KNOWLEDGE, NOT WORK, IS POWER  

by Courtney Kirschbaum, 2016 Management Conference Speaker

When I ask young professionals what they want out of their careers, they almost all say the same thing: I want to be respected. I want to be viewed as an authority, and I want to make a positive contribution.

I want to be successful. Who doesn’t?

But so few with the potential achieve the level of success they are capable of. They work hard, but the results they want don’t come. They sputter out, burn out, or they just soldier on. We’re told that success is the result of “hard work.” And that’s true, but it’s not accurate.

The majority of people working extremely hard for years never approach the level of success, respect and influence they seek. In our “I’m so busy” culture, long hours are respected, but secret to the success isn’t the Puritan Work Ethic. It isn’t more hours, it’s more knowledge, that makes the difference.

Knowledge, not work, is power.

Early in your career - the first 5 years after college your on-the-job-training is adding more value, usually because it’s your first real professional work and it’s full of experiential learning, but once you’ve learned the ropes, the investment should return to knowledge and skill building. And for most people it doesn’t. That’s when the loss of momentum starts. That’s when you start asking yourself. What’s missing? What am I doing wrong?

Except in the rarest of forward thinking companies, ongoing learning and training is viewed as a kind of necessary evil in the work world.

Here’s something I wish someone had told me at the beginning of my career: If you don’t get high quality training from experts, from the best people in the field, and get it often, your career advancement will slow to a frustrating pace. You’ll spend the rest of your professional life working longer and harder trying to make up for it. And it doesn’t work.

If you adopt only the average level of training and development, about 40 hours a year, it’s the equivalent of running a marathon (26.2 miles) on one bottle of Gatorade.

You increase your value by increasing your knowledge and skills.

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BISMARCK
Wednesday, May 25, noon
Chamber, 1640 Burnt Boat Road

DICKINSON
Wednesday, May 25, 4:30 pm
Brady, Martz & Assoc, 2257 3rd Ave W

WILLISTON
Thursday, May 26, 7:30 am
Eide Bailly, 2257 3rd Ave W

MINOT
Thursday, May 26, noon
Grand Hotel, 1505 N Broadway

GRAND FORKS
Thursday, June 9, noon
Culvers, 3451 32nd Ave

FARGO
Thursday, June 9, 4:00 pm
Drekker Brewing Co, 630 1st Ave N

Meet President-elect, Marci Schorsch
2016 CHAPTER TOUR
May 2016
PRESIDENTS MESSAGE
Tracee Buethner, CPA

In the 1950’s Harper Lee wrote the following which would be later published in Go Set A Watchman: “As a pastor, he has all the necessary qualifications for a certified public accountant: he did not like people, he was quick with numbers, he had no sense of humor, and he was butt-headed.” In 2016, I would like to think that the profession has come a long way and gone are the days of green lampshades, visors and 13 column workpapers. It’s difficult to imagine doing business in public accounting or industry if one did not like people and during those long days of “busy season” or year-end close; it certainly helps to have a sense of humor.

The American Institute of CPAs (AICPA) is working for its members by looking into the future, not the past. Just as we are individuals with diverse interests, there are a wealth of opportunities beyond the traditional core competencies of tax and audit. Additionally business has gone global, even for small businesses in North Dakota. Helping clients navigate financial and regulatory complexities is the heart of a CPA’s day-to-day business. Yet, an increasingly complex thicket of international regulations and steady proliferation of rules present challenges for even the most seasoned practitioner.

That reality is a significant driver of the proposal by the AICPA and the Chartered Institute of Management Accountants (CIMA). The two are proposing to create a new accounting association that would integrate operations and represent the entire accounting profession while preserving the membership bodies of both organizations. The proposal maintains a CPA-led profession in the U.S. and further enhances advocacy to create a stronger defense against onerous and unnecessary regulations increasingly originating overseas that may not protect the public interest.

The proposal has been endorsed by the AICPA Board of Directors and governing Council, as well as its Private Companies Practice Section Executive Committee. Fifty-one state CPA societies have also signed resolutions of support—including the North Dakota CPA Society. By the time you receive this newsletter, an electronic ballet has been mailed to members who have until June 16th to vote.

Through this proposal, the AICPA and CIMA would maintain their respective membership bodies while integrating operations to deliver a stronger voice for the entire profession – both public and management accounting. The association would represent more than 600,000 current and next generation accountants. With members in 91 percent of the world’s countries, the AICPA and CIMA would also have a broader platform to reach the next generation of talent and to explain all the career opportunities that accounting can unlock.

I encourage you to visit www.aicpa.org/horizons for more information about the proposal and to hear the perspectives of others and then to consider a yes vote on this important effort to continue the profession’s success into the future.

