NEW HAMPSHIRE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

CONNECTION

IN THIS ISSUE

NEW HAMPSHIRE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

2020 Annual Meeting and CPA Inauguration Reception

May 5, 2020

Manchester Country Club, Bedford NH

Featuring Keynote Speaker, Tracey Golden, Vice Chairman for the American Institute of CPAs

Tracey Golden CPA, CGMA, is the Vice Chairman of the American Institute of CPAs (AICPA).

Golden has held a number of volunteer leadership positions at the AICPA, having previously served as a member of the Board of Directors and governing Council, as well as chair of the Audit and Finance committee and Peer Review Board. In addition, she has served as the Board Liaison to the AICPA Foundation Board of Trustees and a member of the Relations with the Bar and National Peer Review committees, among other volunteer positions.

NHSCPA CONNECTION

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New Hampshire Society of CPAs

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From the **President**

Edward C. David, CPA
2019-20 NHSCPA President

As the calendar turns from January into February, many of us in Public Accounting are working additional hours as we are now officially in "tax season". In addition to the increase in seasonal tax preparation, we are also providing financial statement services, client advisory services and meeting with future prospects and other key business advisors. If you like working with people, it is an awesome time of the year.

We are so fortunate to live in New Hampshire where we get to experience cold, sleet, snow, studded tires and just the general malaise of winter. For me personally, it's a great time to work - not so great to be outside. I'm sure this job would be so much more challenging for many of us if we lived in a climate where winter meant low temperatures of 50 degrees and seven days a week of sunshine.
This busy time of the year is also a good reminder for all of us to make sure we take the time to relax, exercise and spend time with our families. It's so important to stay healthy during this season, so please take some time and balance your busy work schedule with some fun!

At the Society, our CPE program is robust and we will have many local and national speakers who will be presenting this spring. Please check the CPE calendar and sign up for some great education and peer interaction while supporting the work of NHSCPA. As the only statewide Society, we should make it a priority to keep supporting our members and the work of our partners and peers. Our Society continues to do a great job with reaching out to our sponsors, revamping our activities, enhancing networking opportunities, ongoing advocacy at the state and national level and providing continuing professional education. We are in great shape both financially and with our team of Robin, Juliana and Kevin.

Think Spring!

Edward C David

Edward C. David, CPA
NHSCPA President

NEW HAMPSHIRE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

From the **CEO**

Robin Abbott, CEO

Greetings from NHSCPA!

I am sure you don't need the reminder but, tax season is certainly well underway! I am constantly reminded of that when I speak with our dedicated members who are already working seven days a week and long into the evening hours. I say this time and time again and hope you know how much respect and admiration I have for a group of professionals who sacrifice so much of themselves and their lives for their clients and business partners. You are all truly amazing and please let us know if there is any way we can help or support you.

Our team is in the process of finalizing our 2020 CPE calendar, sponsor commitments, networking events and FY 2020/21 committee goals. We're also excited to continue offering larger conferences that include collaborations with other professional associations and highlight local experts. Events such as the Emerging Leaders' Summit, Non-Profit Conference and NH Tax Forum are well on their final planning phases. We are also excited to include a new Business and Industry Conference that will be held in partnership with the Maine Society of CPAs later this fall. These events are just a few of the existing offerings we have for our members and encourage you to visit our website and phone app often to learn more.

I would be remiss if I didn't mention our upcoming 2020 Annual Meeting and CPA Inauguration on May 5 at the Manchester Country Club. We are thrilled to have Tracey Golden, incoming Chair of the AICPA, joining us as our keynote speaker. This event is a wonderful time to hear from our industry leaders, vote for our incoming Board Members and most importantly, acknowledge our newly licensed CPAs in NH. Keep your eye out for the registration email because if recent years have been any indication, we plan to sell out early and we hope you plan on joining us.

As always, we could not build on our success without your membership and support and are grateful for our corporate sponsors who have committed their resources to enhancing our member benefits and experiences. Please do consider making an introduction or referral as you see fit when considering client services. On a final note and to echo our Board President Ed David, please take any opportunity to enjoy some time with family and friends and get outside – even in the cold and snow. There's nothing better than relishing a few moments to enjoy life's important pleasures. I not only encourage you to do this – but am happy to join you!

With continuous gratitude,

Robin Abbott, CEO
NH Society of CPAs

Snowshoeing with Michelle Roberge, CPA, Partner at Karr & Boucher, PLLC

NH Society of CPAs Legislative Report - January 10, 2019

The Holidays are behind us and the legislature is celebrating the end of 2019 and preparing for 2020. It will be a shorter legislative session in 2020 as it is an election year. The members of the legislature want to be finished and campaigning by the beginning of June. So expect speed. The House and Senate filing periods for titles of bills are closed. To date there have been 804 titles filed. Language for bills is out and we are reviewing all bills for 2020.

