NEW JERSEY NATP
National Association of Tax Professionals
Celebrating 25 Years
1989 - 2014

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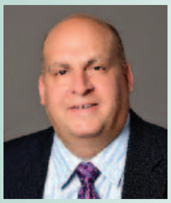
NJ Taxing TIMES

MESSAGE from the PRESIDENT



IT SEEMS THAT ONLY A FEW DAYS AGO, the last tax season ended and here we are beginning a new one. I am very happy to write this article to you as the 2016 President of the New Jersey Chapter of NATP. I am also very thankful for all the help, advice and guidance I have received so far from members of our chapter and the national board of directors. There are thirty-nine NATP chapters in the country and last year, our chapter was awarded Chapter of the Year by the national board. This is the third time in the last five years that NJ has lead the country and each of our 1,100 plus members should be proud of this accomplishment.

The New Jersey Chapter of NATP has a well-known tradition of providing top notch education to our members and I believe that 2016 will continue this practice.

Our year started off with a full house of over 180 tax professionals at our annual Famous NJ State Tax Seminar on January 9th. Once again we had a very distinguished lineup of speakers including acting NJ Division of Taxation Director John J. Ficara, Esq., CPA and his predecessor Dennis Schilling. There were several other speakers from the Division including returning presenters Alexis DeRosa and Jacob Foy from New Jersey's Taxation University, the education and outreach unit. They covered many NJ tax topics. The seminar ended with federal and NY updates from NJ-NATP favorite Kathryn M. Keane, EA.

The Chapter followed-up with another informative seminar on January 21st, covering the Affordable Care Act and the role that tax professionals play with new provisions of the law. Again, the attendance was above expectations and received excellent reviews. Our education programming will not stop there. With planned seminars in May, June, September and December this year, NJ-NATP will once again offer at least 32 hours of education to our members.

The Chapter has also continued to provide online information to its members. We recently rolled out a brand new website at www.njnatp.com and many members have visited the site. With a host of new features and resources, it is becoming a go to site for many professionals. The site will continue to add new items of interest for our members throughout the year including downloadable documents for our seminars, new state and federal resources as well as calculators and guides.

With regards to social media, the NJ Chapter's Facebook® page had less than 100 members at this time last year and today it is just shy of 200 members. The page receives fresh posts each day which has helped tax professionals share information and get answers to questions they may have for their practices. We are encouraged that the website and our Facebook® page will play an increasing role in the education of our members in the future.

Finally, I would like to thank our past president Mario Tripaldi, EA for his time and efforts leading the NJ Chapter in 2015. The Chapter has been very fortunate to have many remarkable members on the board throughout our 27 year history and the current board is looking forward to serving the members in the coming year. If you would like to join the board and continue our tradition of excellence, please consider submitting a request to be on the Chapter's ballot at the Annual Meeting in September.

On behalf of the Chapter, I wish you all a very successful tax season and hope to meet you at an upcoming NJ-NATP event.

Thomas Watkins, EA has been a NATP member for 19 years and is the owner of Eagle Financial, an accounting and financial services company located in Totowa, NJ. He can be reached at: ***eaglefinancial@gmail.com.***

SAVE THE DATES!

There are Seminars on the Horizon!

May 19, 2016
IRS HOT TOPICS
HOTEL ML IN MOUNT LAUREL

June 9, 2016 APA
PRACTICE MANAGEMENT
APA HOTEL WOODBRIDGE

September 29, 2016
FEDERAL TAX DAY AND ANNUAL MEETING
APA HOTEL WOODBRIDGE

December 8, 2016
TBD
APA HOTEL WOODBRIDGE

January 14, 2017
FAMOUS NJ-NATP STATE TAX SEMINAR
APA HOTEL WOODBRIDGE

Look for announcements in your email!
Check ***www.njnatp.com*** *for updates under the Events tab.*
Check the NJ-NATP facebook® page! Education that is second to none in the great State of New Jersey and some pretty darn good company to hang out with as well!

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From the Editor

BY MARC S. STANDIG, EA

THE TAX SEASON IS OFF AND RUNNING! People are lining up to get their taxes done and you are being given gifts of shopping bags filled with crumpled papers, stale food, previously used tissues and the occasional tax reporting document. Think you have a story to tell? Why not tell your tales of toil and woe to people who are in the trenches with you? Sharpen your pencils and get out some clean paper and start writing your story. Okay, you can wait until after you recover from tax season. Remember not to put any information that could identify a particular client in your text. Try to keep your article about your tax crazies to about two pages typed and double spaced in about eleven point font. Remember, this is your story. Please do not borrow anything someone else wrote unless you have express written permission from the author's legal department. You will also need to notify the Board if you have borrowed material. By the way, it's a whole lot more fun to tell your own saga of the tax season. So, let's see who has the strangest tax season story to share. We will all need some stress relief after the mad rush of April 2016 happens. Let's keep this newsletter fresh. It needs your input. Remember to put a little information about yourself at the end. This way you can receive condolence letters from other survivors of the Blitz of Twenty O'One Six. *See you in print!*

Marc Standig, EA is a member of the New Jersey Chapter of NATP Board. He is acting as the editor of the Chapter's Taxing Times newsletter. Marc rents office space from a podiatrist and has access to latex gloves for client documents that are in really disgusting condition. By the way, if you enjoy reading this newsletter, please let us know. Join the NJ-NATP facebook® page! The newsletter appears on the NJ-NATP facebook® page before any other distribution method. Articles may be emailed to: ***standig@yahoo.com.***

Welcome New Members

In the fourth quarter of 2015, the NJ Chapter welcomed 26 new members:

