

# THE Wisconsin Accountant

**2010 Seminars**

**September 19 - 21**  
**WAA Annual Convention**  
**Wisconsin Dells**  
**Wilderness Hotel**  
**(800) 867-9453**

**September 30 - Oct 1**  
**Bob Jennings**  
**Business Entities**  
**Wisconsin Dells**  
**Kalahari Resort**  
**(877) 254-5466**

**October 18 - 19**  
**Federal Tax Update**  
**Wausau**  
**Stoney Creek Inn**  
**(715) 355-6858**

**November 1 - 2**  
**Gear Up 1040**  
**Waukesha**  
**Country Springs Hotel**  
**(800) 247-6640**

**November 29 - 30**  
**Bob Jennings**  
**1040 Update**  
**Wisconsin Dells**  
**Kalahari Resort**  
**(877) 254-5466**

**December 6 - 7**  
**Gear Up 1040**  
**Hudson**  
**Hudson House Inn**  
**(715) 386-2394**

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## IRS Releases Proposed Regulations Related to Fees for Preparer Tax Identification Numbers

Submitted by IRS

WASHINGTON — The Internal Revenue Service today released proposed regulations that would establish a fee for individuals who apply for a preparer tax identification number (PTIN). Proposed regulations that were issued in March would require certain tax return preparers to obtain a PTIN. The IRS is working to finalize those proposed regulations, which are the first of a series of steps planned to increase oversight of federal tax return preparation.

The proposed regulations (REG-139343-08) would establish a fee of \$50, payable to the IRS, to cover technology costs, as well as compliance and outreach efforts associated with the new PTIN program. The proposed regulations would also provide for an additional fee (expected to be substantially lower than \$50) to be charged by the third-party vendor chosen to operate the new online system. That fee amount is expected to be announced soon, as well as additional details about the launch of a new online application system. These fees could change in future years as program costs are reevaluated.

Agencies are directed by the Office of Management and Budget (OMB) to charge user fees to recover the cost of services that convey special benefits beyond those available to the general public, such as the authority to prepare federal tax returns for compensation.

Tax professionals and other interested parties have until Aug. 23, 2010, to submit comments regarding the proposed regulations. The official publication date of these proposed regulations is July 23.

In January, IRS Commissioner Doug Shulman announced the results of a comprehensive six-month study of the tax return preparer industry, which proposed new registration, testing, and continuing education of tax return preparers. With more than 80 percent of American households using a tax preparer or tax software to help them prepare and file their taxes, higher standards for the tax return preparer community will significantly enhance protections and service for taxpayers, increase confidence in the tax system and result in greater compliance with tax laws over the long term.

### How to Learn More

The IRS recently broadcast the topic "New Requirements for Tax Return Preparers – Learn the Who, What, When and How" on the webinar IRS Live, an educational program for tax professionals. View the archive on [IRS.gov](http://IRS.gov).

Tax professionals can also learn more by attending one of six tax forums this summer around the country hosted by the IRS. The IRS Nationwide Tax Forums are three-day events that provide tax professionals with the most up-to-date information on federal and state tax issues.



# WAA Officers

## OFFICERS

### President:

William E Suttner, CPA  
PO Box 187  
Chilton, WI 53014  
(920)849-9346  
wes@suttnercpa.com

### Vice Presidents:

Thomas M Adler, CPA  
1110 Fourier Dr Ste 110  
Madison, WI 53717  
(608)664-1944  
tadler@adlercpa.com

Glen Johnson, EA, ABA, ATA  
3707 Hamilton Av  
Altoona, WI 54720  
(715)832-5779  
jgr@ameritech.net

### Secretary:

De Anne Chappell, EA, ABA, ATP, ATA  
PO Box 68  
Boscobel, WI 53805  
(608)375-2727  
aai@mwt.net

### Treasurer:

James Badertscher, EA, ABA  
112 West 5th St  
Marshfield, WI 54449  
(715)387-1782  
dataflow-jlb@tznet.com

### NSA State Director:

Samuel J Micale, EA, ABA  
12201 W Burleigh St Ste 6  
Milwaukee, WI 53222  
(414)431-1570  
sjmicale@yahoo.com

### Past President:

James H Molenda, EA  
9401 W Beloit Rd Ste 201  
Milwaukee, WI 53227  
(414)545-2800  
jim@molendatax.com

### Directors:

Nick Krause, EA  
PO Box 8033  
Stevens Point, WI 54481-8033  
(715)341-7100  
nickk@retailfinancialservices.biz

Paul F. Kersten, CPA  
112 W Division St  
Shawano, WI 54166  
(715)524-2302  
paul\_kersten\_cpa@yahoo.com