What looks interesting for CPAs?

- CACR 17 provides that a new state broad-based tax may only be enacted to reduce property taxes;
- HB 1160 enables a municipality to collect an occupancy fee from room rentals for the purpose of establishing a municipal capital fund, revolving fund, or tourism support fund;
- HB 1248 enables municipalities to offer community revitalization tax incentives for the construction of additional housing in designated areas;
- HB 1474 establishes a deduction from the gross business profits under the BPT for income invested in an Opportunity Zone located in NH as established under the Tax Cuts and Jobs Act;
- HB 1567 repeals the water's edge combined group provisions of the BPT;
- SB 474 categorizes the income tax on interest and dividends 5% tax as an income tax.

Bills that were retained from the 2019 session and will be voted on when the legislature met in early January:

House:

- HB 653 – rooms and meals tax for short term room rentals has been voted ITL (killed) but the same language has been added to HB 274;
- HB 686 – funding an adequate education with a 5% capital gains tax has been voted ITL (killed);
- HB 117 increasing Interest and Dividends exemption and decreasing the R&D credits against the BPT and BET has been voted Interim Study (dead);
- HB 623 establishes 7.9% BPT and 0.675% BET rates for taxable periods ending on or after December 31, 2019 has been voted ITL (killed);
- Wayfair bills (HB 114, HB 265, HB 416, HB 698) –have all been unanimously voted ITL (killed) as the language dealing with sales taxation by other jurisdictions was dealt with in HB4, the budget, in September.

Senate:

- SB 223 increasing the minimum gross business income required to file BPT has been amended to raise the minimum to $75,000 from the current $50,000. It has passed the full Senate and will proceed to the House.

Although the Society did not introduce any legislation for the upcoming 2020 session, the ongoing public policy debates over business taxes will keep things very interesting. Stay tuned and enjoy the winter weather.

New NHSCPA Members

AFFILIATE MEMBER

Julienne Armbrust
Harrisville, NH

FELLOW MEMBER

Jeffrey Trombley
Manchester, NH

Tyler Kassab
Woodstock, GA

Congxia Zhang
Austin, TX

STUDENT MEMBER

Cameron Feyrer
Beverly, MA

Andrew Bruno
Deerfield, NH

Emily Graves
Merrimack, NH

Jared Sharpe
Manchester, NH

William Synott
Manchester, NH

STUDENT MEMBER

Nate Bowler
Canterbury, NH

Elizabeth Batchelder
Concord, NH

Theodore Procter II
Marlborough, NH

Coleman Russell
Durham, NH

Ian Cummings
Durham, NH

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"

Baker Newman Noyes Named to New Forbes List of America's Top Recommended Tax & Accounting Firms

Baker Newman Noyes announced today the firm has been named to Forbes' first-ever list of America's Top Recommended Tax & Accounting Firms. BNN is the only full-service Maine firm on the list recommended for both tax and accounting services and is one of just 90 firms nationwide recommended for both service categories, out of the total 227 firms listed.

In creating the list, Forbes partnered with data analysis and market research firm Statista to survey more than 1,800 CPAs, enrolled agents, tax attorneys, accountants and CFOs from across the United States on both the tax/accounting firm and client company sides.
Participants who worked for a tax or accounting firm could name up to ten firms for tax and ten firms for accounting that they would recommend if their company were not able to take on a client. Survey participants who worked in a company on the client side were asked to name up to ten firms each in tax and accounting that they would recommend based on their professional experience during the last three years. The firms that received the most recommendations were eligible for inclusion on the list, pending verification of eligibility by Statista. Self-recommendations were not considered.

"It is incredibly rewarding and validating to be recommended by our peers, clients, and the Forbes community in this way," said Dayton Benway, managing principal of Baker Newman Noyes. "Earning our clients' trust is what motivates us to deliver exceptionally responsive service, and their satisfaction is our greatest measure of success."
In addition to the Forbes List of America's Top Recommended Tax & Accounting Firms, BNN was recognized as a "Best of Accounting" firm for client satisfaction in 2019 by independent ranking firm ClearlyRated, and received a Net Promoter Score of 81 against an industry average NPS score of 24. Learn more at www.bnncpa.com/about-bnn/recognition.

