

The Trusted Professional

THE NEWSPAPER OF THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOL. 19 NO. 1 | JANUARY/FEBRUARY 2016 | WWW.TRUSTEDPROFESSIONAL.COM | WWW.NYSSCPA.ORG

Committee nominates 16 members to board

By JOHN J. LAUCHERT
NYSSCPA Secretary/Treasurer

The 2015–2016 NYSSCPA Nominating Committee met on Jan. 14 to discuss its nominations for Society officers for the 2016–2017 fiscal year, as well as for NYSSCPA Board of Directors members, with terms beginning June 1. In accordance with the Society’s bylaws, the Nominating Committee report was emailed to Society members by Feb. 3 and was posted to the nomination center on the Society’s website on or before Feb. 1. The report can also be found on page 3 of this issue.

A ballot listing the nominees with their service records will be mailed to the Society’s voting membership before the Society’s Annual Election Meeting and Dinner, on May 19. Any independent nominees will be included in the proxy ballot. I urge all members to carefully examine the ballot information and vote.

Independent nominations

According to Article X of the Society’s bylaws, independent nominations for an of-

ficer or elected director may be made by a petition filed with the secretary/treasurer by March 1. (See www.nysscpa.org/society/by-laws.htm.) These candidates are then added to the ballot, along with those individuals nominated by the Nominating Committee.

Pursuant to the bylaws, any submitted petition for independent nominees requires at least 483 signatures of CPA members (2 percent of the CPA membership as of the beginning of the NYSSCPA’s fiscal year, which totaled 24,169 this year), other than that of the nominee, and must certify that the nominee has consented to serve if elected. To be eligible for the position of a Society officer or director, a nominee must (i) be a CPA member of the NYSSCPA; (ii) have at least five years’ continuous membership in the Society; and (iii) have at least two years of participation either on a statewide-level Society committee or as a member of the executive board of a chapter, or some combination of both.

Independent nomination petition forms may be downloaded from the Society website at www.nysscpa.org/petition (login required), and must be received by March 1, 2016, by the NYSSCPA secretary/treasurer at the following address:



Photo courtesy of the New York State Senate

NYSSCPA President Joseph M. Falbo, Jr., testifies at a joint budget hearing in Albany on Feb. 2.

John J. Lauchert, CPA
NYSSCPA Secretary/Treasurer
NYSSCPA
14 Wall Street, 19th Floor
New York, NY 10005

Annual Election Meeting and Dinner

Based on the votes cast in the ballot, the officers and directors for 2016–2017 will be elected during the 119th Annual Election

Meeting and Dinner on Thursday, May 19, at The Lighthouse at Chelsea Piers in New York City. Official notice of the meeting will be included in the March/April issue of *The Trusted Professional*.

If you have any questions about this process, please feel free to contact me at secretarytreasurer@nysscpa.org, or NYSSCPA Public Affairs Manager Robert Busweiler at rbusweiler@nysscpa.org.

Falbo urges state lawmakers to address estate tax ‘cliff’

By COLLEEN LUTOLF
Trusted Professional Staff

In an effort to drive home the “serious flaws” that lawmakers created when they voted to amend the state’s estate tax law passed in 2014, NYSSCPA President Joseph M. Falbo Jr. told state legislators at a Feb. 2 budget hearing that CPAs will be forced to advise clients to move out of New York as a “valid wealth preservation strategy,” unless the law is corrected.

“While the changes made that year have been tremendously beneficial, the way in which

[they were] ultimately implemented has left us with a few serious flaws,” Falbo said.

One of those flaws, Falbo said, is an estate tax “cliff” that will hit some New York-based estates with nearly a whopping 164 percent marginal estate tax rate.

“The tax cliff goes against any rational hope of making New York state a more favorable environment for its residents planning the later stages of their life,” he added.

Ironically, Gov. Andrew Cuomo’s aim, when he proposed to increase New York state’s estate tax exemption from \$1 million to a little over \$2 million in the 2014 budget, was

to eliminate what he called “the ‘move to die tax,’ where people literally leave our state, and move to another state to do estate planning.”

Assemblyman Edward C. Braunstein, D-Bayside, chair of the New York State Assembly Subcommittee on Trust and Estates, agreed with Falbo that the tax cliff is a problem—but one the subcommittee wants to address.

“We found eliminating the cliff would be expensive,” he said. “And that’s where we had problems.”

Braunstein elaborated during the hearing that he would reach out to the NYSSCPA to get the Society’s help to “smooth it out,” since

eliminating the tax code flaw is not tenable. That meeting was scheduled for Feb. 28.

Falbo’s testimony also led to a short discussion with the Senate Finance Committee’s Ranking Democrat, Sen. Liz Krueger, on residency issues.

“As a tax planner, you may be advising clients to move out of New York state, and I understand the tax upon death issue and the cliff issue,” she said. “As a tax professional, where you need to recommend to clients the lowest taxes for them, but as a New Yorker, who cares about New York, what can we do

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CPA ROUNDTABLE

What will be your biggest headache in 2016?



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PRESIDENT'S COMMENTARY

Making progress in Albany

Earlier this month, I had the privilege of representing our Society in the state's Capitol, and sharing our position on Gov. Andrew Cuomo's New York state budget during the Assembly and Senate's joint budget hearings. The testimony is available online; if you're inclined to spend 15 minutes watching it, please let me know what you think. The Society is always looking for member feedback, particularly in the area of advocacy.

I addressed several points on our 2016 legislative agenda, focusing on the estate tax "cliff" that we've been urging the Legislature to amend since its creation in 2014. After delivering my testimony, the chair of the Assembly's Trust and Estates Subcommittee, Assemblyman Edward C. Braunstein, said he was interested in learning more about the NYSSCPA's position. His office reached out to us twice, requesting that we submit our white paper on the issue. This has led to a follow-up meeting with his office staff. Sen. Liz Krueger, the ranking Democrat on the Senate Finance Committee, also requested that we continue our discussion after the hearing so that she might learn more about our position on multistate income tax matters and the complexities surrounding part-year residency. We're in the process of setting up a meeting with her office as well.

We made progress advancing our position on specific tax issues, but that wasn't necessarily our primary objective. There's a much larger goal—relationship building.

I never miss an opportunity to point this out, and I cannot stress this enough with our members. I can't say definitively, but I suspect that I wouldn't have received an invitation to testify if it hadn't been for all of the time and

resources our organization has dedicated to building our government affairs program. Kevin Matz is an estate and trust expert on our Board of Directors. Kevin, in conjunction with Society staff, has been pushing for a New York state estate tax fix since the cliff was created by the state's 2014 budget legislation. For a few years, volunteers like him have been patiently and methodically hammering away at rectifying what we believe is bad tax policy. This type of advocacy illustrates one of the core reasons why our Society exists in 2016. As technical experts with unique skillsets in an array of accounting, tax and business arenas, it is imperative that we engage and, where appropriate, assume a thought leadership role.

I mentioned relationship building. One way in which we do that is through face-to-face meetings about the issues with lawmakers and their staffs; the other way is through the NYSSCPA's PAC, our political action committee. Each year, when it's time for the Society to mail out your dues invoice, we include in the package that you receive a plea to help us replenish our PAC. When you donate to the PAC, you allow us to support the legislators who support us. We use that money to attend fund-raisers—dinners and a variety of political events—but we're not there for the food and drink. That's where we establish and build relationships. In the past, we've had to pick and choose which events to attend because we had limited funds in the PAC, but we're making progress. And members have noticed. In one year, we gained more than 100

new PAC members. That's more than 100 new individual donors. Their names, along with all of the other Society PAC members, can be found on page 10 of this issue of *The Trusted Professional*. Those are the members I'd like to personally thank for understanding the importance of relationship building in Albany. They care about the profession and understand that the NYSSCPA's PAC is a tremendous vehicle through which we can protect it. I'd like to see even more names on the list next year, so please make yours one of them.

