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CERTIFIED PUBLIC ACCOUNTANTS

CONNECTION

FALL/WINTER 2018

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NHSCPA CONNECTION

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Evan Stowell, CPA

2018-19 NHSCPA President

As December draws to a close, let's take a minute to reflect on the year that has been 2018. Strong US and local economies coupled with the most sweeping tax reform in a generation and significant changes in financial accounting standards has led to a very busy year for many of our members. As we find ourselves busy navigating the intricacies of Section 199A deductions, entity classification questions and lease accounting implementation concerns, I am thankful for the opportunity we have to provide overwhelming benefit to our clients and business partners, all the while being good stewards of our profession for future generations.

Here at the Society we've been blessed with a calendar full of robust events, conferences, forums and the like. We've seen new twists on old favorites, and some new events altogether (curling anyone?). From our sold-out annual meeting in the spring to a standing room only 36th Annual Tax Forum the year surely did not disappoint.

Among the notable firsts was our recent First Annual Wine Tasting and Volunteer Awards held December 6th at the New Hampshire Food Bank in Manchester. A wonderful event, bringing together members, business partners and friends of the Society while gather donations for a great cause, the New Hampshire Food Bank. During the event awards for Outstanding Professional (Adam Lord, Penchansky & Co. PLLC), Most Supportive Organization (McLane Middleton) and Distinguished Service Award (Melanson Heath) were given out and recipients recognized. Thank you to all who attended, our generous sponsors who made the event possible and of course congratulations to our deserving award recipients.

Warmest of holiday wishes from all of us at the Society and best wishes for the start of 2019.

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Happy Holidays from the NHSCPA!



Robin Abbott, CEO

We've had a robust fall season which since my last letter included seven NHSCPA events high-lighting collaborations with the NH Bar, NH Bankers' Association and the NH Food Bank among others.

Hampshire University, Right Networks, Santo Insurance & Financial Services, Inc., New Hampshire Charitable Foundation, NBT Bank, McLane Middleton, Bedford Cost Segregation, University of New Hampshire Peter T. Paul College of Business and Economics, and Brady Sullivan Properties Please consider them when determining your future business resources.

We also launched a specific soft skills training for new professionals to the field entitled "Steps to Success", which is the first ever CPE created and presented by our Young Professional's Committee. The YP's have also kicked off their plan to offer new, fun, networking events, including a Curling Event they are hosting in January which is guaranteed to be well attended.

On behalf of our team at NHSCPA; Happy Holidays, Merry Christmas, Happy Hanukkah, Feliz Navidad, Buon Natale, and most of all, Peace and Joy to you and yours this magical season.

With gratitude,

A handwritten signature in black ink, appearing to read "R. Abbott".

We have all worked very diligently at the Society, with the help of many of our members, to increase attendance, visibility and excitement around our member events and feel our many achievements have been recognized and appreciated. Thank you all, for your appreciation and encouragement.

As always, we could not do the work we do without the support of you, our members, with your membership and participation, to our dedicated volunteers with the countless hours they work above and beyond their professional schedules, and to our wonderful sponsors who have generously contributed their time and financial resources to partner with us. Thank you to: Beyond, Tax Point Advisors, Fiduciary Trust, Service Credit Union, Rise Private Wealth Management, Devine Millimet, Southern New



Congratulations to the Winners of our First Annual Volunteer Awards!

The 2018 Wine Tasting and Volunteer Awards were held at the NH Food Bank in Manchester on Thursday, December 6th. Thank you to everyone who braved the dark parking lot to enjoy the amazing wine selected by the amazing [Robin Abbott](#) and the delicious (to put it mildly) food for the event, specially designed and crafted by the NH Food Bank to pair with each wine selection. The winners were chosen by Society staff and members in collaboration with the Board of Directors and Committee participants. Deciding factors included overall engagement, time devoted to elevating the Society and its membership, and personal dedication and commitment that contributed to the Society's overall success in 2018.



2018 OUTSTANDING PROFESSIONAL OF THE YEAR

Adam Lord, CPA, CNAP, Penchansky & Co. PLLC

Adam Lord, CPA, CNAP was announced the 2018 Outstanding Professional of the Year. Adam has devoted countless hours to the Society as Chair of the Marketing Committee and a loyal member of the Young Professionals Committee. He has helped the Society forge relationships with important local associations such as the UNH Center for Family Business, pushed to expand relationships with vendors such as Thompson Reuters, he was integral in the kick off of the NHSCPA YP Mentor Program, and has been a constant advocate for young CPAs to become members of the society. Robin Abbott, CEO of the NHSCPAs praises his efforts by stating, "Adam represents professionalism and dedication at the highest level. He is always striving to enhance our members experience and create new and lasting opportunities for all of our current and future members to benefit from, not only in their professional careers, but in their personal lives."



2018 NHSCPA MOST SUPPORTIVE ORGANIZATION

McLane Middleton

Steve Burke, Esq. CPA has always been one, if not the most, engaged and helpful member of the NHSCPAs. However, in 2018, McLane Middleton has gone above and beyond to support the Society. Cathleen Schmitt, Charla Stevens, Beth Fowler, Steve Burke, John Rich, Chris Paul and so many more have spent tireless hours developing and instructing several of our top attended CPE courses, shared their expert opinions and advice on our panels, and helped to elevate our conferences. McLane has readily and graciously provided expert content and guidance to keep our members up to date on the complexities of tax reform, and they have always responded to our member's questions promptly and without hesitation. "The Society is extremely grateful and indebted to the professionals at McLane Middleton for their expert guidance and unwavering support. They are a huge resource in this state and we are extremely grateful to partner with them on member education and Society initiatives." says Robin Abbott.



