NEW HAMPSHIRE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

CONNECTION

WINTER/SPRING **2019**

IN THIS ISSUE

NEW HAMPSHIRE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

2019 Annual Meeting and CPA Inauguration Reception

Tuesday, May 7, 2019
5:00pm - 7:30pm
Manchester Country Club
Bedford, NH
$45 per person

Network with dignitaries, firm executives, and up and coming leaders in the CPA profession. Witness and be the first to congratulate NH's newest CPAs as they take their ethics pledge. Join us for an evening of dinner, drinks and celebration!

Featuring Keynote Speaker, Ken L. Bishop, President and CEO of the National Association of State Boards of Accountancy (NASBA)

Thank you to our Sponsors!

NHSCPA CONNECTION

A publication of the

New Hampshire Society of CPAs

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From the **President**

Evan Stowell, CPA
2018-19 NHSCPA President

Happy Spring fellow NHSCPA members! As we make our way to the end of another "busy season" let's take a moment to reflect on this season and just where it may fall in the history books. Given the most significant tax reform in a generation, the overhaul of the individual tax forms and a lengthy government shutdown to start the year, it has been a challenging season for many of our tax practitioners to say the least. At the end of the day, let's not lose sight of what an amazing opportunity we have to provide value to individuals and business partners, as well as reinforce the perception of not only the CPA credential, but the work that is being done by our members in public accounting firms, industry and education. After the dust settles, we would love to hear how the season went for your firm, and how the Society can help you prepare for the coming years. What better way than to schedule a firm visit with Robin Abbott?

As always, our Society staff has been hard at work putting together a busy calendar of CPE courses, conferences and other events for our members. Please take a minute to visit the Society website to see all of the great offerings. I look forward to seeing many of you at our upcoming spring and summer events, including on May 7th for our 2019 Annual Meeting and CPA Inauguration Reception at Manchester Country Club! This event has sold out the past two years and is sure to be well attended this year, so make sure to go on and register now!

STAY CONNECTED

Update Your Profile

An accurate membership record helps the NHSCPA maintain the highest level of customer service and ensures the accuracy of mailings and online news. You can update your record any-time by logging into your NHSCPA profile at www.nhscpa.org. Click on the "Members" tab and "My Profile"

Happy Tax Season from the NHSCPA!

Robin Abbott, CEO

Greetings and happy tax season from NHSCPA. I am always reminded by our members how challenging this time of year can be, but I also rest assured in knowing the quality of professionals there are in this industry and in our state. If anyone can navigate the complexities of tax reform, financial planning, and required reporting, among other responsibilities, it's our members. As we prepare to kick off our new year with the Annual Meeting and the celebration of our newly inaugurated CPAs, which will also feature Ken Bishop, Chair of NASBA as our keynote speaker, I want to take a few minutes to update you on the happenings at our Society.

First and foremost, I'd like to give a special welcome to our newest corporate sponsors Sheehan Phinney Bass & Green PA and Complete Payroll. We would also like to recognize current sponsors who have moved up to Executive Sponsorship; Business Cents and Bedford Cost Segregation. These organizations along with our current corporate sponsors allow us to offer quality CPE courses, collaborative events and expanded networking opportunities to enhance the value of our membership. Please choose to support them as they have generously chosen to support us.

Speaking of events, I would be remiss if I did not recognize once again, the talent and energy of our Young Professionals Committee led by Chairperson Zach Nowlan of Melanson Heath and our Marketing Committee led by Chairperson Adam Lord, CPA, CNAP of Penchansky & Co. Both of these dynamic professionals have brought a new energy and enthusiasm to our committees and membership that have led to some incredible achievements. Thanks to you both. We look forward to what's ahead!

Finally, we are very excited to expand our Financial Careers Committee Chaired by Kerry Lekas of Dufresne & Lekas LLC. With a strategic plan scheduled for early summer, we plan to address the needs and desires of our students from secondary school to college, and academic institutions to address mentoring opportunities, employment including internships and career development. The timing could not be better for such a focus and our students are worth every bit of the investment.

As always, our goal at the Society has been to increase attendance, visibility and excitement around our member events. Please watch for these announcements as the year progresses and of course, stay connected to us through our website, mobile app or on Linkedin.

With gratitude,

Robin Abbott, CEO
NH Society of CPAs

SOUTHERN NEW HAMPSHIRE UNIVERSITY SCHOOL OF BUSINESS

MASTER OF SCIENCE + 1 DAY GRADUATE PROGRAM

Professional Accountancy

MASTER OF SCIENCE IN PROFESSIONAL ACCOUNTANCY

ADMISSION REQUIREMENTS

- 3.4 Cumulative undergraduate GPA
- Completed bachelor's degree in Accounting or equivalent
- Résumé/Curriculum Vitae
- Approval of program review committee
- An interview with program coordinator

GRADUATE TUITION AND FEES

Tuition rates and fees are subject to change

- $700 per credit hour plus applicable student fee
- Wiley CPA Review program (SNHU pricing $275 per part for 2 sections or $1,000 for full program)

HOW TO APPLY

All of the following items must be received before your application can be processed:

1. Completed application and undergraduate transcript
2. Résumé
3. $40 application fee

RETURN COMPLETED ITEMS TO:

Office of Graduate Admissions
2500 North River Road
Manchester, NH 03106

PROGRAM CONTACT:

Professor Lisa Gerrish, MBA, CPA
l.gerrish@snhu.edu

The Master of Science in Professional Accountancy (MS.PAC) program is intended for students interested in pursuing a career in public accounting.

- 36-credit day program on our Manchester, NH campus
- 12-month cohort program: Fall, Spring, and Summer semesters (Fall start only)
- Designed exclusively for students on the CPA track
- Class schedule designed to allow students to work part-time in public accounting during the program. 4-day week in Fall and Spring. 3-day week in Summer. Classes 8 a.m. - 10:45 a.m.
- Using Wiley CPA Review, students take 2 CPA Review courses—Financial Accounting and Reporting (FARS) and Auditing (AUD)—and sit for 2 parts of the CPA exam while in the program
- Most courses taught by full-time SNHU faculty
- Students actively engage in networking, job fairs, and other activities designed to help them find a position in public accounting
- Graduates of the program will be well positioned to pursue positions at CPA firms in MA, VT, NH, and beyond

CURRICULUM

ACC 640	Auditing
TAX 655	Federal Income of Corporations and Partnerships
ACC 680x	International Accounting
ACC 701	Advanced Topics in Financial Reporting I
ACC 685	Accounting for Nonprofit Entities
ACC 550	Cost Accounting
ACC 645	Advanced Auditing
ACC 730	Financial Reporting Review Course
ACC 700x	Seminar in Accounting Topics
ACC 702	Advanced Topics in Financial Reporting II
ACC 660x	Controllership
ACC 720	Auditing and Attestation Review Course
ACC 696	Situational Ethics in Accounting

DEADLINE FOR APPLICATIONS IS MAY 1, 2019

Southern New Hampshire University

Highlights from the Past Presidents Luncheon

On January 10th, NHSCPA held our Second Annual Past Presidents Luncheon at the Puritan in Manchester. A number of our past presidents attended the event, along with our current board, to discuss Society happenings and propose new ideas and initiatives for 2019-2020. Thank you to all of our amazing former presidents for staying with us as active members of the NHSCPA. You have had a large hand in shaping this organization. We truly appreciate your willingness to share your wisdom and excitement to help continue to propel the society forward!

