

MISSISSIPPI ASSOCIATION



ACCOUNTANTS' REGISTER

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JULY – SEPTEMBER 2003

MAPA
Can
POSITIVELY
Do anything

FROM THE DESK OF THE PRESIDENT

SUSAN W. BEARD, EA, ABA

For those of you who were not able to attend the 2nd annual tri-state convention in Nashville, Tennessee, you missed a wonderful fellowship opportunity. Beginning with the president's reception on Sunday evening, to the dinner cruise on the General Jackson and ending with the installation banquet on Tuesday night, a grand time was had by all. The facilities were second to none and the CPE was truly top notch.

I must say that my experience as MAPA President has already been beyond my wildest expectations. Not only did you give me this opportunity to serve you, you also gave me the great honor of being named the 2003 Accountant of the Year. Needless to say, to borrow a word from John Montgomery, I was "whelmed".

Included in this newsletter is a page listing the MAPA officers and directors for 2003-2004. Each of these officers and board members would welcome your suggestions. Feel free to contact any of us with your ideas and/or concerns. We are here to serve you and look forward to working with you for a better MAPA.

I look forward to seeing you at the Gear Up Farm seminar on September 8 and again at the Business Entities seminar September 23 and 24.

My theme for this year is MAPA can Positively do anything. I am **POSITIVE** that together we can.

Susan W. Beard

NEWS FLASH JUST IN FROM GEAR UP

The following e-mail was received in the MAPA Central Office:

Hi Jo,

I have had Dr. Bill Hoover, the professor of Forestry at Purdue University and the author of the US Forest Service Tax Manual on Forestry, contribute to this year's farm manual on forest taxes, with a number of examples - roughly 15 pages just on trees!

Bob Jennings, CPA, CFP

You see, they DO listen to what we say in the comments section of our evaluation sheets. Many of those who attended last year's Farm Seminar asked for more information on timber issues.

In addition to those topics listed in your brochure Bob and Ron will cover:

Conservation Easements-Tax Issues and Explanations
Tax Credits - What are we missing
Are you overlooking the optional SE Election benefits?
More in-depth coverage of commodity wages

Sounds like this is going to be one that you don't want to miss. Better register now as brochures were sent to Arkansas, Tennessee and Louisiana members in addition to our own state of Mississippi.



FROM THE MAPA EXECUTIVE DIRECTOR

Sanford D. Warren, CPA

Preparing tax returns for 2003 will be a bigger problem than we have ever experienced before. Hopefully, the software preparers will get the programs correct to begin with. Long term capital gains made through May 5 will continue to be taxed at 20% while those after this date will be taxed at 15%. Large gains still can cause AMT problems for high income individuals - married with income over \$150,000 and singles with income over \$112,500. That's because their minimum tax exemptions phase out above those levels. To the extent their exemptions are lost because of the long term gains, the effective rate on gains becomes 21½% instead of the 15 percent rate.

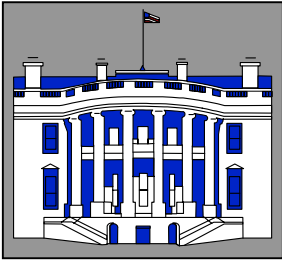
Many dividends are taxed at capital gain rate in the new law. In order to benefit from the lower rate, you must have owned the stock for more than 60 days of a 120 day qualifying period. The qualifying period begins 60 days before the ex-dividend date. Also, you cannot use the reduced rate if receipt of the dividend causes you to be obligated to make payments on property that is substantially similar to the stock or property that is related to the stock. Dividends paid by an S Corporation should be eligible for the reduced rate. Dividends are linked to the accumulated earnings and profits. Most distributions from S Corporations are not considered dividends.

The amount that a small business can deduct for depreciable property placed in service during 2003, 2004 and 2005 is increased from \$25,000 to \$100,000 and the capital purchase amounts for qualifying property is increased from \$200,000 to \$400,000. Off-the-shelf computer software is added to the list of Code Sec. 179 property.

Just how much of a change will the rate reductions mean for a typical high income couple? Example: Jack and Suzanne Birkwood, a married couple with two children under age 17, have \$300,000 of income. Their income includes \$10,000 in dividend income and they have \$50,000 in itemized deductions.

	Proposal	Present Law	Savings	% AGI
Adjusted gross income	\$300,000	\$300,000		
Itemized deductions	-45,185	-45,185		
Personal exemptions	<u>-3,172</u>	<u>-3,172</u>		
Taxable income	\$251,643	\$251,643		
Tax	62,688	69,607	\$6,919	
Child credit	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
Tax after credits	\$ 62,688	\$ 69,607	\$6,919	2.31%

A similar result will be available for single taxpayers also. There are numerous quirks in the new law and it would take too much paper to even highlight the effects. It will be a challenge, however, especially for tax planning since rates revert back after 2008.



