Proposed IRS guidance aims to tame confusion over 20 percent pass-through deduction

By CHRIS GAETANO
Trusted Professional Staff

Editor’s note: In August, the IRS issued proposed guidance interpreting several provisions of the Tax Cuts and Jobs Act. Articles in this issue examine the IRS’s guidance relating to the new 20 percent deduction for pass-through entities, the $10,000 state and local tax (SALT) deduction cap and the 100 percent bonus depreciation deduction.

Proposed guidance from the IRS on the new 20 percent deduction for pass-through entities aims to clarify who qualifies for it while, at the same time, heading off certain opportunities for its abuse.

A major component of the Tax Cuts and Jobs Act, under new IRS Code Section 199A, the deduction is generally available to entities such as S corporations or LLCs when the owners are eligible taxpayers whose 2018 taxable incomes fall below $157,500, or below $315,000 for joint returns. However, while this provision may seem simple on its face, in its wake have come questions regarding situations when taxpayers who earn above

Cannabis Conference to demonstrate that industry is serious business

By CHRIS GAETANO, ZACH SIMEONE and RUTH SINGLETON
Trusted Professional Staff

Zachary Gordon, chair of the NYSSCPA’s Cannabis Industry Committee, would like you to discard the tired jokes and stereotypes.

With the majority of U.S. states having at least some degree of legalization, ranging from medical to recreational, cannabis is a rapidly maturing industry that presents lucrative opportunities for business professionals of all stripes. New York state, which launched its medical cannabis program in 2016, may soon adopt a recreational cannabis program, now that Gov. Andrew M. Cuomo has come out in favor of it. As reported in Politico, he said, “We now have a group that is drafting legislation and it’s something the Legislature will take up next year. … It will be a controversial topic, but it’s something that the Legislature will act on.” The prospect of a recreational cannabis program in New York is one of the reasons why Gordon’s committee is organizing a Cannabis Conference on Dec. 11, which will explore these opportunities in depth.

“If you’re an accountant, a finance professional, an investor or someone who has interest in starting something new, this is a brand-new industry, and there are so many opportunities,” Gordon said. “Specifically [regarding] finance, compliance and operations, … it’s a great opportunity.”

Gordon, who runs a cannabis tech incubator, said that despite the relative novelty of the industry in New York compared to other states, the sector has become a highly lucrative industry. New York City Comptroller Scott M. Stringer has estimated a potential $3 billion industry for New York state, and $1 billion for New York City alone, leading to $772 million per year in combined tax revenue for the city and state.

The CPA profession, Gordon said, cannot afford to ignore this burgeoning industry, given the wealth of opportunities to pro-
Attend the Women’s Leadership Forum in January

O n Jan. 18, 2019, the NYSSCPA will host its first Women’s Leadership Forum, an important milestone in the Society’s effort to promote diversity and inclusion within the accounting profession. The forum will focus on transforming workplace culture, and it will offer attendees invaluable tools and insights for creating a more welcoming environment for women to thrive, as well as plenty of networking opportunities. The intended audience is women and men of all ages and career stages—I encourage you all to attend.

The event will take place at the Midtown Loft & Terrace in Manhattan. Speakers will include women who have attained leadership positions, as well as men who are working to create a more inclusive workplace.

Studies have shown that a more inclusive business environment is a more profitable one, as people with diverse experience and backgrounds offer fresh and interesting perspectives. Yet women traditionally have faced hurdles to advancement, such as the “prove it again” bi-as—a double standard by which women need to perform better than men in order to be seen as equally as capable, and tend to be judged on the basis of performance alone rather than potential. Many women in management also find that they need to walk a tightrope, having to balance acting with authority with appearing likable and “feminine”—a conundrum that men in management tend not to face. To be effective allies, men in power need to recognize these biases and work to eliminate them within the workplace. The forum will provide important insights into these issues.

Also, as women have risen into leadership roles, management styles have begun to evolve: The traditional view of strong leadership has expanded to encompass an emphasis on collaboration, teamwork, open-mindedness and adaptability. The forum will foster important conversations about how transforming leadership styles can lead to more effective—and appealing—workplaces.

These are all excellent reasons to attend the forum, but another is the amazing roster of speakers we have scheduled.

One exciting speaker will be W. Brad Johnson, co-author of Athena Rising, a book for men about how to mentor women deliberately and effectively. A professor of psychology in the Department of Leadership, Ethics, and Law at the U.S. Naval Academy, Johnson has researched and written extensively on mentorship. His key insight is that men need to step up for simple reason that men are in a better position to mentor high-potential women leaders, as there are currently many more men in positions of authority who can help women with their careers.

I am also delighted that Michele Meyer-Shipp, chief diversity officer at KPMG, will be our keynote speaker. She will address the topic, “State of Women in the Profession.” At KPMG LLP, Meyer-Shipp leads the firm’s national inclusion and diversity team and oversees its efforts to grow diverse leaders, inspire broad objectives and foster an inclusive, accessible workplace. In a recent interview, she identified three traits important for women leaders: confidence, agility, flexibility and emotional intelligence/authenticity.

Other sessions will focus on pay equity/negotiating for outcomes, work-life integration and balance, women in the C-Suite and mentorship/men as allies. The event will conclude with a networking cocktail reception. I’d be remiss not to mention that there are sponsorship opportunities available.

Although the primary focus will be women’s leadership, the forum will also offer insights on leadership for members of other groups who have been underrepresented in the accounting profession, including men and women of color and LGBTQ individuals.

Registration for the Women’s Leadership Forum is now open at nysscpa.org/wlf19. I hope to see many of you there.

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New Digital Assets Committee to explore accounting side of cryptocurrencies

By CHRIS GAETANO
Trusted Professional Staff

While cryptocurrencies and other digital assets seem to be everywhere in the news, there remain many misconceptions about even elementary aspects of how they're used, let alone more complicated facets, such as how to audit them or determine their tax treatment. Mark DiMichael, chair of the NYSSCPA’s New Digital Assets Committee, has seen this confusion firsthand, even on the part of other CPAs.

“I think there has been a lack of understanding of what it is and how it works,” he said. “I've [presented] a number of times on this, and if you give me 10 minutes, I feel I can explain it fairly well. … But I think the number one [concern] is this: If you don't understand something, you're going to write it off.”

For example, he said, many of his colleagues stumble when considering what exactly gives digital assets like cryptocurrencies their value, believing that there surely must be something backing them up, citing the U.S. dollar. Of course, DiMichael then points out that, technically, nothing backs up the U.S. dollar either, as its value is merely a reflection of how many people want U.S. dollars at a given time.

DiMichael’s interest in the digital assets arena developed in 2012, when, as a member of the Litigation Services Committee, he was asked to comment on New York’s BitLicense regulations. These regulations were eventually implemented, and they require any New York state individual or entity engaged in virtual currency business activity to obtain a license from the superintendent of financial services. He found the topic interesting due to his specialization in fraud, as cryptocurrencies, at the time, had yet to shed their association with money laundering and other unsavory activities. However, as time went on and his research deepened, he increasingly saw that there were deep implications, not just for anti-fraud efforts, but for the overall regulatory environment, which, he noted, is currently “very much up in the air.”

Since then, DiMichael has become the person his firm turns to when there’s a matter involving digital assets. He noted that he is involved with his company’s very first cryptocurrency audit, which involves a holding company for these digital assets. He said that it’s somewhat similar to auditing other companies, but with several key differences.

“It’s still a company with expenses and income, and you have to verify that, but the trick is with cryptocurrency. ... you’ll need to find some way to place reliance and information [on] the blockchain,” he said, referring to the digitized ledger of all cryptocurrency transactions. “With cryptocurrencies like bitcoin, [there’s] a publicly available ledger, and the software is available for download, but you need people with the right expertise to, ideally, take a look at the blockchain and validate that the transactions are accurate.”

It is DiMichael’s hope that the committee can bring together professionals to explore these sorts of issues. However, he was reluctant to lay down a specific area of focus, given how broad the topic can be and the differing levels of experience in dealing with digital assets. He said that he plans, instead, to get a sense of who the members are and what they want to get out of the committee themselves, and from there, begin planning out what they want to do.

Members interested in joining the committee should contact Nereida Gomez at ngomez@nysscpa.org.

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New Cybersecurity Committee aims to educate both CPAs and their clients

By CHRIS GAETANO
Trusted Professional Staff

Cyberattacks have become increasingly common, as businesses of all kinds continue to integrate information technology into their operations. Despite this threat, however, many CPAs seem at a loss about what they can do to guard against incursions into their own firms, and how they should advise their clients to safeguard their systems. Not helping matters is the reluctance of many CPA firms to think about cybersecurity at all, according to Moises A. Brito, chair of the NYSSCPA’s new Cybersecurity Committee.

“This is an issue for a lot of smaller firms who outsource their IT,” Brito said. “Just because [they] have an IT firm doing the work, is it really secure? ... A lot of them can't really answer that. All they will say is, ‘I have this company managing that, but I have no idea what they are doing.’”

He said that the new committee, which had its first meeting on Sept. 27, will have two main areas of focus. The first will be education, both on the fundamentals of cybersecurity and the latest developments in the field. This, in turn, will enable members to better advise their clients regarding their own cybersecurity needs. While not necessarily expecting that they will be overnight cybersecurity experts, Brito said, “If a client asks them, ‘What do you think of user access management,’ … they have something to say other than regurgitating what they heard on the news.”

The second area of focus will be cybersecurity legislation and regulation. Committee members can help each other contextualize how major initiatives, such as the implementation of the European Union’s General Data Protection Regulation, could affect them or their clients.

“Some of this legislation doesn’t affect us day-to-day, but ... maybe [you have] folks who are overseas, and you hold their information and deal with that,” he said.

While the committee explicitly deals with cybersecurity issues, Brito said he does not anticipate that there will be a lot of focus on the technology itself, noting that there’s already a Technology Assurance Committee. Rather, members will focus on how CPAs can implement techniques and have the knowledge to speak meaningfully about cybersecurity, and, hopefully, address issues they have in their firms. Brito referenced his own work at PricewaterhouseCoopers as an example. He said it involves “not just your typical IT general control” sort of work, but also cybersecurity risk assessments and noncontrols-based attest work. Combining both a cybersecurity perspective and a CPA perspective allows him to act as a bridge between the more technical people and the more finance-oriented people.

“It helps to have that CPA background because [with] some things, you’re able to put a little financial spin on it and understand what’s the bigger picture. ... We [also] have some extremely IT-heavy folks; [that background] helps them explain to individuals what things they can implement at their firms or even at home,” he said.

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Cannabis Conference
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state-to-state transactions are still a felony. Even within states, there remain a number of statutory hurdles. For instance, Gordon explained that the product needs to be properly sourced, and there are a number of definitions for what that means. Furthermore, because many banks won’t do business with

“...”

毫克 on the horizon, New York state has regulated as time goes on. Rather than find an answer that would be dominated by just a few corporations, the task required navigating complex regulatory issues in multiple jurisdictions; any mistake could have resulted in the government coming in and shutting the company down. "How do you solve that mess? The ultimate solution is a very complex answer, and it comes down to making sure that there’s proper legal entities in all the proper jurisdictions, that the sourcing is done in each of them, and that there’s a lot of filings, a lot of follow-up—but ultimately it was worth it because now they’re up and running and having a little success," he said.