Gary Boisvert, Robert Vachaun, John Schiffman, Lisa Gerrish

Jennifer Elder, Jessica Bouchard, Kendra Bell, Evan Stowell

John Schiffman

Past Presidents Luncheon 2019

Evan Stowell and Robin Abbott, CEO

Kerrin Rounds, Jason Beiswenger, Nina Chang

Legal Developments in Employee Benefits Plans in 2018

By John E. Rich, Jr.

While tax practitioners were spending the bulk of 2018 attempting to understand the intricacies of the Tax Cuts and Jobs Act of 2017 (the Act), there were still significant developments impacting employee benefit plans. This article highlights a few of the significant 2018 developments impacting employee benefit programs. A common theme seen in these developments is the federal government's attempt to enhance access to retirement and health benefits.

Let's All Come Together, Association Health and Retirement Plans

Following the issuance of a 2017 Executive Order intending to promote healthcare choice and competition, the United States Department of Labor (DOL) began working on guidance to facilitate the purchase of health insurance across State lines. On June 21, 2018, the DOL issued a final regulation under Title I of the Employee Retirement Income Security Act (ERISA) that established criteria for determining when employers may join together in a group or association of employers that will be treated as the sole "employer" sponsor of a single multiple-employer employee welfare benefit plan and group health plan.

The final regulation sets forth the criteria under which groups or associations may establish an ERISA-covered multiple employer group health plan. Most significantly, under the so-called "commonality of interest" test, any employer can join with other employers in a self-funded or insured association health plan if (i) the employers are in the same trade, industry, line of business, or profession, or (ii) each employer has a principal place of business in the same region that does not exceed the boundaries of a single state or metropolitan area (even if the metropolitan area includes more than one state).

In addition, the group or association also must have at least one substantial business purpose unrelated to offering and providing health coverage or other employee benefits. The final regulation significantly expands the groups of employers that can be treated as a single large employer group for claims experience and all other federal law purposes. However, the regulation does not change Section 514 of ERISA which permits states to regulate association plans which could limit their applicability in states wishing to maintain the current rules.

Later in 2018, the DOL turned its attention to expanding access to association retirement plans following a similar Executive Order directing expansion of retirement plan coverage. On October 23, 2018, the DOL issued a proposed regulation designed to clarify the circumstances under which an employer group or association or a professional employer organization may sponsor a workplace retirement plan. These plans are referred to as "MEPs," or multiple employer plans.

The proposed regulation adopts criteria very similar to that of the final association health plan regulation with respect to the required connections between participating employers. The MEP regulation is only proposed and could have significant changes in the final version including further lessening of the required links between employers.

Other Significant Developments

The Internal Revenue Service (IR") issued a Private Letter Ruling on May 22, 2018, that approved an employer's request to take into account employees' student loan repayments for purposes of qualifying for an employer contribution to the employer's retirement plan. Under the ruling, if an employee made a student

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loan repayment during a pay period equal to at least 2 percent of the employee's eligible compensation, the employer would contribution 5 percent of the employee's compensation to the retirement plan.

Although a Private Letter Ruling is authoritative and binding only for the taxpayer requesting it, it provides clear guidance of what the IRS thinks about an issue. In light of considerable student loan debt faced by many employees, the ruling has gathered considerable interest among employers who want to assist younger employees save for retirement.

The Bipartisan Budget Act of 2018 (the Act) liberalized the rules applicable to Section 401(k) and 403(b) Plan hardship distributions. Hardship withdrawals permit active employees to receive their elective deferrals prior to reaching age 59-1/2. The IRS issued proposed regulations on November 9, 2018 to clarify certain hardship distribution issues, conform existing regulations to the new rules, and incorporate prior changes and guidance.

Among other changes, the Act and proposed regulations (i) eliminate the prior prohibition on elective deferrals for six months following a hardship withdrawal, (ii) make optional the requirement for participants to take plan loans before hardship withdrawals, (iii) permit (but do not require) an employer to allow hardship withdrawals from additional accounts, and (iv) permit hardship distributions on account of a federally declared disaster by the Federal Emergency Management Agency.

On October 23, 2018, several government agencies issued proposed regulations intended to expand the usability of health reimbursement arrangements (HRAs). HRAs are employer-funded accounts that employees can use to pay for qualified medical expenses not covered by their health plans. The proposed regulations would expand the usability of HRAs by eliminating the current prohibition on integrating HRAs with individual health insurance coverage thereby permitting employers to offer HRAs to employees enrolled in individual health insurance coverage.

Lastly, although most advisors are aware that the 2010 Affordable Care Act (ACA) imposes penalties on large employers if coverage is not offered to full-time employees (30 hours per week or more) and their dependents, many advisors may not be aware that reducing employees' work hours to reduce health insurance costs could result in a violation of Section 510 of ERISA. Section 510 prohibits an employer from discriminating against an employee or interfering with an employee's attainment of a right under a benefit plan.

A series of lawsuits have moved through the federal courts where employees have challenged employers' decisions to reduce employees' hours to under the ACA 30 hour per week eligibility threshold and thus cause the employees to lose health coverage. In one such case, Marin v. Dave & Busters, on December 7, 2018, the federal court gave preliminary approval for a $7.4 million settlement which also barred Dave & Buster's management from taking adverse employment actions against employees for the purpose of denying them health coverage.

Although historically the ACA and ERISA have not been interpreted to require employers to offer health insurance or provide full-time employment to all employees, the ERISA 510 cases like Marin v. Dave & Busters should be a warning to employers to be cautious about both reducing hours if the result is that employees are subsequently ineligible for health insurance coverage.

John E. Rich, Jr. chairs the Tax Department at McLane Middleton, Professional Association. He specializes in employee benefits, pension, ERISA and tax-related matters. He can be reached at john.rich@mclane.com or (603) 628-1438.

Reinvesting in Agriculture Through R&D Tax Credits

By Jeffrey Feingold

Changes in the Agriculture Industry

Agricultural technologies have advanced rapidly from the latter part of the 20th century to the beginning of the 21st century. From the development of new herbicides and the introduction of rotary combines, to the first genetically modified plant cell and the use of software (even drones) to help farmers plan for better harvests, change has been swift. Today, technology is allowing agricultural businesses to zero in on agronomic modeling, weather monitoring and data collection on one digital platform—a long way from the Old Farmer's Almanac.

The truth is, agricultural businesses must find ways to continuously refine their processes to remain competitive. Think about the challenges agricultural businesses must address—from disease control and changes in the climate to enhanced harvesting techniques and product development. Every dollar matters in identifying, testing and executing solutions to farming challenges.

