



# Leaders' Edge

The newsletter of The Michigan Association of  
Certified Public Accountants

September/October 2011



## Top Stories

### [Q&A with Michigan's Budget Director John Nixon, CPA](#)

Within Michigan Governor Rick Snyder's administration, John Nixon, CPA serves as the Director of the State Budget Office, overseeing the state's \$47 billion annual budget. In addition, he is Director of the Michigan Department of Technology, Management and Budget (DTMB) and is the Value for Money Group Executive on the Governor's Cabinet representing the Budget Office, the Office of the State Employer and DTMB. He recently sat down to answer a few questions for *Leaders' Edge*.

### [Overview and Commentary: Michigan's New Corporate Income Tax and Individual Income Tax Changes](#)

Three House Bills were enacted by the Michigan Legislature and signed by Michigan Governor Rick Snyder, CPA, to replace the Michigan Business Tax (MBT) with the new Michigan Corporate Income Tax (CIT); make significant changes to Michigan's Individual Income Tax (IIT); and amend how the Multistate Tax Compact is applied to both the MBT and CIT in the future.

### [Navigators of the Profession – MACPA Welcomes New Board Members for 2011](#)

At its upcoming Annual Meeting of Members on September 20, 2011, the Michigan Association of Certified Public Accountants will welcome new Board members to an impressive roster of CPA professionals.

### [From the Chair of the Board Experience, Wisdom, Common sense...](#)

... three important traits that CPAs bring to the table, according to United States Senator Debbie Stabenow. Speaking in May at a national conference of state CPA society volunteer leaders and staff, along with AICPA leaders and staff, the Senator said how much she appreciates the input of CPAs who visit her in Washington or in our home state.

## Of Interest

[Avoid the Ripple Effect: Proper Setup for Implementing a Paperless Tax Workflow](#)

[An Evolution in CPE – Integrating the Tablet, Wi-Fi, and the](#)

[Association Briefs](#)

[Legislative & Regulatory  
Of Interest](#)

[Classifieds](#)

[Home](#)

#### Article Archive

- [Leaders' Edge  
July/August 2011](#)
- [Leaders' Edge  
May/June 2011](#)
- [Leaders' Edge  
March/April 2011](#)
- [E-News Archive](#)
- [Business Edge Archive](#)
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[MACPA Memberships Terminated](#)

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[Seats Still Available at Fall Members Advisory Symposium](#)

[Association Financial Statements Accessible Via the Web](#)

[In Memoriam](#)

[Top](#)

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## Top Stories

### Q&A with Michigan's Budget Director John Nixon, CPA

Within Michigan Governor Rick Snyder's administration, John Nixon, CPA serves as the Director of the State Budget Office, overseeing the state's \$47 billion annual budget. In addition, he is Director of the Michigan Department of Technology, Management and Budget (DTMB) and is the Value for Money Group Executive on the Governor's Cabinet representing the Budget Office, the Office of the State Employer and DTMB. He reports directly to the Governor.



John Nixon, CPA  
Director,  
Michigan Department of  
Technology, Management  
and Budget

Nixon is a Certified Public Accountant who came to Michigan from the State of Utah, where he served Governors Jon Huntsman and Gary Herbert as Director of the Governor's Office of Planning and Budget since 2006.

He currently serves as President of the National Association of State Budget Officers (NASBO).

Nixon holds a BS degree in Corporate Finance from Brigham Young University and an MBA with an emphasis in Information Technology from the University of Utah. Nixon and his wife DeAnn have six children, three boys and three girls.

#### **You've been in Michigan for less than a year, and I imagine it's a significant change from Utah. How did your transition go?**

Nixon: The transition has been very smooth. To your point, it's been a significant change. I've traded mountains for lakes, and I am adjusting to the humidity. The first few months were probably the most difficult for me personally, as it was my first time living away from my wife and six children. Once my family moved here to Michigan and the children were enrolled in school, the transition seemed much more complete.

Even though Michigan has its own unique challenges and opportunities, the actual job of budget director is very similar to Utah, as all of the states are facing similar issues when it comes to solving budget gaps. I am proud of the budget we have put together here in Michigan. I think it's one of the best in the country and it puts us on strong financial footing as we move forward.

#### **How did the Governor convince you to bring your expertise to Michigan?**

Nixon: The governor is a persistent guy. When I was originally approached, my first response was that I'd be happy to help Michigan find a good budget director. When I realized they were interested in me, I told the Michigan team that life was good for the Nixon family in Utah.

With a new governor just elected, and having just moved into our dream house, I really wasn't looking for new opportunities.

But they convinced me to fly out to Michigan, and it didn't take long for me to realize that Governor Snyder had a clear vision and that there was a real opportunity to be part of something big. It became clear very quickly that I had a unique opportunity to help reinvent a state that's been down for a long time, and that the leadership was in place to make it happen. I wanted to be part of that effort and part of the team assembled to do it.

**You've certainly made a huge impact in a short period of time. When Governor Snyder set the May 31 goal of completing the 2011-2012 fiscal year budget, I can tell you first-hand that many Capitol insiders practically laughed. How did you get it done?**

Nixon: When you combine working in dog years with relentless positive action, you can get a lot done. We felt like it was critically important to get the budget done early. It's important to let those who depend on state funding know what to expect so that they can, in turn, plan for their budget. There was a very clear focus on getting this budget done and passed. Nobody wanted a repeat of past years with threats of a government shutdown. There were a lot of long days and nights and a lot of careful thought that went into this budget. As I've said, I think it's one of the strongest budgets in the country.

**Tell us about how your background, your CPA license and how your experience positioned you to tackle Michigan's fiscal issues head-on.**

Nixon: I can remember a conversation I had back in high school with the CFO of my father's company who had paid a visit to the house. I was trying to figure out what I wanted to do for a career and I remember the conversation clearly because he told me whatever I decided to do in life, I would be well served to understand numbers. It resonated with me and made a lot of sense, and it led me down a path that resulted in a BS degree in Corporate Finance from Brigham Young University.

I went on to earn an MBA with an emphasis in Information Technology from the University of Utah. Earning my CPA license opened a lot of doors. I served as the CFO of a privately held company, and I worked in the financial services industry before making the leap into state government. My experience as budget director in Utah, serving Governors Jon Huntsman and Gary Herbert, gave me the experience and knowledge necessary for success in Michigan.

Now, as the Director of the Department of Technology, Management and Budget, I am focused on the budget as well as other important government functions, including information technology. Without that early discussion with the CFO of my father's company, which ultimately led to my education path and earning my CPA license, I wouldn't be where I am today.

With regard to tackling issues head-on, I don't know any other way. I was well aware of the fiscal challenges facing Michigan before I took the job, but I saw a leadership team in place that was ready to tackle issues, and I wanted to be part of it. By tackling issues like we have, we've made tough decisions and put Michigan on strong financial footing for the future. We'll

continue to tackle the tough issues head-on.