About Baker Newman Noyes
Baker Newman Noyes (BNN) is one of the top 100 tax, assurance, and advisory firms in the nation. Our professionals are entrusted by individuals and leading organizations to deliver effective accounting and financial solutions with diligence, vision, and responsiveness. We draw on deep experience and foster collaboration between practice groups to find solutions to any situation, with experience in banking and financial services, healthcare, manufacturing and distribution, nonprofit, public sector entities and privately held and family-owned businesses. With a Net Promoter® Score of 84, we received the Best of Accounting™ Award from independent research firm ClearlyRated for providing superior client service. We serve clients globally from our headquarters in Portland, Maine, our regional offices in downtown Boston and Woburn, Massachusetts and Manchester and Portsmouth, New Hampshire, and as an independent member of Baker Tilly International. www.bnncpa.com

SECURE Act Makes Significant Changes to Retirement and employee benefit plans

By John E. Rich, Jr.

The Setting Every Community Up for Retirement Enhancement Act (the "Act" or the "SECURE Act"), part of the Further Consolidated Appropriations Act, 2020 (the "Appropriations Act") passed and signed into law on December 20, 2019 make significant changes to the Tax Code rules impacting benefit plans. Depending on how one counts the provisions, the Act and the Appropriations Act make well over thirty-five changes to the rules impacting various types of benefit plans. As is often the case with new Tax Code provisions, the full scope and implications of the provisions will not become completely clear until clarifying regulations are issued due to the limited statutory language. This article will focus on a few of the provisions that may be of interest to CPAs.

Provisions to Retirement Savings and Adoption of Retirement Plans

In order to help part-time employees save for retirement, the Act requires a Section 401(k) plan to allow an employee to make elective deferrals if the employee has worked at least 500 hours per year with the employer for at least three consecutive years, and has attained age 21 (a "long-term part-time employee"). The long-term part-time employee must be permitted to make deferrals no later than the earlier of (1) the first day of the first plan year beginning after the date on which the employee satisfied the age and service requirements, or (2) the date 6 months after the date on which the individual satisfied these requirements. The Act does not require long-term part-time employees to be eligible to receive employer contributions nor does time worked before 2020 count towards the required three year period.

Starting in 2020, employers can treat qualified retirement plans adopted after the close of a tax year, but before the due date of its tax return, as having been adopted as of the last day of the prior year. This will allow CPAs to accurately calculate the tax savings a business can achieve by the adoption of a new plan. The Act makes a similar change as part of the relaxation of the safe harbor plan rules that allow plans to automatically pass discrimination testing. Effective for the 2020 plan year, an employer can wait until thirty days before the end of the plan year to adopt a 3% of compensation non-elective safe harbor contribution feature or wait until the end of the succeeding plan year to adopt safe harbor status if the employer makes a 4% contribution.

The Act also increases the Section 45E business tax credits for small employer (less than 100 employees earning $5,000 in the preceding year) retirement plan startup costs to the greater of: (1) $500 or (2) the lesser of (a) $250 multiplied by the number of non-highly compensated employees eligible to participate or (b) $5,000. The credit applies for up to three years, as does the new $500 tax credit for small employers who add an automatic enrollment feature for new hires. The Act repeals the prohibitions on contributions and deductions to traditional (i.e., non-Roth) IRAs for individuals who have reached age 70½.

Acceleration of Post-Death Required Minimum Distributions

Although the Act raised the age at which distributions are required to commence from retirement plans and IRAs to 72 from 70.5, the Act also requires these accounts to be distributed, and thus fully taxed, within ten years following the death of the participant unless the beneficiary is an exempt eligible designated beneficiary. Eligible designated beneficiaries are the surviving spouses, children who have not reached majority age, and designated beneficiaries who are disabled, chronically ill, or not more than ten years younger than the deceased participant or IRA account owner. Upon the eligible beneficiary's death, any remaining portion of the original benefit must be distributed within ten years. This provision, effective for deaths after 2019, will substantially alter tax and estate planning for clients who had intended to defer taxation on plan and IRA benefits by arranging for distributions over the life expectancies of young nonspouse beneficiaries.

Penalty Free Withdrawals From Retirement and Other Accounts.

The Act adds a new exception to the Tax Code Section 72(t) ten percent excise tax for distributions from retirement plans and IRAs by individuals under age 59.5 for a qualified birth or adoption distribution. A "qualified birth or adoption distribution" is a distribution that is made during the one-year period beginning on the date on which a child of the individual is born or on which the legal adoption by the individual of an eligible adoptee is finalized. The maximum aggregate amount of a qualified birth or adoption distribution is $5,000, applied on an individual basis with respect to any birth or adoption. The Act also permits amounts distributed to be repaid.