In addition to educating conference attendees about these types of complex situations, Gordon said that he hopes the event can connect those in the industry with the business professionals who can help solve them. "This event is great for just the networking alone. You’re bringing together all types of people: cannabis industry investors, financiers, quality assurance, compliance and operations, … it’s a great opportunity."

—Zachary Gordon, chair, NYSSCPA’s Cannabis Industry Committee

vise all kinds of business services, particularly tax planning, which the industry is greatly in need of, considering that cannabis remains illegal, by federal law.

At the same time, however, he wants CPAs to enter this field with both eyes to establishing known performance indicators. All of these are under quality, and it’s a complex task,” he said.

It is Malone’s hope that, at the upcoming conference, he can impress upon people the importance of quality control and assurance. This industry, he said, is already very regulated and will likely become more regulated as time goes on. Rather than find this daunting, he hopes that stakeholders will grow to understand that there’s a great need for quality control professionals in the field.

“We need more professionals in place to assure that we can have a sustainable industry going forward, and not just a bunch of people doing a sideshow to make a quick buck and get out,” he said.

To illustrate the problems faced by the industry, in both the regulatory and business management aspects, Gordon brought up an example of a recent client of his, which was planning to roll out a cannabis-infused beverage. The company, he said, was created by someone from New Jersey who moved to Pennsylvania, was sourcing the product from Nevada, and wanted to operate it in California. Setting up this business was a headache, Gordon said, especially since it was a challenge even getting the client company to appreciate the scale of the task before it. While the rollout was eventually successful, he noted that the task required navigating complex regulatory issues in multiple jurisdictions; any mistake could have resulted in the government coming in and shutting the company down.

“How do you solve that mess? The ultimate solution is a very complex answer, and it comes down to making sure there’s proper legal entities in all the proper jurisdictions, that the sourcing is done in each of them, and that there’s a lot of filings, a lot of follow-up—but ultimately it was worth it because now they’re up and running and having a little success,” he said.

In addition to educating conference attendees about these types of complex situations, Gordon said that he hopes the event can connect those in the industry with the business professionals who can help solve them. "This event is great for just the networking alone. You’re bringing together all types of people: cannabis industry investors, financial professionals, and CPAs and attorneys with experience in the industry. That is such a rare opportunity. For someone who has been practicing CPA or attorney for many years, this is like going to school for the first day all over again," he said.
Proposed IRS guidance targets major SALT cap deduction workaround

By CHRIS GAETANO
Trusted Professional Staff

The IRS recently released proposed guidance that, if implemented, would effectively shut down any use of state-run charities to get deductions beyond the recently imposed $10,000 cap on state and local tax (SALT) deductions. Shortly after releasing this proposal, however, the agency issued a clarification, saying that businesses can claim these deductions, provided the contributions were made for a legitimate business purpose.

The $10,000 cap on the previously unlimited SALT deduction was imposed as part of the Tax Cuts and Jobs Act as a way to reduce the bill’s overall cost. This was widely seen as heavily penalizing higher-tax states like New York. In its State of the Address at the beginning of the year, Gov. Andrew M. Cuomo said that this amounted to “economic war,” calling the measure a way to use states like New York and California as “piggy banks” to finance tax cuts for Republican states.

In response, Albany rolled out two initiatives to try and mitigate some of the damage. The first was a voluntary payroll tax that, on one hand, would lower wages for employees but, on the other, would then allow them to deduct this reduction against federal income tax, since it lowers overall adjusted gross income.

The other initiative was the creation of two new state-operated charitable contribution funds that accept donations for improving health care and education in New York, as well as empowering local bodies to form similar entities. Those who make contributions would be eligible for a state tax credit equal to 85 percent of the donation amount for the year it is made.

It was this latter technique that the IRS aimed to address in its proposed guidance. Released late in August, this guidance would effectively make such contributions ineligible for federal deductions, as “the Treasury Department and the IRS believe that when a taxpayer receives or expects to receive a state or local tax credit in return for a payment or transfer to an entity listed in section 170(c), the receipt of this tax benefit constitutes a quid pro quo that may preclude a full deduction under section 170(a),” according to the proposal.

Jeffrey S. Gold, a member and former chair of the NYSSCPA’s New York, Multistate and Local Taxation Committee, said he was not at all surprised that the IRS decided to block off this avenue, as the idea did indeed stretch the limits of credibility on what could count as a charitable contribution. He said that offering a tax deduction in exchange for a donation was too much of a quid pro quo for it to really be a charitable contribution.

“If you get something for a supposed charitable contribution, you don’t get the deduction because you got something for it, same as if you gave to a charity for a dinner,” he said. “The quid pro quo is that taxpayers get to deduct the charitable payment to the fund against their personal state income tax liability, effectively converting a state tax deduction … to a charitable deduction,” he added.

However, at the beginning of September, the IRS issued a clarification saying that the proposed guidance would not apply to business deductions: “Business taxpayers who make business-related payments to charities or government entities for which the taxpayers receive state or local tax credits can generally deduct the payments as business expenses,” so long as the payment qualifies as an ordinary and necessary business expense.

Chaim V. Kofnas, the current chair of the New York, Multistate and Local Taxation Committee, said that the IRS clarification was helpful, but it’s not what people want. “It doesn’t make legal sense that a business can make a charitable donation and it will be respected, but if you and I make the same payment, it will not,” he said, adding that he is unsure that this would survive litigation if someone brought suit.

He added, though, that the clarification might open a window for sole proprietors, who are both a business and a person all in one. He noted that the IRS announcement referred to “business in any form,” and so “you might be a sole proprietor who would avail yourself of this to guarantee your deduction.”

Gold, on the other hand, did not think the IRS was breaking any new ground with its clarification. He said that businesses have long been able to use charitable donations to reduce their taxes, and that it’s not difficult to imagine such contributions being done for a legitimate business purpose.

The IRS accepted comments on the proposed guidance through Oct. 11. There will also be a public hearing regarding the proposal on Nov. 5.

Bonus depreciation guidance offers needed clarity, but doesn’t fix drafting glitch

By CHRIS GAETANO
Trusted Professional Staff

Proposed IRS guidance on the 100 percent bonus depreciation rule in the Tax Cuts and Jobs Act addresses important matters such as the definition of a qualified improvement property, but it does not address a drafting glitch—an omission of four words—that has discouraged many restaurants and retailers from renovating their spaces.

The tax law allows for a first-year depreciation deduction of 100 percent on qualified property acquired between Sept. 27, 2017, and Jan. 1, 2022. But because of those missing four words, many businesses do not qualify for the 100 percent immediate expensing they had been promised. As a result, rather than being able to expense the entire cost immediately, businesses must, instead, depreciate the deduction over 39 years, severely reducing its value over time.

Allen said that the guidance didn’t address this omission because it can’t—the problem is in the legislation itself, and so it will need to be corrected through Congress, not the executive branch.

“Some of the Congress members and staffers on the hill, they were looking for the IRS to help them out a little bit, but the law is the law. We can’t disqualify you to have to go in and change that. So I think it’s a bad answer, but it’s the right answer,” he said.

Michael J. Gargiulo, a member of the C Corporations Committee, made a similar point. He said that he has a lot of clients in the restaurant and retail industry, and they’re always doing renovations, such as redesigning their storefronts. In the past, he explained, those types of activities would have qualified for the 50 percent bonus depreciation, and indeed, Congress had intended for these types of businesses to qualify for the new 100 percent bonus depreciation as well.

“So the intent was there, but now, unfortunately, … the only way to get this right is through a technical correction bill, which you’d need to go through the Senate for,” he said, noting that he hopes for a fix soon, perhaps after the midterm elections. “So in the 2018 return, it may get changed, but who knows?” Gargiulo said.
By CHRIS GAETANO

recently introduced House bill would, if implemented, prevent businesses from earning sales tax from most out-of-state sellers until such time as a compact regarding treatment of online sales is developed by the states and approved by Congress. The bill says that “it is the sense of Congress that the States should enter into an interstate compact for the collection of sales tax by remote sellers that identify a clearly defined minimum substantial nexus between the remote seller and the taxing State, that simplifies registration, collection, remittance, auditing and other compliance processes to the greatest extent possible.” This exemption would specifically apply to smaller remote sellers, which the bill defines as those with gross receipts in the United States of no more than $10 million.

The bill, the Online Sales Simplicity and Small Business Relief Act of 2018, is sponsored by Rep. Jim Sensenbrenner (R-Wis.) and was drafted in response to the recent Supreme Court decision ruling that states have the right to levy sales tax on out-of-state sellers, even if there is no physical presence in those states. In the August/September issue of *The Trusted Professional*, NYSSCPA members noted that the decision, *South Dakota v. Wayfair, Inc.*, could present a compliance challenge for internet sales tax. The bill would allow the taxing states to know the tax rates of every single taxing jurisdiction where they might conceivably have customers, and go through a registration process in many of them.

Beyond the small business exemption, the bill would also prevent states from imposing any sort of retroactive taxation, and from collecting sales taxes before Jan. 1, 2019.

This bipartisan legislation reigns in the taxation free-for-all created by the Supreme Court’s ruling in *Wayfair,* said Rep. Sensenbrenner. “Online sellers need clarity and stability in the sales tax arena. Our bill will prevent small businesses and internet entrepreneurs from excessive regulatory burdens. Throughout the Fifth Congressional District, I continually hear from businesses that they need ‘certainty.' This bill provides that.”

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**TAXATION**

House bill would clarify online sales tax requirements, in response to high court case

**Proposed IRS guidance**

Cheslowitz noted that while this clarification helps pass-through entities with rental properties, which had a source of confusion, it also means that it shuts out any one whose only business is renting properties.

Now, under the guidance, you can’t, in order to take the 20 percent, [be like] a dental practice renting part of a building owned by the same dentist in trying to break out that aspect of the business from the excluded business,” said Cheslowitz. “Some people with the specified trade or service, they will be … looking to do this ‘crack and pack,’ but the guidance says, ‘Hold on a sec, don’t burden your tax preparer with these, we won’t allow it.’”

Yet the guidance does not seem to address another maneuver that some firms have been exploring: using defined benefit plans to reduce income from barred professions to below the earnings threshold, thereby allowing them to qualify, despite belonging to one of the forbidden trades.

“There’s a lot to be gained by a defined benefit plan, and if it works, yeah, why not? You know, I’d say it’s a proven technique. It reduces income, that gets them around the 199A restrictions, but, hey, as long as it’s viable, why not? And this would apply even if 199B wasn’t in play,” he said.

The IRS issued the guidance in early August and held a public hearing about it on Oct. 16. At the hearing, as reported in *Politics*, Troy Lewis, appearing on behalf of the American Institute of CPAs, testified that no uniform definition of a trade or business exists, leaving it to taxpayers to determine trade or business status on a case-by-case basis. In addition, advocates for rental property owners complained about ambiguities that still remain over whether they qualify for the deduction. The guidance is expected to be finalized before the start of the next tax season. The IRS said that taxpayers may rely on the rules in these proposed regulations until final regulations are published in the *Federal Register.*

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Under the prohibited SSTB categories. The IRS has proposed that, in such cases, income from those categories would not be counted as qualified business income (QBI), regardless of whether the entity was actively or passively involved in it. The agency gave the example of a partnership that owns a professional sports team, which falls under the category of an SSTB. In this case, all income from that team would not be counted toward the deduction, and could not be aggregated with other trades or businesses.

