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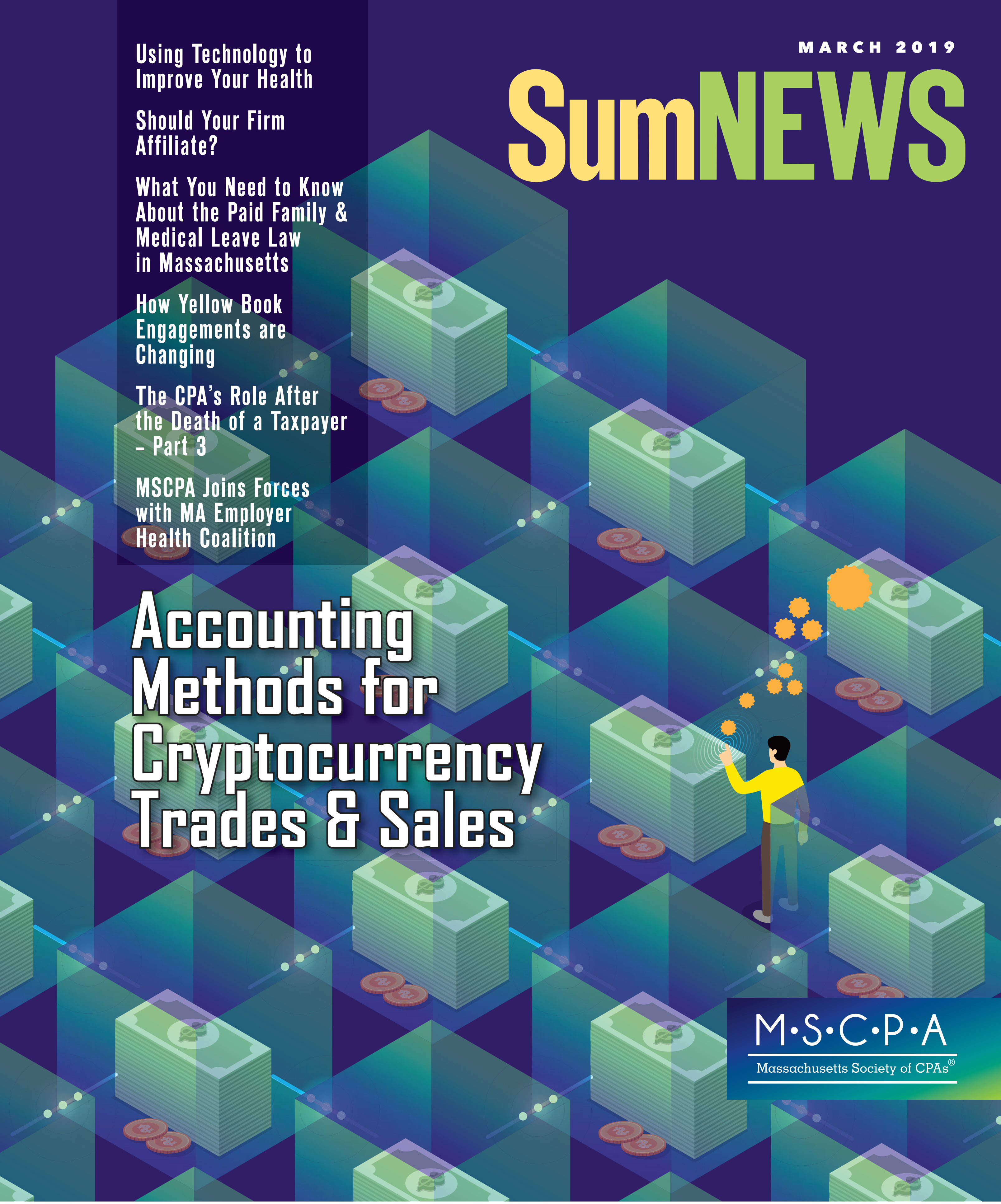

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ADDITIONAL CONTENT

♦ *The author is an MSCPA member or staff member.*

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ARTICLE SUBMISSIONS
We welcome submissions of articles on issues relevant to Massachusetts CPAs. Desired length is 600-1,500 words. Send an electronic copy to Elizabeth Emanuelson at eemanuelson@mscpaonline.org.

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MSCPA MEMBERS ON NECN

MSCPA Board of Directors Chairman **MARK NICHOLS, CPA, MBA, MST,** of **MARK W. NICHOLS, CPA PC** and Board Member **KATE SEEKELL, CPA, MST,** of **KURZMAN, DEMPSEY & KOWALKER LLP** made four appearances on NECN during January and February. The MSCPA partnered with the station for its "Tax Tuesday" segments to help educate viewers on common tax issues and trends. Seekell and former **MSCPA** Board Member **JOHN GERACI, CPA,** of **LGA, LLP** will also appear on the station in March and April. All segments air at 9:40 a.m. and the remaining dates are listed below:

- MARCH 12
- MARCH 19
- MARCH 26
- APRIL 2
- APRIL 9

FIRM NEWS

MCLAREN & ASSOCIATES CPAs, PC, Shrewsbury, was voted Best Forensic Accountant in the *Worcester Business Journal*'s 2019 Best of Business Awards.

SACCO & ASSOCIATES, LLC, Worcester, announced that the firm was named Best Accountant in the Best of Central Mass by the *Telegram & Gazette* for the third consecutive year in a row. The firm was also a top three finalist in the category of Best Financial Services for the second consecutive year.

TONNESON + CO, Wakefield, announced that the firm launched a new website – tonneson.com – that features original photography of staff, a firm culture video and an expanded careers section.

PROMOTIONS/NEW POSITIONS

AAFCPAs, Westborough/Boston/Wellesley, announced that **CARMEN GRINKIS, PHD, CLTC, CFP®, ANDREW HAMMOND, CFP®, MATTHEW MCGINNIS, CPA** and **DAVIDE VILLANI, CPA, CGMA** were promoted to partners. The firm also announced that:

- **BONNIE BASTOW, CISA, CISM** joined as manager of business and IT advisory services;
- **TYLER CHAMPAGNE** joined as a tax supervisor;
- **NICK FORESTI** was promoted to controller in the firm's managed accounting solutions practice;
- **HEATHER HALLISEY, CPA, MBA** joined as senior tax manager; and
- **EMILY LEVINE** joined the firm's wealth management team as an investment operations specialist.

ADELSON & COMPANY PC, Pittsfield, announced that **ALLISON BEDARD, CPA** was named a shareholder and director and **ZACHARY ZIEMBA, CPA** was named associate manager of audit services. The firm also announced that:

- **BRYAN COMALLI, CPA** was named Associate Manager of Tax and Advisory Services; and
- **TIMOTHY LOEHR** earned the CPA designation.

ALL CPAs, Chestnut Hill, announced that **LAURA O'BRIEN, CPA, MST** was promoted to principal. The firm also announced that **ANDREW DIEFFENBACH, CPA, CVA, MBA** and **JEN SIECZKOWSKI** were promoted to directors.

ANSTISS & CO., P.C., Lowell, announced that **BRENDAN TOOLIN III, CPA** was promoted to partner. The firm also announced that:

- **JAYNE ANDREWS, CPA** was promoted to partner of nonprofit services;
- **JEFFREY PAQUIN, CPA** was promoted to partner of tax and small business advisory services;
- **DIANE WEST, CPA** was promoted to director of tax and small business advisory services; and
- **RENATO ZEPPI, CPA, CFE** was promoted to partner of audit and accounting services.

BAKER NEWMAN NOYES, Boston, announced that **MIRIAM NIEDELMAN, CPA** was promoted to manager in the firm's tax practice.

CRR CPA, Wakefield, announced that **ANDREW MACK** and **GEORGE VO** joined as senior accountants. The firm also announced that **JESSICA RIZZO** and **JOAN VALERIANO** joined as staff accountants.

DGC (DICICCO, GULMAN & COMPANY LLP), Boston/Woburn, announced that **CHRISTINE MURRAY, CPA, MST** and **REBECCA WELNAK, CPA, MST** joined as principals in the Commercial Business Group. The firm also announced that:

- **ELISABETH DA SILVA, CPA, CFF** was appointed by the Massachusetts Supreme Judicial Court to the Board of Bar Overseers; and
- **JEANNE OWENS** joined as a manager in the private client group.

REMEMBERING

KEN FLUET, CPA, partner at **CARAS & SHULMAN, PC,** Braintree, passed away on February 17. He was a long-time member of the **MSCPA** MAP Committee. Our thoughts are with the Fluet family and his colleagues at this time.

EDELSTEIN & COMPANY LLP, Boston, announced that **BOB BABINE, CPA, MICHAEL BARBERA, CPA, CGMA, EMILY MATTHEWS, CPA, JASON PIERCE, CPA, KATE ROONEY, CPA** and **KYLE SHUKIE, CPA** were promoted to partners.

EJ CALLAHAN & ASSOCIATES, Woburn, announced that the firm appointed **DAN ANDREWS** and **STEVE ZAREMBA, CPA** to partners.

G.T. REILLY & COMPANY, Milton, announced that **SEAN MCNEIL, CPA,** was promoted to an accounting and auditing supervisor. The firm also announced that **MICHAEL ABRAHAMIAN, JENNIFER MURGIA** and **MATTHEW MURRAY** were promoted to in-charge accountants and auditors.

JOHNSON O'CONNOR, Wakefield, announced that **SARAH MOURNING, CPA** rejoined the firm as the manager of finance and human resources. The firm also announced that:

- **ABBIGAIL COCCIARDI** rejoined the firm as a supervisor in the client accounting service department; and
- **ALEXANDER APARO, CPA** rejoined the firm as a senior accountant.