On a more local note, the Management Conference is the largest event our Society puts on each year and the focus of the conference is for those in industry. The conference will be held in Fargo at the Holiday Inn on May 23 – 24. I look forward to meeting some of you at the conference to hear about how our Society can continue to serve our membership and to address any questions on the AICPA proposal.

NEW MEMBERS
Mesfin Abebe, Little Elm, TX
Angela Ayres, Brandon, MN
Joseph Bermann, Roselle, NJ
Andrew Beyer, Bismarck
Paige Biederstedt, Dickinson
Kyle Christensen, Fargo
Mark Diehl, Harvey
Thomas Gershman, GF
Michelle Gramling, Bismarck
Mohamed Mohamed, UAE
Kristin Renz Johnson, W Fargo
Cadon Schmidt, Steele
Ashish Tiwari, India
Xiaoming Xu, China
Mikel Ystaas, Bismarck

FOUNDATION SCHOLARSHIPS
R.D. Koppenhaver
Christopher Johnson, Dickinson St U
Kristina Steckler, Dickinson St Univ
Cheyanne Colace Blanchard, Minot SU
Devon Liljenquist, MSUM
Abby Tolison, MSUM
Jordan Heinen, MSUM
Jaclyn Ellingson, NDSU
Bryce Karel, NDSU
Leelin Li, NDSU
Yuexin Chen, NDSU
Samantha VanHeuveln, U Jamestown
Ashley Brodehl, U of Mary
Michael Johnson, UND
Brennan Thorlakson, UND
Mariah Lunak, UND
Landon Fuhrman, UND
Eide Bailly
Holly Amundson, MSUM
Sheng-Pen Huang, NDSU
Martz Scholarship
Haley Donnelly, Minot State Univ
Kelsey Hoffart, Minot State Univ
Yeera Budhatoki, Minot State Univ
Jordan Busch, Minot State Univ
Ryan Miner-Green, Minot State Univ
Kendra Johnson, Minot State Univ
Brent G. Hovdestad
Jed Swenson, UND
Eldon Reinke
Cole P. Musland, U of Jamestown
Robert Spolum
Ryan Nelson, UND
United States Seamless
Erica Anderson, UND
US Seamless-ND Endowment
Kayla Seidler, NDSU
Harris Widmer
Jennifer L. Brandt, U of Jamestown
SOCIETY AWARDS

Nominations are due May 15, for Life membership, and for the Making a Difference Award. Feel free to nominate a colleague or yourself.

The Making a Difference Award is available to recognize significant contributions in community service or within education, or service to the CPA Society. Recipients must be a CPA and Society member. Nomination forms are available at ndcpas.org/awards.

Life Membership
This award is to recognize long-standing Society participation. The recipient must be a CPA and retired (not employed full time, and be 60 or older). Generally the award will be presented to a CPA who has been actively involved over a number of years. To nominate or apply for life membership, simply prepare a brief recommendation letter and email it to the Society office, mail@ndcpas.org.

Board of Directors Scholarship
These $1000 awards are available to student members and affiliates. The recipient should be planning to write the CPA exam and become a CPA. Applicants are to apply online, and provide a narrative about why they’re pursuing the CPA credential. Application instructions are at ndcpas.org/scholarships. To become a member, see ndcpas.org/studentform or call 877-637-2727.

Other Awards
The Society presents 3 awards that recognize performance on the CPA exam, and also issues certificates to members with lengthy tenure.

THE POLLS ARE OPEN
AICPA members may now vote on expanding the relationship with CIMA (Chartered International Management Accountants). The expansion would result in a new global association that will be an advocate for a worldwide profession of about 600,000 CPAs and CGMAs.

Both the AICPA and CIMA will remain independent entities, with their member benefits continuing. AICPA members would be dual members in the new association with no additional dues.

The North Dakota CPA Society Board supports the joint venture expansion; Society members are encouraged to support the move. AICPA’s Board and Council endorsed the proposal. It’s also supported by 52 state CPA societies. Voting is open through June 16. More details at www.aicpa.org/horizons.

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James Carroll, CPA

INDUSTRY PROFILE

Position: Staff Accountant II
Company Name and Location: Kadrmas, Lee, and Jackson (KLJ) in Bismarck

Job Responsibilities: Responsible for maintaining the General Ledger on a daily basis. Also responsible for financial statement preparation at the end of each month, as well as year-end financials. Analyze statements for trends, monthly and year-to-date variances. Compare actuals to forecasts, and most importantly, check for accuracy and precision! Review the Federal Acquisition Regulation (FAR) guidelines for KLJ’s annual FAR audit completed by the NDDOT.

