

MESSAGE from the PRESIDENT

IS IT REALLY SPRING? I don't know about you, but for me the tax season flew by with more chaos than I remember from past years. I hope you all have recovered and that we can now spend a few moments reflecting on what went right and what didn't. Our education chairpersons are busy planning this year's seminars with the hope of helping all of us better assist our clients.



The months of May and June are very busy with the usual two seminars. As has been done for the past few years, on May 9, we will have a full day seminar in Mt Laurel. **Alexis Reed** from NJ Taxation University will be talking about **Income Tax, Tax Relief, and Business Tax Updates for NJ**. She will be followed by **James Hunt**, the Director of Government Relations in PA, giving us an overview of the **PA Local Taxation System**. If you have any clients in PA, you really should attend and learn the taxing system of our neighboring state. After a nice lunch, we will spend the afternoon learning some basics of the **Schedule E** with **Marilyn Ayers, CPA**.

New this year, the June 13 seminar has been moved north to Parsippany and we will be learning about "**Value Based Billing**" in our practice and how to maximize our profits. This seminar is a half-day seminar giving us the afternoon to go back to our offices and starting to implement some of the ideas presented. This should be very helpful for many of us who ponder how much we should really be charging.

In between these 2 seminars, we will be setting sail to Bermuda to celebrate the Chapter's 30th Anniversary. **Kathryn Keane** will be entertaining us for 8 hours of continuing education. If you have signed up for the cruise, please don't forget to register for the education. We can't take any registrations at the door as we will be bringing the materials and need an exact number. Seating is also limited by the size of the room so don't get caught out. One of Kathryn's topics will be covering **Section 199A** with all of its complexities.

The **National Conference** will be in Chicago this year from July 22 – 25. Many of us will be traveling to Chicago and I would encourage you to think about making the trip. There is so much education offered and lots of comradery during the off hours that it is a truly worthwhile experience. If you can't travel to Illinois, you may want to check out the **NATP Tax Forum** scheduled for October 17 & 18 in Atlantic City. As a chapter, we are extremely fortunate to have the Forum right here within easy driving distance making it more affordable. The education, again, is excellent and we are trying to arrange a "Get Together" for all those attending from NJ so that we can get to know one another better. We see many faces during seminars but never have the opportunity to network. Here's a wonderful chance to meet others who are struggling with the same problems and develop friendships that will last for many years.

One final note that I would like to bring up is about the **NJ Board of Directors**. We consist of up to 15 NJ members who make this Chapter run. As with all boards, we are always in need of new volunteers so that the work can be distributed and no one is too heavily burdened. The commitment is a few hours a month so it can be squeezed in with our many other activities. The benefits are numerous, including building relationships with other tax practitioners in NJ and throughout the country. Imagine having a question about CA taxation and knowing someone who does CA taxes all the time. There are many more benefits about which I would enjoy telling you. Please give this idea a few minutes of reflection and, if possible, talk with one of the Board members, we would love to have your help in running this wonderful chapter. The Chapter is only as good as we make it.

Mary Rose Martino

Mary Rose Martino, EA, has been an NATP member for 8 years and is the owner of Martino Associates, LLC, a bookkeeping, payroll and tax preparation company. Located in Cherry Hill, NJ, she can be reached at: maryrose@martinoassociatesllc.com.

save the DATES

JULY 22-25, 2019

NATP National Conference
Chicago Hilton, Chicago, IL

OCTOBER 3, 2019

NJNATP Annual Conference
APA Woodbridge, Iselin
A Day with Kathryn Keane
Topics to be decided

OCTOBER 16, 2019

Atlantic City AFTR Workshop Pre-Forum
Harrah's, Atlantic City

OCTOBER 17-18, 2019

NATP Atlantic City Forum
Harrah's, Atlantic City

DECEMBER, 2019

Topics and Location TBA

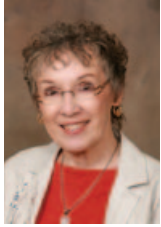
Flyers and registration will be posted on the NJNATP Website, on the NATP Facebook page and in the biweekly Chapter News from NATP.