KLR, Waltham/Boston, announced that **PARUL BANSAL, ANDREW HAYES** and **PAUL NADEAU** were promoted to partners.

MARCUM LLP, Boston, announced that **MARK CUMMINGS, CPA** joined as an assurance services partner. The firm also announced that **LINDSAY TIMCKE, MBA** joined as a principal in the firm's advisory and consulting practice and as a member of the firm's cyber-security and IT risk and assurance services group.

THE MASSACHUSETTS SOCIETY OF CPAS, Boston, announced that **KRISTIN WELLS, CMP** was promoted to senior manager of Events & Business Development. The Society also announced that:

- **AMANDA CURTIS** was promoted to senior membership specialist;
- **HANNAH NARANJO** was promoted to communications/membership specialist; and
- **KATLYN RIBEIRO** was promoted to professional development specialist.

NEWBURG & COMPANY, LLP, Waltham, announced that **KRISTINE ESTES** joined as a staff accountant.

POWERS & SULLIVAN, LLC, Wakefield, announced that **BENJAMIN ADSIT** passed the CPA Exam.

RODMAN CPAs, Waltham, announced that **RUCHI SHAH, CPA** was appointed to tax manager.

SAMET & COMPANY PC, Chestnut Hill, announced that **DENNIS GIANGREGORIO, CPA, SHAWN HUXLEY, CPA, MSA** and **HELEN SCHUSSLER, CPA, CEP** were promoted as directors. The firm also announced that **MATT PAUL, MBA** successfully completed the certification process with the national Association of Certified Valuators and Analysts® (NACVA®) to earn the Certified Valuation Analyst® (CVA®) designation.

TONNESON + CO, Wakefield, announced that **CHRIS CORSO, J.D., STEVE FEENEY** and **SOLITA IM** were promoted to managers. The firm also announced that:

- **NADIA BOGA** joined as an audit associate;
- **MARISSA JAYNES** joined as an office assistant;
- **SUE PANACOPOULOS** joined as a firm accountant.
- **BINGYU (VERA) SU, CPA** was promoted to senior associate; and
- **ALFRED VAN DER BURG** joined as a tax associate.

OUT & ABOUT

AAFCPAS, Westborough/Boston/Wellesley, announced that the firm raised $31K through its Giving Tuesday efforts and donated to a range of charities selected by employees. The firm also announced that:

- **JOHN BUCKLEY, CPA** will present an educational session on "Thinking Like a Fraudster" at the March National Business Officers Association (NBOA) Conference for Independent Schools;
- **ANDREW HAMMOND, CFP®** moderated FEI-Boston's March executive event, "What Did We Learn Since the Recession in 2008 & Where Do We Go from Here?";
- **CARLA MCCALL, CPA, CGMA** was selected for the *Worcester Business Journal*'s 10th Annual Outstanding Women in Business awards;
- **DAVID MCMANUS, CPA, CGMA** was featured in *AccountingWEB*, with contributed content titled, "What Does Rising Talent Look for in a CPA Firm?"; and
- The firm has partnered with Nichols College Graduate & Professional Studies to provide a Fast Track to CPA Program, including tailored programs for CPA licensing and MBA degrees.

ARTHUR VIGEANT CPA, Marlborough, announced that **ARTHUR VIGEANT, CPA,** owner of the firm and mayor of Marlborough, was elected by his peers as the 2019 President of the Massachusetts Mayors' Association.

DGC (DICICCO, GULMAN & COMPANY LLP), Boston/Woburn, announced that **DAVID SULLIVAN, JR., CPA** spoke at Morrissey Goodale's Southeast States M&A Symposium. The firm also announced that:

- **CHAD DAGRACA, CPA** spoke about key performance indicators at a Boston Society of Architects event;
- **RICHELLE MAGUIRE, CPA, MST, AEP** spoke at The Boston Estate Planning Council's Heckerling Review Webinar in February. Additionally, **MAGUIRE** and **STEPHEN MINSON, CPA, MST** authored an article entitled, "MA Occupancy Excise Tax FAQs;"
- The firm's real estate group leaders released a "Real Estate Tax Reform Checklist" with 14 topics real estate professionals should review;
- The firm hosted an emerging companies and tech forum entitled, "The Future of Work – Disruption and Stretching the Dollar for Entrepreneurs" where **JONATHAN BUTLER, CPA** moderated the firm's panel discussion and **DONALD TROY, CPA, CGMA** gave introductory remarks;
- The firm released five new episodes of "Unique Perspectives – The DGC Podcast":
  - How A&E Firms Should Handle Bonus Criteria – with **CHAD DAGRACA, CPA**;
  - Year-End Payroll Adjustments, The Value of Accounting Services and 1099 Reporting Tips– with **DANIEL GAUDET, CPA**; and
  - IRS Recommends 'Paycheck Checkup' to Review Withholding – with **KEITH KENEZ, CPA, MBA.**

JOHNSON O'CONNOR, Wakefield, announced that the firm volunteered at HAWC (Healing Abuse Working for Change) where they helped ensure families received gifts for the holidays in December.

O'CONNOR & DREW, P.C., Braintree, announced that **STEVE COHEN, CPA, STEPHANIE CORREIA, MIKE COSGROVE, CPA, MSM, MELANIE DEAN, CPA, DAVID DIIULIS, CPA, MARK DOW, CPA, VICTORIA IMBRIANI** and **DANIEL RILEY** attended AICUM's 14th annual dinner in December. The firm also announced that:

- **KEVIN CARNES, CPA, MARK DOW, CPA, KIETH GOLDIE, CPA, RAYMOND LOFSTROM, CPA, TODD MERRIAM, CPA, FRANK O'BRIEN, CPA, KIM REED, CPA, DANIEL RILEY, PATRICK SCHROLL, CPA** and **RYAN SHEEHAN** attended the MSADA's 2019 Dealer Summit. The firm was also the bar sponsor of the MSADA's Charity Gala;
- **STEVE COHEN, CPA** attended the joint meeting of Massachusetts state universities and community colleges in January. **MIKE HAMMOND** presented on phishing at the event;
- **MICHAEL COSGROVE, CPA, MSM** and **DAVID DIIULIS, CPA** attended NEASC's 133rd Annual Meeting and Conference in December; and
- **RYAN MCDONNELL** presented on 1098T at the monthly meeting of the Massachusetts Community College Bursars' Group in December.

TONNESON + CO, Wakefield, announced that staff donated $5K to purchase gift cards that were distributed by Catie's Closet to local students in need at the holidays. The firm also volunteered for the lunch shift at My Brother's Table in Lynn and the dinner shift at Haven from Hunger in Peabody.

DO YOU HAVE NEWS TO SHARE?

Send it to Hannah Naranjo, hnaranjo@mscpaonline.org.

Welcome New Members

The MSCPA welcomes these new members who joined the Society between Dec. 1, 2018 - Jan. 31, 2019.

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Welcome these new members on The HUB!

hub.mscpaonline.org

Joshua T. Baron, CPA
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Devon R. Connors
Allison Cunningham
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Michael S. Doherty
Tionna Downie
Lauren E. Fletcher, CPA
Michael E. Kane, CPA
Victoria Lavallee
Jessica Lem
Craig A. Lloyd, CPA
Nicole A. Lopez
Brianna Lynch, CPA
Andrew P. Markey, CPA
Danielle McCormick, CPA
Richard A. McLaughlin, CPA
Yen N. Melo
William Milner, CPA
Christine Niland
Anna I. Ortiz, CPA
Jeanne B. Owens
Jeanine V. Pham
Peter Provencher
Meagan A. Renaud
Nicole K. Roberts
Aaron Rodriguez
Jeanette P. Rose, CPA
Rosalba Schino, CPA
Barbara J. Seal, CPA
Eileen A. Segreve, CPA
Rupsi Shah, CPA
Paula A. Suarez
Kristen R. Ternullo, CPA
Jessica L. White, CPA

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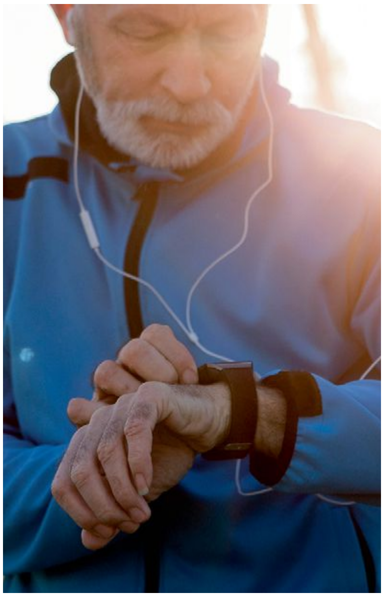
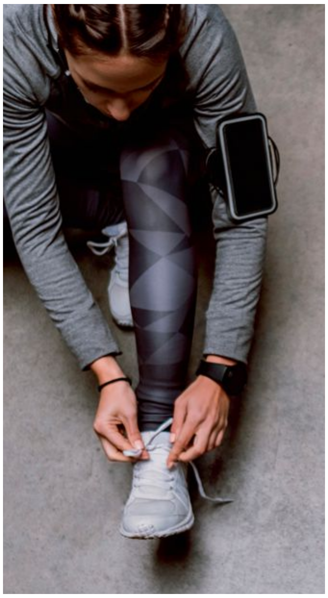
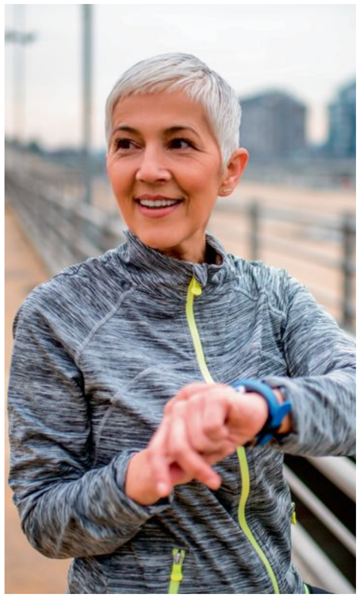
Using Technology to Improve Your Health

By Chris Chudyk, CPA, CITP







This could be my favorite article to write to date as it deals with my two favorite topics: technology and fitness! I like to think of myself as a fitness guru as I exercise at least five times a week and have tried every exercise out there. Over the past few years, I have used technology to keep my routines new, exciting and challenging.

