

The

FREE STATE

A Publication of the Maryland Society of Accounting & Tax Professionals

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Jeremy Friedman started his professional career in web development in 1997, working on some of the earliest web-based software frameworks ever released to developers. While pursuing his education at the University of Delaware he contracted for dozens of small to medium-sized companies as a freelance developer. After completing his education, he started as a software engineer at a local web development firm. Jeremy gained valuable software development experience and was introduced to the procurement world. Upon leaving the web development firm, Jeremy helped start both Greenwing Solutions and Greenwing Technology in 2009 and Websites For Tax Pros in 2014, all being software companies with specific niches of expertise.



Al Giovetti is a CPA in Maryland with over 35 years of public accounting experience, Accreditation in Business Accounting (ABA, 1989), Tax Advisor (ATA, 1984), Retirement Advisor (ARA, 2007), and Principal, Giovetti and Giovetti Certified Public Accountants (1992 – current). Giovetti and Giovetti Certified Public Accountants is a full-service small CPA firm in Catonsville, Maryland. Al is currently serving as Immediate Past President on the Board of Governors for the National Society of Accountants (NSA).



Ron Grafman graduated from the University of Maryland in 1975. His first professional job was with the Internal Revenue Service as a Revenue Agent and gained 5 years of valuable experience. After leaving the IRS, he took a job with the Defense Logistics Agency in 1980. At the same time he began preparing tax returns for others as a part-time side business. By 1986, Ron's practice grew to a point where he needed to resign from the Federal Government working full-time in his own practice. Ron has been preparing returns for over 35 years and has a wide variety of clients preparing all kinds of tax returns. Most recently he has specialized in dealing with Non Resident Aliens and US citizens living abroad. Ron has been a volunteer for several professional societies including MSATP. He has served on the MSATP Board of Directors for 10 years which included 3 years as Treasurer and was the President from 2009 - 2010 which was the Society's historic 50th anniversary year. Ron is also an ambassador at several of the seminars through the year. He is also the current MD State Director of the National Society of Accountants (NSA) and was recently awarded State Director of the Year. Ron still enjoys working with his clients in his own practice and with his peers at both NSA and MSATP with no plans to retire anytime soon.



Bob Jennings is a nationally renowned author and speaker, presenting continuing education classes to over 100,000 tax professionals over the last 20 years all over the world. Bob is a licensed CPA (Indiana), a licensed CFP, an IRS Enrolled Agent and a Registered Tax Return Preparer. Bob is also a prolific author and has published over 60 professional articles in such magazines as the Journal of Accountancy as well as many other professional and consumer publications; annually authors several tax, accounting and technology manuals; and is a regular columnist for FoxBusiness.com. As the founder of his own regional CPA firm in 1984, Bob has dealt exclusively with individual and small business financial issues for over 30 years. Bob appears regularly in the media and has been quoted extensively by numerous publications. He has recorded an extensive number of informational videos, DVD's and instructional clips available on his website at TaxSpeaker.com.



Dave Kile is co-founder of Ease Technologies and a former Apple employee with over 25 years' experience in the IT industry. He provides an invaluable expertise working with clients in all aspects of IT support. Mr. Kile has lead teams implementing projects ranging from healthcare patient portals, the creation of public safety IT help desks to the relocation of financial trading firms. Additionally, he is actively involved in providing education seminars, webinars and blogs sharing ways that businesses can improve security and productivity.



Jerry Lotz is Senior Savings Advisor at CostSeg Energy Solutions. CostSeg Energy Solutions represents companies whose mission is to help commercial property owners and leaseholders save money. He serves as an agent for Cost Segregation Services Inc. (CSSI), based in Baton Rouge, LA. CSSI is an "independent" company that provides "engineering-based" IRS Approved, Cost Segregation Studies and Tangible Property Regulation Consultation. Other CSSI services include: CAP-EX Reversal Analysis, Engineering-Grade Energy Audits, 179D, 45L and LED Lighting Tax Savings Implementations. Jerry is a Baltimore native and holds a business degree from Towson University. He spent 30 years in various managerial positions in the medical sales industry. Jerry enjoys working to provide "exemplary" service to tax professionals and the clients they serve. When he is not working, he enjoys spending time with his wife, children and grandchildren.



Jim Seminara is an investment advisor and financial planner with Mass Mutual Financial Group of the Mid Atlantic, a MassMutual Agency; courtesy of Massachusetts Mutual Life Insurance Company.



Joe Tabeling is a Sales Manager with over thirty years experience in sales, sales training, motivational speaking, trade show management & design, advertising & marketing, product sourcing, business consulting, basic web page design and licensing negotiations.



