

PSU BAP Journal

PRESIDENT'S LETTER

Dear Readers,

Welcome to the very first issue of the Portland State University Beta Alpha Psi Journal! We are excited to offer members a place to display technical writing about current accounting issues, information about upcoming meetings and events, create connections to past and present members, and provide accounting information to the greater community.

Our Epsilon Alpha chapter is part the national Beta Alpha Psi organization that was founded in 1919 on the three basic principles of scholarship, practicality, and sociability. Its initial objective was to stimulate cooperation and interest in accounting. One of its main purposes was to foster and encourage service as the basis of the accounting profession and to secure the highest ethical ideals in the practice of accountancy. We still hold true to these values today, and many of the projects we work on at the regional or national level reflect the values laid out 94 years ago.

Currently, the Portland State University chapter is in the process of putting the finishing touches on our Best Practices Presentations for the regional meeting in the spring. This year's competitions are based on Innovation, Imagination, and Inspiration, and the Northwest conference will be held in Spokane, Washington on April 12th and 13th. Hopefully our chapter will bring home a win in one of these categories!

Our Imagination entry is this very newsletter that will feature technical writing, accounting biographies, and all chapter activities. This gives students a chance to learn and expand upon specific accounting issues that may arise in the post-academic world, and give them the prestigious title of being a published author.

The Inspiration entry is our effort to establish accounting and school of business transfer programs at local community colleges and high schools. We have plans to put together helpful transfer tips and useful information for students at community colleges, as well as provide informational presentations where students can mingle with each other.

The Innovation entry is our new approach to tutoring, renamed Peer Support Learning to better reflect its purpose. On the second floor of the main library each Friday of the school term, BAP members offer homework help to their peers. This enables them to brush up on teaching and communication skills while also helping fellow students with their accounting classes.

Beta Alpha Psi is also in the finishing stages of our inaugural Alumni Board, building a bridge between the past and the present. Remember we also have our weekly meetings every Wednesday at 4:15 PM starting on January 9th, so feel free to bring a friend and find out more about the jobs and experiences that are in the accounting profession.

I hope you enjoy our first ever newsletter, and if you have any suggestions, quips, or quarrels please feel free to drop us a line!

Andrew Wheeler / BAP President



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SPECIAL POINTS OF INTEREST

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LIFESTYLE: MY FIRST TAX SEASON

Becoming a student is the first step towards building your career, and for those aiming to become a tax accountant there are many other firsts, one of the biggest ones being the dreaded first tax season. This is the ultimate litmus test in the tax accounting field; if you can handle the “busy” season successfully, then you will be able to thrive in the industry.

This mile marker in the career path of a tax accountant is the source of much anxiety for many obvious reasons, the main one being the unknown. It is a completely new experience and as a huge hurdle in one’s professional pursuit,

students are often curious what it will be like. While everyone’s first year is bound to be different, I thought it would be insightful to gather the experiences of current working professionals who have already been through their first tax season.

I was fortunate enough to get in touch with four recent Portland State alumni: Cate Anevski, employed by Wilcox & Company; Stacey Lake, employed by Deloitte; Carrie Novak, employed by McDonald Jacobs; and Matthew Prentice, employed by Perkins.

-Katie Sheffield

“The real world isn’t like classes. We aren’t expected to memorize every piece of tax information we studied in class.” -Carrie

STACEY’S BUSY SEASON **LIFE MUSTS**

Take care of all medical, dental, and vision exams. It’s not to say you can’t go to these kinds of appointments during busy season, but it’s easier to manage your schedule without them.

Stock up that freezer. You won’t have a lot of time for grocery shopping and cooking during busy season, so to the extent you can make and freeze meals beforehand, do it! You will be thankful later for home cooked meals when it seems like weeks go by and all you do is eat out.

Prepare your family and friends. You won’t have a lot of time to catch up with friends and family during busy season so prepare them accordingly by explaining what you do and the amount of hours you will be working. It is difficult sometimes for family and friends to have you drop off the radar for a few months out of the year, but communicating your job situation in advance will help keep your relationships strong.