Company Biography: Since 1938, KLJ has provided engineering-based services with local expertise to drive national, large-scale projects and deliver successful results. KLJ’s strong regional connections, responsive personal service and industry experience create strategic advantages for all clients. As an employee-owned firm, KLJ invests in our futures through a commitment to creating sustainable environments. Through innovation and hard work, KLJ develops lasting infrastructure that responds to social, civic, and economic needs of our communities. Clients achieve success from KLJ’s ability to envision, plan, engineer, and build infrastructure. KLJ’s professionals achieve success by going above and beyond to deliver practical solutions and become experts in their field.

Employment Background: I had an internship with KLJ through my senior year of college. I graduated from college in May of 2013, and continued full time employment with KLJ.

Professional Activities: NDCPAS Industry Committee Member – Bismarck-Mandan Young Professionals Network Member – KLJ Young Professionals Network (3rd Year) – 2016 Management Conference Planning Committee – 2016 CPA Convention Planning Committee

Birthplace: Bismarck, ND
Degree: University of Mary/Bachelors of Science in Accounting

Hobbies/Pastimes: I like to spend time with my family and I enjoy the outdoors. I have come to appreciate what North Dakota has to offer in many ways. I go waterfowl, upland, and deer hunting in the fall. I play baseball and softball in the spring and summer, and try to stay busy during the winter!

Personal: Currently live in the Bismarck, ND with my lovely wife, Mallorie!

Something most people don’t know about me: I was in the Steel Drum band in high school.
On Fridays, 26-year-old Carmela Minnie, CPA, arrives at Cohen & Co. wearing jeans. The leaders of the firm regularly ask her and her co-workers, most of whom are around her age, to give input on major decisions for the company. And she knows that if she has to work late that Friday night, she can do so remotely, from the comfort of her living room.

These are just some of the ways the Ohio-based firm makes sure its employees are satisfied in their roles. As savvy firms such as Cohen & Co. realize, happier employees are more likely to stay with their employers—and retention is essential at a time when firms across the country are engaged in a full-on talent war for the best CPAs the country has to offer. As for Minnie, she enjoys working for her firm so much that she’s been there for six-and-a-half years, ever since she was an intern.

How can firms improve their employees’ job satisfaction? Marsha Huber, CPA, Ph.D., a happiness researcher and associate professor of accounting at Youngstown State University in Ohio, has some answers. She administered a survey on happiness to 1,200 CPAs in various industries, asking them questions about topics such as their satisfaction at work and in life, and whether they found meaning in their work.

Combing through the data, Huber discovered three factors that have the most impact on CPAs’ well-being: having hope, a calling, and autonomy.

1. Hope

Huber said that possibly the most important ingredient for job satisfaction is hope: the belief in a better professional future based on having concrete goals and multiple paths through which to achieve them. She measured participants’ feelings of hope by asking them 12 questions about areas such as their feelings of agency at work and their pathways to future success.

“When you have hope,” she said, “you actually create a ‘memory’ of the future that your mind starts working towards.”

Huber noted that, in many accounting firms, it can take a decade or more for a CPA to move up to a leadership position. The promise of that reward may be too far off to motivate employees, especially Millennials, she said. She recommended that firms create “points of hope” by creating different milestones employees can attain in between major promotions.

Amber Setter, CPA, head of leadership coaching and consulting company Intention Setter, said that another way firms can cultivate hope is to be transparent about the paths to advancement. “Without having that clarity about what’s next and where they are going” staff can be at risk for burnout, she said.

2. Calling

A “calling” is a sense of purpose, excitement, and passion about work that makes a worker fulfilled. People who feel as if they have a calling may say they’d do their job for free. They talk about their work with other people and think about it when they’re not working because they find what they do fun.

People who feel they have a calling, Huber said, “are the happiest across the board.”

She said firms can help employees develop a calling by matching the employees’ interests with their work. If an employee says he wants to do consulting, his firm should consider giving him a chance to do so, she said.

Huber said she once knew a young man who received two job offers—one from a prestigious national firm and one from a smaller company. But the major firm wanted him to do work he wasn’t interested in, so he rejected its offer and went with the smaller company.

“He was smarter than most,” she said. “Most people would just take the more prestigious job, hate it, and quit.”

Setter said another way that firms can help CPAs develop a calling is to make sure they’re exposed to a wide variety of subject areas so they can figure out what they like to do. For example, a firm could give young associates the chance to work in different departments before deciding on a specialty. “It’s through those experiences that you start to understand what works for you,” Setter said.

3. Autonomy

Nobody, Huber said, wants to be stuck in a job with no freedom.

“When I look at who’s the happiest, it’s always the people who have the most autonomy, which is generally the people at the top,” she said.

Autonomy means being free to do your job the way you see fit—to make your own decisions and perhaps your own schedule. But most of all, it means not being told every minute of every day what to do, Huber said.

