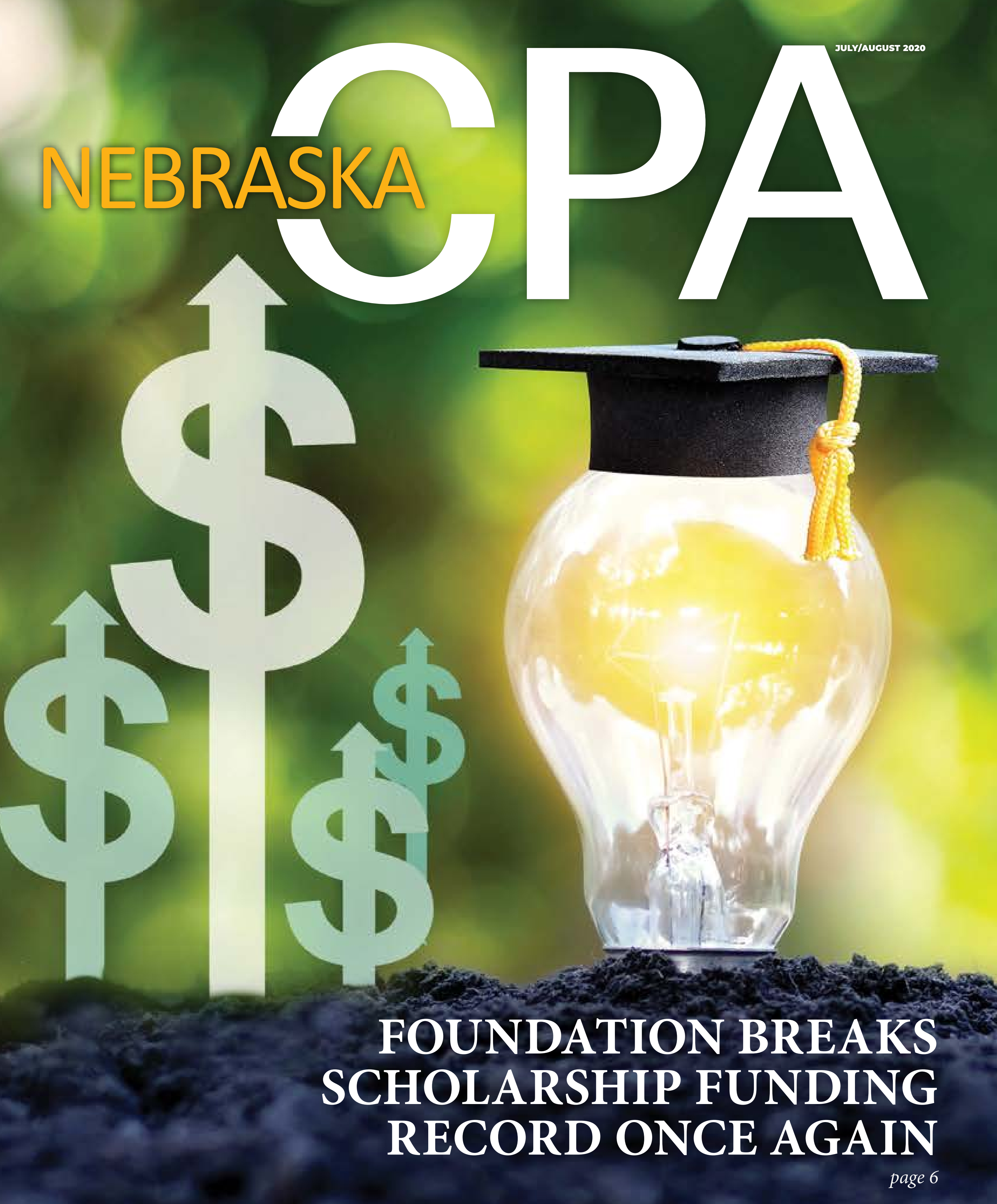
JULY/AUGUST 2020

NEBRASKA CPA



FOUNDATION BREAKS SCHOLARSHIP FUNDING RECORD ONCE AGAIN

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OFFICIAL PUBLICATION OF THE NEBRASKA SOCIETY OF CPAs

NEBRASKA CPA

JULY/AUGUST 2020

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Certified Public Accountants

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Executive Assistant
lori@nescpa.org

BY JONI SUNDQUIST, NEBRASKA SOCIETY OF CPAS

FOUNDATION BREAKS SCHOLARSHIP FUNDING RECORD ONCE AGAIN

Since 1976, the Foundation of the Nebraska Society of CPAs has been continuously increasing its commitment to help Nebraska college and university accounting students become future Nebraska CPAs. At its recent meeting, the Foundation Board of Trustees approved a record total of $128,600 in scholarships to 72 accounting students at 14 Nebraska colleges and universities for the 2020-2021 school year. Distributed to accounting students across Nebraska who are in their junior, senior, and graduate years of college, these scholarships are made possible by a transfer of funds from the Society to the Foundation as approved by the Society Board of Directors as well as through generous donations from our members. Please see page 23 of this issue for a list of Foundation contributors.

During a meeting via Zoom, the Foundation Board of Trustees, with Foundation President Don Kluthe of Omaha presiding, approved the following:

- 48 $1,500 General Accounting Scholarships Totaling $72,000
- 17 $2,300 150-Hour Scholarships Totaling $39,100
- 7 $2,500 Scholarships for Society Awards & Designated Scholarships Totaling $17,500

We will announce the recipients of all scholarships in the next issue of Nebraska CPA!

In other Foundation news, Don Kluthe, after numerous years of dedicated service, has decided to step down as president of the Foundation Board of Trustees. The Society extends a huge thank you to Don for his 17 years of service on the Foundation Board, including 14 years as a Foundation officer and his role as president of the Foundation for the past four years. Don is also a past chairman of the Society. According to our records, he has been active on a variety of Society committees and boards since 1990. That's a mountain of volunteer time and

we are extremely grateful for Don's exceptional leadership over these years!

During its June 17 meeting, the Foundation Board elected the following officers for the 2020-2021 Foundation fiscal year, which began July 1:

- President – Mark Manning of Crete
- Vice President – Tracy Black of Lincoln
- Secretary – Daniel Wells of Omaha
- Treasurer – Patrick Lavelle of Omaha

The Foundation Board also re-elected Jamie Johnson of Lincoln and Patrick Kirlin of Omaha for a second three-year term.

The next meeting of the Foundation Board of Trustees is scheduled for November 23.

Excellent Attendance at Summer Conferences

The Society's two summer conferences, the 24th annual Not-for-Profit Organizations Conference and the 39th annual Nebraska Governmental Accounting & Auditing Conference, drew nearly 190 registrants and 20-plus local and national speakers. The conferences were held via live webcast June 2-3.

At this time, we have moved all courses for the remainder of the year to webcast. While COVID-19 and social distancing may have changed the way we interact with you, you have our commitment that we are doing everything we can to ensure you continue to receive the same great service, resources, and content you expect from the Nebraska Society of CPAs. We plan to bring back a mixture of live webcast and in-person courses in 2021.

