charge \$ _____ to my: MasterCard VISA

Card # _____ Exp. Date _____

Signature _____

Names of All Persons Attending _____ Mailing Address _____

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NO CONFIRMATION will be sent.

16 hours of CPE credit is available.

Return this form to OAIA, 1804 N. E. 43rd Avenue, Portland, OR 97213. Fax registration to (503) 282-7406.
If you have any questions about this information, contact the OAIA (503) 282-7247. E-mail: srobertson4oaia@aol.com.
IF FAXING REGISTRATION, PLEASE CALL OAIA OFFICE TO CONFIRM WE RECEIVED IT.

Return this form to OAIA, 1804 N. E. 43rd Avenue, Portland, OR 97213. Fax registration to (503) 282-7406.
If you have any questions about this information, contact the OAIA (503) 282-7247. E-mail: srobertson4oaia@aol.com.
If faxing, please call OAIA office to confirm we received it.