JOSEPH ANDRAGNA
Sparta

MARIANNE F. AURIEMMA
Maywood

ORLANDO BECERRA, SR.
West Orange

GERSHON BIEGELEISEN
Lakewood

NANCY A. BLANCHARD
Sussex

MARCY CORTEZ
Freehold

PASQUALE DESANTO
Runnemede

PETER GIAMMARINARO
Basking Ridge

MICHELE HAMMOND
Wall Township

DIANE J. HART
Brick

DONALD L. JOYCE
Berlin

JOHN D. KELLY
Hamilton Township

MILAGROS LIRIANO
Union City

SHIRLEY MARCANO
Jersey City

IVAN D. MARKOVSKI
Garfield

JANINE Z. MASON
Gibbsboro

YVAN MAXI
Elizabeth

CHRISTINE A. McLAUGHLIN
Mays Landing

CHRISTINA McNAMARA
Collingswood

YAKELYN MORALES
Union City

KLARA LOVISA MYREN
Somerset

EDWARD PIERWOLA
South River

GEORGE ROJAS
Prospect Park

BARRY STEIN
Passaic

WILLIAM J. STUNDER
Deptford

CHRISTIAN TENEYCK
Jersey City

RAMON VELOZ
Bayonne

MAXINE H. WOLF
River Vale

LUCIA X. ZHANG
Livingston

Please join the NJ Chapter at any or all of our many education events. If you ever have any questions, the contact numbers of the NJ Board of Directors are on the back page of the newsletter.

Payroll Tax Updates for 2016

Now that 2016 has arrived, it is time to adjust the payroll tax withholdings to match the rules for the New Year.

Before anything can be withheld there has to be a payroll due to our clients' employees. New Jersey has announced that it will NOT adjust the state minimum wage for 2016. Therefore the minimum wage rate will remain at $8.38 an hour.

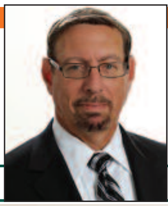
The major change to withholding is within the Unemployment/Disability rates. The new Wage Base Limit for 2016 is $32600 (an increase from $32000 in 2015). The Base Week amount to earn credit for benefits has also increased to $168 (raised from $165 in 2015).

The withholding rates have also been adjusted for the employee portion:

- Unemployment remains unchanged at 0.003825
- Disability has decreased from 0.0025 to 0.002
- Workforce Development remains unchanged at 0.000425
- FLI (Family Leave Insurance) has decreased from 0.0009 to 0.0008

The total withholding rates for 2016 are now the same as they were in 2012 – except that they apply to a wage base that is $2300 higher than 4 years ago. The combined rate now totals .705%.

Sherril Diamond, EA owns the Tax Stop in Cherry Hill, NJ. Sherry has served the Board of the New Jersey Chapter of NATP as a member of the Chapter Board in various functions that have included President and Vice President. Sherry can be reached at: ***taxlady@taxstop.com.***



THINK NON-PROFITS HAVE LESS AUDIT EXPOSURE, THINK AGAIN!

BY KENNETH PORTERA, EA

THE WORLD OF NON-PROFITS enjoyed a relatively calm existence back in the day when 501(C)(3) organizations lived in the world where fund rising was plentiful and public scrutiny of the IRS and their oversight of exempt organizations was minimal.Then out of now where we saw the IRS rear its ugly head on non–profits. Although we can discuss the IRS handling of exempt organizations and our favorite IRS employee Lois Lerner at length, the bottom line is this area of the Internal Revenue Service has and will continue to be revamped and grow.

What does that mean to us who live in the nonprofit world?

Even with an ever shrinking pool of funds to operate the Internal Revenue Service due to budget cuts coupled with today's political discussions on downsizing the IRS and the tax code, Exempt Organization oversite continues to be a hot area. Like all businesses these days the IRS asks its employees to do more with less. This means that legitimate inspections of Exempt Organization will be ongoing. Yup, that area of the Service has a lot to repair and prove ever since being under the microscope.

What is the IRS looking for when they call?

The answer is simple. Compliance with the tax law.

If we look the IRS's release of information for exempt organizations (https://www.irs.gov/pub/irs-pdf/p4221pc.pdf) we find the top 5 areas they warn exempt organizations to be cautious of:

1. **Private inurement / private benefit.**
2. **Lobbying and political activity.**
3. **Filing requirements.** Exempt organizations that have not previously filed Form 990 or Form 990-EZ may be required to electronically file Form 990-N. Failure to file for three consecutive years will result in revocation of exempt status.
4. **Unrelated business activities.**
5. **Employment issues** (particularly the employee-independent contractor-volunteer distinctions).

Although exempt organizations may be aware of ALL the rules, it's easy to wander into the grey area where the exempt status of an organization may be in jeopardy.

So what's the best way to keep the organization in compliance with the tax code and its mission while protecting the client, their board of directors and officers?

Best practice dictates that exempt organizations devote time, money, and resources to conduct a self-assessment. At a minimum all exempt organization should be aware of the rules and what can hurt them by falling out of compliance. Tasking Management to look internally to see what can be done to make sure the organization is in conformity with the tax code is a must. A great approach is to conduct a self-examination and compliance adherence review by forming a compliance team composed of key people and assigning the 5 above areas to be looked. Spending as little as one of two hours periodically by this team and then reporting their finding on the exempt organization's adherence to tax compliance to the Board will go a long way help ensure that exempt organizations maintain their non-profit status, not to mention giving the Board, Management and its contributors some welcome peace of mind.

As tax professionals we need to step in and not only recommend this be done but help establish the process.

I have seen too many exempt organizations play audit roulette hoping their number does not come up. Finding out during an examination that your client's exempt status is in jeopardy and facing nullification for a violation of the nonprofit rules, is not a bet I would encourage an exempt organization to take.

Kenneth Portera, EA & ATP is a Board Member of the New Jersey Chapter of NATP and Owner Operator of Kenneth Portera & Associates LLC located in East Brunswick, NJ. He can be reached at ***taxes@kportera.com.***

JOIN NJ-NATP ON facebook

BY JAIMEE HAMMER, EA

Put aside the newspaper, **THE NJ-NATP FACEBOOK GROUP** is now the place to go while you drink your morning coffee.