Each person, as expected, had similar first year challenges such as dealing with a steep learning curve, getting settled into work life, and working for extended hours. However, their personal experiences differed slightly, and the rounded view these four tax professionals provide of their actual first tax seasons will hopefully ease the minds of many of you following in their footsteps.

Katie: *What was the worst part of your first tax season?*

Cate Anevski: In working for a small firm most of my training was trial by fire. I was given client paperwork and told to turn it into a tax return, without being given much more guidance than that. The first month or so involved a lot of difficult research, reading tons of IRS publications and searching through PPC, which meant I was exhausted by the end of the day.

Matthew: The worst part of my experience was sitting for 12 hours a day.

K: *What was the best part of your first tax season?*

CA: - Because I had to really work for my training and education, I emerged from that first tax season as a professional.

Carrie Novak: The best part of my experience was learning that I could ask anyone in the firm any question. I came in with the expectation that asking shareholders & managers questions was not okay, and I found the complete opposite to be true. One of the things I love most about our firm is that everyone has an open door policy and is happy to help.

Stacey: Learning and the people I work with. I love tax accounting mainly because it is challenging and I learn something new every day. I also enjoy going to work because I work with a great group of people who are smart, dedicated and willing to take the time and teach me the nuances of tax accounting that is best learned on the job.



"In this world nothing can be said to be certain, except death and taxes." -Benjamin Franklin

LIFESTYLE (CONTINUED)

K: *What was the most surprising thing about your experience?*

CA: The most surprising thing about my first tax season was that I was not as miserable as I'd been promised in school. You hear horror stories about long hours and non-existent weekends, but that wasn't my experience at all. In my office, we are expected to work hard, but we are left to our own devices for the most part. I feel this is a huge benefit of working at a small firm, where each employee is valued individually and is able to speak up for their needs.

CN: - I was surprised at how much preparation I would do! I didn't realize I would be starting and completing so many returns on my own. It was such good experience. I was also surprised at how much client contact I had in my first year. Managers/Partners entrusted me to contact clients and get the information we needed to complete the returns.

S: It wasn't stressful. I thought busy season would mean working frantically under stress to meet filing deadlines; however I discovered it wasn't like this at all. In my experience, you work at a constant steady pace while communicating progress and expectations with your engagement teams in order to meet filing deadlines. The hours were long (to be expected), but not stressful, which was a nice surprise.

K: *What is the best piece of advice you can give to those who are soon to approach their first tax season?*

M: Get to know your coworkers and ask a lot of questions.

CN: My best piece of advice to students approaching their first year would be to not be afraid to ask questions. The real world isn't like classes. We aren't expected to memorize every piece of tax information we studied in class.

S: I would say the best thing someone can do approaching their first year in tax (or audit) is pass the CPA exam! I can't stress this enough. I have seen a number of people try and pass the exam during their first year and be less successful than I think they would have been if they weren't juggling studying with the steep learning curve that every first year goes through. ◊

STACEY'S BUSY SEASON **WORK MUSTS**

Learn the "why" behind what you do at work. Ask questions when you don't understand topics/concepts/review points and take notes so you can refer back to them at a later time.

Think like a senior tax professional. When preparing workpapers and returns, leave notes for your senior when you don't understand something or call items out to your senior that might need extra review. Do anything you can to minimize the time they need to review your work. The more notes you leave them, the more they don't have to spend the time trying to re-create what you have done.

Communicate regularly. You will work with a number of different engagement teams, so communicate regularly with each team/senior what your workload is, your progress on assignments, and if you don't think you can complete assignments in specified timeframes. The real issue is that your seniors don't want to receive bad news after it is too late to do anything about it.

Be flexible. Each firm is coordinating a large number of clients and ensuring all the work is completed on time sometimes means working unexpected extra hours or alternatively, getting a little free time off when you didn't expect it. Try and be as flexible as you can when these situations arise, because ultimately, following through with client deliverables is your top priority.

INSIDE TAX IMPACTS

The IRS provides tax relief for casualty losses through an income tax deduction in the year of the loss.

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) gives the president the authority to designate an event as a “federally declared disaster.”

