WYOMING ASSOCIATION OF PUBLIC ACCOUNTANTS NEWSLETTER

Jan-Feb 2013

Memorial:

Jean Hine previously wife of Past President Paul Hine died September 2012 Paul had passed away a few years earlier in Laramie. We remember Paul and Jean from the many meetings together in the Southeast District.

AMT has a patch which may not need fixed again as we did not quite go over the "Cliff". It's now indexed for inflation.

from the desk of Mike Liesch

Well NCPE came to Casper on Oct 29-30 and brought their updates for the new tax season. I'm not sure we liked all the tax updates and are a bit frustrated with the whole tax year.

I have been blessed by the selling of my practice to a young energetic accountant by the name of Tracy Linko. I got her involved in WAPA and she also attended the NCPE seminar in Casper. I will be working with her as long as she needs me, assuming it will be though this up and coming tax season.

Let's welcome new member Tracy Linko to WAPA. We hope your practice grows and you have a great tax season year in Thermopolis.

I plan to stay quite active as the Sec/Treas of WAPA and will do what I can to make the transition to our clients smooth. I will be in the office helping Tracy all I can.

I also want my clients to know I am still there for them at any time if they need me, but I also want to make sure Tracy serves you with as much enthusiasm as I tried to give you. I also see the light at the end of the retirement tunnel. Yeh!
Mikie.

Inside this issue:

In 2011, Uncle Sam gave you the **Best Estate Planning Gift** in history.

In 2012 it got **better**
In 2013 it **stays**

The gift tax exemption is the highest it has ever been—5,120.000 and then if not changed go away to 1,000.000 in 2013 and 2,000,000 for married couples, absent from congressional action.

Now may be the best time to make those gifts of assets so you do not get caught in the 55% trap.

Even though gifting is a great Idea, no one should be gifting so that it would

Editorial—-By Jarvis Windom

jeopardize their future retirement or lifestyle.

Tax season is looming on the near horizon. I just got my first release of my Tax Program today. Now that means spending a bit of December getting those organizers printed and sending letters of instructions to our clients giving them a heads-up of the new tax season.

With the due diligence requirements being over emphasized more and more each years, we love to police our clients into doing better jobs at record keeping, and making sure they are more in compliance each year. Have a happy tax season.

Jarvis

Again I want to remind you Accountants to be very honest and have the highest degree of integrity. So take your mandated classes in learning to be Ethical…. Funny but not funny.

Why? Because we are corrupt or working in a corrupt nation, so that we have to learn what this is and how to have an ethical practices? Why do they have to teach accountants ethics. I thought that is what we went to school for. Was it not to accurately perform our job, be as accurate as we can, and provide accurate documentation and books to our clients and the government.

What has our country come to that the honest Government mandates Accountants to learn to be honest by sending them off to class to understand what their practice should be, and then make them take refresher courses each year to impregnate their minds, that they have to do things right and be above reproach.

Did I just fall off the potato wagon?

Lets send our leaders to ethics classes. Let's mandate that they always be above reproach. Lets encourage them to make decision that would build a strong country, strong families and strong work ethics. Lets mandate unions, and labor departments to educate people in our country what hard work and long hours, is all about. Nothing wrong with ethics, but let's make our government and our officials take the ethic classes too. This is just a subtle reminder. JW

IRS Defers Effective Date for Repair Regulations

Friday, November 30, 2012

In Notice 2012-73,[1] the IRS announced that its regulations will be amended to delay the effective date of the 2011 temporary tangible property regulations (T.D. 9564) (the 2011 Regulations), which were to apply to tax years beginning on or after Jan. 1, 2012. According to the Notice, the IRS ;will amend the temporary regulations and change the effective date so that the rules will apply to tax years beginning on or after Jan. 1, 2014. Taxpayers may "early adopt" the temporary regulations and apply the rules ;for tax years beginning on or after Jan. 1, 2012. However, if accounting method changes are made to implement the 2011 Regulations, additional accounting method changes will be required when final regulations in this area are issued.

The IRS expects to finalize the tangible property regulations in 2013, and when final, these regulations will also apply ;to tax years beginning on or after Jan. 1, 2014. However, taxpayers may choose to apply them to tax years beginning on or after Jan. 1, 2012.