- You will find members posting about their complex, frustrating, or unique client situations and looking for feedback.
- It's a forum to discuss widespread and systemic issues when trying to assist our clients. Occasionally someone from NJ will even take note and respond accordingly.
- Many people find it to be a place to post relevant tax news about NJ or IRS changes.
- The latest upcoming events are advertised and all are invited to register.
- Sometimes it is just a forum to let off steam and share jokes and cartoons.
- This group is private and not open to those not accepted in the group. Your posts are not visible to general Facebook population.

IT IS WHATEVER YOU CHOOSE TO MAKE IT. With almost 200 members, the NJ NATP Facebook page is active and growing. If you are not already a part of the fun, join today.

TAX TIP OF THE QUARTER SPRING 2016

BY MARILYN H. AYERS, CPA

NJ HAS INSTITUTED AN ELECTRONIC FILING MANDATE for all CBT forms, vouchers and payments. This mandate is for all filers, whether self-prepared or prepared by a tax professional and applies to all returns with periods beginning January 1, 2016 or later.

So, for tax season 2016, we can continue to paper file and pay all CBT forms, vouchers and payments for the 2015 tax returns. But the first estimated payment due April 15, 2016 for the 2016 calendar year returns must be electronically filed.

This also will include all extension requests, extension payments and tax liabilities due with the returns.

NJ is still not accepting amended returns electronically for CBT returns so you may continue to file amended CBT returns on paper.

This mandate applies to all businesses subject to CBT and a business cannot opt out of E-File or E-Pay.

So for our clients who pay their own quarterly estimated CBT payments, they will be required to e-file and e-pay those quarterly payments come April 15th. One more task to add to your list!

Marilyn H. Ayers, CPA's practice is located in Brick. She has served as president of the New Jersey Chapter for two terms and is a member of the Chapter Board. She may be reached at: ***marilyn@mhacpanj.com.***

Facts about Mortgage Escrow Accounts

BY JIM DEVANEY

What is an Escrow Account?

Escrow accounts are generally required and controlled by a mortgage lender to guarantee that a homeowner is able to budget, on a monthly basis, the additional costs associated with owning a home. Typically, these expenses include, but are not limited to, property taxes, homeowners insurance, flood and optional insurance, as well as private mortgage insurance (PMI). PMI is insurance to offset losses in the case where a mortgagor is not able to repay the loan and the lender is not able to recover its costs after foreclosure and sale of the mortgaged property. An escrow account provides a convenient, no-hassle service allowing the mortgage company to pay your tax bills and insurance premiums for you.

What is an Escrow Analysis?

Every year an escrow analysis is performed on your escrow account. This is an examination of your account to determine if the current monthly deposits will provide sufficient funds to pay your taxes and insurance for the next full year, as well as provide the appropriate cushion. A cushion is used to cover unexpected disbursements for escrow items, or for disbursements that have to be made before the monthly escrow payments are available in the escrow account. The amount of your cushion is governed by applicable law and the terms of your mortgage loan.

The escrow analysis identifies any overages, shortages, or deficiencies that exist at the time the analysis is performed, and adjusts the total monthly payment accordingly.

How is my escrow payment calculated?

The escrow payment is calculated as required by the Real Estate Settlement and Procedures Act (RESPA). It is an amount estimated that the mortgage company will pay over the next 12 months for your real estate tax and homeowners insurance bills. This estimate is based on information from your loan closing documents, your taxing authority and insurance company, or your previous tax and insurance bills. An analysis is performed every 12 months based upon possible changes to your taxes rates, insurance costs and property values.

What is a shortage?

Escrow shortages occur when your real estate taxes or insurance premiums increase, or turn out to be higher than originally projected at loan closing. If this occurs, there will be a shortage in your escrow account, and additional funds must be collected to satisfy the shortage.

What is a surplus?

If your real estate taxes or insurance premiums are less than the projected amounts, it could result in a surplus in your escrow account. This means that your escrow account has more funds than will be needed to pay your escrowed items over the coming year. Surplus funds could be held over and used towards next year's payments or refunded back.

What is a deficiency?

If the actual, final escrow balance is negative, it is called a deficiency. Both a shortage and a deficiency will increase your monthly escrow payment unless you choose to pay these amounts in full immediately. .

What can I do to keep my escrow payment from increasing?

You should review your annual real estate tax assessment and discuss any concerns or discrepancies with your local taxing authority. You may qualify for exemptions that you are not aware of. You may also consider obtaining competitive quotes for homeowner's insurance to ensure you are receiving the best premium for the amount of your coverage.

*Jim Devaney is Vice President and Territory Sales Manager for Valley National Bank. Jim can be reached at **jdevaney@valleynationalbank.com** or by calling **(973) 907–4205**.*

PRACTICE VALUE & RETIREMENT

BY CLIFFORD M. REITER

THE DEMOGRAPHICS IN THE ACCOUNTING AND TAX PROFESSION show that a majority of the practitioners are Baby Boomers. Having been in this profession for more than 25 years, I thought the exodus of the Baby Boomer generation from the accounting profession was going to occur at the height of the economic bubble eight years ago. But something happened. The Great Recession of 2008 occurred and many practitioners saw their retirement and real estate nest eggs dwindle substantially. So they continued to work rather than sell their livelihood. Practitioners found that they just could not afford to retire.

Let's fast forward eight years now to 2016. Many of their investments have recovered in value, but not their practice values. In 2008, practice values in many of the urban northeast markets were selling for multiples of 1.25 to 1.4 times annual revenues. Today, sellers are getting one to 1.15 times annual revenues. What is consistent, however, is that many practitioners still cannot afford to retire.

However, other options are available to the owner:

- Working out a consulting/employment agreement after the sale or
- Downsizing by selling a part of the business separately, such as the tax, or
- Selling an office if you are a multi office firm or
- Getting an employee or outside candidate to buy into the firm or
- Retaining specific clients that may not transition after the sale.