Consider the need for advancements in food science to provide food to a growing population. A 2016 United Nations report emphasized how climate change has already affected the world's food production. The UN report warns that without significant action, millions of people will be at risk of hunger and poverty in the next few decades, especially in developing countries whose livelihoods depend on farming. According to the report, "Meeting the goals of eradicating hunger and poverty by 2030, while addressing the threat of climate change, will require profound transformation of food and agriculture systems worldwide."

Going forward, technological innovation will be essential to improving agricultural productivity.

Regional Hotbeds for U.S. Agricultural Development

Top generators of agricultural cash receipts:

- California
- Illinois
- Indiana
- Iowa
- Kansas
- Minnesota
- Nebraska
- North Carolina
- Texas
- Wisconsin

Other states with the greatest amount of farmland acreage include Florida, Tennessee, Missouri and Iowa. California has the largest number of food manufacturing plants, followed by New York and Texas.

Several states have taken the initiative for agtech innovation. In 2015, the Tennessee Department of Agriculture announced an initiative to raise $10 million over five years to meet the world's growing demand for food, fuel and fiber. The initiative's goal? To attract 200 entrepreneurs and establish 100 successful and investable agricultural-sector companies in Tennessee by 2020.

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PERMANENT NEW TAX RULES

EXPLORE THE OPPORTUNITIES

The Permanent R&D Tax Credit provides opportunities to qualifying clients due to the extension for 2015 and beyond, but there are also additional provisions that offer new ways in which your clients can utilize this tax credit.

Start-ups and small businesses will see a greater benefit of the R&D tax credit beginning in 2016. A start-up company will be able to offset payroll taxes, with some limitations. And, similar to 2010, eligible small businesses will see AMT relief–allowing many businesses that previously could not benefit from this credit to reconsider.

The new rules can seem complicated as you review your clients' opportunities to utilize this credit–we can advise you on these details.

Proper Assessment Is Your Next Step

Find out if your clients qualify for the R&D Tax Credit and work with professionals that can get the most benefit for you and your client. Tax Point Advisors is a leading national provider of R&D Tax Credit studies.

EXPERIENCE THE TPA DIFFERENCE

Our qualified staff of accountants, attorneys and licensed professional engineers provide a unique approach that maximizes tax benefits and generates a low audit rate.

At Tax Point Advisors, we truly honor every CPA and client relationship and provide the highest degree of professional service for every Research & Development engagement. We pride ourselves on conducting our services with the utmost integrity and our unique approach is at the core of our industry-leading audit success.

Visit www.taxpointadvisors.com to learn more about our expertise in R&D Tax Credit Studies and 179D Energy Deductions, or call us at 1-800-260-4138.

TPA TAX POINT ADVISORS
The R&D Tax Credit Experts®

"We hired Tax Point Advisors for several valued clients. They performed detailed, professional R&D studies. Credits were claimed and refunded. When audited, Tax Point provided detailed answers to every question. Audits were all 'NO CHANGE'! We recommend Tax Point Advisors".

Austin E. Brazee, Managing Partner Brazee & Huban (MA)

""Tax Point has been an extremely valuable tool in reducing our client's income tax liabilities. They have become a major selling tool in our practice development search for new clients".

Carl Weinberg, Managing Partner
Carl Weinberg & Co. (RI)

"...Tax Point has proven to be much more cost effective...They work exclusively through CPA firms, we appreciate this approach as it avoids the direct selling to clients that has taken place when we have introduced other large national providers.
I highly recommend Tax Point..."

Kirk Leoni, Managing Partn
Nathan & Wechsler Co., PA (NH

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R&D plays an increasingly important role in the process of agricultural innovation and productivity. Going forward, the agriculture sector must be innovative and export-oriented to meet national and global demand. Maintaining high productivity while improving the sustainable use of resources will depend on continuous advancements. In Chapter IV, we'll take a look at some of these considerations in greater detail. In our next chapter, we'll explore the evolution of R&D tax credits.

The Evolution of R&D Tax Credits

The federal government implemented the Research and Experimentation tax credits in 1981 to create jobs and spur technology in the U.S. Known as R&D tax credits, the program was meant to be a temporary measure to give the economy a boost.

However, the credit was extended by Congress more than a dozen times until December 2015 when the Protecting Americans from Tax Hikes (PATH) Act of 2015 made the R&D tax credit permanent.

The R&D tax credit originally pertained to basic research expenses, such as those occurring in a laboratory setting.

Subsequent modifications simplified the credit and made it available to a wider variety of businesses. Given the popularity of the R&D tax credit program, many states followed suit by establishing their own programs. Today, over 40 states offer their own R&D tax credits with attractive features and additional advantages.

Changes in AMT Benefit Eligible Small Businesses

In addition to creating permanency for federal R&D tax credits, the PATH Act added enhancements in the form of offsets to payroll taxes for qualified small businesses and offsets toward alternative minimum tax (AMT) for eligible small businesses. This was welcome news to shareholders of qualifying pass-through entities, such as S corporations and partnerships with an AMT liability.

In the past, small agricultural businesses and farms could not qualify for the R&D tax credit because they were subject to the AMT. The enactment of PATH now makes it possible for the R&D credit to offset AMT for eligible small businesses. Companies with $50 million and less in average annual gross receipts, based on the three preceding tax years, might be able to apply the R&D credit against the AMT.

Meeting the Four-Part Test

The R&D tax credit incentivizes certain research activities by reducing a business' liabilities for spending money on that research. The credit is equal to a certain percentage of a business' qualified research expenses (QREs) in excess of a base amount. Expenses that qualify are more comprehensive than you may think—QREs can include the salaries of employees and supervisors who are conducting research, supplies and even some of the research that is contracted out.

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Rise Private Wealth Management

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Robert Bonfiglio, **CFP®, ChFC®, MBA**

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R&D tax credit eligibility largely depends on whether the work you are conducting meets the criteria established by the IRS in its four-part test:

1. **New or Improved Business Component:** The research's purpose must be to create a new or improved product or process, resulting in increased performance, function, reliability or quality.
2. **Technological in Nature:** The process of experimentation must rely on the hard sciences, such as engineering, physics, chemistry, biology or computer science.
3. **Elimination of Uncertainty:** You must demonstrate that you've attempted to eliminate uncertainty about the development or improvement of a product or process. This uncertainty does not necessarily go toward capability; it can merely be uncertainty as to the final design or method of the new or improved business component.
4. **Process of Experimentation:** You must demonstrate – through modeling, simulation, systematic trial and error or other methods – that you've evaluated alternatives for achieving the desired result.

Your accountant or qualified R&D tax credit expert can help you determine whether your agriculture business activities meet the criteria of the test by conducting a tax credit study.

Now that federal R&D tax credits have become permanent, agriculture businesses can undertake long-term strategic planning to maximize their tax savings. So let's take a look at how the tax credits can be utilized by those involved in the agriculture industry.

Chapter III: Qualifying Agriculture Activities

Does your agricultural business resolve technological challenges through the use of new or improved processes and products? Despite its name, the R&D tax credit program includes far more activities than laboratory-based research and patentable work. The R&D credit is intended for those in the agriculture industry who improve processes and products by making them more advanced, efficient and environmentally friendly. The credit is also intended for activities related to process design and development.