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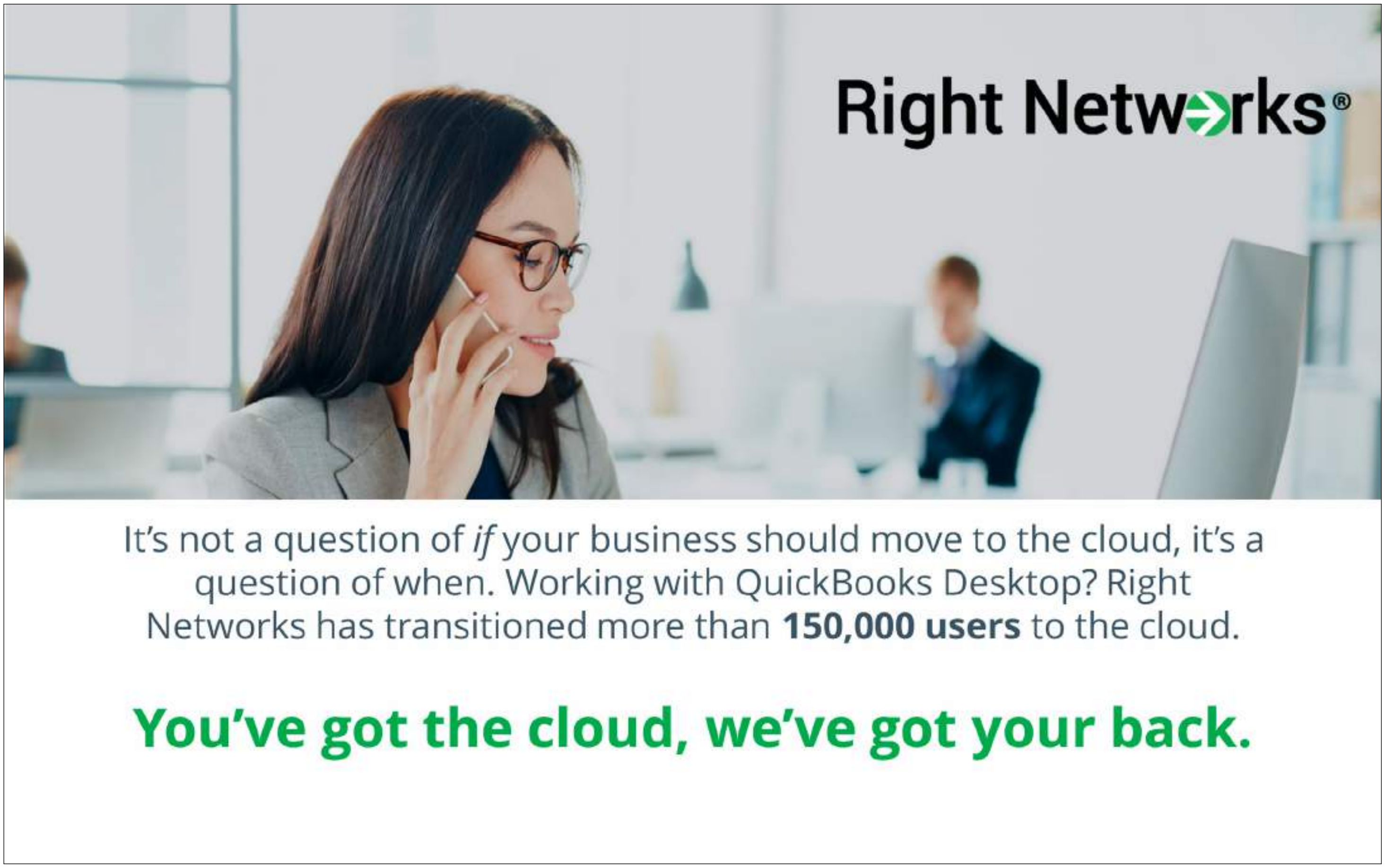
The Act allows tax-free distributions from Tax Code Section 529 education plans to pay for fees, books, supplies, and equipment required for the designated beneficiary's participation in a registered apprenticeship program. The Act also allows tax-free distributions from 529 plans to pay principal or interest on a qualified education loan of the designated beneficiary or a sibling of the designated beneficiary.

Other Tax Provisions

The Act substantially increases (by a factor of ten!) the Tax Code penalties for the late filing of retirement plan tax returns on Form 5500 and IRS Form 8955-SSA used to report and disclose terminated participants' benefits to the IRS and Social Security Administration. The Appropriations Act repealed the Section 4980I excise tax on high-cost employer health plans, repealed the unrelated business income tax on qualified transportation fringe benefits, repealed the medical device excise tax and extended the paid family leave tax credit through 2020.