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Volunteer Awards

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2018 NHSCPA DISTINGUISHED SERVICE AWARD

Melanson Heath

There are many firms that deserve to be recognized for their dedication to the Society. In 2018, we would like to acknowledge Melanson Heath for their constant support and commitment to our Society and NH's CPAs. Melanson has sponsored many of our events this year, including our Emerging Leaders' Summit where they did not hesitate to send many of their young professionals to develop their leadership skills and advance in their careers. Lee Kubishta, Melanson's Firm Administrator, has been an invaluable asset offering knowledgeable counsel on everything from direct billing, to creative program ideas, and promoting statewide events. Melanson also goes out of their way to support the personal growth of their employees, allowing many of them to spend time at the Society putting on educational programs, helping to recruit members, and most prominently, supporting our Young Professionals Committee. Society staff, Amanda Renfrew and Juliana Summers, praise Melanson saying, "They have been such a rock this past

year. No matter what we have going on, we know who we can go to for support. Zach Nowlan took on the Chair position of the YP Committee this past May and has truly put an immense amount of effort in creating new events, engaging young members and really striving to improve the Society's relationship with YP's and bridge that generation gap in the CPA profession. The deciding factor for us is Melanson's commitment to inspiring and supporting their employees to continuously improve which in turn helps to promote the regard of the CPA profession, after all, that is what it is all about."

We would like to thank everyone who came out and helped us celebrate our First Annual Volunteer Awards. It was an amazing night for all and we can't wait to see everyone again next year!



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A CPA's Guide to Building a Viable R&D Tax Credit Niche

By Jeffrey Feingold and Jay Nisberg, Ph.D., *Tax Point Advisors*

Federal and state tax credits are available to a host of industries for activities that are deemed pertinent to research and development (R&D). The enactment of the Protecting America from Tax Hikes (PATH) Act of 2015 made federal R&D tax credits permanent and expanded the incentive to include more businesses. While most CPA firm leaders are aware R&D tax credits exist, they either lack the knowledge or manpower to get their clients involved in the process. This is understandable—many firms lack the expertise to perform tax credit studies, and it can be far more cost-efficient to outsource the effort to a skilled R&D expert.

In fact, many of the activities your clients already perform on a daily basis qualify for R&D credits, and if you don't offer this attractive tax credit to your clients, someone else likely will. R&D tax credits present an outstanding

opportunity to offer your clients a value-added service. By partnering with an R&D expert, you can offer the service without burdening your staff with time-intensive documentation.

This article is designed as a guide to help you build out your firm's R&D tax credit niche. We explain how R&D tax credits can provide a powerful tax-savings incentive to your clients' and prospects' businesses—and how they can become a profitable tool to help you grow your firm.

R&D EXPANSION

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.

MEETING THE FOUR-PART TEST

The R&D tax credit incentivizes certain research activities by reducing a company's liabilities for spending money on that research. The credit is equal to a certain percentage of a business' qualified research expense (QRE) 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.

A simple four-part test helps to determine qualified R&D activity. 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) Develop a New or Improved Business Component (Product or Process)

- Create a new or improve an existing product, process technique, formula, invention, patent or software
- To improve performance, functionality, quality, reliability or cost

2) Elimination of Uncertainty (Section 174 Test):

You must demonstrate that you've attempted to eliminate uncertainty about the development or improvement of a product or process.

3) 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.

4) Technological in Nature (The Discovering Technological Information Test): The process of experimentation must rely on the hard sciences, such as engineering, physics, chemistry, biology or computer science.

An accountant or qualified R&D tax credit expert can easily help a company determine whether its business and activities meet the criteria of the test by conducting a tax credit study.

Now that federal tax credits have become permanent, businesses can do long-term strategic planning to maximize their tax savings.

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A CPA's Guide to Building a Viable R&D Tax Credit Niche

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However, the credit was extended by Congress more than a dozen times until the PATH Act made the R&D tax credit permanent. In addition to making this valuable tax credit permanent, PATH added two additional features to the tax credit program that expanded the benefits for certain businesses, including startups and pass-through entities.

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 much wider variety of activities and industries.

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.

WHY BUILD BUSINESS WITH R&D TAX CREDITS?

As a CPA and business advisory firm, you offer services to your clients that help them minimize their tax liability and grow their business. R&D tax credits present an opportunity for you to help them do both. When a client is able to receive credit for the activities they are already performing, they can put those dollars back into further growing their business. And when you are able to identify such tax-saving opportunities, you further build the trust your clients have in your firm and open the door to attracting new clients.

Contrary to a common mis-perception, R&D tax credits are not limited to scientists, medical researchers and those wearing white lab coats. In fact, many of the activities conducted by your clients in many industries – such as manufacturing, construction, engineering, architecture and many more – do indeed qualify, and the benefit can mean hundreds of thousands of dollars in tax savings. It is a money-saving opportunity overlooked by many companies simply because they don't

understand the tax credit is available to them—or they misunderstand its intent.

Think of it this way: CPAs provide Type 1 and Type 2 services. The first type includes all of the services clients need and would rather not pay for—yet they must have them to be in compliance with regulations. Type 2 includes services clients need and are willing to pay for—especially when they see the difference these services bring to their bottom line. As a Type 2 service, R&D tax credit studies offer an opportunity to make a real difference for your client by identifying a source of alternative savings. At the same time, by building an R&D initiative, CPAs are identifying opportunities to generate non-traditional income for their own bottom lines.