Still, many employed in the industry are not certain which activities qualify. In fact, one-third of businesses in all industries fail to take advantage of this valuable tax credit. We hope this chapter helps you identify some of your own eligible activities.

Think in terms of new or improved techniques, formulas, processes, software, testing out new or improved materials, and the design of any new projects, such as those involving new or improved methods. Do you engage in projects to create more reliable, energy-efficient products or processes?

Whether it's to experiment with a new process or invest in new and alternative products, the agriculture industry is rich with opportunities to claim R&D tax credits for qualified activities.

Listed on the following page are examples of the types of activities and projects that may qualify:

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- Improved processes to increase yield and production efficiency
- Development or experimentation with new feeds
- Testing and implementation of new solutions to farming challenges
- Experimentation to control the spread of diseases
- New or improved methods to transport food products
- Improvements to facilities to maintain environmental and safety efforts
- New or improved breeding techniques for livestock
- Evaluating feeding techniques to improve or increase livestock production
- Development of facility improvements for greater efficiencies
- Improving a facility for environmental, health and safety reasons
- Flavor development/ingredient formulations for food products
- Developing new or improved fertilizers, irrigation systems, soil development, etc.

With an understanding of the type of activities that qualify, how does an agriculture business qualify for R&D credits, and what are some circumstances unique to the industry?

Chapter IV – Considerations for Agriculture Companies and Suppliers

As we touched on in the first chapter, "Changes in the Agriculture Industry," changes in the industry have continued to evolve at a rapid rate, making agriculture businesses and those suppliers that work with these businesses prime candidates for R&D tax credits. Let's take a look at how the industry has responded to external factors, as well as how the availability of new technology has created opportunities for more efficient processes that help drive productivity.

Solutions to farming problems

Farmers must overcome myriad challenges to sustain profitable operations while being good stewards of the environment. From the proper management of fertilizers and animal waste to planting certain grasses and grains to keep particular pollutants in agricultural runoff out of the water supply, there is no limit to the R&D activities that involve testing and implementing solutions to today's farming challenges.

Disease and pest resistance

Agricultural integrated pest management (IPM) is one approach to solving pest problems by preventing them from damaging crops and harming animals, among other objectives. Agriculture businesses can improve this approach through additional measures to manage disease and pest problems and remain competitive. The key will be in balancing environment protection with improved production rates, and there is no shortage of solutions through R&D activities.

Enhanced harvest yield and feed conversion ratio

Rising consumer expectations and world hunger issues set against a backdrop of volatile energy

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prices and diminishing profit margins call for new approaches to increase harvest yield and the feed conversion ratio. R&D exploration can help develop new solutions for crop production systems that will produce increased yield in an environmentally and economically viable manner.

New or improved fertilizer and feeds

Central to the improvement of crop yield is the improvement of fertilizers. However, advancements can't come at a cost to the environment—and therein lies the challenge. Agronomic practices to apply fertilizers at the right time, in the right amount and in the right place, can improve their efficiency. There is room for the improvement of fertilizers as well as feeds through investment in R&D. As we discussed in the previous chapter, the development of new or improved fertilizers may qualify for R&D tax credits.

Precision farming machinery & techniques

Precision farming, involving site-specific crop management of variations in the field, calls for new machinery and techniques. This includes the use of satellite technology, mobile devices, robotics to plant crops and the development of remotely controlled machines that use telematics. Other innovations include precision irrigation technology to address water scarcity.

Organic certification

When a farm or processing facility is organically certified, it is able to sell, label and represent its products as organic. The Organic Foods Production Act of 1990 states: "An organic plan

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shall contain provisions designed to foster soil fertility, primarily through the management of the organic content of the soil through proper tillage, crop rotation and manuring." A number of USDA agencies service the ever-increasing organic sector, and the call for organically certified agriculture companies will continue to multiply to meet the demands of the $39 billion organic food market in the U.S.

Hybridization and genetically modified organisms (GMO)

Plant breeders currently produce hybrid seed for new plant varieties through a specific, controlled cross of two naturally compatible parent plants within the same species. Genetically modified organisms (GMOs) are created in a lab using high-tech approaches. An example is gene splicing from several species to create commodity crops, such as corn, soy and alfalfa for processed foods and animal feeds. Experimentation with both approaches presents opportunities for agriculture businesses to qualify for R&D tax credits.

Automation in food processing

According to a recent survey by the Association for Packaging and Processing Technologies, almost one-third of food processing and 94 percent of packing operations are using robotics. Half of companies interviewed for the survey said they are focused on increasing the level of automation in the next three to five years, and plan to increase spending on capital equipment in the next two years. The rising demand for automation will call for the improvement of existing equipment and the development of new equipment—both potentially qualifying activities for the R&D tax credit.

Digital trends

Digital technology has changed the way industries operate throughout the world, and agriculture is no exception. Think of the peanut farmer who sells product to a nut processor. That farmer can receive an immediate alert showing a receipt with the price and quantity of his crop, a digital record of past deliveries and a mobile payment. In fact, mobile innovations are changing the way dairy farmers tend their cows; get insurance against bad weather; and determine the best time to plant crops. Digital technology is helping agriculture businesses achieve sustainable solutions and improve scale.

Conclusion

The considerations and trends we have just addressed will have far-reaching impact in the decades to come, especially significant for the future of food production. R&D will continue to play a pivotal role in driving the future of global food production—without sufficient agriculture R&D, crop yields would likely decline given economic and environmental changes.

Agriculture companies with a good understanding of which activities qualify for R&D tax credits will be better positioned to reinvest significant dollars into further advancements. We hope this e-book has provided you with deeper insight into the changing agriculture industry and the opportunities to tap into these valuable credits.

Jeffrey Feingold, the founder and managing shareholder of Tax Point Advisors, Inc., works with CPA firms and their clients across the U.S. For more than a decade, he has worked with hundreds of companies across the U.S., assisting them in successfully claiming research and development tax credits. Jeff can be reached at 800-260-4138 or at jeffreyfeingold@taxpointadvisors.com.

Your Advisory Value: Shifting Your Client Relationships

By Will Hill of Thomson Reuters

You hear about advisory services in accounting – the future of the profession. But one thought keeps coming to mind: "What is so different; don't I already do that stuff?" This shift isn't as much about what you do, as how your clients relate to what you do.

There is a mindset shift that first must occur to be truly an advisory-centered firm. The core of this new mindset rests where you place your value as a practitioner. Is it from your technical knowledge? Is it in how you are viewed by your peers? The mindset of the advisory-centered firm is that the value is based on the value ascribed by clients. Some of the basics – the simple and mundane services we overlook as experts – garner the most value for our clients.

As you begin to shift your mindset in that direction, there are key follow-up behaviors which put you in the position to not only act as the advisor towards your clients – but formally engage in manner also.

What are those behaviors? Good news, they're nothing new – just modified (and there are just 4)!