The next five years will probably see more practices come to the market as many practitioners realize for health, stress or other reasons, they are not able to proceed on their current course. With the Millennials and Generation Xers more interested in being employees and not as entrepreneurial as you, I anticipate some pricing pressure ahead. In major metropolitan areas, it may be less apparent and further down the road, than in the rural areas. We are already seeing this in several areas where there are now more Sellers than Buyers and is reflective of pure supply and demand.

If you, as an owner, are considering the value of your practice as an integral part of your retirement planning, you must decide when is the right time to consider an exit strategy. As the market continues to turn with more practices becoming available, and fewer buyers in the marketplace, more owners are going to realize less value from their practice assets. It is more apparent now than ever before that practice owners nearing retirement must consider the consequences of waiting to exit the profession.

*Clifford M. Reiter of Professional Accounting Sales also speaks regularly on Exit Strategies for Accountants with various state and local CPA chapters. He can be reached at **cliff@cpasales.com** or call **914-251-1894** or **800-779-7774.***

What is TAXATION UNIVERSITY?

BY JACOB FOY

Education Supervisor, New Jersey Division of Taxation

THE NEW JERSEY DIVISION OF TAXATION offers free educational seminars to tax professionals, small businesses, and civic associations through our training endeavor, Taxation University. We want to help you and your clients understand New Jersey tax responsibilities and provide an additional avenue to answer your tax questions.

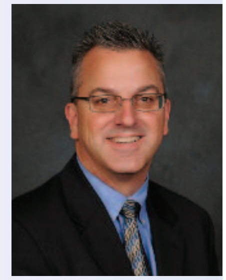
If you have a group of tax professionals, we can speak to you about recent tax law changes, property tax relief programs, or customize our presentation based on your needs. For small business owners, we have a half-day program that explains the registration process, reporting business income, employer responsibilities, and sales and use tax. We have a schedule of our free Small Business Workshops online which includes the contact person for registration. Feel free to refer your small business clients.

If your tax professional organization would like a speaker, you can request one through our website. A better educated public will help all of us through the tax season and beyond. We look forward to seeing you there.

You can reach Jacob and his team at ***(609) 633-6015*** *or* ***outreach.tax@treas.nj.us***

INTRODUCTION TO SCOTT ARTMAN…

BY JEAN MILLERCHIP, EA, CFP®



AS THE IMMEDIATE PAST PRESIDENT, and current Vice President of NATP, it gives me the greatest pleasure to introduce all of you to Scott Artman, our new Executive Director. Scott comes to NATP with over 25 years association and public accounting experience. He has worked with a diverse range of individuals over the years, leading by example, and driving the achievement of strategic objectives.

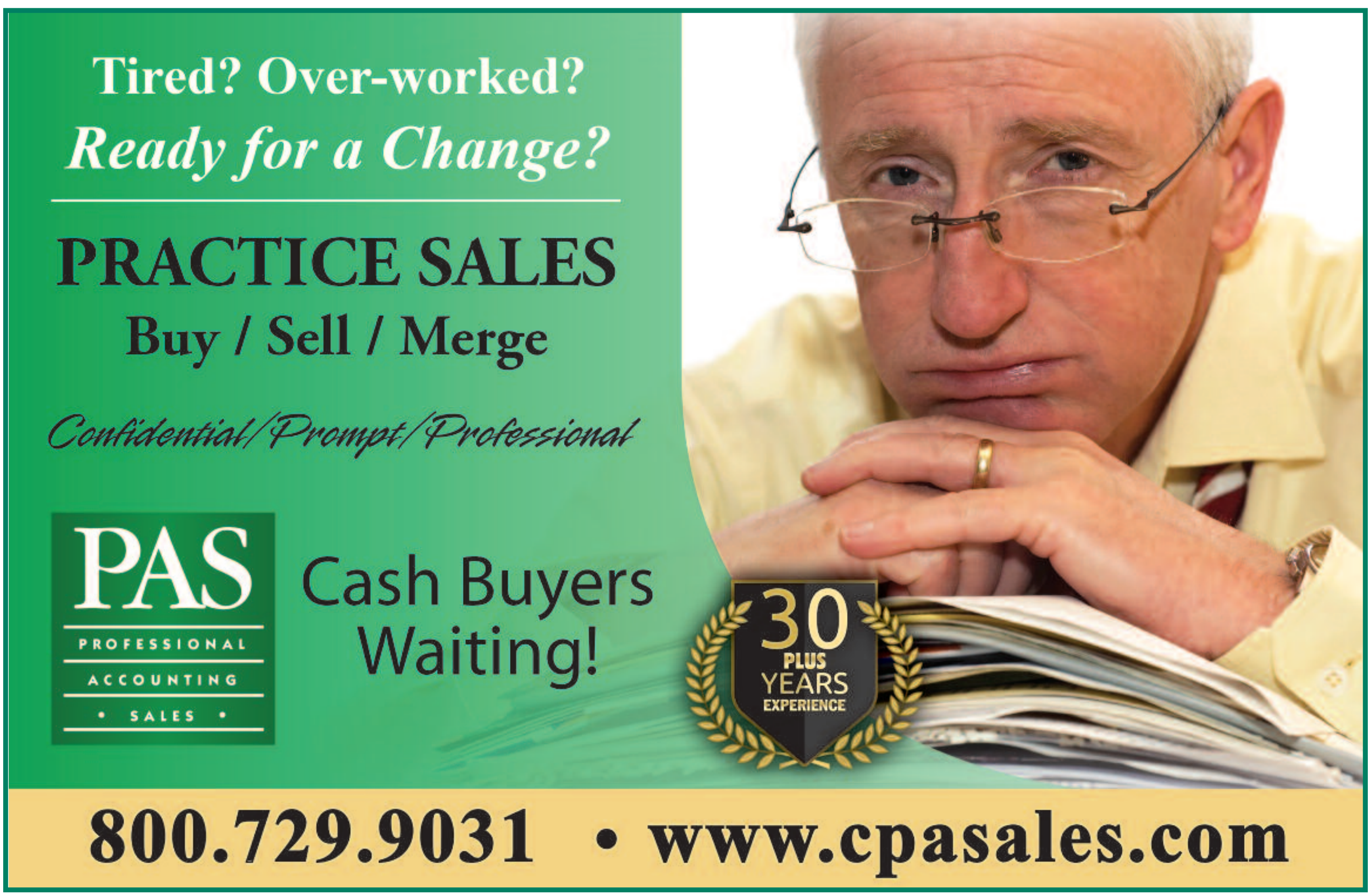
I have had the privilege of meeting Scott several times already, during the interviews, as well as the recent National Board meetings in Arizona in early January. I can honestly say that I see so many positives ahead; Scott is a communicator; he listens and takes extensive notes; and voices his comments in a calm and positive way, complete with thoughts and suggestions.