Less than 33% of companies that qualify for the federal R&D tax credit actually utilize it.

There is increasing competition among firms offering R&D services, ranging from Big 4 firms to those that offer the services as a stand-alone service. Wouldn't you rather offer these services to your clients before someone else does? By doing so, you will bring your clients alternative savings that they may never have considered. R&D tax credit services make sense for your clients, and they make sense for your firm.

A word about prospects: If you can demonstrate real tax savings to prospective clients – by offering them services they don't receive from their current CPA, you will have a far greater chance of attracting them as a full-service client.

HOW TO BUILD A VIABLE R&D TAX CREDIT NICHE

The federal R&D tax credit is often regarded as the domain of large or high-tech companies due to confusion about the complexity of the necessary documentation and qualification procedures. However, companies of all sizes may qualify and benefit significantly.

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A CPA's Guide to Building a Viable R&D Tax Credit Niche

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How do you know which of your clients (or prospects) are likely candidates for the R&D tax credit? IRS code changes have broadened the definition of qualifying activity—and keep in mind that over 70% of states now offer a credit, adding value to the consideration of an R&D tax credit study.

Client Databases

CPA firms should begin the niche-building process by mining their own databases for clients whose activities can potentially qualify for federal and state R&D tax credits. Most CPA firms would be astonished at the number of their clients in their own databases that have qualifying activities, and many of them are not aware of the incentive. As addressed in the previous chapter, certain industries are known for the great number of R&D activities they conduct. As you look at your database, think in terms of clients that innovate or improve products and services, conduct research or improve systems.

Industries commonly known to conduct these activities include, but are not limited to:

- Manufacturing
- Job shops
- Contracting
- Medical research groups
- Architects
- Engineers
- Software developers

Referral Sources

If your firm is committed to building out an R&D niche, determine how many clients you have that fit into these categories. Then tap the expertise of either a CPA advisor or a R&D tax credit specialist to review these client files and test the viability of your clients leveraging tax credits.

In building a target list for R&D services, be sure you don't overlook your referral sources. Attorneys, financial service providers, architects and other service companies all work with clients of their own who

conduct activities that qualify them for R&D credits. It is worth taking the time to see whether they are taking advantage of them. An added benefit is that you will be doing your referral sources a great service—they will be heroes in the eyes of their clients when they find extra sources of dollars to put back into growing their businesses.

Prospects

Take a look at the companies in your geographic market that you would like to have as clients. Might your prospects conduct qualified R&D activities that make them eligible for the credits? When you offer a service that is unique to your firm, you might just make them interested enough to find out more about your other services. When your firm is capable of impressing a prospect of a service they both need and want, it raises a bit of healthy anxiety, and they will likely be interested in your other services as well.

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BUILDING THE CASE FOR R&D WITHIN YOUR FIRM

At this point, you might be wondering just how much time R&D tax credit studies will take from your other activities. Other than the initial time it takes to determine which clients, referral sources and prospects make up your target list, the rest of the work can be managed by your external expert.

Now that you're convinced you can achieve firm growth by helping your clients find valuable tax credits, how do you bring your colleagues on board with you? That's easy—demonstrate profitability! R&D tax credits are extremely profitable, more so than many traditional services. While most of the Type 1 services your firm offers are based on a chargeable hourly rate, R&D credit services are based on results. The cost of an R&D study is directly related to the amount of savings they can provide to the client.

The best way to get your colleagues on board for building a niche is to show them the money. You can start by showing them how R&D tax credit studies can benefit their existing clients. Clients tend to appreciate it when their advisor brings something of true value to the table. When that happens, the CPA's value rises exponentially; clients are happy; client relationships blossom; and revenue grows through increased loyalty and stronger relationships.

When we start working with a CPA firm, we often recommend running a beta study with one of their clients. After providing outstanding service, we end up with an extremely satisfied client who offers extraordinary feedback. Client perception of value is the single best way to get others on board. Other partners will find it contagious.

Once you complete the beta study and have an extremely satisfied client, your partners will see the value of the tax credit study very quickly and want the same for their own clients. A well-run R&D niche will increase partner compensation, net income and add to the firm's bottom line.

WORKING WITH AN R&D TAX CREDIT EXPERT

When a person has a specific medical issue, he or she sees a medical specialist. When you want to invest in the stock market, you likely seek advice from an investment advisor. The same goes for R&D tax credits. Partnering with a firm like Tax Point Advisors that focuses exclusively on attaining the maximum number of credits for your clients makes good, practical sense. In working with an external R&D tax expert, what a CPA firm really wants to sell is a meeting with a valued, trusted advisor of the firm. Far too often, we see accounting firms offer R&D credit services themselves without the necessary background and expertise. This can quickly result in "expert error," as the firm realizes they can't assume to be an expert at what they are not. They also soon realize R&D credit service requires far more sophistication, experience and nuance than they bargained for.

Partnering with an R&D Credit Expert

Whenever a firm offers a specific, highly detailed service, it is a good practice to draw on the expertise of a specialist. That is why we recommend that CPA firms partner with an outside expert to manage the nuts and bolts of an R&D tax credit study for their clients. Most firms don't have the expertise or time necessary to perform this type of credit study, and it's far more cost-effective to outsource the effort.

For many accounting firms, the process of establishing new client relationships is burdensome—it requires the firm to devote resources that could serve existing clients to an effort with no guarantee of success. Your clients may also perceive the documentation process to be challenging; yet having expertise behind the numbers minimizes the risk of an audit and maximizes the likelihood of a successful defense should an audit occur.

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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

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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.