We have a great relationship with the New York State Department of Taxation and Finance, as well as with other state regulators, but we must not rest. A sound government affairs program allows us more opportunities to prevent bad law, like the one that allowed the estate tax cliff to be enacted in the first place.

Please do yourself—and your profession—a favor when your dues invoice arrives in the mail next month. Become a member of the PAC. Or don't even wait for the invoice. Join today by going to the Society's website and clicking on the Advocacy tab at the top of the home page. From there, you can become a PAC member, see what other issues we're working on in 2016, or tell us about an issue that you believe we need to add to our agenda.

Thank you, in advance, for your continued support!



Joseph M. Falbo Jr.

president@nysscpa.org

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The New York State Society of CPAs and *The Trusted Professional* greatly value editorial contributions from our members, readers and those affiliated with the accounting profession. Additionally, we are happy to publish pertinent ads and notices. To ensure that each issue of *The Trusted Professional* is distributed on a timely basis, we have issued the following deadlines by which such materials must be received:

March/April issue—Feb. 24
May/June issue—March 18

For more information on submitting an article, email rperess@nysscpa.org.

To update subscription information, contact Member Services at 800-633-6320.

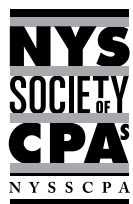
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Create change in ALBANY



By representing more than 28,000 members, the NYSSCPA acts as the unified voice for CPAs throughout New York State. While we are often able to use our strength in numbers to take action, political advocacy sometimes requires a more grassroots approach. This is why the NYSSCPA is inviting its members to become a part of its Key Contact Program. Much in the same way networking is vital to professional advancement, developing a strong political network of connections is important to any government advocacy program.

To Become a Key Contact:

Click on the Advocacy link on the NYSSCPA homepage and then click on the "Get Involved" link.

Or type the web address directly into your Internet browser: nysscpa.org/page/key-contact

Members can also call: 212-719-8385

NOMINATING COMMITTEE REPORT

JAN. 14, 2016

OFFICERS: to hold office for one year, from June 1, 2016:

PRESIDENT

F. Michael Zovistoski automatically succeeds Joseph M. Falbo, Jr., as President in accordance with Article VIII, Paragraph 5 of the Bylaws.

PRESIDENT-ELECT

HAROLD L. DEITERS III <i>Baker Tilly Virchow Krause, LLP</i>	to succeed	F. MICHAEL ZOVISTOSKI <i>UHY LLP</i>
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SUSAN M. BAROSSO <i>O'Connor Davies, LLP</i>	to succeed	JENNIFER R. GEORGE <i>Vanacore, DeBenedictus, DiGiovanni & Weddell, LLP</i>
ANTHONY S. CHAN <i>CA Global Consulting Inc.</i>	to succeed	STEPHEN T. SURACE <i>Adjusters International Inc.</i>
JOHN S. SHILLINGSFORD <i>Albrecht, Viggiano, Zureck & Company, P.C.</i>	to succeed	MICHAEL M. TODRES <i>Todres & Company, LLP</i>

SECRETARY/TREASURER

JOHN J. LAUCHERT <i>Horizon CFO LLC</i>	to succeed	JOHN J. LAUCHERT <i>Horizon CFO LLC</i>
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SOL S. BASILYAN <i>PricewaterhouseCoopers LLP</i>	to succeed	JEFFREY F. ALLEN <i>EisnerAmper LLP</i>
SALVATORE A. COLLEMI <i>Collemi Consulting & Advisory Services, LLC</i>	to succeed	ANTHONY S. CHAN <i>CA Global Consulting Inc.</i>
CHRISTOPHER G. CAHILL <i>Deloitte & Touche LLP</i>	to succeed	JACK F. CRAVEN <i>John F. Craven, CPA, LLC</i>
RENEE RAMPULLA <i>Rampulla Advisory Services, LLC</i>	to succeed	BARBARA L. MONTOUR <i>St. Regis Mohawk Tribe</i>
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TRACEY J. NIEMOTKO <i>Mount Saint Mary College</i>	to succeed	TRACY D. TARSIO <i>Day Seckler LLP</i>
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ROCKLAND

MITCHELL A. DAVIS <i>Grassi & Co.</i>	to succeed	MICHAEL E. MILISITS <i>Hunter Group CPA LLC</i>
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UTICA

BRIAN M. REESE <i>Fitzgerald, DePietro & Wojnas CPAs, P.C.</i>	to succeed	DAVID J. WOJNAS <i>Fitzgerald, DePietro & Wojnas CPAs, P.C.</i>
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ALL OF THE NOMINEES HAVE CONSENTED TO SERVE IF ELECTED.

Joseph M. Falbo, Jr., automatically becomes Director for one year as Immediate Past President in accordance with Article VI, Paragraph 1 of the Bylaws.

DIRECTORS (provided the above nominees are duly elected):

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RISK MANAGEMENT

Documentation will help protect your firm

By ANTHONY COOPER, J.D., MBT

Good documentation is one of the best defenses a CPA has in the event that a client takes legal action. Inadequate or improper documentation can be a costly mistake. Consider the following late tax season scenario.

The CPA is having a rough tax season, and when April rolls in, he is scrambling to get information from clients to complete their returns. One difficult client never seems to be able to submit tax information on time. When an extension payment has to be calculated for the client's return, the CPA gets the client on the phone to obtain some missing Schedule K-1 data needed.

At one point in the conversation, the client says "\$90,460," but the CPA hears "\$19,460" and enters that amount into the appropriate box in the software program. The program then calculates the tax due payment, resulting in a substantial tax underpayment.

Months later, when the CPA finally has the client's actual K-1 data that was missing in April, he sees the discrepancy between it and the amount he used and realizes that the client owes a much greater tax amount, with accompanying late payment penalties. When the client sees the penalty amount, he demands that the CPA pay it.

Loss prevention tips

An effective tool for preventing the problem of inadequate or improperly documented client extensions is a written confirmation of the amounts used to calculate the extension payment. The confirmation is sent to the client with the extension form, giving the client an opportunity to review the information and to change any information that appears incorrect,

complete a return, have the client send the data via email or fax. The email or fax becomes part of your records, support and documentation.

Jury standards

Studies have shown that jurors generally consider CPAs experts in documentation. Indeed, forensic accountants frequently provide expert-witness testimony in trial cases.

"An effective tool for preventing the problem of inadequate or improperly documented client extensions is a written confirmation of the amounts used to calculate the extension payment."

prior to April 15. The confirmation also serves as a record of the client's representations so that the client cannot initiate an action against the CPA if the client incurs a late payment penalty.

If you need information at the last minute to

Falling short of that professional reputation may be viewed by the public as negligent and below the standard of care for the services rendered. Since the public appears to place the burden to document on the CPA, even an informal email exchange documenting a brief telephone conversation can help the CPA.

Based on your professional liability insurer's claims experience, a legal defense is typically more successful when based on what the CPA has documented, rather than on what the CPA simply recalls. On the other hand, documentation can come back to haunt a CPA if it doesn't meet certain standards. Keep the following pointers in mind whenever you document:

Always document significant communications, and follow up in the following circumstances:

- A change in the scope of an engagement
- Negative information (e.g., the tax return

is already late or a client is facing an audit)

- Judgment calls (e.g., the former CPA took an aggressive position that the client is aware of and has consented to)

- Client decides to take material action based on a discussion.

Document only the facts. Refrain from speculation or comments on personalities in your notes.

Document as soon as possible. Place notes in the client's file and maintain only one set of client notes. This provides members of your firm with easy access to up-to-date communications.

Make documentation a habit.

Top management sets an example by initiating all documentation procedures that they require of their staff. All staff members then learn and use effective documentation skills.

Keep pads and pens next to every phone.

This simplifies the process by making documentation a reflex action when the phone rings.

Document efficiently.

Use a systematic approach that includes keywords and concepts. Define both the results and actions.