This article discusses only a few of the SECURE Act and Appropriations Act provisions. CPAs should review the entire SECURE Act and applicable provisions of the Appropriations Act to determine how clients will be impacted.

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.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Nathan Wechsler Announces New Team Member

The regional accounting firm of Nathan Wechsler & Company, PA is pleased to announce the addition of Janet Lizotte to their professional team.

Lizotte joins the firm as a certified public accountant, she is responsible for managing the engagements for all clients transferred from her former firm, Cady & Hoar PC., to Nathan Wechsler & Company, PA.

"I am thrilled to have Janet joining the team," said Oreste "Rusty" Mosca, Managing Director of Nathan Wechsler & Company, PA. "Her experience and know-how make her a great fit for the firm. I am confident that she will serve our clients with dedication and professionalism."

A graduate of the University of Denver, Lizotte holds a Bachelor of Science in Business Administration. She is currently affiliated with the American Institute of Certified Public Accountants (AICPA) and the Vermont Society of Certified Public Accountants (VTCPA).

Nathan Wechsler & Company, PA, is a full-service accounting and tax firm with over 40 professionals offering a broad range of services. In addition to traditional tax and accounting engagements, the firm serves clients with business valuation services, management consulting, and employee benefit plan audits. The firm sustains industry-specific expertise in construction and real-estate companies, non-profit entities including independent schools, and manufacturers and wholesale/distribution firms. With locations in Concord, Keene, and Lebanon, NH, Nathan Wechsler & Company, PA. serves clients who do business in nearly all 50 states as well as overseas. For more information on Nathan Wechsler & Company, PA, visit nathanwechsler.com.

Nathan Wechsler & Company Managing Director Reappointed to Board Position

The regional accounting firm of Nathan Wechsler & Company, PA is pleased to announce that Oreste "Rusty" Mosca, CPA, was recently reappointed as treasurer for the New Hampshire and Vermont Chapter of the Associated Builders and Contractors (ABC NH/VT).

"I am thrilled at the opportunity to continue serving on the board of ABC NH/VT," said Mosca, who has been a board member and treasurer since 2014. "ABC is a fantastic organization. Serving on the board allows me the opportunity to engage more deeply with an industry in which I specialize professionally. I am looking forward to another year of serving ABC."

Founded in 1950, Associated Builders and Contractors is a national construction industry trade organization representing nearly 21,000 chapter members. It is recognized as one of the leading organizations representing the American business community and the merit shop construction industry. The New Hampshire and Vermont Chapter of ABC was established 35 years ago. Its 13-member board of directors is composed of community leaders from the New Hampshire and Vermont region. To learn more, visit abcnhvt.org.

Mosca joined Nathan Wechsler & Company in 1987 and currently serves as the firm's Managing Director. In his practice, he provides accounting and audit services to the construction and non-profit sectors. A graduate of the Peter T. Paul College of Business and Economics at the University of New Hampshire, Mosca holds a Bachelor of Science degree in Business Administration with a concentration in Accounting. His professional affiliations include the American Institute of Certified Public Accountants (AICPA) and the New Hampshire Society of Certified Public Accountants (NHSCPA). In addition to his role with ABC, Mosca serves on the boards of directors for the Capitol Center for the Arts, CATCH Neighborhood Housing, Leadership New Hampshire, the Manchester Community Health Center, and New Hampshire Humanities. Additionally, he is Chair of the Merrimack County Campaign Cabinet of the Granite United Way and a member of the Legislative Committee of the Associated General Contractors of New Hampshire. Mosca has received numerous awards and recognitions over the years, including the Jefferson Award for Active Volunteerism. He currently resides in Concord, New Hampshire.

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CA$H Coalition of New Hampshire

Budget law changes may require estate plan attention

By Michael P. Panebianco

In the final weeks of 2019, the federal budget bill was passed by Congress and signed by President Trump. The new law includes changes to the federal tax code that were originally included in the SECURE Act (H.R. 1994). These changes went into effect January 1, 2020.

The changes may affect your retirement plans, such as IRAs and qualified retirement plans, e.g., a 401(k), both during your lifetime and the way assets in those plans ("retirement assets") may be distributed to your beneficiaries after death. They may require you to revisit your estate plan and these new provisions.

This article summarizes some of those provisions.