As you may know, I am in my 9th and final year on the National Board, and have enjoyed every single minute of my time; it is truly an honor to serve the members as a National Director and I will certainly miss it. However, I know that NATP is in good hands, and we will move ahead to the next level.

Welcome, Scott. I know that our chapter leaders will look forward to meeting you at our National Conference in Indianapolis in August! I am also confident that our NATP members will show Scott that NATP is truly the #1 tax association.

JEAN MILLERCHIP. EA, CFP®

Jean Millerchip is the Vice President of NATP and is the immediate Past President of NATP as well as Past President of the New Jersey Chapter. Her practice is located in Nutley, NJ



THE REAL THING: Valuation Concepts in Real Property

BY MARC S. STANDIG, EA

A **FEW MONTHS AGO** one of my colleagues asked me whether or not I had used the general rule of assigning 80 percent of the value of real property to the improvements and 20 percent to the land. I thought about this question and realized this person may have had different experiences with real estate in their tax practice. Before I had started working on tax returns in New Jersey I had taken and passed the licensing examination to sell real estate in our state. Then early in my tax career I was confronted with a situation where a taxpayer had inherited and then sold a house. The taxpayer told me that his attorney had not filed an estate tax return because the little house in the moderate income area was the only asset, more or less, in the taxpayer's mother's estate. The attorney told the taxpayer that neither an estate nor inheritance tax return was needed. It occurred to me that I needed to find the basis of the inherited property. Back in the early 1980's when I was a neophyte to the tax preparation business I depended upon asking mentors how to approach situations I was unsure of. I had not yet joined NATP and did not have a research service available. So I called Ben. I didn't have to wait for long to get a response. Ben was a certified public accountant for whom I had worked two tax seasons part-time. Ben told me to get the date of death value. I asked the real estate office manager, Ernie, how to best get a value to use on the tax return. Ernie told me he was a real estate appraiser in addition to his occupation as a real estate sales person. This was great except for one thing, someone had to pay Ernie to do the appraisal. Ernie did a great job! He came in with an appraisal as of the date of death. This, according to Ben, was what I had needed to determine the cost basis of the inherited property. The appraisal would serve as documentary evidence to substantiate the value used to calculate the gain or loss of the inherited property. In this case, it was a loss that provided an income shield to the taxpayer for several years. The taxpayer was upset because he had to pay to have an appraisal completed. This was the first time but not the last time a tax customer did not want to have to pay for a third party service that was needed in order to complete a "simple" Form 1040. Actually, some people have complained, *"What's the commotion about? This is only a tax return! Why can't you just make up the numbers and give me my tax return?"* I am amazed about how the public wants to throw the tax preparer under the proverbial bus. Make up the numbers? Fiddlesticks! I would rather plow long furrows in a frozen farm field than risk my license! Even if you are not licensed as a certified public accountant or enrolled agent, your reputation is on the line. Do you want to be known as a crooked accountant? Most likely you do not want a shady reputation. Let's get back to the issue of the appraisal. Since the savings and loan crisis of the late 1980's real estate appraisers have been required to be licensed. Many of the savings and loan failures were blamed on poor quality appraisals of the properties secured by mortgages. With the collapse of Lehman Brothers and the banking industry in 2008, the noose around the appraisers' necks was drawn tighter. The job of the real estate appraiser is to provide objective valuations of real estate. The real estate appraisal community is highly regulated and has to keep current in their field. Providing the date of death value of real property can be done in an objective fashion that should help defend an income tax return in the event of an audit.

There are some other times when the tax preparer will need an accurate valuation to establish values of real property. In the case when a taxpayer decides to rent his or her residence rather than sell it, the cost basis for depreciation would be the lesser of the adjusted basis (cost adjusted for improvements) or the fair market value of the property. The tax preparer cannot guess or use a "rule of thumb". This is an instance when the real estate appraiser is called in to establish the value. Actually, the real estate appraiser would complete a comparative market analysis and a cost to construct for most appraisals of real estate. When it comes to rental property, the appraiser will also complete a capital analysis. The Appraisal Institute has an informative booklet called Understanding the Appraisal: **http://www.appraisalinstitute.org/assets/1/7/understand_appraisal_1109_(1).pdf**. The key concept here is that the tax preparer should know to call in the specialist to create the data needed to properly complete the tax return. Keep in mind as previously mentioned, the taxpayer may not wish to pay for the services, so it is best to get an engagement letter. This will establish what the tax preparer will do, prepare the tax return and what the taxpayer will do, produce the data the tax preparer needs to complete the tax return in a compliant manner. Life is not always this simple. Many taxpayers will want to play audit roulette and not spend the few dollars needed for the appraisal. Remember, whether the taxpayer is renting one building or two, he or she is going to have business income and the ordinary and necessary expenses. Getting the tax return completed properly will help the taxpayer in the big picture. Their tax return will have excellent data and the appraisal itself may have additional information, such as price movements of real estate, that may help the taxpayer with business decisions. The appraiser is going to need to be paid. I usually have the taxpayer pay the real estate appraiser directly. It's a straight forward approach and there is no misinterpretation as to who is being paid for which service.