The Notice indicates that the effective date is being delayed in response to numerous comments from taxpayers regarding complications associated with implementing the 2011 Regulations.[2] Concerns have also been raised that certain positions should be revised from the 2011 Regulations. The IRS, recognizing that many taxpayers are spending significant resources to comply with the 2011 Regulations, indicated that when the final regulations are published, several existing positions will be changed. The notice indicates that changes are anticipated in the following areas:

- the *de minimis* rule in Temp. Regs. Sec. 1.263(a)-2T(g)
- the rules for dispositions in Temp. Regs. Secs. 1.168(i)-1T and 1.168(i)-8T, and
the safe-harbor rule for routine maintenance in Temp. Regs. Sec.1.263(a)-3T(g).

Procedures in Rev. Procs. 2012-19 and 2012-20 set forth guidance to secure automatic consent to change accounting method to comply with the 2011 Regulations. For taxpayers that seek to early adopt the 2011 Regulations may do so for tax years beginning on or after Jan. 1, 2012. The IRS says it will publish new automatic consent procedures when the final regulations are issued.

The RTRP EXAM

The RTRP Exam is easy and it is also hard. It is not for the unstudied. We noticed that the screen looks just exactly like the practice sessions that www.gleim.com has to offer. You would think they copied the questions word for word. So our recommendation is that you take a look at Gleim CPE Education and consider it for your study course. Even the exact color and layout from Gleim is used.

There is about 20 questions at the start of the test for information in Circular 230. There are 120 questions total. I'm sure they are selected at random. One person said they had a question on Wash Sales, and the next one said they didn't. There are a fair number of questions on "Basis". This will be used in calculating cost whether by gift, trade, or purchase. They will be on stock or property.

Almost all of the questions are story problems. A few of them are just true and false, but most of them are multiple choice. There are questions on the maximum amount of student loan interest deductions, some on the education credits, and quite a few on the various forms of itemized deductions. We noticed about 10 questions on HSA's and maximum contribution amounts. There are questions on how much and who can take for IRA deductions, and a couple on Roths.

They give you 2 1/2 hours timed to finish, and you will get mostly done probably in 1 1/2 hr. After you have market about 20 of the unsure questions, it will take more than the next hour to try to look up the answer to those 20.

Prometric gives you a 1040 as a reference item in the open book portion. That is virtually useless as all you have to look at is the tax forms themselves. No instructions from the 1040 package is included. And it would take too long to look anything up in the 1040 package.

The only useful tool seemed to be Pub 17. Learn how to read the index before you go. There are two indexed in Pub 17. They list both indexes. We recommend you also study some of each of the following catagories:

Foreign Tax Credit
Credit for Child and Dependent Care Expenses
Lifetime Learning Credit
Retirement Savings Contribution Credit
Child Tax Credit
Residential Energy Credits
Credit for the Elderly or Disabled
Mortgage Interest Credit
Earned Income Credit
Additional Child Tax Credit
American Opportunity Credit
Adoption Credit

When you complete the exam, they will tell you whether you pass or fail. You will not get your score. About 3 weeks later you will get your small 5x7 inch certificate after you pass.

When you go into your PTIN number you will be able to find a center and then schedule a test time. Many of the test times are filling up. Usually it will be 4 or 5 days ahead. Should you fail the test, another time will have to be rescheduled for a few days later.

We noticed that at the Prometric center they were testing for about 30 other occupations as well. We sat in the test room with people taking electrical license tests and also some MD's taking some form of medical exam tests. There were 8 booths in the Casper Office.

Any person who fails to close a gate in Wyoming is subject to a fine up to 750.00.

trivia

The Wind River actually changes its name in the middle of the stream becoming the Big Horn River at a site at the north end of the Wind River Canyon, where each year the

Native Americans hold a ceremony depicting the "Wedding of the Waters."

Beef Stew in a Crock Pot

- 2 pounds beef stew meat, cut into 1 inch cubes

1/4 cup all-purpose flour
1/2 teaspoon salt
1/2 teaspoon ground black pepper
1 clove garlic, minced
1 bay leaf
1 teaspoon paprika
1 teaspoon Worcestershire sauce
1 onion, chopped
1 1/2 cups beef broth
3 potatoes, diced
4 carrots, sliced
1 stalk celery, chopped
Low setting for 10 to 12 hours,..

