President’s Message

“And now, the end is near...And so I face the final curtain...My friend, I'll say it clear...I'll state my case, of which I'm certain...”

As I sit here writing my final President’s message for the newsletter, the lyrics to Frank Sinatra’s My Way drum in my head. It’s a fitting song to a long and arduous year that was one of the most challenging and most rewarding in my career.

For the past seven years, I’ve had the good fortune of being surrounded by a board that I’ve grown to consider my family. At each of our monthly board meetings, I marvel at the strength and wisdom that each member brings to the table. It’s been such an honor to collaborate with such hard working individuals -- men and women who have committed themselves to helping the profession grow by serving as advocates for, and ambassadors to, the members of the Suffolk Chapter.

I tip my hat to all of them, and to all of our committee chairs and members for their dedication to keeping the chapter as one of the strongest in the state. I strongly encourage all of our members to become involved in the Chapter in some way, shape or form. There are so many opportunities to grow and everyone should be taking advantage of them.

I want to extend my congratulations to Brian Michels, our incoming president, who, I am confident, will be successful in continuing to provide great leadership as we usher in the new fiscal year. Our Chapter is also lucky in that we will be well represented at the statewide level with Chapter past presidents Harold Deiters coming in as president-elect and John Shillingsford as one of the vice presidents. Both Harold and John were instrumental in shaping the framework of the current Chapter and I’m confident they will bring fresh ideas to the state society as a whole.

(continued...)
Finally, I want to take a few moments to thank my wife Mary Jo and son Daniel, who have endured the many hours I've spent away from home, have listened to me blab on about the virtues of being a CPA and who have always encouraged me to be more than I felt I could ever be.

Sincerely,

– Felix Russo

Special Offers from the Suffolk Chapter

SPONSORSHIP PROGRAM

Here’s your chance to make the most of your membership! Sponsor one of our events and get in front of colleagues, referral sources, and potential clients.

Step One: Choose the type of event based on your target audience.
- golf outings
- networking events
- technical workshops
- informational seminars
- charitable events

Step Two: Become a sponsor. At a cost of $1,000 you receive:
- recognition in the Suffolk Chapter newsletter
- logo/recognition in all event flyers
- opportunity to speak at the event
- booth or table display space

To take advantage of this great offer, contact our Sponsorship Chair: Thomas S. Pirro: (631) 472-7637; tpirrocpa@optonline.net
Farewell from the Newsletter Editor

It has been such a pleasure to serve as this fiscal year’s NYSSCPA Suffolk Chapter Vice President (VP) and Newsletter Editor. This year has gone by so fast and was only made possible by the efforts of the Board of Directors, the Committee Chairs and Co-Chairs, all of the Chapter’s members, and last but certainly not least, Flo Federman of Marcum LLP, who dedicates her time and efforts in designing and assembling the Chapter newsletters and coordinating email blasts to our members. Flo – I have really enjoyed working with you on the newsletter this past fiscal year.

Our incoming VP, Melissa Hicks, will be the Chapter’s next Newsletter Editor starting June 1st. I have had the pleasure of working with Melissa on the Chapter Board and various committees. I know she will make a fine VP and newsletter editor.

I am very excited to take on my new role as President-Elect of the Suffolk Chapter for the 2016/2017 fiscal year and bid farewell as the Chapter’s current VP and Newsletter Editor. I am also excited to take on a new role as Co-Chair with Brian Michels of our Chapter’s Membership Committee.

Since joining the NYSSCPA, I have learned to appreciate and value my membership and role in this Chapter more and more. When I got involved with the Young CPAs (now NextGen) Committee in 2008, I never thought my participation would lead me to where I am now. Getting involved with the Young CPAs allowed me the opportunity to co-chair the Committee with Brian Michels, which led to a position on the Suffolk Chapter Executive Board and certain State-wide opportunities. Danielle Schadler and I were also able to establish the Suffolk Chapter’s Forensic and Valuation Services Committee, which continues to be a success with John Spatola and Pasquale Rafanelli as Co-Chairs.