### **And... working with a Governor who is also a CPA?**

Let me start by simply saying I have learned a lot from Governor Snyder. He is one of the smartest individuals I've ever been around. And it's made my job as budget director easier because he gets it. Governor Snyder understands numbers, he understands the budget inside and out, and when I give him a spreadsheet or budget document, there isn't a whole lot of explaining I need to do. Governor Snyder went through every part of this budget and made tough choices to get Michigan's financial house in order. There were no longitudinal cuts where he said cut X percent across the board ... he looked at every piece of the budget and made thoughtful decisions with his team in presenting his recommended budget.

It's been a great learning experience for me, not just because he is a fellow CPA, but because of his leadership style and strong positive attitude when it comes to turning the state around.

### **What's next? What will the end of 2011 and beginning of 2012 bring from the Administration in relation to the state's finances?**

The good news is we've now got this budget in structural balance. The one-time gimmicks and one-time solutions to prolong tough decisions are gone. We made the tough decisions and thoughtfully passed a budget that puts us on solid footing.

The revenue picture continues to be promising. Even with the debt ceiling issues facing our Congress and the downgrade in the federal credit rating, Michigan's outlook is improving. Fitch Ratings has moved our state's outlook from stable to positive, citing prudent budgeting. The other rating agencies are also taking note. Monthly revenues continue to come in higher than projected.

I think you can expect a much different budget process in 2012. Instead of a process focused on eliminating \$1.5 billion in debt, we'll have a process focused on the priorities we'd like to fund. Because of that, I think you'll see more innovation and ideas in this next budget -- things we simply didn't have the luxury to talk about in 2011.

## Top Stories

### Overview and Commentary:

#### Michigan's New Corporate Income Tax and Individual Income Tax Changes

By B.D. Copping, CPA, MST

*Three House Bills were enacted by the Michigan Legislature and signed by Michigan Governor Rick Snyder, CPA, to replace the Michigan Business Tax (MBT) with the new Michigan Corporate Income Tax (CIT); make significant changes to Michigan's Individual Income Tax (IIT); and amend how the Multistate Tax Compact is applied to both the MBT and CIT in the future. Where appropriate, some of the bill summaries and analyses developed by the House and Senate Fiscal Agencies of House Bill (HB) [4361](#) (now Public Act 38 of 2011), HB [4362](#) (PA 39 of 2011) & HB [4479](#) (PA 40 of 2011) are used in this article.*

(Jump to the [Individual Income Tax](#) portion of this article.)

### Corporate Income Tax Provisions

These new laws create a new *Income Tax Act*, which is segmented into the existing Individual Income Tax provisions, Part 1, and adds a Part 2 for the provisions of the new Corporation (or Corporate) Income Tax. The new corporate provisions essentially mirror those found in the business income tax section of the MBT and become effective with a hard cutoff date beginning January 1, 2012.

The new CIT consists of three separate taxes:

- The corporate income tax, which applies to C corporations and entities that have elected to be taxed as C corporations for federal income tax purposes;
- A gross premiums tax on insurance companies; and
- A net capital tax on financial institutions.

**CIT Nexus Standards:** Again, the new law carries over the nexus standards that were included in the MBT and may subject out-state corporations to the CIT, if any of the following conditions are met:

1. The corporate income tax, which applies to C corporations and entities that have elected to be taxed as C corporations for federal income tax purposes;
2. A gross premiums tax on insurance companies; and
3. A net capital tax on financial institutions.

Standards 1 and 2 above, of course, do not apply to corporations that are protected from

having to file the CIT by federal law, P.L. 86-272, which states, in part, that if a corporation limits its activities in a state to the "solicitation of orders" for sale of tangible personal property and said orders are approved and shipped from outside the state where the solicitation occurred, then that state is precluded from imposing a net income tax on that business. However, all of these standards do apply in cases where the taxpayer is soliciting sales other than tangible personal property, e.g., services or intangible personal property.

**CIT Tax Rate:** The corporate income tax rate remains at 6.0% (the approximate rate under the MBT including the surcharge) and corporations with a tax liability of less than \$100 will not be required to file a tax return. Corporations with less than \$350,000 of apportioned Michigan gross receipts are not required to file a CIT return.

**Apportionment:** Like the MBT, the CIT requires apportionment of the tax base using **single sales factor apportionment**, Michigan sales divided by total sales everywhere.

**Unitary Filing:** The CIT continues to **require unitary filing for C corporations that meet both the control and relationship tests**; however, non-C corporate income appears to be flowed through to the respective owners on a post apportionment basis, even if the flow-through entities have a unitary relationship with their owners. Most other states with unitary filing regimes require flow-through entities to flow through both the owner's proportionate share of income and apportionment factors (in Michigan's case this would be sales) to the respective owners.

This point was raised in the SFA-BA, as follows:

While the CIT also will retain the MBT's unitary filing requirements for businesses under common control, *House Bill 4361* (H-1) is unclear about how members of a unitary group that are not C corporations would be treated. Absent a unitary filing requirement, such entities will be exempt from the tax. If the provisions of the bill were interpreted to exempt non-C corporation entities from unitary groups, the bill likely would create a substantial incentive to reorganize business activity in order to evade taxation. It is unknown what treatment these unitary groups are assumed to receive under the estimates for the CIT or how their behavior might change under the bills.

**CIT Tax Base:** The CIT defines "Business Income" as Federal taxable income, as if IRC Sections 168(k) and 199 were not in effect and subject to the following modifications:

**Additions:**

- Interest income and dividends derived from obligations or securities of states other than Michigan;
- Taxes on or measured by net income, including the CIT;
- Carryback or carryover of a net operating loss, to the extent deducted for federal taxable income purposes; and
- Royalties, interest, or other expense paid to a related person for the use of an

intangible asset, if the person is not included in the taxpayers' unitary business group (with certain exceptions).

**Deductions** *(to the extent included in federal taxable income):*

- Dividends (including deemed dividends and Section 78 Gross Up) and royalties received from foreign persons;
- Interest income from U.S. obligations; and
- Eliminate any income or expenses from producing oil and gas to extent included in or deducted from federal taxable income.

**Provisions Not Carried Over from the MBT**

- A deduction for certain deferred tax liabilities (FAS 109 adjustments) are not permitted under the CIT;
- Certain income or losses attributable to another entity will not be included;
- Charitable contributions made to the Michigan Education Trust will no longer be deductible;
- Certain gains and/or income related to qualified affordable housing could no longer be deducted from business income; and
- No carryover of any tax net operating losses from the Business Income tax portion of the MBT are allowed.

**Tax Credits:** The CIT retains only one of the tax credits offered under the MBT, the small business alternative tax credit. To be eligible for this credit firms must have gross receipts of less than \$20 million; adjusted business income of less than \$1.3 million; and limited amounts of total of compensation and directors' fees paid or allocated to individual shareholders and officers. If eligible for this credit, taxpayers will be tax based at a rate of 1.8% of adjusted business income.

**Appropriations Language:** In order to avoid the potential for the CIT to become the subject of a recall petition, the new CIT statute includes a Department of Treasury appropriation in the amount of \$100 for the implementation of the CIT. Obviously, it's going to cost a lot more than \$100 for Treasury to implement the CIT. So why have an inadequate appropriation amount included in the bill that creates a new tax?