We know you have many choices for CPE and are grateful for your participation in Society courses. Thank you for supporting your profession and the Nebraska Society of CPAs! If you have questions regarding CPE or if the Society can assist you in any other way, please do not hesitate to contact me or Society Vice President Kelly Ebert at kelly@nescpa.org.

Next on the Agenda

The Society's annual Board of Directors Retreat will be held August 21 via Zoom. Nebraska Board of Public Accountancy Executive Director Dan Sweetwood will join us in the morning for a State Board report, followed by AICPA Chairman Tracey Golden, CPA, CGMA, audit partner at Deloitte, with a discussion of CPA profession issues from a national viewpoint. Then Walt Radcliffe and his team will provide a state legislative update to the group. The afternoon will include a strategic brainstorming session.

The Society's Annual Meeting and Fall CPE Virtual Conference has been scheduled for October 29-30 via webcast. See page 18 for more information. We are offering this conference at a significant discount! In the next issue of the Nebraska CPA magazine, the Society's Nominating Committee will announce its recommendations for chairman-elect and for two new directors to serve on the Society Board in 2020-2021. The membership will vote on these individuals during the Annual Meeting. Register today for the Annual Meeting and the Fall CPE Virtual Conference, both to be held via webcast, at https://nescpa.org/conferenceregform.php.

"The Society's Annual Meeting and Fall CPE Virtual Conference has been scheduled for October 29-30 via webcast. We are offering this conference at a significant discount!

Thank You, CPAs!

As CPAs and accounting professionals, you are known for wearing many hats. Since the beginning of COVID-19, you've stepped it up a notch by doing whatever it takes to best serve your clients and providing critical guidance to individuals and businesses throughout this crisis. I believe out of the bad has come some good, with a deepened trust of the profession that's a result of increased engagement with your clients and within your communities. Remain vigilant, stay strong, and continue to aim high!

I wish each and every one of you health and happiness in the days, weeks, and months to come. ◀

Joni Sundquist is president and executive director of the Nebraska Society of CPAs. You may contact her at (402) 476-8482 or joni@nescpa.org.

INACTIVE RETIRED STATUS: IS IT FOR ME?

BY DAN SWEETWOOD, NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

While preparing for a well-deserved retirement, many CPAs near the end of their career question what steps should be taken to keep their State Board-issued certificate in good standing. Inactive status is a great choice for retired CPAs and is outlined within regulations under Nebraska Administrative Code (NAC) Title 288 Chapter 7 listed below:

7.003 Inactive List. Any certificate holder who has not lost his or her right to issuance or renewal of a permit and who is not actively engaged in the practice of public accountancy in this state, shall make a written application to the Board to be classified as inactive or inactive-retired, or may surrender his or her certificate to the Board. A person classified as inactive shall not be issued a permit to engage in public accountancy, nor be deemed the holder of a "live permit" as defined in Section 1-151 of the Act, but shall be issued an inactive registration for the current licensing period upon the payment of the applicable fee. Inactive registrations will be issued for each licensing period and will expire on June 30 of each period. Once inactive-retired status is approved by the Board it will remain in effect until the certificate holder makes application for change.

003.01 Inactive Registrant; Use of Disclaimer. Whenever using "Certified Public Accountant" or "CPA" with his or her name, an inactive registrant shall use the disclaimer "Inactive Registrant" in parentheses immediately after the title or abbreviation; provided, however, that a certified public accountant exercising the practice privilege pursuant to the Act and the rules of the Board shall not be required to use the disclaimer.

"If you plan on retiring from your CPA firm, but plan on working part time to provide professional services and still want to hold out as a CPA, you should continue to keep your permit to practice active.

Our office fields many questions for those nearing retirement and understands the concerns you may have. Below are some thoughts from State Board staff:

- *If you plan on retiring from your CPA firm, but plan on working part time to provide professional services and still want to hold out as a CPA, you should continue to keep your permit to practice active. To do this, you still need to complete the required Continuing Professional Education (CPE) by completing 80 hours of CPE within your two-year reporting period. Simply stay the course and keep your permit up-to-date as you have before.*
- *Another area of concern for Board staff is when a CPA owner of a firm decides to retire and go to an Inactive Registration status or Inactive Retired status. Small CPA firms need to be aware that if a CPA owner retires, the firm must continue to have at least two active CPAs as owners to keep the firm in compliance.*
- *However, if you plan on a traditional retirement on the golf course or the beach, you can choose to place your Certificate in an Inactive Retired status. You must be 60 years of age and not provide professional services. You can continue to use the CPA designation as long as you disclose that you are Inactive Retired. Your Board knows you have worked hard to get to this status and chose not to charge any fees for this status. The good news is if, while in this status, you choose to go back to work and call yourself a CPA, you can complete 120 hours of CPE within the last three years and reinstate to an Active status as a CPA. You can also choose to surrender your Certificate.*
- *We are often asked by those in Inactive Retired status, what kind of services they can provide. Basically, to remain in "safe harbor," you cannot provide professional services while holding out as a CPA. It is best to explain to those who want you to join volunteer boards and/or other organizations that you are in Inactive Retired CPA status and cannot hold out as a CPA while providing services to the organization. Of course, it is still important you volunteer and provide assistance!*

I wanted to touch on this subject as many of you are nearing retirement and understand you may have many questions and/or concerns. Please take care and stay safe, and do not hesitate to contact the Nebraska Board of Public Accountancy office with any questions regarding your status as a CPA. ◀

Dan Sweetwood is executive director of the Nebraska Board of Public Accountancy. You may contact him at (402) 471-3595 or dan.sweetwood@nebraska.gov. You may also contact Kristen VanWinkle, administrator of the State Board, at kristen.vanwinkle@nebraska.gov.

TIME FOR AN EMPLOYEE BENEFITS CHECK UP

BY HEATHER C. PANICK, KOLEY JESSEN

Now that we are slowly returning to "normal" life again, it's time to take stock in what updates need to be made to clients' employee benefit plans to ensure compliance with the various laws and regulations that have been passed while most of us were sheltering in place and scrambling to keep up with changes in the law and the pandemic.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed by President Trump on March 27, 2020, provides for a number of benefits aimed at assisting individuals and businesses through the pandemic. Included in the CARES Act, and notices aimed at implementing and interpreting the legislation, are the following options for sponsors of employee benefit plans to consider.

Retirement Plan Options

Any amendment adopting any of the provisions in paragraphs 1, 2, or 3 below must be adopted no later than the last day of the first plan year beginning in 2022.

1. Coronavirus-Related Distributions

The CARES Act provides that "qualified individuals" may treat a distribution, between January 1, 2020, and December 31, 2020, of up to $100,000 from their eligible retirement plan as a coronavirus-related distribution (CRD). A CRD is not subject to the normal 10% excise tax that is applied to distributions made before an individual is 59½, may be repaid to an eligible retirement plan within a three-year period (resulting in an exclusion from income), and may be included in income over a three-year period.

