Lisa Haynie, CPA
President, Nassau Chapter

President’s Message

It’s hard to believe this is my final message as President of the Nassau Chapter, and that a year has gone by since I was installed as the second female President. This has been a gratifying and productive year! I have been privileged to work with so many individuals who have tirelessly devoted their energies to our Chapter. Their hard work enables us to host informative continuing education seminars, top-notch networking opportunities and terrific social events.

On May 9th, at the Crest Hollow Country Club, Scott Sanders will be installed as our Chapter’s 60th President. On top of being an amazing evening with great food and wonderful fellowship, a portion of your ticket will be donated to the FAE College Scholarship Fund and there will be a sports memorabilia auction where a portion of these bids will be donated to Island Harvest. We hope to see you there!

Scott has chaired our Small MAP Committee for the past eight years. He also co-chairs the Sponsorship Committee with Howard Fine, and has helped raised funds to run many of our Chapter’s events. Scott also participates in the Community Affairs Committee that assists in planning the CPAs 4(a): Cause 5K Run/Walk to End Hunger – which is set to take place June 15th at Eisenhower Park. We hope you will join us!

We are also thrilled to induct our new officers President-Elect Robert Barnett, Vice President Philip Kanyuk, Treasurer Lynne Fuentes and Secretary Christine Hallahan. The Directors for 2013/2014 year are Anthony Aronica, Eliot Lebenhart, Alex Resnick, Howard Fine, Anthony Basile, Geri Gregor, Joel Dressner and Cynthia Sze. Congratulations to all who are being honored!

Two outstanding members of our Chapter, as well as the Executive Board, will be honored on May 9th. Neal Korenberg will receive the Distinguished Service Award, and Jack Angel, the Sam Traum Award. Neal and his office staff, including Carol Pinto, have organized our Spring Golf Outing and Banker’s Networking Night for many years. Both events are well-attended and take countless hours to coordinate. Clearly Neal’s service is distinguished, and he is well deserving of this award. Jack Angel, a full-time professor at Adelphi University, co-chaired the tax committee for six years, serves on the Career Opportunities in Accounting Profession (COAP) Executive Board for the past two years and has been a key role model to encourage college accounting students to join our Chapter as student members. Jack shares similar traits with Sam Traum, one of the founding members of our Chapter. Sam also encouraged women and students to join NYSSCPA. His commitment to the Society did not stop at increasing our membership. He personally contacted committee chairs, myself included, to encourage us to invite new members to upcoming technical meetings and matched individuals with their interests. Jack emulates these important qualities. We would like to thank Neal Korenberg and Jack Angel for promoting the NYSSCPA and for their untiring efforts and time devoted to Nassau Chapter events.

I would also like to thank Abby Lucrezia and Robert Goldfarb who served as Directors for the past two years. We appreciate your contributions to our Chapter and we look forward to your continued support at our upcoming events and functions.

Being President has been an unbelievable experience for me. I have met so many people who want to give back and serve our Chapter, and who have a vision to make improvements. In my opinion, our volunteers make our Chapter great. We could not ask for more enthusiastic people who want to make a difference and help their colleagues. I would like to personally thank all of the volunteers for making my term so memorable and rewarding. I look forward to continuing my service to our Chapter as your Past-President!

Sincerely,
Lisa Haynie, CPA
President, Nassau Chapter, NYSSCPA
lisahaynie@kbtaxlaw.com

At press time, this newsletter contained the most up-to-date information on meetings and events. Please check with a committee chairperson for any changes to scheduled events.

ISSUE HIGHLIGHTS

Calendar: May – August 2013 ............ 2
Installation Dinner Dance info ............ 3
SAVE THE DATE
Small Firm Map Committee
~ Annual Organizational Meeting ~

May 21, 2013, 8:00am
Office of Sanders Thaler Viola & Katz LLP, Jericho
350 Jericho Tpke, Suite 1, Jericho, NY 11753.

Discussion of new topics for the 2013-2014 year. We welcome topic suggestions to help the small practitioner efficiently manage their CPA practice. Breakfast will be served.
Please RSVP with Jean Townsend at 516 938-5219 or jtownsend@st-cpas.com

SAVE THE DATE
Taxation, Estate and Personal Financial Planning
~ Joint Organization Meeting ~
June 5, 2013, 6:00pm
Farrell Fritz PC, 1320 RXR Plaza, Uniondale
Please RSVP Christine Hallahan at challahan@ck-co.com or Bob Schaffer at rschaffer@ck-co.com

SAVE THE DATE
Real Estate Committee
~ Organizational Meeting ~
June 5, 2013
8:30am-10:30am
Gettry Marcus Stern & Lehrer, CPA, P.C.
20 Crossways Park North, Suite 304
Woodbury, NY 11797 • 516-364-3390

SAVE THE DATE
Becker CPA Review Classes

Come learn some tips and tricks to pass the CPA Examination!

Holtz Rubenstein Remnick LLP
Certified Public Accountants | Business Advisors
125 Baylis Road – Suite 300 | Melville, NY 11747

Wednesday
May 22, 2013
Time: 6-8pm

Calendar of Events

May 2013
5/9 Thurs. 60th Annual Installation Dinner Dance
5/16 Thurs. CFO & Financial Executives
5/17 Fri. Women’s Focus Group Luncheon
5/17 Thurs. Small Firm MAP
5/22 Wed. Young CPA Becker Meeting
5/30 Thurs. Small Firm MAP

June 2013
6/5 Wed. Real Estate
6/12 Wed. CFO & Financial Executives
6/13 Thurs. Golf Outing
6/15 Sat. The Ellen Gordon Walk / Run
6/21 Fri. Small Firm MAP

July 2013
7/26 Fri. Practice Continuity Committee

SAVE THE DATE – Nassau/Suffolk Young CPA Committee Networking Event, August 8th
Laugh, Dance, Donate

60TH Annual Installation Dinner Dance

Thursday
May 9, 2013
at 6:30pm

At the
Crest Hollow Country Club
in Woodbury, NY

Sports Memorabilia Silent Auction. We will be displaying one of a kind pieces.