The IRS can also take less obvious actions to assist in recovery efforts.

In November 2012, New Jersey Congressman Bill Pascrell began work on legislation that would provide an array of additional tax relief for Sandy victims

TAX IMPACTS OF NATURAL DISASTERS

By Heather Drake

We all hope that natural disasters will be rare events in our individual lives and communities. Recent headlines—near-record wildfires in 2012, stronger storm activity, probability of a major Northwest earthquake—remind readers that most of us will eventually have to reckon with a disaster of some sort. Hurricane Sandy provides a timely opportunity to review the tax implications of such a catastrophic event.

Victims of Hurricane Sandy need to be aware of the general IRS rules for casualty losses as well as special additional rules for federally declared disaster areas. Congress may also pass legislation to extend further tax relief for Sandy victims in particular, as they did with other recent disasters such as Hurricane Katrina.

Casualty Losses – General Rules

The IRS provides tax relief for casualty losses through an income tax deduction in the year of the loss. Calculating the loss is a multi-step process. First, determine the adjusted basis in the property before the casualty. Second, determine the decrease in the fair market value of the property caused by the casualty.

Third, using whichever of these two totals is smaller, subtract any insurance or other reimbursement payments you expect to receive. The resulting total is the casualty loss.(1)

After calculating the casualty loss, apply the deduction limits to determine the deductible loss for tax purposes. There are three relevant deduction limits:

- **\$100 Rule:** This rule applies to personal-use property. For each casualty event, subtract \$100 from the loss.
- **10% Rule:** This rule applies to personal-use property. Calculate 10% of your adjusted gross income and then subtract that amount from the loss.
- **2% Rule:** This rule applies to employee property (property used in performing your job). Calculate 2% of your adjusted gross income and then subtract that amount from the total of the loss.(1)

Although it may seem counterintuitive, it is possible to realize a gain, rather than a loss, from a casualty. For example, insurance reimbursements are generally not included in taxable income provided that the funds are used to replace or restore property that serves a similar purpose as the property that was lost or damaged. If, however, an insurance reimbursement is greater than the adjusted basis of the property, the excess amount is a gain. Such gains must usually be reported in the year received. Postponement is possible if the reimbursement will be used to replace destroyed property or to restore damaged property within two years after the end of the tax year in which any part of the gain is realized.(1)

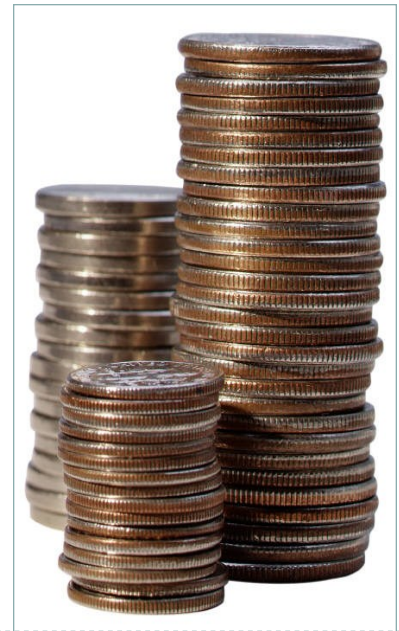
Casualty Losses – Federally Declared Disaster Areas

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) gives the president the authority to designate an event as a “federally declared disaster.” This designation makes available relief grants and services to individuals and businesses in the affected areas.(2) Several related tax provisions, above and beyond the normal casualty loss treatment, also apply:

- Generally, losses must be deducted in the year of the casualty. In the case of a federally declared disaster, the loss may be claimed in the tax year prior to the casualty. This exception can thus help speed up the receipt of any resulting tax refund.
- Post-disaster relief grants from the Stafford Act that help pay for medical, housing, personal property, transportation, or funeral expenses do not count as income. They are, however, a form of reimbursement of losses. Any loss reimbursed in this way is not deductible.