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MSATP News

Nominations Committee

by Ron Grafman

MSATP Candidates for Elected Office

All persons holding the membership status of Principal member who would like to present themselves as a candidate for an elected office of President, First Vice President, Second Vice President, Secretary or Treasurer for the fiscal year beginning July 1, 2018 need to follow the three (3) steps outlined below. In doing so, we are seeking the help of our membership and anyone who has thoughts and ideas as to how we can further improve in several areas.

All persons holding the membership status of Principal or Associate member who would like to present themselves as a candidate for an elected office of Delegate for the fiscal year beginning July 1, 2018 need to follow the three (3) steps outlined below.

1. Submit the application* to the Nominating Committee prior to Friday, November 10, 2017 by fax, mail to address below, or email to rongrafman@peoplepc.com:

Ron Grafman
Nominating Committee Chair
PO Box 1360
Germantown, MD 20875

Phone: (301) 428-7998
Fax: (301) 428-3659

2. Accept an invitation from the Nominating Committee for an interview to be scheduled during the months of December, 2017 and January, 2018.
3. At the time of the interview, submit a biography and photograph for publication.

*Click here to print the Candidates for Elected Office application.

MSATP attends TU Event



On Friday, September 22, 2017, representatives from MSATP attended the Towson University Accounting Career Day. Students were offered an opportunity to learn more about the benefits of MSATP membership. Professors stopped by to thank the MSA Scholarship Foundation for scholarships awarded to Towson students. (Pictured: John Charalambopoulos, scholarship recipient, and Brian Chrest, MSATP Membership Committee representative).

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Your New MSATP Benefit

by Joe Tabeling

The recent hurricanes, earthquakes and flash floods will have far reaching effects on every aspect of our life and economy, especially in regards to the energy industry. Temporary closing of production plants along with increased demand will and has started to change rates that we pay. Historically events of this nature are only bumps in the road. However we may see this thinking change due to the multiple events occurring in such a short period of time. As in the past we will endure but it should cause everyone to pause and take notice. Is your company or your client's company positioned to cope with these fluctuations in operational costs?

Businesses across the country are striving for ways to stabilize or reduce operational expenses. One of the options is through the process of purchasing energy through a third

party provider. Unfortunately misinformation and deceptive practices has caused many businesses to become disillusioned with the idea. The businesses that do pursue the opportunity find it quite daunting analyzing every supplier's program, terms and conditions as well as reviewing various market conditions three years out to determine the best option. Even after all of this money is still left on the table due to most businesses not having the buying power of a Walmart to secure the lowest rate.

MSATP has partnered with CQI Associates to assist members and their clients with this process. When energy deregulation occurred in 2002 CQI began assisting clients in obtaining lower utility rates. Unlike other brokers they work on behalf of the customer. Through their unique process of combining customer

loads into aggregation purchasing pools, they competitively bid multiple licensed suppliers, negotiating and securing the most competitive rates available. The process has proven to provide lower rates than customers are able to obtain on their own. CQI works with the client every step of the way taking the confusion out of the procurement process. Ultimately CQI does most of the work with the business reaping the benefits, all at no additional cost and as part of being a member of MSATP.

CQI is a locally owned, nationally recognized, family operated energy and sustainability management consulting firm based in Columbia, MD. Since 1995 CQI has been providing services to clients throughout the US including Northrop Grumman, Hunter Douglas and AutoNation to name a few. For more information go to www.cqiassociates.com.



Simple is Better

by Jeremy Friedman

In 2017, vanilla is in. Simple, elegant websites with an emphasis on content and information are the latest trend to take the web design industry by storm.

Long gone are the complicated, garishly colored interfaces of years past. Today's modern website is full-screen, highly visual, easy to navigate, and emphasizes information conveyance above all else.

From the blinking text and spinning welcome graphics of the late 90's to whiz-bang animated Flash websites of the mid-2000's, we've seen just about every trend imaginable in our 20 years of building websites.

However the latest trend of revolutionary simplicity is one we fully embrace. Websites have finally caught up with the rest of the marketing world.

Everybody knows having a website is important, but what information should you put on the website?

It used to be the case where you needed to blog about your industry every week posting information and pictures about what's going on. Any new service or product would get its own page and a long detailed explanation. Now what we're seeing is simpler designs that are

elegant and mobile-friendly of course, but less graphics, more open spaces. Videos and images are still recommended, coupled with simple explanations of what you do, what services you offer and how to easily contact someone from your organization. Visuals should be actually relevant to you and your brand and not just gaudy interface clutter.

It sounds counter-intuitive because websites have always been design-heavy, but now we're seeing that being scaled back in favor of a simple design with just enough information to push the user to contact you to learn more about your services. And isn't that what it's all about after all? •



After the Equifax Breach, is it Time to Freeze Your Credit?

by Dave Kile

The recent compromise of 143 million consumer's personal information at Equifax has many people talking about the possible implications of this breach. Clinging to the hope that your personal information has still not been compromised by the Equifax breach or the other major national breaches over the last several years is now becoming hopeless.