Step Tracking

I will begin with the technology most are familiar with — Fitbit. Fitbit is a technology device, usually worn similarly to a watch, which keeps track of your daily steps. It also monitors your sleep patterns and can keep track of your heart rate and even calories burned. My favorite part of Fitbit is that you can compete against others to see who gets the most steps in a day or a week. I once challenged a client, and I edged him out by jogging in place in my living room until midnight; the final daily total was 42,000 steps for me and 41,000 steps for him. The one thing I do not love about these step trackers is that the users focus way too much on steps and will skip out on high intensity interval training workouts since they don't register as many steps as other forms of exercise.

Workout Tracking

Another one of my favorite technologies for fitness are apps that allow a user to keep track of their workouts. Many people bring a notepad and pen to the gym to record their exercises, the amount of weight, the amount of sets and the amount of reps they are doing. But an app can serve the same purpose and provide additional benefits. I recently signed up for the genesis program by Body Spartan, a 12-week workout schedule designed to get you in the strongest shape of your life. They recommended a very inexpensive app — Gym Genius — that you can buy which will keep the above diary/log for you. The app can show me exactly what workout I am doing — what exercises I need to do and how many sets I'm supposed to do — and keeps track of my sets, reps and time for the entire workout. Yes, I need to enter the information after each exercise, but it's very easy, doesn't take much time at all, and now I have all the information I need going forward.

This app also keeps track of target goals, weight, body fat percentage and personal records. You can add your own workouts, but Gym Genius also has workout plans of their own such as muscle builder, fat burner and strength. Each one comes with a beginner and an advanced plan.

Workouts on Demand

Lastly, my favorite technology for fitness is Beachbody On Demand. Beachbody is a company that produces DVD workouts such as P90X, Insanity, Body Beast, 21 Day Fix and countless other workouts. I have been doing Beachbody workouts for over 10 years and

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Over the past few years, I have used technology to keep my routines new, exciting and challenging.

love them. Whether looking to put on muscle, lose weight or develop a better core, Beachbody DVD programs have it all. The only downside was that you had to buy the DVDs and play them in a DVD player on your TV.

Now, Beachbody is on demand so instead of buying DVDs for each program you want, you can pay a monthly fee to log in from anywhere and stream a video on your smart TV, computer, laptop or other device. I have been using Beachbody On Demand for a year, and I can choose any workout they have ever produced and can switch up my routine based on what I feel like doing that day.

I can write for days on fitness and technology... especially when we combine them. What I have learned from my years working out is to always change your routine, challenge yourself and find ways to keep exercising interesting. Technology makes it easier than ever to do this. ◆

Chris Chudyk, CPA, CITP is a partner at Traphagen Financial Group. He can be reached at chris@tfgllc.com. This article was reprinted with permission from the New Jersey Society of CPAs.

Should Your Firm Affiliate?

By Stephen Weinstein, CPA, MBA

A way to create a win/win relationship that provides excellent advantages for both the small and large firm by creating a two-firm "affiliation" arrangement.

Would you like to continue to grow, compete with larger firms and have the technical resources to support your larger clients' more complex issues?

This sounds great, but can you do this without having to merge with a big firm? As this article explains, the answer is "Yes!" As a consultant to CPA firms in New England for over 30 years, having helped many of them deal effectively with their critical issues, I have utilized a way to create a win/win relationship that provides excellent advantages for both the small and large firm by creating a two-firm "affiliation" arrangement.

Many firms recognize they could benefit greatly from utilizing the expertise, resources and specialty services of a larger firm. The timing, however, is NOT right for them to consider an upstream merger. So, what can a firm do when they periodically need high-level, technical tax advice and answers to questions regarding technology or specialty skills (such as business valuations, estate/trust services, specialized audits, etc.), or to service a client who's larger than they are capable of handling?

An affiliation is a type of formal relationship between two firms that can provide significant benefits to both the smaller and the larger firm. Unlike an alliance, this arrangement is only between two firms, one of which is much smaller than the other. Ideally, the firms should be geographically close, located between one and two hours apart by car, so they are unlikely to be competing for clients and/or staff (and that both firms would be comfortable establishing non-compete provisions in their agreement). In addition, this relationship could also provide Practice Continuation Agreement protection for the smaller firm, especially if it is a sole proprietor or a two-partner firm.

Here are the basic reasons for each firm to establish this relationship:

Firm A – Smaller Firm

This firm would benefit from establishing a relationship with a larger firm from outside their immediate practice location. Their goals (in establishing this arrangement) might include:

To allow firm A to offer (to their clients) one (or more) services that this firm is unable to provide (for various possible reasons) or does not want to develop. Benefits for establishing an affiliation with firm B include:

1. Obtaining new sources of revenue;
2. Retaining their bigger/better clients;
3. Satisfying their clients' service needs;
4. Keeping their costs down (personnel, facilities, etc.); and
5. Obtaining (and servicing) a NEW large client.

In addition, this relationship would allow firm A to obtain the advice, training or education to strengthen their practice in areas such as:

1. Enhancing their IT and efficiency related to their audit (or F/S) practice;
2. Assist in the development or implementation of their marketing plans;
3. Help to improve the management or operations of their practice;
4. Provide another source of low-cost high-quality CPE for partners/staff; and
5. Provide a specific service (or advice) for dealing with a client's technical issue (e.g., a specialized tax issue).

Firm B – Larger Firm

This firm seeks opportunities to enhance their revenue (both current and in the future), and/or establish a relationship with a firm that they might ultimately decide to merge with. Reasons for establishing an affiliation with firm A include:

1. Building an emerging niche service;
2. Covering costs/overhead (personnel, etc.) of specialized staff, CPE, etc.;
3. Obtaining "off season" work;
4. Developing/enhancing skills or expertise (through diversification of a client base and more varied projects);
5. Expanding geographical service area; and
6. Obtaining a large client that the small firm is unable to fully service.

I suggest that the size differential of the two firms is not the critical factor. A lot depends on each firm's mix of services and expertise, as well as geographical issues. Ideally, in the typical situation the bigger firm would be, at a minimum, at least five times larger. This, however, is merely a guideline. A firm with revenue of $50 or $100 million, for example, might be a great match for a $3 million firm, whereas in a different situation, that size firm might find an ideal match with a $12 million firm.

I. Structure and Financial Arrangements:

A. NON-COMPETE AND CONFIDENTIALITY AGREEMENT – The firms will sign an agreement that protects both firms, so that clients, partners and staff cannot leave one firm to join the other firm during the term of the agreement and for a two-year period thereafter. Both firms will agree not to utilize confidential information to the other's detriment.

B FEE SHARING AGREEMENT

Note: Fees are determined by mutual agreement of firms A and B.

1 Internal service to firm A: (e.g., training, loan of staff, technical issues, etc.). For example, the larger firm might discount their fees to the smaller affiliate by 20%, so the smaller firm gets a fair price (and can also bill the work, if appropriate, to their own clients at their rates).

2 Other sharing of information: For example, this might include marketing materials, audit procedures, fringe benefit issues, etc.

I suggest that the size differential of the two firms is not the critical factor. A lot depends on each firm's mix of services and expertise, as well as geographical issues.

II. Client Relations:

A Firm A is "in charge" of the relationship with their client, but billing can be done by firm A or B as mutually determined;

B If considered beneficial, the client may be informed of the "affiliation" relationship (and fee sharing);

C Client dissatisfaction (collection problem, etc.) – Firm A is "in charge"; and

D Professional liability – Each firm is responsible for the work it performs.

III. Term:

A The arrangement can be established for an initial (trial) period of one to three years.

IV. Separation/Divorce:

B Either firm can separate at the end of the annual agreement or within 90 days written notice to the other firm.

What are the Keys to a Successful Affiliation?

The most upsetting event that can derail a strong affiliation relationship can occur when the smaller firm seeks an answer from a bigger firm and the individual is not responsive and/or worse, not communicative regarding the request. If this happens early in the relationship, or more than rarely, the smaller firm loses faith in the bigger firm.

One way to reduce the likelihood of this occurring is to have the small firm's partners visit and meet the bigger firm's partners and technical advisors. A planned visit to the larger firm's office for an informal breakfast or lunch goes a long way in starting the relationship off right. Attendance at CPE sessions, particularly by partners and managers, can further enhance the relationships. Getting to know the people at the other firm strengthens all aspects of the relationship. Nothing beats the "face-to-face" knowledge of the parties.

Another aspect of the relationship that can heighten everyone's interest and commitment is cross selling of specialized services or referrals to potential new clients.

Practice Continuation Agreements (PCA)

Most sole proprietors and small firms do not have a PCA in place, or if they do, it is with another equally small firm. These type of agreements protect the practitioners in the smaller firms and their spouses and families, in the event of a disability to or death of a sole proprietor or key partner. An affiliation agreement, as described in this article, can either incorporate the provisions of a PCA in the affiliation document, or can be the basis of a PCA established in a time of need.

