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Newsletter ATS 2023

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ISSUE

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Message from the Editor

By Nannette Watts



Dear Colleagues,

As many of you know, I do not have a traditional practice, but I do understand the crunch you likely experienced having survived yet another October 15th deadline. I know in my forensic practice, to get any information from accountants leading up to that day and for the recovery week that follows, my chances are slim. I hope you have recovered and can start looking forward to the holiday season and all that it brings.

If you have not completed the New York Mandated Annual Sexual Harassment Prevention Training, Glenn Franklin's webinar program is scheduled for November 2nd, 30th and December 7th, 2023. I will say, Glenn has some interesting and topical stories to tell. If it has to be mandatory, it may as well be lively.

This year's Annual Accounting and Tax Symposium is scheduled to take place LIVE at the Crest Hollow Country Club in Woodbury, New York on November 15th to 17th, 2023. Registration is open and the agenda can be found at <https://nccpap.tendenci.net/events/12/>. Don't miss the opportunity to satisfy your CPE requirements while networking with other attendees and speakers. The insights and conversations can be invaluable - we are, after all, MEMBERS HELPING MEMBERS.

As always, we hope you find this edition of the Newsletter insightful and encourage you to contact me with suggestions for articles, authors or submissions for future editions.

Happy Holidays to All!

Nannette Watts, CPA currently serves on the Board of the Nassau/Suffolk Chapter of NCCPAP. She is a CPA and Accredited in Business Valuation (ABV) and Certified in Financial Forensics (CFF) by the AICPA. Nannette has been qualified as an expert in the courts of New York and is trained in mediation and collaborative divorce. She is currently serving as the Nassau/Suffolk Chapter Newsletter Editor. She can be reached at nwatts@nwattscpa.com or 516-506-8224.

IT'S TIME TO SAY "GOODBYE" TO BOB!*By Bob Goldfarb, ATS Chair*

I know I have said this before, and I had meant it BUT this is the last time I will be saying it. Yes, after 21 years there is nothing more that I and my team can do to improve ATS and make sure that it is the best educational event available. I am very happy to say that James Hall and Varun Kathait have agreed to relieve Ruthann and me of the duties as chairs of ATS. James and Varun have most recently served the NCCPAP Nassau/Suffolk Chapter as Presidents of the Chapter and the Education Foundation, respectively. I assure you that this is extremely bittersweet for me. I love working for YOU to make ATS the exceptional event that it is. I love meeting with each of you during the three days before Thanksgiving every year. I love seeing you receive the best education offered anywhere. I love seeing you resolve your tax issues with the Internal Revenue Service and the New York State Department of Taxation & Finance (or is it the NYS Department of Finance & Taxation? I can never remember. I

just know they are headquartered in Albany!). And, last but definitely NOT least, I will miss "working" with my friends and colleagues to develop the very best event for YOU! Perhaps, I will MOST miss working with Kathy and Michael almost daily getting this event to be ready on time every year. This is Kathy's 20th anniversary working with me on ATS – how she survived is way beyond comprehension – clearly, SHE DOES LOVE creating the most exceptional event for YOU!!

So, why should you attend AGAIN this year? While we provide you with the most comprehensive program (yes, that is MY opinion, but I do believe it), we provide you with the best networking, the best vendors and absolutely the best speakers! You may say, also, that those are my opinions, but I would strenuously disagree with you. These are NOT my OPINIONS, they are FACTS! We have created a fantastic program of educational sessions. Please register and select sessions before you are closed out. Registration AT the event will still be available BUT it will not be as easy as in the past. NCCPAP National has installed an entirely new computer and registration system. You will save time and effort by pre-registering.

Again, in my last article as Symposium chairperson, I want to thank you for 21 years of support. I also want to thank Kathy and Michael for decades of assistance and taking thousands of YOUR phone calls and resolving thousands of issues. I also want to specifically thank ROSS, HAROLD, KAREN and SCOTT, without whom ATS would never, ever have been created. And lastly, I want to recognize all the work provided by Ruthanne and EVERYONE on the ATS Executive Committee without whom the Symposium would never have been able to continue. THANK YOU ALL AND BEST OF LUCK. Once again, clearly old accountants (ME) never die, WE just fade away – that's what I am doing but I only hope my impact will still be felt and appreciated. My ONLY GOAL was to MAKE YOU A BETTER TAX PROFESSIONAL!