Not all appraisal issues are reserved for inherited property or rental properties. Let's say one of the decisions the taxpayer ends up making is donating a right of the real estate to a bona fide not for profit entity, such as the county for historic preservation. This is oftentimes referred to as the donation of a conservation easement. The question may arise as to how to value the right to not improve the excess acreage? That is to say how the value of the easement calculated. Someone is going to want to take a deduction on Schedule A for a non-cash charitable donation in excess of five hundred dollars in a big way. Does the tax preparer come up with a rule of thumb? Is the answer secretly inscribed on the ceiling of the tax preparer's office? No, the answer lies within the discipline of real estate appraising and the specialist needs to be called in. The taxpayer needs to ante up the funds to pay for the appraisal service. The tax preparer should read the instructions for Form 8283 for some ideas as to how to choose an appraiser: **https://www.irs.gov/instructions/i8283/ch02.html#d0e729**. The tax preparer can add value to his or her service by communicating with the appraiser as to what is needed. The taxpayer may or may not articulate the end product needs adequately. If the appraiser is to furnish a value of an easement, the valuation of the property as a whole will not provide the information that was in fact needed.

This writing just touched on a few instances where a real estate appraiser might be needed in conjunction with the preparation of Form 1040. Obviously there are also estate and gift situations that would also call for the appraiser. As a tax preparer, whether you are licensed or not, don't try to do it all. Call in the cavalry when you are confronted with issues that are beyond the scope of the tax return itself. In the context of this article, the valuation of real estate (real property) should be handled by impartial third parties, the appraisers. The appraiser is not interested in getting the listing nor selling the property. The appraiser does not have a personal or other relationship with the taxpayer. These individuals will provide you with the answers you need to complete the tax reporting in a best practices manner.

Marc S. Standig, EA is a member of the New Jersey Chapter board and has been in practice in New Jersey since the early 1980's. He has fifteen years of mortgage origination experience. In the late 1980's Marc took a series of courses to enhance his understanding of the appraisal process. He may be reached at: ***standig@yahoo.com.***

KEEP COPIES OF TAX RETURNS, AND W-2s, FOREVER!

BY ROBERT D. FLACH

I AM OFTEN ASKED BY CLIENTS, readers, and cocktail party guests "How long should I keep copies of my tax returns?"

I explain the IRS "3-year" statute of limitations. But I tell them they should keep the paper copy of Form 1040, or 1040A, with all supporting Schedules and Forms (Schedules A, B, C, D, E, F, H and Forms 2106, 8606, 8863, etc.), and copies of all Form W-2s, forever.

My reason – the annual tax return provides a permanent record of one's financial history, and you never know when the information on a prior year return, or a past year W-2, will come in handy for a variety of tax or financial reasons, or just to satisfy personal curiosity.

As paid tax preparers we are only required to keep copies of returns we have prepared for three years. But I have in my files a copy of every tax return I have prepared for all current clients, and now also include copies of all W-2s in my file copy of each client return. For some long-time clients I have copies of their returns going back to the 1970s. I only shred past year copies, other than the required 3 years, when a client has gone to his or her final audit (they die) or if they leave the fold.

Here are two examples from my practice of why it is important to keep copies of your W-2 forever.

A long-time client recently emailed me to ask if I had copies of his wife's 1998 and 1999 Form W-2s. He had not saved them, and needed the forms for an issue with his wife's employer, who had lost their payroll records for past years in a flood and did not have back-up copies stored elsewhere.

And a couple of years ago a client, a retired municipal police officer, took a distribution from his deferred compensation account. The distribution was fully taxable on the federal return, as employee contributions were "pre-tax". But for NJ state income tax purposes employee contributions were not pre-tax, so he had a "basis" in the account and at least some of the distribution would be considered a tax-free return of contributions on his NJ-1040.

The needed information for the regular state pension, from the NJ Division of Pensions, is readily available on the letter the retiree receives from the Division upon retirement that explains the amount of his or her monthly pension benefit. But this is not the case with a deferred compensation plan, or other Section 457 plans, in which the municipal employee participates.

I told the client to call the account trustee and ask for the total amount of employee contributions to the plan over the term of his employment. However, because the trustee had changed several times over the years, information was only available for contributions made since 2000. The client, who first came to me in the early 2000's, had joined the police force in the 1980s.

The trustee told my client to get the information for the years before 2000 from his W-2s. Client contributions to retirement plans are usually reported in Box 12 or Box 14 of Form W-2. Of course the client did not have copies of all his W-2s going back that far.

The information on prior year returns has often been helpful to me when preparing current 1040s, especially in the case of calculating cost basis in a stock or mutual fund investment when dividends were reinvested, and determining the basis in IRA and SEP-IRA accounts for NJ state tax purposes.

FYI, according to IRS Tax Topic #159 -

"The IRS only retains actual copies of Form W-2 (PDF), Wage and Tax Statement, as an attachment to your tax return for prior years. The only way to get an actual copy of your Form W-2 from the IRS is to order a copy of the entire return by using Form 4506 (PDF), Request for Copy of Tax Return, and paying a fee of $50.00 for each return requested.

As an alternative, you can use Form 4506-T (PDF), Request for Transcript of Tax Return, to request a wage and income transcript. It shows the data reported to the IRS on information returns such as Form W-2s, Form 1099 series, Form 1098 series and Form 5498 series; however, state or local information is not included with the Form W-2 information. These transcripts are available for the past ten tax years but information for the current tax year may not be complete until July.

The Social Security Administration (SSA) provides to the Number Holder (NH) or legal representative(s) at no charge, a microprint copy of Form W-2. You can use this to help resolve an SSA program related matter, such as an earnings discrepancy in connection with the processing of a Title II and/or Title XVI claim or an SSA or NH initiated earnings investigation."