The first is listening. This is not about listening for the first time, but listening differently. To stop listening for numbers and solutions – and instead to listen to pain and aspiration. The numbers will come, and solutions will be presented... but if we don't start with understanding the pain and/or aspiration, we will not have the deep advisory connection needed for maximum success.

The second behavior is segmentation. Change is best executed in pieces. Now, we know this and talk about it – but are we setting up to behave in a manner of segments? Not that segmentation means isolation – but within the context for what you and your client are looking to achieve as a whole.

The third behavior is facilitation. This is perhaps the most undervalued aspect of our relationships with clients. Are we truly helping our customers through facilitating change? We cannot do it all – but we must have systems and processes in place for the client to execute those changes. If a client could make changes on their own after simply hearing the answer, they would have already done so – it is truly up to us to provide the roadmap with the right variable level of hands-on assistance along the way. In many ways, facilitation is the adhesive that ties the segmentation approach together.

The fourth behavior is trust. This isn't about trust towards you, but rather expanding the trust areas given to your team. As you approach relationships with your clients from this new perspective, your team will need to do things differently – and you will have to provide the space and mechanisms to not only give that trust at the outset, but re-enforce that trust over time.

Will Hill is Product Manager of the Tax Professionals segment of Thomson Reuters. Will has been with Thomson Reuters since 2001. Presently, he manages the development and growth of the Practice Forward, AuditWatch and TaxWatch services. His varied background with firms of all sizes and specialties provide a solid foundation for business process-oriented training and consulting. In 2006, Will was recognized as the CSM Implementation Specialist of the Year. Will was named to the CPA Practice Advisor 40 under 40 list in 2015 and 20 under 40 in 2018. In his time at Thomson Reuters, Will has developed many different educational classes and consulting offerings. Included in this is the Practice Forward service offering. Will is also a periodic blog contributor on the CS.ThomsonReuters.com website. He holds an MBA with a concentration in Leadership Studies from Baker College and a BA, majoring in both Business Administration and Economics, from Alma College

New NHSCPA Members

AFFILIATE MEMBER

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Salem, NH

ASSOCIATE MEMBER

Amanda Stewart
Laconia, NH

Carreen Drouin
Hampstead, NH

Michele Rosa
Hampstead, NH

FELLOW MEMBER

Kamal Fayed
Dubai

Dennis Tulley
Salem, NH

Shauna Ferguson
Contoocook, NH

Theresa M. Murphy
Concord, NH

Devan Caine
Portsmouoth, NH

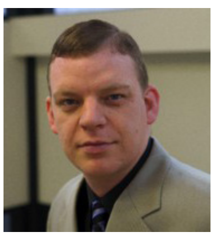
STUDENT MEMBER

Nico Buccieri
Derry, NH

Linda Nelson
New Ipswich, NH

Madison Studley
Dover, NH

Rose Tarvainen
Durham, NH



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Howell Valuation, LLC recently renewed its sponsorship of the Center for Family Enterprise (CFE) at the University of New Hampshire. The purpose of the CFE is to offer services and information to entrepreneurial families towards making and keeping family businesses successful.

Nathan Wechsler & Company, PA (NWC) is pleased to announce that **Ashley E. Major, CPA** has been appointed to the Reaching Higher NH Board of Directors. Also, **Ashley L. Guion, CPA** recently led a workshop titled "Navigating Your Tax Responsibility as a Small Business Owner" for the Hannah Grimes Center for Entrepreneurship. Also, **Oreste "Rusty" Mosca, CPA** of NWC was recently re-elected to serve as treasurer of the Board of Directors for the Capitol Center for the Arts (CCA).

Nina Ann Timney was recently appointed Vice Chair of the Concord Young Professionals Network (CYPN) and Treasurer of the Associated Builders and Contractors New Hampshire & Vermont Chapter Young Professionals Group (ABC YPG). She will also be serving on the committee for Intown Concord Market Days 2019 – this will be her second year in a row as a member of this committee.

Employees of the Certified Public Accounting firm of **Leone, McDonnell & Roberts** (LMR) recently participated in a holiday giving campaign aimed at helping families in need. The firm chose a lofty goal of supporting five worthy Community Action Partnership organizations throughout New Hampshire to collect items for. LMR is also pleased to welcome **Senior Accountant, Elizabeth Conner** and **Staff Accountant, Joe Payne** to their team. They are also happy to announce **Joseph "Joe" Quinn, Jr., CPA** has recently been to **Principal**.

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Audit Technology Trends From 2019 CPAFMA Survey

By Roman H. Kepczyk, CPA.CITP, CGMA

The CPA Firm Management Association (CPAFMA) recently released findings from their 2019 Digitally Driven Firm Survey which points to accounting firms continuing to move forward in adopting the profession's paperless best practices and tools. This survey has been conducted every other year since 2003 and is targeted toward firms with 10 or more members. 173 firms participated this year. In this article, we look specifically at the audit department findings from the survey and share the solutions we see firms implementing to become more "digitally driven."

Remote Access

Auditors, by default, need to be highly mobile. The 2019 survey found that 77% of personnel working outside of the office were able to access firm applications and information via a remote connection the majority of the time. This points to firms adopting natively cloud-based applications, such as Thomson's AdvanceFlow, and hosted applications utilizing remote access technologies, such as Citrix and Microsoft Windows Terminal Server, that allow auditors to work effectively through any Internet connection. The obvious benefits of firms adopting remote access technology are that all audit work is completed on centralized servers which eliminates version control issues and the time spent manually checking binders in and out, as well as having to make backups in the field. In addition, this data is capable of being simultaneously accessed by all team members for more effective collaboration. And, since there is no data on the local workstation, the impact of a theft or damaged laptop is minimized.

Mobile Equipment

Simply stated, working effectively away from the office is required for auditors. In addition to laptops, the survey identified other equipment being taken into the field, with external monitors being the most common accessory utilized by 79% of respondents in 2019 (which was a 17% increase over the previous survey in 2017). The survey identified which brands were selected most often, with 37% standardizing on ASUS, 21% choosing AOC, and 14% using Lenovo. So, if you are not utilizing dual screens in the field, it's time to get onboard! The next most selected audit tool was a Mobile Hot Spot/MiFi device, carried by 62% of responding firms, which provides roaming Internet access through the 4G digital cellular networks. With more applications running in the cloud and firms being concerned with security and malware on client/public WiFi, we expect more auditors will standardize on using the digital cellular networks as these systems become increasingly more robust and secure. The survey also found that more than half of responding firms (51%) were carrying mobile scanners into the field to scan client source documents, which came as somewhat of a surprise considering the adoption of portals and secure email solutions (described further below). Not surprisingly, the number of firms carrying printers (12%) or multifunction devices (5%) remained on the lower end of adoption, which coincides with our experience consulting with audit team members.

Document Ingress

We have found one of the hallmarks of efficient audit production is formalizing the process to receive all client source documents digitally before the start of the engagement. This requires proactive planning with clients and educating them on the firm's digital tools to facilitate document ingress. More than three out of four responding firms (77%) stated they received the majority of their documents electronically utilizing a variety of applications, including Thomson Reuters NetClient CS, Citrix ShareFile, CCH Axcess

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Portal, and SuraLink, with no individual application garnering more than 20% of the responses. Having all documents ready at the start of the engagement allows the team to work more efficiently from the beginning and reduces the scheduling headaches that are caused when clients aren't ready.