Who hasn't experienced some type of personal information or credit being stolen? The Equifax breach only stacks the deck a little higher against any dream left that we aren't all at risk of thieves having already gotten our personal information that can be used for some form of identity theft.

The last line of defense we have is Credit Freeze with the three major credit bureaus, TransUnion, Equifax and Experian. Once completed, no new lenders will have access to your credit reports or credit history. New inquiries of credit will be blocked, and those lenders will not extend any new loans or credit cards until they know more about you. Once the freeze has been completed, only you and your existing creditors can gain access to your credit records.

This does not protect your existing credit cards from account takeovers. This means credit cards and open accounts can still be compromised. If your credit card is lost or stolen, it can still be used for example. Also, this does not protect you from identity fraud with the IRS tax scams. The IRS does not rely on these services from these credit bureaus to validate your taxes.

Is a Credit Freeze right for you?

Freezing your credit reports is ideal if you already have a mortgage, automobile, established lines of credit and don't foresee that changing anytime soon. If you are about

to purchase a new house, car, student loan or additional credit cards, this might not be a good action to take until those business arrangements are closed. Some business owners may have their personal credit tied to the business lines of credit and may need to provide frequent access to these records. Everyone should be aware of lenders requiring access to their credit history before implementing a Credit Freeze.

This doesn't mean you can't undo a Credit Freeze for new creditors. It's just a little more of hassle, and you must work with those three major credit bureaus to unfreeze your credit reports so legitimate lenders can gain access as needed.

What about a fraud alert offering from the credit bureaus or LifeLock? These are reactive notices about your credit activity and tell you when something with your credit has already occurred. While it can be helpful, this process doesn't stop fraud.

If you elect to implement a Credit Freeze, you must complete a request form online or on the phone with the three major credit bureaus. There may be a small fee from each bureau depending on which state you reside. For now, Equifax has waived all fees for anyone placing a Credit Freeze. Part of the process includes each bureau providing you a person pin number to unfreeze later on. Do not lose these pin numbers, as it is very difficult to recover them, for good reason.

It is also highly recommended that you get a snapshot and monitor your credit activity from Annualcreditreport.com before you freeze your credit.

Finally, there are no fool-proof methods to stop all forms of identity theft, but a Credit Freeze is the best way to mitigate the risk.

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Believe It or Not, It's Another AMAZING Part of the Tax Code

by Jerry Lotz

As we move into the fall of 2017, I'd like to share a true to life scenario as it relates to just how "owner friendly" the recent tax code changes can be for owners of residential rental, multi-family and commercial property. The 2013-2014 TPRs contain an important application called, "Partial Asset Disposition" (PAD). The Protecting Americans From Tax Hikes (PATH) Act of 2015 [sec. 168(k)], contains another application called, "Quality Improvement Property" (QIP).

A colleague of mine, Warren Dazzio -VP at CSSI, recently wrote an article referencing self-storage facilities. He succinctly describes Partial Asset Disposition (PAD) in the following terms,

"Partial Asset Disposition (PAD) allows a building owner to write down the basis of assets that were removed and the labor costs to remove and dispose of those items. Typically, building owners capitalize the whole renovation when some portions can often be expensed. Building owners can receive a tax deduction in the same tax year as the renovation, but it is a "use it or lose it" opportunity. If you fail to capture a PAD in the current tax year, the opportunity for the write down is lost permanently."

Regarding QIP, it refers to an interior non-structural part of a building, normally classified as a 39-year asset, that qualifies for 50% bonus depreciation. Many energy retrofits qualify. I find this article,

<https://www.journalofaccountancy.com/issues/2016/may/new-bonus-depreciation-provisions.html> in the May 2016 Journal of Accountancy to be a simple explanation of the PATH Act and QIP. On their own, these applications can generate significant cash flow. When coupled with an "engineering-based" Cost Segregation Study, their financial benefit is astounding!

An engineering-based cost segregation study is the most certain method of breaking a building out into its various parts and accelerating the depreciation of those parts by re-classifying the assets into shorter tax lives. This often generates significant cash flow for the building owner in the form of savings on their Federal income taxes. Just how much tax savings does it generate? A cost segregation study can generate tax savings to the tune of \$40,000 to \$80,000 or more per \$1 Million in building cost. The NEW found money from tax savings is NOW available to re-invest in the business. As an input document with the repair regulations, the calculations that result from the Cost Segregation study also help the owner and tax professional maintain compliance with the TPRs moving forward by identifying and valuing building systems. The valuation numbers serve as a benchmark for determining future capital vs expense decisions according to the Repair Regulations.