CENTRAL OFFICE NEWS

*By: Jo M. Allen, EA, ABA, ATA
MAPA Executive Sec./Treasurer/Editor*

DATES TO REMEMBER

Gear Up - Taxation of Farmers and Ranchers - Goldstrike Casino and Resort, Tunica, MS, September 8, 2003. Deadline for room reservations is August 11, 2003. Call 1-866-245-7511 to make your reservations. These brochures have been out several weeks. If you did not receive one call me.

Gear Up - Business Entities Seminar - Clarion Hotel and Convention Center, Jackson, MS, September 23-24, 2003. Brochures were mailed July 21st. If you do not receive one by the end of July call me.

Central Mississippi Chapter's Annual Seminar - Jackson Southwest Hotel, Jackson, MS, October 22, 2003. Brochures will be mailed in August.

Gear Up - Individual Income Tax Seminar - Clarion Hotel and Convention Center, Jackson, MS, December 3-4, 2003. Brochures will be mailed last week of September.

Three bills have gone out to all 2002/2003 members for 2003/2004 dues. Letters were sent July 17th to those who had not yet paid their dues. MAPA dues are due on July 1 and are considered delinquent after that date. Work will begin on updating the yearbook on August 1. If dues have not been received by then you will not be listed in the new yearbook. Once again, the yearbook will be posted in the members only section of the website when it is complete. You can go to that section, call for the complete yearbook and print out a copy to replace the one you currently have. There were no changes to the Constitution or By-Laws so if you prefer you can eliminate printing those pages.

The central office is here to serve you. If we can be of assistance do not hesitate to call us at 1-800-321-1276.

SYMPATHY

Our hearts and prayers go out to Jean and the rest of the Ennis family on their loss. John passed away in June after an extended hospital stay. He will be sorely missed by all of those who knew and loved him. He served three terms as President of MAPA, served on the board, chaired or served on most every committee at some time and was my most faithful supplier of articles for this newsletter. In addition, he served as NSA Governor of District VI from 1978-1982 and was faithful to attend NSA conventions. It was John that encouraged me to join MAPA in 1975 and I have tried to follow his example of a good, active committed member.

The MAPA Board of Directors, at their June 22nd meeting, voted to honor his memory with a \$500.00 contribution to the William A. Bartlow Scholarship Fund of the Central Mississippi Chapter. John and Bill were close friends and we know John smiled down from heaven when this decision was made.

REPORT ON IRS - MISSISSIPPI STATE TAX COMMISSION LIAISON MEETING IN JACKSON MISSISSIPPI - JULY 10, 2003

By: John E. Montgomery, CFE, EA, ATA

The July 10 liaison meeting with IRS and the State Tax Commission was attended by two attorneys, five CPAs and one EA, me. IRS had nine representatives present and the State Tax Commission had three.

Pat Bisson, IRS, said about 50% of current IRS employees are eligible for retirement now. Since 1994, IRS has added a total of 79 revenue agents nationwide. The number of collection officers has been reduced from 9,000 to 3,200 nationwide. A big part of the collection officers effort is to be devoted to "trust fund" money withheld from employees' wages and not paid to IRS. She recommends strongly that we respond promptly to requests from IRS.

There will be a total of four centers nationwide for processing tax returns in the not too distant future. The number of seizures of property by IRS for non-payment of taxes has been drastically reduced....less than 100 last year. The new "Fast Track Mediation" procedure is being implemented to try to resolve issues prior to the filing of appeals in tax matters.

There were 227 million individual income tax returns and 131 million other tax returns filed last year, along with a billion information returns. There were 47 million returns e-filed and 4.2 million telefiled. IRS hopes to have 52 million returns e-filed by 2007. Preparers may e-file 2002 returns through October 15, 2003. Forms 1120 and 1120S can be e-filed starting in January 2004.

Letters are being sent to 25 million taxpayers advising them they will be getting a check within the next two months for "advance child tax credit". (Some of us have already been phoned by clients wanting to know how much their check will be and when????)

Changes for the year 2003 were briefly covered. Capital gains tax rates are reduced. Income tax rates are also being reduced by 3% to 5%. One confusing tax change relates to the "health care insurance tax credit". (It's so limited by exceptions that I couldn't understand it!) Section 179 deduction is increased to \$100,000 for business equipment bought in 2003. And, the depreciation rate for new business property 50%..."bonus depreciation"....you must "elect out" if you don't want to use this rate.

The Taxpayers Advocate office (Janice Washington) is functioning....and does a good job for my clients who I have referred to TA.

There was a new IRS phone directory distributed to us....Jo Allen can fax you a copy, or phone Dennis Caranna, IRS Territory Manager (Phone no. 601-292-4747) to request a copy.