"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 Partner
Nathan & Wechsler Co., PA (NH)

What to Look For

Once you understand that R&D tax credits present an outstanding opportunity to grow your practice, you will want to look for specific qualifications in a tax credit partner. The ideal partner will:

- Provide outstanding references
- Have an extensive, positive reputation in the accounting community
- Have the resources to service your CPA firm's clients locally throughout the U.S.
- Have an outstanding record of success defending their R&D tax credit studies
- Be accessible to your firm
- Be easy to work with and flexible in your desired client approach
- Work with your clients without going around your relationship—you don't want to work with a service provider who markets directly to your clients
- Possess the highest degree of integrity
- Understand your clients' business or industry
- Charge reasonable and justifiable fees

Conclusion

The R&D tax credit can be a lucrative incentive for your innovative clients and for your CPA firm. If you think one of your clients might be unsure about either the potential benefits of the R&D tax credit or working with a joint venture partner, we recommend that they have a conversation with other end-user clients of the R&D specialist being considered to better understand the process and the opportunity for potentially large tax savings.

The bottom line: Clients should be made aware that they are entitled to R&D tax credits if they perform qualifying activities. Most CPA firms are surprised at just how many of their clients do. Eligibility requirements are clearly denied by the IRS and state governments—companies seeking to take advantage of the credit must be prepared to identify, document and support their qualifying activities. It is essential that businesses establish appropriate tracking mechanisms and documentation strategies for their R&D activities. A tax professional with R&D tax credit expertise can assist CPA firms by working with their clients to qualify for and claim the credit.

Jeffrey Feingold is the founder and managing shareholder of Tax Point Advisors, Inc. He works with CPAs and their clients, and hundreds of companies across the U.S., to successfully claim over \$100 million in R&D tax credits. Jeff can be reached at 800-260-4138 or jeffreyfeingold@taxpointadvisors.com.

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Tax Point Advisors, America's premier provider of research and development (R&D) tax credit studies, comprises a trusted team of CPAs, engineers and tax attorneys, providing the highest degree of professional service nationwide. Tax Point Advisors assists CPAs and their clients in identifying and capturing their maximum federal R&D tax credits, as well as state R&D tax credits. For more information, visit www.taxpointadvisors.com.

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Adam Lord, CPA, CNAP of Penchansky and Co. PLLC was the recipient of the **2018 NHSCPA Outstanding Professional Award** at the 2018 Wine Tasting and Volunteer Awards on December 6th. Adam has devoted countless hours to the Society as Chair of the Marketing Committee and a loyal member of the Young Professionals Committee.

Leone, McDonnell & Roberts, PA (LMR) intern Brooke Wells, along with her accounting teammates from Plymouth State University, placed in the top eight nationally in the 2018 6th Annual Business Valuation Challenge earning them a trip to present their work to a panel of valuation experts at Georgia State University. LMR Senior Accountant and NHSCPA YP Committee Member **Kim McLaughlin, CPA** was recently invited to join the Plymouth State University Business Advisory Board. LMR is also pleased to announce the addition of Casey O'Neill to the LMR team.

McLane Middleton was awarded the **2018 NHSCPA Most Supportive Organization Award** at the 2018 Wine Tasting and Volunteer Awards for their tireless effort to provide the Societies members with timely and invaluable information through providing countless articles and assisting with many of the NHSCPAs best attended events.

Melanson Heath (MH) was awarded the **2018 NHSCPA Distinguished Service Award** at the 2018 Wine Tasting and Volunteer Awards for their consistent and valued contributions to the prosperity of the Society and the CPA profession. MH is proud to announce the merger of longtime Nashua accounting firm **Getchell Professional Association** which took effect October 31, 2018. MH is also happy to announce the admittance of two new Principals: **Donna Yetter, CPA, CES**, and **Edward Boyd, CPA**.

Nathan Wechsler & Company, PA (NWC) is pleased to announce that **Julie E. Greenwood, CPA**, Principal has been named Treasurer of the Board of Home Healthcare, Hospice & Community Services in Keene. **Wayne Geher, CPA, CFE**, also of NWC, recently gave a presentation titled "New Tax Law Changes & Forensic Accounting" at the Collaborative Law Alliance of New Hampshire's Nashua Practice Group meeting.



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Highlights from the Tax Forum



The 36th Annual Tax Forum was held on November 28th at the Grappone Center in Concord, NH. Over two hundred CPAs and Attorneys were in attendance this year making this our first ever SOLD OUT Tax Forum! The event was moderated by John E. Rich, Jr., Esq. of McLane Middleton and boasted a remarkable list of speakers including:

Karl A. Heafield, CPA, MST, Baker Newman Noyes, LLC

Paul A. Burkett, Esq., Rath, Young & Pignatelli, PC

Kevin C. Kennedy, CPA, Maloney & Kennedy, PLLC

Jon B. Sparkman, Devine, Millimet & Branch, PA

Ryan Barton, CEO, Mainstay Technologies

Cameron G. Shilling, Esq., McLane Middleton Professional Association

Beth L. Fowler, Esq., Moderator, McLane Middleton Professional Association

Lindsey M. Stepp, Commissioner, NH Department of Revenue Administration

Carolynn J. Lear, Esq., LL.M., Assistant Commissioner, NH Department of Revenue Administration

Peter T. Beach, Esq., Sheehan Phinney Bass & Green, PA

James Usseglio, CPA/PFS, MST, CFP, Baker Newman Noyes, LLC

Olga J. Goldberg, Esq., LL.M., Rath, Young & Pignatelli, PC

Merrill E. Barter, CPA, Baker Newman Noyes, LLC

Michelle M. Arruda, Esq., Devine, Millimet & Branch, PA, Concord

Joyce M. Hillis, Esq., Devine, Millimet & Branch, PA, Manchester

Amy K. Kanyuk, Esq., McDonald & Kanyuk, PLLC

Alyssa Graham Garrigan, Esq., Ansell & Anderson, PA

Ralph F. Holmes, Esq., McLane Middleton Professional Association

Thank you to the New Hampshire Bar Association for continuing to partner on this amazing event with us! Thank you to our members for attending, and as always, thank you to our amazing sponsor who give us the support we need to provide quality events like this!