A portion of your bid will be donated to:

NYSSCPA - Nassau Chapter

Mail check with this form to:
Jean M. Townsend
C/O Sanders, R@aier Vioa & Katz, LLP
350 Jericho Turnpike, Suite 1
Jericho, NY 11753-1317

For questions, contact Jean at:
Telephone: (516) 938-5219
Email: jt@toward@st-ccpa.com

$99* per person (Tables of 10 - $950 each)

Registration Form:
Name: __________________________
Firm Name: ______________________
Firm Address: ____________________
Telephone: _______________________
Email: __________________________
Print names of people attending:
1. ___________________________________
2. ___________________________________
3. ___________________________________
4. ___________________________________
5. ___________________________________
6. ___________________________________
7. ___________________________________
8. ___________________________________
9. ___________________________________
10. ___________________________________

Please seat me with person or firm:
__________________________________
__________________________________
__________________________________
__________________________________
__________________________________

Payment:
Fax this form and credit card information to: (866) 495-1354

Name on Card: ______________________
Company Name: _____________________
Address: ___________________________
Telephone: _________________________
Email: _____________________________

☑ Mastercard ☐ Visa ☐ American Express ☐ Discover
Credit Card #: ______________________
Expiration Date: __________ Security Code: ________

Signature: __________________________ Date: __________

Checks payable to:
NYSSCPA - Nassau Chapter

Please submit your registration form no later than Thursday, May 2, 2013.

Portion of the ticket price will be donated to the NYSSCPA Foundation for Accounting Education (FAE) College Scholarship Account.
Each year the Chapter identifies two individuals for special recognition and thanks. The winner of the Samuel B. Traum Award epitomizes the ideals, and honors the memory of Sam Traum. During his 50 years of Nassau Chapter membership, Sam mentored countless students, women and other minority professionals and tirelessly promoted programs to serve these groups.

The winner of the Distinguished Service Award, on the other hand, is recognized for the consistent dedication of his or her time and expertise to contribute to the Chapter through committee work and overall leadership activities.

What this year’s honorees share is a strong work ethic and dedication to the vitality of the Nassau Chapter. Both Jack Angel, this year’s Sam Traum Award honoree and Neal Korenberg, Distinguished Service Award recipient, have a long history of service with the Chapter.

A Chapter member since 1981, Jack is close to the epitome of the ideal Chapter member. “I thought it would be a one way street to join the Chapter,” Jack recalls. “My original intent was to build my practice through speaking and writing opportunities with the organization.”

Jack has been a member of the Tax Committee since day one, and over the years has achieved his goal to speak frequently, instructing scores of CPAs in IRS procedure for the Chapter as well as for other organizations and institutions. “So while I certainly managed to build my practice, I discovered a previously unconsidered benefit to membership — the rewards of giving back.”

After completing his BBA in Accounting, Jack was lured by the prospect of an excellent training program to join the Internal Revenue Service, where his outstanding performance at the IRS was recognized with the award of the only full scholarship granted jointly by Long Island University and the District Director Brooklyn for an M.S. degree in Taxation at the Long Island University.

Jack left the IRS to work as a full-time instructor at Adelphi University and to start his own practice. His love for teaching has kept him at Adelphi for 28 years. An Associate Professor of Taxation, he teaches introductory and advanced courses in income, estate and gift taxes, and tax and business planning. He also mentors countless students. Jack serves on the Executive Board for the Nassau Chapter’s COAP (Career Opportunities in Accounting Program) for high school students held at Adelphi.

He has written numerous tax articles, including “Dealing with IRS Collection Problems,” for The CPA Journal, for which Jack earned a Max Block Award.

The importance of strong relationships between CPAs and the lending community cannot be understated. Neal Korenberg, who has a long history with the Cooperation with Bankers and Credit Grantors Committee, has been instrumental in making sure that Chapter members have a solid connection with loan officers across the Island.

Neal is currently Chair of the committee, a position he has held for the last few years, as well as for a period of time in the 1990s. His firm, Castellano, Korenberg & Company also has a long history of support and leadership in this committee, with Dan Castellano and Frank Scala both having served numerous terms. “We’re well known in the banking community, both as a firm and individually, due in large part to our involvement in this committee,” says Neal. “It’s a part of our firm’s culture.”

The Committee’s Annual Golf Outing, held each year in June, requires a tremendous effort of organization and outreach. Thanks to the outstanding and ongoing efforts of Neal’s firm, especially, Carol Pinto, the Administrative Marketing liaison, the golf outing is a popular event for the Chapter. Even so, Neal is always looking to boost attendance, particularly among the younger bankers and CPAs. “We’ve also been attracting more attorneys, as well as golfers from insurance and bonding companies.”

While he understands the younger generation’s embrace of social media networking opportunities, he strongly endorses the power of face-to-face communications and the relationships that develop over golf and in other relaxed settings. “Communicating solely online does not lend itself to as strong a relationship – it’s more fragmented. Meeting face to face over time provides you the opportunity to develop relationships that have the potential to someday allow you to help grow or even save a client.”

Neal also lends his time to other Chapter meetings and events. His advice for those new to the accounting profession: “You can really make a mark and accelerate your career path by forming relationships among the credit grantor community, especially as those contacts mature over the years. When you’re ready for advancement in your firm, this is your ammunition to help grow, be a player and contribute to your firm in ways that your peers might not be able to. In short, it’s going to hasten your career path and put more money in your pocket.”
The CFO & Financial Executives Committee would like to invite CFOs in industry to participate in our monthly meetings. Prospective members should be a CFO or the most senior financial person at their company. The dates and topics for our upcoming committee meetings are detailed below. We look forward to seeing you at a meeting soon.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud Prevention Best Practices</td>
<td>May 16, 2013</td>
<td>Mineola</td>
</tr>
<tr>
<td>Roundtable &amp; Planning meeting</td>
<td>June 12, 2013</td>
<td>Mineola</td>
</tr>
</tbody>
</table>

Committee meetings are held on a monthly basis from September through June. Prior meetings this year have covered: GAAP & Tax updates, Healthcare, Business Plans, Management Reporting Metrics, Fraud Prevention and others.