For purposes of this item and item No. 2 below relating to plan loans, a "qualified individual" is defined as an individual: (a) who is diagnosed with COVID-19; (b) whose spouse or dependent is diagnosed with COVID-19; (c) who experiences adverse financial consequences as a result of: (i) being quarantined, furloughed, laid off, or having work hours reduced due to COVID-19, (ii) being unable to work due to lack of childcare due to COVID-19, or (iii) closing or reducing hours of a business owned or operated by the individual due to COVID-19; (d) who has a reduction in pay (or self-employment income) due to COVID-19 or having a job offer rescinded or start date for a job delayed due to COVID-19; or (e) the individual's spouse or a member of the individual's household experiences an event described in (c) or (d).

Employers may rely on an individual's certification that the individual is a "qualified individual" for purposes of this item and item No. 2.

2. Plan Loans

The Act also provides that plans may increase plan loan limits to the lesser of 100% of the participant's account balance or $100,000, and may also extend repayment terms for a year. The plan loan limit increase is available for loans made between March 27, 2020, and September 22, 2020. The loan repayment suspension applies to loan repayments due between March 27, 2020, and December 31, 2020, and extends the due date for the payments for up to a year.

Contrary to how the Act was originally interpreted, Notice 2020-50 provides that individuals may take CRDs and loans to address adverse financial consequences experienced by a spouse or household member. This enables an individual to receive a plan loan or CRD in order to offset the financial distress caused by the furlough of his or her spouse or other household member.

3. Required Minimum Distributions

The Act also provides that plans can waive required minimum distributions (RMDs) for 2020. This means that participants with an RMD due in 2020, including those who turned age 70½ in 2019 and would have had to take the first RMD by April 1, 2020, can skip receiving these distributions for this year. The IRS recently published Notice 2020-51 which provides that anyone who has already received an RMD in 2020 may roll those funds back into a qualified retirement account, as long as the rollover is completed prior to August 31.

4. Safe Harbor Contributions

The IRS has provided temporary relief from certain requirements relating to mid-year amendments to safe harbor 401(k) plans to reduce or suspend safe harbor contributions. Typically, an amendment to reduce or suspend future safe harbor matching contributions or safe harbor nonelective contributions can only be made during the plan year if the amendment also provides that the ADP test will be satisfied for the entire plan year, and the employer is either operating at an economic loss for the plan year or the plan's safe harbor notice included a statement that the plan may be amended to reduce or suspend safe harbor contributions, upon 30 days' notice to participants. Notice 2020-52 provides relief from these requirements.

Under the Notice, if a plan amendment (adopted between March 13, 2020, and August 31, 2020) reduces or suspends safe harbor matching contributions or safe harbor nonelective contributions for the plan year, the plan will not be treated as failing to satisfy the requirements set forth above. In addition, if the plan amendment reduces or suspends safe harbor nonelective contributions, the plan will not be treated as failing the safe harbor requirements if a supplemental notice is not provided to the eligible employees at least 30 days before the reduction or suspension is effective, as long as the supplemental notice is provided to eligible employees no later than August 31, 2020, and the amendment is adopted no later than the effective date of the reduction or suspension in contributions. This provision does not apply to safe harbor matching contributions.

Health & Welfare Plan Provisions

1. Cafeteria Plan Amendments

In addition to the optional changes in retirement plan benefits, the CARES Act also included amendment options for cafeteria plans. For example, the Act provides that medical flexible spending accounts (FSAs) and health savings accounts (HSAs) can reimburse for feminine care products and over-the-counter medications without a prescription.

In addition, Notice 2020-29, which was issued by the IRS to add flexibility to cafeteria plans, allows employers to amend their cafeteria plans to provide additional mid-year elections, i.e., make a new election, or revoke an existing election, to employer-sponsored health coverage, Health FSAs, and dependent care assistance programs (DCAPs).

Notice 2020-29 also permits employers to extend the grace period relating to unused amounts in Health FSAs and DCAPs, as of the end of the 2020 grace period or 2020 plan year, to pay or reimburse qualified expenses through December 31, 2020. Moreover, the Health FSA carryover limit for a plan year starting in 2020 has been increased to $550.

An employer desiring to make any of the changes described above must immediately inform the employees who are eligible to participate in the cafeteria plan about the changes, but has until December 31, 2021, to adopt the plan amendment.

2. Key Deadline Extensions

In addition to reviewing plan documents and drafting the necessary amendments, an employer should also review its health and welfare plans for compliance with Notice 2020-01, which was published jointly by the Department of Labor, Treasury Department, and the Internal Revenue Service on April 28, 2020, and announced an extension to several key deadlines under the Employee Retirement Income Security Act (ERISA). Under the Notice, the period from March 1, 2020, through the 60th day after the announcement of the end of the national emergency (the "Outbreak Period") shall be disregarded for all plan participants and beneficiaries in determining:

- The 30-day period (or 60-day period, if applicable) to request special enrollment;
- The 60-day election period for COBRA continuation coverage;
- The date for making COBRA premium payments, i.e., 45 days following the COBRA election;
- The date for individuals to notify the plan of a qualifying event or disability;
- The date for filing a claim for benefits or an appeal under the plan's claim procedures; and
- For group health plans, the date for providing a COBRA election notice.

The Notice also provides an extension of time for plan officials to provide benefit statement, annual funding notices, and other ERISA-required notices and disclosures as long as a good faith effort is made to provide the documents as soon as administratively practicable.

Action Steps

Clients should be encouraged to review their employee benefit plans and do the following:

- Decide whether to implement any of the CARES Act retirement plan options;
- Decide whether to implement any of the CARES Act or IRS Notice cafeteria plan options;
- Actively review and monitor employees who are eligible for COBRA or are making COBRA premium payments to ensure compliance with the deadline delays; and
- Consider revising their traditional safe harbor notices going forward to permit the employer to reduce or suspend safe harbor contributions upon 30 days' notice to participants.

Heather C. Panick is counsel in Koley Jessen's Employment Department. She focuses her practice on employee benefits and executive compensation. She assists clients in drafting health and welfare plans, deferred compensation agreements under Code Section 409A, and tax-related issues in the administration, compliance, and design of qualified and nonqualified retirement plans. She can be reached at heather.panick@koleyjessen.com.

CPA INSIDER: TAX NEWS FROM THE IRS

BY SHARON KREIDER, CPA

Keeping up with changes has been difficult, with the 2020 tax season lasting so (impossibly) long. And then, throughout the extra-long tax season, the Paycheck Protection Program (PPP) loans consumed our time and energy. With these urgent distractions, we didn't have much time to keep up with news from the IRS. Here are a few items of interest for you and your clients.

1. **Economic Impact Payment Notice.** Remind your clients to keep Notice 1444, "Your Economic Impact Payment." Your clients may not know this is an important document. They will need the Notice if they qualify for a larger Impact Payment when they file their 2020 tax return. The client may be entitled to a bit more rebate if they have a baby in 2020 or less income (after all, a lot of people are unemployed because of the pandemic).