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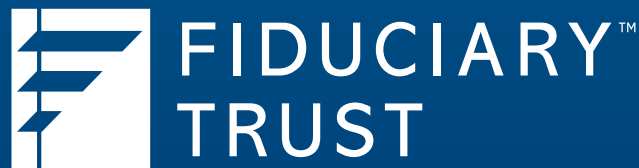
Highlights from the Tax Forum

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Legislative Update

The news since our last report on the NH General Court is that while the blue wave at the national level did not pan out quite to the degree that that was predicted by many, it certainly washed over New Hampshire in a decisive way.

Although that water rose to the threshold of the corner office at the State House, it didn't quite make it inside the door, as Governor Sununu successfully secured a second term as our Chief Executive. It is the Governor was swimming against a heavy tide which will continue throughout the biennium. It is evident that many voters split their ballots by voting for the Republican candidate for Governor and the Democratic candidates for other offices down the ballot.

Aside from the Governor's race, the election was a tremendous success for the Democrats who, as the blue party took over the House, Senate and Executive Council. The Senate flips from its current 14 - 10 Republican majority to a 14-10 Democratic majority. The House goes to a 234-166 Democratic majority, and the Executive Council flips from a 3-2 Republican to a 3-2 Democratic majority. The new leaders of the two legislative bodies are: Senate President Donna Soucy of Manchester and House Speaker Steve Shurtleff of Concord.

How does this bode for the future? From the CPA Society perspective, the New Hampshire legislature has always worked well with the Society, regardless of the party affiliations of the individual members. Our favorite bi-partisan CPA's, Patty Lovejoy (D) and Erin Hennessey (R) will both be back.

Don't expect there to be gridlock in Concord. Our state government is usually pretty pragmatic, and Governor Sununu has worked with Dems on a number of bills of common interest. And while there are solid Democratic majorities in both legislative

bodies, it looks like those majorities are not going to be so big as to be veto-proof (in other words, a gubernatorial veto of a bill, since it requires a 2/3 vote, could be sustained just on the basis of the available Republican votes to be cast). So for multiple reasons, everyone will need to work together.

We'll be watching closely all issues of importance to the Society. We have already seen nearly 900 titles of new bills submitted. We hope to begin to see the texts of these bills and others by the end of the year at which time we will know more about bills of importance to the Society. Committee assignments are being made and the leadership teams chosen as we write.

The Society has not initiated any legislation for 2019. As it is a budget year, we expect there will be much conversation about NH taxes. There will be much more to come in our next newsletter

Wishing you all a joyous holiday season.

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2018 AICPA Leadership Academy

By Ashley Miller, CPA, MSA, *Plodzik and Sanderson, P.A.*

I recently had the privilege of attending the 2018 AICPA Leadership Academy held in Durham, NC. When I first applied to the program I believed that I was applying to attend 4 days of CPE on the topic of leadership and the accounting profession. What I didn't know, was just how special this program actually is. I left with a better sense of self, skills and actionable ways to motivate and lead others, and about 40 new connections with amazing individuals from across the country.

One of the biggest surprises to me about the program was how much of an impact it had on me personally. We discussed at length how our personal



ideals, motivations and internal thinking impact our actions and what those actions say to those around us. It was eye-opening to me to see how my personal incentives have impacted my actions and how those actions impact my ability to positively lead others. Being able to recognize and be conscious of my own reasons for doing something a certain way can allow me to be more open to other ideas and spur more creativity.

Another topic that hit home especially for me was that of reflection. Taking the time to observe what is going on around you and questioning yourself about long



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2018 AICPA Leadership Academy

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held beliefs. For me it is very easy to get caught up in the day to day, without taking the time to look up and see the big picture. Seeing things from a broader perspective and asking what the most important outcome of a given situation is can be invaluable when making large and small decisions.

My favorite part of the program was meeting and hearing from Barry Melancon, President and CEO of the AICPA and Eric Hansen, Chair of the ACIPA. Their experience in the profession and in leadership is vast and it was a privilege to be able to learn from them. They both stressed the importance of elevating others around you through your leadership and being the author of your own story. They also discussed issues and trends that the accounting profession is seeing. These included dealing with the speed of change, generational differences and auditing of the future. It was refreshing to be able to discuss these topics in an open environment and to see the steps that the AICPA is taking to keep the profession relevant.

Overall, it was an honor to be a part of such a fantastic group of young CPA's. The connections that I have made through this program, will be with me for a lifetime. I left feeling more connected to myself and my goals and with a desire to bring about positive change. The program has also inspired me to engage more with the state society and be more active in my community. I would highly recommend this transformational program to anyone.





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Can a Business Operate Legally with Only Exempt Employees?