**Meeting time:** 8am to 10am (2 CPE credits are normally earned) – light breakfast served

**Meeting locations:**
Mineola – Meltzer, Lippe, Goldstein & Breitstone
190 Willis Ave <> Mineola, NY 11501

**Committee Co-Chairs:**
Anthony Aronica, CFO • Graphic Paper • aaronica@GraphicPaper.com • 631-964-8225
Manlio Cafiero, CFO • Scales Industrial • mcafiero@scalesair.com • 516-248-9096

---

**REGISTRATION FORM**

**A Technical Session Sponsored by**

The Taxation and The Estate & Personal Financial Planning Committees

**Wednesday, May 1, 2013**

Please email, fax or mail your response to:
Iola Damante, CPA (idamante@grassicpas.com)
Grassi & Co, CPAs
50 Jericho Quadrangle, Ste 200, Jericho, NY 11753
Fax: 516-256-3510

☐ I will attend for dinner at 6PM and have enclosed a check for $20 per person payable to NYSSCPA Nassau Chapter.

☐ I will attend the CPE presentation at 6:30PM but will not be having dinner. No payment is enclosed.

Name: ________________________________
Firm: ________________________________
Address: ______________________________
City/State/Zip: _________________________
Telephone: ____________________________
E-Mail: _______________________________
Tracing Rules: Tracking the Deductibility of Interest
By Robert S. Barnett, CPA, JD, MS (Taxation) & Rebecca K. Richards

Introduction
The deductibility of interest is an often contested matter. Section 163 of the Internal Revenue Code allows a deduction for interest paid on a loan. However, the extent of the deduction depends on the manner in which the loan is utilized. For instance, interest paid on a loan allocated to business expenditures is deductible, while interest paid on a loan allocated to personal expenditures is not. The allocation of debt has a critical impact on the deductibility of the associated interest payments.

Treasury Regulation 1.163-8T provides “tracing rules” that allocate debt and interest depending on the type of expenditure to which the proceeds are applied. The underlying property used to secure the loan is generally irrelevant; only the loan’s use is significant (subject to a limited exception for qualified personal residences).

Automatic Allocation
The tracing rules automatically allocate debt depending on how the proceeds are used. A 30-day rule allocates debt and interest to any expenditure within 30 days of receipt. After that 30-day period, the proceeds are treated as a personal expenditure. If the proceeds of a loan are paid directly to a third party, the debt and interest payments are automatically allocated to that expenditure.

Loan proceeds deposited directly into an account may constitute an investment expenditure deductible as investment interest. The proceeds are re-allocated if and when they are applied to a different expenditure or the loan’s use changes. Assume Barry deposits a $10,000 loan into an account on January 1. On July 1, he uses $8,000 of that loan to purchase a personal vehicle. From January 1 through June 30, the debt and interest payments are allocated to an investment expenditure. From July 1 through December 31, $8,000 is allocated to the personal expenditure and $2,000 remains allocated to the investment expenditure.

Expenditures from the account containing both borrowed and unborrowed funds are first allocated from the borrowed funds. Borrowed funds deposited earlier in time are deemed to be expended before subsequently deposited borrowed funds. However, if subsequently borrowed funds are utilized within 30 days of deposit, the taxpayer may elect out of this ordering rule. In such event, the 30-day rule described above is applied. For example, assume Barry’s account contains funds from Loan A, deposited on January 1, and Loan B, deposited on March 1. If Barry applies $6,000 to a personal expenditure within 30 days of his deposit of Loan B, he may elect to allocate the proceeds of Loan B to this expenditure, despite the fact that Loan A was deposited first in time.

Loan Used for Prior Interest or Prior Loan
If a second loan is used to repay a prior loan or to pay interest on a prior loan, the interest payments of the second loan are allocated in the same manner as the interest payments of the first loan. If the proceeds of the second loan are used for purposes other than repayment of a prior debt, the proceeds are allocated according to their use (i.e., according to the general rules outlined above).

On January 1, Barry borrows $10,000 (“Loan A”). Barry spends $5,000 on business property and $5,000 on a personal vehicle. According to the general allocation rules, $5,000 is allocated to the business expenditure and $5,000 to the personal expenditure. In December, Barry borrows $15,000 (“Loan B”). Barry uses the proceeds of Loan B to repay all of Loan A ($10,000) and spends the additional $5,000 on an investment expenditure. The debt and interest payments of Loan B are allocated as follows: $5,000 to the business expenditure (mirroring Loan A), $5,000 to the personal expenditure (mirroring Loan A), and $5,000 to the investment expenditure.

Repayment of Loan
When a portion of debt is repaid, such amount is no longer allocated to the given expenditure. The Treasury Regulations treat the debt as repaid in the following order: (i) personal expenditures; (ii) investment expenditures and passive activity expenditures (in the order the debt was allocated to the expenditure); (iii) passive activity expenditures associated with rental real estate in which the taxpayer actively participates; (iv) former passive activity expenditures; and (v) trade or business expenditures and certain low-income housing project expenditures. The following example illustrates a benefit of this ordering rule. Assume Barry borrows $10,000 on January 1. He spends $6,000 on a business expenditure on March 1 and $4,000 on a personal expenditure on August 1. In the next year, Barry repays $7,000 of the loan. The personal expenditure is treated as entirely repaid and $3,000 of the business expenditure is treated as repaid.