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From the Editor

BY JEAN MILLERCHIP, EA



NOW THAT A MOMENTOUS TAX SEASON IS BEHIND US

(except for all those extensions), hopefully you have had some time to relax, and then begin planning for next season! This is the year to reach out to your clients to discuss future tax planning, now, more than ever. I'm sure you will agree that many of your clients faced a nasty surprise this year, when their refund was so much lower, or they found themselves owing the IRS. The SALT cap affected so many of my clients, as well as the loss of the 2% miscellaneous deductions. All of my union workers, who travel from job to job, lost all their travel, dues and assessments, work related tools and other business expenses. However, I still needed to enter that information, as they all work in NY and those expenses are still allowed on the NY return.

If you haven't had the discussion with your clients during this past season, make a point to set up appointments; make sure their federal withholding is correct; perhaps there are other ways to save them tax dollars.

We need NATP and their superior education more than ever this year. NJNATP's Annual Conference will be held on October 3rd, with Kathryn Keane as the speaker for the day. The topics will be announced in the next newsletter, as well as in the flyer, which will be published. Kathryn is always up to date on the latest changes, so you do not want to miss that event. NATP's 1040's will be available in the fall also – the dates and locations are already on the NATP website. NATP is also bringing the Tax Forum to Atlantic City again this year – always an excellent 2 day event. Our NJ Chapter is having a Meet and Greet the evening of Day 1 of the Forum. Information about it is in this newsletter.

Hoping that some of you are planning to come to Chicago in July for National Conference – a great time for education, as well as catching up with so many friends from around the country.

Any suggestions as to how our NJ Chapter can improve our service to you? Please send any thoughts and ideas to me at my email address. We are always striving to improve!

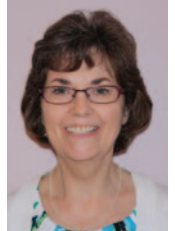
As I always say, take some time off; hopefully plan a nice trip, or just enjoy family time. If you're anything like me, I just enjoy living down the shore.

Jean Millerchip, EA has been in the tax business for 43 years and is in private practice in Lavallette, New Jersey. She earned her EA license in 1985. Jean has been a member of NATP for 31 years, and served on the NJ Board of Directors from 1991 until 2009, in various positions, including Treasurer, Secretary, Vice President and President. In 2008, Jean was elected to the National Board of Directors, and served a full 9 year term, during which she served as the National Vice President for 5 years and the National President for 2 years. Jean can be reached at jean.millerchip@gmail.com

NJ TAX TIP OF THE QUARTER

BY MARILYN H. AYERS, CPA

SUMMER, 2019



I hope you all survived tax season! Survival truly was the goal this tax season, wasn't it? If TCJA changes weren't enough to keep you up at night, there was always New Jersey updates and changes. I found it difficult to concentrate on the NJ changes when I was so busy explaining to my clients why their IRS refund was so much smaller! But NJ had some nice updates that I would like to focus on now that we have that first tax season under TCJA behind us.

The property tax deduction for property taxes paid during the calendar year increased from \$10,000 maximum per year to \$15,000 maximum per year. That certainly helped offset the \$10,000 SALT limit on the federal side. However for NJ, the deduction is limited to taxes billed and paid in the calendar year. Homestead Benefit credits do not reduce your credit. PTR recipients must use their base year amount as the tax paid.

The **NJ Earned Income Tax Credit** increased to 37% of the federal income credit for 2018. That credit is scheduled to increase to 39% in tax year 2019 and 40% in tax year 2020 and thereafter. The earned income credit is not available to non-residents but can be prorated for part year residents. Just like federal, taxpayers are not eligible for the credit if they filed married filing separately. Civil union couples must file a joint NJ return, if separate federal returns were filed, to receive the credit.

How about the new **Child and Dependent Care Credit**? I did not have any clients qualify for this new credit. It is calculated as a percentage of the taxpayer's federal child and dependent care credit for those taxpayers with income not more than \$60,000. It is the smaller of up to 50% of the federal credit received or \$500 for one child or \$1,000 for two or more children.

The **retirement income exclusion** has been increasing each year since 2016. For 2019, the exclusion for taxpayers with NJ income less than \$100,000 is \$80,000 for married taxpayers filing jointly, \$40,000 for married taxpayers filing separately and \$60,000 for single, head of household and qualifying widow/er.

