

PRESIDENT'S MESSAGE



I IS THE FALL OF 2008 – we are all preparing for the next tax season and wondering in these concerning times – how will our profession and our businesses be affected.

In his Fall newsletter message, the President of the PA Chapter, Sean Brennan, wrote that these are times to sharpen our professional image, not aggressively cost cut, but to provide the best ever services for our clients. *He believes the public looks to people they trust in times of economic uncertainty, they should be willing to pay a premium, not look for discounts for that quality.* The newsletter and the message came to my desk as I was contemplating lowering my fees. I have no great advice – I only want to share this idea — it made me reconsider my thinking.

This organization has moved forward with so many projects in the past few years. We are sending this newsletter to you electronically, flyers come to your email inbox, we have a brand new website, www.njnatp.com, we are producing education seminars up and down the state, there is a list of many NJ tax preparers with the software that they use available, and our scholarship is going to be offered to you or a qualified NJ tax student you chose to sponsor. I have been privileged to be a part of all of these ventures.

New officers for 2009 have been elected: Marilyn Ayers, will be the next President, along with Jaimee Hammer, Julie Robinson and Tom DeTitta filling the executive board chairs.

This is my last month of my 2 year term as President of the NJ Chapter. *I have had a great time and I'm sorry it's over.*

Colette Taylor, EA
President, NJNATP



MARK YOUR CALENDARS!!!!

NJNATP STATE TAX SEMINAR

SATURDAY, JANUARY 10, 2009

WOODBIDGE HILTON HOTEL
120 WOOD AVENUE SOUTH
ISELIN, NJ ■ 732-464-6200

UP TO THE MINUTE TOPICS!!!

NJ Sales and Use Tax ■ State of NJ Update
NJ Estate and Inheritance Tax ■ NJ and
NY State Tax Topics ■ NJ Corporate Tax
Changes ■ Electronic Filing

See flyer inside for registration form!!

★ REGISTER EARLY!! ★

HAPPY BIRTHDAY, NJNATP!!!

*I*N 2009, the New Jersey Chapter will celebrate their 20th year as a chapter.
We need to have a birthday party!!!!!!!

At present, we are leaning towards a dinner cruise
on the evening before the Annual Conference.

Please give us your feedback!!

Email your thoughts, suggestions, as well as your interest in this activity to:

colettetaylor.njnatp@verizon.net

From the Editor...

**CONGRATULATIONS
ARE IN ORDER
to the new NJNATP officers:**

President **MARILYN H. AYERS**

Vice President **JAIMEE HAMMER**

Secretary **JULIA ROBINSON**

Treasurer **THOMAS DE TITTA**

Also, special thanks to **Robert Flach**, one of our NJ members, who is so generous about contributing articles for this newsletter, as well as the NATP Quarterly Journal. They are certainly appreciated!! Now... let's get some other members to contribute. I'm sure we all have some humorous anecdotes to share and I'd love to print them!!

At a recent seminar, we learned that IRS is setting up a link by which we will be able to check the amount of the Economic Stimulus payment that was received by each of our clients, similar to checking the NJ Homestead rebate. So, we can get the answer, when our clients look at us and say that they never received it.

NATP National Conference will be in Reno, Nevada from July 20-23, 2009. If you have never been to Conference- make this one your first!! *Believe me, it won't be your last!!*

Jean Millerchip
Jean.Millerchip@verizon.net

ALERT!!

Preparer Penalty!

This preparer penalty refers to the required signature on the form 8879, the signature authorization for efilg. According to IRS Code Section 6695(b), the ERO must sign the form, as well as the client. Upon audit, the penalty is \$50 per form.

Recently, the IRS has revised the rules to allow for a rubber stamp, mechanical device or computer software program for the signature.

TAXPAYER VICTORY

Federal Court Deals with Demutualization

BY ROBERT D FLACH

OVER THE PAST FEW YEARS many of the oldest and largest life insurance companies, including Prudential, John Hancock, MetLife, Principal, Mutual of New York, which began as mutual insurance companies have "demutualized" - converted from a mutual life insurance company owned by its policyholders to a publicly traded stock company owned by shareholders.

As a result, qualified policyholders received shares of stock in the converted public company. The policyholders could keep the shares, receiving annual dividends from the stock, or sell them on the open market.