2. **Early Bird RMDs.** Did your client take their RMD early in the year, not knowing that CARES would waive the 2020 RMD? The IRS has a solution. The taxpayer can redeposit the withdrawal by August 31, 2020. Most taxpayers were allowed to redeposit an early RMD by July 15. Notice 2020-51 gives the "early birds" more time to gather up funds to put the RMD back. The Notice provides that this repayment is not subject to the one rollover per 12-month period limitation or the restriction on rollovers for inherited IRAs. Read Notice 2020-51 at https://www.irs.gov/pub/irs-drop/n-20-51.pdf.

   Planning. Because of the economy, many clients may want/need to keep the money they withdrew from their IRA or retirement account for themselves or their kids. The client has an option to return the money to their retirement account.

3. **COVID-19 IRA and Retirement Plan Withdrawals.** Notice 2020-50 was released to help retirement plan participants affected by COVID-19 take advantage of the CARES Act provisions providing enhanced access to plan distributions and plan loans. This includes expanding the categories of individuals eligible for these types of distributions and loans (referred to as "qualified individuals"). Read Notice 2020-50 at https://www.irs.gov/pub/irs-drop/n-20-50.pdf.

   A qualified individual is one who:
   - is diagnosed, or whose spouse or dependent is diagnosed, with COVID-19 by a test approved by the CDC or FDA, or
   - experiences adverse financial consequences as a result of the individual, the individual's spouse, or a member of the individual's household (someone who shares the principal residence):

   1. being quarantined, being furloughed or laid off, or having work hours reduced due to COVID-19,

2. being unable to work due to lack of childcare due to COVID-19,
3. closing or reducing hours of a business they own or operate due to COVID-19,
4. having pay reduced, including self-employment income, due to COVID-19, or
5. having a job offer rescinded or start date for a job delayed due to COVID-19.

The Notice also provides guidance and examples on how qualified individuals will reflect the tax treatment of these distributions and loans on their federal tax return. For details on the Coronavirus-related relief for retirement plans and IRAs, read the IRS FAQs at https://www.irs.gov/newsroom/coronavirus-related-relief-for-retirement-plans-and-iras-questions-and-answers.

Planning.
IRA — Money may be short for many of our small business clients, and they may be tempted to pull money from their IRAs. Remind your client that if a "qualified individual" takes an early IRA distribution, the distribution is still taxable—ratable over three years unless the taxpayer elects to include all of the distribution in 2020. Only the 10% penalty is waived.

Pension Loan — If the client chooses to borrow from his or her 401(k) account instead, the loan must be paid back. Eighty percent of borrowers who lose or leave their job, do not (cannot) repay the loan and have a resulting taxable event.

4. **Qualified Opportunity Fund Investment Delay.** Notice 2020-39 allows additional time to taxpayers who sold a property for an eligible gain and who would have had 180 days to invest in a Qualified Opportunity Fund (QOF) to defer that gain. The Notice provides that if a taxpayer's 180th day to invest in a QOF would have fallen on or after April 1, 2020, and before December 31, 2020, the taxpayer now has until December 31, 2020, to invest that gain into a QOF. (The 180th day for some of these taxpayers was already postponed through July 15, 2020, under Notice 2020-23.) Also, the Notice provides the period between April 1, 2020, and December 31, 2020, is suspended for purposes of the 30 months during which property may be substantially improved. Other relief on the 90% asset test and the working capital safe harbor is provided in the Notice. Read more about Notice 2020-39 at https://www.irs.gov/newsroom/irs-provides-answers-about-coronavirus-related-tax-relief-for-qualified-opportunity-funds-and-investors. Read the updated IRS FAQs regarding Opportunity Zones and QOFs at https://www.irs.gov/credits-deductions/opportunity-zones-frequently-asked-questions#qof.

Planning. If your client defers gain into a QOF, a Form 8897, Initial and Annual Statement of Qualified Opportunity Fund Investments, is required. View Form 8897 at https://www.irs.gov/pub/irs-pdf/f8997.pdf ◀

For more information, contact Western CPE's customer service center at (800) 822-4194 or wcpe@westerncpe.com. ©2020 Sharon Kreider and Vern Hoven

2020 NESCPA COURSE CALENDAR

ALL COURSES ARE NOW WEBCASTS.

DATE	COURSE	CONFERENCE/COURSE TITLE	TYPE	DISCUSSION LEADER	CPE
AUGUST WEBCASTS					
11	ITET	Preparing Form 1041 - A Complete Understanding of the Issues & the Law	TX	Werner Rocca - Art Werner	8
12	PMIC	Estate & Life Planning Issues for the Middle-Income Client	TX	Werner Rocca - Art Werner	8
13	TCFO	Current Developments & Best Practices for Today's CFOs & Controllers	IND	Surgent - Ron Kral	8
14	PLFB	CFO/Controller's Roadmap to Success: Integrated Planning, Forecasting & Budgeting	IND	Surgent - Ron Kral	8
17	DAPB	Data Analytics - Introduction to Power BI (Co-sponsored with IMA Platte Valley Chapter)	MA	Guido Geerts	8
25	PETB	Partnership Essentials - Tax Basis, Capital Accounts & More	TX	Van Der Aa Tax Ed, LLC - Douglas Van Der Aa, CPA	8
26	SCES	S Corporation Essentials - Stock & Loan Basis & More	TX	Van Der Aa Tax Ed, LLC - Douglas Van Der Aa, CPA	8
27	TME4	New Travel, Meals & Entertainment Expense Reporting	TX	Van Der Aa Tax Ed, LLC - Douglas Van Der Aa, CPA	4
27	RET4	Real Estate Tax Update	TX	Van Der Aa Tax Ed, LLC - Douglas Van Der Aa, CPA	4
27	TME4	New Travel, Meals & Entertainment Expense Reporting	TX	Van Der Aa Tax Ed, LLC - Douglas Van Der Aa, CPA	4
27	RET4	Real Estate Tax Update	TX	Van Der Aa Tax Ed, LLC - Douglas Van Der Aa, CPA	4
SEPTEMBER WEBCASTS					
1	CRAU	Compilations, Reviews & Preparations: Engagement Performance & Annual Update	AA	Surgent - William Eskin	8
2	SMBP	Accounting, Audit & Attest Update for Practitioners With Small-Business Clients	AA	Surgent - William Eskin	8
3	ETH4	Ethics - Morning Course	ET	Surgent - William Eskin	4
3	TCC4	Critical Issues Involving Taxation of Construction Contractors - Afternoon Course	TX	Surgent - William Eskin	4
10	HOT	Hottest Tax Topics for 2020	TX	AICPA - Bill Murphy	8
11	EO-F990	Form 990: Mastering Its Unique Characteristics	TX	AICPA - Tom Sheets	8
17	HTOF	Employer's Handbook: Legal, Tax & Healthcare Issues	TX	Surgent - Kenneth Greenwood	8
18	BLAW	Business Law Essentials for Practitioners & Controllers	IND	Surgent - Kenneth Greenwood	8
21	PMFP	Project Management for Finance Professionals – NEW!	IND	Surgent - Jason Carney	8
22	CFVV	Winning the Fraud Battle in the 21st Century: Prevention & Detection	IND	Surgent - Jason Carney	8
25	TCJA	TCJA & Farm Taxation	TX	Clifton Larson - Paul Neiffer	8
28-29	BIC	AHI - Beginning In-Charge - Staff Training - Level 1 (Co-sponsored with the Iowa Society of CPAs)	AA	AHI - Bruce Dunn	16
30-1	BIN3	AHI - Beginning In-Charge - Staff Training - Level 3 (Co-sponsored with the Iowa Society of CPAs)	AA	AHI Associates - Bruce Dunn	16