So when clients ask you how long they should keep copies of their tax returns, tell them *"forever."*

Northeast PA resident Robert D. Flach has been preparing 1040s since 1972, and has been a member of NATP since 1987 (and an original founding member of the NJ chapter). He has been writing the popular tax blog THE WANDERING TAX PRO (http://wanderingtaxpro.blogspot.com) since June of 2001, inspired by a NATP National Conference seminar. He has also created and writes the websites FIND A TAX PROFESSIONAL (http://www.findataxprofessional.com) and THE TAX PROFESSIONAL (http://thetaxprofessional.webs.com) and is the founder of TAX PROFESSIONALS FOR TAX REFORM (http://www.taxprosfortaxreform.com).

Sales Tax Idea for Non-Retail Clients

BY MARTY STEIN, EA, MST

BUSINESS AND OTHER ENTITIES that are not registered vendors are required to file an Annual Business Use Tax return (Form ST- 18) by May 1, following the year in which the tax liability is incurred. (Tax tip for your non-retail clients such as real estate firms, doctors, dentists and lawyers who do not possess a Sales and Use Tax Certificate of Authority, it gets them a closed statute and reduces their exposure to penalties from out of state purchases especially from the internet.)

The ST-18 is mailed to the State of New Jersey - Division of Taxation, Revenue Processing Center, Use Tax, PO Box 261, Trenton, NJ 08646-0261 and keep a copy for your records.

Article by Marty Stein, EA, MST. Marty is the former president of a state wide association of professionals and can be contacted at ***martystax@aol.com*** *or* ***(732) 548-8023.***

HOW TO BE AN 'ANGEL' TO YOUR CLIENTS NEXT YEAR

BY JOHN D. KELLY, CPA

ALTHOUGH THE BUSY TAX ACCOUNTANT may be in the midst of tax season and unable to find a spare minute to investigate anything other than the piles of client documents on his or her desk, it never hurts to think about ways you can be more valuable to your clients.

A great idea for making your clients happy next year is to examine New Jersey's Angel Investor Tax Credit (N.J.S.A.54:10A-5.28 for Corporate Business taxpayers and N.J.S.A. 54A:4-13 for Gross Income taxpayers). This is a refundable State tax credit which provides a 10% return on invested capital in "in a New Jersey emerging technology business, up to a maximum allowed credit of $500,000 for the taxable year for each qualified investment made by the taxpayer."

What's this all about anyway? It is a method to spur investment into small (or very small) start-ups or young companies in this State employing New Jersey residents and getting a tax credit for each year of such qualified investment. The maximum investment is $500,000 but only a few thousand dollars of investment gets 10% of those funds back on the NJ-1040. Even better, when you think about it, a tax credit directly reduces liability, so it is many times better than an exemption or deduction. And, like the earned income tax credit, it is refundable so that if the credit exceeds liability, then the remainder is refundable for the taxpayer. The refundable tax credit must be fully taken in the year earned, so no carryforwards allowed.

Before we discuss the details, think about what you are doing for your clients and your state. If individuals, members of grantor trusts or other gross income taxpayers can get back 10% on invested funds in the form of a tax credit, they are significantly reducing their State income tax liability (or maybe getting back a significantly larger refund) and they are helping out New Jersey business in just the areas where growth can occur – the emerging tech sector.

How does this all work? The New Jersey Economic Development Authority (NJEDA) authorizes the applicant to receive the credit and the New Jersey Division of Taxation issues the credit certificates and explanatory information to assist you or your clients in claiming it on the New Jersey Gross Income tax return. The NJEDA charges $500 for investments of $50,000 or less or a fee of $1,000 for investments greater than $50,000.

Your client contacts the NJEDA (you can learn more about how that is done or to assist the client by visiting **http://www.njeda.com/technology_lifesciences/angel_investor_tax_credit_program.**

Remember this is an investment so the client can get percentage ownership in the company or other participation in future profits as an investor as well as the 10% tax credit.

Emerging technology companies are defined as those "with fewer than 225 employees, of whom at least 75 percent are filling a position in New Jersey, that is doing business, employing or owning capital or property, or maintaining an office in this State and: (1) has qualified research expenses paid or incurred for research conducted in this State; (2) conducts pilot scale manufacturing in this State; or (3) conducts technology commercialization in this State in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, information technology, life sciences, medical device technology, mobile communications technology, or renewable energy technology."

Of course, these small companies carry risk; but if your client works with the NJEDA, they get the benefit of being steered toward companies which have a good chance of success, and since the investments can be relatively small (the NJEDA $500 fee would be a determining factor, however tax planning strategies and the benefit of the tax credit all figure into the equation), small partnerships and trusts may find this idea attractive.

This is worth looking into; if this strategy works for one or more of your clients, they may be calling you "Angel' for your assist to their bottom line!

John D. Kelly, CPA is one of our newest members and he has already made his first contribution to NJ-NATP Taxing Times. Prior to his retirement from public service, Mr. Kelly had served the State of New Jersey's Division of Taxation in a variety of posts. He previously served as Chief of the Division of Taxation's Office of Legislative Analysis and Disclosure, which reviews pending legislation to determine its impact on state tax law and the operations of the Division of Taxation. Email: ***john@johndkellycpa.com*** *or call:* ***609-802-3057.***

And the 2015 Scholarship Award Winners are...

PETER ARVELO *from Matawan, NJ*
Graduate Award and a current member of NJNATP

LAUREN AQUINO *from Warren, NJ*
Undergraduate Award. Lauren's sponsor is Joe Paluscio.

DID YOU KNOW that the New Jersey Chapter of NATP will provide financial support through its Member Scholarship Program to New Jersey NATP members and their families, friends and associates. Each applicant must be sponsored by a current member or his/herself.

Annually, the program will allow for one applicant majoring in accounting from an accredited undergraduate college or university and one applicant pursuing masters in taxation from an accredited Masters program.