The official IRS position was that the policyholder's cost basis in shares of stock received as a result of demutualization is "0". If the policyholder sold the shares the gross proceeds were fully taxed as a capital gain.

The United States Court of Federal Claims in *Eugene A. Fisher et al. v. United States* has ruled that a taxpayer recognizes no taxable gain from the demutualization of a mutual insurance company. The Court has said that the cost basis of a "demutualized" share is not "0", as the IRS claimed and we tax preparers reported on sales of such shares over the years. These shares do have a definite determinable value.

According to the Court decision the cost basis of shares in the insurance company received in demutualization is equal to the value of the shares on the date of the demutualization, up to a maximum equal to the total of the premiums the taxpayer had paid for the insurance policy up to the point of the demutualization.

When Metlife, Inc. was formed in April of 2000 policyholders the Initial Public Offering consisted of 202 million shares priced at \$14.25, and lost policyholders received cash in lieu of stock at a rate of \$14.25 cash per share entitlement. So it would seem that the cost basis of a share of MetLife received in demutualization would be \$14.25.

In its decision the court cited *Burnet v Logan* and the "open transactions" exception to Regulation 1.61-6.

At the IRS Nationwide Tax Forum held in NYC, the IRS Chief Counsel told us that the US Solicitor General had not yet decided if it will appeal the decision, and that his office was in the process of deciding on its recommendation in the matter.

Cindy Hockenberry of the NATP national office told me that "the IRS has stated that they will continue to deny refund claims that are related to these demutualizations and we [NATP] are waiting for more information."

It would appear to me that amended returns should be filed for all clients who sold shares in a "demutualized" insurance company in 2005, 2006 or 2007.

While on the subject of demutualization, our clients may be entitled to money from a demutualization that occurred in past years. If the insurance company cannot locate a policyholder to send them their shares it is required to turn the shares over to the State under unclaimed property laws.

You can advise clients to go to the NJ Unclaimed Property web page (Click on "Unclaimed Property" at the NJ Division of Taxation home page), or they can check out the websites www.claims-info.com, www.demutualization-claims.com or www.unclaimed-demutualization.com, which can be used to investigate the status of a policy or ownership rights, or to find answers to many other questions about demutualization.

Using the NJ Unclaimed Property section of the NJDOT website, my father, as beneficiary, ended up with over \$4,500 in "found money" from a Metropolitan Life policy owned by my uncle!

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Robert D Flach, a 20+ year NATP member, has been preparing 1040s since 1972. He is the author of the tax blogs THE WANDERING TAX PRO, THE FLACH REPORT, and NEW JERSEY TAX PRACTICE BLOG

BY MARILYN H. AYERS

As a sole proprietor, all decisions rest on my shoulders when it comes to my practice. I'm sure most of you are in that same position. Hiring, pricing, collections, and bill paying are just a few of the "hats" I wear, of course all of that is in addition to doing my job! Keeping up with the ever changing tax laws is hard enough without the added responsibilities. When it comes to technology in the office, I do my best to stay current. But technology changes faster than tax laws!! That's why this last July when I attended the National Conference in Atlanta, I was excited to see some computer seminars on the agenda. I attended a session entitled "Microsoft Office Accounting 2008". The basic idea of the seminar was to compare Microsoft's product to QuickBooks, which most of us use. But it also introduced little known Microsoft programs. Microsoft Professional Accountant's Network (MPAN) is a free program for accountants. It provides you with access to Microsoft software, training

and support specifically geared for accounting professionals. Sign up is free. In addition, members can subscribe to something called an "Action Pack". It is a program geared for small accounting offices. It requires demonstration of computer knowledge by taking a test. It was not that difficult. Once you are certified, for a fee of \$299 plus tax you receive approximately \$30,000 worth of Microsoft software for use in your business for one year! It includes server software, the office suite and of course Microsoft Office Accounting Professional. It has ten licenses so it can be installed at all your workstations. I have upgraded my server software, installed the newest versions of Word, Excel, Outlook, etc. and have installed Microsoft's Office Accounting Professional – all for the fee of just \$299. If you're in the market for upgrading your server or Microsoft products, it's a bargain. The website is <http://accounting.Microsfot.com/mpanuk.aspx>.