Huber said firms need to find a way to start introducing more freedom into workers’ lives earlier in their careers. CPAs shouldn’t have to wait to make partner before they start to have some self-determination.

And if CPAs have other things they want to work on—passion projects—firms should give them the freedom to pursue them.

“They can say, ‘We hear you. We need you to do x. Hey, listen, if you do x for us for a certain period of time, we’ll work with you to be able to do y’,” she said.

Setter said autonomy may be the most important factor for retention and recruitment. She said Millennials, in particular, are used to having more freedom. They don’t like the old-fashioned way of doing work: punching a clock, putting in your eight hours, and then going home.

One way firms can give employees more autonomy is by letting them work from home, she said. Firms could allow employees to work from home one day a week after they’ve spent a year on the job with a good performance review, she said. Or they could allow workers to do any overtime from home.

What makes workers happy isn’t a mystery. As Huber’s research shows, firms can take definite steps to contribute to employee well-being. A few policy changes can make retention and recruitment easier and help firms win the war for CPAs’ hearts and minds.
A 3-party task force will be examining the North Dakota accounting regulations during the next few months. Your CPA Society has a seat at the table – actually one third of the task force. The group will clear out language no longer relevant, such as wording about transitioning to the 2004 computerized CPA Exam. The team will also look at possible adjustments in continuing education. Nationally, there is a move to recognize shorter units of education, down to 10 minute segments. This type of change would allow credit for brief segments of learning that are likely quite typical in one’s workday. Another education change to be considered will be making the CPE requirement for non-public accountants the same as what now applies to public practice – 120 hours over 3 years, at least 20 each year. Expecting a modest amount of ethics content within those credits will also be discussed. Representing the CPA Society will be Clarence Sitter and Steve Britsch, both current board members. Faye Miller and Nikki Schmaltz will represent the State Board; both are current board members. The ND Society of Accountants will be represented by Velma Bjorgum and Albert Krueger.

The Accountancy Board has made other changes over the past several months, such as requiring that CPA candidate experience be verified by a CPA (or an accepted foreign credential holder). Paper based credit payments will no longer be taken, though online payments remain available. The retired status was clarified – it does not limit volunteer work, and the phrase “may not practice” will be viewed as not performing public accounting functions. The CGMA credential has been addressed, and those who use the title in a public venue will be expected to use a disclaimer, as is required for other uses of “accounting” in the public arena. Feel free to contact the office with questions on these issues. If you’d like to keep in touch with the task force, contact mail@ndcpas.org.
SCHEDULE OF EVENTS

MONDAY, MAY 23

8:15 - 10:00
A. Creating a Winning Momentum

10:20 - 12:00
B1. Get Organized Evernote/OneNote
B2. Managing Decentralized Workforces
B3. How Ethical Leaders Build Trust
B4. Refresh Team Outlook and Energy
B5. Do you have Continuity?

1:00 - 2:40
C1. Tech Update
C2. How to Manage Team Performance
C3. Creating the Best Projections
C4. Energy Habits of High Performers
C5. Engaged Employees Culture

3:00 - 4:40
D1. Profiting with Excel’s New Features
D2. Strategy Execution: Missing Link
D3. Finance and Innovation
D4. Executive Presence
D5. Retiring on Your Terms

4:40 Reception

TUESDAY, MAY 24

8:00 - 9:40
E1. Fraud in the Cloud - New Risks
E2. Avoiding Top Leadership Mistakes
E3. Accounting Standards Review
E4. Communication for Leaders
E5. Financial Statement Shenanigans

10:00 - 11:45
F1. Critical Tips to Avoid Identity Theft
F2. Preparing for a Millennial Invasion
F3. Revenue Recognition – An Overview
F4. Triple Your Memory & Halve Stress
F5. Fraud Alert! Loss Prevention

12:45 - 2:25
G1. Best Technologies for Small Bus
G2. Essential Skills for Supervisors
G3. Lease Accounting – Overview
G4. Secret Methods of Effective People
G5. COSO Update: Changing Risk Mgmt

2:45 - 4:20
H. #154 The Chain Breaker

FEES:
Add $50 if postmarked after May 9

- $350 Society Member
- $400 Nonmember
- $300 One day Society member
- $350 One day nonmember
- $50 Printed Materials (electronic materials included with registration)

WHO SHOULD ATTEND: the ND CPA Society’s Members in Industry Committee develops this conference each year. You will find that it is of interest to both public and nonpublic CPAs as well as the business community in general. Anyone interested is welcome to attend.