During Life

Under prior law, most people were required to begin taking Required Minimum Distributions ("RMDs") from their qualified plans or traditional (non-Roth) IRAs once they reached age 70 ½. Under the SECURE Act, the age was increased to 72 for those who were not yet required to take distributions under the old law. This means if you turned 70 ½ in 2019, the prior law applies and you must begin taking RMDs by April 1, 2020. Otherwise you can, but are not required, to take distributions once you are age 59 ½ without penalty, but must begin taking RMDs once you are 72. Although RMDs do not begin until age 72 under the new law, you can still cause distributions of up to $100,000 a year to pass directly to charity once you have reached age 70 ½. In addition, the new law removes the age cap for funding traditional (non-Roth) IRAs and deductible plans, so individuals over age 70 ½ are now permitted to make contributions to a traditional IRA, provided they have earned income, and there is a new exception to the 10% excise tax on withdrawals prior to age 59 ½: up to $5,000 for child birth or adoption expenses may be withdrawn.

Some non-retirement plan changes include the ability to use 529 Plans to pay for student loan repayments of up to $10,000, and also certain apprenticeship programs, including fees, books, supplies, and equipment. In addition, the "Kiddie Tax" reverts back to prior law so that the parent's tax rate will apply to the child's unearned income, rather than applying trust and estate tax brackets.

After Death

With respect to estate planning, arguably the most significant changes brought about by the SECURE Act relate to how retirement assets are distributed and taxed after death to avoid penalties.

Under the prior law, it was possible to stretch the distribution of retirement plan assets over the life expectancy of a beneficiary, if that beneficiary met the requirements of a "designated beneficiary" under the law. This ability to stretch out the distributions offered potential advantages in terms of income tax free growth of the retirement assets during the beneficiary's life, the cumulative amount of income tax paid on distributions from the retirement account, and protection of the retirement assets from the beneficiary's creditors, or even from a beneficiary who might not have the ability to handle significant amounts of money at one time. The law also permitted these advantages for retirement assets left in a trust, as long as the trust was structured to meet certain requirements.

The SECURE Act changed these rules so that most designated beneficiaries of retirement plans will be required to receive the full amount of an inherited qualified plan or IRA within 10 years after the death of the person who funded the plan or IRA. The exceptions to this general rule include the retirement plan owner's surviving spouse, minor children of the owner (but not their grandchildren or someone else's children), beneficiaries who are disabled or chronically ill, and individuals who are not more than 10 years younger than the plan owner. The excepted classes of beneficiaries are still permitted to take distributions over their expected lifetimes, as under prior law, though children who are minors at the time of the owner's death must now take the full distribution within 10 years after reaching the legal age of adulthood, which is age 18 in New Hampshire and most other states. It is important to note that the beneficiary can wait until just before the expiration of the 10 year period and take it all out at once. There is no requirement that distributions occur annually throughout the 10 year period. As under prior law, if the surviving spouse is the beneficiary of the retirement plan, he or she can withdraw over their life expectancy, but, upon the spouse's death, the next beneficiary, if not in a qualified group, must take the payout within

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ten years of the surviving spouse's death.

The SECURE Act does not change the method of designating a beneficiary or beneficiaries to receive inherited retirement assets. Accordingly, if you have existing beneficiary designations in place, those designations are still valid. However, the desired result may no longer be achieved unless you revise your estate plan. For example, many current estate plans are structured so that, after death, retirement assets are given to a trust commonly referred to as a "conduit trust." The basic idea of this plan is that the conduit trust, not the individual who is the beneficiary of the trust, is the owner of the retirement plan and the retirement assets paid to the conduit trust will pass immediately from the trustee to the beneficiary. Under the prior law, this was a commonly used technique because the distributions would be stretched over the expected lifetime of the trust beneficiary while ensuring the beneficiary would not prematurely withdraw all the assets from the retirement plan. However, under the SECURE Act, that same conduit trust may now require distribution of the retirement assets to the beneficiary within 10 years after the death of the plan participant or plan owner, or when the minor child reaches adulthood. Depending on the intended beneficiary's situation, or owner's desire, other planning techniques may better serve the desired result, given the new rules. One such technique is the use of what is known as an "accumulation trust" rather than a conduit trust. Like a conduit trust, an accumulation trust would be the owner of the retirement plan after the plan owner's death, except retirement assets paid to the accumulation trust do not have to pass immediately from the trustee to the beneficiary as it would with a conduit trust. This allows the retirement plan assets to be protected by the terms of the trust rather than going outright to the beneficiary.

The specific changes brought about by the SECURE Act, and potential planning strategies related to the changes, are too extensive to cover in depth here, and may present new opportunities to take advantage of the tax-deferred savings offered by qualified plans and traditional IRAs. Your attorney, accountant, or financial advisor should be consulted to advise you of these changes in the law and whether and how you might benefit from them.