Mary Jo Boldt, EA  
820 Philip Dr, Ste A  
Waukesha, WI 53186  
(262)549-1700  
maryjo@tomhoye.com

Mark Burbey, CPA  
900 S 10th St  
Manitowoc, WI 54220  
(920)682-6661  
mburbey@burbeycpa.com

## WAA OFFICE

Byron Dopkins, WAA Executive Director  
PO Box 356, River Falls, WI, 54022  
715-425-0482 • 1-800-237-4080

## Executive Corner . . .



**Byron Dopkins,  
Executive Director**

The summer is going too fast! That said we have a full and exciting fall seminar schedule. The WAA annual convention will be held this year at the fabulous Wilderness Resort in the beautiful WI Dells. Take a look at the seminar offerings and I'm sure there is something you will find informative and worthwhile. We are offering 2 hours of ethics twice on Monday. If you are in need of CPE this is a great place to pick up your needed hours.

The big change we made to our fall seminar schedule is to ask Bob Jennings to speak for a two day business seminar and have a two day 1040 seminar. Many of you wanted to expand the amount of instruction hours with Bob Jennings. Both seminars are at the Kalahari Resort and will offer 16 hours at each seminar.

We also have back Prof John Connors who will provide excellent CPE in his unique style. His Federal Tax Update is one of our highest rated seminar every year. We hold this in the middle of the state at the Stoney Brook Creek Hotel in Mosinee, just outside of Wausau.

NSA Convention is in Arlington, VA just outside of Washington DC. Very good CPE with interesting locations - you really need to attend this convention sometime!

Byron L Dopkins, EA, ABA  
WAA Executive Director

## From the President . . .



**Bill Suttner,  
President**

I hope everyone is enjoying the summer and able to get out of the office for some rest and relaxation. We deserve a break every now and then given the stressful profession we work in.

The Association has put together some great seminars this fall so check our website for details and sign up soon. With the changes in the tax laws there won't be any shortage of topics. Also, don't forget to sign up for the annual convention, September 19th through the 21st. It is always a nice way to mix some education and socialization for a few days.

Keep in mind we are always looking for new members and new ways to attract new members. We are currently looking at resources like Facebook and Twitter to assist us with this. Please feel free to give your suggestions to any board member.

Hope to see you at the convention.

Bill Suttner, CPA  
WAA President

## WAA Benefits

- Seminars and Educational Forums
- Accreditation
- Local Chapter Involvement
- Government Agency Liaison
- Monitor Legislation
- Insurance Programs
- Accountants Protection Plan

## WAA Objectives

- To raise professional standards and improve the practice of accountancy.
- To strive for excellence in the profession.
- To encourage accountants in a continuing program of professional development.
- To foster increased recognition for the professional in the public, private and educational sectors of our state.
- To initiate legislative action and provide government liaison between the accounting profession and government leaders.
- To provide meetings and fellowship for accountants.
- To promote the highest standard of ethical conduct among its member.

## Windows 7-Upgrade or Wait?

Submitted by Bob Jennings

As the fastest selling software of all time, Windows 7 is now estimated to have been installed in 15% of the world's computers. The burning question we receive is should I upgrade? Let's look at the short version of the answer.

### Windows XP Computers

Don't upgrade these. To upgrade to Windows 7 it requires a clean install-meaning it will reformat the hard drive removing all previously installed programs, data, drivers and links, thus rendering all of your software, hardware and network connections useless and requiring re-installation.

Additionally, to upgrade you will need to install more RAM and the speed of your processor may still not be sufficient.

### Windows VISTA computers

Upgrade these miserable pieces of software slugs. A Vista upgrade does not require a clean install, so you should not lose previously installed programs, drivers and settings, and your system already has enough power to run Windows 7. You will be pleasantly surprised by the speed and stability of Windows 7 as compared to the Vista slug.

### New Computers

These should be purchased with Windows 7 installed. It is inevitable you will need to change as Windows XP is left behind, and you may as well bite the bullet now. Your other computers will still be compatible with the data from Windows 7 machines, and your hardware and network will still work.

### Which Version of Windows 7 should I use?

There are 3 versions available: Home Premium, Professional and Ultimate. Home Premium is fine, but most practicing accountants will probably want to upgrade to the Professional version, simply because it includes a Windows XP mode to allow it to work with most older software. The Ultimate version includes Microsoft's encryption program, BitLocker, but most people will not need the extra cost and features of Ultimate. We do recommend using the 64-bit version of Windows 7 Professional just because it unlocks the full capabilities of the computer. You may not need those capabilities now, but you may want them next year.

### What about hardware?

We have found that our older printers and scanners will not work with any version of Windows 7 and never will. Just about everything we have bought in the last 2 years seems ok, but our older Fujitsu scanners don't work. Microsoft has a compatibility center at [microsoft.com/windows/campatability/windows-7/en-us](http://microsoft.com/windows/campatability/windows-7/en-us) that allows you to check for compatible software and hardware.