Each year as I take on the next role within the Suffolk Chapter Executive Board, following in our past, current and upcoming President’s footsteps, I learn new things, meet new people, develop professional relationships with Chapter members and continue to develop my technical and soft skills. I encourage all of you to do the same if you are not already, as it is an invaluable experience.

Have a wonderful summer and I look forward to seeing you at our upcoming events!

– Amanda Sexton
Of Lemonade Stands and Long Term Capital Gains

By Daniel G. Mazzola, CFA, CPA
American Portfolios Financial Services, Inc.

Jake, age 9, decides to start a lemonade stand. He uses his communion money to buy the paper cups and lemonade mix, scouts for a suitable location and in short order is open for business. His enterprise is a success! A year flies by and he sells his business and invests his profits in a 529 plan, which his family’s financial advisor asserts is the best way for him to save for college.

The next summer another boy, Tom, approaches Jake with an idea. Impressed by Jake’s entrepreneurial spirit, operational efficacy and new bicycle, he offers to bankroll Jake with seed money from his communion for another lemonade stand. All Jake has to do is operate the lemonade stand as he did previously. Jake agrees. Their partnership is also successful, and the two boys sell the lemonade stand a year later for a tidy profit.

Jake’s father and Tom’s mother, reasoning that the apple does not fall far from the tree, decide to form a partnership of their own. Their activity will be restoring a neighborhood movie theatre that has fallen on hard times. Tom’s mother will supply the money, while Jake’s father will handle the day-to-day affairs and manage the theatre so its value is enhanced. Jake’s father has executed this responsibility quite well in the past, and is rich as a result. He receives wages for his daily services, and collects a share of the sales proceeds when the business is sold for a sizable gain a year later and the price exceeds a specified threshold.

The profit on the sale of the two lemonade stands and theatre is recognized for tax purposes as a long term capital gain. The fact that Jake operates alone in the first enterprise and as a partner in the second has no bearing on the manner of taxation. Furthermore, it is irrelevant that Jake’s father did not invest his own money in the theatre renovation. With regard to partnerships, the tax code does not distinguish between financial capital and “sweat equity,” i.e. non-monetary input.

Via the tax code, the U.S. government promotes business activity by taxing the gains on the sale of investment assets held for at least one year at a rate lower than income representing remuneration for services rendered. Capital is an important driver of economic growth, and without this favorable treatment, investors would be less inclined to stake risky but essential ventures, such as those in the medical and technological industries.

Jake’s father’s share of the profits when the theatre is sold for more than a hurdle rate is known as carried interest. The tax treatment of carried interest is a hot topic these days, as politicians from both parties denounce it as unjust and a sop to the privileged elite and politically influential. Jake's father will pay ordinary

(continued)
Of Lemonade Stands (cont’d)

income tax on his compensation as the theatre manager. Critics of the present policy on carried interest argue Jake’s father should also pay the higher tax on the profit on sale of the theatre, as it is a return on labor and not capital. They are likely unfamiliar with the basic tenets of partnership law.

A private equity fund is typically structured as a partnership consisting of limited partners (Tom and his mother) and general partners (Jake and his father). Limited partners provide the money, have no say in daily operations and cannot be sued for the debts of the partnership. The general partner manages the enterprise and is on the hook for partnership liabilities. He is paid a flat fee for his services and a percentage of profits collected if the venture is successful and later sold at a price in excess of a pre-determined amount.

The success of the private equity venture is largely attributable to the general partner’s endeavors, as he is involved in strategy, business development, management and operational details. The GP’s responsibility is to return the company to profitability, restructure so as to generate greater performance or unlock hidden value, and he does not receive the carried interest unless he does so. Carried interest is a less reliable source of income and only becomes available upon a liquidity event such as Initial Public Offering, recapitalization or acquisition, normally 3-5 years after the operation began.