Famous

Casualty Losses

Many people reeling from the impact of hurricanes, super storms, fires, floods and other disasters this year may be wondering what, if any, relief they can get on their taxes. In many cases, the answer will be disappointing. Congress generally has erected high barriers to deducting casualty losses. But some victims of nature's savagery may benefit from a little-known—and somewhat counterintuitive—tax-law twist designed to help those with losses in places that were declared as federal disaster areas by the president. First, here is a refresher course on deducting casualty and theft losses on personal-use property. The big hurdle facing taxpayers is known as "the 10% rule." Also watch out for the $100 rule. Here is how the Internal Revenue Service summarizes these rules in Publication 584:

"f the loss was to property for your personal use or your family's, there are two limits on the amount you can deduct for your casualty or theft loss.
1. You must reduce each casualty or theft loss by $100 [$100 rule].
2. You must further reduce the total of all your losses by 10% of your adjusted gross income [10% rule].

Another rule says casualty losses generally must be deducted only for the tax year in which they actually occurred. That makes sense—but there is an important exception for victims with losses in places designated as federal disaster areas. These victims have a choice. They can deduct their losses on their federal income-tax return for the year in which the losses took place or on their return "for the year immediately before the year of the disaster if the president has declared your area a federal disaster area," according to IRS Publication 584.

Suppose you suffered a large amount of personal casualty losses during 2012 in a federal disaster area. You have a choice of deducting those losses on your return for 2012, to be filed next year. Or you could deduct them on your return for 2011. Let's assume you've already filed your tax returns for 2011, as most people have.

Let's also assume you decide it would be more beneficial to deduct your storm-related losses for 2012 on your return for 2011.In that case, you would file an "amended" return for 2011, using IRS Form 1040X (available at www.irs.gov).

"The ability to apply the loss to the prior tax year is meant to be a way to get money into a taxpayer's pocket quickly," says Claudia Hill, the owner of a tax-preparation and advisory firm in Cupertino, Calif., and an enrolled agent. (Enrolled agents are federally licensed tax experts authorized to represent taxpayers at all levels of the IRS.)

But don't automatically choose the prior year without studying the situation carefully. Figuring out which year to choose can be remarkably tricky, especially in view of the "10% rule." When in doubt, do the calculations both ways to see which gives you the most favorable tax result.

What Is A Cash Flow Statement?

A quick overview.
Complementing the balance sheet and income statement, the cash flow statement (CFS), a mandatory part of a company's financial reports since 1987, records the amounts of cash and cash equivalents entering and leaving a company. The CFS allows investors to understand how a company's operations are running, where its money is coming from, and how it is being spent. Here you will learn how the CFS is structured and how to use it as part of your analysis of a company.

The Structure of the CFS

The cash flow statement is distinct from the income statement and balance sheet because it does not include the amount of future incoming and outgoing cash that has been recorded on credit. Therefore, cash is not the same as net income, which, on the income statement and balance sheet, includes cash sales *and* sales made on credit. (For background reading, see *Analyze Cash Flow The Easy Way*.)

Cash flow is determined by looking at three components by which cash enters and leaves a company: **core operations, investing and financing,**

Operations

Measuring the cash inflows and outflows caused by core business operations, the operations component of cash flow reflects how much cash is generated from a company's products or services. Generally, changes made in cash, accounts receivable, depreciation, inventory and accounts payable are reflected in cash from operations.

Cash flow is calculated by making certain adjustments to net income by adding or subtracting differences in revenue, expenses and credit transactions (appearing on the balance sheet and income statement) resulting from transactions that occur from one period to the next. These adjustments are made because non-cash items are calculated into net income (income statement) and total assets and liabilities (balance sheet). So, because not all transactions involve actual cash items, many items have to be re-evaluated when calculating cash flow from operations.

For example, **depreciation** is not really a cash expense; it is an amount that is deducted from the total value of an asset that has previously been accounted for. That is why it **is added back into net sales for calculating cash flow**. The only time income from an asset is accounted for in CFS calculations is when the asset is sold.

Changes in accounts receivable on the balance sheet from one accounting period to the next must also be reflected in cash flow. If accounts receivable decreases, this implies that more cash has entered the company from customers paying off their credit accounts - the amount by which AR has decreased is then added to net sales. If accounts receivable increase from one accounting period to the next, the amount of the increase must be deducted from net sales because, although the **amounts represented in AR are revenue, they are not cash**.

An increase in inventory, on the other hand, signals that a company has spent more money to purchase more raw materials. If the inventory was paid with cash, the increase in the value of inventory is deducted from net sales. A decrease in inventory would be added to net sales. If inventory was purchased on credit, an increase in accounts payable would occur on the balance sheet, and the amount of the increase from one year to the other would be added to net sales.