### Dual Monitor Laptop

Most laptops now have an external monitor plug for a Second Screen.

However new this year from Japan is the Onkyo Sotec DX1007 we are using in our 2010 Tech seminars. Negatives-a short battery life (3 hours) and hard to get-we got ours directly from Tokyo via [www.geekstuff4u.com](http://www.geekstuff4u.com) for \$1,100.

It runs a dual display 10.1 inch screen with 2 GB of RAM running Windows 7 and a 320GB hard drive. With a 1.6GHz Athlon Neo MV-40 single core processor and Radeon HD 3200 integrated graphics it also has other features including a 1.3 megapixel webcam, 802.11 Wi-Fi, Bluetooth 2.1, three USB ports, as well as a multi-card and fingerprint reader.



## First Time Homebuyer Congress Extends Closing Date

Last week before Congress went home for the holiday, it extended the closing date in connection with the First Time Homebuyer credit. President Obama is expected to sign the bill.

Instead of having to close on the qualified purchase by June 30, 2010, this bill extends the date to September 30, 2010. The other conditions still have to be met in order for the taxpayer to be eligible for the First Time Homebuyer credit including the condition of having a binding contract in effect no later than April 30, 2010. (Don't be confused by the credit's name; the First Time Homebuyer credit is the same credit available for a long-time resident.)

This bill did not extend any other provisions of the credit.

## HEALTH CARE REFORM: HOW LONG WILL OUR GROUP HEALTH PLAN REMAIN GRANDFATHERED?™

Submitted by Reinhart E-Alert

In March, President Obama signed the Patient Protection and Affordable Health Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010 (HCERA), enacting comprehensive health care reform. This e-alert is another in a series related to the legislation and addresses the scope of PPACA's "grandfathered" status for group health plans.

On June 17, 2010, the Internal Revenue Service, the Department of Labor and the Department of Health and Human Services jointly issued regulations that further define the scope of a "grandfathered" group health plan, including a list of actions that will cause a plan to lose its "grandfathered" status.

## Extended Filing Deadline For Form 990-N & List of Noncompliers

Submitted by Ashwaubenon Tax Professionals

IRS appears to have a sympathetic ear towards small nonprofit organizations. In News Release 2010-87 IRS has extended the filing deadline for the Form 990-N to October 15, 2010. This new deadline is a one time extended deadline and applies to any Form 990-N that was due between May 15, 2010, and October 15, 2010.

IRS has also posted on the web a list of nonprofit organizations that have not filed their forms and are at risk of losing their tax-exempt status. This list can be found at [www.irs.gov](http://www.irs.gov) by clicking on the Charities & Non-Profits tab, then on IRS Announces One-Time Filing Relief for Small Exempt Organizations That Failed to File for Three Consecutive Years article. The listing is sorted by state. The Wisconsin list is 201 pages long while the New York list is 711 pages long. Each page contains about 40 organizations along with their last known address.

Four years ago it was decided nonprofits that do not file a Form 990 series form should file something with IRS showing eight items of information. The electronic Form 990-N was created to report this information, such as name and address of the organization, person in charge, web address, and a box to check if the organization normally does not have gross receipts of over \$25,000.

When the reporting requirement came out it also contained a penalty if the annual filing was not kept current. Any organization which does not file a form 990 series form (990, 990-EZ, 990-N, etc.) for a period of three straight years risks IRS revoking the organizations tax-exempt status.

The Form 990-N is due by the 15th day of the fifth month after the nonprofit's year ends. 2007 was the first year the form 990-N had to be filed, 2008 was the second, and 2009 was the third year. Any organization which did not file a Form 990 series form for any of these years stands to lose its tax-exempt status.

IRS has tried to make the filing requirement known to everyone. They have talked with nonprofits and published articles in the newspapers. They have also tried to inform the public by encouraging those who work for or belong to a nonprofit organization, as well as contacting tax practitioners to follow up with their organizations.

The News Release also discusses a voluntary compliance program (VCP) where nonprofits that qualify to file Form 990-EZ and have not filed their returns can file the missing returns by October 15, and pay a compliance fee, as opposed to having their status revoked and having to again go through the normal process of obtaining tax-exempt status.

News Release 2010-87 can be found at [www.irs.gov/pub/](http://www.irs.gov/pub/) by clicking on irs-news and then on ir-2010-87. We can also send you a pdf copy attached to an email.

## New Form 1099 Requirement for Tax Years After 2011

Submitted by Ashwaubenon Tax Professionals

There are two changes in Form 1099 reporting effective for payments made after December 31, 2011. Notice 2010-51 addresses these two changes.