TAX IMPACTS (CONTINUED)

- Other qualified disaster relief payments that pay for similar expenses or for repair, rehabilitation, and replacement of homes and their contents are also excluded from income.
- Unemployment payments, including those received under the Stafford Act, are considered income.
- Qualified disaster mitigation payments from Stafford Act programs are used to reduce the risk of future damage to property. These are also excluded from income.
- The replacement period for a main home and its contents is extended from two years to four years.
- Filing and payment deadlines can be extended up to a year. In the case of Sandy, the IRS extended deadlines that fell from late October 2012 through the end of the year to February 1, 2013. (1) (3)



“Although it may seem counterintuitive, it is possible to realize a gain, rather than a loss, from a casualty.”

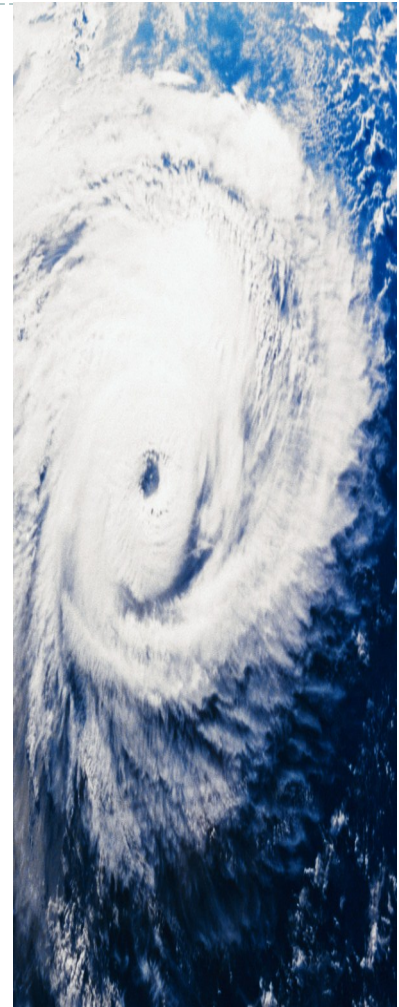
Other IRS Actions

In addition to these casualty loss-related items, the IRS can also take less obvious actions to assist in recovery efforts. A few examples from Hurricane Sandy recovery illustrate some of the possibilities.

- Dyed diesel fuel penalty waiver. Normally, dyed diesel fuel cannot be sold for use on the highways. During the post-Sandy fuel shortage, the IRS will not assess penalties for this disallowed sale/use as long as the normal fuel tax, as applied to clear diesel fuel, is paid.(4)
- Low-income housing requirements. Normally, low-income housing tax credit rules require that tenants meet income limitation and non-transient requirements. During the post-Sandy housing shortage, the IRS is waiving these rules for people who were dislocated by Hurricane Sandy.(5)
- Leave-donation programs. Some employees may have unused sick, vacation, or personal leave time whose value they would like to donate to recovery efforts. Using the leave-donation program, the employer donates a cash-equivalent amount to a qualified tax-exempt group providing Hurricane Sandy relief. The

amount will not be included in the employee’s income; the employer can deduct the amount as a charitable contribution. (6)

- Retirement plan loans/hardship distributions. The IRS is loosening requirements for participants in 401(k), 403(b), and 457(b) employer-sponsored retirement plans related to loans or hardship distributions from these plans. For example, participants can use the funds not only for their own recovery, but to provide assistance to immediate family members and other dependents in the disaster area. The funds can also be used for purposes not normally allowed, such as for food or shelter. Bureaucratic requirements are also being relaxed. For example, documentation that might normally be required before making distributions, such as a relevant death certificate, could be collected after the disbursement.(7)(8)



HURRICANE SANDY TIMELINE

From nationalgeographic.com

October 22, 2012

Tropical Storm Sandy emerges after starting as a tropical depression in the southern Caribbean Sea.

October 24

Sandy becomes a Category 1 hurricane, dumping more than 20 inches of rain on Hispaniola.

October 26

Sandy strikes the historic city of Santiago de Cuba with winds up to 110 mph, very nearly a Category 3 hurricane.

October 28

Back to a Category 1 hurricane, Sandy continues to move northeast parallel to the southern coast of Georgia and the Carolinas; the eye of the storm stays well offshore.