This is a political maneuver that has become more or less standard procedure *(an appropriation was also included in the MBT Act when it was enacted)* ever since the repeal of the SBT was eligible to be placed on the ballot following a successful recall petition effort. Legislation that includes an appropriation is not subject to being brought up for a vote of the people via a recall petition.

**MBT Filing Option:** The new law amends the *MBT Act* by providing for the eventual repeal of the MBT. Beginning January 1, 2012, an MBT taxpayer will be defined to be only a person or unitary business group with a "certificated credit" that has elected to file under the MBT. These taxpayers will be required to pay a tax based on the greater of their MBT liability or a modified version of their tax liability had they filed under the CIT. Certain credit amounts that exceed the taxpayer's liability will be refunded. Once elected, taxpayers must continue filing MBT returns until all the certificated credits are exhausted. At that time the taxpayer will be required to begin filing CIT returns.

**"Certificated credits" include:**

- Brownfield Redevelopment Credits
- Early Stage Venture Capital Credit
- Farmland Preservation Credit
- Historic Preservation Credit
- Media Production Credit
- Media Infrastructure Credit
- Renaissance Zone Credit
- NASCAR Safety Credit
- NASCAR Speedway Credit

Michigan Economic Growth Authority credits, including:

- Credits for Photovoltaic Technology
- Employment Credit
- Anchor Company Payroll Credit
- Federal Government Employment Credit
- Anchor Company Taxable Value Credit
- Polycrystalline Silicon Manufacturing Credit
- Credits for High-Power Energy Batteries
- Hybrid Technology R&D Credit

**The Ultimate Repeal of the MBT:** *The MBT Act* will ultimately be repealed, once the

Department of Treasury provides written notice to the Secretary of State that all certificated credits had been exhausted.

**Financial Institutions Tax:** As under the MBT, financial institutions will continue to be subject to a net capital tax. The tax rate is 0.29% (*essentially the same as under the MBT*) but the deduction for goodwill has been eliminated.

**Insurance Company Tax:** Under the CIT insurance companies will be subject to the same gross premiums tax (*1.25% of gross premiums written on Michigan property or risks*) that they were subject to under the MBT.

### **Flow-Through Entity Withholding Requirements**

The idea of requiring withholding or estimated taxes for flow-through entities with nonresident individual partners or S corporation shareholders is not new. In fact, it was required under both the Single Business Tax (SBT) and the MBT. What is new to Michigan (*and to the best of the author's knowledge is only required in one other state – New Jersey*) is the requirement for flow-through entities to withhold CIT taxes on non-individual owners, e.g., partnerships, LLCs or C corporations that have an ownership interest in a flow-through entity. These potentially multi-tiered withholding requirements, which are described below, add a layer of unnecessary complexity that only one other state requires.

Section 703(4) of HB-4361 (H-1) requires, in part, that “every flow-through entity with business activity in this state that has more than \$200,000 of business income in the tax year after allocation and apportionment ... shall withhold a tax in an amount computed by applying the rate ... [6.0%] to the distributive share of the business income of each member that is a corporation or that is a flow-through entity.”

Subsection (5) of this section of HB-4361 (H-1) goes to state that:

If a flow-through entity is subject to the withholding requirements of Subsection (4) then a member of that flow-through entity that is itself a flow-through entity shall withhold a tax on the distributive share on business income as described in subsection (4) of each of its members. The Department shall apply tax withheld by a flow-through entity on the distributive share on business income of a member flow-through entity to the withholding required of that member flow-through entity.

### **Multistate Tax Compact Provisions**

The Multistate Tax Compact (MTC) was an attempt by a large number of states to bring a degree of “uniformity” to state tax laws for taxpayers with activity in multiple states. Michigan adopted the MTC and by so doing its provisions automatically apply to any “income tax” that Michigan enacts. As such, the MTC applies to the Michigan individual income tax and, as some have argued, to the income tax portion (*and possibly to the modified gross receipts part*) of the MBT. The MTC did not apply to the SBT because it was not a tax based on net income.

**Prospective vs. Retroactive Application:** The legislature passed HB 4479 to clarify that the option to elect the apportionment provisions of the MTC do not apply to the last year of

the MBT or the new CIT. While in many state and local tax (SALT) practitioner's opinions, the legislature never intended the MTC's elective apportionment provisions to apply to either the income or modified gross receipts based portions of the MBT, the legislature chose to make this change prospective, e.g., effective for tax years beginning on or after January 1, 2011, rather than retroactive to the start date of the MBT. Thus, effective for tax years beginning on or after January 1, 2011, any taxpayer subject to either the MBT or the new CIT will not have the option of using the equally-weighted, three factor apportionment formula found in the MTC and all taxpayers will, therefore, be required to use 100%-sales factor apportionment.

As stated in the Senate Fiscal Agency's Bill Analysis:

Under current law, a multistate taxpayer can elect to file under the provisions of the MTC rather than the requirements of the laws of states in which it has business activity. One of these provisions involves how to allocate business activity across states. The MTC allows a taxpayer to compute an apportionment factor by computing three separate factors, adding them together and dividing by three. The three factors are based on payroll, property, and sales, with each factor calculated by taking the amount of that factor attributable to the taxpayer within a state and dividing it by the total of that factor attributable to the taxpayer in all states. By dividing by three, the formula equally weights each of the factors. The MBT and the proposed CIT use only a sales factor, taking Michigan sales and dividing that amount by the taxpayer's total sales.

The Senate Fiscal Agency's Bill Analysis stated that, "an out-of-state taxpayer, particularly one with little or no property in Michigan, the three-factor formula produces a much smaller apportionment factor." In fact, for taxpayers with no or minimal payroll or property in Michigan, e.g., just Michigan sales, their Michigan apportionment factor and at least the business income tax portion of their MBT liability could be reduced by up to two-thirds.

### **Caveat for Taxpayers Considering Filing Refund Claims Based on the MTC**

**Legislation:** The issue of whether or not the three-factor apportionment filing option found in the MTC is available or not is currently in litigation and it is unknown at this time, given the recent actions of the legislature, whether or not the Michigan Department of Treasury will or will not choose to continue to dispute whether or not the MTC apportionment provisions can be elected for any of the first three years of the MBT.

### **Potential Changes to the CIT that May Be Considered**

When the Legislature returns from its summer break, it will be considering modifications and technical fixes to the CIT, IIT and MBT. The following are some changes to the CIT and IIT that the author believes may be on the table for consideration by the Legislature and the Administration.

- Elimination of certain MBT references that were inadvertently carried over to the CIT;
- Modification or elimination of the new withholding rules for non-individual owners of flow-through entities;
- Modification of how partnership income is apportioned to partners, e.g., income is currently apportioned at the partnership level and then flowed-through to the

respective partners vs. flowing both the income and the apportionment factors through to the partners;

- Conforming sourcing rules for both IIT and CIT apportionment purposes;
- Consider raising the estimated tax filing threshold (\$800) and the safe harbor (\$20,000 prior year liability) exception; and
- Modifying the CIT to allow a deduction related to the Federal Work Opportunity Credit (IRC Section 51) Wages and/or the R&D credit, in cases where a taxpayer (*for federal tax purposes*) has to add-back the wages and/or R&D deduction, in order to receive a federal income tax credit.