New Jersey Tax Tip of the Quarter

BY MARILYN H. AYERS

The New Jersey Division of Taxation has readopted and amended various personal income tax regulations, effective September 15, 2008. Some of these regulations are worth noting:

NJAC 18:35-1.4 is amended to provide that a clergy person is required to report as income only that portion of a housing allowance that he or she receives that exceeds the actual expense of providing a home.

NJAC 18:35-1.5 is amended to provide that when an S corporation with a NJ corporation business tax allocation factor of 100% reports entire net income that is subject to federal corporate income tax on a NJ corporation business tax return and the corporate tax return of another state and the tax paid to the other state qualifies for a reduction on the New Jersey corporation business tax return, the amount of income taxed by both jurisdictions is deemed S corporation income allocated outside NJ. If the taxpayer is required to file a personal income tax return in the other jurisdiction reporting the S corporation income, the taxpayer would be eligible for a credit for taxes paid to another jurisdiction, subject to limitations.

NJAC 18:35-2.5 is amended to provide that both employee and employer contributions to SIMPLE IRAs, SEP and SARSEP plans are included in taxable wages and do not receive tax-deferred treatment.

Thank You...

STATE TAX VOLUNTEERS

NATP research is second to none as far as answering our questions, but they depend on volunteers from the state chapters to help with state and local tax questions. The NJ Chapter would like to take this time to give a special thank you to the following individuals for taking the time from their busy tax practices to answer questions about NJ taxes:

**RICHARD ALLORTO ■ MARILYN H. AYERS ■ SHERRIL DIAMOND
HARRIS FISHBEIN ■ LAURA INGRAFFEA ■ JEAN MILLERCHIP
JOSEPH REISMAN ■ ROBERT STICKEL ■ SUREKHA VAIDYA**

If any of you are interested in being a state volunteer for 2009, please contact the National Association for more information. It's a great way to help your fellow tax professionals.

PROPERTY TAX DEDUCTION/ CREDIT ON MOBILE HOMES

MOBILE HOMES, which are located inside mobile home parks are not subject to local property taxes. Instead they are subject to municipal services fees, which include the cost of such local services as sewer and water. Owners of mobile homes inside mobile home parks are not treated as homeowners when claiming the property tax deduction/credit.

However, since the land that the home is located on is subject to property taxes and the homeowner is leasing the land, they may claim, as a tenant, using 18% of the rent paid if all eligibility requirements are met. They would enter 18% of the rent paid for the land on line 1, Schedule 1 of the NJ 1040. The fee for municipal services is not included.

ALERT!!!!

The state of Maryland is considering a law for tax preparers. You may have heard rumors regarding the law because there is some confusion over its application and whether or not it will be changed. The thing to remember is that it doesn't get into effect until June, 2010. Watch for updates.

In New Jersey, the e-file mandate has been reduced to 25 tax returns for the 2009 tax year (2008 tax returns). If you prepare 25 or more NJ resident tax returns, you now fall under the electronic filing mandate. This ALSO applies to out of state preparers – not just those living in New Jersey!!!!

NEWSLETTER CONTEST!!!!

In the Spring, 2008 newsletter, we had an article asking for your help in naming our newsletter, but..... I was thinking that right after tax season is not a good time for any of us to use our imagination – we're all too exhausted!!

So-ooooo, we going to try again, because we really want our newsletter to have a name!! Please submit any suggestions to: Jean.Millerchip@verizon.net.

The winning selection will receive a free registration to a future NJNATP seminar of your choice.



NEW JERSEY CHAPTER NATIONAL ASSOCIATION OF TAX PROFESSIONALS



presents

NJ NATP 2009 FAMOUS STATE TAX SEMINAR

**SATURDAY, JANUARY 10, 2009
HILTON WOODBRIDGE**

120 Wood Avenue South, Iselin, NJ 08830-2709 • T 732.494.6200 F 732.603.7777

Call before **WEDNESDAY, DECEMBER 17**, to take advantage of the discounted room rate of **\$109**
for the evening of January 9, 2009...**CALL NOW!**