I think one of the most overlooked items is the new **Wounded Warrior caregiver credit**. It is a credit for family caregivers of qualifying armed service members with physical disabilities. A qualified family caregiver is eligible for a credit equal to 100 percent of the federal veteran disability compensation or \$675, whichever is smaller. There is a new Schedule NJ-WWC form used to calculate the credit. There is more information, including qualifications, on the NJ Division of Taxation website under Military Personnel.

Last, but not least, did you notice the new question on the bottom or page 4 of the NJ-1040? There was a box to check whether or not you had health insurance. Starting in 2019, NJ taxpayers are required to have health insurance and are subject to penalties up to 2.5% of income or a flat \$695 per adult (\$347.50 per child) if they do not have qualifying insurance. Sound familiar? Stay tuned to see how NJ will administer this penalty!

Marilyn graduated from Rider University in June 1978 with a degree of Bachelor of Science in Accounting and earned her CPA license in 1990. Marilyn's practice, established in 1988, provides tax and accounting services to approximately 900 individual clients and businesses, where service is the number one priority. Marilyn has been a member of NATP since 2000 and served on the New Jersey Board of Directors from 2004 through 2016, including secretary, vice president and past president of the New Jersey Chapter. Marilyn is also a member of the AICPA and the New Jersey Society of CPAs.

NON-PROFITS AND TAX OBLIGATIONS

BY JOE WISNIEWSKI, CPA

EACH APRIL 15 WE DRAW A SIGH OF RELIEF, consume a beverage of choice; and acquaint ourselves with family and friends. However, for those preparers servicing clients in the nonprofit sector you know it's only 30 days longer until another annual tax deadline is staring us in the face. May 15 is the deadline for nonprofit organizations with a December 31 year end.

However, if you are still recovering from "1040" season or decided to finish every last personal return before moving to the nonprofits, you have until NOVEMBER 15, to file one of the 990 forms if a request for an extension was submitted. Keep in mind, regardless of when we file the 990 return, the form is used not only for reporting financial data but to also convey to the IRS how the nonprofit is governed.

That being the case we thought it would be a good time to briefly summarize the various 990 forms and provide useful websites to help you with issue that may arise when preparing these information returns.

IRS Form 990-N - Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or Form 990-EZ. This must be submitted electronically. Most small tax-exempt organizations whose annual gross receipts are normally \$50,000 or less can submit Form 990-N if they choose not to file Form 990 or Form 990-EZ. There is a onetime registration process for 990-N files. The actual filing time is usually 30 minutes or less. While there is no penalty assessment for filing Form 990-N late, organizations that fail to file required Forms 990, 990-EZ or 990-N for three consecutive years will automatically lose their tax-exempt status.

The following IRS website is an excellent reference source for the 990-N: <https://www.irs.gov/charities-non-profits/annual-electronic-filing-requirement-for-small-exempt-organizations-form-990-n-e-postcard>

IRS FORM 990-EZ - Form 990-EZ can be filed by organizations with gross receipts of less than \$200,000 and total assets of less than \$500,000 at the end of their tax year.

IRS FORM 990 - Form 990 is filed by organizations with gross receipts of more than \$200,000 or total assets of more than \$500,000 at the end of the year.

There are 12 main schedules and as many as 16 additional schedules filed with the 990-EZ and 990 forms. Most software programs will provide Form 990 e-filing and support, and your software vendor may also be a good resource with technical filing issues.

IRS FORM 990-PF - Form 990-PF is filed by private foundations.

The website <https://www.irs.gov/charities-non-profits/current-form-990-series-forms-and-instructions> provides a links to almost any aspect of the 990 forms, instructions, or questions you may have.

STATE ISSUES - In New Jersey nonprofits are generally governed by the department of consumer affairs (DCA). Registration with the DCA is required in order to solicit funds in the state. Initial registration and renewals are submitted via a state portal. The DCA website and a link to the portal can be found at <https://www.njconsumeraffairs.gov/charities/Pages/charities-registration-information.aspx>

If your nonprofit client is outside of New Jersey, or solicits funds outside of New Jersey, be sure to check with those states for any specific reporting requirements they may have.