#### **Potential Technical Fixes for CIT Which Are Similar to Certain Proposed MBT Fixes**

- Consider providing clarification that foreign entities disregarded for federal income tax purposes are or are not disregarded for CIT;
- Consider adopting the "first intended use" standard for when goods come to rest at their ultimate destination for purposes of sourcing sales;
- Clarifying the due date for payment of tax is same as the return date, not the date the return is filed, if filed earlier;
- Clarifying that for unitary business groups, all intercompany transactions should be eliminated, regardless of type, e.g., not just for income/expense and apportionment factor purposes; and
- Providing guidance in regards to NOLs survive corporate reorganizations, which would be similar to the SBT treatment.

#### **Individual Income Tax Provisions**

Substantial changes to Michigan's individual income tax were enacted as a part of this tax reform and are summarized below. **Note:** All of these individual income tax changes are effective for tax years beginning on or after January 1, 2012, unless otherwise noted.

#### **Individual Income Tax Rate Changes**

- The IIT tax rate is frozen at 4.35% for tax years 2011 and 2012
- The previous annual IIT rate reduction of .1% is repealed
- For 2013 and thereafter the income tax rate for individuals will be 4.25%

#### **Elimination or Change to Several Current Exemptions**

- The **standard personal exemption** for taxpayers and each dependent is frozen at \$3,700 (*the level under current law*) through tax year 2012. Beginning in 2013, this exemption will again be adjusted annually for inflation occurring after 2012.
- The **standard personal exemption** will be phased-out for single taxpayers with "total household resources" between \$75,000 and \$100,000, and for married couples filing joint returns with total household resources between \$150,000 and \$200,000.

- The additional exemption allowed for each taxpayer age 65 and older is eliminated.
- The additional exemption per dependent child under the age of 19 is repealed.
- The additional exemption received by taxpayers whose unemployment compensation exceeds 50% of their AGI will be eliminated.

### **Modifications to the Definition of Individual Taxable Income**

**Deductions Related to Pension and Retirement Income:** The following deductions related to pension and retirement income will be **based on the age of the older spouse**.

- **For taxpayers born before 1946**, there will be no change in the treatment of retirement or pension income. Public pensions, as well as social security benefits will continue to be completely exempt from taxation. A portion of pension and retirement income from private plans will continue to be exempt from tax (\$45,120 for single filers and \$90,240 for joint filers in tax year 2010, and adjusted for inflation). Seniors in this category will continue to be permitted to deduct a portion of interest, dividends, and capital gains they receive. **Note:** The private pension exemption will continue to be reduced by the amount of any compensation and retirement benefits received for services in the armed forces, as well as any public pension.
- **For taxpayers born during the 1946 to 1952 period**, the new law eliminates the current exemptions for retirement and pension income, although the exemptions for social security, railroad and military pension income under current law will be retained, while the taxpayer is less than 67 years of age. Until the taxpayer reached age 67, the new law allows a new exemption that will exempt a portion of pension and retirement income (\$20,000 for a single return or \$40,000 for a joint return), regardless of whether the income was from a public or private pension. **Note:** If total household resources exceeds \$75,000 for a single return, or \$150,000 for a joint return, the new law eliminates the \$20,000/\$40,000 public and private pension income exemptions.

After the taxpayer reached age 67, the new law keeps the exemption amount the same, but will apply the exemption to all income, including retirement and nonretirement income. The new law also retains the full exemption for social security income. The law implies that the taxpayers in this age category will still be eligible to receive the standard personal exemption, regardless of age. **Note:** If total household resources exceeds \$75,000 for a single return, or \$150,000 for a joint return, the new law eliminates the \$20,000/\$40,000 exemption. Further, individuals claiming exemption for military or railroad pensions will not be eligible for the \$20,000/\$40,000 exemption.

Effective January 1, 2012, senior citizens born after 1945 will no longer be permitted to deduct a portion of interest, dividends, and capital gains they receive.

- **For taxpayers born after 1952**, the new law eliminates any exemption of public or private pension or retirement income other than social security, military or railroad pension income until the taxpayer reached 67 years of age. Once the taxpayer reached age 67, the new law allows an exemption (\$20,000 for a single return or \$40,000 for a

joint return) against all types of income, including social security income and other types of income (including retirement and nonretirement income).

After reaching age 67 the new law allows a taxpayer to forgo the \$20,000/\$40,000 exemption for all income and instead deduct 100% of social security, military or railroad pension income. Under the new law, if a taxpayer elects to claim the \$20,000/\$40,000 exemption, they will not be allowed to claim either the deduction for Social Security income or the standard personal exemption. Taxpayers will not be eligible to receive the standard personal exemption once he or she turned age 67, unless the taxpayer elects to claim the 100% deduction for social security, military or railroad pension income.

If a taxpayer elects the \$20,000/\$40,000 exemption and if total household resources exceed \$75,000 for a single return, or \$150,000 for a joint return, the new law will eliminate the \$20,000/\$40,000 exemption. If a taxpayer elects to exempt social security, military or railroad pension income, the personal exemption that is otherwise allowed will be subject to being phased-out for total household resources between \$75,000 to \$100,000 for single filers and \$150,000 to \$200,000 for joint filers.

Effective January 1, 2012, senior citizens born after 1945 will no longer be permitted to deduct a portion of interest, dividends, and capital gains they receive.

**New Pension and Retirement Withholding Requirements:** Because of the recent changes to the taxability of pension payments and retirement benefits, the payers of these types of benefits will be required to withhold at a rate of 4.35% on the "taxable portion" of said benefits.

**Michigan Supreme Court Review:** The issue of whether or not the state can tax public employee pension income under the state constitution, along with several other issues, is currently being reviewed by the Michigan Supreme Court.

**Other Changes to the Definition of Taxable Income:**

- Qualifying political contributions are no longer be deductible.
- Certain wages, which are not deductible under IRC Section 280C, will no longer be deductible.
- Distributions from certain individual retirement accounts used to pay qualified higher education expenses will no longer be deductible.
- Charitable contributions made from a qualified retirement plan or account will no longer be deductible.
- Reinvestments of gains made from certain investments certified by the Michigan Strategic Fund will no longer be deductible.
- Both gross income and related expenses from oil and gas production are removed if the

gross income was subject to the severance tax.

- If deducted in determining Federal AGI, expenses incurred to produce nontaxable income will no longer be deducted from AGI a second time.

### **Additional Miscellaneous Changes**

Business income reported under the individual income tax will be apportioned based on 100% of a sales factor, rather than the equally weighted, three-factor formula based on property, payroll, and sales under current law. However, rules for sourcing sales were not changed to conform to the CIT sourcing rules, which, if not changed, could cause flow-through entities with both individual and corporate owners significant problems.

### **Elimination of Most Individual Income Tax Credits**

- Nonresident estates and trusts will no longer receive a credit related to reciprocity agreements with other states.
- For rehabilitation plans certified after January 1, 2012, the historical preservation credit will be eliminated.
- For agreements entered into after January 1, 2012, tax vouchers issued under provisions related to the *Michigan Early Stage Venture Investment Act* may no longer be applied toward a tax liability.