How to Locate a Suitable Affiliate Firm

Usually, the smaller firm would initiate this search based on specific needs they are facing. To determine potential candidates, I recommend a geographical review of firms that are located approximately one hour away (by car) as the starting point. Firms that are large enough to be considered would then need to be determined.

This two-firm affiliation concept provides a simple and mutually beneficial solution to the problems often faced by partners in smaller firms.

In many cities/areas, there are publications that list the larger firms (e.g., top 25 or 50 firms in Providence, RI). These lists not only show the relative size of the firms, but they also show their areas of practice, managing partner's name, etc. Next, by reviewing the various firms' websites, and also inquiring with various sources regarding their practice and reputation, the list can be further fine-tuned. Finally, an introductory letter or email would be sent to the managing partner to evaluate as interest and to open the dialogue leading to an initial meeting. In my experience, most managing partners will respond to these letters/emails and listen to what the other firm's owner has to say.

A large firm might also initiate its own search for a potential smaller-firm "affiliate," especially a firm that is seeking growth and/or potential mergers (e.g., future expansion). Such a firm might embark on a program to obtain one or more smaller affiliates.

Conclusion

This two-firm affiliation concept provides a simple and mutually beneficial solution to the problems often faced by partners in smaller firms. I have found there are many larger firms who are ready, willing and able to establish these relationships. Often, however, they are unfamiliar with how these work and to the many advantages they could provide. I hope that this article will stimulate interest in developing these type of arrangements. It shows how easy this type of relationship is to establish and maintain, with minimal costs, and the many potential upside advantages for both firms. ◆

Stephen Weinstein, CPA, MBA is a nationally known consultant to professional firms with 30 years of experience. Contact him at swadvisor@comcast.net.

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Shojo, Boston

May 2
WESTERN MA AFTER TAX SEASON BASH & NETWORKING RECEPTION
Lattitude, West Springfield

May 8
ANNUAL MEETING & NETWORKING RECEPTION
Warrior Ice Arena, Brighton

May 16
CPAs IN BUSINESS SUMMIT
Four Points by Sheraton, Wakefield

May 22
SMALL FIRMS CONFERENCE
Forefront Center, Waltham

May 22
BELIEVERS & ACHIEVERS RECOGNITION RECEPTION
Granite Links Golf Club, Quincy

May 29
MEMBERSHIP NIGHT AT THE RED SOX
Fenway Johnnie's, Boston

May 29
CPE + NETWORKING: "HOW THE PAWSOX MOVED TO WORCESTER"
Beechwood Hotel, Worcester

May 30
EMPLOYEE BENEFIT PLAN CONFERENCE
Four Points by Sheraton, Norwood

June 5
ACCOUNTING & AUDITING CONFERENCE
Four Points by Sheraton, Norwood

June 5
YOUNG PROFESSIONAL NETWORKING WITH THE FPA
Location TBD

June 11
WOMEN'S GOLF OUTING
Stow Acres Country Club, Stow

June 12
GOVERNMENT ACCOUNTING & AUDITING CONFERENCE
Sheraton Hotel, Framingham

June 18
WESTERN MA CONFERENCE
Sheraton, Springfield

June 20
REAL ESTATE CONFERENCE
Crowne Plaza, Woburn

June TBD
SIP & SOCIALIZE: A NETWORKING EVENT FOR CPAs & LAWYERS
Location TBD

SUMMER

August 22
KARTER KUP TENNIS TOURNAMENT
International Tennis Hall of Fame, Newport, RI

August 20
YOUNG PROFESSIONAL NIGHT AT THE RED SOX
Fenway Johnnie's, Boston

FALL

October TBD
NETWORKING AT THE CELTICS
The Harp, Boston

October TBD
WOMEN'S LEADERSHIP SUMMIT
Location TBD

October TBD
FALL YOUNG PROFESSIONAL EVENT
Location TBD

November 20-22
NEW ENGLAND PRACTICE MANAGEMENT CONFERENCE
Foxwoods Resort & Casino, Mashantucket , CT

December 11
FEDERAL TAX CAMP
Four Points by Sheraton, Norwood

December 12
FEDERAL TAX CAMP
Hilton, Woburn

December 13
FEDERAL TAX CAMP
DoubleTree by Hilton, Westborough

WINTER

January 16, 2020
STATE TAX CONFERENCE
DoubleTree by Hilton, Westborough

January 23, 2020
NONPROFIT CONFERENCE
DoubleTree by Hilton, Westborough

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As of Feb. 25, 2019

M·S·C·P·A
Massachusetts Society of CPAs®

Rising Star

Jolmi Minaya, CPA | Manager, National Grid

You were recently honored as one of Boston's Most Influential Millennials of Color by Get Konnected. . . What does this award mean to you?

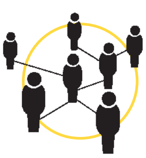
I feel blessed to have been honored as one of Boston's Most Influential Millennials of Color by *Get Konnected*. This honor comes with a great sense of responsibility in that I can continue to be a role model for Boston's youth of color. By giving kids an opportunity to see that people of color are having an impact in our city, my hope is that they walk away inspired, realizing that they too can make a difference.

How has winning this award affected your career?

Winning this award has provided me with more exposure in the greater Boston area, has allowed me to grow my network and has given me the opportunity to mentor more youth of color.

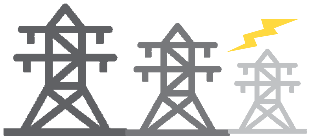
What do you do in your role as Vice President of Student Affairs at the Association of Latino Professionals in Finance and Accounting (ALPFA) Boston Chapter?

I lead the student affairs committee in developing programs and events for ALPFA student members across the Greater Boston area. These programs revolve around personal branding, networking, local and national social justice issues, resumé building and attaining internships and full-time positions in Boston's best and largest companies.



What is your favorite part about working for National Grid?

As a finance manager at National Grid, I focus on the company's non-regulated businesses, which allows me to be at the forefront of helping National Grid build the energy systems of tomorrow.



Where do you see yourself in 10 years?

In 10 years, I see myself making a larger impact in both my community and my professional life.

Favorite place to eat:

El Tipico Dominican Restaurant in Lawrence. Their fried beef with white rice and pinto beans is to die for.

Favorite quote:

"If opportunity doesn't knock, build a door."

– Milton Berle

Do you know a rising star? Contact Hannah Naranjo, hnaranjo@mscpaonline.org.

Write for *SumNews!*

The MSCPA is seeking articles from members for upcoming issues of this magazine. If you're an expert on a certain area, or have a passion for an accounting-related issue, we want to know!

For details and deadlines, visit mscpaonline.org/authors or contact Elizabeth Emanuelson at eemanuelson@mscpaonline.org.

How Yellow Book Engagements Are Changing

By Laura Lindal, CPA

The 2018 Revision to Generally Accepted Government Auditing Standards (GAGAS) was released in July 2018 and is effective for periods ending on or after June 30, 2020, and for performance audits beginning on or after July 1, 2019. Because the Revision addresses requirements for the entire period under audit, we will want to understand what these changes are before July 1, 2019.

Keep in mind that GAGAS applies to more than just audits as defined under Statements on Auditing Standards (SASs). GAGAS also applies to engagements performed under Statements on Standards for Attestation Engagements (SSAEs) and for the first time, GAGAS incorporated reviews performed under Statements on Standards for Accounting and Review Services (SSARS). GAGAS refers to engagements performed under the Yellow Book as "audits" with an "auditor's" report, which can include engagements such as agreed-upon procedure engagements and review engagements which do not include an opinion.

The Revision is organized as follows:

- **CHAPTER 2:** General Requirements for Complying with GAGAS
- **CHAPTER 3:** Ethics, Independence and Professional Judgement
- **CHAPTER 4:** Competence and CPE Requirements

- **CHAPTER 5:** Quality Control and Peer Review
- **CHAPTER 6:** Financial Audits
- **CHAPTER 7:** Attestations Engagements and Reviews of Financial Statements
- **CHAPTER 8-9:** Fieldwork and Reporting Standards for Performance Audits

Throughout the Revision, the U.S. Government Accountability Office (GAO) made it easy for practitioners to identify the requirements by clearly highlighting them in boxes.

Waste and Abuse

The GAO kept the five ethical principles: the public interest; integrity; objectivity; proper use of government information, resources and positions; and professional behavior. Given the concept of accountability for use of public resources and government authority, evaluating internal control in a government environment may also include considering internal control deficiencies that result in waste or abuse.

Waste is the act of using or expending resources carelessly, extravagantly or with no purpose. Waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions and inadequate oversight.

Abuse is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. This excludes fraud and noncompliance with provisions of laws, regulations, contracts and grant agreements. Abuse also includes misuse of authority or position for personal financial interests or for those of an immediate or close family member or business associate.

Because the determination of waste and abuse is subjective, auditors are not required to perform specific procedures to detect waste or abuse in financial audits. However, auditors should consider whether and how to communicate such matters if they become aware of them. Auditors who discover that waste or abuse are indicative of fraud or noncompliance with provisions of laws, regulations, contracts and grant agreements are then required to report a finding.

Auditors who discover that waste or abuse are indicative of fraud or noncompliance with provisions of laws, regulations, contracts and grant agreements are then required to report a finding.

Still Talking about Independence

Independence includes both the auditor's state of mind and the appearance of independence. While an auditor may believe he or she has an objective state of mind, there may be circumstances that would cause an outside party to conclude that integrity, objectivity or professional skepticism had been comprised. Both individual auditors and audit organizations should avoid situations that could lead reasonable and informed third parties to conclude that the auditor and/or audit organization is not capable of exercising objective and impartial judgment on all issues associated with conducting and reporting on the engagement.