The Employee Classification Corn Maze

By Charla Bizios Stevens



Routinely on Linked In and various human resource association list serves, questions pop up which pique the interest of employment law practitioners. In other words, an attorney might look at a question and say, "Wait, what? Did she really ask that?" It then sends one down the road of following a conversation which unfolds like a trip through a haunted corn maze on Halloween Eve. When I saw a question on Linked In from a human resource professional asking whether a small business could have only exempt employees, my first thought was "big red flag." How can a company operate with all leaders and no workers, with all executives and no support staff? The reality is that very few businesses of any size can realistically classify all workers as exempt. Perhaps one executive could manage a cadre of outside sales employees. Maybe an accounting or law firm could employ only CPA's or lawyers with an answering machine taking all calls and the professionals doing their own administrative work, filing, billing and collections.

When the US Department of Labor announced its proposed revisions to the Fair Labor Standards Act (FLSA) salary test a couple of years ago, companies dutifully reviewed their salary structures to see whether changes were needed. These reviews opened the eyes of many to the fact that the biggest problem was not the salaries exempt employees were being paid; most were making well in excess of \$455 per week (although not necessarily as much as the \$913 proposed by the DOL). The real issue was that many employees were misclassified because they did not meet the **duties** tests which were not modified by the proposed regulations.

First, it bears reviewing the basics. Exempt means that one is exempt from the minimum wage and overtime requirements of the FLSA. Exempt employees almost always must be paid a salary. A non-exempt employee may be paid on an hourly, flat rate, piecework, or salary basis. However, that individual must be paid the equivalent of minimum wage for every hour worked and time a half for every hour over forty (40) in every work week.

The following are some of the most common areas we see mistakes.

Inside Sales Employees

Outside sales employees are exempt. Inside salespeople are not, regardless of how much they earn. Outside sales employees spend the majority of their time travelling to customers to make sales. Employees who are usually in the office (company headquarters or an employee's home office) taking orders or cold calling are inside sales employees even if they sometimes travel to customer locations or trade shows. Whether paid by salary, commission or a combination, they must earn at least minimum wage and be paid overtime at their "regular" rate of pay which is calculated via a formula taking into account all forms of remuneration. For a well-paid salesperson, this could be a big hourly number.

Non-Executive Executives

An executive must meet a four prong test, the first is being paid by a minimum salary of \$455 per week. The others relate to the duties: 1) The **primary** duty must be managing a business or a subdivision or department of a business; 2) one must customarily and regularly direct the work of two or more full time employees; and 3) the employee must have authority

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Can a Business Operate Legally with Only Exempt Employees?

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to hire, fire, and control essential aspects of the career of the employees being managed. Businesses do make the mistake of focusing on the number of workers an individual manages to the exclusion of the other equally important prongs. Management of an enterprise or department must be the individual's primary duty. This takes line managers, forepersons, or working supervisors out of the equation.

Administrators Who Aren't Exempt Administrators

The administrative exemption is one of the most subjective. The **primary** duty must be the performance of office or non-manual work directly related to the management or business operations of the employer or its customers and must include the exercise of discretion and independent judgment **over matters of significance**. Roles like CFO, COO, HR Director, and IT Director are usually exempt. Staff accountants, human resources generalists, and general office staff are not. The independent discretion must involve **significant** responsibility like

managing a budget, creating policy, or making capital purchases (not ordering office supplies). The work is not routine or managed by anyone other than a high level executive.

Why do companies have difficulty with these classifications? First, the duties tests, like the salary test, have not been modified since 2004. Jobs and business operations in the current global economy do not fall neatly into these strict tests. Technology, flexibility, remote work, and employees with multiple roles have changed the workplace. The former secretary is now an administrative assistant whose time has freed up to take on more responsibility for higher level tasks, but that still does not make him exempt.

The DOL will eventually have to modernize the tests. In the meantime, entrepreneurial businesses need to follow the same archaic rules which governed "our fathers' workforces". Although it may be frustrating, it is critical for businesses to toe the line and follow the tests because the financial risks of non-compliance are great. No employer wants to receive a bill for

unpaid overtime from the DOL, especially with added penalties and liquidated damages. A relationship with a good employment attorney is essentially to finding the way out of the maze.

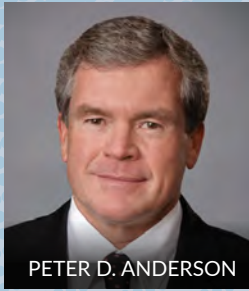
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Charla Bizios Stevens chairs the Employment Law Practice Group at the law firm of McLane, Middleton, P.A. Charla can be reached at charla.stevens@mclane.com or followed on Twitter at [@charlastevens](https://twitter.com/charlastevens).

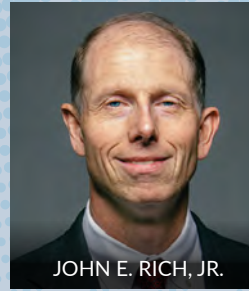
She also contributes regularly to www.employmentlawbusinessguide.com.



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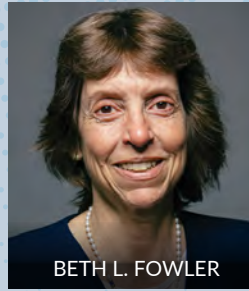
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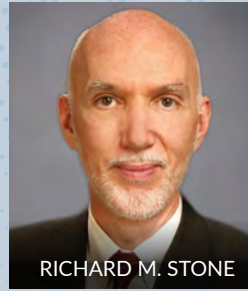
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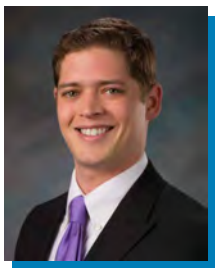
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Update

By Zach Nowlan, YP Chairperson, *Melanson Heath*

This year has been a great one for the NHSCPA Young Professional's Committee. We have worked diligently to attract new members to the committee, start a roadshow of unique networking events (including our Curling event coming up in January, don't forget to check that out!), and present the first ever CPE designed and hosted by the committee. We have been working on so much in fact, that I thought for this update, I would share a recap of what we

have accomplished in 2018 and what we are working on for the future. I would like to thank my committee members, everyone who supports our events and initiatives, and the Society staff for all of their hard work over this past year. We could not do this without the efforts of each and every one of you. It has been a privilege to serve as your YP Chair this year, and I look forward to all the remarkable things we will do in 2019! Happy Holidays!

