



The Nebraska Independent Accountant Newsletter

Nebraska Affiliate of the National Society of Accountants

March 2007



NSA STATE DIRECTOR MESSAGE By Eric Hansen

Let's be honest here! If I rambled on about NSA benefits with you buried under files and files and files -- if I discussed NSA's upcoming events while you are looking at tax returns stacked to the ceiling -- if I said NSA was there for you while Mr. & Mrs. You-Know-Who just called for the third time wondering when their returns will be done -- or if I espoused NSA legislative successes as you think you hear Mr. & Mrs. You-Know-Who in your front office with "one quick question"; would you care? Probably not!

When we are finished with tax season, when that last return is prepared, when we file our umpteenth extension, when we e-file all that should be e-filed, when we turn off our computers and after we reacquaint ourselves with friends, pets and family --- Oh! and when we catch-up on sleep, recover from TSS (Tax Season Syndrome) and fire Mr. & Mrs. You-Know-Who then we can talk business and NSA.

For now all I'll say is this, "You Slacker! What were you doing wasting time reading this article! Get Back To Work!!!!"



EXECUTIVE SECRETARY REPORT By Mandy David

Only one more month left of tax season! Our tax season started off on a rocky start, or should I say icy. A bad ice storm came through our area on New Years Eve which in turn caused many problems and headaches. Our office was closed for the first week in January and then for two and a half weeks we were running off a small generator for power. It made life interesting, to say the least, but it also made us thankful for what we have.

This year we have scheduled our summer seminars a month earlier. We have partnered with the IRS and Nebraska Society of CPA's for a half-day liaison meeting at Mahoney State Park on May 9th. Please read the flyer inside for more information. That evening we will have a board meeting at the Country Inn & Suites in Lincoln. Then on the 10th, we will have a Gear-Up Planning for Retirement to Transfers at Death Seminar at the same hotel. Brochures will be mailed the end of March or the beginning of April. Hope to see you there!

I wish everyone a Happy Easter and hope the Easter Bunny stops by your house!!

NSA SPEICAL ALERT
March 12, 2007

NSA has learned of a March 8 decision of the Tax Court that may have a significant impact on the business of NSA members and wants to bring it to your attention as it may require immediate action on your part.

The Tax Court decided in *Rainbow Tax Service vs. IRS* that a solely owned corporation that offered tax preparation and bookkeeping services was engaged in accounting services under section 448(d)(2), I.R.C. As a result, the corporation is subject to the section 11(b)(2), I.R.C., flat 35 percent tax rate applicable to qualified personal service corporations. A copy of the Tax Court's opinion may be found at the following website: www.ustaxcourt.gov/InOPHistoric/Rainbow.TC.WPD.pdf

Please note that the sole owner of the corporation in the case was not a CPA and the corporation had apparently never employed a CPA. The facts in the case, which are stipulated, state that Rainbow is not a public accounting firm, and Rainbow's employees do not perform services that would require any employee to obtain a CPA certificate. Rather, Rainbow's employees spent all of their work-related time providing tax return preparation and bookkeeping services and related administrative and support services for several of Rainbow's clients. Nevertheless, Rainbow's activities were considered the providing of "accounting services" by the Tax Court.

Rainbow had calculated its tax using the graduated tax rates applicable to corporations as set forth in section 11(b)(1), I.R.C. The Tax Court instead found that, because Rainbow met both the function test (substantially all of its activities was providing "accounting services") and the ownership test (more than 95% of the stock was owned directly or indirectly by employees providing the services), Rainbow was a personal services corporation and should be taxed at the flat 35% rate as specified in section 11(b)(2), I.R.C.

NSA has reservations about the Tax Court's reasoning in this case. However, unless and until the decision is modified or overturned, if you operate your business in a manner substantially similar to the petitioner in Rainbow, you may also find that IRS wants to tax your corporation at the 35% rate. One option may be to change your corporation's status and become a Subchapter S corporation. The filing deadline for this election is March 15 - this week - so time is short. Other options may exist depending on your personal situation, but by all means review those options now.

(This message was forwarded to all NSIA members that we have email addresses for. If you would like to be added to the list, please email Mandy with your name and email address to mandy david@qwest.net.)

*We want to extend our sympathy to
Ray and Sharon Scholl's family in the loss of
Ray's mother, Alice, on March 2nd.*

**NSA to Offer ABA Crash Course
and Examination**

If you are looking to earn the Accredited Business Accountant (ABA) credential, here's a way to jump start your study preparation and take the exam when you are most prepared to tackle it. Sign up for the ABA Crash Course and Exam. This two-day cram course will help reinforce and expand your knowledge of the five topics covered by the exam. You will have the opportunity to take a sample exam, receive tips and tools for expert facilitators and build the body of knowledge needed to successfully pass the ABA exam. Then, when you are all prepared, the ABA exam will be administered on the third day.