In general, aggregation of income is allowed—but not required—so long as the individual can demonstrate that the income comes from a qualified trade or business; the same person or group of persons directly or indirectly owns a majority interest in each of the businesses to be aggregated; none of the aggregated trades or businesses is an SSTB; and the trades or businesses meet two of three additional conditions: They provide products and services that are the same or are customarily provided together; they share facilities or significant centralized business elements, such as common personnel or IT resources; or they are operated in coordination with, or reliance on, other businesses in the aggregated group.

Scott M. Cheslowitz, another member of the Closely Held and S Corporations Committee, said that being able to aggregate will make tax planning much simpler.

“Now you can aggregate W-2 wages, whereas before you [couldn’t], so that is something very positive,” he said.

Rental properties

In the proposed guidance, the IRS also cleared up some questions about where rental properties fit into the pass-through deduction program: The renting or licensing of tangible or intangible property that does not rise to the level of a trade or business as articulated in Section 162 of the Tax Code “is nevertheless treated as a trade or business for purposes of” the 20 percent pass-through deduction so long as the property is rented or licensed to a trade or business that does qualify for the deduction.

The IRS also shut down separating out parts of what would otherwise be an integrat ed SSTB to try to qualify for the deduction, a technique nicknamed “crack and pack.” The IRS said that this technique would be inconsistent with the purpose of the statute. To prevent this practice, the IRS’s proposed guidance clarifies that an SSTB includes any trade or business with 50 percent or more common ownership—direct or indirect—that provides 80 percent or more of its property or services to an SSTB. Additionally, if an entity has a 50 percent or more common ownership with an SSTB, the portion of the property or services provided to that entity will be treated as income from an SSTB.

Now, under the guidance, you can’t, in order to take the 20 percent, [be like] a dental practice renting part of a building owned by the same dentist in trying to break out that aspect of the business from the excluded business,” said Cheslowitz. “Some people with the specified trade or service, they will be … looking to do this ‘crack and pack,’ but the guidance says, ‘Hold on a sec, don’t burden your tax preparer with these, we won’t allow it.’”

Yet the guidance does not seem to address another maneuver that some firms have been exploring: using defined benefit plans to reduce income from barred professions to below the earnings threshold, thereby allowing them to qualify, despite belonging to one of the forbidden trades. Cheslowitz said he “didn’t see anywhere in the guidance where that’s not a good idea,” noting that it does not seem like an area of abuse. Morris made the same point, saying that such a maneuver would be relatively uncontroversial.

“There’s a lot to be gained by a defined benefit plan, and if it works, yeah, why not? You know, I’d say it’s a proven technique. It reduces income, that gets them around the 199A restrictions, but, hey, as long as it’s viable, why not? And this would apply even if 199B wasn’t in play,” he said.

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Getting started with data analytics

By JOEL LANZ, CPA/CITP, CFF, CISA, CISSP, CFE

D igitization continues to radically change established business models, as it provides new ways for organizations to interact with their stakeholders. In many cases, digitalization offers new opportunities for businesses to generate revenue or, in the case of not-for-profits, increase donations. Going digital also provides the opportunity for organizations to strengthen relationships with stakeholders by providing a better understanding of how they can retain customer loyalty and business. Yet digitalization also challenges the ability of owners and managers to monitor the pulse of these relationships and the activities supporting them because it replaces traditional “gut feeling” oversight. As a result, many financial professionals use data analytics as a tool to facilitate the oversight of resources for which they have responsibilities.

The Institute for Operations Research and the Management Sciences (INFORMS) defines analytics as the scientific process of transforming data into insights for making better decisions. Many use the term in reference to big data, business intelligence and data analysis. Consultants credit data analytics with altering the basic functionality, including conditional formatting, pivot tables, and mathematical and statistical functions, is a good way to start. "Learning how to use Excel's basic functionality, including conditional formatting, pivot tables, and mathematical and statistical functions, is a good way to start."

For many practitioners, however, the concept of data analytics is not new. Analyzing data has always been core to what they do—whether as auditors who apply analytical procedures, or as financial analysts who monitor trends and use projections to prioritize business strategies. Unfortunately, technology-based analytical procedures were frequently hard to cost-justify in the past. But as Microsoft Office tools such as Excel and Access became generally available on most desktops, they provided ample opportunity to incorporate data analytics into the profession’s services. Audit software tools such as ACL, IDEA and ActiveData continued to make more economic sense as their features expanded. These tools (except for Access) provided statistical functions that represent core business data analytic applications today.

The challenge, initially, was the difficulty that practitioners had in accessing the data in a cost-effective and timely manner; organizations had to make significant investments in technology in order to perform analytics. The move to relational databases and the ability of query languages such as SQL, to facilitate the retrieval of data for further analysis dramatically shifted the economics of analyzing data. And these tools could not come soon enough, as businesses evolved and became more digitized. They enabled companies to digitally manage customer relationships with CRM systems, optimize the use of social media sites to generate business opportunities, and examine text or other non-numerical information. The availability of distributed databases enabled companies to strengthen their market perspectives; these databases provided significant data that required analysis in order for them to remain competitive.

Advancements in visualization technology enabled data analysts to communicate information about and understand visual audit expectations, proactively identifying risk at a lower cost by leveraging the investments in business intelligence became a de facto requirement. Corporate accounting departments continued to receive pressure to analyze and interrogate data—i.e., use filter and sort options—that would provide strategic insight, and not just crunch the numbers.

Three techniques

Generally, data analytics comprises three techniques: descriptive, predictive and prescriptive analytics. Many practitioners are already familiar with descriptive analytics, and probably use it. Using this technique, practitioners identify and describe past activity. This can include ratio analysis, trend analysis, key performance indicators and other procedures that many accountants already apply in performing audit-related analytical review procedures. Many in the business community would also consider financial statements to be a form of descriptive analytics. The technique does not project future outcomes and is the most popular of the three due to its familiarity and ease of use, as well as the limited knowledge of math and related statistical techniques that it requires.

With predictive analytics, practitioners examine the past to help predict the future. Representative techniques can include linear regression, time-series analysis and various computer simulations. Critical to this technique is the assumption that the future performance reflects the past, and that certain consistencies will exist. Although this technique is helpful, making decisions based on past activities can limit the potential of business to seize and capitalize on new developments and opportunities.

Prescriptive analytics suggests a course of action that a decision maker should take. It includes models and, to the extent possible, uses significant amounts of external data to assist in formulating strategies. Examples include portfolio optimization, automated loan underwriting and artificial intelligence. The increased availability of data providing multiple perspectives about potential outcomes is driving much of the excitement relating to this technique.

Fortunately, many opportunities exist to enable practitioners to jump in and start taking advantage of these three techniques. Practitioners can develop their skills by reading. Last year, the AICPA issued Guide to Audit Data Analytics, which is intended to help auditors use technology-based audit data analytics. From a practical perspective, many users are already familiar with Excel. Learning how to use Excel’s basic functionality, including conditional formatting, pivot tables, and mathematical and statistical functions, is a good way to start.

An open-source project called R (r-project.org) offers a free software environment for statistical computing and graphics. The website includes documentation to facilitate self-learning and to practice using R to solve statistical problems. Tableau (tableau.com) provides the capability to analyze data and present results, in an easy-to-understand visual format. A limited, free 30-day trial is available, along with ample instructional vid-

Many opportunities exist for practitioners to jump in and start taking advantage of [the] three techniques [of data analytics]. ... Learning how to use Excel’s basic functionality, including conditional formatting, pivot tables, and mathematical and statistical functions, is a good way to start.”
Protecting a firm by implementing sound billing and collections practices

By RANDY R. WERNER, CPA, J.D., LLM./TAX

Problems arising from billing and collections practices have often plagued CPA firms. But by taking a few basic steps, firms can avoid or manage such problems. Further, those same steps will help firms improve the quality of their practices, attract a better client base, generate more fees and improve cash flow. Many of those steps should begin in advance of a client engagement.

Client screening

Client screening is a crucial step toward controlling losses and enhancing clientele, services and fee structures. The basic process uses a checklist to flag problematic prospective clients.

Some questions about prospective clients may include these:

- Is the client the kind of client the firm would like to have?
- Does the client demonstrate integrity?
- Is the client financially viable?

Some firms create a list of their top five clients, with descriptions of why they’re attractive. The descriptions help guide firm management in choosing the clients they want to entice.

Due diligence for client screening should include the following steps:

- Performing background and credit history checks
- Obtaining and assessing the quality of references, including additional references, if necessary
- Obtaining permission to check with the predecessor firm.

Firms should learn how to recognize higher-risk engagements, and plan their billing and collections practices consistent with the risk. Claims experience has shown that engagements involving buy-sell transactions, public offerings, limited partnerships, financial services, real estate and construction may be higher-risk engagements. If the potential client raises too many red flags, a firm should not accept the engagement.

Client review

Firms should also have a process in place to document existing problem clients. The following are some questions about existing clients:

- Why did the client choose the firm?
- What does the client like about the firm that causes it to stay?
- Are the client and engagement still a good fit for the firm?

If an existing client is no longer a good fit, the firm should not continue the engagement.

Engagement letters

Engagement letters document the understanding with the client and serve as the firm’s first line of defense in the event of a fee dispute. The letter should limit the firm’s scope of services by employing words that limit its responsibility and avoiding words that expand it.

To reduce “payment resistance,” firms should involve their clients in the design of the engagement letter. They should communicate their billing and payment policies during the initial client interview. Clients who balk at the fees during the interview may find it difficult to pay.

Firms should also price their services based on their value in the market. Under-bidding or discounting rates in order to win work can reduce the firm’s resources, increase the chances of shortcuts being taken, and expand the firm’s exposure to malpractice disputes.

Different services often require different billing practices. The engagement letter should spell out the fee structures, such as hourly rates, fixed fees, value pricing, re-fundable retainers and replenishment, or a combination of structures.

Firms should always document their expectations—including billing and payment terms—in the engagement letter. That letter, along with other documentation, can be used later to rectify selective client memory.

Additional recommended actions include:

- Use standardized letters that may be modified and tailored to fit each engagement.
- State estimates, if applicable, and clarify that they are not fee quotes.
- Use retainers/retainer replenishment for clients that are slow-paying, financially stressed or new to the firm. Remind clients that retainers are not an estimate of the total cost, do not earn interest and must be paid before work begins.
- Include a stop-work clause and create a notation that the client wants the added services.
- Include terms for fee collection. Late charges are legal, but they should be reasonable. Do not structure the agreement to collect “interest,” since it may conflict with state usury laws. Consider offering discounts for early payment.
- Include mediation and fee arbitration clauses, which are often successful tools. Mediation is effective for all disputes, and arbitration is effective for fee disputes only.

When the scope of the engagement expands beyond the terms of the engagement, the CPAs liability exposure also expands. The firm should provide a new letter or an addendum to the existing letter to include additional specific services, with a confirmation that the client wants the added services.