But an unusual configuration of weather patterns force meteorologists to warn of a powerful, hybrid super-storm, as a high-pressure cold front to Sandy's north will force Sandy to turn northwest and the full moon will increase the storm surge as it makes landfall.

October 29

Sandy makes its expected sharp northwest turn on a path for the coast of New Jersey [most hurricanes turn east back out into the Atlantic Ocean].

By 8:00 PM EST Sandy's center makes landfall near Atlantic City, New Jersey.

The storm is no longer considered a hurricane but is now classified as a post-tropical nor-easter. But the storm's unusual path makes its storm surge much worse for New Jersey and New York, and is also worsened by the full moon.

November 3

NBC News reports U.S. death toll at 109; damages from Hurricane Sandy will exceed \$50 billion.

TAX IMPACTS (CONTINUED)

Congressional Legislation

In November 2012, New Jersey Congressman Bill Pascrell began work on legislation that would provide an array of additional tax relief for Sandy victims.(9)

Several proposals would help individuals directly. The deduction limits normally used to calculate the deductible loss would be waived. For taxpayers who do not itemize their deductions, the standard deduction would be increased. Families would be allowed to base the calculations for their child tax credit and/or earned income tax credit on the (higher) previous year's income level rather than the (lower) income level of the disaster year. Another proposal would encourage charitable contributions by increasing the deduction limit for donations to Sandy relief.(10)

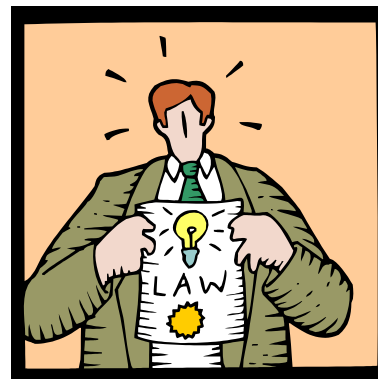
Other proposals would help businesses. Businesses would be allowed to expense disaster recovery costs. If a business has no tax liability during a period defined by the law, it would be able to recover past tax payments or reduce future tax payments using Net Operating Loss recovery provisions.

Work Opportunity Tax Credits would be extended to businesses that hire workers displaced by Sandy. Some revenue mortgage bond requirements would also be waived.(10)

Congress has often, but not always, passed such legislation. After a summer of severe storms and flooding in the Midwest, for example, Congress passed the Heartland Disaster Tax Relief Act of 2008.(11) Hurricane Katrina victims also received special attention in the Katrina Emergency Tax Relief Act of 2005.(12) A similar bill that focused on hurricane disasters in 2011, S.1205, has not progressed out of committee.(13)

An attempt was made to replace this ad hoc system for disaster area tax relief with a more stable system. The National Disaster Relief Act of 2008 extended increased tax relief to all those affected by federally declared disasters in 2008 and 2009. The measure was not renewed, however, and we returned to the current case-by-case approach.(14)

During a disaster, accounting professionals will grapple with recovery in their own personal lives. They will also be called upon to assist their existing clients as well as many new clients struggling with complex returns for the first time. Keeping this technical information fresh is one way to prepare so that you will be ready when disaster strikes—as it inevitably will.



TAX IMPACTS (CONTINUED)