Scheduling

Managing ever-changing staff assignments within an environment of increasing workload compression has always been a difficult problem for accounting firms. More than three-fourths (76%) of survey respondents stated they utilized a "digital" tool for scheduling, with 51% of responding firms stating they used Microsoft Excel. Our consulting with firms has found that scheduling, along with CRM (Customer Relationship Management), are the two most cited applications that firms are hugely dissatisfied with, and where they are searching for a better solution than Excel. The most often cited stand-alone tool was ProStaff, with 13% of respondents. But this solution was primarily adopted by the largest firms that could afford to dedicate personnel to manage the application. With advances being made in the workflow tools being integrated with practice management, we anticipate more comprehensive scheduling tools to be rolled out in the next few years that will have firms switching away from Excel.

Data Extraction

With the majority of source documents being received electronically, the next step is to utilize digital tools for more precise data analysis and extraction. The CPAFMA survey found that 78% of responding firms were already using data extraction tools on the majority of their engagements, with Microsoft Excel once again being the primary application being utilized (59%). This was followed by 18% of responding firms utilizing Case-Ware's IDEA application. The increased awareness and adoption of artificial intelligence tools has spawned a series of data analytics tools that are significantly more automated, so we anticipate smaller firms will be able to take advantage of data extraction capabilities in the near future to save time and improve accuracy on assurance engagements.

Tax Integration

Integrating audit trial balances with tax applications not only saves time in manually re-keying data but also reduces errors. The 2019 survey found that 59% of firms configured their tax groupings within the trial balance to be exported to the tax return. Many firms have found that exporting the tax data at completion of field work and collaborating on the review at that time saves significant effort, as tax issues can be discussed while the knowledge is fresh in the auditor's mind.

Expense Reports

The survey found that two-thirds (66%) of firms created and submitted digital expense reports for reimbursement. Utilizing the capabilities within the firm's practice management application to create the digital expense report was the most popular method (selected by 29% of respondents), while 23% of firms were using Microsoft Excel/Adobe PDF to generate and submit their reports. An interesting trend was that 6% of firms utilized a smartphone application which was split evenly between Expensify and Tallie. When firms make the effort to walk through their entire manual expense report process, they quickly see the benefit of transitioning to the digital tools they already have access to.

ROMAN H. KEPCZYK is the Director of Firm Technology Strategy for Right Networks and consults exclusively with accounting firms throughout North America to implement today's digital best practices and technologies. In addition to being a CPA.CITP, he is a Lean Six Sigma Black Belt and incorporates Lean Six Sigma methodologies to help firm's optimize their production workflows. Roman is also an Advisory Board Member to the CPA Firm Management Association which has conducted the Digitally Driven and IT Benchmarks surveys biennially since 2003.

Stay Work Play Legislative Reception

On January 31st, members of the NHSCPA attended the 2019 Legislative Reception put on by Stay Work Play New Hampshire to recognize New Hampshire's newly elected legislators and discuss non-partisan advocacy work that Stay Work Play will engage in during the year. As a result of this event, the YP Committee has started the process in working with Stay Work Play to begin finding ways to further engage students and young professionals throughout the state and promote a uniform front to attacking the talent issue throughout our profession. Additionally, members of the YP Committee have built relationships with members of other Young Professional networks throughout New Hampshire and plan to begin working towards diversifying the area in which we are able to serve.

NHSCPA Young Professionals Curling Event

The NHSCPA YP Committee kicked off the New Year by holding the NHSCPA Young Professionals Curling Event at Nashua Country Club on January 9th, 2019. The turnout for this event was spectacular as members from multiple CPA firms were able to take the ice and curl like an Olympian! Having engaging events, such as this, allows the young professionals in the CPA community to come together, learn from one another, and build our network at an early stage, while also enjoying something exciting, interesting, and new. We would like to thank everyone who allowed us to make this event happen, especially our event sponsor, Right Networks, and are incredibly fortunate to have the support to grow the NHSCPA YP network even further. If you weren't able to make it and would like to see some of the action check out the NHSCPA's new YouTube channel by searching "New Hampshire Society of CPA's"!

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Young Professionals Update

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As we're all steadily working towards the goal of satisfying clients needs and ensuring deadlines are met through this time of year – the YP Committee will not be meeting until after April 15th where we will begin planning our action items on how to be the most effective YP Committee in the state in 2019. If interested, please reach out and attend a meeting!

Make sure you're on the lookout for events like our mentorship program, credits for community, Steps to Success CPE, our 2nd annual golf clinic (mark your calendars for June 6th), among others as we find ways to Engage, Inspire, and Lead the next generation of CPA's to new heights!

If you are a Young Professional, and are interested in joining the YP Committee, or attending a meeting, please contact Juliana Summers (jsummers@NHSCPA.org) for more information.

JOIN OUR NETWORK!

New Considerations in Family Partnership Planning

By Audrey G. Young and Linda R. Garey

One of the most appealing strategies for reducing estate taxes is creating and funding a family limited partnership ("FLP") (or a family limited liability company – FLLC). Under this strategy, limited partnership interests are transferred by senior family members (usually in trust) to children at a discount. Senior family members thereby utilize less of their federal exemption amount and "freeze "the value of their estates by causing appreciation of the transferred interests to occur in the trusts, escaping taxation at their estate level.

Lessons to learn from recent cases

Wealth transfers using interests in FLPs have long aggrieved the IRS which has spent decades pushing back against what it considers to be unwarranted valuation discounts and overly aggressive tax planning. Recent case law showcases the IRS success in challenging such planning. For example, in *Powell v. Commissioner*, 148 T.C. 18 (2017), the Tax Court ruled that limited partnership interests should be included in the decedent's taxable estate, following aggressive entity planning using a power of attorney.

Last year in *Estate of Frank D. Streigtoff v. Commissioner*, T.C. Memo 2018-178 (2018), the IRS disputed the taxpayer's characterization of the estate's interest in certain business assets. The Tax Court agreed with the IRS that the interest represented a limited partnership interest, refuted the claim that the interest owned by the decedent represented a lack of control, and adopted the IRS expert's analysis of an 18% overall discount for lack of marketability (as opposed to the taxpayer's assertion that a 27% discount was warranted for lack of marketability), resulting in significant additional taxes.

Most of the FLP disputes with the IRS center on the nature of the interests transferred, as well as the proper application of valuation principles to these interests given their inherent lack of marketability and the new owners' lack of control over partnership distributions, investments and liquidations. Especially with near death planning, the IRS is quick to allege that the planning lacked substance and was abusive.

Advantages of FLP planning

Notwithstanding this landscape, the family limited partnership as a planning strategy remains viable and offers many benefits. These advantages include

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New Considerations...

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centralized asset management, inclusion of next generation family members in the management of family assets; asset protection; avoidance of fractional ownership, especially of real estate; senior generational control of partnership distribution policy and tax planning.