Billing tips

If an invoice is unclear, clients may put it aside to address later, lengthening the time it takes to get paid. Standardized, clear, concise and descriptive invoices are more likely to be paid sooner.

All professionals within the firm should be accountable for their timesheets and billing deadlines. Firms should aim to reduce their billable time by using administrative staff, with appropriate training and support, to prepare invoices and collect payments.

Timely billing leads to better collections.

Consider billing more frequently than monthly, as smaller invoices may be paid sooner.

Collection tips

It’s often helpful to speak to the person in the client company who’s in charge of authorizing bill payment. If a large balance is due, consider calling 10 days before the due date to be sure the invoice has been received, and request a payment date.

Collection calls are relatively effective, inexpensive, immediate, personal and informative, but they should be documented in the firm’s files. Staff members need to know the rules under the Fair Debt Collection Practices Act (FDCPA) to prohibit unintentional harassment of debtors. Anger management and mediation training may help staff in dealing with difficult people.

Once a firm has sent out 30-, 60- and 90-day letters, it should consider turning the account over to a professional collection agency in order to avoid spending more valuable time and resources. If a client offers a reasonable partial payment in lieu of full payment, take it and disengage. This frees up valuable time to pursue better clients who pay their bills on time and in full.

Randy R. Werner, CPA, J.D., LLM./Tax, is a loss prevention executive with Camico (www.camico.com). She responds to Camico loss prevention hotline inquiries and speaks to CPA groups on various topics.

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.
Queens/Brooklyn Chapter hosts women’s roundtable on setting up a solo practice

By EUGENIA ARONOVA, CPA

On Aug. 22, the Queens/Brooklyn Chapter of the NYSSCPA held its second roundtable panel of the year, at Queens College, to offer members invaluable information on running a solo practice. The panel consisted of Rumbi Bwerinofa-Petrozzello, Orume A. Hays, Dolly Rios and Naomi Yarimi. Each of the panelists had previously left a “work nest” to take an independent leap forward, with no guarantee of whether she would soar or plunge. Roslyn Khunovich, the deputy controller at the American Jewish Committee, served as the moderator. The event was sponsored by Capital One Bank.

One prominent question quickly arose: What qualities does a CPA need to start a practice? In addressing that question, the panelists discussed the proper attitude needed to leave the “nest” and make the leap. Rios, said it best: “Get comfortable with being uncomfortable.”

She explained that if a new sole practitioner is expecting a monthly check, a set schedule or even the same doctor that she was used to, “You are taking your eyes off your dream and its success.”

She described how, despite being terrified of leaving her COBRA plan, she made the decision to leave a lucrative position as a director of finance for St. Bartholomew’s Church and Community Preschool in midtown Manhattan to co-found a firm, and she never looked back. She is now a partner at Rios & McGarrigle, LLC, while continuing as an adjunct professor at Baruch College.

Khunovich, who is a member of the Queens/Brooklyn Chapter’s Executive Board and chair of its Special Events Committee, asked the panel what resources they found especially helpful when starting their business that they still use today. Hays mentioned several critical tools that help her with daily functions, including Facebook or WhatsApp group chats with qualified professionals, the NYSSCPA’s mentoring program, the NYSSCPA’s networking group, as well as attending similar roundtables and other events that the chapter organizes. As founder and managing director of Hays CPA LLC, she provides tax, accounting advisory and outsourced controller services.

When asked about daily challenges, Bwerinofa-Petrozzello spoke about Rock Forensics, her practice in the area of forensic accounting. Although her practice flourishes through hard work, talent and dedication, Bwerinofa-Petrozzello confided about the struggles she faces, due to the seasonality of the business and the lack of client continuity.

“I look at you guys, and I’m thinking: You are so lucky,” she said. “Your clients come back to you every year to do their taxes. Yet with my business, if my clients come back, that means I did something wrong. A client that does not return is the one where I did a good job.”

She added that the nature of one’s business plays a great role in generation of sales. Whether the business offers a very specific specialization or a general practice will determine the type of advertising and marketing it needs to attract and retain clients.

A focus on fees

Yarimi offered her take on the issue troubling the savviest of practitioners—the fees. She suggested taking, as the base, the hourly wage that a CPA would pay an assistant to do grunt work and multiplying it by at least three. Upon starting her own firm, Yarimi was invited to merge with Eshel, Aminov & Partners LLP, and she now spearheads the firm’s controllership department.

The panelists discussed the importance of charging fees that incorporate an opportunity cost, being fair to oneself and fighting the stigma that still exists against a woman practitioner. In particular, they cautioned women against lowering their fees or offering an abundance of services in order to compete with their male peers, because the result could be insufficient fees.

Khunovich also presented staggering statistics about CPA firm ownership. Women represent only 24 percent of all partners. The panelists attributed this low number to several factors, including gender discrimination. Other factors included women leaving to seek a more flexible work-life schedule or to become sole practitioners.

Some of the men in the audience appeared to be taken aback by these statistics.

Eugenia Aronov, CPA, is CEO and president of EMA Professional Services Inc. and a member of the NYSSCPA’s Queens/Brooklyn Chapter.

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Members mingle at Fifth Annual Whiskey Tasting

On Oct. 3, the Society hosted a networking event featuring whiskey connoisseur David McNicoll, who offered tales of the liquor’s history.
Doing the right thing: the conceptual approach to evaluating independence

By VICTORIA L. PITKIN, CPA, CGMA

In March 2018, the AICPA Professional Ethics Executive Committee (PEEC) released two FAQs addressing threats to a member’s independence resulting from the long association of senior personnel with a client. Since the NYSSCPA adopted the AICPA’s code as its own code of conduct in May 2013, all Society members are subject to it. The gist of both FAQs, considered together, was that a threat to a member’s independence might exist as a result of his or her having worked with a client for a long period of time, and if such a threat is determined to be significant, appropriate safeguards need to be implemented in order to eliminate the threat or reduce it to an acceptable level.

The threat that the PEEC is concerned with is the familiarity threat to the member’s independence, which is addressed in the Conceptual Framework for Independence (the “Conceptual Framework”) in ET section 1.210.010. The Conceptual Framework provides an overall approach to identifying and addressing potential threats to independence, other than those that are specifically covered by the independence interpretations in the AICPA Code of Professional Conduct (the “Code”). Before the introduction of the Conceptual Framework, a practitioner might conclude that if there was no interpretation that specifically addressed a potential independence issue, there was no independence impairment. Once the Conceptual Framework was introduced, however, a new threats-and-safeguards approach was introduced into the Code. In the absence of a specific interpretation, the member must now consider the guidance in the Conceptual Framework in order to determine if there is a threat to his or her independence. Because this approach requires a significant amount of professional judgment, the member should evaluate the facts and circumstances through the “eyes” of a reasonable and informed third party who is aware of the relevant information.

The approach, outlined in the Conceptual Framework, starts with identifying potential threats to independence. Threats are broadly classified into seven categories: adverse interest threats, advocacy threats, familiarity threats, management participation threats, self-interest threats, self-review threats and undue influence threats. Each of these categories is defined and illustrated within the Conceptual Framework. It is important to note that a member may be faced with more than one threat to his or her independence, depending on the facts and circumstances of the member’s relationship with the client.

Consider the situation in which a partner in a CPA firm has worked continuously on an engagement for 20 years. For some partners, this amount of time might be their entire professional careers; for others, 20 years might represent the length of time since they were promoted to partner. Considering just these facts, a reasonable and informed third party would probably conclude that a familiarity threat exists.

Once a threat to independence has been identified, the member has to determine if the threat is a significant threat. If so, the member might conclude there is no significant threat exists, he or she made in determining whether the threat is significant, and the effect of the implemented safeguards on the threat. The example discussed above addresses the familiarity threat arising from a senior engagement professional’s long association with a client. There are other threats to a member’s independence that are not specifically addressed in the independence interpretations. Therefore, it is important for every member to be aware of these possible threats to his or her independence.

Victoria L. Pitkin, CPA, CGMA, is director of quality control at Ostrow Reisin Berk & Abrams, Ltd. She chairs the NYSSCPA’s Accounting and Review Services Committee and is a member of its Professional Ethics Committee.

At Society’s poker evening, a focus on business skills and strategy

On Aug. 23, the NYSSCPA hosted “Poker Night: An Evening of Strategy,” offering members insights on leadership and negotiation.

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A cyberattack last year became a literal matter of life and death, as hackers locked Erie County Medical Center personnel out of their network until they could pay a ransom. Reg Harnish, CEO of GreyCastle Security and a speaker at the Foundation for Accounting Education’s Sept. 20 Health Care Conference, said businesses everywhere can learn from the hospital’s rapid response to the incident, which it resolved without having to pay any ransom money.

Speaking at the NYSSCPA’s Wall Street headquarters, Harnish, who directed the hospital’s response to the intruders said “we continue to see this in health care globally, where larger organizations are being targeted because they have more money and smaller ones because they’re more vulnerable or they’re perceived to be more vulnerable.” He noted that Erie County Medical Center, as a mid-sized organization, was subject to both targeting biases. It has 1,000 beds, a Level 1 trauma center, 30 outpatient services, and more than 300,000 outpatient visits and 12,000 surgeries per year.

How it all began

Harnish walked his audience through the order of events. He said that the intruders first gained access to the system early on April 1. Rather than the more typical automated incursions, he said this one was directed by an actual human being connecting, first, from the Netherlands to a compromised computer in Brazil, which was then used to access the hospital in New York. He pointed out that the cybercriminals knew what they were doing, as they accessed the system overnight, when IT staff had gone home. This allowed them to work without being seen. The attackers had discovered compromised credentials beforehand and, using those credentials, were able to gain access to the entire network.

Next, he said, came the reconnaissance phase, during which the hackers had access to the system, they didn’t yet know exactly what kind of system they had. So the next phase was looking around at the other computers on the network and poking around for more information, as well as for items such as passwords for databases that could be stolen and sold online for cash.

The incursion deepened on April 2. It followed a typical pattern in which, before anything else, the attackers installed spam engines to send junk email from the hospital, as well as bitcoin mining programs that could use the network’s processing power to mine cryptocurrencies. Following this step, the hackers began a more dedicated probe for vulnerabilities: They’d disguise their ransomware program as a copy of Google Chrome. The antivirus system detected the attempt and stopped it, but Harnish said this also had the effect of giving the hackers information on just what antivirus system they were dealing with, which meant they could now adapt the software to fool this specific program. And they did: This initial block was followed, over the course of five days, with numerous other attempts with slightly different disguises, each one getting detected until, finally, they were able to make a version that could slip past the hospital defenses.

“If it is a very technical process, but imagine you’re trying to get into a nightclub and the bouncer ID’s you, so you walk around and put on a different hat, and if he still IDs you, you walk around the corner and put on a mask or change your coat, and that’s basically the process: Keep changing identity and the way you look until you’re not discovered,” he said.

On April 7, the program began sending out spam emails as an initial stage of the attack, with Harnish noting that an email from Erie County Medical Center is much more likely to be opened. Meanwhile, more and more remote connections were made with the main network—dozens over the course of two and a half hours.