My very FINAL words! Adapted from you know where – the MICKEY MOUSE CLUB:

Now Mouseketeers
There's one thing we want you
Always to remember

Come along and sing our song
And join our family

M-I-C
K-E-Y
M-O-U-S-E

Through the years we'll all
Be friends
Wherever we may be.

M-I-C
K-E-Y
M-O-U-S-E

Mickey Mouse
Mickey Mouse
Forever let us hold our
Banner high

Now it's time to say goodbye
To all our company

M-I-C
K-E-Y
Why?
Because we like you
M-O-U-S-E

Goodbye my FRIENDS – Forever that's what we will be!!

Exciting Speakers and Valuable Sponsors Await at our November Symposium!

By Varun Kathait



Dear NCCPAP Members,

I hope this newsletter finds you in good health and high spirits. As we move forward with our mission to empower and support CPA practitioners, I am thrilled to announce the incredible lineup of speakers we have secured for our upcoming symposium on November 15th, 16th, and 17th, 2023.

Our symposium is a much-anticipated annual event, and this year promises to be one of the most memorable yet. We have carefully curated a diverse group of experts and thought leaders who will share their wisdom, insights, and practical strategies to help you navigate the ever-evolving landscape of the accounting profession. Be prepared to gain valuable knowledge, engage in stimulating discussions, and establish meaningful connections with fellow professionals. Let me take a moment to introduce a few of our esteemed speakers who will grace our symposium:

1. **Neil D. Katz**, is the Managing Partner of Katz Chwat, PC and is responsible for the administration of the firm's overall practice. He serves as lead attorney for the firm's estate planning matters, as well as tax controversy and planning, corporate sales and acquisitions, and business planning and transactions.
2. **Mark S. Klein**, is the Chairman of HodgsonRuss LLP and concentrates his practice on New York State and New York City tax matters. He has more than 40 years of experience with federal, multistate, state and local taxation – and may be best known for his public speaking on tax topics.
3. **Robert S. Barnett**, is a founding partner of Capell Barnett Matalon & Schoenfeld LLP, Attorneys at Law. His practice is highly concentrated in the areas of taxation, trusts, estates, corporate and partnership law and charitable planning. His experience includes Surrogate's Court practice, tax dispute resolution, Tax Court representation, and structuring financial transactions and charitable gifts.

These are just a few of the exceptional speakers we have lined up for you. From tax to technology, practice management to professional development, our symposium sessions will cover a wide range of topics that cater to the diverse needs and interests of our members.

In addition to our stellar lineup of speakers, I am delighted to acknowledge the invaluable support we have received from our sponsors. Their commitment to our profession and dedication to our chapter's success are truly commendable. These sponsors provide us with the resources and tools we need to excel in our CPA practices. Their contributions enable us to bring you high-quality events and educational opportunities. I would like to extend a special thanks to National Life Group for their continued support and generous investment in our chapter.

We are also grateful to returning sponsors Franklin, Gringer & Cohen, Accumera, APS Pension, and CMIT, for their commitment to our professional growth and for their expertise in their respective fields. This list is far from exhaustive, and we greatly appreciate each vendor.

I encourage you to take full advantage of the symposium by attending as many sessions as possible, actively participating in discussions, and connecting with fellow members and sponsors. Remember, the knowledge and insights gained at this event will not only benefit you professionally but also contribute to the success of your clients and the profession at large.

Stay tuned for more updates regarding the symposium, including the full schedule, additional speakers, and networking opportunities. This is an event you won't want to miss!

Thank you for being a valued member of NCCPAP. I look forward to seeing you all at our symposium in November!