WHO WE ARE:

Committee Demographic:

- 16 members; approximately 10, truly, active members. College students/Grad students/Professionals
- From 10 different firms throughout NH
- Open and conducive environment for all

WIIFM:

• The Young Professionals Committee is an avenue for young and aspiring CPA's who are excited to become more engaged in the accounting profession. We provide an opportunity to interact with other driven and like-minded professionals. Active members in the committee develop a deeper connection with the NHSCPA, and accounting community. Current and past members often advance to leadership roles within the NHSCPA and other organizations through their involvement with the Young Professionals committee

Slogan:

- Engage, Inspire, Lead
- We want to be the blueprint for other CPA societies and the future of our profession

Recap of what we had already done at our last check-in:

- Golf Clinic – to celebrate successful mentorship year 1; great turnout; lots of fun, attracted new individuals; people want more events like this
- Beers Afterwork – to get to Seacoast; approx. 25-30 attendees; lots of fun; new committee members; gets the Seacoast demo in
- Credits for Community – foundation has been developed; timeline for implementation and execution still in progress
- Motivation Monday articles

What we've done since our last check-in:

- **#1 – Steps to Success: Tips and Tricks for the Developing Professional**
 - Approximately 22 attendees
 - Overall CPE Score from participants – **4.75**
 - Received amazing feedback from participants –

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Young Professionals Update

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average 'score' from CPE sheets noted in **RED** next to topic (scores are 1-5):

- Relaying Your Needs (effective communication) – **4.55**
- Balancing Your Ego & Conflict Resolution (panel) – **4.95**
- Work, Life, Fit – **4.32**
- Time Management & Self Review – **4.68**

• Committee very happy about first year results and plan to continue offering this event in future – being a new revenue source for the society is a positive

• Mentorship year 2:

- Similar to the prior year however adding structure to each meeting
- Applications down significantly. Committee has determined this is largely due to the lack of marketing (from committee members) surrounding this program due to the committee's attention and energy being spent on new CPE (see above)

- Will continue this year and reallocate resources to marketing this program in 2019. Members need to visit schools and talk with professors / mentees for this program to be successful
- Example: Zach went to UNH Manchester and spoke with Jeanne's Intermediate Accounting course and discussed mentorship program. Of a class of 6 students – 4 showed interest and are planning to apply. Committee will consider using this approach in 2019

• Curling Event at Nashua Country Club

- Wednesday, January 9th from 3 – 6 p.m
- Four sheets of ice available; 32 maximum (on-ice) attendees. Other attendees encouraged to attend
- Food and drinks will be provided subsequent to ice time; curling league will be entering and we will be able to network while also watching them play
- Marketing materials to begin circulation in near future

• New YP Logo

- Still in progress – updates will be relayed accordingly

How can we help you?

.....
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.

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PROGRAM CONTACT:

Professor Lisa Gerrish, MBA, CPA
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- 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

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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

Exceptional Performance Management Systems are an Exception

By Gary Cokins, CPIM

Quite naturally, many organizations over-rate the quality of their enterprise and corporate performance management (EPM/CPM) practices and systems. In reality they lack comprehensiveness and integration. For example, when you ask executives how well they measure and report either costs or non-financial performance measures, most proudly boast they are very good. This conflicts with surveys where anonymous replies from mid-level managers candidly score them as “needs much improvement.”

Every organization cannot be above average!

What Makes Exceptionally Good EPM/CPM Systems Exceptional?

Let's not attempt to be a sociologist or psychologist and explain the incongruities between executives boasting superiority while anonymously answered surveys reveal inferiority. Rather let's simply describe the *full vision* of an effective EPM/CPM system that organizations should aspire to possess.

First, we need to clarify some terminology and related confusion. EPM/CPM is not solely a system or a process. It is, instead, the *integration of multiple managerial methods*. Most of them have been around for decades, arguably even before there were computers. EPM/CPM is also not just a CFO initiative with a bunch of scorecard and dashboard dials. It is much broader and its purpose is not about monitoring the dials but rather moving the dials.

What makes for exceptionally good EPM/CPM is that its multiple managerial methods are not only individually effective, but they also are seamlessly integrated and imbedded with analytics of all types. Examples of analytics are segmentation, clustering, regression, and correlation analysis.

EPM/CPM is Like Musical Instruments in an Orchestra

I like to think of the various EPM/CPM methods as musical instruments in an orchestra. An orchestra's conductor does not raise their baton to the strings, woodwinds, percussion, and brass and say, “Now everyone play loud.” They seek balance to guide the composer's fluctuations in harmony, rhythm and tone.

Here are my six main groupings of the EPM/CPM methods – its musical instrument sections:

1. Strategic Planning and Execution

This is where a strategy map and its associated balanced scorecard fits in. Together they serve to translate the executive team's strategy into navigation aids necessary for the organization to fulfill its vision and mission. The executives' role is to set the strategic direction to answer the question “Where do we want to go?” Through use of correctly defined key performance indicators (KPIs) with targets, then align the employees' priorities, actions, projects, and processes with the executives' formulated strategy.