Now for a true to life example that demonstrates just how "owner friendly" the TPRs (PAD) and PATH Act (QIP) can be. Consider this: Company X has been hearing the "buzz" around converting their old fluorescent lighting to more environmentally, energy efficient LED lighting. They get a quote from a contractor that comes back at \$81,500. The contractor works with the local utility company to collect the "Energy Star" and whatever other rebates that might be available (total = \$21,288). This brings the cost of the project down to \$60,212. This is great! Twenty-five percent of the cost is offset by rebates and the client will enjoy additional great savings on their utility bills going forward!

Now bring in a Cost Segregation Company that can perform an "engineering-based" study on the property, apply the TPRs (PAD) and calculate the QIP.... Watch the savings sky-rocket! This tells it all:

Company X LED Retrofit Project

LED Retrofit Cost	\$ (81,500.00)
Rebates	<u>21,288.00</u>
Net LED Project Cost	\$ (60,212.00)

An engineered-based Cost Segregation company is brought in after the installation to perform a Cost Seg study, apply the Repair Regulations and calculate the QIP

Tax Benefits

Repair Regulations Calculations	\$ 15,962.00
QIP Calculations	16,300.00
Cost Segregation Study	87,889.00
Cost Seg Study Cost	(15,000.00)
179D EPACT (if available)	<u>??,???.??</u>

NET on TAX SAVINGS \$105,151.00

NET PROJECT COST \$ (60,212.00)
NET on TAX SAVINGS \$ 105,151.00

NET BOTTOM LINE BENEFIT \$ 44,939.00

Company X receives a \$44,939 tax benefit for installing LED lights as result of engaging the work of an engineering-based Cost Segregation Company! Additionally, company X enhances the work environment for employees and saves more on their utility bills!

This is the perfect time of year for tax professionals to take a closer look at employing

a Cost Segregation study for clients who own property. Any client who is contemplating making energy efficiency improvements just might be able to "hit a home run" as result of these amazing caveats in the tax code (Repair Regs and QIP). Believe it or not, there are many parts of the tax code that are very much in the favor of the building owner!•



Senate Bill 57: Income Tax Credit - Class F Vehicles

by Comptroller of Maryland

Senate Bill 57 passed in the 2017 session that made changes to this credit. The credit now has to be certified by the MVA. A general assumption is the MVA will stop certifying when they reach the limit. Credits will be forwarded on a first-come,

first-served basis. The Comptroller of Maryland will only allow a credit on a return when the MVA certification is attached.

[Click here to view Senate Bill 57 with modifications and extension.•](#)



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MSATP Political Action Committee (PAC)

A Political Action Committee provides an organized way for a group to support political candidates, causes, legislation, regulations, or initiatives that promote its cause.

A Political Action Committee collects contributions from individuals and aggregates them into a fund that is used to support its cause.

Your contribution supports the candidates and legislators who support your right to practice. The MSATP PAC has been involved in issues including: sales tax on services, mandatory peer reviews, protection of tax payers, non-registered tax preparers, pension exemptions, and estate tax bills. Support the committee today and get involved!

[Click here to donate!](#)





Technology Smorgasbord

by Al Giovetti

According to Wikipedia, a smörgåsbord is “a type of Scandinavian meal, originating in Sweden, served buffet-style, with multiple hot and cold dishes of various foods on a table.” I had to go to Merriam-Webster’s online dictionary to get a secondary definition, which is more appropriate to this article (<https://www.merriam-webster.com/dictionary/smorgasbord>) – “an often large heterogeneous mixture; mélange.” This article is a virtual mélange – or smörgåsbord – of technology information.

When I began to write this article, I wanted to write about Tax Help Software, Pit Bull Software, or any other third-party software packages available that access the Internal Revenue Service eServices website, or even one of the newer services called enQ that shortens the time that it takes to access the Internal Revenue Service Practitioner Help Line.

Having contacted these companies repeatedly over the last month and talking to them at various IRS Tax Forums that I have attended around the United States as President of the National Society of Accountants and the husband of the Secretary-Treasurer of the Accreditation Council of Accountancy and Taxation – and getting no useful response – I realized that I could not write a substantial review concerning any of these software offerings. However, I will briefly touch on these “software” offerings.

Tax Pro Software has two versions – the ProPlus for \$350 per year, and Executive for \$600 per year. The price alone may put you off buying the software. The first question that comes to mind is what is the break-even point of the price that allows the small practitioner make a profit? Most practitioners do not have many tax adjustment cases. I do have a tax problem-solving business, and handle audits, appeals, tax debt, collections, etc. And I was a bit interested especially since I write these articles.

The one persuasive factor was the quote from attorney and speaker Eric L. Green, who said that Tax Pro Software “changed the way we run our business.” According to Tax Help Software (taxhelpsoftware.com) President Roger W. Nemeth, EA, Tax Help Software is negotiating with TimeValue Software to add the features of Time Value Software to the Tax Pro Software line. President Nemeth assures me that negotiations are going well and that the deal will be concluded soon.