They furnished us a beautifully assembled 60 page booklet on "Abusive Tax Schemes" as well as a number of publications relating to e-filing and the IRS EFTPS (Electronic Fund Transfer Payment System). IRS is anxious to have all businesses participating in EFTPS so they can get their hands on the tax payments more promptly. The IRS CD is titled "Everything You Always Wanted To Know About EFTPS".

STC employees blamed the fire for the delays in making refunds. The fire originated in the sales tax section of the huge warehouse headquarters south of Clinton....a battery backup fire we were told. The smoke and soot and sprinkler system water damaged most everything. The 450 employees are now working in about one fourth their former space. The computer system was down for two and a half weeks. The 100 phone lines are now 25 lines; it is difficult to get a call through. Fortunately, there are few changes in state tax law....but look out for the next legislature!

Summary....e-filing is the darling of IRS top management. If you're not e-filing now, you better plan to get into it for next filing season.

MAPA OFFICERS AND DIRECTORS

JULY 1, 2003 - JUNE 30, 2004

President	Susan W. Beard, EA, ABA	Vicksburg
Executive Vice President	Hayward G. Anderson, CPA	Hattiesburg
First Vice President	Curtis L. Clanton, ABA	Eupora
Second Vice President	John B. Winstead	Forest
Secretary	Paula J. Pixler	Jackson
Treasurer	Jo M. Allen, EA, ABA, ATA	Carthage
Directors - One Year	Bumond C. Houtz, Jr., EA, ABA	Hattiesburg
	Michael H. Gilreath	Gulfport
Directors - Two Years	Michele Y. Turberville, CPA	Tupelo
	Oyd W. Davis	Long Beach
	Rebecca W. Newby	Jackson
Executive Director	Sanford D. Warren, CPA	Jackson
Parliamentarian	Pamela C. Stamps, CPA	Brookhaven
Immediate Past President	Marshall E. Jenkins, EA, ABA, ATA	Tupelo
NSA State Director	Perry W. Smith, EA, ABA, ATA	Crystal Springs
NSA District Governor	James M. Boyd, II, EA, ABA	Vicksburg

GOING TO CONVENTION FROM A SPOUSE'S PROSPECTIVE

Submitted by: Ruby E. Smith

This year, going to convention was an anticipated event. And, as Susan said in her inaugural speech, a bunch of firsts for me.

Our trip began with a trip to Marshall and Sarah's in Tupelo. We had never visited their hometown. You can bet we want to go back. Marshall drove us all around town and exposed us to the "elite" section. We saw gorgeous old homes as well as new ones on rolling hillsides. Naturally, we had to see Elvis's birthplace. Boy did he go a long way!

Well, if you think the Jenkins family doesn't have any children, you need to meet Zack. This little Scottie rules the roost. Our grandson Justin tried to wear Zack out. I believe they succeeded in falling in love.

Sunday morning we drove three more hours to Nashville. We were not one bit disappointed in the Music City Sheraton. There it sat on top of a hill with about 25 acres surrounding it. We had beautiful and spacious rooms as well as anything we may need.

It has to be said here that Tennessee didn't miss a detail in their planning. We are challenged to be all that we can be to meet this same quality in 2004 as we host Tennessee and Alabama.

The relationships continue to build with folks from Tennessee and Alabama. When Tracey Boyd and Wayne Beard taxi us all around, we always had our friends from Alabama and Tennessee with us. Speaking for Perry and I personally, we have built relationships with some of these people and now they feel like life long friends. I can see this is also the case with other of our members. Getting to know them is getting to love them as the old song goes.

One of the nicest touches was in our Hospitality Suite. Tennessee had flower arrangements in red, white and blue. Arranged in the flowers were state flags from Alabama, Tennessee and Mississippi. These flags were carried forward to decorate the head table at the installation banquet. After the banquet, they were graciously given to Mississippi. See, we already have a start on decorations.

Sunday afternoon I sat at the registration table for Mississippi. To my delight, I met Meme Hanna and his wife and children from Louisville, Kentucky. I couldn't wait for Perry and Jimmy and others to get out of their meeting to let them know we had a Kentucky representative attending. It has been a goal of theirs for a while for Kentucky to get back involved in this district. Believe me when I say Mr. Hanna did not lack a warm welcome from anyone.

Nashville itself was a welcome sight. I loved the cruise on the General Jackson, didn't miss out on several trips to the Opry Mills Mall, touring the stars homes and downtown Nashville. But, my personal favorite was the Opryland Hotel. For a country girl like me to see a river flowing right through the middle of a hotel is something. We never had anything like that in DeKalb. My mouth stayed open so I could Oo and Ah over the lush flowers, waterfalls, sprinklers, birds and fish. I want to go back.

I think all of us spouses should have a get together soon and begin our plans for 2004.