Seek legal counsel if documentation isn't sufficient. If you're advising a client on a complex exchange, you may want to have your legal counsel review the documentation before passing it on to your client.

Anthony Cooper, J.D., MBT, is a tax specialist with Camico (www.camico.com), responsible for providing policyholders with information regarding corporate income, gift and estate tax issues.

For information on the Camico program, call Camico directly at 800-652-1772, or contact: (Upstate) Reggie DeJean, Lawley Service, Inc., 716-849-8618, and (Downstate) Dan Hudson, Chesapeake Professional Liability Brokers, Inc., 410-757-1932.

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Comment Letters

The following list includes all comment letters released by the NYSSCPA in January. To read all comment letters published by the Society, visit nysscpa.org/page/society-comment-letters

Comments to the FASB on a Proposed Accounting Standards Update – Business Combinations (Topic 805): Clarifying the Definition of a Business

1/22/16 -Comments on a proposed accounting standards update intended to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses.

Comments to the AICPA on Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews, Improving Transparency and Effectiveness of Peer Review

1/22/16 -Comments to the AICPA on various proposed changes to the AICPA Standards for Performing and Reporting on Peer Reviews issued by the AICPA Peer Review Board.

Society sees weakness in FASB materiality proposal

By CHRIS GAETANO
Trusted Professional Staff

The NYSSCPA, in a Dec. 8 comment letter, expressed concern that the Financial Accounting Standards Board's (FASB) two proposed changes to materiality standards would actually add more complexity and cost to financial reporting, rather than streamlining it.

The proposed changes would state that materiality is a legal concept. The Supreme Court's view in an antifraud case was that disclosures should be evaluated as material if the omission or misstatement of the disclosure would be something a reasonable resource provider would view as having altered the total mix of information.

Under the proposal, materiality would be applied to quantitative and qualitative disclosures individually, which would mean that, according to the original exposure draft,

"some, all, or none of the requirements in a disclosure section may be material." Even if a topic is material, not every disclosure relating to it has to be considered material as well; materiality would apply, instead, to the disclosure itself, and omitting a disclosure deemed immaterial would not be seen as an accounting error. Language such as "an entity shall at minimum provide" or "disclose at a minimum" would be eliminated from the accounting literature.

The Society, in its letter, recognized that the FASB is trying to address "disclosure overload," agreeing that previous concepts created "a significant amount of disclosure that...has little if any impact on the decision making of a reasonable stakeholder, with excessive disclosures providing an avenue for significant information to become lost."

While the Society said there may be fewer disclosures if this proposal is put in place, CPAs will need additional time to determine

whether or not something should be disclosed, thereby delaying the completion of the financial statement. This, in turn, would increase the cost to prepare a statement as well as to audit it.

"The process of justification would be elongated in order to reasonably account for the overall financial reality of the entity and ensuring all 'material' information (as legally defined) is included," said the Society.

The Society also felt that there were issues with setting materiality as a legal concept, not the least of which would be increased legal costs on the part of preparers. Using the legal definition, said the Society, would create uncertainty, as court cases could change or add to how that definition is interpreted. This, in turn, would have regulatory, legal and audit consequences, and, if the proposal is implemented, "we can foresee the use of legal counsel increasing on all fronts."

And while the NYSSCPA supported re-

moving language such as "an entity shall at minimum provide," which, it said, "symbolizes the movement of standards from 'rules-based' to a 'principles-based' system," it warned that "unsophisticated preparers" could be confused by the shift, due to an absence of guidance.

While the principle of the proposal itself was sound, the Society recommended that the FASB perform a thorough cost-benefit analysis to see whether it's worth it.

"Overall we believe the amendments could be beneficial; and we fully support any efforts the Board may embark on to improve the decision-usefulness of financial statements, however we believe that time and cost will be the ultimate deciding factors as to the effects of the proposal," said the Society.

cgaetano@nysscpa.org

Tax cliff

Continued from page 1

to recognize that people really are living here 50 percent of the time and they are often avoiding taxes that we need as a state?"

One potential opportunity, Falbo offered, is to apportion income for individuals similar to how it is apportioned for business—based on where the income is earned—but that further study and analysis would be needed before the state could apply this approach.

"We are a progressively mobile society,

and income is earned in a specific location," Falbo said. The "number of days" issue would become irrelevant using this approach, since there would be sourcing income from where the revenue was earned.

Krueger said she would like to continue the discussion after the hearing, which Falbo said he would welcome.

"This type of advocacy illustrates one of the core reasons why our Society exists in 2016," Falbo stated. "As technical experts with unique skillsets in an array of account-

ing, tax and business arenas, it is imperative that we engage and, where appropriate, assume a thought leadership role."

Read more of President Falbo's assessment

of his testimony in his President's Column, on page 2 of this issue.

clutolf@nysscpa.org

UPCOMING INDUSTRY COMMITTEE MEETINGS

Entertainment, Arts and Sports	Wed., March 16
Internal Audit	Thurs., March 17
Investment Companies	Tues., March 8
Investment Management	Tues., March 8

This is a partial listing, which is subject to change. For a complete and updated listing of meetings, visit www.nysscpa.org, click on "About Us," and choose "Committees" from the dropdown menu.

Interested in joining a committee?

Fill out an application online or contact Nereida Gomez, Manager, Committee and Administrative Services, at 212-719-8358 or ngomez@nysscpa.org, to find out more information.

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NYSSCPA puts a Prohibition spin on member event

Remember Speakeasy? Last December's third annual member appreciation event was a riot of boas, tassels, flapper dresses, glitter, long strands of pearls, pinstriped suits and bowler hats — in other words, fashion from the original gangster era. The "Great Gatsby" garb shared the spotlight with craps and blackjack tables; illegal "hooch" such as Planter's Punch, bourbon and gin; plus music and Charleston dancing styled after the giddy days of Prohibition.


Raffles and matching donations raised \$3,200 for the Society's Moynihan Fund, which supports accounting students and education programs. Giveaways included Phorce bags, portable phone chargers, a DreamQI Bluetooth alarm clock, Starbucks gift cards, T-shirts, mugs and NYSSCPA-themed prizes.

Music was provided by Sweet Megg and the Wayfarers, dance performances by The Honey Taps, and catering by Chris Barbieri of Nova.

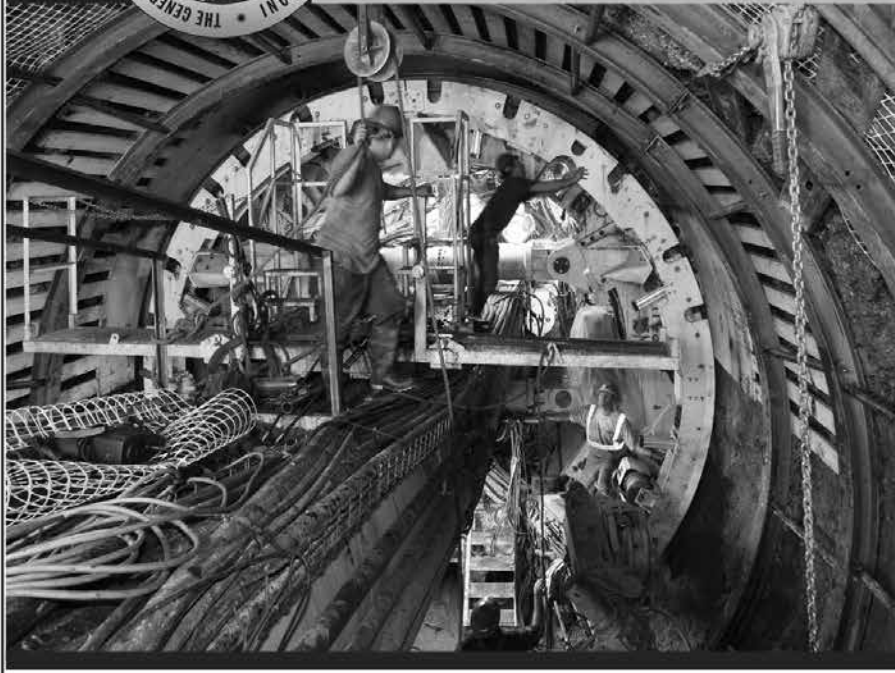


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IRS turns to private debt collectors in selected cases

By CHRIS GAETANO
Trusted Professional Staff

Owe the IRS money? Recent legislation shows that back taxes might be pursued not by the government but by a private debt collection agency, marking the third time since 1996 the government has launched such a program.