Varun Kathait, Esq., CPA is a tax manager in the International Private Client Services group at RSM US LLP. Varun currently serves as President of the Educational Foundation of the Nassau/Suffolk Chapter. He is also the current Chair of the Business, Accounting, and Tax Committee of the Nassau County Bar Association.

Message from the Nassau/Suffolk Chapter President

By James E. Hall



As the President of the Nassau/Suffolk Chapter of the National Conference of CPA Practitioners for the past two years, I have had the pleasure of getting to know many of the esteemed leaders of our organization.

Our NCCPAP National President Frank Sands is truly a class act. Frank and I worked together on numerous projects this year. In May we were in Washington, DC advocating for changes to burdensome and convoluted tax laws. Most recently, as part of the strategic planning committee, we have been working on a five year plan to expand the NCCPAP organization throughout the country, provide more value to its members, and increase the impact that the organization has on future tax and accounting legislation.

I have also had the pleasure of working alongside Robert Goldfarb and Ruthanne Corazzini, along with my counterpart and Nassau/Suffolk Education Foundation president, Varun Kathait. Together, we have engaged in the various stages of planning for the annual Accounting and Tax Symposium (ATS) to ensure continuity and longevity of this annual NCCPAP staple.

I have also had the absolute privilege of getting to know many of our organization's great 'go-to' speakers, such as Karen Tenenbaum, Mark Stone and Neil Katz. Their decades of experience has developed them into true thought leaders of our industry. Now just a week away, we await the Accounting and Tax Symposium with much anticipation. The speakers, the topics, the technology vendors; it's like Christmas for accountants!

Continuing professional education credits can be obtained anywhere these days, often for free. But these pale in comparison to the applied knowledge provided from events like ATS. The peer to peer learning is second to none among the CPA practitioners and firms, both small and large, that attend this yearly event.

Continuing education should be more than just refreshing one's knowledge on a subject, and it is, when taking the practical continuing education seminars offered by NCCPAP. Anyone can read up on updated tax law changes or recent court cases in their own free time. The true value of continuing education is the ability to put knowledge into practice. Learning about new tax credits and deductions is fundamental to an accounting professional. Understanding how to prepare the tax return with this information has value to you as a practitioner. Learning about complex tax strategies for specific client industries is pivotal. Being able to have a conversation with your clients and articulate and implement the tax strategy is (extremely) valuable. Learning about best practices for running your accounting firm is imperative. Knowing how to implement these applications is what brings value to your practice.

Attending seminars at the Accounting and Tax Symposium will help you operate best in class among your colleagues. Don't just get your CPE credits from some pre-recorded webinar. Get practical continuing education through NCCPAP, its renowned speakers and affiliated partners. I look forward to seeing you all at the 21st Annual Accounting and Tax Symposium this November 15, 16, and 17!

James E Hall, CPA is the managing partner at Hall CPA Group, LLP, a small business tax, accounting and advisory firm in Kings Park, NY. He specializes in improving business accounting systems and strategic planning in a variety of industries, with a concentration in real estate, construction and professional service firms. James is the current president of the Nassau/Suffolk Chapter of the National Conference of CPA Practitioners, an active member in the New York State Society of CPAs, and an alumni of the Goldman Sachs 10,000 Small Businesses Initiative.



ATS Sponsor & Speaker Highlight

The following articles were submitted by several of our ATS 2023 Sponsors. Be sure to visit our sponsorship hall at the Crest Hollow Country Club during ATS 2023!

Proposed Regulations Expand Broker Definition and Reporting Requirements to Digital Asset Brokers

*By Matthew E. Rappaport, Esq., LL.M, Michelle S. Kabel, Esq.,
Matthew E. Forman, Esq., LL.M and David P. Rosser*



The Treasury Department and IRS issued proposed regulations to expand the term “broker” and establish information reporting and backup withholding rules for certain brokers of digital assets. If finalized in this form, these proposed regulations will advance the regulation of digital assets in the United States.

Under current laws and regulations, digital asset trading platforms are not required to report sales or exchanges to the IRS because they do not fall under the existing definition of a broker. Consequently, the IRS lacks transaction data from intermediaries, increasing the difficulty of determining the accuracy of taxpayers’ transaction reports. This gap in IRS authority contributes to the noncompliance and underpayment of taxes by digital assets traders and investors.