All non-refundable credits are eliminated, including:

- City Income tax credit
- College tuition credit.
- Community Foundation credit
- Donations to family development programs
- Film credit for wage withholding
- Homeless/Food Bank credit
- Medical savings account contributions
- Public contribution credit
- Vehicle donation credit

### **Changes to Refundable Credits**

**Michigan Earned Income Tax Credit:** For tax years after 2011, the Michigan Earned

Income Tax Credit is reduced from 20% to 6%.

Changes to the Homestead Property Tax Credit: For tax years beginning after 2011, taxpayers are no longer eligible for the credit, if the "taxable value" (*for property tax purposes*) of their homestead exceeds \$135,000. Household income is replaced by "total household resources", which excludes losses from business, rentals and royalties and also excludes net operating losses.

For senior claimants the full credit of 100% is available if total household resources are \$21,000 or less. The amount of the credit is then reduced by 4% for each additional \$1,000 until the total reaches \$30,000. Between \$30,000 and \$41,000 seniors will receive 60% of the credit.

All non-senior claimants are eligible for a tax credit of 60% based on the following:

The credit will be phased-out starting at total household resources of \$41,000 and is reduced by 10% for every \$1,000 increment. Thus, the credit is eliminated once total household resources reach \$50,000.

Presumably the phase-out of the credit between \$41,000 and \$50,000 also applies to seniors.

**Author's Note:** All the opinions, comments and suggestions contained in this article are the author's own and may or may not represent those of the MACPA or its members.

#### **About the Author**

*B. D. Copping, CPA, MST, is the owner of Copping State & Local Tax Consulting ([www.coppingsalt.com](http://www.coppingsalt.com)). B. D. chairs the MACPA's State & Local Tax Task Force and has more than 30 years of multistate tax planning and consulting experience. He is a former Michigan Revenue Commissioner, "Big Four" SALT Practice Leader, SALT Director for Top Ten National CPA Firm, Director of Corporate Income Taxes for a Fortune 100 Company, frequent speaker at SALT conferences, and author of numerous tax articles and the first two editions of the 1,200 page CCH Multistate Tax Guide to Financial Institutions.*

## Top Stories

### Navigators of the Profession – MACPA Welcomes New Board Members for 2011

At its upcoming Annual Meeting of Members on September 20, 2011, the Michigan Association of Certified Public Accountants will welcome new Board members to an impressive roster of CPA professionals.

The 2011-2012 MACPA new Board members are:



Rick DiBartolomeo, CPA  
Executive Director,  
The Rick Snyder for  
Michigan Committee

**Rick DiBartolomeo, CPA**, is the Executive Director of The Rick Snyder for Michigan Committee. He joined the Rick Snyder for Michigan Committee in April 2010 after spending two years with The Rehmann Group where he served as the managing principal of the firm's Southeast Michigan Assurance and Advisory Practice. Previously, DiBartolomeo spent more than 25 years with Deloitte & Touche in Detroit as a partner in the firm's Assurance and Advisory Practice.

A member of MACPA's Professional Ethics Committee, DiBartolomeo is also a member of the AICPA. In addition to his current role as president of the Detroit Athletic Club, DiBartolomeo serves on several civic and community organization boards including Judson Center, Walsh College Foundation, Detroit Economic Club, and Detroit Area Council Boy Scouts of America.

A graduate of Western Michigan University with a Bachelor of Business Administration degree, DiBartolomeo also holds a Masters of Science in Finance degree from Walsh College.

**Robert M. Johnson, CPA** is the chief financial officer of Palace Sports & Entertainment (PSE) and the Detroit Pistons Basketball Company. PSE is widely recognized for its multiple venues and teams and for its successful business operations and multiple sports championships. Johnson oversees accounting/finance, information technology, box office and retail departments of the business. Johnson serves on various internal company committees providing direction in acquisitions, capital expenditures, 401k investments, and employee benefits.



Robert Johnson, CPA  
Chief Financial Officer,  
Palace Sports &  
Entertainment and the  
Detroit Pistons Basketball  
Company

Johnson joined Palace Sports from the ½ Off Card Shop Inc., where he was chief financial officer. Previously, he spent eight years in public accounting with Grant Thornton. He is a member of AICPA, the Michigan Chamber Tax Committee; he also serves as a member of the Macomb County Chamber Board and the Walsh College Student Scholarship Oversight Board.

Johnson earned a bachelor's degree in Accountancy from Walsh College in 1985 and a Master's degree in Finance, also from Walsh College in 1992. He resides in Clinton Township.



Frank Maselli, CPA  
Assurance Partner  
Ernst & Young

**Frank Maselli, CPA** is assurance partner with Ernst & Young, where he has 20 years of experience providing a full range of audit-related services for global priority and U.S. based accounts with the automotive, real estate, industrial products, manufacturing, and food service industries.

Maselli has extensive experience working with executive management (C- suite) and audit committees, as well as significant experience with SEC registrants and reporting requirements. He serves as Detroit/Toledo Strategic Growth Markets Leader focused on high growth, private equity, Cleantech, and venture capital companies.

Maselli is a member of the AICPA. He holds a Bachelor of Science in Business Administration degree (Major in Accounting) from Central Michigan University. He is licensed to practice accounting in Michigan and New York.

**Amy Mees, CPA** is a director in the state and local tax practice with PricewaterhouseCoopers, LLP in Detroit, MI. Her career in accounting began with internships with both Grant Thornton and Arthur Andersen tax departments. She joined Arthur Andersen in Detroit in January of 1988 as a full-time associate in the tax practice.



Amy Mees, CPA  
 Director, State &  
 Local Taxes  
 PricewaterhouseCoopers

Mees specializes in large project management; particularly in restructuring transactions. She also spends time on Michigan campuses recruiting accounting majors for internship and full-time opportunities.

A member of the Michigan Women's Tax Association and the AICPA, Mees graduated from the University of Michigan in 1984 with a B.S. in Psychology and from Michigan State University in 1987 with an M.B.A. in Accounting.



Elizabeth Meter, CPA  
 Partner, KPMG

**Elizabeth W. Meter, CPA** is an audit partner in KPMG's Detroit office with 29 years experience serving clients in the automotive and diversified industrial industries. She also serves as KPMG's U.S. Automotive Industry Lead Partner- Audit and the Detroit office partner in charge of recruiting and alumni relations. With significant experience serving a wide range of multinational manufacturing clients, she has assisted numerous clients with acquisition transactions and the related accounting, as well as assisting clients with IPOs and financing transactions.

As the U.S. Automotive Industry Lead Partner – Audit, Meter provides support to audit teams on addressing industry specific issues and trends and shares thought leadership on industry issues through periodic webinars, media releases and thought leadership pieces.

She serves as a board member with Oakland Family Services, and is a member of the KPMG Partnership Council, Leadership Detroit - Class of 2007, and the Society of Automotive Analysts.