Guidelines

To attain these benefits and obtain the leverage of valuation discounts on the transfer of partnership interests, careful planning is essential, including ensuring that the taxpayer respects that the ownership and governance of the assets has changed due to the provisions of the partnership agreement.

It is vital that partnership formalities are observed, which includes regular meetings documenting the non-tax reasons for forming the partnership, such as collective asset management, investment policy development and implementation and distribution goal setting and tracking. Once gifts of interests are made, reporting such interests on a federal gift tax return (Form 709) is an important step to start the three-year statute of limitations running on the value of the gift as well its characterization. To ensure that the statute of limitations runs, IRS rules require that the gifts be "adequately disclosed" which requires a qualified appraisal.

In short, recent cases suggest that the valuation discounts for lack of control and lack of marketability may be more limited than in the past, but transferring interests into a family limited partnership continues to be a valuable planning tool for reducing potential estate taxes.

Audrey G. Young and Linda R. Garey are Of Counsel in the Trusts and Estates Department at McLane Middleton, Professional Association. They can be reached at Audrey.young@mclane.com and linda.garey@mclane.com, respectively.

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SPRING/SUMMER CALENDAR

DATE	COURSE TITLE	VENDOR	
5/16/2019	Employee Benefits Conference	NHSCPA	8
5/22/2019	Compliance Auditing from Start to Finish	Loscalzo	8
5/23/2019	Nonprofit Industry Update and GAAP Refresher	Loscalzo	8
5/29/2019	Preparing Not-for-Profit Financial Statements Under ASU No. 2016-14	Surgent	8
5/30/2019	Revenue Recognition, Leases, and Financial Instruments: The FASB's "Big Three" New Standards	Surgent	8
5/31/2019	Advanced Audits of 401(k) Plans: Best Practices and Current Developments	Surgent	8
6/3/2019	K2's Advanced Excel	K2 Enterprises	8
6/4/2019	K2's Emerging Technologies for Accountants, Including Blockchain and Cryptocurrencies	K2 Enterprises	4
6/4/2019	K2's Implementing Internal Controls in Quickbooks Environments	K2 Enterprises	4
6/10/2019	Cases in Corporate Ethics: Discuss Real Life Conflicts	Executive Education, Inc.	4
6/10/2019	Shorten Month-End: Closing Best Practices	Executive Education, Inc.	4
6/11/2019	CFO Series: Balance Sheet Management	Executive Education, Inc.	8
6/14/2019	Ethics	Richard DelGaudio	4
6/17/2019	SECTION 199A/UP TO 20% QBI DEDUCTION/TCJA	Boston Tax Institute	8
6/18/2019	Heartfelt Leadership: How Ethical Leaders Build Trusting Organizations	Executive Education, Inc.	4
6/18/2019	Cash Management Techniques, Systems & Solutions	Executive Education, Inc.	4
6/19/2019	CFO Forum: Reinventing the Finance Role	Executive Education, Inc.	8
6/20/2019	K2's Paperless Office	K2 Enterprises	8
6/21/2019	K2's Cloud Computing	K2 Enterprises	8
6/24/2019	Fiduciary Income Tax Returns - Form 1041 Workshop with Filled-in Forms	Surgent	8
6/25/2019	This Year's Best Income Tax, Estate Tax, and Financial-Planning Ideas	Surgent	8
6/26/2019	Surgent's Annual Tax-Planning Guide for S Corporations, Partnerships, and LLCs (TPGS)	Surgent	8
6/28/2019	Ethics	Jennifer Elder	4
8/06/2019	2019 Emerging Leaders' Summit	NHSCPA, NH Bar & NH Bankers Association	8

**CPE Course dates are subject to change. For the most up to date course listing please visit www.nhscpa.org **

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Legislative Update

By Teresa Rosenberger, NHSCPA Legislative Liaison

And they're off, Running and Crossing Over

The new Legislature has been moving at lightning speed with committee hearings, fiscal briefings and a hoped for June 27 finish line. Republican Governor Chris Sununu was re-elected, but both the House and Senate now have Democratic majorities. Divided government is not unusual in New Hampshire, but this is the first time in many years that a Republican governor is working with a Democratic House and Senate, as well as a Democratic majority on the Executive Council. Both parties initially projected an atmosphere of bi-partisanship, but that did not last long. There have been a record number of partisan votes. This is a budget year and the big question is will the legislature craft a budget that Governor Sununu likes by the end of June? The Governor has indicated he is not averse to vetoing the budget. A potential clash of priorities looms as Democrats have proposed several tax increases, rollbacks and spending provisions.

Priorities Set and Possible Vetoes

The Democrats set their priorities for 2019, which include an increase in the minimum wage; a freeze in the scheduled business tax rate reductions at existing levels; repeal of the education tax credit law for low income children; and the passage of a Family and Medical Leave Program.

Many of these priorities have been passed by one or both bodies. And we certainly expect some vetoes, more than we have seen in a while. The question is how many of these bills can be overridden. With a split of 264 to 136 in the House and 14-10 in the Senate, if the Republicans all show up and vote with the Governor, the vetoes will be sustained. The fun will start in May and maybe throughout the summer and fall if the Governor vetoes the budget.

Forget about any more business tax cuts and prepare to pay a capital gains tax.

To date, the House has voted to ***not*** continue to reduce the business profits tax (whose rate has been slashed from 8.5% to 7.9 %, then 7.7% this year and a scheduled 7.5 % in 2021) and also stop the BET reductions as well at 0.675%. The best guess is the bill that will finally move forward will take the BPT back to last year's 7.9% and the BET to 0.675%. **HB 623** passed on a party line vote over the objections of Republicans who pointed out that business tax revenue has gone up since the rates went down and "it's not right to change in midstream." Interestingly, we have a surplus in our budget currently. The Senate has passed on bipartisan lines and tabled a similar bill, SB 135, waiting for the House bill. There is no doubt a bill that leaves the rates at current levels or rolls them back to higher percentages will pass the House and Senate. You can bet the Governor will veto.

The House Ways and Means Committee also voted to start taxing capital gains at the interest and dividend tax level of 5% and use the money raised to lower the statewide property tax. **HB 686** would increase the interest and dividends tax exemption from $2,400 to $5,000. The revenue raised would be directed to a cut in the statewide property tax. The bill also increases the adequate education grant from $3,561 to $4,000 per pupil. A new capital gains tax will send quite a new message to the NH residents.

Wayfair Case Latest Fix

The Senate has passed a bill, **SB 242**, dealing with the U.S. Supreme Court's Wayfair decision, which allows states and cities to require other jurisdictions to collect taxes on online sales. The House has retained all of their Wayfair bills waiting for the Senate bill to get to them. Expect the Senate bill to pass the House.

Local Airbnb Fund

The House has passed **HB 641**, which will allow municipalities to collect a fee from local room rental to create a municipal capital improvement fund or a tourism support fund. The bill is now in House Finance being scrubbed before going to the Senate.