In response, the proposed regulations widen the scope of the term “broker” to include many intermediaries and platforms that facilitate the sale of digital assets. This expanded definition casts a wide net over marketplace participants, including decentralized exchanges, digital asset hosted wallet providers, and digital asset payment processors. Accordingly, digital asset brokers would be subject to the same rules as traditional brokers of marketable securities, including backup withholding rules.

Although the expansion of the broker definition is crucial for effective digital market asset regulation, it is not without enforcement and compliance challenges. Enforcement challenges, some of which were identified in the proposed regulations, stem from the fact that some transactions are not recorded on a public blockchain. And there are difficulties – even when reading a public blockchain – differentiating between a sale or exchange that could trigger reporting/withholding and transfers in which ownership does not change and would not trigger reporting/withholding. Additionally, several compliance challenges will arise for those providing facilitative services. The most significant of these challenges lies in establishing, creating, and implementing the systems necessary for tracking transactions, collecting information from those trading on their protocols, reporting the required information, and withholding where required by the finalized regulations.

The proposed regulations also provide that certain exchanges of digital assets are subject to reporting requirements, which include filing information returns and furnishing payee statements. The proposed regulations contemplate that traditional brokers, as well as centralized and decentralized exchanges, must report information for each digital asset sale on the new Form 1099-DA. For each transaction that requires a Form 1099-DA, the broker must report customer information and details, the type and quantity of digital assets sold, sale date and time, gross proceeds, transaction identifiers, and more.

Despite these enforcement and compliance challenges, the proposed regulations represent a substantial advancement in U.S. digital asset regulation. It is likely that the proposed regulations will undergo many changes prior to being finalized and becoming effective in 2026 due to comments provided by industry experts, taxpayers, and advisors. Taxpayers and their advisors will need to actively monitor the progression of these developments and make their voices heard through comment letters to shape the future of the regulation of digital assets.

Matthew E. Rappaport, Esq., LL.M. is Vice Managing Partner, Falcon Rappaport & Berkman LLP. Matthew chairs FRB’s Taxation and Private Client Groups.

Michelle S. Kabel, Esq. is an associate attorney in FRB’s Taxation, Private Client, and Emerging Technologies Groups.

Matthew E. Foreman, Esq., LL.M advises businesses on the tax effects of a variety of corporate transactions, including taxable and tax-free reorganizations, mergers, sales, and acquisitions.

Davis P. Rosser is a J.D. Candidate at Brooklyn Law School and intern in the Taxation Department at Falcon Rappaport & Berkman.

Avoid the Holiday Blues from Passport Revocation

By Karen Tenenbaum, Esq., LL.M. (Tax), CPA, & Moshe Zupnick, Esq. *Only in MO*



Among the many tools that the IRS can use to collect taxes, passport revocation is probably the least known. A passport is not an asset like a financial account or piece of property. Yet, the IRS can (indirectly) take it away from a taxpayer who owes back taxes. With the holidays almost upon us, losing a passport can hit a taxpayer hard preventing them from visiting friends and family. To avoid this result, it is important to understand how passport revocation works.



When Can the IRS Revoke a Passport?

A taxpayer must have a “seriously delinquent tax debt” in order to have a passport revoked. This is defined as “an individual’s unpaid, legally enforceable federal tax debt (including interest and penalties) totaling more than \$59,000 (adjusted yearly for inflation).” The IRS can certify tax debts for U.S. individual income taxes, Trust Fund Recovery Penalties, business taxes for which the individual is liable, and other civil penalties.

If the threshold is met, the IRS must then file a “Notice of Federal Tax Lien” or issue a levy for that debt before certifying the debt to the U.S. State Department.

What Are the Exceptions to Passport Revocation?