CPE: 16 hours available

For more information
www.ndcpas.org/mgmt
**JUNE 28 - 8:00 AM - 11:30 AM**

*Guide and Update to Compilations, Reviews, and New Preparations (SVP1)*

**Instructor:** Gregory Clark  
This course provides you with an overview, update, and hands-on application for preparing financial statements, review engagements, and other SSARS services. The updated content of SSARS No. 21, Clarification and Recodification, the most significant change to the compilation and review standards since their inception over thirty years ago. Not only will this course bring you up to date on SSARSs requirements and guidance, but more importantly, it will provide you with practical examples to help you effectively and efficiently perform compilation, preparation, and review engagements.

**Intended Audience:** Accounting practitioners and their staff performing and managing compilation, preparation, and review engagement services  
**Level:** Update  
**CPE Credits:** 4 Auditing

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**JUNE 28 - 8:00 AM - 11:30 AM**

*S Corporation, Partnership and LLC Tax Update (SVP2)*

**Instructor:** Steven Wagner  
If you are a practitioner who wants the latest information on tax changes affecting your business clients or employers, then you should take this enlightening course. Learn invaluable knowledge, strategies, techniques, innovative tax-planning concepts, income-generating ideas, and other planning opportunities available to S corporations, partnerships, LLCs, and LLPs. Updated for impacts of the Protecting Americans Against Tax Hikes (PATH) Act of 2015.

**Topics Discussed:**  
- Selected Practice and Reporting Issues  
- Coverage of all of the business tax changes  
- A review of the key cases, rulings, and tax law changes affecting S corporations, partnerships, limited liability companies, and limited liability partnerships  
- Any late-breaking tax legislation  

**Intended Audience:** All tax practitioners, both those working in public accounting as well as those in private industry, who need the latest information on tax changes affecting their business clients or employers  
**Level:** Update  
**CPE Credits:** 4 Tax

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**JUNE 28 - 12:30 PM - 4:00 PM**

*Preparation of Financial Statements Using a Special Purpose Framework: Cash, Modified Cash and Tax Basis (SVP3)*

**Instructor:** Gregory Clark  
For many businesses, preparing financial statements using a special purpose framework may provide an alternative to the complexity of U.S. GAAP. This course provides you with an overview and hands-on application for preparing financial statements using a special purpose framework. Learn the unique measurement and disclosure requirements of various SPF options using example financial statements and illustrative disclosures. The course also includes common practice issues encountered when preparing SPF financial statements, as well as an introduction to the AICPA’s new SPF for small and medium-sized entities, FRF for SMEs™.

**Topics Discussed:**  
- An introduction to special purpose frameworks  
- Authoritative and non-authoritative guidance used to prepare SPF financial statements  
- Common issues in preparing SPF financial statements  
- Cash basis and modified cash basis financial statements  
- Income tax basis financial statements  
- The AICPA’s new special purpose framework – FRF for SMEs™  

**Intended Audience:** Practitioners and staff involved with the preparation of cash and tax basis financial statements  
**Level:** Basic  
**CPE Credits:** 4 Accounting

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**JUNE 28 - 12:30 PM - 4:00 PM**

*Individual Tax Planning Ideas for 2016 (SVP4)*

**Instructor:** Steven Wagner  
This course presents the most important income tax planning ideas wealthy clients and closely-held business owners need to consider in 2016 to take advantage of the present and plan for the future. It highlights areas in the income tax return that suggest future opportunities for the individual client. Updated for impacts of the Protecting Americans Against Tax Hikes (PATH) Act of 2015.

**Topics Discussed:**  
- Review current tax proposals  
- Reading a tax return for developing client-specific tax strategies  
- Compensation and fringe benefit issues  
- Is the client in the right mix of investment vehicles?  
- Identify clients with investment income tax problems and the potential ways to reduce or eliminate them  
- All in the family: Tax tactics for spouses, children, and parents  
- What is new in health care that CPAs need to know  

**Intended Audience:** All practitioners involved in tax planning for individuals who need to go beyond basic tax and financial planning techniques  
**Level:** Intermediate  
**CPE Credits:** 4 Tax
**SUMMER CPE VARIETY PACK**

**Price per 4-hour session: $145 Member / $175 Nonmember (Add $15 after 6/15/16)**

**JUNE 29 - 8:00 AM - 11:30 AM**

**Annual FASB Update and Review (SVP5)**

**Instructor:** Gregory Clark  
This course provides an overview of recent FASB accounting and reporting developments. The course begins by reviewing recent Private Company Council (PCC) activities and recently issued Accounting Standards Updates (ASUs), analyzing guidance that has a major effect on all industries, including those covering revenue recognition and leases. Special attention is given to standard setters’ activities that affect small- and medium-sized entities. Examples and illustrations provide hands-on application to help you assess and implement the new standards and guidance applicable to your practice and clients.  
**Topics Discussed:**  
- Private company standard setting activities  
- Recent FASB Accounting Standards Updates (ASUs)  
- Revenue Recognition -- ASU No. 2014-09, Revenue from Contracts with Customers  
- Leases  
**Intended Audience:** Practicing CPAs and their staffs, both in public accounting and business and industry, controllers, accountants, and other financial accounting personnel involved in financial statement preparation and review  
**Level:** Intermediate  
**CPE Credits:** 4 Accounting