Pass-Through Entities
Notice 89-35 contains special tracing rules for debt associated with pass-through entities in two situations: (i) debt-financed acquisitions and (ii) debt-financed distributions. However, these special rules do not apply if the pass-through entity was formed “with a principal purpose of avoiding or circumventing” the general tracing rules. In such case, interest expense is allocated according to the rules of Treas. Reg. 1.643-8T as if the pass-through entity had not been formed.

A debt-financed acquisition occurs when the taxpayer borrows funds to purchase an interest in a pass-through entity or to contribute to the entity’s capital. When the taxpayer purchases the interest, the debt and associated interest expense are allocated among the entity’s assets using “any reasonable method,” such as a pro rata allocation based on fair market value or adjusted basis. Provided that the chosen allocation method is reasonable, this rule provides flexibility to obtain the most favorable outcome. For instance, assume Barry obtains a loan to purchase a $20,000 interest in S Corporation from Owner and the S corporation’s only assets are a building with a fair market value of $60,000 and stock valued at $40,000. Loan A is allocated $12,000 to the building (20,000*60,000/100,000) and $8,000 to the stock (20,000*40,000/100,000). Alternatively, Barry may allocate based on the assets’ adjusted basis or book value. The associated interest expense follows the allocation.

Debt contributed to the entity’s capital and the associated interest expense are allocated using “any reasonable method,” such as a pro rata allocation among the entity’s assets or by tracing the proceeds of

(continued on page 9)
12th Annual

Ellen Gordon

CPAs 4(a): Cause
5K Run/Walk to End Hunger

Saturday, June 15, 2013
Eisenhower Park, Field #1
East Meadow, NY
(Access from Merrick Ave. entrance only)

Registration Starts at 7:30 AM
Race Time: 8:30 AM

REGISTRATION FORM

Name ____________________________ Sex M F
Age on Race Day ___________ Birth Date __________________________
Email ___________________________ Phone __________________________
Address __________________________
City __________________ State ______ Zip Code __________

I know that running a road race is a potentially hazardous activity. I should not enter and run unless I am medically able and properly trained. I agree to abide by any decision of a race official relative to my ability to safely complete the run. I assume all risks associated with running in this event including, but not limited to, falls, contact with other participants, the effects of the weather, including high heat and/or humidity, dehydration, traffic, and the conditions of the road, all such being known and appreciated by me. Having read this waiver and knowing these facts and in consideration of your accepting my entry, I, for myself and anyone entitled to act on my behalf, waive and release the New York State Society of Certified Public Accountants, Island Harvest, the County of Nassau, NCCPA, FPA of LI, and all sponsors, Race Directors, their agents and volunteers, their representatives and successors from all claims of liabilities of any kind arising out of my participation in this event. I grant permission to all of the foregoing to use any photographs, motion pictures, recordings, and any other record of this event for any legitimate purpose. I acknowledge that entry fees are non-refundable for any reason and that my right to participate in this event (or a rescheduled event if this event is cancelled) is non-transferable. Roller Blades, Baby Joggers, Headphones, and Animals are prohibited from participating in this race.

Applicant Signature ____________________________ Date __________

□ Register online at Active.com for $20 (kids under 14 are half price)
□ Enclosed is my registration fee of $25 payable to Island Harvest (kids under 14 are half price)
□ Enclosed is my additional tax deductible donation of $__________ payable to Island Harvest

ADVANCE REGISTRATION $25 by June 13th, 2013. DAY OF RACE REGISTRATION FEE $30

Mail registration forms & checks to:
Raymond W. Flocch, CPA
G.R. Reid Associates, LLP
181 Main Street
Huntington, NY 11743
(Or bring to registration table at race)

For more Information:
Ray Flocch
(516) 425-1800 x312
RFlocch@GRRCPA.com

Roy B. Massa
(516) 997-7182
roy massa@yahoo.com

Music
Post-race food & refreshments
Awards:
Top 3 Overall Male
Top 3 Overall Female
Top 3 Finishers in each age category (5 year groups)
Ribbons for all children under 14
Prizes:
Area restaurant and other gift certificates.

Register online:
www.active.com
www.glirc.org/events
www.islandharvest.org

Nassau Chapter Newsletter – May 2013 7
SPONSORSHIP FORM

We are pleased to join the NYSSCPA, NCCPAP, and FPA of Long Island as a sponsor of the 12th Annual, Ellen Gordon CPAs for a Cause 5K Run/Walk in support of Island Harvest, A Food Bank for Long Island.

Please indicate the level of sponsorship:

- **DIAMOND SPONSOR - $2,000** Includes logo printed on front of the race tee shirt, display table during registration (sponsor provided), entrance for 13 runners/walkers and logo listing on the Island Harvest website.
- **PLATINUM SPONSOR - $1,500** Includes logo printed on front of the race tee shirt, display table during registration (sponsor provided), entrance for 10 runners/walkers and logo listing on the Island Harvest website.
- **GOLD SPONSOR - $1,000** Includes logo printed on the race tee shirt, display table during registration (sponsor provided), entrance for 6 runners/walkers.
- **SILVER SPONSOR - $500** Includes company name printed on the race tee shirt, display table during registration (sponsor provided), entrance for 3 runners/walkers.
- **BRONZE SPONSOR - $250** Includes company name printed on a 2’x 2’ sign to be displayed at the event.

*PLEASE SUBMIT LOGO CAMERA-READY ART FOR DIAMOND, PLATINUM, AND GOLD LEVEL SPONSORSHIP*

Print name below as it should appear on the race tee shirt for Silver Sponsorship and 2’x2’ sign for Bronze Sponsorship:

________________________________________
________________________________________

Please make checks payable to: NYSSCPA Nassau County and write: “Ellen Gordon CPAs 4(a): Cause/Island Harvest” on the face of the check.