Many years ago, I reviewed TimeValue Software (www.timevalue.com), which offers a calculation software package that computes the penalties and interest on tax debt. The software points out that the tax debt by law can be computed in a variety of acceptable ways and that the IRS often picks the least advantageous way for the taxpayer to compute these items. Tax practitioners can use the TimeValue Software to make all legal ways to computer the tax debt and the tax penalties and produces a report that you can send to the IRS to reduce your clients’ taxes and interest to the lowest rates. TaxInterest desktop edition costs \$198 for the license and has a \$99 per year renewal rate. TimeValue Software is more reasonable for the small practitioner, and has a lower break-even threshold.

More on Tax Help Software will be forthcoming in later installments of this Computer Hardware and Software column.

enQ, Inc. (callenq.com) founder and CEO Andrew Valiente has a service that will wait on the IRS Practitioner Help phone line for you and call you back when your call to the IRS goes through, thus converting “your IRS hold time from hours to 3 minutes.” IRS has a special feature on its call line called a “courtesy disconnect.” Instead of wasting your time on the call the IRS saves you time by cutting off your call if you wait too long so that you go back to the beginning of the queue, “where you have a better chance of getting a shorter wait

time.” (Yeah, right.) enQ, at \$49 per month for local firms (300 minutes of call time), \$99 per month for “regional firms,” (650 minutes of call time), and \$199 per month for large national firms (1400 minutes of call time), seems a better option. Enough said.

PitBull Tax Software (www.pitbulltax.com) offers five different plans for their third-party IRS transcript download and case management and billing software, with both monthly and annual billing. A one-time use license gives you one year for \$197 for one client. A single-user license for unlimited clients costs \$89.87 per month and \$797 per year, while a multi-user license starting at 3 users for unlimited clients goes for \$179.97 per month or \$1,597 per year. We might as well stop there – most one- and two-member firms do not have this much tax advocacy business to justify spending this much money up front.

This analysis of pricing leads me to conclude that most of these third-party eServices software companies do not have the slightest idea who their customers are or who the attendees of the IRS forums are. Most of these small practitioners do not have the money to spend on these services and would provide IRS resolution services for virtually nothing if they paid these prices.

On September 21, 2017, I attended the National Practitioner Liaison meeting chaired by NPL Director Mel Hardy at the IRS Headquarters in Washington, DC, followed by lunch with members of the IRS Security Summit group under the chairmanship of National Practitioner Office Director Carol Campbell. During these meetings, various items were discussed concerning the evolving requirements for tax practitioner compliance with security issues, especially the protection of taxpayer data and the prevention of tax related fraud.

At the NPL meeting, Tammy Ripperda, Deputy Commissioner for Small Business

Self-Employed (the group that audits small business), made a presentation concerning the Taxpayer Digital Communications (TDC) project. TDC is piloting a program using a “secure email messaging system” to share information and documents in the correspondence examination system. The IRS feels that scams and phishing in the tax area have discouraged enthusiastic buy-in to the online communications process. The IRS is also reporting problems with the identification authentication process, with only 47% of those who wish to participate being able to get through and authenticate to be given an account.

Practitioner (Power of Attorney) representative participants will have to request the history and time-line of the case from the IRS, since the history of the case will not be otherwise shared with these late participants. IRS has so far sent out 90,000 letter invitations to taxpayers and practitioners alike, and so far, only 900 participants are trying out the program. Feedback from the program has participants either loving or hating the experience. At this time only a few districts of the IRS are participating in the TDC, but more districts will open up as time progresses.

The Equifax Data Breach (EDB) was discussed. Practitioners who have had a data breach need to file form 4349 to report it to the IRS (send the form to the address on the instructions). The EDB (Tammy Ripperda quipped, “You know how much the IRS loves acronyms”) only gave the hackers five data points, three of which were name, social security number (SSN), address. The IRS, in their efforts to combat fraudulent returns, has added 37 new data points to their system of verifying the authenticity of returns filed. This new system requires the hackers to provide the 30-odd data points for the IRS to authorize payment of a refund – so five data points isn’t enough to jeopardize return filing.

The IRS reminded the NPL group that the 140 million names that were compromised in the Equifax Breach was not any different than any of the other recent breaches, such as Target, Wells Fargo, and Yahoo. The Yahoo breach involved 500 million emails. Most breaches get three key data points: name, social (SSN), and address or driver’s license. More data is now required to file tax returns.

The IRS suggests that you need to be a confirmed victim of identity theft (CVIT) before you need to file Form 14039. Just a breach, such as occurred with Equifax, is not enough to be considered a CVIT. You become a CVIT when your identity is being used to get to your assets, such as credit card fraud or other activity.