**JUNE 29 - 12:30 PM - 4:00 PM**

**Financial Statement Disclosures: A Guide for Small and Medium-sized Businesses (SVP7)**

**Instructor:** Gregory Clark  
A clear and concise set of proper financial statement disclosures can make or break an entity’s financial statements. Such disclosures are no longer simply additional information provided by a business; they can be complex in nature and difficult to both prepare and understand, even for small and medium-sized businesses. Oftentimes, financial statement users will first turn to the notes in the financial statements in order to get a feel for where the business and its numbers might be heading. This course focuses on key balance sheet and income statement disclosure as well as those relating to accounting policies, changes in accounting estimates and errors, subsequent events, going concern, and related party disclosures.  
**Intended Audience:** CPAs and other accounting professionals in public practice and business and industry involved in preparing financial statement disclosures for small and medium-sized businesses  
**Level:** Basic  
**CPE Credits:** 4 Accounting

**JUNE 29 - 12:30 PM - 4:00 PM**

**K-1 Boot Camp for LLCs (SVP8)**

**Instructor:** Steven Wagner  
Schedule K-1 has evolved into the universal correspondent of tax information to business owners. This course utilizes practical case studies and detailed cases to take a deeper look into the vastness of Schedule K-1. The course will be advantageous to those who prepare complicated federal individual income tax returns, and for those who prepare the underlying Schedules K-1 for partnership or LLC pass-through entities.  
**Topics Discussed:**  
- Review of common and not-so-common line items on Forms 1065 Schedules K-1  
- Numerous examples of special allocation issues of §§704, including economic effect, the “dumb-but-lucky” rule, and substantiality  
- Determining substantiality, with examples of “some help, no hurt” allocations  
- Advanced case for tracking a multitude of Schedule K-1 line items through Form 6251  
- Case study finding “At-Risk” hidden gains within Sched K-1  
- Determining self-employment taxable income  
- Partners’ capital accounts and method of maintaining them  
- and much more  
**Intended Audience:** Experienced CPAs seeking an in-depth study of this ubiquitous tax schedule  
**Level:** Intermediate  
**CPE Credits:** 4 Tax

**JUNE 29 - 8:00 AM - 11:30 AM**

**The Top Five Tax Topics of 2016 (SVP6)**

**Instructor:** Steven Wagner  
There are many issues in tax law that have a significant impact on clients. This course explores those issues that have wide applicability and importance in 2016. It will deal with the practical aspects of understanding and planning for these areas of tax law.  
**Topics Discussed:**  
- The 3.8% tax on investment income  
- Coverage of any new significant tax law changes or interpretations  
- What to do with estate and gift planning in 2016  
- Proposed tax law changes and their effects  
- What is happening with health care in 2016  
**Intended Audience:** All CPAs who want an in-depth discussion of the current tax issues that affect all clients  
**Level:** Intermediate  
**CPE Credits:** 4 Tax
Register by May 15 and Save

**PRESEASON PRICING**

Map out your CPE early and reap the benefits. Not only will you avoid missing the classes you want but you will save money! If plans change, you can switch your selection or get a refund. Simply register for any eligible course* by May 15 and save $20 on 8 hour classes and conferences, and $10 on 4 hour sessions.

*Excludes the Management Conference, Tax Practitioner Institutes, YP Events and Web programs

Cancellations: In the event you are unable to attend a class, let us know at least 14 days in advance and you can switch to another 2016 program or we will refund your money. Any cancellations received after the 14 day notice period will require a $30 administrative fee. You can also transfer your registration to another participant. Additional fees will be required if a member transfers to a nonmember.
ND Property Taxes and the State Property Tax Relief Program

by Ryan Rauschenberger, Tax Commissioner

Property taxes are a hot topic. Whether you own property or pay rent, the amount paid in property taxes affects you and your cost of living. The North Dakota Legislature has invested a significant amount of time, effort and state money in its initiatives to reform the property tax system and lower property tax bills for North Dakotans.

Legislative efforts to lower the property tax burden began in 2007. Senate Bill 2032 created a homestead income tax credit program, providing an income tax credit equal to 10 percent of property taxes paid, up to $500 per taxpayer per year, or up to $1,000 for a married couple. The homestead income tax credit program proved difficult to administer, but was estimated to provide $112 million in property tax relief during the 2007-09 biennium.