Tucked inside a highway infrastructure bill signed into law last December, the measure requires the IRS to hire private debt collection agencies to pursue certain delinquent tax cases.

The legislation states that the IRS will enter into “one or more qualified tax collection contracts for the collection of all outstanding inactive tax receivables.” The key word is “inactive.” A tax receivable is considered inactive if the IRS lacks the resources or ability to collect it; if one-third of the statute of limitations has elapsed without the case being assigned for collection by any IRS employee; or if the receivable has been assigned for collection, but the taxpayer has not communicated with the IRS in more than one year.

The law allows a few exceptions. An inactive receivable is not eligible for private collection if it—

- is subject to a pending or active offer-in-compromise or installment agreement;
- is classified as an innocent spouse case;
- involves a taxpayer who is dead, a minor, in a designated combat zone or a victim of tax-related identity theft;
- is currently under examination, litigation, criminal investigation or levy;
- is currently under appeal.

While a Dec. 4 report from the Congressional Budget Office estimated the measure would raise \$4.8 billion over the next nine years, a May 2014 letter from Taxpayer Advocate Nina E. Olson pointed out that both times the government tried this in the past—from 1996 to 1997 and again from 2006 to 2009—it actually lost money.

Alan J. Straus, a sole practitioner based in Manhattan, cautiously greeted the new development. In a 2009 interview in *The Trusted Professional* about the end of the previous program, he welcomed the news, saying he didn't think anyone was sorry to see it go. Now, years later, Straus questioned the point of the new program, considering what happened the last two times the government tried this.

“I don't know what it improves. ... It didn't work well all those years back; why does anyone think it will work well now?” he said.

Straus noted that, historically, as a practitioner, he has found it easier to work with the IRS than private agencies, saying that the service is “much more sensitive to protections that are granted by the law than a private collection agency,” and that it has access to information private agencies don't have, which can make it easier to cut a deal.

There's also a matter of temperament and motivation. **Israel Goldman** of Raich Ende Malter & Co. LLP, in a 2009 *Trusted Professional* interview, characterized private collection agencies as “rude” and “unknowledgeable,” and felt that as tough as the IRS can be, they treat people with more respect than private agencies. His opinion hasn't changed much since then, and felt that the government was not making the right move by allowing private agencies back into the collections process.

“Based on previous experience, I feel collection agencies are the wrong way to go. Agencies have no compassion for taxpayers, cannot negotiate compromises and are totally focused on the bottom line—right or wrong,” he said in a recent interview.

David Sands, a member of the NYSSCPA Relations with the Internal Revenue Service Committee, was slightly more

sanguine in his appraisal. He emphasized that the private agencies will be used only on “old and cold deals” that have been out of the system for a while, and noted that, even then, there are a number of exceptions to whom they can go after.

“It seems to be that if a group of people owes them money, and they're doing the dance to avoid them all these years, it's not a bad idea to go after them,” he said.

But Sands was worried about how the collection agencies would go about their activities. If they're just going after “big fish,” he said, methods shouldn't be of major concern. But, he acknowledged, that might not be the case, and those same agencies might also pursue those “who can least afford to defend themselves.”

“I'd just hate to see them just start harassing those who can't afford to have good CPA representation, who may have perhaps fallen out of the system or moved a few times and never got the notices,” he said. “There may be all sorts of reasons why they fell out of the system and, because they're so small, fell off the radar. So that would be a concern of mine.”

The measure was signed into law last December.

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Fetterman honored for contributions to community

By JASON WONG
Trusted Professional Staff

Not everyone has the chance to combine a rich, established professional career with a deeply personal mission, but Allen L. Fetterman did, and for that, he received the 2015 Michael H. Urbach, CPA, Community Builders Award.

Fetterman, who earned his CPA license in 1973 and is a member of the NYSSCPA's Rockland Chapter, used his experience to consolidate two synagogues—his own,

man's efforts is a newly formed 501(c)(3) entity called The Reform Temple of Rockland.

He said that such plans can take two years to come to fruition, but that hard work on the part of both sides allowed it to come together in only eight months. "Each congregation approved the agreement by an overwhelming majority," added Fetterman.

"Without Allen's leadership, financial insight and strategic considerations...the entire congregation may have lost their second home," wrote David M. Rottkamp, an audit partner at Grassi & Co., in Fetterman's nom-

Fetterman was driven to save Temple Beth Torah in large part because of its long-standing commitment to the community. Had the synagogue dissolved, its multitude of programs would have vanished with it.

Temple Beth Torah of Nyack, and Temple Beth El of Spring Valley—just in time to keep the former from dissolving due to lack of membership.

Already a volunteer with the United Way of Rockland County and a member of the Society's Not-for-Profit Organizations Committee, Fetterman was driven to save Temple Beth Torah in large part because of its long-standing commitment to the community. Had the synagogue dissolved, its multitude of programs would have vanished with it.

The consolidation has given the community more than the sum of its parts.

"We are both welcoming communities for interfaith couples and the LGBT community, and we hold interfaith services every year," said Fetterman. "We have programs for the community at large like concerts, book readings, etc., and we have a program to house the homeless. Each synagogue served as more than just a place for members to congregate; their loss would've had a significant detrimental effect on the community."

The synagogue that grew out of Fetter-

man's efforts is a newly formed 501(c)(3) entity called The Reform Temple of Rockland.

The award, now in its 12th year, recognizes New York CPAs who have demonstrated excellence in board leadership of nonprofit organizations and community service. It is named for the late Michael H. Urbach, a former NYSSCPA member and the first CPA to serve as the New York state commissioner of taxation and finance. The award is cosponsored by the NYSSCPA and the New York Council of Nonprofits, Inc. (NYCON).

Fetterman believes that everybody should become involved with charitable work. "I urge all CPAs to serve on at least one not-for-profit board or committee," he remarked. "And I've said this for many years—when you volunteer your time for a not-for-profit, you get back more than you give. You work with dedicated, devoted people, and your time will play a role in helping some segment of society and improving the lives of people."

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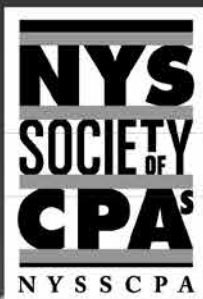
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Speaker shares inside tips on effective borrowing

By CHRIS GAETANO
Trusted Professional Staff

Maybe you have an idea for a new business, or maybe you already have one and want to take it to the next level. But you need some capital to do that. Where will you get it, and how? Neville Grusd, a former member of the Private Company Council with decades of experience in the finance and banking, shared his views during the NYSSCPA's recent Business and Industry Conference.

"I've pretty much been on every side of the desk where you're looking for financing. [If you're] coming with your accountant, I know what he's feeling, I know what the client's feeling, and I know what the lender's feeling," he said.

Grusd said that before doing anything else, it's vital to prepare an information packet with as much detail as possible.

"Think of the lender: he's getting requests every day for financing, packages are coming in, they look at the package. If it's a simple, straightforward package, they will give it the greatest attention. If it's not well presented, missing information, it will be pushed to the side until they get some time," he said. "Prepare a complete package and you will get the quickest response."

Prospective borrowers should include

their business plan, income statements and balance sheets, along with disclosures of off-balance sheet items, monthly (at minimum) cash flows, at least three years' worth of reviewed and footnoted financial statements, the latest interim statement and projections for at least one year (though investment bankers will probably want at least five). Each of these items should go into as much detail as possible.