Company: ________________________________
Contact Person: __________________________
Address: _________________________________
Phone: ________________________________ e-mail: __________________________

Mail sponsor forms & checks to:
Raymond W. Floc, CPA,
G.R. Reid Associates, LLP
181 Main Street
Huntington, NY 11743

For more information:
Ray Floc (631) 425-1800 x312
RFloc@GRRCPAS.com
Roy B. Massa (631) 897-7182
roymassa@yahoo.com
SAVE THE DATE!
The NYSSCPA Women’s Focus Group
SPRING LUNCHEON
~ Friday, May 17, 2013 ~

Co-Chairs: Christine Hullahan, CPA    Geri Gregor, CPA
            Toni-Ann Dalton, CPA    Elizabeth Oberg, CPA

Guest Speakers: Debi Silber, MS, RD, WHC, FDN
The Mojo Coach™
“Maximizing Your Impact: How to Look, Feel and Live Like a Leader”

Audrey Kirwin
“Fight the Fear – A Real Life Experience and It Could Happen to You”

Location: The Milleridge Inn, Jericho, NY

Agenda: 12:00pm – 12:30pm - Networking
         12:30pm – 2:30pm - Lunch & Presentations

Cost: $40.00 per person – INCLUDES a copy of Debi Silber’s Book
      A Pocket Full of Mojo: 365 Proven Strategies to Create your Ultimate
      Body, Mind and Lifestyle.
      Please make check payable to the NYSSCPA, Nassau Chapter.

Join Us For
A Spectacular Afternoon Of Networking

NYSSCPA Women’s Focus Group
Friday, May 17, 2013

Kindly email, fax or mail your response to:
Elizabeth Oberg, CPA
Sanders Thaler Viola & Katz, LLP
350 Jericho Tpke, Suite 1, Jericho, NY 11753
Direct: 516-704-7138 • Office: 516-938-5219
Fax: 516-938-0491
E-mail: LOberg@st-cpas.com

☐ I will attend the luncheon and enclosed is my payment of $40.00 (payable to NYSSCPA-Nassau Chapter).
☐ I am unable to attend but I am interested in becoming more active within the NYSSCPA Nassau Chapter.

Name: __________________________________________________________
Firm Affiliation: _______________________________________________
Email Address: _________________________________________________
Telephone: _____________________________________________________

SAVE THE DATE!
The NYSSCPA Women’s Focus Group
SPRING LUNCHEON
~ Friday, May 17, 2013 ~

Co-Chairs: Christine Hullahan, CPA    Geri Gregor, CPA
            Toni-Ann Dalton, CPA    Elizabeth Oberg, CPA

Guest Speakers: Debi Silber, MS, RD, WHC, FDN
The Mojo Coach™
“Maximizing Your Impact: How to Look, Feel and Live Like a Leader”

Audrey Kirwin
“Fight the Fear – A Real Life Experience and It Could Happen to You”

Location: The Milleridge Inn, Jericho, NY

Agenda: 12:00pm – 12:30pm - Networking
         12:30pm – 2:30pm - Lunch & Presentations

Cost: $40.00 per person – INCLUDES a copy of Debi Silber’s Book
      A Pocket Full of Mojo: 365 Proven Strategies to Create your Ultimate
      Body, Mind and Lifestyle.
      Please make check payable to the NYSSCPA, Nassau Chapter.

Tracing Rules: Tracking the Deductibility of Interest
(continued from page 6)

the loan to the entity’s expenditures as if the debt were incurred by the entity. The purchase of an interest is treated as a contribution to capital to the extent the entity receives the proceeds from the purchase of an interest. Thus, if Barry purchased his interest from S Corporation directly, the debt and interest is allocated among the entity’s assets or in accordance with the entity’s expenditures.

Debt is re-allocated as necessary if the nature or use of the entity’s assets change. The associated interest expense is reported on Schedule A, if a personal expenditure, or Schedule E, if a trade or business, passive activity, or investment expenditure. Notice 88-37 provides additional guidance as to the reporting of the associated interest expense.

In a debt-financed distribution, the pass-through entity’s debt and related interest expense are allocated and reported according to each owner’s use of the proceeds. For example, if an owner uses distributed debt proceeds to purchase a passive activity interest, the owner’s share of the debt and interest expense are allocated to a passive activity expenditure. Each owner’s share of the entity’s interest expense is reported on Schedule K-1; each owner reports the interest expense based on his or her use of the debt proceeds. From the above example, the owner’s share of the interest expense was allocated to a passive activity and is reported on Schedule E.

A pass-through entity may elect to allocate the debt and interest associated with a distribution under an optional rule. Under this rule, the entity may allocate the debt and interest among its expen-

ditures (other than distributions). This optional rule may be utilized only to the extent that distributed debt proceeds do not exceed the entity’s total expenditures; any excess debt and interest are allocated at the owner level according to the general rule described above. The entity reports the interest expense on Schedule K-1 based on the expenditure. For instance, if distributed debt proceeds are allocated to a rental activity, the interest expense should be considered when computing the rental activity’s income or loss on Schedule K-1.

Passive Activity
While not a tracing rule, there are provisions that re-characterize the interest on loans to passive activities. When a taxpayer loans money to a passive activity in which the taxpayer has an interest, the taxpayer incurs interest income, while the entity incurs a passive deduction for interest paid. The “self-charged interest rule” in Treas. Reg. 1.469-7 addresses this disconnect by treating such interest income as passive activity income to the extent of the taxpayer’s interest in the passive activity.

Conclusion
Section 163 allows taxpayers to deduct interest paid on a loan, but limits the extent of the deduction depending on the expenditure to which the loan and interest are allocated. The tracing rules contained in Treasury Regulation 1.163-8T provide detailed rules regarding the allocation of the interest deduction. Taxpayers should maintain careful records detailing each loan and its utilization. As described in this article, various elections and default rules can be effectively used to maximize the interest deduction.