Auditors and audit organizations should be independent from an audited entity during any period of time that falls within the period covered by the financial statements or subject matter of the engagement and the period of the professional engagement. For example, if an auditor is reporting on financial statements for the calendar year 2020, the auditor and his/her firm (the audit organization) would need to be independent from the audited entity from January 1, 2020 through the report issuance date, most likely sometime in 2021.

GAO's Conceptual Framework approach to independence remains, but with tweaks. There is more specific guidance regarding the significance of threats, particularly when providing non-audit services, the Yellow Book's term for non-attest services. Remember even "reviews" and Agreed Upon Procedures (AUPs) are called audits in the Yellow Book.

The Conceptual Framework is a three-step process that needs to be continually revisited throughout the engagement. Audit documentation should clearly identify that the auditor considered independence throughout the engagement, including:

1. Identifying threats to independence;
2. Evaluating the significance of the threats identified, both individually and in the aggregate; and
3. Applying safeguards to eliminate threats or reduce them to an acceptable level.

Identifying Threats

When identifying threats, auditors should not skip over documenting threats just because those threats are mitigated. The GAO's seven categories of threats remain unchanged. While peer review has focused largely on the provision of non-audit services, the auditor should document consideration of threats to independence according to each of the seven categories.

Before auditors agree to provide a non-audit service to an audited entity, they should determine whether providing such a service would create a threat to independence, either by itself or in aggregate with other non-audit services provided, with respect to any GAGAS engagement they conduct. Before auditors agree to provide a non-audit service, auditors should also determine that there is a designated individual who possesses suitable skill, knowledge or experience, and that individual understands the services to be provided sufficiently to oversee them.

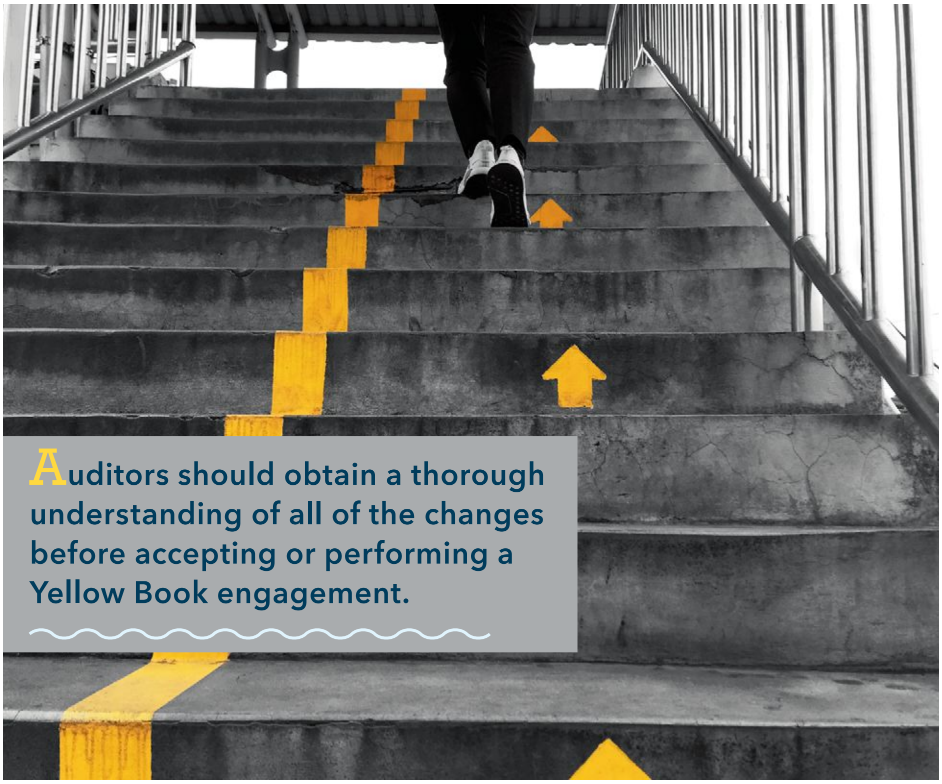
Auditors should identify as threats to independence any services related to preparing accounting records and financial statements, including:

- Recording transactions for which management has determined or approved the appropriate account classification, or posting coded transactions to the general ledger;
- Preparing certain line items or sections of the financial statements based on information in the trial balance;
- Posting entries to the trial balance that management has approved; and/or
- Preparing account reconciliations that identify reconciling items for management's evaluation.

Evaluating Threats

Auditors must be sure to document their evaluation of threats, both individually and in the aggregate. It may be that, taken individually, the threat to management participation posed by various services provided to management may be appropriately mitigated individually. However, when taken in aggregate, the appearance to an outside party may be that the objectivity or professional skepticism has been compromised.

A critical factor in evaluating threats posed by non-audit services is the extent to which the outcome of the non-audit service could have a material



effect on the financial statements. The Revision requires auditors to conclude that preparing financial statements from a client-provided trial balance or underlying accounting records creates significant threats to the auditor's independence.

The key to determining whether the significant threat to independence can be reduced to an acceptable level is the auditor's consideration of management's ability to effectively oversee the non-audit service to be provided. Although the designated individual is required to have sufficient expertise to oversee the non-audit services, they are not required to possess the expertise to perform or re-perform them. Indicators of management's ability to effectively oversee the non-audit service include the ability to determine the reasonableness of the results of the non-audit services provided and the ability to recognize a material error, omission or misstatement in the results of the non-audit services provided.

Applying Safeguards

Safeguards are actions or other measures, individually or in combination, that auditors and audit organizations take to effectively eliminate threats to independence or reduce them to an acceptable level. Safeguards vary depending on the facts and circumstances.

Examples of safeguards are:

- Consulting an independent third-party, such as a professional organization, a professional regulatory body, or another auditor to discuss engagement issues or assess issues that are highly technical or that require significant judgment;
- Involving another audit organization to perform or re-perform part of the engagement;
- Having an auditor who was not a member of the engagement team review the work performed; and
- Removing an auditor from an engagement team when that auditor's financial or other interests or relationships pose a threat to independence.

Examples of safeguards when addressing threats related to non-audit services are:

- Not including individuals who provided the non-audit service as engagement team members;
- Having another auditor, who is unassociated with the engagement, review the engagement and non-audit work as appropriate;
- Engaging another audit organization to evaluate the results of the non-audit service; and
- Having another audit organization re-perform the non-audit service to the extent necessary to enable the other audit organization to take responsibility for the service.

Audit documentation should make it clear that the auditor determined independence before the non-audit service was provided, indicators the auditor considered when concluding the designated individual has the ability to effectively oversee the non-audit service and threats were considered individually and in the aggregate.

Internal Control

The Revision incorporates internal control frameworks such as the Green Book and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) format. These provide example criteria for internal control that can help auditors determine whether control deficiencies exist and help to develop meaningful recommendations for corrective actions.

The Revision clarified and expanded discussion regarding requirements related to internal control over the subject matter of performance audits.

The information contained herein is intended to be a summary of some of the changes contained in the 2018 Revision to Government Auditing Standards. Auditors should obtain a thorough understanding of all of the changes before accepting or performing a Yellow Book engagement. ◆

***Laura Lindal, CPA** is a sole practitioner with more than 25 years of experience in auditing. Contact her at laura@lindalcpa.com.* *This article is reprinted with permission of the Washington Society of CPAs and originally appeared in the Winter 2018 issue of* The WashingtonCPA *magazine.*

CLIENT SERVICE

The CPA's Role After the Death of a Taxpayer – Part 3

By Stephen A. Kurzman, CPA, MST

Editor's note: *This is the third in a series of articles about the unique skills and variety of services CPAs can use to help clients navigate life after the death of a loved one. To read parts one and two, which appeared in the November 2018 and January 2019 issues, visit mscpaonline.org/sumnews.*

If you are like most CPAs, when you learn that a client has passed away, you immediately know that the income tax return for the year of death (and potentially the year prior to death) will most likely be put on extension.

Similarly, if you are engaged to assist with the estate of a non-client, you will want to determine if there are any income tax returns which might not have been filed, whether for the year in which the death occurred or for prior years. If your engagement will include the preparation of any income tax returns, my reaction would be the same: I will extend it (them), and after the tax season, I will turn my attention to determining what returns need to be filed and prepare them.

Often, these income tax returns become monumental problems. Since you can't ask the deceased, step one is to learn if there is anyone who might be knowledgeable about the deceased's income, expenses and other income-tax related matters. The person might be a surviving spouse, a child, a business associate or even another CPA. If there is no one with knowledge, then you need to obtain copies of whatever income tax returns have been filed. Best case, a surviving spouse can provide returns from the last two to three years. Even in that situation, it might be wise to obtain an appropriate Power of Attorney (Form 2848 and the comparable state form) from the decedent's Personal Representative, and it is mandatory when you cannot find anyone with copies of the most recent individual returns.

There is no requirement that a personal representative make inquiries of the IRS or state tax departments to ensure that the decedent has filed returns (income or other types), however, for the accountant, it is necessary to obtain prior income returns to assist with the preparation of returns that are needed. As an example, there might be a need for prior year income tax returns to trace the carryforward of passive activity losses or capital losses. Prior gift tax returns might be needed to complete a gift tax return for the year of death and the estate tax return.