Grusd said that while many potential borrowers include projections in their information packet, few actually discuss the assumptions behind them—something he, as a potential lender, would want to know.

"The most important thing to do is state the assumptions of all the critical aspects going into the projection. If you go for sales increases, are you basing it on actual orders, or on hopes and prayers you might get them? If I see, as a lender, the viability of a business depends on getting one huge order from one retailer and they haven't got that order, I'm going to be very skeptical of giving you credit," he said.

The package should also include a one-page executive summary that covers the amount to be borrowed, what the funds will be used for and what kind of collateral is being offered, Grusd said. Details about the company itself like the type of business, who owns it, a brief history, and whether there

are negative events, like litigation, that need to be disclosed should also be provided. He added that lenders will also want to know what the candidate's current borrowing situation is, and why they're changing if they have an existing lender.

The next step is actually finding a lender. "If you're lucky," lenders will call you, Grusd said. With a lot of liquidity over the past two or three years, money can be easy to come by. If that happens, he said, "first thing you say to them is I don't need the money."

"There's nothing a bank likes to hear more than 'I don't need the money' because that means you must be a very solid company, and I'll fight to get this guy. If you say 'oh, thank God you called, I almost missed payroll on Friday' that is not a good thing to say, even if it's true. No matter what your situation, say I don't need the money. Those are the magic words," he said.

If a lender doesn't find you, however, you'll need to pursue one. In this case, Grusd said start with someone you already know, since they'll have your information; failing that, get a referral from a trusted CPA.

"This is where I think accountants can be of great service to their clients; helping them find the money they need. That's value added. ... Lenders react more favorably and expeditiously to loan requests from familiar and trusted CPAs," he said.

This is because lenders always prefer someone with roots in their professional community, versus someone who comes in out of nowhere and starts asking for money. It's also why financing associations, another possible avenue of securing capital, aren't as reliable, according to Grusd. To a lender, it signals that they don't have a lawyer, an accountant, or anyone else who can help find financing, which does not inspire confidence.

Now turn the situation around. How is someone supposed to evaluate whether a lender is right for them?

Grusd said that while cost is certainly a factor, it should not be the only factor. Beyond how expensive a loan will be, potential borrowers should evaluate whether the lender understands the business they'd be lending to, and its industry. There's also the matter of flexibility: loans have terms and conditions. Are there early termination penalties? What are the reporting requirements? How easily can you extend the credit line if business picks up?

The final matter is to comply with the terms of that loan: the covenant. If that covenant is broken, said Grusd, at the very least there will be heavy fees and increased loan restrictions. At worst, the credit line will be terminated.

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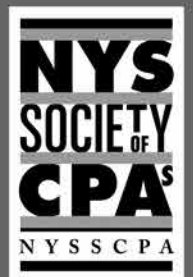
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4 questions small firms need to ask about cybersecurity

By **CHRIS GAETANO**
Trusted Professional Staff

Just because you're a small firm, don't assume that cybercriminals won't notice you. **Yigal Rechtman**, an expert in IT audits, said this all-too-common mindset amounts to nothing more than "security by obscurity," which really isn't that secure at all.

Speaking at the NYSSCPA's Business and Industry Conference last October, Rechtman warned his audience that professionals such as doctors, lawyers and, yes, CPAs, are "ripe targets" for cybercriminals. All too often, said Rechtman, small practitioners believe, "We're too small—no one is going to attack us." However, he noted that cyberattacks on small entities have become a rising trend. So, even if you run a small, local firm, "we no longer have this privilege" of ignoring the proper management of cybersecurity risks. There have already been breaches reported by firms with as few as two professionals, and Rechtman believes there will be many more in the future.

Smaller firms are increasingly becoming targets for several reasons, according to Rechtman. For one thing, even the smallest firms can hold a wealth of valuable information that can fetch high prices for those who can access it. Think of a two-person CPA firm: Even they have bank information, Social Security numbers, billing information, legal documents, tax returns, maybe even a proprietary document or two, "making all professional networks a high-

impact and high-magnitude target, which translates to high risk."

Another reason is that cybercriminals will often follow the path of least resistance, and larger firms, with more resources, have been able to set up and maintain strong defenses, leading to a situation where "phishing and scamming and data mining is all happening on a secondary industry level, and that's what we have here." Basically, smaller firms are easier targets, he said.

What exactly is a small firm supposed to do? Broadly, according to Rechtman, there are four different ways a firm can act in response to cybersecurity risk:

1) Don't leave your firm exposed. For example, he said, people often keep company data on their phones, which can be hacked or even physically stolen.

"I know some of you are hyperventilating at the thought," Rechtman told his audience, "but the point is that's the way to avoid risk, so your data, the company's data, is not on your phone and you are not subject to the company data. You think, 'Well, what do I have—I just send emails,' but what if there's an attachment with some proprietary information?"

2) Reduce risk. This is the world of creating and implementing security policies, which is "nice to do if we can," though Rechtman felt that a lot of firms can have gaping blind spots when it comes to their own security. For example, even if a firm gets the strongest, most sophisticated cybersecurity system in the world, it's worth nothing if threats can

simply piggyback onto their vendors and practically walk right through the front door.

"If you take nothing else from this presentation, I would say take vendor management to heart. Vendor management is cybersecurity today," he said, adding that "most cyberattacks today are done through some sort of vendor or subvendor or sub-subvendor."

"By a show of hands, anyone here been in love?" he asked. "What happens? You forget what you're supposed to do. You get a phone call and someone says, 'How would you like to send flowers to someone you love,' and you think that's a great idea, and they tell you to go to this website and enter your information, and you can get flowers for free!"

3) Share the risk. One should do this either to mitigate its effects or to share the responsibility for its prevention. One way to do it is through purchasing cybersecurity insurance, though Rechtman warned that this can be tricky because, sometimes, insurers will insert a lot of clauses that, if broken, mean reduced or even the elimination of coverage.

Firms can also share risk with their auditors through a Service Organization Control (SOC) 2 report. While the SOC 1 report is meant for reporting on controls in general, SOC 2 is geared more toward reporting on security controls in particular. Regulators, insurance companies and even insurers have increasingly begun to insist on SOC 2 reports as a way to demonstrate compliance on cybersecurity protocols, according to Rechtman.

"This is a way to share risk: Who are we

sharing risk with? The auditor who wrote the report and gave us an unqualified opinion. One way companies are increasingly sharing risk on, for example, security or confidentiality or even availability and process integrity is by using a SOC 2," he said.

Another trend in how people have started sharing risk is through indemnification clauses on third-party breaches, as well as by putting indemnification clauses in service letters. Companies are also increasingly putting "right to audit" clauses into contracts, which allow you to conduct your own security audit in order to make sure whoever a firm deals with isn't going to come tracking in malware from outside.

4) Accept the risk. Rechtman said this is the "lowest of the low," but noted there are companies that say they'll just accept the risk and move on. This, he said, is a terrible mistake.

"My answer to them as an auditor, as someone who comes into the audit—and I specialize in IT and look at IT risk in particular—I ask them, 'Really?' Because many times, they don't think through what it means as far as impact, and by the time [a major breach happens], it's too late for that to be considered."

Regardless of what a firm does, Rechtman impressed upon his audience the importance of doing *something*. If you don't, the CPA's role as a trusted professional—one who has access to all sorts of valuable client information—goes from asset to liability.

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CHAPTER NEWS

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New members, education reign in Buffalo

By **BRUCE ZGODA**
Buffalo Chapter President

Remember: growing older is mandatory, while growing up is optional. We make a living out of what we get; we make a life by what we give.

Good friends are like stars; you don't always see them, but you know they're there.

I believe this captures how I feel about being part of the NYSSCPA. The friendships made over my 45 years in this profession have been endless and extremely rewarding. I can't encourage enough young

CPAs to get involved, because by doing so your returns will grow tenfold.

December was a busy month for most CPAs, with all of their year-end planning, but a quiet month for chapter activities. In January, we prepared for tax season with a few CPE events to assist in the process.