First, Form 1099s will have to be issued to corporations. In the past Forms 1099 did not have to be issued to corporations. This changes effective with any reportable payments after December 31, 2011. Any payments to a corporation which is exempt from tax under Section 501(a) is still exempt from the Form 1099 reporting.

Second, Form 1099s will have to be filed for amounts in consideration for property if the aggregate amount paid to any person/entity is \$600 or more. This means Forms 1099 will have to be sent to places like Best Buy, Office Max, and Staples.

Notice 2010-51 provides some details on these new rules and asks for anyone with comments to submit them by September 29, 2010. The Notice provides details on how to submit comments.

Another Form 1099 change involving credit card payments will be discussed in a future email. This credit card payment Form 1099 can override the above reporting, so keep tuned.

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## Tax Information Relating to Health Care Benefits for Children Under Age 27

Submitted by Wisconsin Department of Revenue

Revised - June 1, 2010

### FEDERAL TREATMENT

For federal income tax purposes, the Patient Protection and Affordable Care Act, Public Law 111-149, and the Health Care and Education Reconciliation Act of 2010, Public Law 111-152, were signed into law by the President on March 23 and 30, 2010, respectively. These two Acts are referred to as the "Affordable Care Act."

Effective March 30, 2010, the Affordable Care Act provides that the exclusion from gross income of an employee for employer-provided accident or health insurance benefits including coverage in a medical flexible spending accounts (FSA) for the employee, the employee's spouse, or the employee's dependents is extended to apply to any child of the employee who, as of the end of the tax year, has not attained the age of 27.

Thus, if the child is age 26 or less at the end of the tax year, the exclusion applies even if the child provides more than one-half of his or her own support, earns more income than the exemption amount, does not live with the taxpayer, or if any other restriction applies which prevents the employee from claiming a dependency exemption.

Employees who have children who will not have reached age 27 by the end of the year are eligible for the new tax benefit from March 30, 2010, forward, if the children are already covered under the employer's plan or are added to the employer's plan at any time. For this purpose, a child includes a son, daughter, stepchild, adopted child, or eligible foster child.

### WISCONSIN TREATMENT

The provisions of the Affordable Care Act do not apply for Wisconsin income tax purposes unless they are adopted by the Wisconsin Legislature. The Legislature is currently adjourned. It is anticipated that the Legislature will consider whether or not to adopt these provisions in the next session which will begin in January of 2011.

Until the provisions of the Affordable Care Act are adopted, Wisconsin must follow federal law in effect prior to the Affordable Care Act. Therefore, to qualify for the exclusion from gross income for employer-provided accident or health insurance benefits including coverage in a medical flexible spending account (FSA), for Wisconsin purposes the child under age 27 must qualify as a dependent for income tax purposes (either as a "qualifying child" or "qualifying relative"). For purposes of health insurance coverage only, an adult child may meet the definition of a "qualifying relative" even though the adult child's gross income may equal or exceed the exemption amount.

If the adult child does not qualify as a dependent, the fair market value of the adult child's health insurance coverage and reimbursements from a medical flexible spending account (FSA) are income and taxable wages to the employee:

- *Determination of Fair Market Value of Health Insurance Coverage* The fair market value of the adult child's health coverage is determined by the employer and insurance provider. Contact your employer for further information. The Department of Revenue cannot determine the fair market value of the coverage.
- *2010 Form W-2 Reporting Requirement for the Fair Market Value of Health Insurance Coverage* Employers must either (1) include the amount that is taxable for Wisconsin purposes (but not taxable for federal purposes) in Box 16 of the 2010 Form W-2, or (2) provide employees with a supplemental "Wisconsin only" Form W-2 with the taxable benefits shown in Box 16.
- *2010 Form W-2 Reporting Requirements for Flexible Spending Accounts (FSA)* If the adult child does not qualify as a dependent, reimbursements from a medical flexible spending account for medical expenses incurred by the adult child is taxable income for Wisconsin purposes. Employers must either (1) include the amount that is taxable for Wisconsin purposes (but not taxable for federal purposes) in Box 16 of the 2010 Form W-2, or (2) provide employees with a supplemental "Wisconsin only" Form W-2 with the taxable benefits shown in Box 16.
- *Wisconsin Income Tax Return Filing Information* Individuals filing 2010 Form 1 or 1NPR must use Wisconsin Schedule I, Adjustments to Convert Federal Adjusted Gross Income and Itemized Deductions to the Amounts Allowable for Wisconsin, to adjust for the difference between the Wisconsin and federal income tax treatment of health care benefits for children under age 27. Individuals filing Form 1A should fill in the adjusted Wisconsin wages on line 1 of Form 1A.