The course and exam will take place August 13-15 at the Portland Marriott Waterfront, Portland, OR, immediately preceding the NSA Annual Meeting.

The cram course is a comprehensive coordinated program designed to fully prepare you with the knowledge and test-taking skills to pass the ABA test. You will receive a copy of the ACAT prep book, a two-binder set covering all five aspects of the 200-question exam: accounting, business consulting, business law, ethics, taxation. Plus, you'll get a study guide to steer your studies by providing step-by-step, week-by-week directions for study and review. A month before the exam, you'll receive a preview test you can take to gauge your readiness and identify weak areas. On site in Portland, you'll have two full days with skilled facilitators giving you strategies for answering questions and time-tested hints on test-taking skills. This cram course will touch on the exam's topics, but its main focus is preparing you to take the test, not teaching you accounting. Though registrations will be accepted until July 31st, to maximize your results and give you the most preparation time, we strongly encourage you to register by May 1st.

For more information on the Crash Course or the NSA Annual meeting, visit nsacct.org/profdev.asp.



2007 Practitioner Liaison Meeting

“Excellence in Partnering”

Agenda

Collection and Exam Updates

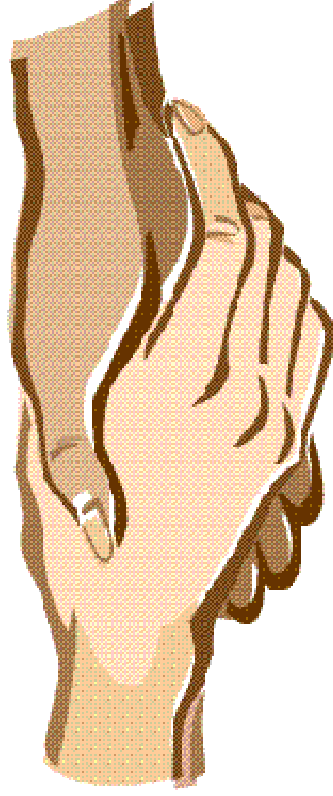
Auditing 101

Return Preparer Program

Reasonable Officer
Compensation

Local Taxpayer Advocate

State of Nebraska Updates



Free Registration!!!
Course is Limited
to the First 60
Registrants – So
Register Early

Co-Sponsored by:

Nebraska Society of Certified Public Accountants

Nebraska Society of Independent Accountants

Internal Revenue Service

**4 CPE Credits
Available!!!**

May 9th, 2007 at Mahoney State Park

Sign-in from: 7:30 a.m. – 8:00 a.m.

Meeting: 8:00 a.m. – 12:00 p.m.

How To Register:

Call Betty Hayman at 402-361-0324

Fax 402-361-0100

Email: Betty.A.Hayman@irs.gov

OFFICERS & DIRECTORS

President	Cindy Buller	402-896-5191
1st Vice President	Ray Scholl	402-462-8800
2nd Vice President	(Position Open)	
Secretary	Eric Hansen	402-333-1323
Treasurer	Jon Tonniges	402-747-3381
Executive Secretary & Publications & Promotion	Mandy David	308-995-8223
NSA State Director	Eric Hansen	402-333-1323
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Director District 4	Carol Child	308-282-0842
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Seminars & CPE	Jeff Bring	402-466-8000
Constitutional By-laws	Ray Scholl	402-462-8800
Past President Advisory	Stephen Douglas	308-382-6082

UPCOMING EVENTS FOR 2007:

May 9	IRS Liaison Meeting Mahoney State Park Ashland, NE
May 9	NSIA Board Meeting in evening Country Inn & Suites Lincoln, NE
May 10	Gear-Up Planning for Retirement to Transfers at Death Seminar Country Inn & Suites Lincoln, NE
August 16-18	NSA National Convention Portland, Oregon
September 19	NSIA Board Meeting in evening
September 20	NSIA Annual Meeting
September 21	Andy Biebl Farm Seminar Holiday Inn Kearney, NE
November 7	NSIA Board Meeting in evening
November 8-9	Gear-Up 1040 Seminar Downtown Holiday Inn Lincoln, NE

NEBRASKA SOCIETY OF INDEPENDENT ACCOUNTANTS
P O BOX 560
HOLDREGE, NE 68949

FORWARDING & ADDRESS SERVICE REQUESTED



We are just a click away!
Please visit www.nebsia.com