**Randolph Paschke, CPA** serves as chair of the Department of Accounting at Wayne State University. Before joining WSU, he was a partner in Arthur Andersen LLP firm, having joined them in 1970 and admitted to the firm in 1982. At Andersen, he was the managing partner of its Michigan tax; managing partner of its Great Lakes Region international tax practice; and managing partner of its U.S. international tax and trade practice.

Paschke has lectured, researched and written on many areas of taxation. He also continues to work as a consultant for many businesses and families as well as serve on several boards of

Elizabeth Meter, CPA  
Partner, KPMG

directors for corporations, publicly and privately owned, and non-profit entities.

A 1971 graduate of the University of Michigan, Paschke holds a BBA from the University of Michigan.

## Message from the Chair of the Board

### Experience Wisdom Common sense...



*John Pridnia, CPA,  
2011-2012 MACPA  
Chair of the Board*

... three important traits that CPAs bring to the table, according to United States Senator Debbie Stabenow. Speaking in May at a national conference of state CPA society volunteer leaders and staff, along with AICPA leaders and staff, the Senator said how much she appreciates the input of CPAs who visit her in Washington or in our home state.

It's especially exciting for me, as I begin my year as chair, to know that our profession is considered by many in Lansing and Washington to be a valuable "honest broker" resource.

It goes without saying that this past year has been extraordinary for CPAs in Michigan. We've had a tremendous opportunity to provide input on a major tax law change and to support our CPA Governor's efforts to get Michigan back on track. Through the strong relationships we've built in Lansing, and the work of our MACPA Involvement in Michigan's Turnaround Task Force, I look forward to continuing our efforts as a profession to assist in our state's economic turnaround.

I'm also looking forward to kicking off the year with all of the task force leaders. We've scheduled several Leaders' Forums later this month, providing me with an opportunity to meet with the new chairs and vice chairs of our task forces.

We are fortunate to have an outstanding board of directors, exceptional volunteers on our task forces and a top-notch staff to help us navigate the future. The MACPA Strategic Plan provides the roadmap to help us succeed on our journey. Our leadership team is once again rolling up their sleeves to update the Strategic Plan – as it is a living and breathing document, one that provides continuity and direction year to year.

As always, the MACPA remains committed to keeping members abreast of the latest professional and regulatory issues. I look forward to seeing many of you at next week's Fall Members Advisory Symposium. The agenda features national and regional experts – the Incoming Chair of the AICPA, Greg Anton, among them.

I am very excited to work with all of you this coming year, and I am honored to serve as your Chair of the Board.

A handwritten signature in black ink, appearing to read "John P. Pridnia". The signature is fluid and cursive, with the first name "John" being the most prominent part.

John P. Pridnia

## Of Interest

### Avoid the Ripple Effect: Proper Setup for Implementing a Paperless Tax Workflow

By Kimberly Hogan and Ed Jennings

Like hundreds of perfectly aligned dominos, one misplaced token can set off a ripple effect that not even the most experienced and proficient expert can hope to overcome. If the processes and applications are not set up properly at the beginning, the combined result is frustrating, time-consuming, costly, and more than anything else, just plain wrong.

Whether it's a go-green initiative or one to increase efficiency, today's dynamic accounting firm – regardless of the number of professionals, geographic location or annual revenues – wants to retain clients and find new ones. Properly setting up and implementing a paperless tax workflow speaks to a firm's ability to find and use advanced techniques to deliver compliance-driven, focused services.

#### Top Tips for Proper Setup

CPAs and accounting professionals will find the process of setting up a paperless tax workflow quite logical – and even quite practical. If the implementation of scanners, tax document automation technology, integrated tax preparation software, and document management systems are well planned and configured properly, firms should see a healthy return on investment in no time ... while avoiding the dreaded ripple effect.

Consider the following best practices for implementing a paperless tax workflow:

#### Tip #1: Scanning

**Scan at the Start of the Process** – A critical best practice is to scan client source documents on the front end. This supports a completely paperless workflow by enabling you and your staff to work with digital documents from the get-go and take advantage of workflow-enhancing tools that boost productivity. Scanning at the end of the process only provides you with an electronic archive of source documents. Electronic archival is great for saving space in your office and eliminating bulky filing cabinets, but it doesn't position you for other time and money-saving benefits that can be achieved by scanning from the start.

**Make the Best Use of Your Time** – If possible, scanning should be delegated to administrative staff in order to free up a professional's time for higher-value and higher-billable work. In addition, in order to standardize processes and eliminate mistakes, one person and one department should control the process.

#### Key Considerations for Going Paperless

**Scan, scan, scan.** If your firm is not scanning, you're not operating in a paperless environment.

If you're not scanning up front as documents come into your firm, then you're simply scanning for archival, which isn't really paperless

**Invest in a Quality Scanner** – Older, low-quality scanners and all-in-one multi-function printers do little more than copy basic information. If you become frustrated with the outcome, you will find yourself going back to paper almost immediately. Poor image quality produces files unreadable by humans and software, which leads, in a ripple effect, to making mistakes in the preparation and review process. The final result: you lose by trying to make up for lost time.

**Know Your Scan Settings** – Your scan settings must be optimized to scan tax documents; otherwise, the image quality of the scanned document may not be readable or useful. Set your scan software to these basic image specifications to ensure you always scan your documents right the first time.

- Scan to PDF.
- Scan at 600dpi.
- Scan in black and white.

workflow; it's paperless storage. Also take time to research the best scanner for the job and know the proper scan settings to ensure the best output.

If you're going to scan (and you should), then **adopting the right tax document automation system is critical**. The best systems "read" scanned documents with exceptional accuracy. The right solution for your firm should also integrate with your tax prep software to enable auto population of the client's tax return.

And, finally, **round out your paperless workflow with an electronic filing system**.

Whether that resembles a networked drive of folders on your server or a more sophisticated, yet economical DMS, you'll find that electronic storage of all your clients' information is highly efficient.

**Create the Highest Quality Images from Client Source Documents** – By scanning tax documents, you're able to leverage technologies that will streamline workflow and elevate efficiency. An example of this type of technology is "scan and populate" tax document automation. Scan and populate solutions classify and extract data from scanned tax documents and populate the data into your tax preparation software, eliminating data entry. It's important to know how to achieve maximum image quality from the actual source documents to ensure proper document classification and data extraction by the tax document automation solution.

- Scan the original tax document; avoid uploading copies and faxes.
- Scan the document at its original size.
- Scan multi-page documents together and in a logical order.
- Scan each document to its own page.

**Source Documents to Avoid** – Although it is not always possible, you will want to train your clients to avoid submitting:

- documents with faint or faded text,
- documents containing important identifying information that is handwritten,
- documents with ink bleeding or smudging, and
- clipped or cut forms that exclude important identifying information.

**Tips #2 & #3: Tax Document Automation Technology & Integrated Tax Software**

**Do Your Research** – Not all solutions are created equal. Leading tax document automation systems are capable of identifying information in thousands of tax documents and forms, and offer a 90%+ accuracy rate. It is also recommended that you identify a solution that integrates with your tax preparation software. True system integration allows you to automatically populate fields in your tax prep application from the system's output file (PDF or Excel) – eliminating manual data entry. A little research will ensure you adopt the right solution.