Due to the relaxed atmosphere at lunch, the members of the security summit group and others felt comfortable discussing the reason why there is so much fraud – the reason given was the electronic filing program. There are virtually no fraudulent paper-filed returns, according to this group. It seems unfortunate, then, that preparers are prohibited from advising their clients to file by paper.

Jim Clifford, Director of Wage and Income (W&I) Customer Account Services, reported that eServices have been down, but should be up again by now since they rolled out three new changes: new platform, secure access, and new landing pages. As happens with most website updates and changes, all established links were changed. I am always confused when links are changed with a revised website. There is absolutely no reason (other than laziness) that you need to change the file structure, which is what defines the web page link. Everyone changes the links when revising the website, but it is not necessary to change these links when you revise or provide a “new” website to replace the “old” website.

Preparer intermediate service providers (PISP, acronymically), or third-party intermediary providers, must inform their clients that you are using a PISP. PISPs are prohibited from storing access codes, passwords or any other of the multiple identification information which provides access.

eServices security was increased by adding multi-factor authentication. The multifactor identification requires the preparer to have a smart phone application called IRS2GO to access eServices. IRS2GO provides a continuously changing code to provide access to eServices to prevent further hacking of the site by cyber thieves. IRS2GO is available for download on the Apple Store, Amazon, or Google Play.

The practitioner must go through a series of authentication questions on a modern text-message-enabled cell phone (MTMECP) to be granted eServices access. The authentication process involves two forms of identification. Those practitioners without a MTMECP will no longer be able to access eServices. The cell phone need not be in the practitioner’s name. There is a several-week delay in authentication, so practitioners are encouraged to go online at IRS.gov and go through the registration process now.

Several members of the NPL said that they have heard from others that many IT professionals are advising their accounting clients they had a data breach, but they have no evidence that data was stolen and that they have fixed the problem.

If your IT professional tells you that there is no problem and no data was lost, should you still file the form with the IRS and inform them that you had a data breach? This information indicates that the IRS figures on data breaches may be severely under-reported. IRS now, at least to me when I asked, is not releasing information on the number of data breaches reported. The IRS did say that the numbers are way up over last year and that practitioners are targets.

Eulonda Lea, Criminal Investigator, Refund Claims, made a presentation and the NPL was attended by her boss, the National Director of Criminal Investigation. The CID (criminal investigation division) outreach is to send out field agents, revenue agents, and CID agents (special agents) to “knock and talk” at accounting offices to “explain W&I issues to tax return preparers.” There are also videos in the IRS youtube channel.

NASBA recently audited my Circular 230 ethics course outline, which connects Circular 230 to the Internal Revenue Manual (IRM). The course delves into the IRS enforcement of Circular 230 via the IRM to give practitioners more perspective on the process of preparer penalties and Circular 230 violations. I will let you know when the NASBA audit is concluded, and if my course passes muster.

I wanted to get to Fijitsu Scanners (fujitsu.com), especially the iX500 workhorse and the new flatbed and feeder scanner (SP-1425). But we will have to leave these for future editions due to lack of space and endurance of readers. The mind can only absorb the information that the rear end can endure. •

NEW FOR 2017! MSATP PARTNERS WITH NATP TO OFFER:

Pennsylvania Income Tax Update

November 8, 2017 • 10:00 am – 12:00 pm
Clarion Inn FSK
Frederick • 2 CPE

Tax Professionals will hear about the state tax law changes and policies from a representative from the Pennsylvania Department of Revenue.

FACILITATOR: David Braden, CPA
Glenwood Hoskin, CPA

HOURS: 2 (Recommended)

DELIVERY: Group Live

REGISTRATION: www.msatp.org • (800) 922-9672

Family BUDGET

PIGGY BANK



Identify Your Family's Financial Priorities

by Jim Seminara

Although the American family has always shown great resilience through the ups and downs of our dynamic economy, the slow recovery we're experiencing now is compelling many to not only reconsider their priorities, but reevaluate the financial strategies they may have put in place only a few years ago.

Families and finances

A recent study commissioned by Massachusetts Mutual Life Insurance Company (MassMutual) and conducted by Forbes Consulting Group in 2013 titled, *State of the American Family: Families, Financial Attitudes & Planning*, found that families' financial priorities are focused around 4 specific areas: Income, Savings, Retirement and Debt.

The challenge for many of us is determining which of the four areas should be our primary focus. Ultimately, only you can decide where to put the majority of your financial efforts. Factors such as age, marital status, number of dependents and short- and long-term goals all will play a part in your decision making. That's the easy part. The hard part is trying to balance all four at the same time – which you will have to do – along with the rest of your day-to-day life.