On April 8, the hackers, having now gotten their version of the ransomware into the network, effectively shut off the system’s authentication mechanism. That meant, Harnish said, that they “modified the software checking for username and password, so no ransom, as the attackers hadn’t yet realized that the hospital was a billion-dollar organization, which would have caused them to demand more than the initial $45,000 ransom.

Harnish said his firm was soon able to detect one backup that the hackers didn’t lock or destroy, which had been held by an entity affiliated with the hospital. While not completely up to date, it gave the hospital some breathing room and a better reason not to pay the ransom. While hospital staff did need to switch back to pen and paper for the six weeks it took to completely clear the offending programs, he said the overall incident ended without the hospital paying a cent in ransom money.

A successful response

Harnish considers this response a success, not just because of the operational outcome, but because of the legal one as well. While the hospital was indeed the subject of a cyberattack, he noted that quick work from the hospital’s legal team meant that the hospital did not have to declare a data breach, which carries numerous regulatory implications.

“Things get really expensive and time-consuming after you declare a breach,” he said. “You want to be working relentlessly to avoid having to declare a breach. It’s very tricky, but it saves time and money in the long run.”

He also said the hospital had a very good communications response. The issue was immediately communicated to local media, as well as to the attorney general, the Department of Health, the Office for Civil Rights, local law enforcement and others.

“You want to control the message,” he said. “If Erie County hadn’t gone out early, imagine the story — that would have been made on this, and the conjecture and assumptions. Your communications strategy must be [developed] very early. If you can go out and say, ‘Here is what we know happened, here’s what we’re working on,’ it calms folks and gives them confidence you have this under control.”

Harnish said that many lessons can be gleaned from this experience. For one, he said, those held by ransomware attacks should “go to DEFCON 1 ASAP,” referring to the maximum defense readiness condition. The first step is activating your cybersecurity response plan; if you do not have one, he highly recommended developing one, even if it’s as simple as a single sentence instructing you to call the company’s cybersecurity firm. Whatever response is planned, he said, it should have, as priority number one, the protection of electronic personal health records, which he said, was the biggest risk, and which also means having an inventory in order to know exactly where they are. This plan should also include a communications component.

Whatever an entity does, though, he said it should assume that there will be later scrutiny. “You can expect litigation, whether patients or business associates or the state, or the attorney general,” he said. “There will be some kind of legal activity, so make sure you do everything by the book, which means following your own personal plan, complying with established standards and using credentialed experts.”

Harnish also advised companies to get leadership involved right away. “I want people who can make unilateral decisions right there,” he said — communications, legal and clinical leaders, in particular. IT, he said, is secondary.

As far as actual response, the affected entity should also initiate a lockdown once it knows it has been targeted. This means changing passwords on critical assets, powering down or disconnecting noncritical assets, disabling outbound traffic, disabling off-hours access or even internet access in general, and freezing bank accounts.

“You should have a procedure where, instantaneously, you notify the people who can do this and, instantly, all this stuff can happen,” he said.

He also reiterated how important it is not to have to declare that a data breach occurred. To accomplish this, he suggested that a hospital engage a third-party attorney who is fluent in the Health Insurance Portability and Accountability Act (HIPAA), as well as collect and document all evidence that proves, or even suggests, that the integrity of personal electronic health records was maintained.

“Our story is, Yes, there was exposure, yes there was a compromise, but no, there was not a breach.”

If you want to save a lot of time and energy, figure out how to get really good at not declaring a breach.”

—Reg Harnish, CEO, GreyCastle Security

By CHRIS GAETANO

Speaker: Professionals can glean lessons from hospital’s response to cyberattack

If you want to save a lot of time and energy, figure out how to get really good at not declaring a breach.”

—Reg Harnish, CEO, GreyCastle Security
Appeals court backs IRS over AICPA in tax preparer registration case

By CHRIS GAETANO
Trusted Professional Staff

On Aug. 14, the U.S. Court of Appeals for the D.C. Circuit ruled in favor of the IRS over the American Institute of Certified Public Accounts (AICPA), allowing the service to keep operating its voluntary return preparer registration program, known as the Annual Filing Season Program. The appeals court ruled in AICPA v. IRS that, despite the AICPA’s arguments, the IRS did indeed have the proper authority to create the program.

This is the latest chapter in a years-long saga over IRS regulation of paid tax preparers. The IRS announced in 2010 that it intended to compel individuals who are required to sign a federal tax return as paid return preparers to register with the IRS and pay a user fee, as well as make mandatory the use of preparer tax identification numbers (PTINS). The revenue agency initiated the program in response to an internal study indicating that many taxpayers were being ill-served by their preparers, voicing alarm that such a large industry was largely unregulated. While CPAs, attorneys, and enrolled agents were subject to professional standards, the report found that “a large share of tax return preparers do not pass any government or professionally mandated competency requirements before they prepare a federal tax return.”

Consequently, the IRS program would require all paid tax preparers—excepting CPAs, attorneys and enrolled agents—to take an initial competency test, take regular professional education, be enrolled in a public database, be subject to IRS compliance checks, and be subject to Treasury Department Circular 230, which concerns regulations governing practice before the IRS, as well as penalties for unethical and unprofessional conduct.

The first lawsuit

The program drew immediate protest from non-CPA tax preparers, culminating in a suit, Loving v. IRS, filed in 2012 by three preparers who argued that Congress did not give the IRS authority to level such requirements, and that the entire program was therefore invalid. In January 2013, the U.S. District Court for the District of Columbia enjoined the IRS from implementing its regulatory program as it allowed the plaintiffs’ lawsuit to go through. The IRS appealed the district court decision in March of that year. Finally, in February 2014, the D.C. Circuit ruled that the plaintiffs were correct and that the IRS had overstepped its authority.

Later in 2014, the IRS responded to the court ruling in Loving v. IRS, filed in 2012 by three preparers who argued that Congress did not give the IRS authority to level such requirements, and that the entire program was therefore invalid. In January 2013, the U.S. District Court for the District of Columbia enjoined the IRS from implementing its regulatory program as it allowed the plaintiffs’ lawsuit to go through. The IRS appealed the district court decision in March of that year. Finally, in February 2014, the D.C. Circuit ruled that the plaintiffs were correct and that the IRS had overstepped its authority.

In its latest decision, the D.C. Circuit ruled that the AICPA’s arguments lacked merit, and that the IRS had the authority to create the tax preparer registration program. The appeals court found that the IRS was not trying to resurrect its mandatory program, as participants can consent to its requirements. The court also pointed out that the program focuses specifically on tax preparers when they represent clients before the IRS, not when they engage in the act of paid tax preparation work in general, which indicates that the requirements are indeed within its statutory authority. The court agreed with the IRS that “§330(a) authorizes the IRS to establish and operate the Program, and §7803(a)(2)(A) authorizes the agency to publish the results of the Program.” Finally, the court determined that the IRS did not violate the federal Administrative Procedure Act because the program was an interpretive rule instead of a legislative one, meaning that the IRS did not have to follow notice-and-comment rule-making procedures connected to it.

One of the three judges on the appeals court panel concurred in part and dissented in part. He largely stood with the majority, but disagreed that the IRS could skip the public-notice-and-comment part of issuing the new rule, saying that the statute does not really differentiate between types of rules, and only refers to rules generally. While the program was not explicitly a legislative rule, the judge believed that it had all the features of one, and so faulted the IRS for not following the proper process.

An AICPA spokesperson issued a statement about the ruling on Aug. 14, in part: “We are in the voluntary sector, and so the IRS was not trying to resurrect its mandatory program, as participants can consent to its requirements. The court also pointed out that the program focuses specifically on tax preparers when they represent clients before the IRS, not when they engage in the act of paid tax preparation work in general, which indicates that the requirements are indeed within its statutory authority. The court agreed with the IRS that “§330(a) authorizes the IRS to establish and operate the Program, and §7803(a)(2)(A) authorizes the agency to publish the results of the Program.” Finally, the court determined that the IRS did not violate the federal Administrative Procedure Act because the program was an interpretive rule instead of a legislative one, meaning that the IRS did not have to follow notice-and-comment rule-making procedures connected to it.

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Giving back: my personal experience doing one-on-one financial counseling

By ROBERT H. YUNICH, CPA

For the past four and a half years, I have been a Financial Coaching Corps volunteer—technically, a credit crisis counselor—in the Retired and Senior Volunteer Program (RSVP). After completing my graduate degree many years ago, for a variety of reasons, I had dug myself into a very deep credit abyss from which, fortunately, I was able to recover. That recollection, plus all the recent press coverage about the millions of people overburdened with debt obligations, led me to seek out a means to use my skill set and knowledge to help. One idea that this article is to inspire other CPAs to become involved in this or similar pro bono programs.

RSVP is a program of the Corporation for National and Community Service (CNCS), a federal agency, and is sponsored by the Community Service Society of New York (CSS), a nonprofit organization that advocates on behalf of more than 3 million low-income New Yorkers. The only qualification for participating in the RSVP as a financial coach is being 55 or older.

How the program works

Clients, who come from a variety of backgrounds and economic circumstances, are guided through a crash course in improving their financial literacy. At the outset, they learn that the financial coaches will offer options to address their financial situation and concerns, but not recommendations. The financial coaches strongly encourage clients to become empowered to make their own financial decisions.

Each volunteer sees two to three clients one day per week. Although clients can schedule multiple appointments, the majority of them come only once. Each appointment lasts approximately one and one-half hours. My appointments are held at the Science, Industry and Business Library in midtown Manhattan.

At the initial meeting, clients—with guidance from the financial coaches—usually obtain one of their own credit reports. The website annualcreditreport.com allows people to obtain, at no charge, one credit report annually from the three major credit reporting services—Equifax, Experian and TransUnion. The most prevalent issues that arise are the following:

• Incorrect information. Once credit reporting services are notified, they have an obligation to verify the correction and update clients’ credit reports within 30 days.
• Legal judgments pending in a New York City civil court for the collection of unpaid debt obligations. These cases usually arise because clients have not received proper notice that a creditor has initiated a lawsuit; accordingly, clients fail to appear for their court date. With help from the financial coach, clients learn about the remedies available to them.
• Delinquent accounts assigned to debt collectors or sold to debt buyers. Debt buyers are companies that buy in bulk, at very deep discounts, debt accounts from creditors, on the premise that the amount recovered will be greater than the amount paid. The financial coach reviews the client’s rights and consumer protections contained in federal statutes and in New York City’s laws and regulations.
• Past-due student loans. Since the rules are fairly complex, most clients are unaware of the ways to cure the delinquency and available repayment options. The financial coach provides information and guidance so that the client can deal with these issues.
• Clients also learn sound money management and budgeting skills.

This is a tangible example of the work Rebecca (not her real name), a woman in her late 20s, scheduled an appointment. During a difficult period of unemployment, she had accumulated $20,000 in credit card debt, was delinquent on her student loans and owed back taxes on self-employment income that she had not reported. Two weeks prior to her first meeting with me, she was hired by a very prestigious interior design company. During the first few meetings, Rebecca created a personalized spending and debt repayment plan. Over the course of additional sessions, we discussed other important issues, as well as monitoring her progress in sticking with her plan.

As of the last meeting about two years ago, Rebecca had paid down approximately $14,000 in debt. She was on her way to total solvency: Her student loans and taxes payments were current. She also had a better understanding of her workplace 401(k) and insurance, and had become engaged to be married.