**Implement the Paperless Workflow Solution that "Fits"** – The best solution will accelerate efficiency gains *significantly*, from outputting a single organized, bookmarked file of all source documents to seamlessly populating data within your tax preparation software. In addition, consider solutions that offer the ability to automatically retrieve W-2s, brokerage statements, and 1099s directly from the document issuer with the client's authorization. This type of innovation further streamlines the tax workflow and significantly reduces working with paper files altogether.

#### **Tip #4: Online Document Management**

If you plan to go completely paperless, adopting an electronic filing system is highly recommended. Electronic storage of client tax documents completes the paperless circle and puts all data at your fingertips. An electronic filing system can be as simple as networked file folders on a shared computer drive or something as sophisticated as a full-scale, integrated document management system (DMS). Both options facilitate firm-wide access to documents. The key differentiator is that with a DMS, the file structure is built in and the system enforces a uniform filing process.

#### **Avoid the Ripple Effect**

Proper planning is the key to avoiding any ripples and watching your dominos tumble. When implementing a completely paperless tax workflow, there are many factors to consider, including scanning practices, automated tax document technologies, integrated tax software, and an electronic filing system. Thinking through all these items will save you hours down the road.

We know by now that "going paperless" isn't designed to just save the environment and reduce our reliance on paper. Proper scanning techniques, having the right equipment, using scan and populate technology, and implementing integrated solutions help you achieve a smarter tax workflow. Ultimately, it makes your life easier. If you're going to do it, you should do it right, which means making an investment and commitment. The differences in time and labor and the decrease in making mistakes are enough to convince even the skeptic to set up the paperless tax workflow right the first time.

#### **About the Authors**

*Kimberly Hogan is business development manager for ScanSnap Sales at Fujitsu. Follow her on Twitter @ScanSnapKim or see her in person at any one of a number of accounting trade show. Contact Kim at 949-551-5601 or [khogan@us.fujitsu.com](mailto:khogan@us.fujitsu.com).*

*Ed Jennings leads the Copanion team as president and CEO. He has progressively emerged as a voice in the tax and accounting industry, specifically in tax document automation, scanning and the paperless tax workflow. Ed has been featured as a content expert in The CPA Practice*

*Advisor, Accounting Today and USA Today. Contact Ed at 978.296.9503 or [ejennings@copanion.com](mailto:ejennings@copanion.com).*

## Of Interest

### An Evolution in CPE – Integrating the Tablet, Wi-Fi, and the Cloud

#### ***New learning model takes onsite CPE to the next level of engagement***

*By John H. Higgins, CPA.CITP, Strategic Advisor, CPA Crossings, LLC*

Continuing Professional Education (CPE) is a required component of an accounting professional's life, and today there is no shortage of online and onsite sessions available. Both types of CPE learning, that is face-to-face and web-based, provide attendees with valuable, timely information required to remain current in such areas as tax law, compliance, client data security, technology, and more. And while online sessions have gained momentum over the past few years based on convenience and affordability, the effectiveness of live onsite learning cannot be overstated.

The onsite learning model is a long-standing, tested and proven platform for interactive and rich exchange of information. Unlike online forums, onsite education provides participants with a level of energy and discussion that is difficult to reproduce in a web-based environment. And now, with the introduction of a new learning model that integrates electronic tablets, Wi-Fi, and the Cloud into the education process, on-ground CPE is positioned to accelerate participant engagement to a whole new level.

CPA Crossings is offering a pair of tablet-based seminars this fall through MACPA:

**CPA Technology Bootcamp:  
Key Trends & Strategies  
Every CPA Should Know &  
Understand**

[\(Troy\)](#) or [\(Traverse City\)](#)

**Outlook, Word, Excel &  
Adobe Tips, Tricks &  
Techniques**

[\(Troy\)](#) or [\(Traverse City\)](#)

### Converging Technologies and the New Learning Model

The convergence of electronic tablets (for example, Apple's iPad), Wi-Fi, and cloud computing have enabled the transformation of today's onsite CPE delivery. Learners no longer need to be saddled with cumbersome manuals. Tablet-based learning eliminates the need for paper and pencils, allowing students to follow a presenter and participate in interactive exercises through a Wi-Fi-powered device. Annotation functionality allows learners to take notes directly on the tablet. This advanced new CPE model also supports electronic delivery of post-session resources. At the completion of a workshop, students receive a link to the course materials, complete with personal notes. The entire learning experience is completely paperless.

Also consider the potential for heightened learner engagement. Working interactively via a hand-held tablet eliminates the need for traditional PowerPoint presentations, which tend to only support one-way discussion – presenter to participants. Tablet learning opens up a world of opportunity to create a far more dynamic learning environment – for example, by including polling questions and interactive charts and graphs within course sessions.

In comparison, consider the following example of a traditional CPE workshop experience...

An accounting professional attends a typical CPE-based seminar or conference. The presenter most likely facilitates the session using a standard PowerPoint presentation and supplies attendees with paper copies of slides and manuals. Notes are taken manually, and all paper copies are transported back to the practitioner's office and filed among volumes of other paper.

This scenario should sound familiar. In fact, it's too familiar for many accounting professionals, which is why so many have turned to online CPE modules. With the new model firmly in place, tides may turn again – enticing professionals to attend onsite events over web-based sessions. Tablet-based learning takes onsite courses to a new level – pairing the synergy onsite forums innately offer with advanced technology for learning that is fun, engaging, and two-way.

The immense value of the new onsite learning model will become more apparent as more practitioners take part in these advanced learning forums. Consider all the benefits:

- Eliminates the need for paper manuals and copies of presentations.
- Provides learners with convenient electronic versions of annotated course materials for easy retrieval and review.
- Enables two-way, interactive dialogue during sessions via such features as polling questions.
- Offers course materials within a high definition display, supporting vivid, multi-color collateral (also eliminates the high cost of printing color materials).
- Eliminates capacity restrictions. Presenters can download as much material as needed to tablets.
- Provides advanced functionality to customize the learner experience. Tablets enable learners to zoom in or out, create bookmarks and links to information, quickly conduct searches for specific information, and take notes using intuitive annotation tools.

For course developers and presenters, this new model eliminates the reliance on paper, while also opening the door to many updated features such as easy implementation of video, audio, and web content. It also expands the shelf life of course materials, allowing real-time updates to materials when needed. For participants, the combination of interactive tools and resources and two-way interaction promises a much richer and engaging learning experience.