There are several exceptions to certification including the following:

- The taxpayer is in a collection alternative (offer in compromise or installment agreement) and making timely payments
- There is a pending request for an installment agreement or offer in compromise
- The taxpayer is serving in a combat zone
- The taxpayer is bankrupt
- Collection has been suspended due to a request for administrative relief
- The taxpayer is a victim of tax-related identity theft
- The debt has been suspended under the innocent spouse rules
- The taxpayer is in “currently not collectible” status due to hardship
- The taxpayer is located within a federally declared disaster area.

What Happens to the Taxpayer’s Passport?

After receiving certification from the IRS, the State Department may revoke a current passport or deny issuance or renewal of a passport. However, if the taxpayer is overseas, a limited validity passport may be issued allowing a direct return to the U.S.

How Is Revocation Reversed?

- The IRS must notify the State Department if certification needs to be reversed. The grounds for reversal are:
- The certification was erroneous in the first place
- The debt has become legally unenforceable
- The debt has ceased to be delinquent pursuant to an aforementioned exception
- The taxpayer has fully paid the liability
- The debt has fallen below the threshold amount because penalties were abated for a reason other than first time penalty abatement.

Note that simply paying down liability below the threshold will not decertify the debt.

Conclusion

It is best to address tax problems as soon as possible after notification by the IRS. Depending on the circumstances, there are likely to be several ways to challenge and/or settle with the IRS to avoid consequences like passport revocation that can ruin the holidays.

Karen Tenenbaum, Esq., LL.M. (Tax), CPA, & Moshe Zupnick, Esq. are Long Island tax attorneys at Tenenbaum Law, PC focused exclusively on the resolution of IRS and NYS tax problems. They can be reached at (631) 465-5000 or visit their website at <https://www.litaxattorney.com>.



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A Multi-Method Investing® Market Perspective (as of October 10, 2023)

By Jesse Mackey



The aggregate financial market results for the third quarter of 2023 featured a decline in both stocks and bonds. August and (mostly September) reversed a large portion of the strong gains in stocks made during June and July, pushing US aggregate bonds and US small cap stocks into negative territory for the year-to-date, as of the close of business on October 9, 2023. US large cap stocks are the best performing publicly traded broad asset type so far in 2023, while US aggregate bonds are the worst. But after the recent draw-down, the S&P 500 Index is still significantly short of the point of full recovery from the Bear Market first registered in 2022 (despite double-digit returns for the year-to-date in 2023). Stocks ended 2022 with their worst calendar-year performance since 2008 (during the Financial Crisis).

On October 13, 2022 the S&P 500 (Price Return) Index reached the current maximum intraday draw-down of 27.5% from its January /4, 2022 peak price. After a partial recovery in the time since then, the index sat 10.02% below the record as of the close of business October 9, 2023. The initial indication of a Bear market on May 20, 2022 (based on the technical intraday definition of a 20%+ decline), has very significant implications for portfolio management strategy.

The history of the S&P 500 Index since 1950 reveals that once Bear markets have been identified (in which a 20%+ decline from a record peak has occurred), they have continued for an average of an additional 4.61 months and have experienced an average additional cumulative loss of 16.56% until the trough is reached (for a total cumulative drawdown of 33.2%). Six out of thirteen instances of a Bear turned around within one month after it was indicated (some as early as the same day), while all others lasted longer (up to a maximum of 1.63 years). As of the date of the deepest trough measured so far (on October /13, 2022), 4.87 months had elapsed since Bear market indication, and 1.39 years have elapsed as of today (both measures longer than average). For long term investors that can afford to wait until a recovering upturn in the market cycle (which most likely already began in October of last year based on historical data), this calls for aggressive deployment of cash and cash equivalents into stocks (and bonds in this case). This should be discussed with your advisor to confirm appropriateness for your situation before taking action.

Based on analysis of the complete historical market type data set using our Multi-Method Adaptive algorithmic process, we are now allowing overweight allocations to Strategic Asset Allocation, and underweights to Liability-Driven Investing, Opportunistic Investing and Selective/Concentrated Investing.