Robert S. Barnett is a partner at Capell Barnett Matalon & Schoenfeld LLP in Jericho, New York, where he heads the Tax and Estate Planning Departments. Rebecca K. Richards is a law clerk at the firm.
Nassau Chapter Practice Continuity Committee

Your Nassau Chapter has worked hard to provide you with a resource to address succession issues and continuity of your practice. If you’re a sole practitioner or partner in a small firm, your practice may be your largest asset and you want to be sure to preserve it. Our committee is here to help you plan for succession or assistance in the event of your retirement, death or disability.

For the 2013-14 Chapter year, our committee held four meetings, including an organizational meeting with an open forum for input by all participants, a panel discussion on succession options for the small practitioner, a CPA consultant discussing succession, transition and long-term continuity and a team of industry experts addressing how to attract CPA successors, along with financing options.

Our Committee is an educational and networking resource with goals including:
• development of a community of practitioners to provide educational resources on practice continuity issues;
• meetings to address topics specific to practice continuity concerns;
• networking events where members can meet and discuss issues;
• expansion of our web forum to provide valuable resources and exchange ideas with others who have similar concerns.

Our web resource on Yahoo Groups can be found at: http://finance.groups.yahoo.com/group/CPA_Practice_Continuity_and_Succession/. There are many valuable succession planning resources on this website, including:
• our committee charter
• magazine articles directly related to Continuity and Succession Planning,
• links to important web sites
• Sample Practice Continuation and Emergency Assistance Agreement

- AICPA PCPS Succession Research Report
- books for reference, with Table of Contents for viewing
- past meeting presentation outlines
- photo’s from our meetings, and
- a calendar of events, including an invitation to our next meeting.

As a Committee member, you can also upload content you think is valuable to the group, send emails, view member profiles and access other services. So, join today to avail yourself of these and future resources. Visit often, because the content changes frequently.

Our 2012-13 Organizational Meeting will be held on Friday, July 26, 2013 and will include a roundtable discussion along with an opportunity to discuss your succession planning concerns and influence future meetings and direction for our committee. Please mark your calendar and attend this meeting to help us to address your needs and concerns. Complete the coupon in this newsletter to attend our July meeting. For more details on our Committee, contact us at ginette@morriscpas.com. We look forward to your participation in our activities.

Craig R. Morris, Chairman

Karen Tenenbaum JD, LLM Taxation spoke at the Nassau Chapter’s All Day Conference last December. Her topic was the IRS and New York State Tax Collection Matters.
Don’t miss the Golf & Networking Event of the Season!

NYSSCPA’S NASSAU CHAPTER
ANNUAL GOLF OUTING

Hosted by the: Cooperation With Bankers & Other Credit Grantors Committee, Neal Korenberg, CPA Chairman

Thursday
June 13, 2013
North Hills Country Club
Manhasset, New York

10:30am Registration, 12pm Shotgun, 5:30pm Cocktail/Buffet Dinner including Raffle Prize Drawing

• Proper Golf Attire Required!! RAIN OR SHINE
• RSVP By May 24, 2013
• Reservations are on a first come, first serve basis with receipt of payment.

Perfect way to have your firm’s or institution’s presence enhanced!!!

Sponsorships Available!

VIP Sponsor $1,000
1. Name prominently displayed on signs at all portions of the day (Brunch, Golf & Dinner)
2. Two Representatives for Dinner
3. Table to showcase at brunch and dinner.

Cocktail/Dinner Sponsor $500
1. Name prominently displayed on sign during cocktail/dinner.
2. One representative for dinner.

Brunch Sponsor $400
1. Name prominently displayed on sign during brunch.
2. One representative for brunch

Tee Sponsor $125
1. Name prominently displayed on sign at tee of one hole.

Prize or Give-A-Way Sponsor
1. Name prominently displayed on sign during registration or drawing

Any questions: Carol Pinto
T: 516-937-9500 • F: 516-932-0485
Email: cpinto@ck-co.com

DIRECTIONS:
North Hills Country Club.
200 LIE N. Service Rd., Manhasset, NY 11030
516-627-9100

VIA Long Island Expressway:
By Auto from New York: LIE East to Shelter Rock Road (Exit 35), proceed to light, turn left and cross expressway. Turn left onto westbound service road. Clubhouse entrance is on the right side.

By Auto from Eastern Long Island:
LIE West to Searingtown Road (Exit 36). Proceed westbound on Service Road, pass Searingtown Road and Shelter Rock Road. Continue approximately ½ entrance to clubhouse is on the right side.

Proper Golf Attire:
Sport or Golf shirts with collar and sleeves (must be tucked in). Golf Shorts or slacks for men, golf skirts or shorts for women. NO CARGO SHORTS OR DENIM ALLOWED ON THE PREMISES.

Caddies:
Please remember that there will be some caddies available at the outing. If you would like to have a caddie assigned to your foursome, please let me know. Caddie fee of $120 per foursome is NOT included in the price of golf.

Please Make All Checks Payable to:
NYSSCPA-NASSAU CHAPTER
Mail to: NYSSCPA Nassau Chapter c/o Castellano, Korenberg & Co., CPA’s 313 W. Old Country Road
Hicksville, NY 11801

______ Foursome $1,600
(includes free Tee sponsorship)

______ Individual Golfer $400
( Please note: Caddy’s fee is NOT Included in foursome or individual price

______ Dinner $175 per person

Player(s) and/or Dinner Attendee(s) Names:
1. _________________________________
2. _________________________________
3. _________________________________
4. _________________________________
5. _________________________________

Please do not print below

NYSSCPA’S NASSAU CHAPTER
ANNUAL GOLF OUTING
Thursday June 13, 2013

FIRM NAME FOR SPONSORSHIP:
(For use on signs)