Income

Your income(s) is the source of funding for most everything you enjoy in life. In fact, when viewed over the span of your entire working life, your income may be your most valuable asset. For those whose priority is to use their income to build and accumulate assets for the future, your first step should be to protect your income (inquire with your employer regarding your Group Long Term Disability options), and, once secure, look for ways to increase or supplement it. What 'side hustle' could you do in your free time to generate additional income?

Savings

If savings is your top priority (for the purchase of a home, a child's education, or other reason), view the sacrifices you make now as the foundation of building and accumulating wealth. First, create a budget that will identify how much, and for how long, you will need to save to reach your goal. Start your savings plan by creating an emergency fund (equal to six months of income), then investigate various savings vehicles available. Consider making arrangements to automatically withdraw money from your paycheck or checking account. 'Set it and forget it' is an ideal way to save.

Retirement

Regardless of your age or situation, retirement planning should be a priority for everyone. Once you have an idea about how much income you'll need in retirement (70% of current income is a good rule of thumb), the simplest way to save for retirement is through your employer's 401(k) or similar plan. If your employer does not offer a qualified retirement plan (or you are self-employed), create your own by using an IRA (traditional or Roth) or Self Employed Pension plan. Also consider whole life insurance. While primarily purchased for its death benefit, the build-up of the cash value in a whole life insurance policy is guaranteed, and can help give you a reliable source of supplemental retirement income.

Debt

Many Americans, especially younger Americans, are saddled with debt. Whether its student loans, mortgages, or credit card debt, large amounts of debt cause many of us to focus exclusively on paying down the debt. For many, this approach would be a mistake. It is important to recognize that even with high levels of debt, you can still take steps towards securing your income, savings and retirement plans.

Do you sometimes feel caught between providing financial support for your children and saving enough money for your own retirement? Are you concerned that you aren't doing the right things to prepare for your family's future? Get help – contact a trusted local financial professional to help you assess and address your family's needs.

To learn more or access helpful materials, speak with a local financial professional and visit www.massmutual.com/families. •

Insurance products issued by Massachusetts Mutual Life Insurance Company (MassMutual) (Springfield, MA 01111) and its subsidiaries, C.M. Life Insurance Co. and MML Bay State Life Insurance Co. (Enfield, CT 06082). C.M. Life Insurance Co. and MML Bay State Life Insurance Co., are non-admitted in New York.

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MARK YOUR CALENDAR!

THE TAX SECTION OF THE MARYLAND STATE BAR ASSOCIATION WILL BE HOSTING:

17th Annual Tax Professionals' Networking Night

November 16, 2017 • 6:00 pm – 9:00 pm
Turn House
11130 Willow Bottom Drive
Columbia, MD 21044

Registration forms will be sent out in the coming weeks. Please save the date.



NSA State Director's Report

I am almost finished with my 5th year as your Maryland State Director for NSA.

I was elected for a maximum of 2 terms of two years each. Last year I was appointed for my current 2-year term which ends August 31, 2018. The reason why is because no other Maryland NSA member offered to run. I think it is time for me to find my replacement. If any member of both MSATP and NSA is interested and has questions about this position, please contact me. I will be happy to discuss this position with you and I will train anyone who volunteers to replace me.

I just attended the NSA State Director (SD) Training in Phoenix, AZ on July 26. The program was very educational and I was able to network with SDs from other NSA Affiliated State organizations (ASO's).

The NSA Annual Meeting was held in Reno, NV from August 21 - 24, 2017. As in past years, NSA once again offered a course to help prepare for the EA Exam. Other educational offerings in Reno were: several accounting classes such as Fiduciary Accounting, Peer Review Trends and Cash Flow Statements AND a tax planning-boot camp (14 hours) which was a 2-day segment covering selected topics on individuals, businesses, estates and gift tax issues.

NSA offers training to help you pursue other credentials through the Accreditation Council for Accountancy and Taxation (ACAT). The ACAT credentials are the Accredited Business Accountant/Advisor (ABA) and Accredited Tax Preparer (ATP). These are excellent alternatives to the CPA and EA credentials. You can learn more about these options by visiting www.myaccountingfuture.org.

If you do not belong to NSA, please visit our website (www.nsacct.org) or contact me at rongrafman@peoplepc.com or 301-428-7998. I would be glad to answer any questions you may have regarding membership in NSA.

I hope you are wrapping up a great summer. Before we know it another tax season will begin.

Sincerely,
Ronald H. Grafman EA
Maryland State Director

13 Reasons Why NOT to Invest an IRA in Real Property

by Bob Jennings

Senate Bill 57 passed in the 2017 session that made changes to this credit. The credit now has to be certified by the MVA. A general assumption is the MVA will stop certifying when they reach the limit. Credits will be forwarded on a first-come, first-served basis. The Comptroller of Maryland will only allow a credit on a return when the MVA certification is attached.