From a probabilistic analysis perspective, valuations tell a story that's roughly neutral to negative for most stock types, and more favorable for some bond types. On this basis, most stock types are near fair value to moderately overvalued. By comparison, most bond types now range from moderately undervalued to near fair value. Long term US Treasury Bonds now reflect the most attractive pricing relative to the alternatives, while international developed markets stocks are the least attractive.

Against this backdrop the outlook for stocks in general continues to be positive over the intermediate term based on the overall aggregate of our historical market-type data analysis and quantitative probabilistic analysis.

If you have questions or you would like to discuss what this means for your particular situation, please contact 4Thought Financial Group Inc. at 516-300-1617 or at info@4tfg.com.



Jesse Mackey is the Chief Investment Officer and CEO of 4Thought Financial Group Inc., an independent SEC Registered Investment Adviser (RIA). He can be reached at (516) 300-1617 www.4tfg.com info@4tfg.com <https://www.linkedin.com/company/4thought-financial-group> <https://www.facebook.com/4ThoughtFinancialGroup/>

Sales Tax and Artificial Intelligence

By Jennifer Koo



Artificial Intelligence (“AI”) such as ChatGPT is becoming more popular. Is this how it starts and, in the future, will we have robots to do our bidding? As seen in every SciFi movie, AI evolves as it learns. It eventually becomes self-aware. But could evolution lead to anarchy? Will we one day be living in a world like Will Smith in I, Robot?

Sales tax laws are archaic and slow to change. New York labels animals such as dogs and cats as tangible personal property. Therefore, a service like dog sitting is taxable. When we have robots, they too will likely be seen as tangible personal property, owned by humans. Downloads of software to upgrade the robot will be subject to sales tax in New York. Software, no matter how it is delivered, is taxable. But educational classes are exempt from tax.

When a person buys a house, there is no sales tax due because it is real property. But not all homes are considered equal. When you buy a doghouse, or a guinea pig cage, or a chicken coop - that is all taxable as the purchase of tangible personal property.

Many states have clothing exemptions. Items of clothing costing under \$110 are not subject to New York State or New York City sales tax. (Clothing is subject to local sales tax in many other New York counties.) However, there is no such clothing exemption for dog booties or bandanas or other pet clothing items. If robots adapt to human modesty and wear clothing, New York sales tax law would see that as simply putting a decorative, but unnecessary, raincoat on your dog. The raincoat would be subject to sales tax. For you Star Trek fans out there, Lt. Commander Data always wore a uniform.

Going beyond buying things for your “pet” robot, how much trust do we, and would we, place in artificial intelligence? How many people spend more time talking to “Alexa” than their friends? Recently, an attorney used ChatGPT to prepare a filing that was submitted to court but the AI software cited cases which were completely fictitious. Would we trust AI to data enter and file all tax returns - including sales and use tax returns? Could you ask a robot a taxability question and rely on the answer? Would AI eliminate the need for accountants? There is currently software that will prepare and file sales tax returns for companies. But software is only as good as the data entered into it. Software enters numbers where it thinks such numbers should be. But software is not always correct. Someone needs to review the return before submitting it as, in my experience, numbers are sometimes entered in the wrong field, a deduction is made that is not warranted, or potentially worse, a number is inputted twice and double counted. Human thinking and human reasoning are still needed. But the future is yet to be told. (By the way, did you think Lt. Commander Data was a robot or a living being during his trial...Let us know.)



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Jennifer Koo, Esq. is a Partner at Sales Tax Defense LLC, a consulting firm specializing in sales and use tax. She represents companies on sales tax audits, appeals assessments before Administrative Law Judges, and gives sales tax advice in all States that have sales tax. She sits on the Board of Directors of the Nassau County Bar Association and is Chair of the Asian American Attorney Section. This year, Jennifer is being presented with the Long Island Business News Leadership in Law award. She can be reached at (631) 491-1500 or jkoo@salestaxdefense.com.