### **About the Author**

*John Higgins, CPA.CITP, is a strategic advisor for CPA Crossings, LLC—a leading technology solutions consulting firm that offers a comprehensive catalog of CPE topics for State CPA Society members and the broad accounting profession. John is also a regular contributor to CPA Practice Advisor. For more information on the tablet-based CPE learning model, contact John at [jhiggins@cpacrossings.com](mailto:jhiggins@cpacrossings.com).*

## Of Interest

### MACPA Members Give Back

#### *Stories of CPAs Making a Difference in their Communities*

##### *Editor's Note:*

*CPAs are trusted advisors to businesses, organizations and individuals, helping them make sound financial decisions. But, Michigan CPAs go much further than that. Our members are an extremely dedicated group of volunteers who spend countless hours devoted to causes and organizations within their communities. They know there are real people and real problems behind the numbers. Our members' tremendous level of volunteerism and personal commitment in their communities is extraordinary. For that reason, we are proud to highlight the CPA profession's important contributions to Michigan citizens and communities. The following is the sixth in a seventh of articles.*

#### **Michelle Hanks, CPA: Thirsting to Serve**



Michelle Hanks, CPA  
Partner,  
De Boer, Baumann &  
Company

Working in an office a stone's throw from beautiful Lake Michigan, CPA Michelle Hanks understands that water is a precious commodity. Through her involvement with the Rotary Club in Grand Haven, Michelle is committed to international clean water initiatives.

The De Boer, Baumann & Company partner serves as treasurer of [Thirsting to Serve](#), a non-profit offshoot of her local Rotary Club. The group conducts an annual water conference, raises funds, and sponsors projects and programs to develop safe water and sanitation as a means of promoting health and alleviating hunger around the globe.

"Sitting here in my nice surroundings, it's easy to forget there are people in the world who live totally differently," she noted. "All we have to do is turn on a faucet to get water. In some parts of the world, children walk five miles to get a bucket of contaminated water."

Because of her work with Thirsting to Serve, Michelle says she is much more environmentally sensitive, taking care to consider how her actions impact the earth.

In addition to her work with Thirsting to Serve, Michelle has been extremely active in all aspects of her Rotary Club for more than a dozen years. She was treasurer for nearly all of those years, and has served as the club's president. She also coordinated the group's STRIVE program, a mentoring program for at-risk children. She was instrumental in fundraising efforts for that program as well as a college scholarship program designed to assist women in the lakeshore communities of Grand Haven and Muskegon. In recognition of her high level of commitment and dedication, her club recently named her Rotarian of the Year.

At De Boer, Bauman, Michelle works mostly in tax, and many of her clients are closely held businesses. She also manages the firm's QuickBooks consulting section.

In her "spare" time, Michelle writes music, plays acoustic guitar, and sings with a local group, Exit 9 Left. Her involvement in that group also lends itself to community service. In addition to playing local gigs, the group has performed at area fundraisers.

Michelle Hanks truly exemplifies the ideals of Rotary: "Service Above Self."

If you are giving back to the community, the MACPA wants to know! Submit your story to [publications@michcpa.org](mailto:publications@michcpa.org) to be considered for an upcoming issue of *Leaders' Edge*.

## **Legislative & Regulatory**

### **MACPA Memberships Terminated**

The MACPA Bylaws, [Article X, Section 1] states that The Code of Professional Conduct of Association shall be observed by every member of the Association. In regards to the conduct of Donald Gray of Portage, MI, the MACPA Professional Ethics Task Force has made findings of violation of Rule 202 and 501-5 of the Code of Professional Conduct. As a result, the Board of Directors approved the termination of Mr. Gray's membership on August 10, 2011.

The MACPA Bylaws [Article XI, Section 4(c)] provide for termination of membership in the Association without a hearing upon the filing of a final judgment of conviction of a felony. The MACPA was notified that member Richie C. Barnes of St. Joseph, Michigan, was convicted of a felony. The Board of Directors approved the termination of Mr. Barnes membership on August 10, 2011.

At a hearing of the AICPA's Joint Trial Board, conducted in accordance with the AICPA and MACPA Joint Ethics Enforcement Program, in regard to the conduct of Michael J. Reamer, the Joint Trial Board found Mr. Reamer in violation of AICPA Code of Professional Conduct Rule 501 - Acts Discreditable as adopted by the Michigan Association of CPA's (MACPA) Bylaw Article X, Sections 1 and 2. As a result, Mr. Reamer's membership within MACPA is immediately terminated.

September/October 2011

*Leaders' Edge*[PRINT](#)

## Association Briefs

### Seats Still Available at Fall Members Advisory Symposium

Join your colleagues to hear the latest professional developments, exchange ideas and enhance your role as a leader at the Fall Members Advisory Symposium. This year's program, taking place on Tuesday, September 20 in Novi, features an outstanding line-up of topics and speakers that will give you a fresh perspective on the profession, including:

- **Richard Baird**, consultant to Michigan Governor Rick Snyder, CPA, sharing insight into the Administration's priorities for the coming months.
- Key forces driving change for the CPA profession from incoming AICPA Chair **Gregory Anton, CPA**.
- **Mitchell Stapley, CFA**, chief fixed income officer for Fifth Third Asset Management, discussing how the national economy has and will impact Michigan.

You can also take advantage of the early bird ethics session and **two complimentary** afternoon sessions that will expand on the day's presentations, providing the opportunity to earn up to 8.5 CPE credits.

While space is limited for this annual event, you still have time to register. To learn more or to sign up, visit this [webpage](#).

## **Association Briefs**

### **Association Financial Statements Accessible Via the Web**

Article IV, Section 3, of the Association's [bylaws](#) require that the MACPA audit report shall be distributed by mail communication or by publication in an official publication of the Association. The [MACPA Financial Statements](#), audited by MRPR Group CPAs & Advisors, for years ended March 31, 2011 and March 31, 2010, are available on the member website or they may also be reviewed at the MACPA [office in Troy](#).

## Association Briefs

### In Memoriam

Fouad K. AlNajjar  
August 22, 2011  
Grosse Pointe Woods, MI  
**Joined MACPA:** April 15, 2002

Robert L. Bowden  
July 8, 2010  
Troy, MI  
**Joined MACPA:** April 25, 1952  
**Certified:** February 5, 1952

James E. Falvey  
May 20, 2011  
Bay City, MI  
**Joined MACPA:** June 30, 1957  
**Certified:** June 30, 1957

Joan B. Finken  
June 28, 2010  
Brighton, MI  
**Joined MACPA:** March 31, 1989  
**Certified:** December 8, 1988

Frank Frontiera  
October 1, 2010  
Commerce, MI  
**Joined MACPA:** November 30, 1974  
**Certified:** September 19, 1974

William L. Gay  
May 1, 2011  
Grosse Pointe Woods, MI  
**Joined MACPA:** March 31, 1962  
**Certified:** February 5, 1962

Ronald E. Moskwa  
August 5, 2011  
Dearborn Heights, MI  
**Joined MACPA:** July 31, 1992  
**Certified:** April 30, 1992

Samuel E. Scott  
December 29, 2010  
Port Saint Lucie, FL  
**Joined MACPA:** April 15, 1950  
**Certified:** January 27, 1950

Thomas F. Tepper  
March 29, 2011  
Grand Rapids, MI  
**Joined MACPA:** February 28, 1977  
**Certified:** November 7, 1976

James B. Terrill  
April 13, 2011  
Ann Arbor, MI  
**Joined MACPA:** April 30, 1958  
**Certified:** February 1, 1957

Edward F. Wosachlo  
December 7, 2010  
Port Royal, SC  
**Joined MACPA:** March 31, 1954  
**Certified:** January 28, 1954