Highlights from the Past Presidents Luncheon

On January 9th, NHSCPA held a Past Presidents in tandem with the Volunteer Awards at the Millyard Museum 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 2020-2021. 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!

SPRING/SUMMER CALENDAR

DATE	COURSE TITLE	VENDOR	
5/21/2020	Business Ethics: Cases from the real world	Executive Education, Inc.	4
5/21/2020	Balance Sheet Management	Executive Education, Inc.	4
5/28/2020	CFO Forum: Cash Management	Executive Education	8
6/01/2020	Latest Developments in Nonprofit Accounting and Auditing	Surgent	8
6/02/2020	Fraud in Not-for-Profit entities and Governments: Stealing from everyone	Surgent	8
6/9/2020	Section 199/A & Rental Real Estate	Boston Tax Institute, Inc.	8
6/11/2020	IT, Data Security & Privacy for CPAs	Sheehan Phinney	8
6/12/2020	Cost Segregation, R&D & Energy	Bedford Cost Segregation	4
6/17/2020	Nonprofit GAAP Refresher	Kaplan	4
6/17/2020	Lease Accounting Implementation	Kaplan	4
6/18/2019	Deceptive Accounting Practices	Kaplan	4
6/18/2019	Professional Ethics for CPAs	Kaplan	4
6/19/2019	SECURE Act/ Creative Retirement Plans	Boston Tax Institute, Inc.	8
6/23/2019	Assessing the Risk of Fraud in a Financial Statement Audit	Surgent	8
6/24/2019	Accounting, Audit and Attest Update for Practitioners with Small-Business Clients	Surgent	8
6/25/2019	Compilation & Review Practice Guides	Kaplan	8
6/26/2019	Audits of Employee Benefit Plans	Kaplan	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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Tools of the trade: Gifts of closely held stock and related assets

By Lois R. Shea, Senior writer, New Hampshire Charitable Foundation

Contributions of all types of stock to charity are growing nationwide. ***Richard Samuels, a director in the Corporate Department of McLane Middleton,*** *talks about how gifts of closely held stock can have big charitable impact — and why timing and planning are critical to the process*

Richard Samuels is a director in the Corporate Department of the law firm McLane Middleton. He concentrates his practice in corporate governance, corporate transactions (mergers and acquisitions), and securities regulation, including SEC regulation, private securities offerings, formation of private investment funds, and registered investment adviser and broker representation. He is chair of the City Year New Hampshire board of directors, past chairman of the board of the Manchester Community Health Center and has served on boards of numerous other New Hampshire nonprofits.

Samuels has helped many clients increase their philanthropic impact by helping them choose wisely about which assets to give. He has extensive experience with assisting clients in giving closely held stock.

That stock can be a great philanthropic asset, he said — but timing is critical.

"Let's assume that we've got a typical family business with one founder, or the founder and his brother, who own all the shares, so that there are no concerns about other shareholders or investors," he said. The time comes when they are starting to think about selling, and they would like to share some of the wealth they have generated with charity.

His advice: Don't wait to give.

Why?

"As tends to be the case, their basis in their own company is nominal. Sometimes very close to zero or very small. People start businesses, so often, on very close to a shoestring and have grown the company to have very substantial value. If they were to sell the company in a few years, they would have a capital gain equal to virtually the entire value.

"The thing that they have to consider is that it is not unusual that when a closely held company is sold, the value that the owners get is more than they anticipated."

So giving away some of that value to a nonprofit before a sale will lessen that tax burden later — and ultimately make more money available for charitable purposes. Planning ahead is key to both.

The value of the charitable contribution for tax purposes would be the appraised market value of the shares.

The most important thing, he reinforces: "You don't want to wait until after the transaction." (Giving afterwards is an option and will be appreciated by nonprofits — but gifts prior to transactions can have both greater charitable impact and tax advantages.)

Business owners may have concerns about giving what amounts to part ownership and control of their company, in the form of stock. Samuels said that the planning of such gifts — including not just timing, but percentage of total holding — needs to be carefully executed.

A nonprofit may wish to liquidate the gifted stock right away, to make immediate use of the value of the gift, or may choose to hold the stock until it is liquidated when the company is sold. Typically, there is no market for private company shares, so if the nonprofit chooses to accept the gift, it will likely have to hold the shares until a sale is completed. Thorough planning and understanding of IRS regulations surrounding such transactions is critical in either case.

Samuels worked with one client whose carefully planned gift meant that he was able to make a significant amount available for charitable giving.