IRS Says: New Goal is to Restore Fairness by Using Tax Dollars to Audit More Millionaires, Partnerships and Large Corporations

William J. Sanders, Shareholder
Scott S. Ahroni, Shareholder
Erika Colangelo, Associate
September 15, 2023



IRS SAYS: NEW GOAL IS TO RESTORE FAIRNESS BY USING TAX DOLLARS TO AUDIT MORE MILLIONAIRES, PARTNERSHIPS AND LARGE CORPORATIONS

Following our [initial reaction](#) to the Internal Revenue Service's strategic operating plan to spend \$80B in funding allocated from the Inflation Reduction Act, Polsinelli's Tax attorneys continue to monitor the IRS' compliance guidelines. Last week the IRS [announced](#) that it would be starting a "sweeping, historic effort to restore fairness in tax compliance by shifting more attention onto high-income earners, partnerships, large corporations and promoters abusing the nation's tax laws."

New IRS Commissioner, Danny Werfel, has committed to holding the Country's wealthiest taxpayers accountable to pay the full amount of what they owe. Using funding increases from the Inflation Reduction Act, the IRS will focus its enforcement on "[the] wealthy, partnerships and other high earners that have seen sharp drops in audit rates for these taxpayer segments during the past decade." This announcement comes days after the Treasury Inspector General for Tax Administration (TIGTA) released a [report](#) concluding that the IRS' must update its outdated definition of high-income individuals and procure better training programs in order to successfully carry out its strategy to increase audit rates of high-wealth taxpayers.

According to the announcement, the IRS intends to use artificial intelligence and improved technology to "help IRS compliance teams better detect tax cheating, identify emerging compliance threats and improve case selection tools to avoid burdening taxpayers with needless 'no-change' audits."

In particular, the IRS stated it intends to increase its collection efforts on taxpayers with total positive income above \$1 Million who have more than \$250,000 in tax debt. The IRS claims to have identified about 1,600 high-income taxpayers in this category to target.

Additionally, the IRS plans to expand its Large Partnership Compliance program by utilizing artificial intelligence and applying "cutting-edge machine learning technology to identify potential compliance risks in the areas of partnership tax." According to the announcement, the IRS has already identified 75 of the largest partnerships in the U.S. to examine. These partnerships are expected to be notified of the examinations by September 30, 2023. The IRS has also identified ongoing discrepancies on balance sheets involving partnerships with assets over \$10 million, "which is an indicator of potential non-compliance." The IRS plans to send a compliance letter to 500 partnerships requesting information regarding the discrepancies.

The IRS' pronouncement also reiterated several "priority areas" to target. In addition to the well-discussed compliance efforts to prevent abusive micro-captive insurance arrangements and syndicated conservation easements, the IRS intends to expand its audit focus on digital assets, FBAR violations and labor brokers. While the former has received various media attention, "labor brokers" appear to be a new area in which the IRS is focusing its attention. The pronouncement states that the IRS will focus on a "scheme" involving "labor brokers." Specifically, "[t]he IRS has seen instances where construction contractors are making Form 1099-MISC/1099-NEC payments to an apparent subcontractor, but the subcontractor is a "shell" company that has no legitimate business relationship with the contractor. Monies paid to shell companies are exchanged at Money Service Businesses or flowed through accounts in the name of the shell company and returned to the original contractor. The IRS will be expanding attention in this area with both civil audits and criminal investigations."

Taxpayers with federal tax compliance issues, especially high net worth individuals and multi-tiered partnerships, should act quickly and contact experienced tax counsel to explore their options for reporting non-compliance prior to receiving a notice of audit from the IRS. Several programs are available to taxpayers who voluntarily disclose their non-compliance to the IRS prior to being notified. With the use of artificial intelligence, it is possible that the IRS will be able to more quickly identify taxpayers who have not been compliant. Polsinelli's Tax attorneys have extensive experience representing individuals and entities before the IRS in voluntary disclosure programs, collection actions and in all stages of litigation.



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News in the NCCPAP Family

Congratulations to:

Varun Kathait on his recent marriage to Rebecca Mazzio.

If you have any news that you wish to share with membership please contact our Good & Welfare Chairman and it may be featured in our next newsletter!

Our Good & Welfare Chairman is Stephen Sternlieb, CPA steve@sssternliebcpa.com



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