OCTOBER WEBCASTS					
5	MLE	Management & Leadership Essentials (Co-sponsored with the Iowa Society of CPAs)	AA	AHI Associates - Bruce Dunn	8
8	UCIC	Understanding & Creating an Internal Control Structure	AA	Phoenix Beach - Karl Egnatoff	8
9	EDKW	You Don't Know What You Don't Know About Microsoft® Excel®	AA	Phoenix Beach - Karl Egnatoff	8
12	NRYB	Revised Yellow Book	AA	Paul Koehler, CPA	8
13	AANP	Accounting & Auditing of NPOs - New Guide	AA	Paul Koehler, CPA	8
19	TUBI	2020 Tax Update for Business & Individuals	TX	Van Der Aa Tax Ed, LLC - Douglas Van Der Aa, CPA	8
20	YETP	Year-End Tax Planning: Thinking Outside the Box	TX	Van Der Aa Tax Ed, LLC - Douglas Van Der Aa, CPA	8
21	KTBI	Key Tax Issues Facing Business & Industry	TX	Van Der Aa Tax Ed, LLC - Douglas Van Der Aa, CPA	8
22	TPGS	Annual Tax-Planning Guide for S Corporations, Partnerships & LLCs	TX	Surgent - Randy Newton	8
23	ISL4	Taking Advantage of Installment Sales & Like-Kind Exchanges - Morning Course	TX	Surgent - Randy Newton	4
23	SEL4	Buying & Selling a Business: Tax & Structuring Overview - Afternoon Course	TX	Surgent - Randy Newton	4
28	BADA	Blockchain & Digital Assets: The New Infrastructure of Distributed Trust - Afternoon Course	MA	RSM US LLP - Bennett Moore	8
29-30	FALL	20th Annual Fall Conference & Annual Meeting	CN	Conference	16
NOVEMBER WEBCASTS					
2	CONS	Construction Contractors: Critical Accounting, Auditing & Tax Issues	AA	Surgent - William Eskin	8
3	AAUP	Financial Reporting Update for Tax Practitioners	AA	Surgent - William Eskin	8
5	AARW	2020 Accounting & Auditing Update for the Real World	AA	Real World Seminars - Jim Martin	8
6	CNLS	Conquering the New Leasing Standard - NEW!	AA	Real World Seminars - Jim Martin	8
9	PTU	AICPA's Annual Federal Tax Update	TX	AICPA - Bruce Nelson	8
10	TSE.MST	Multistate Income Tax	TX	AICPA - Bruce Nelson	8
12-13	H2TU	2020-2021 Two-Day Federal Tax Update - Individual, Business & Corporate	TX	TaxSpeaker - Mark Mirsky	16
16	HOT	Hottest Tax Topics for 2020	TX	AICPA - Kevin Krantz	8
17	RPTR	Reviewing Pass-Through Tax Returns: What Are You Missing?	TX	AICPA - Kevin Krantz	8
18	CAAT	Construction Contractors: Accounting & Auditing	AA	AICPA - Martin Birr	8
19	CORU	Annual Update & Practice Issues for Preparation, Compilation & Review Engagements	AA	AICPA - Martin Birr	8
20	TAU	Federal Tax Update - Individuals & Business (Co-sponsored with the Iowa Society of CPAs)	TX	TaxSpeaker - Mark Mirsky	8

DECEMBER WEBCASTS					
1	BCPE	The Best S Corporation, Limited Liability & Partnership Update	TX	Surgent - Bruce Nelson	8
2	BITU	The Best Individual Income Tax Update	TX	Surgent - Bruce Nelson	8
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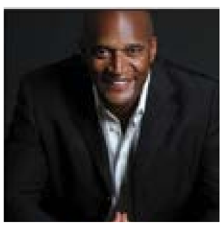
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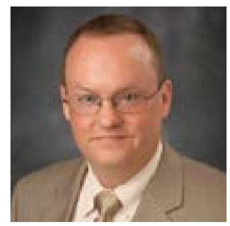
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- **Tax Controversy Case Studies -** Lisa Lehan, Koley Jessen PC, LLO
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ARTFUL ACCOUNT REBALANCING

BY DAVID TEPP, CPA, PFS, MBA, TEPP FINANCIAL PLANNING

One surefire way to initiate an awkward discussion with a client is to advise selling off part of an investment that is earning an excellent return. Particularly during bull markets, seldom does proper account rebalancing lead to improved near-term rates of return. Instead, the objective of rebalancing is to reduce the risk within a portfolio.

Security Selection & Portfolio Testing

Before selecting individual securities for a portfolio, investment correlation should be carefully considered. For example, large cap and mid cap equities have a relatively high positive correlation, so shifting assets from one to the other may not reduce the client's risk. However, shifting from equities to certain bond securities where the correlation is lower will likely reduce risk.

Once you have assessed the client's risk tolerance and constructed a portfolio, it is critical to analyze how it would have responded to past financial crises. Investment analysis software can enable you to calculate how the portfolio would have performed during the COVID-19 outbreak, the 2008 mortgage crisis, and the 2001 tech bubble, to name a few. Once the portfolio is stress tested, the investment manager should then analyze security correlation and adjust the holdings as necessary to reduce risk.

Timely Rebalancing

Investment managers will often choose to rebalance quarterly, semi-annually, or annually depending on the size of the account. However, far more important than the time interval is the timeliness of rebalancing. The primary objective of all investors is, naturally, to "buy low and sell high." Rebalancing accounts based on price volatility enables the investor to trim holdings that have grown beyond their intended target (selling high) and acquire less expensive diversifying assets (buying low).

For volatility-focused rebalancing, it is critical to establish parameters that trigger activity only when appropriate. Overly sensitive parameters will result in heavy trading that can increase costs. Alternatively, if the parameters are too broad, the account will drift beyond the intended allocation and increase risk.

"Account rebalancing should be designed to evaluate the account perpetually but to trade only when necessary," says Dan Skiles, president of Shareholders Service Group, a San Diego-based broker-dealer which specializes in serving independent advisors. "Further, it is critical to have trading desk support that can assist advisors with establishing model portfolios and determining best practices."