2. Cost Visibility and Driver Behavior

Activity-based costing (ABC) principles model cause-and-effect relationships based on cost drivers. ABC goes beyond broadly averaged cost factors and attempts to understand what causes overhead. For commercial companies this is where profitability analysis fits in for products, standard services, channels, and customers. For governments, this is how we understand how processes consume resources in delivering services and how much those services cost per unit.

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Exceptional Performance Management...

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3. Customer Management Performance

This is where powerful marketing and sales methods are applied to retain, grow, win-back, and acquire profitable, not unprofitable, customers. The tools are often referenced as customer relationship management (CRM) software applications. But the CRM data is merely a foundation. Analytical tools, supported by software, that leverage CRM data can further identify actions that will create incremental profit from customers. These actions simultaneously shift customers from being just satisfied to being loyal supporters.

4. Forecasting, Planning, and Predictive Analytics

Data mining typically examines historical data "through the rear-view mirror." This EPM/CPM group directs attention forward to look at the road through the windshield. The benefit of more accurate forecasts is to reduce uncertainty. Forecasts for the future volume and mix quantities of customer purchases are core independent variables. When we understand the relationships underlying the forecasts, we can better manage our resources. CFOs increasingly look to driver-based budgeting and rolling financial forecasts grounded in ABC principles to make planning decisions.

5. Enterprise Risk Management (ERM)

We cannot omit Enterprise Risk Management from the main group of EPM/CPM. ERM serves as a brake to the potentially unbridled gas pedal that EPM/CPM methods are designed to step hard on. Risk mitigation projects require spending which can reduce profits that will likely reduce performance compensation bonuses. But it is prudent mitigate risks. It takes discipline to ensure the organization places adequate attention on appropriate risk management.

6. Process improvement

This is where lean management and Six Sigma quality initiatives fit in. Their purpose is to remove waste and

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Exceptional Performance Management...

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streamline processes to accelerate and reduce cycle-times. They create productivity and efficiency improvements.

EPM/CPM as Integrated Suite of Improvement Methods

CFOs often view financial planning and analysis (FP&A) as synonymous with EPM/CPM. It is better to view FP&A as a subset. Although better cost management and process improvements are noble goals, an organization cannot reduce its costs forever to achieve long term prosperity. Any cost reduction effort must focus on identifying and eliminating non-valued added activities.

The important message here is that EPM/CPM is not just about the CFO's organization; it is also the integration of all the often silo-ed functions like marketing, operations, sales, and strategy. Look again at the six main EPM/CPM groups listed above. Imagine if the information produced and analyzed in each of them were seamlessly integrated. Imagine if they are each embedded with analytics – especially predictive analytics. Then powerful decision support is available for insight, foresight, and actions. That is the full vision of EPM/CPM to which we should aspire in order to achieve the best possible performance.

Today exceptional EPM/CPM systems are an exception despite what many executives proclaim. If we all work hard and smart enough, in the future they will be standard practices.

Gary Cokins, MBA, CPIM is an internationally recognized expert, speaker, and author in enterprise and corporate performance management improvement methods and business analytics. He is the founder of Analytics-Based Performance Management, an advisory firm located in Cary, North Carolina at www.garycokins.com.

His two most recent books are Performance Management: Integrating Strategy Execution, Methodologies, Risk, and Analytics, and Predictive Business Analytics. His books are published by John Wiley & Sons. He can be reached at gcokins@garycokins.com

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1/15/19	New Hampshire State and Local Taxation	McLane Middleton	4

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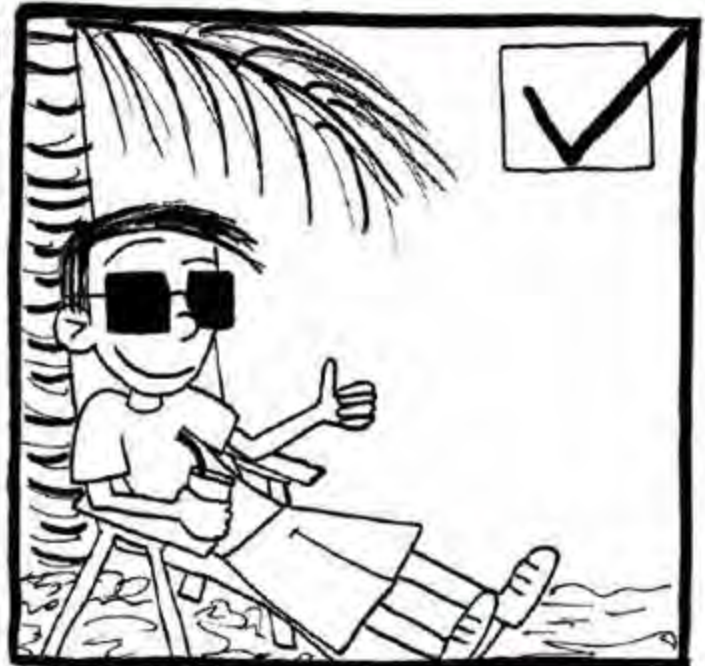
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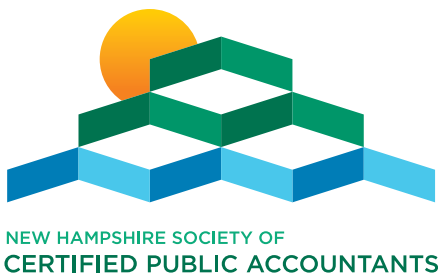


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