Opponents of the current carried interest regulation contend that private equity firms take the treatment of partnership taxation to an extreme. The work of a private equity firm is a combination of investment banking and management consulting. Managers are not paid for starting new businesses from scratch, but by pooling the money of wealthy individuals and institutions and speculating on the future of an enterprise, and their efforts rarely produce a positive outcome for the employees of the companies involved.

Hedge fund managers are often painted with the same populist brush as private equity managers when it comes to tax avoidance, but there are important differences between the two. Unlike private equity managers, hedge fund managers rarely take a controlling interest in the companies they invest, and few hold positions for more than a year. Thus recognition of carried interest generally is not applicable to the profits of hedge fund managers.

A sound tax policy involves simple, transparent, low marginal and rarely altered rates and a very broad base. Taxes are necessary, and while there is certainly room for improvement in the process, the rights of Jake’s father and his brethren are just as inviolate as the general citizenry.
Committee Report:
Members in Industry

On the morning of Wednesday, March 16 at Empire National Bank in Islandia speakers Neil Seiden, CPA, Managing Director of Asset Enhancement Solutions, LLC and Robert Schepis, Senior Lending Officer at Empire National Bank, spoke on Conventional and Alternative Financing Strategies.

The following month, in April, our committee meeting covered an Update on Employer Responsibilities for 401K plans with John Caffrey, of Castle Asset Management leading the session, again hosted by Empire National Bank.

This month’s meeting was the annual Employment Law Update, with speaker Kimberly B. Malerba, Partner at Ruskin Moscou Faltischek.

We will soon hold our planning session for the upcoming fiscal year. If you are unable to attend the planning session please email potential ideas and speakers for our upcoming meetings to JVerneuille@empirenb.com.

SAVE THE DATE
October 14
Statewide Members in Industry Full Day Conference Webcast

Empire National Bank will again host via webcast the statewide Members in Industry Conference for the Suffolk and Nassau Chapters in their offices at 1707 Veterans Highway in Islandia. This full day conference earns 8 continuing professional education credits. Fees will be announced at a later date.

The Members in Industry committee will next meet in September. Enjoy the summer!
Committee Report: Banker/CPA

On Monday, May 2, the Suffolk Chapter hosted its 45th annual golf outing, at the Southward Ho Country Club in Bay Shore. The 100 golfers in attendance enjoyed their day on the golf course, followed by cocktails and dinner, and the infamous raffle prizes.

Awards were given out for lowest gross score, longest drives, and closest to the pins. Raffle prizes included TVs, cameras, BBQ grills, an iPad, laptops, golf equipment, vacation trips, and much more.

For each golfer in attendance, $50 was earmarked for the Suffolk Chapter Scholarship Fund, which allowed the Suffolk Chapter to present scholarship awards to several qualified high school students, all of which will be attending a New York State college.
Mark Your Calendar...

**JUNE 9, 2016**
Forensic & Valuation Services Committee meeting: Business Divorce. Details on page 9.

**JUNE 11, 2016**
Cooperation with Attorneys Wine Tour with the Suffolk Bar Association. Details on page 10.

**JUNE 30, 2016**
15th annual LI Ducks Outing & Picnic. Details on page 11.

**JULY 14, 2016**
Forensic and Valuation Services Committee: Nine and Dine in Riverhead. Details on page 12.

**AUGUST 11, 2016**

**SEPTEMBER 20, 2016**
Young Professionals Golf Classic. Details on page 14.

For up-to-the-minute chapter activities: www.nysscpa.org
Search for the Suffolk Chapter under “About Us”

Committee Chairs!
Make sure to get all future meeting dates to Amanda Sexton at asexton@mfbcpa.com.
The Business of Valuation...