Mitigating Taxes

For taxable investment accounts, the obvious initial objective when rebalancing is to avoid generating too high a tax liability

Investment analysis software can enable you to calculate how the portfolio would have performed during the COVID-19 outbreak, the 2008 mortgage crisis, and the 2001 tech bubble, to name a few.

for the investor. When taxable accounts have positions with unrealized losses, the investor can sell these investments, wait for the wash sale period to end, and repurchase the assets within the same account. This generates a useful capital loss while enabling the investor to continue holding the desired securities, albeit with a reduced tax basis.

The greater challenge is when the account has accumulated gains, particularly to such a degree that it enhances the inherent portfolio risk. When this occurs, it is necessary to do two things simultaneously: strategically reduce the position of the inflated asset, and look for sale opportunities throughout the year that will generate losses which can offset the gains from the previous step.

Sachin Shah, chief operating officer of 55ip, a Boston-based software company that engineers automated investment rebalancing strategies for financial advisors, recommends a three-step approach:

1. A tax-prudent transition that pivots clients from their current strategy to one that is better aligned to their risk profile while adhering to a specific tax budget established by their CPA.
2. Ongoing tax management that entails tax gain and loss harvesting throughout the course of the year.
3. Tax-focused withdrawals that enable clients to access funds without accruing a heavy tax liability.

The need for consistent rebalancing was readily apparent earlier this year when financial markets fell sharply due to the COVID-19 outbreak. Disciplined investors rebalanced their portfolios after the S&P fell by nearly 30 percent. Rebalancing at that point was unusually tricky since virtually every security type lost value during the collapse. Yet, adhering to the target allocation enabled investors to acquire high-value securities at bargain prices.

Throughout this process, client communication is critical. It falls upon the investment manager to explain why rebalancing is necessary even though it may adversely affect investment returns during bull markets. The conversations may be difficult, but the benefits are especially apparent during retractions. ◀

David Tepp, CPA, PFS, MBA, is the managing member of Tepp Financial Planning, an independent wealth management firm in Westfield, N.J. He may be reached at dtepp@teppfp.com. This article was reprinted with permission from the New Jersey Society of CPAs.

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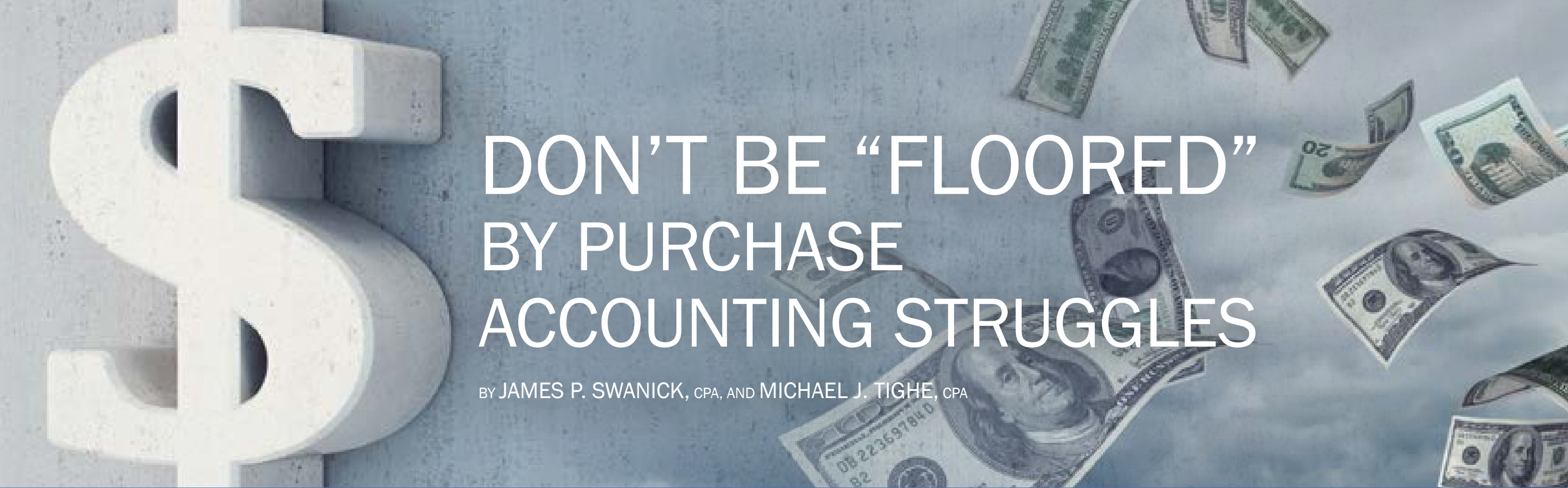


DON'T BE "FLOORED" BY PURCHASE ACCOUNTING STRUGGLES

BY JAMES P. SWANICK, CPA, AND MICHAEL J. TIGHE, CPA

No two merger and acquisition (M&A) deals are alike. Each is unique, opening the door to new challenges and uncharted territory for those tasked with determining the tax treatment of the transaction. One challenge that often gives practitioners headaches is how to handle assumed liabilities in an asset acquisition.

When a buyer purchases the assets of a target company in a taxable transaction (or purchases the stock of a target company with an IRC Section 338(h)(10) election), the purchase consideration will typically include assumed liabilities, such as accrued expenses and certain reserves. For financial reporting purposes under FASB ASC 805, assumed liabilities are generally included in the total purchase consideration if the liability existed prior to the transaction and will lead to an increased value in book goodwill on the opening balance sheet. However, for income tax purposes, certain liabilities may not be includible as purchase considerations, and therefore are not included in the tax basis of the acquired assets until economic performance occurs under the "all-events test" of Section 461(h). When this test is met, no tax deduction is claimed; instead, the basis of the acquired assets is increased—often increasing tax goodwill under the residual method.

In many cases, this triggering event occurs in a subsequent tax period, well after the transaction has closed. To avoid taking both a deduction and a basis increase when the liability is ultimately satisfied, taxpayers often establish a "floor" against the assumed liability.

Example

On June 30, 2017, ABC Corp. acquired the assets of Target Corp. in an applicable asset acquisition, as defined in Section 1060, in exchange for $8 million in cash and the assumption of liabilities of $2 million. The $2 million liability relates solely to a warranty reserve recorded by Target on its past sales, which remain covered under the assumed warranty policy. The reserve did not meet the "all-events test" of Section 461(h), as it was neither fixed nor determinable and economic performance had not yet occurred. As a result, no tax basis was assigned to the reserve on the opening balance sheet. The warranty reserve on ABC's year-end balance sheet (which consisted of liabilities acquired from Target Corp. as well as new liabilities recorded post-acquisition) is reflected in the chart below:

	Opening Balance Sheet 6/30/2017	12/31/2017	12/31/2018	12/31/2019
Warranty Reserve – ABC	$0	$750,000	$900,000	$1,000,000
Warranty Reserve – Target	$2,000,000	$2,000,000	$1,500,000	$0
Total Warranty Reserve	$2,000,000	$2,750,000	$2,400,000	$1,000,000
Floor Amount	($2,000,000)	($2,000,000)	($1,500,000)	$0
M-1 Adjustment	$0	$750,000	$150,000	$100,000

	Opening Balance Sheet 6/30/2017	12/31/2017	12/31/2018	12/31/2019
Goodwill – Books	$10,000,000	$10,000,000	$10,000,000	$10,000,000
Goodwill – Tax	$8,000,000	$8,000,000	$8,500,000	$10,000,000

As of December 31, 2019, the full amount of the original warranty reserve ($2 million) related to Target Corp.'s liability has been paid out in full.