______VIP Sponsor $1,000
______Cocktail/Dinner Sponsor $500
______Brunch Sponsor $400
______Tee Sponsor $125
______Prize and/or Give-A-Way Sponsor

Donation: __________________________
Telephone: _________________________
Contact person: ____________________
Email address: _____________________
Bankers Meeting – March 21st

Anthony Basile, Geri Gregor, Anthony Aronica, Lynne Fuentes, Robert Barnett, Scott Sanders (several Board Members for 2013/2014)

Mark Cirelli (Suffolk Chapter President), Lisa Haynie (Nassau Chapter President)

Senator Jack Martins, Frank Scala, Andrew Fudrini, Robert Schaffer, Neal Korenberg

Neal Korenberg addresses the audience

Christine Hallahan, Lisa Haynie, Anthony Basile and Karen Tenenbaum


Small Firm MAP Committee Meeting

May 30, 2013

Topic: Succession Planning and Valuing Small Accounting Firms In 2013: A Market Update
- When do you start to plan your succession?
- What is your practice worth in today’s market?
- What are the alternative methods of structuring a succession plan?
- How do you choose the right successor?
- What are the differences between selling my firm to an “outsider” versus selling it to partners or staff (internal)?
- Is it a buyer’s marketplace or seller’s and what about the future?

AND MORE!

Speakers: Joel Sinkin of Accounting Transition Advisors, LLC
CPE: 2 Credits Pending
Time: 8:00–10:00 am – Breakfast (Be prompt!)
Place: On Parade Diner, 7980 Jericho Turnpike, Woodbury
Cost:* $25 per person pre-paid, pre-registered
     $28 per person at the door
     Checks are Payable to: NYSSCPA - Nassau Chapter
Chairpersons: Scott Sanders, CPA, CFP, CGMA, CFS®, PFS
              Eliot Lebenhart, CPA
              Kenneth Hauptman, CPA
              Alex Resnick, CPA

We look forward to seeing you there!

NYSSCPA – NASSAU CHAPTER

Small Firm MAP Committee Meeting

May 30, 2013

On Parade Diner – 7980 Jericho Turnpike, Woodbury, NY 11797
Please pre-register by calling Jean at 516-938-5219, or you can e-mail her at jtowmsend@st-cpas.com, or fax 516-938-0491.

Please mail your check to:
Scott Sanders, CPA, PFS, CGMA, CFP®, CFS
Sanders Thaler Viola & Katz, LLP
350 Jericho Turnpike, Suite 1, Jericho, New York 11753-1317
☐ I am enclosing a check for $_____ at $25 per person, payable to NYSSCPA - Nassau Chapter.
☐ I will be using my credit memo, which I will bring with me to the meeting.

Name: ________________________________________________________________
Firm: _________________________________________________________________
Address: _____________________________________________________________
Telephone: ____________________________________________________________
Facsimile: _____________________________________________________________
Cell: __________________________________________________________________
E-Mail: _______________________________________________________________
CPA Cert # ____________________________________________________________
Signature: _____________________________________________________________

Please note - meetings are subject to change.
Notifications will be sent to all registered attendees via e-mail should this occur.
*Refund/Credit Policy – If you send payment and are unable to attend the monthly meeting, we will issue a credit to you which will expire in 6 months. There are no refunds.
Reasonable Compensation

By Simon Hector, CPA

The topic of reasonable compensation has been much debated for many years. It has long been a common area of IRS scrutiny. The rationale for scrutiny is due to the fact that shareholders of S Corporations may be tempted to take low salaries to avoid payroll taxes, whereas, shareholders of C Corporations are more inclined to take high salaries to avoid income taxes. This article will focus on issues affecting closely held corporations.

The Internal Revenue Code Section 162 indicates that compensation is deductible as an ordinary expense if it is paid for actual services rendered and it does not exceed what is reasonable under the circumstances. The Internal Revenue Code does not provide written or specific guidance to help clients and practitioners to determine what is considered reasonable. However, there are many court cases that have been litigated over the years that practitioners can refer to in order to make an informed judgment as to the reasonableness of shareholder compensation. One of the most recent cases that practitioners can reference for guidance is the David E. Watson, P.C. v. United States of America U.S. Court of Appeals, 8th Circuit, 2012, U.S.T.C. 50,203 February 21, 2012. The facts of this case will be discussed later.

Internal Revenue Code Section 162 indicates that compensation paid by a Corporation that is deemed to be in excess of what is reasonable (excessive compensation) for services rendered, is fully taxable to the recipient but will not be deductible by the corporation. The excessive compensation that is paid to a shareholder employee will be treated as a dividend, which is not deductible by a corporation. In situations similar to this, the taxpayer will bear the burden of proving that compensation is reasonable.

In a C Corporation, large amounts of compensation may be paid to the shareholder employee to avoid double taxation on corporate earnings. Compensation paid that is in excess of the value of services may be construed as disguised dividends. If salaries are deemed to be disguised dividends and are reclassified as such, the dividends will be taxable to the shareholder employee and will not be deductible by the corporation. Therefore, taxable income and income tax at the corporate level will be higher. The end result is the income is taxed at the corporate and shareholder level (double taxation).

In an S Corporation, the earnings are generally not subject to employment taxes unless they are paid as wages. Therefore, shareholder employees may take low salaries and high distributions. Distributions are not subject to employment taxes, therefore, this creates a huge incentive to make them high. If the wages paid are not deemed to be reasonable, then the distributions or some portion of the distributions may be deemed to be disguised wages. Disguised wages will be reclassified and the applicable employment taxes, interest, and penalties will be assessed (refer to Revenue Ruling 74-44). The above assumes that the shareholder employee is actively involved in the day to day operations. If the shareholder is not actively involved, it will be difficult to determine how much shareholder distributions should be reclassified as salaries (refer to Davis v. United States of America 74 AFTR2d 94-5618 D. Colo. 1994).