When the CPA discovers information which might be an indication of unreported income, or potentially even a deduction which may not have been claimed, the prior returns are invaluable to resolve the questions. With the Power of Attorney, the CPA can contact the IRS (and state tax department) to obtain not only the prior year's filed income returns, but also to obtain all gift tax returns. The CPA should request whatever third-party information the IRS might have – W-2s, 1099s, etc. – for the year prior to death and when available, for the year of death.

The prior years' returns should also provide you with the names of payors of dividends and interest and employers. Additionally, they should include information about self-employment income from proprietorships, partnerships, ownership of partnership and S-corporation interests and if the decedent was a beneficiary of a trust or an heir to an estate.

While the IRS can be a fountain of knowledge, they will not have the detail that relates to expenses, and often only a diligent review of the deceased's bank statements will identify both actual and potential

Since you can't ask the deceased, step one is to learn if there is anyone who might be knowledgeable about the deceased's income, expenses and other income-tax related matters.

deductions. Today, with most bank statements only providing a photo of the front of a check, you might need to see the back to determine the actual name of the payee, if the written pay-to name is unreadable or unknown to you. This can be a time-consuming task when a decedent has multiple accounts. For that reason, I suggest the CPA turn attention to this early on. It might be an appropriate job for a non-CPA accountant or bookkeeper who has enough knowledge and experience to create cash disbursement schedules for each account and for each year.

Even with the most diligent attention, the CPA can sometimes discover that while logic would dictate that the deceased had incurred expenses, there are no documents or sources of information to be found. Here is where the Cohan Rule can come into play. This Tax Court rule, which goes back to a 1930 case, is not an unlimited opening to deducting undocumented expenses and does not supersede the Code or Treasury Regulations, which specifically mandate records or types of records (such as auto mileage logs) but can be rational for estimating expenses. As an example, perhaps on the three prior years' returns, the deceased taxpayer had a schedule C, indicating cost of goods sold to be roughly 30% to 35% of gross sales. If the business did not carry any inventory and the deceased only purchased items when he had a buyer, then it's reasonable to conclude that an approximation within the range of 30% to 35% should be claimed for the year of death as well. I would strongly suggest that if such an approach is used, that it's also disclosed in the return. A statement with the return to the effect of, "the decedent only purchased items as needed and routinely paid for them in cash and therefore the preparer is estimating the cost of goods sold" should be included.

Gift Tax Returns

It is not uncommon for persons in failing health to gift children and grandchildren valuable assets prior to their passing.

Other Returns

Do not overlook a variety of other returns, including those relative to foreign assets or financial accounts, payroll tax returns (for domestic employees or employees of a proprietorship), etc.

Notice Concerning Fiduciary Relationship

The Notice Concerning Fiduciary Relationship (Form 56) will notify the IRS of a fiduciary relationship. It will also function as a notice of a change of address for the deceased.

Accordingly, any IRS correspondence will be sent to the fiduciary and NOT to the address of the decedent. This can be crucial in situations where the decedent lived alone or in those circumstances

> **Keep in mind that the date of death is the final day of the decedent's tax year.**

where a change of address filed with the post office will expire before the end of probate (almost always the case). It is a good idea to file this form using certified mail with a return receipt requested. Until the IRS is notified of a taxpayer's change of address, it can legally rely upon the address of the most recently-filed return which it has for all communication with a taxpayer. As an alternative to the Form 56, a Change of Address (Form 8822) can be filed. It is important that all communication from tax authorities is sent to the correct address. For Massachusetts taxpayers, Form AI-1 can be filed for a business, and a change of address for an individual may be made electronically through MassTaxConnect.

Final Income Tax Return – Unique Issues

A taxpayer's final income tax return presents a variety of issues, some of which are only relevant to a final income tax return. These include the following:

- If the deceased was not married or if the final return is not filed jointly with the surviving spouse, then it should be filed in accordance with the residence of the fiduciary, not the decedent;
- Any outstanding Powers of Attorney (Form 2848) terminate;
- Even if not required, a final return should be filed to start the statute of limitations and to notify the IRS of the correct address of the decedent (i.e., care of the fiduciary, particularly if a Form 56 will not be filed for any reason); and
- If the decedent was a partner in a partnership, the decedent's final return should include the self-employment tax on the self-employment income earned from January 1 of the year of death through the date of death.

Partnerships

The death of a taxpayer results in the termination of the deceased being a partner. However, the partnership often does not become aware of a partner's death until long after their passing. Therefore, a K-1 can be sent to the deceased, which includes post death income, rather than only the income for the period through the date of death.

With S-corporations, the shareholder's death ends their period of ownership. Given that the deceased only shares income while a shareholder, if the corporation is not made aware of the death, the K-1 will be incorrect. Both problems are best identified and rectified by a CPA. With partnerships and S-corporations, post-death income should be reported not by the deceased, but by the succeeding partner or shareholder – most often the estate.

Keep in mind that the date of death is the final day of the decedent's tax year. The same rules apply to determine the inclusion of income and deduction of expenses as if the date of death were December 31. ◆

MSCPA member ***Stephen A. Kurzman, CPA, MST*** *is a partner at Kurzman, Dempsey & Kowalker, LLP. Contact him at skurzman@kdk-cpa.com.*

The MSCPA Political Action Committee

The legislative and regulatory processes are complex systems of moving parts and varied interests impacted by both policy and politics. Our Government Affairs team works hard to navigate the bureaucracy and to pursue the interests of the profession by gaining access to influence policy leaders on your behalf. The MSCPA Political Action Committee (PAC) supplements the Society's efforts by supporting legislators who understand the value and integrity of the accounting profession and work hard to protect it.

In 2018, we:

- Contributed financially to **over 15 legislators** on behalf of the profession;
- Submitted over **40 pieces of testimony and comment letters** to legislators and regulators on various issues of importance to the profession;
- **Advised the legislature and the administration** on the potential impacts of federal tax reform;
- Participated in the **successful legal challenge to the so-called "millionaire's tax"**;
- **Launched an early college high school academy** focused in accounting at Haverhill High School, which resulted from our partnership with the Baker Administration's STEM Council;
- Successfully **defeated efforts to provide confidential taxpayer information** to additional state agencies;
- **Promoted the Society's affirmative legislative agenda**, which included legislation to update the statutes governing the profession to further conform to the Uniform Accountancy Act (UAA);
- Worked with legislators to help **shape proposals limiting non-compete agreements** and other business-related issues;
- Continued to **lead a coalition of business organizations** to fight for changes to the Commonwealth's Independent Contractor Law;
- Collaborated with the Department of Revenue to **fine-tune notices and internal DOR procedures** in response to member feedback;
- Worked with the Board of Public Accountancy staff to **improve response time and licensee services**.

2019 will be another eventful year and we are committed to working on your behalf. Join our efforts by donating to the PAC: **mscpaonline.org/donatepac**.

For up-to-date information on our activities, please visit **mscpaonline.org/advocacy**.

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Accounting Methods for Cryptocurrency Trades & Sales

By Eric P. Rothenberg, CPA, Esq.

There is very little guidance on the accounting for these transactions.

The world of cryptocurrency transactions was changed dramatically at the end of 2017 when the Internal Revenue Code (IRC) was modified to remove all types of assets eligible for Tax Free Exchanges under IRC Section 1031 (also known as 1031 Transactions) *except* for real estate.

Prior to 2018, you could exchange farm animals, railcars and office equipment, etc. After 2017, only real estate will qualify. The IRS has treated, since 2014, all cryptocurrency as "property" and not as either currency or security. The SEC however does treat it as a security, and the Financial Crimes Enforcement Network (FinCEN), a department within the U.S. Treasury, treats it as currency. With three differing views of the same intangible object, confusion abounds.

Prior Law

Prior to 2018, you could trade cryptocurrency coins for other virtual coins and not be taxed, as the exchange qualified as a tax-free exchange under IRC Section 1031. But since 2017, that is no longer the case and every exchange is thus taxable. But there is very little guidance on the accounting for these transactions.

In 2014, the IRS issued Notice 2014-21. It said very little about accounting for these transactions and said: "The Treasury Department and the IRS recognize that there may be other questions regarding the tax consequences of virtual currency not addressed in this notice that warrant consideration." Most people know that you are allowed to account for selling securities and inventory under various methods. There's FIFO (First In, First Out), LIFO (Last In, First Out), specific identification method and others. With FIFO, we look to the basis of the oldest items held and use the basis for that to calculate capital gains. With LIFO, we look to the basis of the last items acquired to calculate basis. Some folks like to use this because when prices are going up, that will produce a lowest gain with a due-to-a-higher-cost basis. With specific identification, you choose what specific item to sell to either yield the higher gain or lower gain (or higher loss or lower loss, etc.) depending upon your tax need at the time. There is also the moving average in which you compute the average cost per unit of all like assets. This has been the case for a long time for mutual funds with dividend reinvestment over many years. Thus, if you have bought Bitcoins over a year or more, you would compute the average cost of all coins (i.e., total cost to buy divided by the total number of coins you received to compute the average cost per coin). And finally, there can be hybrids of these methods.

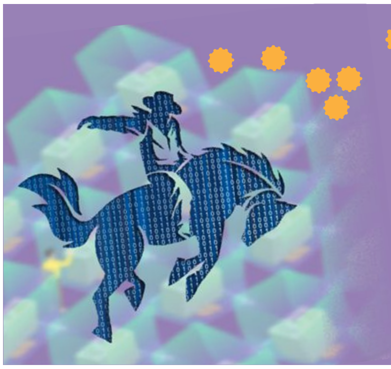
Still Unknown What Methods Will Be Allowed

The problem here is that there is no direct authority for any of these methods, due to inaction by the IRS. Notice 2014-21 came out in August 2014, and since then, the IRS has been virtually silent. That has even rattled Congress, and in September 2018, five members of Congress wrote to the Commissioner of Revenue of the IRS asking them to act and issue guidance on these matters. Also, the American Institute of Certified Public Accountants (AICPA) sent two letters to the IRS requesting guidance since 2014. That means tax returns

were filed in 2017 and now for 2018 have us all guessing on how this will all turn out. As a tax lawyer who prepares income tax returns, I have to grapple with these issues as well and advise my clients on what to do. But the issues have gotten far worse since crypto began in 2011.