Analysis

For book purposes, a total of $10 million ($8 million cash plus $2 million assumed liability) was allocated to the newly acquired assets with any residual consideration being allocated to book goodwill. In addition, the warranty reserve was recorded as a liability on the opening balance sheet. For tax purposes, only $8 million was allocated to the newly acquired assets since there was zero tax basis in the warranty reserve, initially resulting in a lower amount of tax-deductible goodwill compared to book goodwill. In addition, a $2 million "floor" against the reserve is tracked off-balance-sheet to ensure that no tax deduction is recognized for this amount.

At the end of 2017, the $750,000 increase in the reserve ($2 million to $2.75 million) would be disallowed as a deduction for tax purposes and there would be no change to the floor. This assumes the increase relates to new reserves recorded as a debit to warranty expense of $750,000 and a credit to warranty reserve of $750,000. As of the end of 2018, the net balance decreased by $350,000 ($2.75 million to $2.4 million), which included an increase of $150,000 in new liabilities and a $500,000 payment against the target's floor amount. As a result, $150,000 is disallowed as a current deduction and the floor is reduced to $1.5 million due to $500,000 of payments against Target's reserve balance.

So, what happens to the $500,000 in payments against Target's reserve? The $500,000 would not be deductible, but rather would increase the tax basis in goodwill and would be amortized over the remaining life of the original goodwill—in this case 13.5 years.

Let's take it a step further and look at what would occur in 2019 based on the facts above. The ending reserve balance decreased by $1.4 million in 2019 ($2.4 million to $1 million); however, based on additional information obtained from the accounting department, it was determined that the remaining assumed warranty reserve of $1.5 million was paid out in full as of December 31, 2019. Therefore, the remaining assumed warranty balance of $1.5 million was reduced to zero, and a new reserve amount (unrelated to Target Corp.) was recorded in the amount of $100,000. As a result, there would be a disallowance of the $100,000 as an unfavorable book-to-tax adjustment in 2019 for not meeting the requirements of Section 461(h) for deductibility in 2019. In addition, the floor is completely gone at the end of 2019 since it was actually paid out, and the payout would be treated similarly to the prior year—an increase in the tax basis of the original goodwill. The $1.5 million increase to goodwill would then be amortized over the remaining life of the original goodwill or 12.5 years.

Setting up and the subsequent tracking of floors can be tedious and burdensome to most taxpayers. Therefore, keeping accurate records on day one following a completed transaction is vital to handling it properly. In the previous example, ABC was able to directly trace payments against old and new liabilities. If tracking payments is not practical, a reasonable approach could be made, such as assuming payments will be applied against the assumed liability first.

A taxpayer should not assume that the tax treatment of a liability will follow books. Without a proper process for tracking floors there is a potential for inadvertently taking a "double-deduction" or taking deductions in the wrong tax periods, which could lead to amending tax returns as well as FASB Interpretation No. 48 (FIN 48) reserves, penalties, and interest. Having a clear understanding of what is being recorded in purchase accounting and determining its tax sensitivity will not only make the tax accountant's job easier, but also will safeguard the company from potential problems down the road. ◀

James P. Swanick, CPA, is managing director in Global Tax Management Inc.'s Wayne, Pa., office. He can be reached at jswanick@gtmtax.com. Michael J. Tighe, CPA, is associate director with Global Tax Management Inc. He can be reached at mtighe@gtmtax.com. This article has been reprinted with permission of the Pennsylvania Institute of CPAs.

Members in the News

AMGL CPAs & Advisors of Grand Island was one of the sponsors of the third annual Doniphan Diabetes Dash in June.

BKD CPAs & Advisors, Deloitte, KPMG, and **RSM** were listed among the businesses holding 2019-2020 Top 100 Campaigns to benefit United Way of the Midlands.

Bland & Associates of Omaha took first place in the Accounting Firm category of the 2020 Omaha's Choice Awards. The award recipients were chosen by Omaha World-Herald readers in an online ballot earlier this year. Additional Accounting Firm winners included **Berger, Elliott & Pritchard CPAs, LLC; Lutz & Company, PC;** and **RG & Associates CPAs, LLC**.

HBE LLP of Lincoln, Norfolk, and Omaha has been named one of the 2020 Best Accounting Firms to Work for; across the country, only 100 firms make this list.

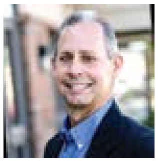
Kopsa Otte CPAs & Advisors of York is one of the statewide sponsors of EntrepreneurShip Investigation (ESI) Camp, a program where Nebraska youth learn basic business development with the help of local entrepreneurs and the guidance of local educators.

Bryan Broekemier of Hayes & Associates in Omaha has been promoted to director of audit and attestation services. Broekemier previously worked with the Nebraska Auditor of Public Accounts. He has a Master of Professional Accountancy and is a CPA and a Certified Fraud Examiner. He serves as the firm's liaison with BDO USA Alliance.

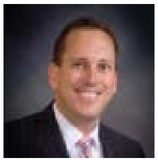
Rachel Deaton joined Bland & Associates in 2015 and was promoted to manager in the tax department in June 2019. She earned a bachelor's degree in accounting from Doane College in 2009 and became a CPA while at Bland.

Ben Dvorak joined Pekny & Associates, CPAs, PC in January 2020 as a staff accountant in the Columbus office. Dvorak has been an accountant for approximately 10 years. He has previous experience as a tax accountant at Hein & Associates in Denver, Nosal Professional Group in Omaha, and McDermott & Miller in Omaha. He graduated from the University of Nebraska-Lincoln with a bachelor's degree in finance and accounting in 2006 and a Master of Taxation from the University of Denver in 2008.

Laura Fender was elected senior vice president and controller of accounting and finance at Ameritas. Fender earned a BSBA degree in accounting from Creighton University. She currently serves on the boards of directors for Completely Kids, Girl Scouts Spirit of Nebraska, and the Omaha chapter of Financial Executives International.

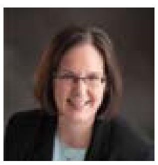


Tim Hoffman has joined DataVizion in Lincoln as the company's new CFO and COO.



Robert Hollingsworth of Deloitte was one of the 2019 Tocqueville Society Committee members for the United Way of the Midlands 2019 campaign.

Lisa Lehan of Koley Jessen in Omaha was recognized as a notable practitioner by the Chambers High Net Worth (HNW) Guide, which ranks lawyers and firms in private wealth services. In addition, **Koley Jessen's** Private Wealth Law practice was ranked "Band 1" by Chambers HNW. Koley Jessen was one of only two Nebraska firms to obtain this ranking. Four of the nine Nebraska attorneys ranked by the publication were Koley Jessen attorneys.