For the 2009 session, the legislature took a different approach by creating a new school district mill levy reduction grant program. The program utilized $295 million from oil taxes and distributed the money through the school funding formula. The allocation of mill levy reduction grants directly reduced the amount of money a school district needed to raise locally through property taxes and required a dollar for dollar reduction in local taxes.

For the 2011-13 biennium, the mill levy reduction grant program was continued with an appropriation of $342 million. As taxable valuations increased, so did the cost of the program. The state essentially took over the cost of up to 75 mills that would have been levied by the school district if it were not for the mill levy reduction grant program.

In 2013, the mill levy reduction program was replaced with a new integrated school funding formula that incorporated both property tax relief and a new methodology for funding K-12 education. Caps were put in place to limit school district levy authority and the state assumed a greater percentage of the cost of education. School district general fund levies were reduced from a maximum of 185 mills to a maximum of 60 mills. The estimated cost of property tax relief provided through the integrated formula was over $700 million. In addition, a new state paid property tax credit program was created at a cost of $200 million. Through this program, the state paid 12 percent of the total due on all North Dakota property tax bills. Total property tax relief provided for the 2013-15 biennium was over $900 million.

For the current biennium (2015-17), the integrated school funding formula and the 12 percent state-paid property tax credit program were continued. The property tax relief portion of the integrated formula is estimated at approximately $970 million; the 12 percent state-paid property tax relief program is estimated to cost $250 million. Total property tax relief provided for the 2015-17 biennium is estimated at over $1.2 billion. In addition, a property tax reform effort led by the governor, and supported by the legislature, resulted in both the simplification of local mill levies and the imposition of significant limitations on local mill levy authority.

In the current environment of declining state revenue, it is fair to wonder how the state will fund these programs in the future. First it is important to recognize that the K-12 integrated funding formula is a critical component of the state’s ongoing budget. A significant portion of the state budget in recent biennia has been comprised of one-time spending that may not be continued. Every budget involves a lengthy process to prioritize initiatives, and the 2017 session will be no different. Much will depend upon the revenue forecast and the amount of money available. At this point, no forecast for the 2017-19 biennium has been prepared. However, revenues are expected to be adequate to fund the major ongoing costs of state government, including the K-12 funding formula. It is also important to note that the 2015 legislature wisely prioritized funding for property tax relief by earmarking $300 million of 2015-17 biennium oil tax revenue in a special fund for this purpose. Despite the decline in oil taxes, this fund is expected to receive the full $300 million.

North Dakota has experienced a period of exceptional growth. Property values, and the corresponding taxable valuations, have also grown significantly. From 2008 to 2014, the statewide taxable valuation of real property has grown from $1.99 billion to $3.67 billion, averaging growth of more than 10 percent per year. However, taxes levied on real property has only grown from $788.9 million in 2008 to $895.5 million in 2014, averaging growth of just over 2 percent per year. When you consider the fact that since 2014 the state has been paying 12 percent of those taxes through the state-paid property tax credit program, it is clear that most taxpayers have seen either a reduction in the amount they pay in property tax or very limited growth. All taxpayers have had their property tax burden lowered -- the amount of taxes they paid would have been much higher without the state’s efforts to reduce property taxes.

Through the legislative interim process there are already discussions underway to determine the best policy for property tax relief in the future. One point of discussion is the proposed state assumption of social services costs, accompanied by the elimination of local taxing authority for that purpose. Over the past ten years, the governor and legislature have demonstrated a commitment to property tax relief. Despite a more difficult budget situation than the state has faced in years, money will be available for property tax relief through a combination of ongoing general fund revenues and special funds dedicated by the legislature for that purpose. Whatever direction property tax relief takes in the future, it will certainly be a topic of debate for the 2017 legislative session, and a continued priority for the taxpayers of North Dakota.
North Dakota Practices for Sale: Southeast ND CPA Practice - gross $141K; quality client base, tax (75%), accounting (8%), audits/reviews (13%), other services (4%), quality client base, motivated seller. Bismarck CPA Practice - gross $643K, (59%) tax, (32%) accounting, (9%) payroll & reviews, experienced staff in place and owner flexible with regards to transition. For more information call us at 800-397-0249. View listing details and register for free email updates at www.AccountingPracticeSales.com.

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What real training and development is not: The annual conference in Vegas. Even if the keynote is amazing or you attend a session that is mind blowing, these things are largely entertainment and great places to get ideas, connect with people and discover what really interests you and find out who the best people are, connect and train with them. And here’s a thought: instead of being in the audience listening to the leaders in the field give workshops and keynotes, why not invest in some really good training and become one?

Courtney Kirschbaum(@C_Kirschbaum) guides people through career challenges helping them make authentic, smart career choices. Through her online programs www.OriginalExperience.com and www.JobHuntSchool.com Courtney teaches professionals and entrepreneurs the skills and know how to reach their potential.