Our NextGen Committee organized a wonderful CPE session explaining tax implications for startups, followed by a superb social hour. It was well attended and allowed many of our members a chance to enjoy each other's company.

Chris Learman, our treasurer, put to-

gether a nice New York State Update session with a few auditors from our fine state. It was a nice way to start off our year. Chris also arranged an intimate pre-holiday dinner where many of us could socialize and share concerns about running a small practice.

We were pleased to have **Jonathan Wilcox** join our chapter. He is now heading up our Technology Committee.

I wish I had more to report, but you know what they say: too much work and

not enough play. We were fortunate to welcome many new young members to the chapter as we are excited for the talents they bring.

God bless you all, and remember: You can never tell what type of impact you may make on another's life by your actions or lack of action. Sometimes just a smile on the street to a passing stranger can make a difference we could

never imagine.

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BRUCE M. ZGODA
Buffalo Chapter President

Legislation, foreign tax reporting topped conference

By **GEOFFREY S. MULLEN**
Chair, Northeast Chapter Taxation Committee

The NYSSCPA Northeast Annual Tax Conference was held on Dec. 2 at the Hilton Garden Inn in Troy. The conference was well attended by members in the Northeast Region, who were eager to prepare themselves for the upcoming filing season.

Three of the four presenters provided tax updates for three different arenas. The first two presenters were from Hodgson Russ.

Ariele Doolittle, Esq., provided a New York state tax update, while Jennifer M. Boll, Esq., provided an update on federal taxation. Seasoned presenter **John H. Lavelle**, of Lavelle & Finn LLP once again provided the conference with an extensive update on estate and trust tax.

New legislation was the most important topic. Although it will not take effect until the 2017 filing season, changes to partnership and corporate return due dates is important to know now in order to start plan-

ning accordingly. Changes to the New York law includes net operating losses being computed separately, with no reference to federal net operating loss. Sourcing of New York income continues to be a hot topic in many recent cases.

Foreign tax reporting was also a major topic of the conference. Christopher J. Byrne, Esq., of Christopher J. Byrne PLLC, presented this portion of the conference.

Byrne provided a very informative outline of how to deal with clients who are foreign

investors, and the many situations that can arise from that.

We look forward to another great conference at the end of 2016!

gmullen@uby-us.com

Strong end of year and start of a new one

By **MATTHEW P. BRYANT, CPA**
Rochester Chapter President

In December, we hosted a board meeting open to the NextGen members of our chapter and introduced our committees. Our NextGen members witnessed the board review of our 2016-2017 budget. Past and upcoming chapter events were discussed as well. During the committee reports, each committee described what they do and the time commitment needed to be involved. The NextGen members asked some good questions and expressed a lot of interest in serving on a committee. As always, we are thrilled to have NextGen members active on our committees.

Jordan Fritz our chapter's president-elect, led the efforts for the annual NextGen Holiday Happy Hour. This annual event allows members to get together socially during

the holiday season and gather donations for a local charity. Over 25 members met at Good Luck in Rochester and donated two large boxes of children's items for the Willow Domestic Violence Center.

Our last CPE event of the year was led by **Antoinette Spina** Immediate Past President of the Rochester Chapter. Due to a few late registrations, the session on Tax Considerations When Doing Business in Multiple States had a surplus of attendees but we were able to accommodate all who were there.

The session featured the facts and circumstances government auditors look at when determining if a company has nexus in their jurisdiction. Attendees gained insight into the complexity of dealing with multiple jurisdictions. We are grateful that Citizens Bank sponsored this training session, which allowed our Chapter to offer the session at a

reasonable cost.

Scott Harrington led the efforts for the 5th Annual CPA Indoor Sand Volleyball Tournament in early January at Hot Shots in Rochester. There were about 70 people playing on 10 teams in the tournament this year. The winning team was from The Bonadio Group and the runner-up team was from Davie Kaplan.

Michelle Staebell and the education committee have scheduled the Outstanding Accounting Student Award Night for April 21 at Midvale Country Club. The education committee did a wonderful job securing Dr. Uma Gupta as the guest speaker. Dr. Gupta brings more than two decades of knowledge and expertise in key educational issues shaping the future of STEM (Science,

Technology, Engineering and Management) in America today. This event will highlight outstanding accounting students from our Greater Rochester-area colleges and universities.

Please let me know if there are any topics of interest to you as we begin planning future events. Our chapter committees put a good deal of effort into the events that we schedule and it is awesome to hear from our members that they got something out of our events. With topic suggestions from you, we can deliver events that will meet the interests of our members.



MATTHEW P. BRYANT
Rochester Chapter President

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CHAPTER EVENTS & CPE

Buffalo**Exploring the New Lease****Accounting Standard****When:** April 19, 3:30–5:30 p.m.**Where:** Salvatore's Italian Gardens, 6461 Transit Road, Depew**Cost:** \$45 member; \$60 nonmembers**Course Code:** 29011605**Contact:** Jamie L. Lotz at jlotz@forest-lawn.com**Nassau****Tax Season Issues****When:** Feb. 19, 8–10 a.m.**Where:** On Parade Diner, 7980 Jericho Turnpike, Woodbury**Cost:** \$25 members; \$30 nonmembers**CPE:** 2 (taxation)**Course Code:** 29036624**Contact:** Jean Townsend at jtowndsend@st-cpas.com**63rd Annual Installation Dinner****When:** May 25, 6:30–9:30 p.m.**Where:** Crest Hollow Country Club, 8325 Jericho Turnpike, Woodbury**Cost:** \$100 per person; \$950 table of 10**Course Code:** 45030606**Contact:** Lynne Fuentes at LynneFuentes@optonline.net**Northeast****Northeast Chapter Financial****Professionals Golf Open****When:** May 9, 11:00 a.m. check-in;

1:00 p.m. lunch & shotgun start

Where: Pinehaven Country Club, 1151 Siver Road, Guilderland**Cost:** TBD**Course Code:** 45040604**Contact:** fferrucci@wojeskico.com**Rochester****Outstanding Accounting****Student Award Night****When:** Apr. 21, 5:15 p.m. cash bar & reception;

6:15–8:30 p.m. dinner

Where: Midvale Country Club, 2387 Baird Rd, Penfield**Cost:** \$35 per person**Course Code:** 45050609**Contact:** Heidi Tribunella atHeidi.tribunella@simon.rochester.edu*RSVP by April 7***Suffolk****Suffolk Chapter 45th Annual****Bankers/CPAs Golf Outing****When:** May 2, 10:00 a.m. check-in & brunch;

11:30 a.m. shotgun start; 5:30 p.m. open bar & dinner

Where: Southward Ho Country Club, Bay Shore**Cost:** TBD**Course Code:** 45080607**Contact:** Irene Howell at ihowell@avz.com**Westchester****Westchester Chapter Annual Golf Outing****When:** June 13, 11:00 a.m. brunch & registration;

12:30 p.m. shotgun start; 5:30 p.m. cocktail hour; buffet dinner to follow

Where: Willow Ridge Country Club, 123 North St., Harrison**Cost:** \$350 per golfer; \$150 hole sponsorship; \$150 cocktails & buffet only**Course Code:** 45110701**Contact:** Jeffrey Schwartz at jeff@stantonandleone.com

The Accountants Club of America: One of New York's best-kept secrets

By **STUART KESSLER, CPA**

One of the best-kept secrets of the accounting profession in the New York metropolitan area is the Accountants Club of America. Conceived by **Elijah Watt Sells** and his friend and colleague, **Charles Waldo Haskins**, it was officially incorporated in 1927. However, its real origins can be traced to a time decades earlier.

Soon after the incorporation of the NYSSCPA in 1897, Sells began urging the State Society to make a place in its program for social and nonprofessional meetings of its members. He felt that if the members could meet in friendly comradeship, they would be bound together more closely for the advancement of professional ideals.