As with any tax return we prepare, professional and ethical judgement must be exercised to help ensure our clients maintain their nonprofit status.

Joe Wisniewski has been a partner at Premier Accounting Services PC CPA's in Pitman, NJ for the past 11 years. The firm provides tax and accounting services to over 1200 individual and 200 business and nonprofits.

Prior to that, Joe spent almost 25 years as a CPA in the private sector, where he held various management and director positions, while maintaining an individual practice. Joe also contributes time and energy to several local nonprofit organizations and is a member of AICPA and NJCPA.

This is Joe's first term as a Board member of the NJ Chapter. He can be reached at joe@pascpas.com

important REMINDERS

Our Chapter has its own website where you can find information on the New Jersey Chapter such as Chapter Announcements, upcoming seminars and helpful resources such as prior newsletters, state links and much more.

Our Chapter also has its own closed Facebook group where members can throw out questions and share information on events and other information that is helpful in our tax preparation field. Join now if you haven't done so already. You can find us as NJ NATP on Facebook.

CELEBRATING NJNATP'S 30TH ANNIVERSARY!!

BY JEAN MILLERCHIP, EA



THE NJ CHAPTER wanted to do something special to celebrate their 30th anniversary as a chapter- certainly a milestone! A cruise to Bermuda was planned, with education on board for the days at sea. It was a very successful venture, with a total of 61 people, in our group, from NJ, NY and PA. Kathryn Keane was our instructor and did her usual terrific job. One particularly interesting and pertinent session was “The new tax law and what you wish you had known,” with special emphasis on 199-A.

The cruise was an excellent way to spend time with associates, network and socialize; visit the beautiful island of Bermuda, get some excellent education, and have time to relax. *I recommend it highly!*



ENJOYING ONE OF THE WONDERFUL DINNERS ON THE ANTHEM OF THE SEAS are Jean Millerchip, Colette Taylor, Sherril Diamond, Mary Rose Martino, Jay and Julia Robinson, and Marilyn and Damian Ayers. The cruise was a celebration of the 30th Anniversary of NJNATP.



You are Invited!

Calling all NJ NATP Members

To celebrate the NJ Chapter's 30th Anniversary,
we invite you to join us in the 7 Star Lounge @ Harrahs!

The event starts at 5pm Thursday, October 17th.

Just an hour after Forum ends.

Light appetizers and a drink will be provided by NJ NATP Board of Directors.

Stop by the Chapter table during Forum for more information.

I GOT THROUGH ALL OF THE TAX SEASON

BY ROBERT D. FLACH

I JUST COMPLETED MY 48TH TAX-FILING SEASON. AS I SAY EACH YEAR AT THIS TIME - THANK GOD IT'S OVER!

WITH REGARDLESS OF HOW LONG a person has been in “the business” there is always the challenge of changes in tax law resulting from new legislation, often illogical and inequitable and reflective of the ignorance and agendas of those who actually write and pass tax law. Let me share with you some of the issues I encountered during the 2019 tax season.

(1) It took a while to get used to the flow of the ridiculous new “postcard 1040” and the accompanying new Schedules 1 through 6, although I only used 1-5. The old Form 1040, which had evolved over decades, was, like Mary Poppins, “practically perfect”, with a logical flow of information. There was absolutely no reason to change this format. And despite what the Republicans promised, the new 1040 is not a “postcard.” It is a 2-sided 8½ x 5½ size form. This is truly stupid. The new format should be a 1-page 8½ x 11 form. And the 8½ x 5½ (+ or -) sized Schedules 1 through 6 should be two 8 ½ x 11 forms – one for Schedules 1 and 3, since these Schedules are the most commonly used, and one for Schedules 2, 4, 5, and 6. Or 1 through 6 on a 2-sided form. Of course, this issue really only applies to me, as I am perhaps the last tax professional left who does not use flawed and expensive software to prepare returns.