13 Reasons Why NOT to invest an IRA in real property

Apparently reality TV shows are now providing tax advice! The number one questions across the country this year are from clients attending "real estate" seminars and being told to use their IRA to buy and flip homes. Technically legal, the use of an IRA to buy real property is a classic example of promoters misleading taxpayers into horrible tax problems. Here are 13, yes 13, reasons why putting an IRA in real estate is such a bad idea.

1. Where do you get a trustee? I am sure the promoter of the plan has an idea!

2. "Flipping" houses in an IRA creates trade or business income inside the IRA. Trade or business income inside an IRA is subject to a 35% UBIT rate on profits >\$1,000.

3. Performing maintenance on the property inside the IRA is a disqualified self-dealing transaction under IRC Sec. 4975(e)(2)(C) which then treats the IRA as if it has distributed the entire FMV of the property as a taxable distribution.

4. What do you deduct with an annual rental loss? (Answer-you don't!)

5. You cannot use it to buy an office building that you are going to use yourself, even if you pay fair rental value or it is treated as a complete withdrawal at FMV and subject to penalty if you are under 59 and 1/2.

6. You cannot use it to buy a vacation property if you plan on using it yourself, including at FMV. You can't rent from it or to it, nor can your family!

7. What happens if cash flow is not adequate-how do you get more money in the IRA without paying the 6% excess contribution penalty or rolling good money into bad?

8. How do you take a required minimum distribution from an IRA in real estate?

9. If the real estate is leveraged with debt in the IRA and income from the leveraged amount (rental or sale) is taxed to the IRA as unrelated business income at 39.6%. Form 990-T is required and if tax is owed it is treated as a taxable distribution when paid!

10. If the IRA owes unrelated business income and the tax is paid out of the IRA it is treated as an early withdrawal subject to tax and potential penalty.

11. Owning real estate outside the IRA will generate capital gains on sale, while inside the IRA it creates ordinary income. (Just like with stock)

12. Real estate sold at a loss outside the IRA is deductible, but real estate sold at a loss inside the IRA is not deductible.

13. Because land is considered an illiquid or non-traditional investment it must be valued by the trustee every year.

News from the Maryland Society of Accountants Scholarship Foundation

During the period from 1987 - 2017 the Foundation proudly awarded over 1, 115 scholarships, in excess of \$899,000. For the 2017 - 2018 academic year, the Foundation received over 30 applications for scholarships.

The Maryland Society of Accountants Scholarship Foundation, Inc. is pleased to announce the scholarship recipients for the 2017-2018 academic year:

Daniel Breslin	University of Maryland University College
Johnny Castro	University of Maryland College Park
John Charalambopoulos	Towson University
KeiAsia Coates	University of Maryland College Park
Angelica Conway	Towson University
Nhu Do	Towson University
Carna Hogan	Towson University
Feisal Iddi	University of Maryland College Park
Joseph Knott	Towson University
Tiffany Liu	Community College of Baltimore County
Jennifer Martinez	Towson University
Ashley Mensah	Harford Community College
Aaron Remeniuk	Towson University
Breonna Rogers	Towson University
Owlen Scaggs IV	Towson University
Bethany Scheerer	University of Maryland College Park
Shannon Waggy	University of Maryland University College

Scholarships to these outstanding applicants will total \$33,000 for this academic year alone.

Additionally, five of these students have been selected to receive special recognition awards at an upcoming seminar. Those students and their corresponding awards are listed below:

Tiffany Liu	Sidney Weinberg Award
Aaron Remeniuk	Melvin Menes Award
Breonna Rogers	Norris "Dave" Crockett Award
Owlen Scaggs IV	Donald R. Hull Award
Shannon Waggy	George Spriggs Jr. Award

Fundraising efforts include candy sales, 50/50 raffles, gift card sales, annual wreath and holiday decorative pieces promotion, and general donations.

To learn more about the MSA Scholarship Foundation or to make a donation, please visit www.msascholarships.org.

Because of your donations and continued support, we really can make a difference in the future of many students. We thank you and look forward to seeing you at an upcoming seminar!

Seasonal Wreaths & Decorative Pieces

The Maryland Society of Accountants Scholarship Foundation is again partnering with Lynch Creek Farm to provide you seasonal wreaths and decorative pieces. Purchase through our special link and the Foundation will receive a 20% commission on each sale; or if you prefer, make a cash donation for 100% commission!

Visit the following website:
<https://www.lynchcreekfundraising.com/teams/97010-msa-scholarship-foundation>

1. Click on **Support Now**
2. Click on **Shop Now** to purchase wreaths/decorations
OR Donate Now to make a cash donation
3. Click on **Support Now**

We thank you for your continued support of our scholarship program!