During the early years of the club, they held monthly meetings in a room in the old Waldorf Astoria Hotel. These get-togethers served to build personal friendships among the then limited number of members. The time came when larger attendance at the monthly meetings required a formal program and expansion of the opportunity for personal contact.

A group of men who shared Sells's thoughts on the need for informal gatherings of CPAs decided to put his idea to a practical test. Many luncheons were held at the Hotel McAlpin, located at Broadway and 34th Street, in Manhattan. The attendees were asked to join and support an Accountants Club. A number of leading accountants agreed to join. However, it was 1917 and the United States had become involved in World War I, so the plan was set aside.

There had been an earlier attempt to form social groups of professional accountants in New York. One was the Accountants' Round Table. It existed from about 1912 until 1917, also being abandoned after the United States entered World War I. However, in 1927, interest in the club was renewed when the partners of Haskins & Sells set up a Foundation for the Club. The founding group reminded those who had committed themselves some years before to form the Accountants Club. At a private dinner party at the Waldorf Astoria, given by Col. Robert Montgomery and Col. Arthur Carter, it was decided to proceed

with the organization.

As plans matured, the decision was made to give the club a national standing by including in its name the words "of America." Twenty-five illustrious CPAs met in Montgomery's office on May 6, 1927, and signed the certificate of incorporation. At the first meeting, the incorporators became the first Board of Governors and elected Montgomery the first president and Samuel D. Leidesdorf as the first treasurer.

The new club was established in the Hotel Belmont, which occupied the southwest corner of Park Avenue and 42nd Street (a venue at which the NYSSCPA held many meetings in the 1950s and 1960s, before it was torn down). Membership in the club was extended to all professional public ac-

scribed, as a token of their esteem.

Luncheon meetings have been the continuing feature of the club's program. Included among those addressing these luncheons are a New York state Governor, award-winning authors, members of Congress, distinguished environmentalists, prominent attorneys, noteworthy economists and noted members of our own profession.

We have also been treated over the past half dozen years to an annual breakfast address on the state of the CPA profession by **Barry C. Melancon**, the president of the AICPA and a member of the Accountants Club.

In 2007, the club celebrated its 80th anniversary with a gala dinner. We are looking forward to our 90th anniversary in 2017, with a repeat gala.

A number of leading accountants agreed to join. However, it was 1917 and the United States had become involved in World War I, so the plan was set aside.

countants (certified public accountants and chartered accountants), to members of the National Association of Cost Accountants, and to others of good character and executive standing who had a vital interest in accounting, such as "bankers, credit issuers and many industrial accounting officials."

Before long, the club sought larger meeting rooms in the new Hotel Montclair at Lexington Avenue and 49th Street; a duplex apartment with attractive furnishings was rented. Dining rooms, social rooms, an outdoor sun-deck and, on the upper floor of the penthouse, an outdoor exercise area were provided.

At his last meeting as club president, the governors presented "Colonel Bob," as he was called, with a large silver tray, suitably in-

The vision of Sells and Haskins of a group of friendly professional men and women working together in both state and national societies, professionals with high standards of integrity and competency in financial accounting, is as valid today as it was when they were alive. The Accountants Club of America will continue to do its part in promoting the spirit of comradeship among members of the accounting profession and those who work with the profession. We encourage all who are interested in joining the club to visit our website, accountantsclubofamerica.org.

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Avoiding e-file penalties this tax season

By CHRIS GAETANO
Trusted Professional Staff

Prior to tax season, several NYSSCPA members expressed frustration and confusion on the Society's Exchange Open Forum after the New York State Department of Taxation and Finance (NYS-DTF) penalized them for filing paper returns on behalf of their clients—sometimes, they said, for situations that were beyond their control.

Practitioners have been required to use New York state's electronic filing, or e-file, system since 2006, and failing to do so can carry a penalty of \$50 for each document, unless there's an acceptable exception.

The issue, some members said, is that what is considered "acceptable" is a little vague.

"I have not yet received a notice, but I have sent some paper returns and I'm wondering if I'm next on some sort of list," said Rochester Chapter Past President Thomas P. Walpole.

So, how does the NYSDTF determine who gets penalized and who is spared?

According to the state tax department, things such as client demand, failure to obtain an EFIN (Electronic Filing Identifi-

cation Number), ignorance of the law or a reluctance to provide bank information electronically do not count as reasonable cause. Factors that the department will consider, on the other hand, include the following:

- Whether the preparer's New York

- Any other reasonable cause for the failure to e-file that clearly indicates an absence of willful intent to disobey the e-file mandate

- A preparer's overall compliance with the New York state e-file mandate.

Another major factor in determining

"These are preparers who show a significant pattern of paper filing," said the statement. It added that, even in this case, the department is willing to hold off on the penalties "when the preparer commits to substantially improving their e-filing rates for the following year."

Only when the preparer shows no improvement, said the statement, is the penalty finally leveled.

It also felt that "virtually any obstacle to e-filing has been all but eliminated," as the system now accepts all forms, even PDF (Portable Document Format) attachments.

To see what else members are saying about e-filing in New York state, or to pose your own technical question to fellow Society members on the NYSSCPA's Exchange Open Forum, go to exchange.nysscpa.org. Exchange is a free, members-only benefit. Posts to the Exchange Open Forum are not accessible to anyone except NYSSCPA members and staff.

The New York State Department of Taxation and Finance states that "ignorance of the law or a reluctance to provide bank information electronically do not count as reasonable cause."

state-approved e-file software supports the e-filing of a return

- Whether the return was e-filed, but rejected for a condition that can't be identified or resolved

- Whether there existed an extended Internet outage at the preparer's place of business

whether someone will get fined is the scale of his or her violation. The state tax department press office, in an email exchange with The Trusted Professional, said that the penalties for filing manual returns target those who filed a significant percentage of their returns on paper instead of electronically.

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CPA ROUNDTABLE

What do you expect will be your biggest headache in 2016?



Mark G. Leeds | CFO, Westchester

Like most people in industry, the main headache will be controlling the uncontrollable. I can't control what's happening in China, or the price of oil, or interest rates, but they all affect me and how I do business, specifically, how I attract and maintain tenancies. What you need to do is take these macro issues out of your control and try to dilute them to micro issues if you can. So, for example, I might take advantage of low oil prices by locking in a contract now—of course, though, if I wait, the price might go down even more. Or, similarly, with the possibility of rising interest rates, I might think it's a good idea to refinance some things before it goes up even higher. So, these are the kinds of considerations we're going to have to face in response to these far-off global events. You mitigate risk as much as you can, which is a lot of what I do as a CFO.

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Michael F. Rosenblatt | Managing Partner, Manhattan

Here's what I think will be one of the big problems of 2016 for everyone: human capital. Hiring and maintaining the best people will be a challenge over the next year. For many years since the recession, it had been an employer's market, but due to a stronger economy, more regulation and the creation of new jobs, we now have a shortage of highly qualified people—note the words “highly qualified.” There are plenty of people looking for job opportunities, but those being sought by companies are CPAs coming out of the large firms, well trained, with particular industry expertise. There are just not enough of them to go around. It's been difficult for CPA firms for sure, but even in industry, people are leaving to move to other companies offering a better work-life balance, compensation and better growth opportunities. To deal with this, we may have to step up and pay more, either through base pay or bonus incentive programs, and make efforts to better relate to their needs. We can't just treat job candidates like commodities, which is really what's happened over the years—if you try that today, you'll lose them.

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Mitchell A. Davis | Manager, New City

I think the biggest issue this year is going to be the implementation of SSARS 21—all the compilation and review reports are going to be changing and, in addition, you have to make certain your supplemental information reports are in accordance with the new pronouncement. So, that's going to be something that, if you're doing quality control, you'll just have to keep on top of with everyone. I think dealing with it is going to, initially, be mainly a matter of education, but as you get further along and people go through this one or two times, we expect that people will catch up and make certain that everything is up to current standards.