(2) As expected, very few of my clients were able to itemize for 2018, mostly due to the \$10,000 limit on the “SALT” deduction. Living in New Jersey and New York, some lost \$10,000 - \$20,000 in allowable itemized deductions. The few clients who could itemize were those with excessive medical expenses, single filers with mortgages, and couples with recent new home purchases. However, due to the “SALT” deduction cap, this was the last year I will have to claim as taxable income the prior year’s state income tax refunds. For the few who could itemize the \$10,000 limitation did away with any tax benefit from deducting state income taxes. An unintended side benefit of the Act – clients deducted the state income tax withheld and paid in 2017 when rates were higher, and claimed the refund received as income in 2018 when rates were lower, for example deducted at 25% and taxed at 22%. So, the result was they are net “in pocket” the rate differential.

(3) The tax law change that had the most potential for agita was the elimination of the itemized deduction for home equity debt mortgage interest and the resulting need to correctly separately identify acquisition debt interest and home equity debt interest. As we all know, it had always been important to separately track acquisition and home equity debt, but not as vital due to the \$100,000 home equity debt threshold. Yet I do not know of any taxpayer, client or otherwise, who actually did this in the past. Last year I advised my clients of the importance of keeping separate track of acquisition debt and home equity debt going back to their original purchase mortgage, provided instructions and worksheets on how to do it, and offered to do it for them during the year. No client contacted me about this issue during 2018, and no client provided me with information on the source of their 1098 interest with their 2018 “stuff”. They totally ignored this issue. Luckily most clients were not able to itemize for 2018, so the issue only applied to a handful of returns. For some, since I keep copies of every return I have ever filed for current clients as well as some back-up documentation,

I was able to easily determine or estimate the amount of acquisition debt interest.

(4) There was a disturbing change this year in the Fidelity year-end consolidated tax statements. Those sent to taxpayers in the mail did not include detail on the dividends paid. You had to go online and print-out the statement to get the complete report. While all of the consolidated year-end tax statements provide the same basic 1099 information, the supplemental information provided by the brokerage houses in these statements varies. TIAA-CREF without a doubt has the absolute best supplemental information – with literally all the information needed to properly prepare federal and state tax returns available. Morgan Stanley does good providing information on exempt income, foreign income and USGO percentages for mutual funds and individual state percentages for municipal bond funds, but I wish they would have sub-totals for each investment’s separate dividend income. Fidelity provides the least amount of information in their statements, and now even less.

(5) On the plus side, the 2018 Form 1098-T was finally no longer a useless form. It actually provided the information necessary to calculate the education tax credits – “the total payments received by an eligible educational institution in 2018 from any source for qualified tuition and related expenses less any reimbursements or refunds made during 2018 that relate to those payments received during 2018”. It is no longer necessary to see Bursar’s statement or other college financial statements, although I still ask clients to provide me with these if available.

(6) The biggest issue of this tax season was the occasionally disastrous results of what I called “the IRS withholding SNAFU.” As I explained to clients in my explanatory memo, last February the IRS revised the federal withholding tables to reflect the reduced tax rates. But they did it too “liberally”. And since the Act did away with the deduction for personal exemptions as well as many itemized deductions, the concept of the withholding exemption no longer applied. The increased amount and availability of the Child Tax Credit for dependent children under age 17 helped in some cases – but often not enough. Almost every taxpayer whose withholding was based on the federal tables and not a flat amount as with most IRA withdrawals and Social Security benefits was under-withheld. This was especially disastrous with multiple sources of withholding, like two-income couples, taxpayers with more than one job, and those receiving both pension and W-2 income. I had clients owing \$4,000, \$9,000 and \$20,000 because of under-withholding. This problem will continue until the IRS figures out how to properly structure the withholding tables, and the W-4, to properly reflect the new law.

So, what issues did you encounter this first tax season of the GOP Tax Act?

Northeast PA resident Robert D Flach has been preparing 1040s since 1972, and has been a member of NATP since 1987. He has been writing the popular tax blog **THE WANDERING TAX PRO** (<http://wanderingtaxpro.blogspot.com>) since the summer of 2001, inspired by an NATP National Conference session. He is the author of the book “So You Want To Be A Tax Preparer: Advice from a Veteran Tax Pro” available in Kindle format from Amazon (<https://www.amazon.com/SO-YOU-WANT-TAX-PREPARER-ebook/dp/B075HY9LRY>).



IS NJ VOLUNTARY DISCLOSURE AN OPTION FOR YOUR CLIENT?