AGENDA

- 7:30 – 8:15 am REGISTRATION AND CONTINENTAL BREAKFAST
- 8:15 – 8:30 am WELCOME
NJNATP Chapter President Marilyn H. Ayers
- 8:30 – 10:00 am NJ SALES & USE TAX
Susan Feeney, Sales Tax Attorney
- 10:00 – 10:15 am COFFEE BREAK
- 10:15 – 10:45 am STATE OF NJ UPDATES
Keynote Speaker Maureen Adams
- 10:45 – 12:00 NJ ESTATE & INHERITANCE TAX – *Kevin Treaux*
- 12:00 – 1:00 pm LUNCH
- 1:00 – 2:30 pm NEW JERSEY VS NEW YORK TAX TOPICS –
Kathryn Keane, EA
- 2:30 – 2:45 pm DESSERT BREAK
- 2:45 – 4:30 pm NJ CORPORATE TAX CHANGES, SALES TAX,
ELECTRONIC FILING
Jim Gordon and Jacob Foy, NJ Taxpayer Services Reps



In keeping with our Social Responsibility
NJ NATP IS TAKING A COLLECTION FOR



THE FOODBANK
 OF MONMOUTH AND OCEAN COUNTIES

a member of **FEEDING AMERICA**

*Eliminating Hunger in
 Monmouth and Ocean Counties*

REMEMBER:

***This is right after Christmas and our food pantries
 will be empty and in need of our help!!!***

PLEASE BRING A CANNED OR NON-PERISHABLE ITEM TO THE SEMINAR TO HELP THE LESS FORTUNATE.

CPE SPONSOR #531

**SATURDAY, JANUARY 10, 2009
 8 CPE CREDITS**

Continental Breakfast, Lunch and Afternoon Dessert Included

Registration: 7:30 a.m. – 8:15 a.m. ■ Conference: 8:15 a.m. – 4:30 p.m.

Cancellation Policy: All cancellation requests must be in writing.

A refund will be given if requested prior to JANUARY 1, 2009.

A \$20 administrative fee will be deducted. No refund will be considered after JANUARY 1, 2009.

MAIL TO: NJ-NATP c/o Joyce Skerlanitz, Treasurer, 484 Valmere Ave., Piscataway, NJ 08854

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Name _____

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Postmarked before 1/6/09 Member \$185 Nonmember \$215 New Member \$328*

Postmarked on or after 1/7/09-OR-At the Door Member or Nonmember \$225 New Member \$358*

NEW OPTIONS:

I would like a Kosher lunch on January 10, 2009 (no extra charge)

TOTAL: \$ _____

\$10 Discount – BECOME A MEMBER OF NATP NOW and ATTEND THE CONFERENCE

Make Check Payable to NJ-NATP. This form may be reproduced. One registration per form.

For inquiries, call 732.477.2281 or 908.709.4261. An acknowledgement will be sent if a stamped, self-addressed envelope is included.

★ a little new jersey TRIVIA

You know you're from New Jersey when...

- ★ You weren't raised in New Jersey — you were raised in either North Jersey, Central Jersey or South Jersey.
- ★ You know that there are no 'beaches' in New Jersey —there's the shore—and you don't go 'to the shore,' you go 'down the shore.' And when you are there, you're not 'at the shore'; you are 'down the shore.'
- ★ You know how to properly negotiate a circle.
- ★ You knew that the last sentence had to do with driving.
- ★ You know the location of every clip shown in the Sopranos opening credits.
- ★ You know that this is the only 'New' state that doesn't require 'New' to identify it (*try...Mexico...York...Hampshire— doesn't work, does it?*)
- ★ A good, quick breakfast is a hard roll with butter.
- ★ You don't think 'What exit?' is very funny.

CALENDAR
of Events

NJ STATE TAX SEMINAR

January 9, 2009

ANNUAL CONFERENCE and 20TH YEAR CELEBRATION

October 1, 2009

BREAKFAST SEMINARS

(Locations TBA)

May 28, 2009

October 29, 2009

December 10th, 2009

NJ-NATP BOARD OF DIRECTORS 2008

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TELEPHONE DIRECTORY

NEW JERSEY HOTLINE

609-633-6657 for Personal Income Tax
609-633-6905 - for Business Tax

FEDERAL TAX HOTLINE

For practitioners with POA on file to call about a specific client problem:
866-860-4259
Tax Law Questions: 800-829-1040

NJ-NATP CHAPTER OFFICE

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INTERNET ADDRESS

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