The David E. Watson P.C. v. United States of America case provides us with guidance with respect to the Internal Revenue Service’s (IRS) position when determining reasonable compensation. This case involved an S Corporation (David E. Watson P.C.) with a single shareholder employee (David Watson), who is a Certified Public Accountant. The corporation paid David Watson $24,000 in wages in 2003 and 2002, and distributions of approximately $204,000 and $175,000 in 2003 and 2002, respectively. The IRS investigated and determined that the corporation underpaid employment taxes. The wages were not deemed to be reasonable, therefore, some portion of the distributions were deemed to be disguised wages. The IRS hired an expert to determine what should be reasonable wages. The expert relied on compensation surveys and studies. The expert used non-owner directors and employee owners of CPA firms wages and average billing rates to determine reasonable compensation. The expert determined that compensation for the services performed by David Watson was approximately $91,000. The corporation was assessed approximately $23,000 in employment taxes inclusive of applicable penalties and interest. The distributions were deemed to be dividends in lieu of reasonable compensation, therefore, the IRS reclassified the payments for FICA tax purposes (refer to Revenue Ruling 74-44). David E. Watson P.C. appealed, but the IRS’s position was reaffirmed.

This case focused primarily on compensation paid by companies to owner and non-owner employees in similar positions in order to determine reasonable compensation. There were several factors that were considered when determining reasonable compensation. These factors were:

- The nature of the company’s business
- Time and effort devoted to the business
- What comparable businesses pay for similar employees in the industry
- Qualifications of employee including special qualifications
- The amount of compensation compared to distributions

Careful consideration must be given when determining reasonable compensation in this current landscape. With the passage of the American Taxpayer Relief Act of 2012 (“ATRA”) and the elimination of the payroll tax holiday (relief from FICA tax), we appear to be moving towards a time period of high income tax and dividend rates. The IRS may have greater incentive to look closely at S Corporation wages and distributions to determine if distributions are disguised wages in order to collect employment taxes. With respect to C Corporations, the IRS also has an added incentive to evaluate whether wages are excessive and convert a portion of it to dividends in order to get additional income taxes.

Simon Hector, CPA
Manager
WeiserMazars LLP
The Young CPAs Committees of the Suffolk and Nassau Chapters invite you to a

Super-Sized Networking Event – REMIX!

Thursday, August 8, 2013
6:00 p.m. – 8:00 p.m.

at Kodiaks
Farmingdale, NY

$35 per person

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

- Risk Management Associates, Young Professionals
- New York State Bar, 10th Judicial District
- Suffolk/Nassau Bar Association, Young Professionals

Passed hors d’oeuvres! Open bar!

For information: Josh Sechter – (631) 719-3357, JSechter@hrllp.com

Name: ________________________________
Firm: ________________________________
Address: ______________________________
City, State, Zip: __________________________
Telephone: ____________________________
E-mail: ________________________________

Please make checks payable to
NYSSCPA Suffolk Chapter and mail to:
Colleen Columbia
Holtz Rubenstein Reminick LLP
125 Baylis Road, Melville, NY 11747
Phone: (631) 719-3352
Fax: (631) 752-1742
columbia@hrllp.com
INFORMATION AND HOTLINES

Have a Tax Problem?
The following members of the Taxation Committee are available to help answer your questions:

**General**
- Robert S. Barnett, Esq., CPA (516) 931-8100
- Jack Angel, CPA (516) 487-1494
- Robert Lusthaus, CPA, Esq. (516) 937-1366
- Jay Oher, CPA (631) 225-9801
- Karen J. Tenenbaum, Esq., LLM, CPA (IR S & NYS) (631) 465-5000

**Accounting and Auditing Technical Questions Hotline Volunteers**
- Thomas O. Linder, CPA (631) 462-1213
  Linder & Linder Tlinder72@cs.com
- Fred R. Goldstein, CPA (516) 249-2882

**Taxing Authorities**
- Ruth Sattig Betz, CPA (NYS) (516) 249-1919
- Sam Deutscher, CPA (IRS) (212) 239-3300
- Noelle T. Geiger, Esq. (IRS & NYS) (212) 503-8940
- Yvonne Cort, Esq. (IRS Forms 433A & B) (631) 465-5000

**Estate and Personal Financial Planning Committee Technical Questions Hotline Volunteers**
- Eric Kramer, CPA, Esq. (516) 227-0738
- Richard Zerah, CPA/PFS, CFP, CMFC (516) 735-4717

Emergency Assistance Hotline
The committee member to call in the event of the disability or death of a member is:
- John Kearney, CPA (516) 746-5980

NEW DEADLINES
All submissions are due to Editors at nassaunewsletter@nysscpa.org six weeks prior to issue date.

<table>
<thead>
<tr>
<th>Newsletter Issue</th>
<th>Submission Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>December 10th</td>
</tr>
<tr>
<td>April</td>
<td>March 10th</td>
</tr>
<tr>
<td>May</td>
<td>April 10th</td>
</tr>
<tr>
<td>September</td>
<td>August 10th</td>
</tr>
<tr>
<td>October</td>
<td>September 10th</td>
</tr>
<tr>
<td>November</td>
<td>October 10th</td>
</tr>
</tbody>
</table>

Change Form

Name (Last, First, Middle Initial) ______________________________________________________
Home Address ________________________________________________________________
City, State, Zip ________________________________________________________________
Home Phone __________________________________________________________________
E-Mail ______________________________________________________________________
Firm Name ____________________________________________________________________
Firm Address ________________________________________________________________
City, State, Zip ________________________________________________________________
Business Phone ______________________________________________________________
Chapter Member:  □ Yes  □ No
Please Send All Mail to:  □ Firm  □ Home (Specify Chapter) ________________________
☐ I would like to receive an e-mail with a direct link to the newsletter on nysscpa.org.
Return this form to: Xio Fox, NYSSCPA, 3 Park Avenue, New York, NY 10016-5991