Notes

- (1) Publication 547, Casualties, Disasters, and Thefts, Department of the Treasury, Internal Revenue Service. Accessed on 11/15/2012. <http://www.irs.gov/pub/irs-pdf/p547.pdf>
- (2) Federal Stafford Act Disaster Assistance: Presidential Declarations, Eligible Activities, and Funding, Francis X. McCarthy, CRS Report for Congress, June 7, 2011. Accessed on 11/25/2012. <http://www.fas.org/sgp/crs/homesecc/RL33053.pdf>
- (3) IRS Provides Tax Relief to Victims of Hurricane Sandy; Return Filing and Tax Payment Deadline Extended to Feb. 1 2013, IR-2012-83, November 2, 2012. Accessed on 11/15/2012. <http://www.irs.gov/uac/Newsroom/IRS-Provides-Tax-Relief-to-Victims-of-Hurricane-Sandy;-Return-Filing-and-Tax-Payment-Deadline-Extended-to-Feb.-1,-2013>
- (4) IRS Waives Diesel Fuel Penalty Due to Hurricane Sandy, IR-2012-85, November 3, 2012. Accessed on 11/15/2012. <http://www.irs.gov/uac/Newsroom/IRS-Waives-Diesel-Fuel-Penalty-Due-to-Hurricane-Sandy>
- (5) Treasury and IRS Expand Availability of Housing for Hurricane Sandy Victims, IR-2012-86, November 4, 2012. Accessed on 11/15/2012. <http://www.irs.gov/uac/Newsroom/Treasury-and-IRS-Expand-Availability-of-Housing-for-Hurricane-Sandy-Victims>
- (6) Treasury and IRS Announce Special Relief to Encourage Leave Donation Programs for Victims of Hurricane Sandy, IR-2012-88, November 6, 2012. Accessed on 11/15/2012. <http://www.irs.gov/uac/Newsroom/Treasury-and-IRS-Announce-Special-Relief-to-Encourage-Leave-Donation-Programs-for-Victims-of-Hurricane-Sandy>
- (7) Retirement Plans Can Make Loans, Hardship Distributions to Sandy Victims, IR-2012-93, November 16, 2012. Accessed on 11/25/2012. <http://www.irs.gov/uac/Newsroom/Retirement-Plans-Can-Make-Loans,-Hardship-Distributions-to-Sandy-Victims>
- (8) Hurricane Sandy Relief, Announcement 2012-44. Accessed on 11/25/2012. <http://www.irs.gov/pub/irs-drop/a-12-44.pdf>
- (9) Pascrell proposing Sandy-related tax breaks, Herb Jackson, NorthJersey.com, November 21, 2012. Accessed on 11/25/2012. http://www.northjersey.com/news/Pascrell_proposing_Sandy-related_tax_breaks.html
- (10) Rep. Pascrell Rallies Bipartisan Support for Tax Relief for Victims of Hurricane Sandy, November 20, 2012. Accessed on 11/25/2012. http://pascrell.house.gov/apps/list/press/njo8_pascrell/pr11202012.shtml
- (11) Tax Law Changes Related to Midwestern Disaster Areas, FS-2008-27, December 2008. Accessed on 11/25/2012. <http://www.irs.gov/uac/Tax-Law-Changes-Related-to-Midwestern-Disaster-Areas>
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- (14) Tax Law Changes Related to National Disaster Relief, FS-2009-8, January 2009. Accessed on 11/25/2012. <http://www.irs.gov/uac/Tax-Law-Changes-Related-to-National-Disaster-Relief>

**PORTLAND STATE
UNIVERSITY**

BETA ALPHA PSI is an honorary organization for Financial Information students and professionals. The primary objective of Beta Alpha Psi is to encourage and give recognition to scholastic and professional excellence in the business information field. This includes promoting the study and practice of accounting, finance and information systems; providing opportunities for self-development, service and association among members and practicing professionals, and encouraging a sense of ethical, social, and public responsibility.

Beta Alpha Psi was founded in 1919. There are now 300 chapters on college and university campuses with over 300,000 members initiated since Beta Alpha Psi's formation.

WINTER 2013 CALENDAR

BAP MEETING SCHEDULE

JANUARY 9, 2013 Nicholas Hurliman • Internal Audit at NW Natural

January 16, 2013 No Meeting

January 23, 2013 Matt Barnes • Finance Manager at Intel Corporation

January 30, 2013 Maria Pope • CFO at Portland General Electric

UPCOMING EVENTS

April 12-13, 2013 Beta Alpha Psi Northwest Regional Meeting, Spokane WA

TBD 2013 Beta Alpha Psi Spring Transition Dessert

SBA WORKSHOPS

January 16, 2013 Effective Interviewing

January 17, 2013 Internship Overview and Search Tips

January 18, 2013 Intro to Interviewing

January 22, 2013 How to Find Federal Employment/Internships

January 24, 2013 Writing Resumes and Cover Letters

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