Benefits:

1. The chosen applicant will receive $500 per fall semester and $500 per spring semester for a maximum of $1,000 per year and maximum of $2,000 per candidate, $2,500 maximum for master's program applicants.
2. Student membership to NATP will be provided if not a current member.
3. The NJ-NATP member sponsor will receive a one- time thank you of $50.00.

Applicant Criteria:

1. Must be a legal US Citizen and a New Jersey resident.
2. Must be enrolled in undergraduate accounting program as a junior or senior (or enrolled in the last two years of a five year accounting program) or enrolled in a graduate taxation program-copy of student ID required.
3. Must maintain a minimum GPA of 2.75 overall; with a GPA 3.0 in taxation (for Masters).
4. Submit an application by September 2nd for the year, with their official college transcripts showing their GPA status

Applicants will be reviewed and chosen prior to December 1st by the NJ-NATP Scholarship Committee.

Winning Applicants will be asked to attend our Famous State Tax Seminar in January to receive their award.

JAN. 2016 NJ STATE SCHOLARSHIP WINNER AND SPONSORS

Sharing the Torch, Not Passing It!

BY BERNADETTE ANTONELLI, EA, ATA, ATP

HAVE YOU EVER WONDERED what draws a person to a certain profession? I know for me, the year was 1985 and I was working for a local accountant when one of the clients I handled suggested I open my own business. The first thought was panic… I can't give up a paycheck on the chance that I could possibly make it on my own. But the reality was, I liked the idea! And once I decided to do it, there was no turning back!

I opened a small office on the main street of town and put up a sign. A local service organization called me and said they were moving and offered me a desk; someone else gave me a couch. I was on my way! My first computer was a Commodore (I know, I am dating myself now!) and I had someone from my local Kiwanis Club come and help me set it up. My mom worked with me answering phones, friends dropped by during the day to keep me encouraged. But all in all, my first tax season I prepared 160 tax returns!

Being in business as a sole proprietor wasn't always easy and even after being in business for a number of years, I knew I needed a support system. Trying to keep up with the every changing tax world often seemed like a task all its own. It was for that reason, I became an Enrolled Agent. Yes, I was one of those people who studied on their own and made their way to the Robert Treat Hotel in Newark to sit for the then, two day, four part test. I was elated to have passed all four parts on the first try!

As the years flew by, the tax practice grew. The per-diem work I was doing after tax season for other accountants (just to keep my head above water) diminished. A few years later I purchased a house-type building on the same main street of town and moved my office. My mom and I continued to work together, me doing tax and accounting work and mom handling the phone and administrative work. And the business continued to grow. By now my daughter, Brianna, was a young teenager. She came into the office during tax season to help with phones and filing. She complained that the work was "boring." I tried to explain to her the relevance of what I was doing. Little by little she saw the relationship I had with my clients, how they respected what I did and counted on my expertise. But she still saw mom working hard until the wee hours of the morning during tax season. I tried to explain to her that when you have a business you need to do whatever it is that needs to be done in order to be successful.

And so it continued, year after year she (and, of course, my mom) would help me during tax season, every year taking on a little more responsibility. She still thought it was absurd that I would work until 2am night after night. But I also think that the older she got and the more she worked with me, she realized how much I loved what I did and how dedicated I was to my business and my clients. She started to get it!

Last tax season while she was working on her Masters, she worked with me again. The difference, however, was that now she was doing tax returns.

While she didn't sit with clients, she did the majority of returns that were dropped off. She felt confident talking to clients, answering their questions, and explaining their forms to them. Now she was the one who was on her way to a

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Sharing the Torch, Not Passing It!

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new and successful career. This year I am proud to say, not only did she graduate college with her Masters in Taxation, she passed all three parts of her Enrolled Agent exam, and on the first try! She was so happy to redecorate one of my offices to call it her own so that this year she can take client appointments.

Thirty years is a long time to be in business! A lot has changed and at times there were many ups and downs. My mom always said if she knew she was going to have worked for me for 29 years, she would have learned to use the computer to help me. Losing her last year, the cornerstone of my reception area, brought our three generations of working together down to two. I am proud of what I've accomplished and proud that I have an amazing daughter to share it with. I marvel at her intelligence and her confidence in working with my clients and even though she has said to me "I'll never know everything you know," I see her not only as a daughter, but as a professional and a partner. I will always be her mentor and her advisor and am honored to have her working side by side with me, and knowing, too, that my mom is watching over us each and every day.

Bernadette Antonelli, EA, ATA, ATP is the owner of Arlington Tax in Kearny and has been practicing for 30 years. She is a member of NATP and other professional organizations. She can be contacted at ***BAntonelli@Arlingtontax.com or 201-991-8888.***

Errors & Omissions (E&O) Insurance for CPAs, EAs & Tax Preparers

BY DOMINICK MACARO

TAX AND ACCOUNTING PROFESSIONALS have a major undertaking when navigating a complex set of Federal & State rules and regulations for their clients. When everything goes as planned, the clients are happy and there is a sense of victory because you were trusted to help keep them on track.

As a professional, you are in an environment where everyone strives for perfection and client expectations are extremely high. However, we are all humans and mistakes do happen.

When a client follows the advice of a professional and suffers a loss, that client can resort to taking legal action. Those unforeseen errors and/or omissions which may occur can lead to a lengthy and costly law suit with defense costs and settlements or judgements that are financially devastating to your business and overall financial security.

With that said, the best way to prepare for the unknown is by taking preventative action. Professional Liability Insurance, also known as Errors & Omissions (E&O), is coverage that will protect against negligence and other claims initiated by clients.

In addition, it is vital to understand that all insurance policies are *not* created equal. It is strongly recommended that the existing (or potential) policies are reviewed every couple of years to ensure the limits are adequate and consistent with the work at hand.

Dominick Macaro is a property & casualty insurance agent with Volk Insurance Group LLC. He can be reached at ***732-257-2212*** *or* ***Dom@VolkInsurance.com***

Website: **www.njnatp.com** *or call* **732-477-2281**

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