BY TERESA MARRON, CPA



DO YOU HAVE AN INDIVIDUAL OR BUSINESS CLIENT THAT HAS NOT FILED IN YEARS? Perhaps another client that owes Sales and Use Tax that has never been reported? **NJ Voluntary Disclosure** may be the way to go.

To be eligible for this option your client must not have had any previous contact with the division or its agents. They cannot have registered for the tax owed in the past, but must be willing to register if they come forward. They must not be under any criminal investigation. They must also be willing to file the requested returns and pay outstanding tax liabilities within a reasonable period of time.

You may ask what is the benefit of doing all of the above? Plenty. First of all they will have anonymity pending an agreement with the state. The state will possibly waive some or all of the penalties (not the interest). Also, if you were eligible for Amnesty and did not take advantage of it earlier this year, then you will have a penalty of 5% of the tax owed imposed as well as a 5% penalty on any trust fund taxes. For business clients, the look-back will only be 4 years for annual returns, for quarterly returns such as sales tax and withholding tax, the look-back is 16 quarters. The biggest advantage is that your client eliminates the risk of being discovered under audit and the have unlimited look-back years.

Well, you may ask, why should I trust and believe that the above statements are true? I need to protect my client, right? The answer is that they will give you the proposal in

writing. You can fill out the NJ VDA Fact Pattern Form found at <https://www.state.nj.us/treasury/taxation/volddisc-bit.shtml> which does not ask for the discloser's name.

The Division will assign a number to the request. After both parties agree to the terms set out by the state, they will send signed copies of the executed agreement to you, the representative for signature. The agreement covers the taxes that are due, the effective date of the acceptance, the deadline for submitting the returns, tax registration forms and a Nexus questionnaire.

Once the work is completed, you can expect that your client will be billed 5-10% penalty on total amount due, depending on the amount of the tax, plus interest. The Division will also expect your client to remain compliant with all present and future tax filings and payments.

To read more about this program go to: <https://www.state.nj.us/treasury/taxation/volddisc-git.shtml>

If you wish to proceed with the VDA process (or if you have any questions regarding the Program), contact Ella Dillon by phone at (609) 984-7413 or by mail at:

NJ Division of Taxation
Office Audit Branch
P.O. Box 269
Trenton, New Jersey 08695-0269

tmarroncpa@gmail.com

Phone: 732-797-0294

QUESTIONS ABOUT SERVING ON THE NJ BOARD OF DIRECTORS??

The NJ Chapter was formed 30 years ago, and being a member of NATP since 1988, I was automatically a member of the NJ Chapter. After attending various events put on by the NJ Chapter, I decided that I wanted to do more, so I ran for the NJ Board in 1991. I served for 18 years on the NJ Board, and never regretted my choice.

As the Nominations Chair this year, I am seriously looking for members who have that same interest. Obviously, there are responsibilities of a Director, but there are also many benefits.

I strongly encourage anyone who has questions about serving as a Director, to please contact me, preferably by email first, and then we can have a conversation. I can answer your questions, tell you about the responsibilities and discuss some of the criteria established by our by-laws. As you know, Directors are elected at our Annual meeting in October, and the slate must be published 30 days prior to the meeting.

Please contact me as soon as possible, so I can give you the information.

My email address: jean.millerchip@gmail.com
My phone: 732-793-1149

Jean Millerchip, EA
Nominations Chair

New Jersey Chapter of NATP Proposed Bylaw Changes

November 1, 2018

Purpose:

The New Jersey Chapter is proposing to change our existing Bylaw, Article IV, The Board of Directors, Section 3 to allow more members the opportunity to run for the New Jersey Board of Directors. Currently, NJ Bylaws allow members in good standing, who are at least 25 years of age and have completed at least 20 CPE's provided by NATP either at the National or Chapter level per year for each of the past two years to be eligible to be nominated as Director candidates. Our proposal will decrease the number of CPE credits to 30 credit hours of NATP education at either the National or Chapter level over the preceding 24 months prior to the election.

The following change is required to accomplish our purpose.