He stayed on with his company when it was sold to a private equity firm. After that sale, he was awarded profits interest (ownership units in an LLC or partnership, similar to stock) as part of his compensation package. He gave the profits interest to an existing donor-advised fund at the New Hampshire Charitable Foundation. If properly structured, the IRS values profits interests at zero at the time of a transaction, but the value appreciates over time. When the company sold a second time 2-1/2 years later, that asset, now significantly appreciated, was liquidated — making more than $200,000 available in the donor-advised fund to support good work in New Hampshire communities. A second gift of the same type provided another $500,000 in charitable dollars.

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"So that is a technique that people can use if in they are in a position of selling their company, remaining with the company, and being granted participation in an equity plan," Samuels said.

Grants from that fund have supported youth sports, a recovery program for people with substance use disorders, adaptive sports programs for people with disabilities and more.

Samuels has served on boards of many New Hampshire nonprofits, so understands the potential — and the potential ramifications — of these kinds of gifts from both sides. He said that, from a nonprofit's perspective, there are also things to consider before accepting gifts of closely held stock.

"If I am on the board of directors of a charity, I would have to think, from a mission perspective: Do I want to be shareholder in that particular business? Is it in an industry that just doesn't feel right for my charity?

"With respect to all of their assets, the board and management (of a nonprofit) has a high degree of fiduciary duty that, in some cases, could put them at odds with the donor. You want to make sure it is a company that is well-run and run in an ethical manner so you don't anticipate having to put yourself in an uncomfortable position with the very person who donated."

Overall, contributions of all types of stock to charity are growing nationwide. The IRS recently released data about tax year 2016 showing that gifts of stock accounted for 44.4 percent of the value of all donations that year, increasing 13.2 from the year before and totaling $32.7 billion in gifts to charity nationwide.

Ultimately, Samuels said, when well-planned, gifts of closely held stock are another way that generous people can help the nonprofits that help their communities.

"My view is that nobody donates to charity simply for financial reasons," Samuels said. "There is always a charitable intent."

Tools of the Trade is a New Hampshire Charitable Foundation series highlighting the expertise of the financial and legal advisors who partner with the Foundation to help generous New Hampshire people make the most of their philanthropy. To learn more, contact Richard Peck, vice president of development and philanthropy services, at rp@nhcf.org or 1-800-464-6641 ext. 265.

AICPA Submits Comments Related to Guidance on Excise Tax Under the Tax Cuts and Jobs Act

The American Institute of CPAs (AICPA) has submitted comments on rules described in Notice 2019-09 – Interim Guidance on Excise Tax Imposed under Section 4960, Excess Remuneration, issued by the Department of Treasury (Treasury) and the Internal Revenue Service (IRS). The new section 4960 was added by the Tax Cuts and Jobs Act (TCJA).

Section 4960 imposes a 21 percent excise tax on the sum of:

1. Any remuneration paid (other than an excess parachute payment) by an applicable tax-exempt organization (ATEO) for a taxable year with respect to employment of any covered employee in excess of $1 million; plus
2. Any excess parachute payment paid by such organization to any covered employee.

Section 4960 is designed to put applicable tax-exempt organizations on equal tax footing with taxable organizations that are subject to the section 162(m) $1 million limit on deductible compensation and the excise tax on excess parachute payments under section 280G.

The excise tax is imposed on ATEOs and related entities for remuneration in excess of certain amounts received by a covered employee. In general, a covered employee is an employee or former employee who is one of the five highest compensated employees. Once an individual is a covered employee for any taxable year beginning after December 31, 2016, that person remains a covered employee for all future taxable years. This new tax is effective for all taxable years beginning after December 31, 2017.

The guidance in the Notice provides rules regarding the entity liable for the excise tax under section 4960, how the excise tax is calculated, and how taxpayers should report and pay the tax. Until further guidance is issued, taxpayers may comply with the statute by using a good faith, reasonable interpretation of section 4960. The Notice provides such an interpretation.

The AICPA recommends that Treasury and the IRS provide guidance on the following issues related to the new section 4960:

III. Allocation of Remuneration

IV. Allocation of Excise Tax

V. Definition of the term “Employee”

VI. Equity Compensation

VII. Duplication of the Excise Tax and a Disallowed Deduction under Section 162(m)

VIII. Definition of the term “Predecessor” for Purposes of Defining Covered Employees

IX. Vacation Pay, Sick Pay, Disability Pay, Paid Time Off and Payroll Practices

X. Short term Deferral Exception

XI. Application of the Limited Services Exception

XII. Cut-off Date on Covered Employee Status

XIII. Death Benefits

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Nashua, NH

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Concord, NH

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