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More Work for the CPA Society

SB 190, which came out of many meetings of the Sales Apportionment Commission, where Karl Heafield represented the NH CPA Society, has now passed the Senate and is on to the House. The bill would provide for market-based sourcing under the apportionment provisions within the BPT. The apportionment of sales from tangible personal property is not changing under this bill. The changes apply only to sales other than sales of tangible personal property. The market-based sourcing change in apportionment would become effective January 1, **2021**. The bill also reestablishes the Apportionment Commission with a report of its findings due by November 1, **2020** . I am sure Karl would love a replacement if this becomes law.

Rolling Back Tax Credits

As you will remember from last session, we reported that no new tax credits, except the credits for regenerative tissue companies, passed in a Republican controlled Legislature. This year, there have been many bills including **SB 270**, which creates a tax credit against the BPT and BET for donations to career and technical education centers supporting workforce development. However, both the House and the Senate are pushing hard to repeal or gut the education tax credit for low income students that has been successfully working for the last five years. It's ironic that the Democrats are promoting workforce development programs while rebuking educational options for low income children. And the Republicans are supporting low income kids. Has the paradigm flipped?

The House Ways and Means Committee voted 10-9 on **HB 632**, to repeal the education tax credit after testimony from over 100 students, parents and school administrators opposed to the repeal. However, there was a ground swell of calls from parents so the full House tabled the repeal. However, The Senate Ways and Means Committee seems intent on allowing the education tax credit, which is currently for low income kids to go to charter, private or be homeschooled instead to be used for workforce development programs at public schools. They have passed **SB 318** which will now allow the tax credits go the programs in the public school system for work force development initiatives. One speaker testified we are changing the mission of public education from educating students for success no matter what form to workforce development to meet the needs of the business community. Very interesting debate.

Election 2020 has Started

Not only are 20 some candidates for President running around our state but we are now beginning to see candidates for Governor across the state also and the current Governor was sworn in only two months ago.

While State Senate Majority Leader Dan Feltes of Concord has been focusing on his work at the State House, leading the Democratic caucus on its agenda, the Granite State Opportunity Plan, it is rumored that he's considering running for governor in 2020. Sen. Feltes has been to Washington, visiting the Democratic Governors Association, which provides significant resources to gubernatorial candidates who DGA leaders view as strong potential contenders. In addition, Sen. Feltes has also been getting around the state, speaking to many groups.

Meanwhile, it is reported that Democratic Executive Councilor Andru Volinsky of Concord and Claremont Education Funding lawsuit fame, emailed friends that he is "fairly likely" to run for Governor in 2020. How about we get a NH CPA to jump into the race! Stay tuned to who else is running.

As a side note, the Society started in January with 29 bills we were actively watching and we are now down to 18 bills for the spring to watch. Thanks goodness Spring is here.

Talking to Clients about Tax Extensions

As CPAs, we know how to navigate challenging filing seasons. One of those maneuvers is to file tax extensions on behalf of some of our clients. This lengthens the time we have to complete their returns and helps us adhere to our quality control procedures and standards. However, it can be difficult for clients to recognize the benefits.

"Clients can have difficulties understanding the purpose of tax extensions and may feel uncomfortable with the process, particularly if they have never gone on an extension before," said Robin Abbott, CEO of the NH Society of CPAs. "Before notifying a client that an extension is necessary, CPAs should prep them for this possibility."

Because of tax reform, more people than usual may face tax extensions this year. That means you'll likely be talking to clients who have had little or no exposure to these kinds of filings.

Clients with small businesses are highly likely candidates for extensions this year. The new Sec. 199A deduction for passthroughs is advantageous, but the new law was unclear, guidance was slow coming and interpretation and implementation questions still exist among tax practitioners.

There is also a new group of clients likely to go on extension this year - those who are in shock or disbelief over the initial results of their return. The loss of personal exemptions and the massive changes to Schedule A are taking many by surprise.

Other clients who may benefit from extensions:

- Those affected by natural disasters
- Certain taxpayers who are out of the country
- Those with unexpected life events like a death in the family

Keeping the following points in mind can ease the tax extension discussion and help your clients understand the process.

How Extensions Work

A tax extension is a six-month postponement on the time to file but not on the time to pay. Your client must understand that the estimated tax liability seen on the extension form is their responsibility and they should plan on making an estimated tax payment at the time the extension is filed. This payment can reduce or eliminate interest and late-payment penalties.

Benefits and Risks

The advantage of a tax extension is it gives a preparer more time to compile all the needed information to file a return accurately. Extensions are often more cost-effective than filing an amended return later down the line and do not increase the likelihood of an audit. However, there are risks involved with a tax extension, including accruing interest and penalties. A client who misses the extended deadline will face steep penalties.

April 15 Deadline Still Matters

All payments on taxes owed must be paid by the April 15

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NEW HAMPSHIRE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

EVENTS

MAY 7, 2019
2019 Annual Meeting and CPA Inauguration Reception
Manchester Country Club
Bedford, NH

JUNE 6, 2019
NHSCPA Student and YP Golf Clinic
Nashua Country Club
Nashua, NH

AUGUST 6, 2019
Emerging Leaders' Summit with the NH Bar Assoc. and NH Bankers Assoc.
Saint Anslem College
Manchester, NH

SEPTEMBER 12, 2019
NHSCPA Volunteer Awards
Millyard Museum
Manchester, NH

SEPTEMBER 23, 2019
Fifth Annual NHSCPA Women's 9-Hole Golf Outing
Stonebridge Country Club
Goffstown, NH

Talking to Clients about Tax Extensions

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deadline or your client may be charged interest and penalties. April 15 is also the last day your client may set up an IRA or make IRA contributions for the 2018 tax year. Married couples are not permitted to change their filing status from married filing jointly to married filing separately after the April 15 deadline even if they go on an extension.

Business Rules

It's likely more business clients than usual will face tax extensions this year due to pending tax reform guidance. Those who own C corporations must file their 2018 tax return or extension by April 15. Like individual tax returns, a business extension filed through Form 7004 is an extension of time, not an extension to pay.

Tax Reform and State Rules

Many states allow for an automatic filing of state extensions when a federal extension is filed, but other states may have different procedures or impose greater interest and penalties. Review the state rules with your clients.

Due Diligence

Because of the volume and complexity of tax extensions this year, extra due diligence is necessary. CPAs must obtain written authorization from their clients before filing tax returns on their behalf. This document should also include details of the extension like estimated tax payment amounts and an explanation of possible interest and penalties. Consult the AICPA Code of Conduct, Circular 230, AICPA Statements on Standards for Tax Services (SSTSs) and the Internal Revenue Code (IRC) while preparing your clients' tax extensions this year.

And while it goes without saying, extensions are a tried and true method for spreading out the workload, especially during this last stretch when days are getting longer and patience is running shorter.

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If you have expertise in a particular subject and a willingness to share your knowledge with others, consider writing an article for the ***NHSCPA Connection***. Features typically run between 1,000 and 1,500 words and cover current events, news within the profession and special interest topics. Get published by contacting Amanda Renfrew at arenfrew@nhscpa.org

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