Benefits of volunteering

Among the personal rewards and benefits of the coaching experience have been the following:

• First and foremost is the psychological satisfaction of making a difference in another person’s life by providing help that, otherwise, would not have been available. Many people are ashamed or embarrassed that they have landed in the situation that drove them to seek coaching. Practicing techniques to quickly create rapport with clients, get them engaged and earn their trust has been very beneficial to me.
• Participation has led to professional growth—becoming a better and more empathetic listener, gaining expertise in subject areas I previously had little knowledge of, and learning how to ask the right questions to uncover additional issues. I strongly encourage others to seek opportunities to give back to the communities where they live.

Robert H. Yunich, CPA, spent most of his career in financial services. After working for two public accounting firms, he transitioned to commercial banking, and for the last 15 years has been a financial advisor. For more information about becoming a volunteer credit crisis counselor, contact him at rhyunich@gmail.com.
This is the only AML/CTF event that brings together the top experts, regulators and industry leaders in a one-day conference. Come hear from an extraordinary lineup, including—

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- Chip Poncy, Esq., on BSA and OFAC Compliance
- Marcy M. Forman, CAMS, moderates the panel on “Yield” from BSA/OFAC Protocols
- Richard Weber, Esq., on Communications Between Financial Institutions and Law Enforcement
- Sean M. O’Malley, CPA, CFE, of the New York Federal Reserve, moderates a panel on Alternative Strategies for BSA/AML/OFAC Governance

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Speaker: Bitcoin becomes security battleground, as digital currency grows in popularity

By CHRIS GAETANO
Trusted Professional Staff

While advocates of the popular digital currency bitcoin have emphasized its increasing presence in the legitimate economy, the extreme difficulty of linking transactions with individual users means it remains a favorite of cybercriminals invested in maintaining their anonymity. Speaking to an audience at the Foundation for Accounting Education’s Business and Industry Conference on Oct. 17, Steve Stasiukonis, president of cybersecurity consultancy Secure Network Technologies, Inc., explored some of the security implications behind the rise of cryptocurrencies such as bitcoin.

Stasiukonis noted that while bitcoin is an electronic currency, aspects of criminal use can bleed over into the real world, particularly where it concerns the mining of bitcoin. In order to generate new bitcoins, “miners” use computers to solve complex cryptographic problems that get harder as the number of bitcoins in existence increases. While during the cryptocurrency’s very early stages, people could mine new bitcoins using a home computer or even a smartphone, today, the process requires far more processing power than any casual user might be able to generate. Many times, then, those mining bitcoins must use specialized machines with extreme amounts of power to even begin making any appreciable amount of money.

Stasiukonis said that his own office had acquired a set of specialized mining computers, and it began generating bitcoin there. The process required so much energy that the heat generated from the computer was able to warn the entire floor of his company, which was first negotiating its lease. At the same time, its network had slowed to a crawl, to the point where it couldn’t even generate room keys. At the same time, its electricity costs were skyrocketing. The hotel suspected that it had been hacked. While this was technically the case, it wasn’t in the way that most people expect.

“It wasn’t a problem of them getting hacked, some nefarious hacker breaking into their environment,” Stasiukonis said. “They had outsourced their entire environment to another IT company to manage their network, and the IT guy would put bitcoin-mining software on their entire infrastructure. So this guy is mining bitcoin on this hotel’s network to make money for himself.”

Incidentally, not only was the man discovered and fired, but Stasiukonis noted, he also didn’t make much money, because even when using an entire hotel’s computer network, he still was not able to generate enough power to get an appreciable number of bitcoins.

Bitcoin and ransomware

More common is the link between bitcoin and ransomware. Because sovereign money is much more easily tracked, extortionists who demand payment in exchange for unlocking someone’s systems more commonly ask for bitcoin. Stasiukonis said, however, that it’s still possible to get at least some information from a bitcoin account. He said his company recently paid a ransom of $28,000 worth of bitcoin on behalf of a client, and while the specific identity of the person demanding the ransom remains unknown, the company was at least able to track what that person was doing.

The blockchain that enables bitcoin to operate is both public and private. It’s public in that all transactions between accounts are visible on a public ledger that anyone can see. It’s private in the sense that the ledger has no information on who specifically owns these accounts—just that these accounts do exist. However, if someone is demanding bitcoin, that person will need to tell the victim what account to send it to, which means that even if the identity of the account holder is unknown, one can still see other activity related to the account, including that associated with other victims.

“We tracked down his key; the public key he uses for us to pay him, and [we see] all the transactions of people who paid him. One guy pays him three bitcoins—$18,000; another guy paid him 34 bitcoins... It tells all the ransom scenarios he was doing. These are the bitcoin transactions. He was doing rather well,” he said.

Still, Stasiukonis noted that while some information can be gleaned this way, the means of zeroing in on identification such as addresses, phone numbers or even real names remain a mystery. Yet he said that he was able to ascertain that one connection associated with the account came from Luxembourg and another came from Lithuania, though he added that these are likely proxies that the perpetrators connected to from another location.

“They can cover their tracks well,” he said.

Stasiukonis said that if one needs bitcoin to pay a ransom, the best place to go is probably an exchange, as mining bitcoin is no longer practical for most people. He added, too, that because transactions cannot be reversed, one should be very careful that it’s going to the right place before hitting “send.”

“When you pay someone and make a mistake, you could be off by a couple of letters or digits [when typing out the account to send it to], and you’re done; there’s no do-over. You’re not getting it back. You paid the wrong guy,” he said.
What fictional accountants do you think get the profession right? Which ones get it wrong?

TATIANA TSOIR | Accounting and Tax Director | Mount Kisco

I’d say Christian Wolff, the character played by Ben Affleck in *The Accountant*, gets it right (aside from the killing people part). The movie shows this detail-oriented, meticulous person who pays attention to every single little transaction and gets to the bottom of the issue or root of the problem for the people he works with. In order to be a successful accountant, you have to pay attention to a lot of little details that could escape other people, and so I felt that aspect of his character was very much on point when it came to being an effective professional. He’s detail-oriented, not afraid to spend hours focusing on a problem and extremely disciplined, sometimes to the level of paranoia—a quality that, to some extent, a successful accountant should possess. I felt the movie captured that side of accounting pretty well.

On the other side, I’m thinking about a scene in the movie *Hitch* with Will Smith, where a wealthy client is in a conference room full of guys in suits, and she’s asking for their approval to invest her own money, and they’re telling her no, it’s too risky. To me, accounting is about the relationship with our clients, and that’s a little more personal (and personalable) than just a conference room full of suits. It’s more of an ongoing relationship, not a once-a-year meeting, in most cases (especially if you have a wealthy or celebrity client), but this was not really shown there.

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KEVIN M. PENNER | Senior Accountant | Amherst

One that gets it at least somewhat right, I would say, is the main character Andy Dufresne, played by Tim Robbins, in the movie *The Shawshank Redemption*. Serving out a life sentence for a murder he didn’t commit, Andy helps the prison warden with a tax problem—an inheritance issue. The movie got that part right because it was someone actually helping out with a situation attached to a life event, so that his client wouldn’t have to pay as much in taxes. He was a quiet guy with a sharp mind who always seemed to approach problems from multiple angles.

As far as negatives, I don’t even know if he’s an accountant, but Milton from *Office Space*, played by Stephen Root, is certainly the stereotype. The thick glasses, the inability to have a conversation, the extreme introversion—then again, though, I also think he was one of the funniest parts of the movie.

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MATTHEW G. GALLAGHER | Financial Business Manager, St. John’s University | Queens

I have two examples where I think they get it wrong. The first that came to mind was in the movie *Ghostbusters* in 1984—there was an accountant there, Louis Tully, played by Rick Moranis. He was kind of geeky, with a pocket protector, and he would invite clients to his parties so he could write them off as a business expense. Sure, accountants can sometimes be into their jobs, but they’re usually not as nerdy as that. For one thing, most of us probably aren’t arranging our guest list for a party based on claiming it as a business expense.

The other is Kevin Malone, from the TV show “The Office,” played by Brian Baumgartner. And again, he’s this goofy, awkward type guy who doesn’t take a lot of things seriously. It’s a sitcom, of course, but we’re usually much more professional than that. On the other hand, another of the accountants in the same show, Oscar Martinez, played by Oscar Nuñez, is a little more realistic—he tries to get things done and actually takes his job seriously—with, of course, some pushback from the other characters.

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STEPHEN M. CERRUTO | Tax Supervisor | Hicksville

I’d have to say that *The Accountant* starring Ben Affleck gets it right—not completely, of course, but mainly in the scene with him in the conference room going through everything and finding the answers, and the joy he had while doing it. Many accountants love what they do, and those of us that do find such joy in solving the puzzle and getting our clients the best result possible. It’s probably the first time I’ve seen an accountant portrayed as loving what he did. There are many of us who do!

As for the opposite, I’d say David Lindhagen, the character portrayed by Kevin Bacon in *Crazy, Stupid, Love*. As with many accountants in film, he’s, of course, portrayed as typically unhappy—he says to Emily, Julianne Moore’s character, that since meeting her he’s happy: “And suddenly I was an accountant who was popping out of bed in the morning, excited to get to work. That doesn’t happen to accountants. Ever. I’ve checked with other accountants.” This stereotype of the unhappy accountant is just not true—again, there are many of us who love what we do.

I think positive portrayals are rare because it’s difficult to make what we do exciting for media. With other professions, such as lawyers and doctors, it’s easy to be dramatic (cue a doctor saying, “You’re not going to die today!” or a litigator shouting at the jury, “The facts are irrefutable!”), but for accountants, so much of what we do is behind the curtain. To those of us in it, accounting can be extremely exciting; but in media, it’s easier to use the boring accountant stereotype than it is to develop a deep plot that focuses on the accountant’s work.