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Joseph A. Maffia | Partner, Manhattan

From an accounting and review services perspective, it's been SSARS 21, which became effective in December and opened up new levels of monetized client service through the preparation of financial statements. While I think this is a good thing overall, we have learned that it comes with additional complexities and nuances that you need to be aware of. Initially, I was very gung-ho because I thought it would generate savings in time and cost, which we could then pass on to the client. However, between the fact that it's subject to peer review and requires nearly 30 procedures for accountants to perform, the time difference between a preparation service and a full compilation is minimal—and if there's a full set of financial savings with notes, the cost savings are minimal too. We adopted early, and so we've been running into these issues for a while now. Looking ahead, I'd steer firms away from preparation services on a full set of financial statements because of these challenges.

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Kenneth J. Gralak | Principal, Manhattan

The biggest thing is just regulation. There's a lot of it, and you get the feeling that, more and more, it's getting harder to just go out there and do your job when you're being second-guessed at every turn. The Department of Labor is hot on the trail of weeding out auditors they don't think are doing a good job, the AICPA is looking to change how firms are peer reviewed, and the PCAOB and the SEC are tightening regulations of their own. It hasn't made things impossible, but it *has* made them tougher, and you really need to keep your nose to the grindstone in order to stay focused. And there seem to be new regulations coming out all the time, which can be very difficult to keep up with—you feel like you don't even have a chance to just catch your breath and really examine what's just changed. One thing that's helped a lot in this respect, though, is being involved in committees at the NYSSCPA. If all you do is go to work and go home, how can you become aware of everything that's happening? You can't.

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Michael J. Corkery | Partner, Melville
Honestly? Staffing, staffing, staffing. We've been trying to get people for a while now, and we've spoken to a lot of recruiters but there's just no one out there, so I don't know if it's a matter of people leaving public accounting and going private, or if it's just people not wanting to leave their current jobs. Part of it, I think, could be when the CPA exam went to a five-year program. It takes longer

for new accounting students to enter the job market, and the switch over could have created a slight lag as the industry adjusts. Since then, we've tried hiring more interns and entry-level people and focusing on effectively training them, because the best training is really on-the-job training, but that's a challenge for this time of the year since there's so much volume that has to get out the door by April 30. We're also talking to other staffing agencies we didn't necessarily have a relationship with before. Still, I've had so many conversations with recruiters and headhunters who told me this is a year unlike any other. They haven't seen such a shallow talent pool as this before.

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Scott M. Adair | CFO, Rochester
For a government CPA, we're dealing with some evolving standards in the government arena regarding pensions that will have an impact on our financial reporting—namely, that we'll need to be reporting total pension obligations, vs. just that year's payments. The challenge is in effectively communicating these changes so that not only the

legislative branch but the constituents these folks represent understand that it's not as bad as it looks. Right now, we're working with our board to make sure they understand it completely so that when they see those numbers showing up, they're not blindsided. It's a slow education process from that perspective—a lot of meetings, a lot of calls, a lot of explaining—but we'll continue to do that and, hopefully, have more discussion with folks who think it's important.

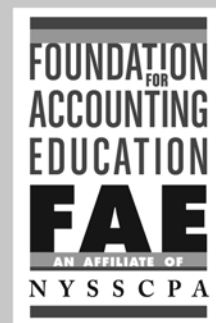
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Barry S. Kleiman | Principal, Florham Park
Identity theft has always been an issue, and it's rising. The IRS is being more proactive about it, and some states are now requesting driver's license numbers on returns, which is another data point for security. But the biggest tax issue is that it holds up refunds. It's annoying but, unfortunately, that's the way the world is now, and I understand

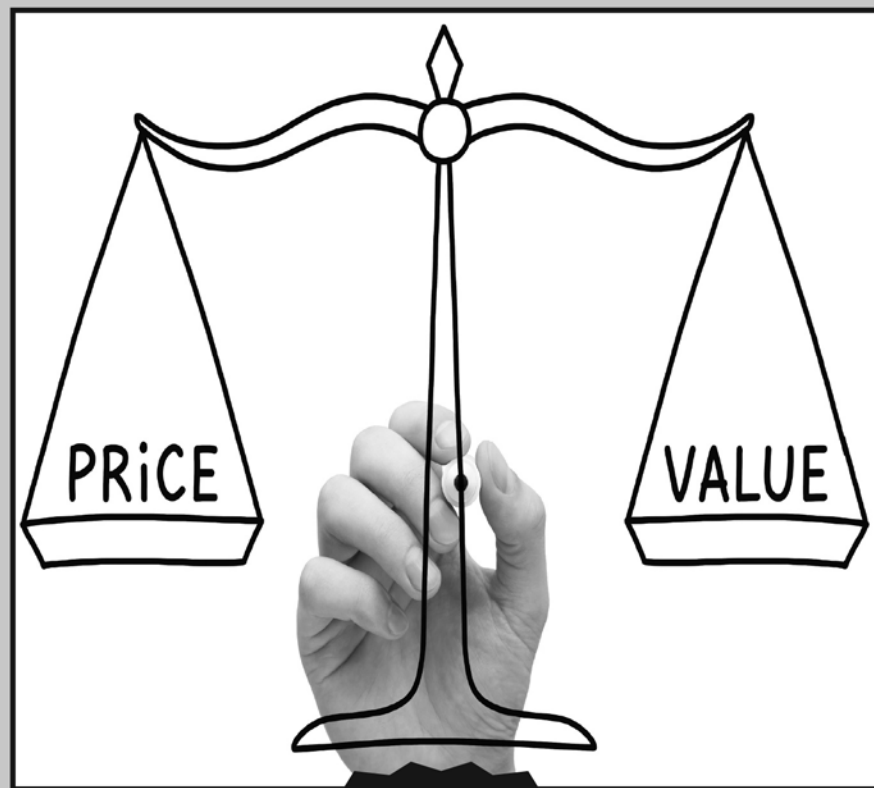
why they have to do it—they don't want to issue refunds to fraudsters. Another challenging issue is navigating the practitioner/taxpayer telephone service and the lengthy hold times. I don't think it's going to get any better this year—if you need to get someone on the phone at the IRS, it can be a frustrating process. Finally, there's the continuation of the reporting provisions of the Affordable Care Act, such as applying the new 1095 tax forms for reporting health insurance.

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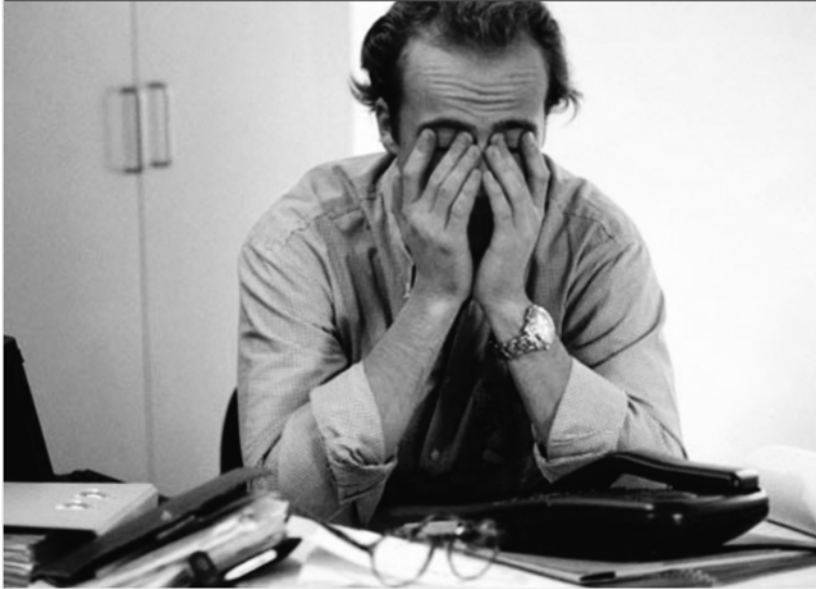
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