The same logic holds true for taxes payable, salaries payable and prepaid insurance. If something has been paid off, then the difference in the value owed from one year to the next has to be subtracted from net income. If there is an amount that is still owed, then any differences will have to be added to net earnings. (For more insight, see *Operating Cash Flow: Better Than Net Income?*)

Investing

Changes in equipment, assets or investments relate to cash from investing. Usually cash changes from investing are a "cash out" item, because cash is used to buy new equipment, buildings or short-term assets such as marketable securities. However, when a company divests of an asset, the transaction is considered "cash in" for calculating cash from investing.

Continued on P-6

Financing

Changes in debt, loans or dividends are accounted for in cash from financing. Changes in cash from financing are "cash in" when capital is raised, and they're "cash out" when dividends are paid. Thus, if a company issues a bond to the public, the company receives cash financing; however, when interest is paid to bondholders, the company is reducing its cash.

Tying the CFS with the Balance Sheet and Income Statement

As we have already discussed, the cash flow statement is derived from the income statement and the balance sheet. Net earnings from the income statement is the figure from which the information on the CFS is deduced. As for the balance sheet, the net cash flow in the CFS from one year to the next should equal the increase or decrease of cash between the two consecutive balance sheets that apply to the period that the cash flow statement covers. (For example, if you are calculating a cash flow for the year 2000, the balance sheets from the years 1999 and 2000 should be used.)

Conclusion

A company can use a cash flow statement to predict future cash flow, which helps with matters in budgeting. For investors, the cash flow reflects a company's financial health: basically, the more cash available for business operations, the better. However, this is not a hard and fast rule. Sometimes a negative cash flow results from a company's growth strategy in the form of expanding its operations.

By adjusting earnings, revenues, assets and liabilities, the investor can get a very clear picture of what some people consider the most important aspect of a company: how much cash it generates and, particularly, how much of that cash stems from core operations.   This is just a thumbnail sketch of a CFS.

Jarvis

Depreciation Rules

If you qualify to depreciate assets on your Business Schedules.
2012 Deduction Limit = $139,000   (down from 500,000 last year)
This is good on new and used equipment, as well as off-the-shelf software.
2012 Limit on equipment purchases = $560,000
This is the maximum amount that can be spent on equipment before the Section 179 Deduction available to your company begins to be reduced.

Bonus Depreciation = 50%

This is taken after the $560k limit in capital equipment purchases is reached. Note: Bonus Depreciation is available for new equipment only. Bonus Depreciation can also be taken by businesses that will have net operating losses in 2012.

I PASSED THE RTRP TEST

Just wanted to share with all of you, that after lots of studying and nerve racking days...

I passed the RTRP test!!!

I thought it was more on the hard side than the easy side as some of you told me.

And my recommendation to those of you who have not taken this test, get on it before it is too late!! Don't wait... I hear that as time goes on the test gets harder.

I used the Drake RTRP course and some of the Gleim course. I also had a book for EA test from Fast Forward and read thru that and did those questions.

Also had the top 100 facts from NSA to read through and printed out the Circular 230 and actually read it...

Good luck to those who will be taking this test soon or before end of year.

TERESA L MOORE, PUBLIC ACCOUNTANT
The WAPA President

Living Trusts

With a person doing a living trust you also have to have a will that probably pours-over everything you did not get into your trust, go into your trust. A pour-over will is just that. It says something like…"this is my last will and testament and after my funeral is paid for, I want everything I forgot to put in my trust…put into my trust."

Trusts are worthless if you do not put your bank accounts, land, cars, and other personal items in it when you set it up.

Living trusts do not necessarily minimize or eliminate any estate taxes, but they usually do eliminate probate and the costs associated with probate.

If you have a client that has a living trust, remind them to put their stuff in the trust. It's no good if you don't put the stuff (assets) in. (smile)

AMT

Only through congressional action—virtually every year in recent years—has the exemption been lifted to spare the middle class. For 2012, the patch lifted the exemption to $**78,750 for households and $50,600 for individuals**.

For the first time, the patch was also indexed to inflation, meaning taxpayers may never again face the uncertainty of a congress that may or may not take action and possibly subject them to this higher tax.

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2013 Calendar Of Event

April… WAPA Board Meeting in Wheatland

www.wyopa.com

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