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CHAPTER EVENTS & CPE

Adirondack
Adirondack Chapter Annual Tax Conference
When: Nov. 1, 9 a.m.—5 p.m.
Where: West Side Ballroom, 253 New York Road, Plattsburgh
Cost: $125 members; $150 nonmembers
CPE: 8 (taxation)
Course Code: 28612941
Contact Barbara Montour at mohawkcpa@icloud.com

Buffalo
Buffalo Chapter CPA Ethics Update
When: Nov. 6, 6–8 p.m.
Where: Salvatore’s Italian Gardens, Transit Road, Depew
Cost: $50 members; $90 nonmembers
CPE: 2 (regulatory ethics)
Course Code: 42012908
Register online or call 800-537-3635

New CPA Celebration
When: Nov. 7, 6–8 p.m.
Where: Big Ditch Brewing Company, 55 E. Huron St., Buffalo
Cost: $15 per person
Course Code: 45010906
Register online via PayPal

Joint Buffalo Chapter & Tax Executives Institute Dinner Meeting
When: Nov. 14, 5–8 p.m.
Where: Italian Village, 6354 Transit Road, Depew
Cost: $25 per person
Course Code: 45010904
Register online via PayPal

Manhattan/Bronx
Manhattan/Bronx Chapter Buying and Selling an Accounting Practice
When: Dec. 4, 6–8 p.m.
Where: NYSSCPA, 14 Wall St., New York
Cost: $20 members; $30 nonmembers
CPE: 2 (advisory services)
Course Code: 29152902
Register online or call 800-537-3635

Mid Hudson
Mid Hudson Chapter Town and CPA Ethics Update
When: Nov. 15, 9–10:45 a.m., Ethics; 11 a.m.—1 p.m., Professional Issues Update
Where: Powelton Club, 29-63 Balmville Road, Newburgh
Ethics Course Code: 42022911
Cost: $35 members; $50 nonmembers
CPE: 2 (regulatory ethics)
Professional Issues Course Code: 42022912
Cost: free
CPE: 2 (advisory services)
Register online or call 800-537-3635

Nassau
Nassau Chapter Student CPA Fest
When: Nov. 14, 2:30—8:30 p.m.
Where: Chateau Briand, 440 Old Country Road, Carle Place
Cost: $10 per student
Course Code: 45030904
Register online via PayPal

Nassau Chapter Attorney & Accountant Joint Committee Networking Event
When: Nov. 27, 6—9 p.m.
Where: The Fox Hollow, 7725 Jericho Turnpike, Woodbury
Cost: $70 per person
Course Code: 45030906
Register online via PayPal

Nassau Chapter Annual Tax & Financial Planning Conference
When: Nov. 30, 7:30 a.m.—3:30 p.m.; Dec. 1, 8:30 a.m.—5 p.m.
Where: Long Island Marriott Hotel & Resort, 101 James Doolittle Boulevard, Uniondale
Cost: $175 members; $250 nonmembers
Course Code: 28603923 (Nov. 30);
28603924 (Dec. 1)
Register online or call 800-537-3635

Nassau/Suffolk Joint Event
Joint Nassau/Suffolk Chapter Accounting & Auditing Conference
When: Nov. 9, 8:30 a.m.—4:45 p.m.
Where: Radisson Hotel Hauppauge—Long Island, 110 Vanderbilt Motor Parkway, Hauppauge
Cost: $175 members; $250 nonmembers
CPE: 8 (5.5 accounting; 2.5 auditing)
Course Code: 28103922
Register online or call 800-537-3635

Queens/Brooklyn
Queens/Brooklyn Chapter CPA Ethics Update
When: Nov. 8, 6:30—8:30 p.m.
Where: St. John’s University—Ozanam Lounge, St. Vincent Hall, 8000 Utopia Parkway, Queens
Cost: $30 members; $45 nonmembers
Course Code: 42162909
Register online or call 800-537-3635

Queens/Brooklyn Chapter Town Hall and Professional Issues Update
When: Nov. 28, 6—9 p.m.
Where: Palo Santo, 652 Union St., Brooklyn
Cost: free to members; $25 nonmembers
Course Code: 42162910
Register online or call 800-537-3635

Queens/Brooklyn Chapter Annual Tax Conference
When: Dec. 4, 8:45 a.m.—9:15 p.m.
Where: NYSSCPA, 28103924
Course Code: 28103922
Register online or call 800-537-3635

Northeast
Northeast Chapter Bank, Bar, Ledger and CPA Ethics Update
When: Nov. 19, 3:30—7:30 p.m. (CPE 3:30–5:30; cocktail reception 5:30–7:30 p.m.)
Where: Albany Capital Center, 55 Eagle St., Albany
Cost: $35 members; $50 nonmembers
Course Code: 42042910
Register online or call 800-537-3635

Northeast Chapter Annual Tax Conference
When: Dec. 4, 8:30 a.m.—4:30 p.m.
Where: Hilton Garden Inn, Troy
Cost: $175 members; $250 nonmembers
CPE: 8 (taxation)
Course Code: 28604941
Register online or call 800-537-3635
Rochester
Rochester Chapter CPA Ethics Update
When: Nov. 7, 3—5 p.m.
Where: Midvale Country Club, 2387 Baird Road, Penfield
Cost: $65 members; $80 nonmembers
CPE: 2 (regulatory ethics)
Course Code: 42052905
Register online or call 800-537-3635

53rd Annual Rochester Tax Institute
When: Nov. 16, 8 a.m.—5 p.m.
Where: Rochester Plaza Hotel, 70 State St., Rochester
Cost: $255 (before Nov. 9); $275 (after Nov. 9)
CPE: 8.5 (taxation)
Registration handled by Monroe Country Bar Association. To register, go to: mcba.org.

Westchester/Rockland Chapters Tax Conference—Part 2
When: Dec. 12, 8:30 a.m.—5 p.m.
Where: Doral Arrowwood, 975 Anderson Hill Road, Rye Brook
Cost: $150 members; $175 nonmembers
CPE: 8 (taxation)
Course Code: 28611935
Register online or call 800-537-3635

Southern Tier
Southern Tier Chapter Town Hall and Professional Issues Update
When: Nov. 8, 3—5 p.m.
Where: Remlik's, 31 Lewis St., Binghamton
Cost: free
CPE: 2 (advisory services)
Course Code: 42062906
Register online or call 800-537-3635

Rockland
Rockland Chapter Town Hall, Professional Issues, and CPA Ethics Update
When: Nov. 1, 5:30—9 p.m.
Where: Casa Mia Manor House, 577 Route 303, Blauvelt
Cost: $75 members; $90 nonmembers
Course Code: 42172904
Register online or call 800-537-3635

Rockland/Westchester Joint Events
Westchester/Rockland Chapters Tax Conference—Part 1
When: Nov. 2, 8:30 a.m.—5 p.m.
Where: Doral Arrowwood, 975 Anderson Hill Road, Rye Brook
Cost: $150 members; $175 nonmembers
CPE: 8 (taxation)
Course Code: 28611934
Register online or call 800-537-3635

Staten Island
Staten Island Annual Chapter Taxation Conference
When: Nov. 16, 8:30 a.m.—4:30 p.m.
Where: College of Staten Island, Performing Arts Center, 2800 Victory Boulevard, Staten Island
Cost: $150 members; $200 nonmembers
CPE: 8 (taxation)
Course Code: 28607921
Register online or call 800-537-3635

Suffolk
Suffolk Chapter Annual Taxation and A & A Update
When: Nov. 27, 5:30–8 p.m.
Where: Irish Coffee Pub, 131 Carleton Ave., East Islip
Cost: $35 members; $50 nonmembers
Course Code: 45110903
Register online via PayPal

Westchester
Westchester Chapter CPA Ethics Update
When: Nov. 27, 5:30—8 p.m.
Where: 800 Westchester Ave., Rye Brook
Cost: $35 members; $50 nonmembers
CPE: 2 (ethics)
Course Code: 42112912
Register online or call 800-537-3635

Staten Island Chapter Private Company Accounting and Auditing Update
When: Nov. 30, 8:30 a.m.—4:30 p.m.
Where: College of Staten Island, 2800 Victory Boulevard, Performing Arts Center, Staten Island
Cost: $175 members; $250 nonmembers
CPE: 4 (accounting), 4 (auditing)
Course Code: 28107922
Register online or call 800-537-3635

Syracuse
Syracuse Chapter Town Hall and Professional Issues Update
When: Nov. 6
Where: TBD
Cost: Free
CPE: 2 (advisory services)
Course Code: 42092923
Register online or call 800-537-3635

Syracuse Chapter Annual Taxation and A & A Update
When: Nov. 28, 8:30 a.m.—4:30 p.m.
Where: The Oncenter—East Ballroom Lower Level, 800 State St., Syracuse
Cost: $175 members; $250 nonmembers
Course Code: 28609951
Register online or call 800-537-3635

Syracuse Chapter Town Hall and Professional Issues Update
When: Nov. 29, 8–10 a.m.
Where: Irish Coffee Pub, 131 Carleton Ave., East Islip
Cost: free
CPE: 2 (advisory services)
Course Code: 42082923
Register online or call 800-537-3635

Syracuse Chapter CPA Ethics Update
When: Nov. 27, 5:30—8 p.m.
Where: 800 Westchester Ave., Rye Brook
Cost: Free
CPE: 2 (ethics)
Course Code: 42112912
Register online or call 800-537-3635

Syracuse Chapter Annual Taxation and A & A Update
When: Nov. 28, 8:30 a.m.—4:30 p.m.
Where: The Oncenter—East Ballroom Lower Level, 800 State St., Syracuse
Cost: $175 members; $250 nonmembers
Course Code: 28609951
Register online or call 800-537-3635

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When: Nov. 27, 5:30—8 p.m.
Where: 800 Westchester Ave., Rye Brook
Cost: Free
CPE: 2 (ethics)
Course Code: 42112912
Register online or call 800-537-3635
Extending thanks to all who made Mid Hudson COAP possible

By MARY L. PETROLLESE
Mid Hudson Chapter President

I would like to thank all the members of the Mid Hudson Career Opportunities in the Accounting Profession (COAP) Committee for the amazing program they ran this past June at SUNY New Paltz. In particular, I would like to thank committee chair Tanya Bramble and RBT CPAs for allowing Tanya to take time out of her busy schedule to lead it—as well as A. Rief Kanan and Tracy Badgley, who have run the program for many years and were on board immediately when the chapter decided to run it again. A special thank you goes to Matthew Kanan and Muzi Yin, for volunteering their time to assist as chaperones, and to Lauren Biggers, outreach manager at the NYSSCPA, for all her work supporting the program; it would not have been possible without their help.

I would also like to acknowledge the high school students who participated in the program with great enthusiasm and dedication: Kelly Bramble, Adasea Chambers, Kajol Chudgar, Ariadna Luis-Ruiz, Hongju "Jet" Qiu and Caleb Simmons.

Last but not least, I want to thank the Mid Hudson professionals who participated in the program: They opened the doors to their businesses and allowed the participants to experience what it’s like to be an accountant in their industries. Thank you to Gary J. Cassiello and Christopher M. Coburn of Juddelson, Giordano & Siegel; Elliott Auerbach, Ulster County comptroller; Jeannette Leone, Mohonk Mountain House controller; Rich and Bill Gillette (and team) of Gillette Creamery; Janet Giannetta, director of human resources for RBT CPAs; Amanda Pecorella, in-charge accountant at RBT CPAs; Magda V. Reyes, director of finance for Satin Ice; Jerry Gleason, author and presenter of Business Etiquette: The Do’s and Don’ts of Receptions & Meals.

State Department of Taxation and Finance offices in downtown Brooklyn. We have a great slate of speakers lined up to answer all of your questions regarding the new tax law. We’ll then gather as a chapter to celebrate the holidays in mid-December, possibly at a bowling alley. Check our chapter web page for updates, as more details will follow.

Please join us at some or all of the events that we will be hosting. These events present opportunities not only to receive CPE, but also to meet fellow CPAs who deal with issues similar to those we all encounter on a regular basis. Hope to see you there.

mario@info-byte.com

Great CPE and networking opportunities in Queens/Brooklyn

By MATTHEW G. GALLAGHER
Queens/Brooklyn Chapter President

The Queens/Brooklyn Chapter had a very active summer. On Aug. 9, we hosted our third annual Brooklyn Cyclones game in Coney Island. Following a summer barbecue on the grounds of the stadium, we were able to meet and greet other CPAs during the game. All attendees were treated to a Brooklyn Cyclones win and fireworks following the game.