Large Volumes Of Trades

With the use of online exchanges (as opposed to pieces of paper with the owner's private key on it which was how cryptocurrency was originally traded) people can do hundreds, if not thousands, of transactions each year. When I first began preparing returns in 1976, stocks and bond transactions were accounted for by giving the preparer the confirmation slips of the buys and sells and matching them up. With the advent of small business computers, the brokerage houses quickly utilized computers and this became the way trades were accomplished. Taxpayers received printouts of the sales proceeds and the cost basis. In the 1990s, when the PC became the norm, individuals could then do their own stock trading and the advent of "day trading" began. It was also about this same time that software was developed to trade stocks on their own, with no human intervention, based upon the portfolio manager's guidelines. That same software was able to cause stock market crashes (first in 1987, then in 2010 and several other "flash" crashes which lasted for seconds rather than days). Today, only about 10% of all stock trades are made by humans. And robot-trading has also invaded the cryptocurrency world. That means thousands of trades are done by software and not humans. It also means a nightmare of accounting for them since 2017 when they were no longer eligible for tax-free exchanges.



Accounting for transactions in cryptocurrency is as much a part of the "wild west" as is trading in the coins themselves.

Those who wade into the crypto waters never give the volume of trades a thought until usually after the first year, and it's time to report the transactions to the IRS. When they first come to see me, I give them my lecture about the ways they can report gains and losses (LIFO, FIFO, etc.) but they give me a "deer in the headlights" stare back as to how they can get me that information in a useful form. They also can go to websites that promise to pull (for a fee) the trade data from the various cryptocurrency exchanges, and sort it or provide it in a tax spreadsheet (i.e., bitcoin.tax, or bear.tax).

Until recently, the values of cryptocurrencies steadily rose from 2011 until 2017. But beginning in November 2018, there was a precipitous drop in value from the high of December 2017. Some coins are down over 80%, which means some taxpayers have substantial losses. The good news, for now, is that anyone can sell the coins and recognize the losses, and immediately buy them back and not run afoul of the so-called "wash-sale" rules that apply. That means closing out all coins and restarting basis as of now, making it much easier to figure out future basis when the prior data is either overwhelming or lost entirely (some exchanges went out of business or were shut down governmentally and all records were lost). Of course, the tradeoff for a fresh accounting start is the holding period starts anew, and the coins repurchased need a new one-year period to qualify for long term capital gain treatment. And Coins "mined" are not a part of this article as they are ordinary income assets and not capital assets.

Moving Average Cost Basis

The moving average concept to account for cryptocurrency transactions is gaining traction. Many of my clients don't understand the website calculators and want to gain more control over the positions themselves. I created a "Moving Average" spreadsheet for clients that allows them just to enter the date, price per coin and number of coins for purchases (as a minus reducing the coins held) and the spreadsheet does the rest. The IRS has issued regulations not for cryptocurrency, but for the general basis rules in IRC Section 1012. To use the "average basis" one elects to do so. But the IRC 1012 states it's for stock of regulated investment companies and cryptocurrency is not a stock of any kind to the IRS, even though the SEC does treat the virtual currency as a security. Thus, it's entirely possible the moving average basis for accounting won't apply, but we don't know either way. Most experts in this field believe that a reasonable method of accounting for cryptocurrency transactions will be okay, but there's no guarantee. If you do use the moving average method, then note that there are two ways within that method as well. There's the single category and the double category. In the single category, you have one system of accounting and for any sale, the holding period is determined (long-term or short-term) by using the oldest date first. The second method was available until 2011, and while we don't know how this will turn out in the end, for now let's just stay with the one method.

Conclusion

Accounting for transactions in cryptocurrency is as much a part of the "wild west" as is trading in the coins themselves. There's very little guidance to go on, and it's only recently that the government realizes that they are here to stay and require a lot more guidance. Of course, guidance can have a direct effect on the value of these currencies as well, since the tax aspects often affect the value of property. This is a worldwide phenomenon and not local to the U.S. On December 19, 2018, the U.K. issued tax guidance for the currencies for individuals, but not businesses. For now, it is very difficult accounting for these trades. It is unlikely to be resolved at all until regulations are issued and the cases are litigated as is inevitable. ◆

*MSCPA member **Eric P. Rothenberg, CPA, Esq.** is a partner at Orsi Arone Rothenberg Iannuzzi & Turner LLP in Needham. Contact him at erothenberg@oarlawyers.com.*

MSCPA Joins Forces with MA Employer Health Coalition

By Kate Anslinger

While Massachusetts has rightfully earned the reputation of being number one across the nation when it comes to quality healthcare, there is a high price attached to that distinction. Massachusetts is ranked as the second most expensive state in the country for healthcare costs, and a recent State Health System Performance Scorecard determined that hospital stays are a major source of unnecessary spending across the Commonwealth. On a mission to avoid this futile spending, the MSCPA joined forces with 20 other business groups, forming the MA Employer Health Coalition, which was set in motion to educate employers on what is likely to result in major savings.

The idea for the coalition came after it was discovered that patients overuse ER services in circumstances that are avoidable in most cases. A whopping one million unnecessary ER visits are accounted for every year, raising both the price tag on medical expenses and the amount of wasted time spent waiting for care. While it is important to seek emergency care when a patient is in serious need, the most common and unnecessary reasons for ER visits include skin rashes, upper respiratory infections, allergies and back pain – all of which can likely be attended to at an urgent care office or by way of communicating with one's primary care doctor. These avoidable visits are important to address for members of all types of health insurance, and is not limited to those who fall under a certain umbrella of insurance.

Like most things in business and life, communication is key to making progress. The coalition's main challenge is to teach employees how to build relationships with their primary care providers, in hopes of reducing these unnecessary ER visits. With the help of a solid communication plan in place, the coalition's

The MSCPA joined forces with 20 other business groups, forming the MA Employer Health Coalition, which was set in motion to educate employers on what is likely to result in major savings.

goal is to reduce the amount of avoidable ER visits by 20% over a span of two years. In turn, the end result will be a boost in healthcare savings upwards of $100 million, which is a win-win for both employers and employees.

"A huge push for the coalition is aligning preventive care with desirable high-value and low-cost options," said Zach Donah, senior director of advocacy at the MSCPA. "There is a big money difference between utilizing an urgent care facility and going directly to the ER. If we can get employees to build solid relationships with their urgent care facilities, that will be a step in the right direction."

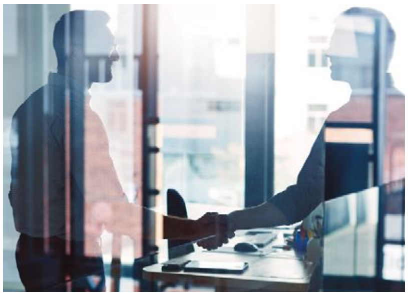
To open a clear pathway for communication, the coalition's first task is to connect employer interests and efforts with stakeholders, such as health insurance plans, healthcare providers, hospitals, labor unions, community organizations, government agencies and consumers. The coalition has done a great deal of homework and developed a toolkit that will give employees the resources they need to determine the most effective means of seeking medical attention. Packed with essential information, the toolkit includes a form that dictates all areas of medical care falling under employer-sponsored insurance. The form is designed to be filled out with the help of an employee's doctor and details the purpose and contact information of a patient's surrounding urgent care centers, retail clinics, telehealth services, nurse hotlines and emergency departments. If filled out thoroughly, patients will have a "cheat sheet" for medical care, resulting in visits to the appropriate type of facility in the time of need.

Knowing that communication within an employer's organization is key to getting the word out, the coalition developed content and posts that can be used for company newsletters and social media. The wording offers both education and detailed contact information and resources, making sure to have all bases covered in the event that an employee has pertinent questions regarding medical care. In addition, the toolkit provides employees with posters publicizing the cost-savings when using an urgent care versus an ER. Contents within the toolkit make it clear to the patient that there are times to report directly to the emergency room, and times when the urgent care will be enough. The literature showcases symptoms such as severe bleeding, chest pain, head trauma, severe abdominal pain and difficulty breathing, all as reasons to go to the ER.

Co-chair of the MA Employer Health Coalition and CEO of Associated Industries of Massachusetts (AIM), Rick Lord weighed in on the push for less ER visits.

"After meeting with several stakeholders, we discovered that one in three ER visits is inappropriate," said Lord. "With that information, we agreed that ER visits are the low-hanging fruit, and if we tackle this, then we can go onto savings in other healthcare areas."

Lord formed a steering committee earlier this year that consists of all stakeholders including employers, hospitals, physicians and consumers. The first meeting will be held in March and



"As a member of the business community and as advocates for our members, it is imperative that we have a seat at the table for discussions on ways to improve the business climate and lower the cost of doing business for our members,"

– Amy Pitter, MSCPA President and CEO

will consist of working groups focused on communications, toolkits, incentives and strategies.

"This needs to be a collaborative effort. We all share the goal and we need to figure out how to get there. There are a lot of alternatives that consumers can look to when an ER isn't a necessary means of medical attention. Nowadays there are MinuteClinics and urgent care centers that didn't exist a few years ago, and in most cases, they offer more efficient treatment."