Current Bylaws:

ARTICLE IV: Section 3

Section 3. Nomination of Association Director Candidates. Association members who are at least 25 years of age and in good standing, have completed 20 CPE's provided by NATP either at the State or National level per year for each of the past two (2) years, have worked full time or part-time in the tax Preparation industry, have Internet and E-mail access and have been a member of NATP for at least three (3) years are eligible to be nominated as Director candidates. The Nomination Committee shall receive candidate recommendations from any member and deliberate its nominations. The period for recommendations shall close 90 days before the date set to announce the results of Association Director elections. The Committee shall annually nominate at least one (1) member for each expired Director's term. The nominations of the Nomination Committee shall be forwarded to the Association principle office at least 45 days before the date to announce the election results.

Proposed Change in [brackets]:

Section 3: Nomination of Association Director Candidates. Association members who:

- Are at least 25 years of age.
- In good standing

New Jersey Chapter of NATP Proposed Bylaw Changes

- ~~have completed 20 CPE's provided by NATP either at the State or National level per year for each of the past two (2) years, [Have completed 30 CPE's provided by NATP, either at the State or National level, over the preceding 24 months prior to the election]~~
- Have worked full-time or part-time in the tax preparation industry
- Have internet and e-Mail access
- Have been a member of NATP for at least three (3) years

If the member meets all of the above requirements, they are eligible to be nominated as director candidates. The Nomination Committee shall receive candidate recommendations from any member and deliberate its nominations. The period for recommendations shall close 90 days before the date set to announce the results of Association Director elections. The committee shall annually nominate at least one (1) member for each expired director's term. The nominations of the Nomination Committee shall be forwarded to the association's principle office at least 45 days before the date to announce the election results

Respectfully submitted by The Bylaws Committee.

Joshua C Melum, EA

Chair Name

Signature

NJ KOCH RULING



BY MARILYN H. AYERS, CPA

As an NATP NJ volunteer, I get quite a few calls from members during the year. The NJ 1040 tax return is such a different "animal" than so many other states personal 1040 returns. A majority of 1040 state returns start with the federal adjusted gross income and "tweak" that number by subtracting exclusions and increasing that number by additions. In our metropolitan area, NY, NJ and PA are three such different returns we need help from our neighbors from time to time when we come across something a little different or unusual. By far, the most asked question I receive as a NJ volunteer is the "Koch" adjustment. It is a question asked by fellow NJ members as well as other state members.

The "Koch Decision" allow taxpayers to use a different basis for rental properties sold for New Jersey taxation than the federal basis. The decision, which has upheld with the Moroney Decision, allows the taxpayer to reduce the gain at the time of disposition by the amount of unutilized depreciation.

Specifically, the case established that the taxpayer's method of accounting must be the same for both Federal and State purposes, which requires taxpayers to annually use the same depreciation expense allowed or allowable for federal purposes in determining net income for NJ tax purposes. However, the Division also looked "at how to determine whether a taxpayer was able to utilize that depreciation claimed (i.e. basis adjustment) since losses are not

allowed on the NJ return. Since depreciation expense directly impacts basis when calculating gain on the disposition of rental property, the Division now permits an adjustment to basis for the depreciation expense not utilized for NJ tax purposes.

The unutilized depreciation represents the amount by which the depreciation allowed or allowable expense exceeds gross receipts in any given tax year. It can only be used in those years where gross income before any expenses or deductions did not exceed the depreciation expense allowed or allowable in the same year. For example, if my depreciation of my \$300,000 residential rental was \$10,909 for the tax year but my gross rent was only \$8,000, I did not receive an economic benefit of the difference of \$2,909 and, upon the disposition of that property, I could increase my basis by that same \$2,909 for NJ tax purposes. ***

Marilyn graduated from Rider University in June 1978 with a degree of Bachelor of Science in Accounting and earned her CPA license in 1990. Marilyn's practice, established in 1988, provides tax and accounting services to approximately 900 individual clients and businesses, where service is the number one priority. Marilyn has been a member of NATP since 2000 and served on the New Jersey Board of Directors from 2004 through 2016, including secretary, vice president and past president of the New Jersey Chapter. Marilyn is also a member of the AICPA and the New Jersey Society of CPAs.



Website: www.njnatp.com or call 856-428-3079

NJ-NATP BOARD OF DIRECTORS 2019

OFFICERS

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