On Aug. 22, we hosted a sole practitioner roundtable at Queens College with an emphasis on women practitioners in the field. We heard about how these women overcame difficult odds to become the successful practitioners they are today. (See story, page 9.)

The chapter held two events at St. John’s University on Aug. 28. The first was a Legislative Breakfast with New York state Sen. Tony Avella and Assemblyman David I. Weprin, who joined us to discuss their legislative agenda in Albany. Later that evening, we held a 3-credit CPE session on bitcoin and asset protection strategies hosted by Forster Boughman Lefkowitz & Lowe, a Florida-based law firm.

The fall is looking active for us as well. We will be holding our annual 2-credit ethics update on Thursday, Nov. 8 at St. John’s University in Queens. On Wednesday, Nov. 28, we will hold our annual Town Hall meeting with officers of the NYSSCPA, at Palo Santo Restaurant in Park Slope, Brooklyn. Please check the chapter web page, at nysscpa.org/membership/chapters/queens-brooklyn, for details.

December will bring our annual tax conference on Tuesday, the 4th at the New York State Department of Taxation and Finance offices in downtown Brooklyn. We have a great slate of speakers lined up to address all of your questions regarding the new tax law. We’ll then gather as a chapter to celebrate the holidays in mid-December, possibly at a bowling alley. Check our chapter web page for updates, as more details will follow.

Please join us at some or all of the events that we will be hosting. These events present opportunities not only to receive CPE, but also to meet fellow CPAs who deal with issues similar to those we all encounter on a regular basis. Hope to see you there.

gallaghm@stjohns.edu

Looking ahead to an event-filled fall and winter

By MICHAEL B. HERZ
Westchester Chapter President

The summer has gone by quickly, albeit it a bit on the hot, humid and moist side. Hopefully, ‘monsoon season’ is over, and we can begin to enjoy drier, cooler weather. The Westchester Chapter is back up and running at full speed as well, with many upcoming programs. In addition to the Business and Industry Conference on Oct. 17, for which Citrin Cooperman graciously offered its conference room as a satellite location, we have scheduled two tax conferences. The first will take place on Friday, Nov. 2, 8:30 a.m., at the Doral Arrowwood in Rye Brook and the second will take place on Monday, Dec. 17 at the same time and location.

In addition, I am very pleased to announce that we have resurrected our chapter’s Accounting and Auditing Committee, which has been dormant for several years; the ‘Re-recruiting Event,’ which was not held last year but now is scheduled for Thursday, Nov. 1, 6-9 p.m., at the Cambria Hotel in White Plains; and the ‘Managing Partner’s Breakfast,’ which was not held last year but now is scheduled for Wednesday, Jan. 23, 2019, at The Renaissance Hotel in West Harrison.

We are also in the process of bolstering the Tax Committee membership and looking into scheduling the Legislative Breakfast.

During our August Executive Board meeting, I put forth my initiative for a Board continuity plan. I urged committee chairs to reach out to members, asking them to step up within their respective committees to take on leadership roles. This, in turn, should lead to fresh faces with committee experience and the willingness to serve on the Board, so that the Board has its own succession plan in place. I hope to provide positive updates on this initiative as the year rolls on.

michaelbherz@gmail.com
The FAE delivers the following professional education programs for CPAs and other financial professionals in all areas of business, including all public accounting practice areas, and those working in government, industry, and academia, to help satisfy their New York State calendar-year continuing professional education requirements. To search within New York City, refer to Manhattan/Bronx. To search within Albany, refer to Northeast. For the most up-to-date events information, visit nysscpa.org or call 800-537-3635. SIGN UP TODAY!

### AICPA Pricing Schedule
For AICPA-developed courses, the following pricing schedule applies.

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For 4-hour courses, see course description for price information. For details, refer to the registration information on nysscpa.org.

### FAE Listings

#### MANHATTAN/BRONX

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#### KEY GEOGRAPHIC AREA
**AC** Accounting, **AD** Auditing, **AU** Ethics, **SK** Specialized Knowledge, **T** Taxation

### FOR NOVEMBER 1, 2018, THROUGH JANUARY 31, 2019

12/27 | FAE's 2019 Financial Statement Disclosures for Small to Medium-Sized Businesses | AD/8 | 33167911, 35167911 (W) | FAE Learning Center Foundation for Accounting Education | $279/5379 |
11/15 | CFO/Controller's Roadmap to Organization Success with Integrated Planning, Forecasting, and Budgeting | AD/8 | 33512991, 35512991 (W) | FAE Learning Center | $279/5379 |
11/16 | Current Developments and Best Practices for Today's CFOs and Controllers | AD/8 | 33519191, 35519191 (W) | FAE Learning Center | $279/5379 |
11/26 | K2's Budget and Forecasting Tools and Techniques See course listing under Accounting. |
11/23 | BOE's QuickBooks Online and Other Top Accounting Software for Small Businesses | AD/8 | 34503991, 35403991 (W) | FAE Learning Center | $279/5379 |
11/28 | Anti-Money Laundering Conference | AD/8 | 25130911, 35130911 (W) | Burch College Foundation for Accounting Education | $385/5485 |
11/20 | FAE's 2018 Audit Update | AC/8 | 21150912, 35150912 (W) | FAE Learning Center | $279/5379 |
11/27 | Software for Small Businesses | AD/8 | 34503991, 35403991 (W) | FAE Learning Center | $279/5379 |
11/28 | CFO Series—Reinventing the Finance Role | AD/8 | 25130911, 35130911 (W) | FAE Learning Center | $279/5379 |
11/20 | Auditing Standards Conference | AD/8 | 25130911, 35130911 (W) | FAE Learning Center | $279/5379 |
12/5 | Fraud and Abuse in Not-for-Profit Entities and Governments: Stealing from Everyone | AD/8 | 33139191, 35139191 (W) | FAE Learning Center | $279/5379 |
12/11 | Cannabis Conference | AD/8 | 25809911, 35809911 (W) | Converse, 730 Third Avenue Foundation for Accounting Education | $385/5485 |
12/13 | CFO Series—Technical Competence See course listing under Accounting. |
12/19 | Annual Update for Controllers Seminar | AD/8 | 32166911, 35166911 (W) | FAE Learning Center | $279/5379/$249/$349 |
12/20 | Analytics and Big Data for Accountants | AD/8 | 32168911, 35168911 (W) | FAE Learning Center | $279/5379/$249/$349 |
11/8 | Auditing Standards Conference | AD/8 | 25135911, 35135911 (W) | FAE Learning Center | $279/5379/$249/$349 |
11/5 | Fraud and Abuse in Not-for-Profit Entities and Governments: Stealing from Everyone | AD/8 | 32135911, 35135911 (W) | FAE Learning Center | $279/5379 |
11/6 | Surgeon's Four-Hour Yellow Book Qualification Course | AC/4 | 33141911, 35141911 (W) | FAE Learning Center | $279/5379 |
12/5 | Fraud Update: Detecting and Preventing the Top Ten Fraud Schemes | AD/8 | 32182911, 35182911 (W) | FAE Learning Center | $279/5379/$249/$349 |
11/7  New York and Tri-State Taxation Conference
T/B  3265911, 3565911 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

11/7  5 Corporation Core Tax Issues from Formation Through Liquidation
T/B  33626911, 35626911 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

T/B  32628911

11/9  Slashing Taxes for Your Small Business Clients: Corporations, Partnerships, and LLCs
T/B  32630911, 35630911 (W)
FAE Learning Center
ACPA
$279/$379/$5249/$349

11/12  Buying and Selling a Business: Critical Tax and Structuring Issues
T/B  33632911, 35632911 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

11/14  Closely Held and Flow-Through Entities Conference
T/B  25602911, 35602911 (W)
FAE Learning Center
Foundation for Accounting Education
$335/$435

11/15  Real Estate Conference
See course listing under Accounting.

11/19  Targeted 1040 Forms Update for the Occasional Tax Preparer
T/B  33639111, 35639111 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

11/20  The Complete Guide to Payroll Taxes and 1099 Issues
T/B  33634911, 35634911 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

11/21  Federal Income Tax Update Workshop—Individual Clients
T/B  33645911, 35645911 (W)
FAE Learning Center
Tax Educators Network
$279/$379

12/4  Surgent’s Comprehensive Guide to Tax Depreciation, Expensing and Property Transactions
T/B  25609911, 35609911 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

12/7  IRS Practice and Procedures Conference
T/B  25608911, 35608911 (W)
FAE Learning Center
ACPA
$335/$435

12/10  Federal Income Tax Update Workshop—Business Entities
T/B  34662911, 35662911 (W)
FAE Learning Center
Tax Educators Network
$279/$379

12/10  Getting Ready for Busy Season: A Guide to New Forms, Filing Issues, and Other Developments
T/B  33661911, 35661911 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

12/11  Federal Income Tax Update Workshop—Individual Clients
T/B  34649911, 35649911 (W)
FAE Learning Center
Tax Educators Network
$279/$379

12/12  Comprehensive Workshop on Depreciation, Amortization, and Transfers of Property Issues—Answers and Planning Strategies
T/B  34648911, 35648911 (W)
FAE Learning Center
Tax Educators Network
$279/$379

12/12  Exempt Organizations Conference
T/B  25507911, 35507911 (W)
CIA Executive Conference Center
Foundation for Accounting Education
$385/$485

12/13  Fiduciary Income Tax Returns—Form 1041 Workshop with Filled-in Forms
T/B  33663911, 35663911 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

12/14  How to Settle a Client’s Estate
T/B  33650911, 35650911 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

12/17  Preparing Individual Tax Returns for New Staff and Paraprofessionals
T/B  33652911, 35652911 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

12/18  Tax Forms Boot Camp: Partnerships and S Corporations
T/B  33653911, 35653911 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

12/19  Efficient and Effective Form 1040 Review: The Next Step for Valuable Staff
T/B  33654911, 35654911 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

12/20  The Best S Corporation, Limited Liability and Partnership Update by Surgent
T/B  33655911, 35655911 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

12/21  The Best Individual Income Tax Update Course by Surgent
T/B  33656914, 35656914 (W)
FAE Learning Center
Surgent McCoy CPE, LLC
$279/$379

1/3/19  Estate Planning Series: Postmortem Estate Planning
T/B  34657911, 35657911 (W)
FAE Learning Center
Werner Rocca Seminars
$279/$379

1/4/19  Federal Individual Income Tax Update
T/B  34568912, 35658912 (W)
FAE Learning Center
Werner Rocca Seminars
$279/$379

NORTHEAST ACCOUNTING
11/14  FAE’s 2018 FASB Accounting Update
AC/8
Hilton Albany
Foundation for Accounting Education
$279/$379

AUDITING
11/14  FAE’s 2018 Auditing Update
AC/4
Hilton Albany
Foundation for Accounting Education
$279/$379

11/15  FAE’s 2018 Compilation, Review, and Preparation of Financial Statements Update
AC/4
Hilton Albany
Foundation for Accounting Education
$279/$379

ETHICS
11/27  FAE’s Ethics Update for Members in Business
E/4
Hilton Albany
Foundation for Accounting Education
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11/27  FAE’s Ethics Update for Members in Public Practice
E/4
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T/7
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Werner Rocca Seminars
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