Business Divorce & Discounts for Lack of Marketability

Thursday, June 9, 2016
6 to 9 p.m.

at Bank of America Building, 300 Broad Hollow Road, Melville
(Corner of 495W & Rte. 110S)

$35 per person
(Includes Sandwiches, Cookies & Refreshments from Au Bon Pain)

2 CPE credits (Code 29085620)

Join the Forensic & Valuation Services Committee for intermediate-level training in regarding to valuation discounts relating to shareholder disputes, fair value and New York State case law.

Presenters:
Peter Mahler, Esq.
Ernest Patrick Smith, CPA/ABV/CFF, CVA, CFE

CLICK HERE TO REGISTER

For more information: Wendy Valentino
(516) 877-1900, wvalentino@cohengreve.com
Wine Tasting with Attorneys...

Saturday, June 11, 2016
8:45am to 5:00pm

Join your colleagues and friends as you enjoy a Saturday touring three of Long Island's finest wineries on a deluxe coach:

Pugliese Vineyards | Pindar Vineyards | Ospreys Dominion Vineyards

$50.00 per person

Four to five wines will be tasted per vineyard. Lunch provided by Iavarrone’s.

NYSSCPA Suffolk Cooperation with Attorneys Committee invites you to join our co-sponsors:

New York State Bar Association Young Lawyers Section – 10th District
Nassau County Bar Association New Lawyers Committee
Suffolk County Bar Association Young Lawyers Committee

Bus pick-up locations:

**NASSAU**
Nassau County Bar Association
15 West Street
Mineola, NY

**SUFFOLK**
LIE Exit 52, Commack
On the east side of Commack Rd
Immediately south of the LIE

Register at www.nysba.org/2016WineTour
Registration is required. Cutoff is June 10 or when the bus is filled.
More info: David Oksenhorn, (631) 414-4732, David.Oksenhorn@marcumllp.com
Join us at the Ducks Game...

Suffolk Chapter’s 15th Annual Long Island Ducks Outing & Picnic

Long Island Ducks vs. York Revolution
Thursday, June 30, 2016

Picnic + Ticket (10 years and older): $30 each
Picnic + Ticket (9 years and younger): $24 each
Ticket only: $9 each

The event will begin at 5:35 p.m. with an “all you can eat” picnic buffet – hamburgers, hot dogs, chicken & ribs. The game will follow immediately, at 7:05 p.m. Come to the ballpark and support Suffolk County’s own minor league baseball team and have fun with your fellow Suffolk Chapter CPAs and their families.

THIS EVENT IS USUALLY A SELL-OUT! We need to provide a final head count by Wednesday, May 25, 2016, so don’t delay.

E-mail your reservation now to Eric St. Germain: estgermain@sheehancpa.com
Then, mail in your payment with the form below.

Tickets will be mailed to you the week of June 13. Please call if you haven’t received your tickets by June 22.
The NYSSCPA Suffolk Forensic and Valuation Services Committee invites you to the 3rd annual

Nine and Dine in Riverhead
Thursday, July 14, 2016 at 2:30 p.m.

at Cherry Creek Golf Links, 900 Reeves Avenue, Riverhead

Join us for this east end social event.
Nine holes of golf (with cart) and practice at the driving range, followed by BBQ dinner, beer/wine/soda, and dessert.

REGISTRATION LIMITED – Last two years’ events sold out.
First come, first served so sign up early.
Dinner only: $30 (approx. 5:15 p.m.)

Prizes: Longest drive, closest to pin (men/women)

HOLE SPONSORSHIPS AVAILABLE!
$100 per hole. Deadline June 13.

Name: __________________________________________
Firm: ___________________________________________
Address: ________________________________________
City, State, Zip: __________________________________
Telephone: ______________________________________
E-mail: _________________________________________

☐ Please place me in a foursome OR
☐ Preferred foursome below:
Golfer #2: ____________________________
Golfer #3: ____________________________
Golfer #4: ____________________________

Register now: John Spatola, jspatola@nsslpcpa.com
Nawrocki Smith LLP, 290 Broad Hollow Road, Suite 115E, Melville, NY 11747
631-756-9500
Supersize It...