The coalition not only saves cash for employees and employers, but it is projected to save the Commonwealth a great deal of money in medical costs. The MSCPA is doing their due diligence to be a part of this economic progress.

"As a member of the business community and as advocates for our members, it is imperative that we have a seat at the table for discussions on ways to improve the business climate and lower the cost of doing business for our members," said Amy Pitter, MSCPA President and CEO. "We know that the cost of health insurance is a major concern for Massachusetts-based employers. This coalition presents a unique opportunity to encourage our members to be a part of the solution to lower costs in the healthcare system."

For more information on the MA Employer Health Coalition, please visit: maemployerhealthcoalition.com or contact Zach Donah at zdonah@mscpaonline.org, or 617.303.2411. ◆

Kate Anslinger is an author and journalist from Winthrop. Contact her at kateanslinger@gmail.com.

Employer Toolkit

The MA Employer Health Coalition created a toolkit for employers to brand and share with their staff. It contains resources to help spread awareness on healthcare savings and to encourage employees to consider all potential options when seeking care. Check it out at maemployerhealthcoalition.com/employer-tools.

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LEGAL

What You Need to Know about the Paid Family & Medical Leave Law in Massachusetts

In 2018, Massachusetts signed into law a statute that provides paid family and medical leave (PFML) benefits to workers. Employers and employees must begin making contributions in 2019, with benefits becoming available to employees in 2021. Here's what you need to know about the law in Massachusetts:

What is it for?

Family Leave

Caring for family members

Birth or placement of a child

Certain military-related events

Medical Leave

Your own medical condition

Duration

Paid leave of up to 12 weeks for family care, up to 20 weeks for an individual's own illness and up to 26 weeks in certain circumstances.

Eligibility

Workers are covered under the PFML law after they have 15 weeks or more of earnings and have earned at least $4,700 in the 12-month period before applying for leave.

Contribution Rates

>25 Employees

For businesses with 25 or more employees, the contribution rate is 0.63% on the first $128,400 of an individual's annual earnings.

Up to 100% of the family leave contribution can be deducted from employee wages.

Up to 40% of the medical leave contribution can be deducted from employee wages. Employers are responsible for paying the remaining 60%.

<25 Employees

Businesses with fewer than 25 employees in Massachusetts must remit contributions to the department on behalf of their workers but are not required to pay the employer's share of the contribution for family and medical leave.

Self-Employed

You can elect to pay contributions to get coverage under the PFML law, but participation is entirely voluntary.

Where Can I Learn More?

Information and updates can be found at **mass.gov/dfml**. You can also email the Department of Family and Medical Leave at **MassPFML@Mass.gov**.

Timeline

March 29, 2019

Regulations will be published for public comment and hearing.

Draft regulations are public now. Informal listening sessions are being held across the state. Info on both are at **mass.gov/dfml**.

July 1, 2019

Final regulations are issued, and employer contributions begin.

January 1, 2021

Most benefits become available.

July 1, 2021

All benefits are available

Q&A with Secretary Acosta

We sat down with the Massachusetts Secretary of Labor and Workforce Development Rosalin Acosta to ask her your questions about the Paid Family & Medical Leave law. Check it out at **mscpaonline.org/pfml**.


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Update from the Department of Labor
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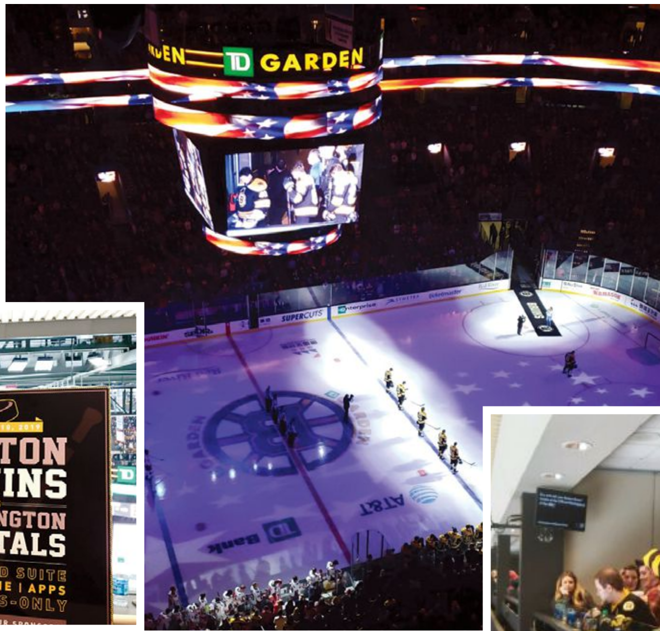
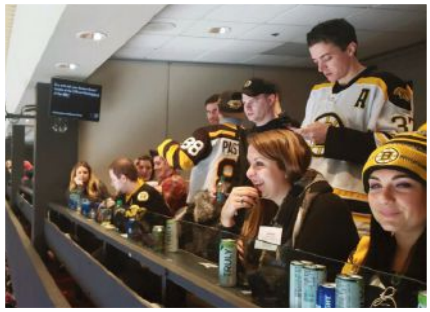
Membership Night at the Bruins



On Thursday, January 10, members ventured to TD Garden to watch the Boston Bruins play the Washington Capitals.

To view the photos, visit mscpaonline.org/bruinsphotos19 (download password: bruins)



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Over 100 geniuses met up at West End Johnnie's in Boston on Thursday, January 24 for some trivia, drinks and mingling.

Congratulations to the top three teams:

1ST PLACE: Tax That Asset (Katz, Nannis + Solomon PC)

2ND PLACE: Charvey's Angels (DGC (DiCicco, Gulman & Company LLP))

3RD PLACE: LIFO the Party #3 (AAFCPAs)

To view the photos, visit mscpaonline.org/triviaphotos19 (download password: trivia).

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Were you at this event? Share your feedback on The HUB! hub.mscpaonline.org

Membership Night at the Thunderbirds

On Wednesday, February 6, over 30 members gathered for pre-game drinks and light bites at the Red Rose Pizzeria before heading over to the MassMutual Center to watch the Springfield Thunderbirds play the Hershey Bears! They also got a chance to take a shot on goal and hang out on the ice for a photo after the game.

To view the photos, visit mscpaonline.org/tbphotos19 (download password: tb).

Classifieds

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Member Spotlight

"Use being a minority to your advantage. Working in a mostly male-dominated industry, I have made it a priority to network within new groups my firm had not previously explored."

Rachael Hylan, CPA, MST, MPAc
Partner, Caras & Shulman, PC

You recently became partner at your firm. Tell us about your journey in the profession.

I joined in 2012 after several years at a Big Four firm working within a partnership tax compliance group. During my transition, I was not sure whether I had made the correct career choice, as there was such a significant disconnect between my career expectations and the type of work I was doing. Shortly after my job change, I began working directly with clients and learned that a career in tax could go beyond compliance. My mentor Jeffrey Schneider allowed me to be involved directly with client interactions very early on in my career. Only several years later, when he unexpectedly passed away, his remaining partners supported me in managing many of his former client relationships, despite my limited number of years of experience at the firm. The transition forced me to learn how to manage and foster client relationships early on in my career through trial and error.

So far in your professional career, what has been the most important thing you have learned from your mentor(s)?

Jeff was not only a trusted advisor to his clients, he was an extension of their management team and felt like extended family. From my short time with him, I learned how important the CPA role is to many businesses or families. Often clients are not only seeking a well-prepared tax return, but a sounding board for decisions that impact multiple aspects of their business or personal life.

What would you most like to achieve this year?

For my first year as partner, I will be focusing on collaborating closely with my team members, my partners and others within the industry to and identify opportunities to grow Caras & Shulman as a firm – for both our clients and our staff. I will use my experience as both an associate and as a manager to identify the challenges team members face at these different levels and help them continue to advance within the industry.

What advice would you give to other women who are working their way up the ladder at an accounting firm/company?

Use being a minority to your advantage. Working in a mostly male-dominated industry, I have made it a priority to network within new groups my firm had not previously explored. I recently joined a women-only networking group, the W Source, where I connect monthly with women of multiple industries to service primarily women-owned business.

How has your involvement on the MSCPA's Women's Committee affected your career?

It's helped me gain exposure to the many opportunities offered within the MSCPA, such as social and professional networking events, and educational events through the other various committees. I have refined and developed my networking skills, which I utilize for networking events beyond the accounting community. Most recently, I started participating in the MSCPA's mentoring circles which allow me to speak candidly with other women at all levels within their careers, to gain ideas for how to make our firm a more rewarding and enjoyable place to work. ◆

Do you know someone we should spotlight? Contact Hannah Naranjo, hnaranjo@mscpaonline.org.

You CAN Make a Difference!

EDUCATIONAL FOUNDATION

Your contribution to the MSCPA's Educational Foundation helps fund scholarships and programs for deserving students who are pursuing accounting degrees. Every gift is important and confirms your commitment to the profession.

"One of my biggest challenges I faced was becoming a father at 21 years old. When my beautiful little girl was born, I was overwhelmed. I fought anxiety and depression, scared I wouldn't be able to provide for my daughter. When I realized these feelings were keeping me from being there for her, I decided to ask for help. My mentor helped me overcome my issues and helped me become the person and father I always wanted to be.

I now maintain a 3.9 GPA at Holyoke Community College, and am on track to transfer into UMass Amherst, Isenberg School of Management – where I'll study accounting and move forward on my goal of becoming a CPA. My daughter motivates me to succeed, and I want to make her proud."

– Joseph Wray, 2018 scholarship recipient

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