Courtney will be speaking at the Management Conference on May 23 in Fargo.
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For more information about North Dakota’s College SAVE Plan (College SAVE), call 1-866-SAVE-529 (1-866-728-3529) or visit www.collegesaves4u.com to obtain a Plan Disclosure Statement. Investment objectives, risks, charges, expenses, and other important information are included in the Plan Disclosure Statement; read and consider it carefully before investing. Ascensus Broker Dealer Services, Inc. (ABD) is Distributor of the Plan.

The College SAVE Plan (College SAVE) is a 529 plan established by the State of North Dakota. Bank of North Dakota (Bank) acts as trustee of College SAVE Trust, a North Dakota Trust, and is responsible for administering College SAVE Trust and College SAVE. ABD, the Plan Manager, and its affiliates, have overall responsibility for the day-to-day operations of College SAVE, including recordkeeping and marketing. The Vanguard Group, Inc. (Vanguard) provides underlying investments for the Plan. College SAVE’s Portfolios, although they invest in mutual funds, are not mutual funds. Units of the Portfolios are municipal securities and the value of units will vary with market conditions.

Investment returns are not guaranteed, and you could lose money by investing in College SAVE. Participants assume all investment risks, including the potential for loss of principal, as well as responsibility for any federal and state tax consequences.
1. Interest Rates Increase
IR-2016-41 Interest for overpayments and underpayments of tax had remained unchanged since fourth quarter of 2011. However, interest rates have increased by one percent in all instances, for the calendar quarter beginning, April 1, 2016.

2. Failure to File Increase
P.L. 114-125, Trade Facilitation and Trade Enforcement Act of 2015 was enacted February 24, 2016, raised the minimum Failure to File penalty from $135.00 to $205.00, effective for all income tax returns subject to the penalty due after December 31, 2015.

3. New form 14039, Identity Theft Affidavit
Form 14039 has been revised. The revisions include:
- Address for submitting the form is: IRS, Fresno, California 93888-0025
- Signature line moved from page 2 to bottom of page 1.
- Taxpayers submitting the form in response to an IRS issued ‘notice’ may provide its number in a dedicated field to assist in identifying the context of their issue.
- The ‘full TIN’ is requested in lieu of a ‘partial SSN’ or ‘full ITIN’ of respective taxpayers to ensure prompt service that mitigates follow-up contact with a taxpayer to request their full TIN.

4. Form 4506 and 4506-T
New check box above the signature line. You must check the box in the signature area to acknowledge you have the authority to sign and request the information. This form will not be processed and it will be returned to you if the box is unchecked.

5. Updated Form 3115
Announcement 2016-14, The IRS has revised Form 3115, Application for Change in Accounting Method, and its instructions. To allow a reasonable transition to the December 2015 Form 3115, the IRS will accept either the December 2015 Form 3115 or the December 2009 Form 3115 filed on or before April 19, 2016, except where the use of the December 2015 Form 3115 is specifically required in guidance published in the Internal Revenue Bulletin. Taxpayers filing Forms 3115 after April 19, 2016, must use the December 2015 Form 3115. Change of filing address. Beginning in January 2016, the copy of Form 3115 for automatic change requests should be sent to the Covington, Kentucky Service Center. See the address chart on page 2 of the instructions.

ND Practitioner Liaison Meeting
May 11 9:00 am - 12:30 pm - Fargo
Reservation Required - RSVP to Ann Makres by May 9
Phone: 651-726-1596 or email Ann.P.Makres@irs.gov
The Case of Marshall’s Tax Takedown
By Charles Selcer, CPA, MBA

Marshall Artz owns a chain of health clubs in North Dakota that specialize in Karate, Tae Kwando and Judo for women called Fighting Sue. Marshall opened five locations in the last 3 years making significant leasehold improvement and equipment expenditures.

In early 2016 Marshall changed outside accountants and the new CPA told Marshall he could amend the 2013 and 2014 returns, claim bonus depreciation and get a large refund. The fee for this service would be 25% of the refund.

Q. Is this ethical?

A. No. This is the type of contingent fee in tax situations that is not allowed. If the reason for amending the return was subject to a judicial proceeding or governmental ruling a contingent fee would be allowed. This situation is merely utilization of an allowed deduction (See 1.510.001-010)

Ethics Corner

Credits Available for Affordable Housing Support

Tax Credits are still available for contributions to the state’s Housing Incentive Fund. Contributors receive a dollar-for-dollar credit on state income taxes and may direct their contribution to a specific affordable housing project or community. For more information, www.ndhousingincentivefund.org or (800) 292-8621.

In Memory

David A Knutson of Fargo passed away on March 9, 2016. He had been a member of the Society for 42 years.
Dakota CPA is published bimonthly, by the North Dakota CPA Society.

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