The NextGen Committees of the Suffolk and Nassau Chapters present the

5th Annual
Super-Sized Networking Event!

Thursday, August 11, 2016  |  6 to 8 p.m.
Crest Hollow Country Club, Woodbury

$50 per person

Come to this strictly social event to mingle with your peers, including:

- Risk Management Association – Young Professionals
- New York State Bar Association, Young Lawyers Section
- Nassau County Bar Association – New Lawyers Committee
- Association of Certified Fraud Examiners, LI Chapter
- The Maurer Foundation for Breast Health Education Inc. – Young Professionals

Passed hors d’oeuvres and poolside dinner! Premium open bar!

For info: William Huether – whuether@sheehancpa.com, 631-665-7040

PAYING BY CREDIT CARD:
Click HERE to register online.

PAYING BY CHECK, payable to NYSSCPA Suffolk Chapter, to
William Huether, CPA, CGMA, MBA
Sheehan & Company, CPA, PC
165 Orinoco Drive, Brightwaters, NY 11718
(631) 665-7040

Sponsored by

May/June 2016
See You in September...

The NYSSCPA Suffolk NextGen Committee invites you to

SAVE THE DATE!

It's the 21st annual YOUNG PROFESSIONALS GOLF CLASSIC

Tuesday, September 20, 2016

Fabulous raffle prizes!
Beat-the-hack competition!
Lunch at the turn!

Please stay tuned for more details to come!
Suffolk Chapter Board & Committees

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Fun and Games – Wonderword

1. A. jaw  
   B. bezel  
   C. well  
   D. claw

2. A. skeg  
   B. blade  
   C. boot  
   D. tail

3. A. mortar  
   B. pestle  
   C. stone pin  
   D. doric whisk

4. A. carpus  
   B. hock  
   C. palmer pad  
   D. dewclaw

5. A. bolero  
   B. kimono  
   C. rumba  
   D. toga

6. A. point  
   B. load  
   C. fulcrum  
   D. balance

7. A. arugula  
   B. escarole  
   C. kale  
   D. radicchio

8. A. flush ball  
   B. float ball  
   C. water ball  
   D. filter ball

9. A. gouge  
   B. brayer  
   C. chisel  
   D. spatula

10. A. estuary  
    B. headland  
    C. lagoon  
    D. delta

SOURCE: merriam-webster.com
Get Involved with NYSSCPA Suffolk
and Help Make a Difference

COMMITTEE SERVICE APPLICATION

Thank you in advance for getting involved and ensuring the success of this chapter. Please rank the top 3 committees in which you have an interest:

___ Accounting & Auditing
___ Community Affairs
___ Construction Contractors
___ Cooperation with Attorneys
___ Cooperation with Bankers and Other Credit Grantors
___ Cooperation with Educational Institutions
___ CPE/Professional Development
___ Emerging Technologies
___ Employee Benefits
___ Estate/Financial Planning
___ Forensic and Valuation Services
___ General Taxation
___ Golf Outing
___ Management of Accounting Practice
___ Members in Industry
___ Membership
___ NextGen (Young CPAs)
___ Not-for-Profit & Government
___ Public Relations
___ Real Estate & Construction
___ Small Business

Name: ___________________________________________________________________________________
Firm: __________________________________________________________________________________
Address: _________________________________________________________________________________
City, State, Zip: ____________________________________________________________________________
Telephone: _______________________________________________________________________________
E-mail: ________________________________________________________________________________

Please forward your response to: Felix Russo, CPA | frusso@cabcpa.com
Charles A. Barragato & Co., LLP | 700 Vets Highway, Suite 215 | Hauppauge, NY 11788

LOOK FOR THE NEXT ISSUE OF THE SUFFOLK CHAPTER NEWSLETTER IN JULY!