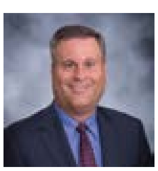


Mindy Oman of KSO CPAs + Advisors in Kearney has joined the board of directors of the Kearney Area Community Foundation (KACF). Oman has been with the firm since 2001 and is a shareholder and head of personnel at KSO.

Five NESCPA Members Appointed as AICPA Volunteers

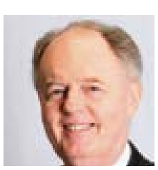
Five members of the Nebraska Society of CPAs have been appointed to AICPA volunteer groups for the committee year that began in May 2020 and will end in May 2021. These volunteers are:

Frank Burnham, F.H. Burnham Accounting & Consulting LLC, Omaha – Certified Information Technology Professional (CITP) Champion Program

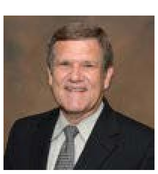


Patrick Meyer, HBE LLP, Lincoln – Elected Member of Council

Shari Munro, Frankel Zacharia LLC, Omaha – Designated Council Representative Through October 2020

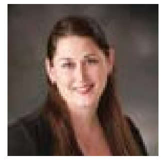


Thomas Purcell, Creighton University, Omaha – Personal Financial Planning Services Standards Review Task Force



William Strain, William V. Strain LLC – Forensic & Valuation Services Executive Committee

Two Nebraska CPAs Selected for AICPA Leadership Academy



Nicole Cooper and **Jodi Eckhout** are two of only 30 CPAs in the nation honored by the American Institute of CPAs (AICPA) as members of the Leadership Academy's 12th graduating class. The two Nebraska CPAs were selected based on their exceptional leadership skills and professional experience for the four-day Leadership Academy program, which will be held October 5-8, 2020.

Cooper graduated with highest distinction from the University of Nebraska-Lincoln in 2015 with a Bachelor of Business Administration, majoring in accounting. She received her MBA from the University of Nebraska at Omaha in 2016. She is the assistant controller at the University of Nebraska at Omaha and a military veteran, serving eight years in the Army National Guard including deployments to Iraq and Kuwait in support of Operation Iraqi Freedom.

Eckhout obtained a bachelor's degree from Nebraska Wesleyan University, graduating with distinction, and obtained a Master in Professional Accountancy from Montana State University. She has served on several not-for-profit boards of directors and is currently serving on the Tax Committee for the Nebraska Society of CPAs. She specializes in tax preparation and planning with small business clients at Woods & Durham in Holdrege, Neb.

The AICPA Leadership Academy was designed to strengthen and expand the leadership skills of promising young professionals while they network with a peer group of talented and motivated CPAs. The Leadership Academy features career-development workshops and sessions with some of the accounting profession's most prominent influencers, including Tracey Golden, CPA, CGMA, chairman of the American Institute of CPAs, and Barry Melancon, CPA, CGMA, president and CEO of the American Institute of CPAs and CEO of the Association of International CPAs.

Participants were selected from public accounting firms of all sizes, business and industry, academia and consulting firms.

The 2020 Leadership Academy attendees were recommended by their employers, state CPA societies, and/or volunteer organizations. Candidates submitted resumes and a statement explaining how participating in the Leadership Academy would impact them personally and professionally. They also wrote an essay on the topic "The future will bring significant changes to the accounting profession. What do leaders have to get right in order to successfully lead?"

To date, more than 385 CPAs have participated in the AICPA Leadership Academy, many of whom have gone on to take on leadership positions in their firms, businesses, and volunteer organizations. For more information about the AICPA Leadership Academy, visit AICPA.org/Leadership. ◀

WELCOME NEW SOCIETY MEMBERS!

Membership in the Nebraska Society of CPAs signifies your commitment to the accounting profession and the belief that much can be accomplished by working together. Welcome to the premier organization for CPAs and accounting professionals in Nebraska.

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Learn more about the Society and the benefits of membership at https://nescpa.org.

Classified Ads

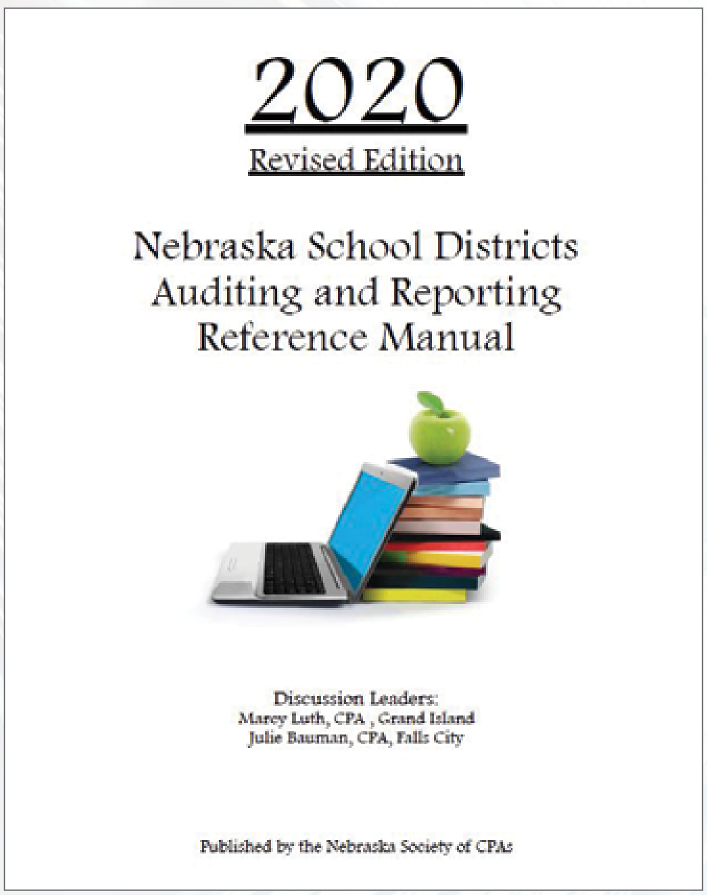
2020 REVISED SCHOOL DISTRICTS AUDITING & REPORTING REFERENCE MANUAL AVAILABLE

The 2020 edition of a longtime Society publication, **Nebraska School Districts Auditing & Reporting Reference Manual,** is available through the Society for $40.

This year's guide has been updated by members of the Society's Nebraska Governmental Accounting and Auditing Committee, coordinated by Marcy Luth of Almquist, Maltzahn, Galloway & Luth in Grand Island, and Julie Bauman of Julie D. Bauman, CPA, PC in Falls City.

The guide has been developed to assist accountants in preparing financial statements and reports for all Nebraska School Districts and was prepared with the cooperation of Jerry Stilmock of Brandt, Horan, Hallstrom & Stilmock of Syracuse, the Nebraska Department of Education, and the Nebraska State Auditor's Office.

To order the guide, contact the Nebraska Society of CPAs at (402) 476-8482 or society@nescpa.org.



in Memoriam

ROGER C. WHITNEY
1948-2019
A $100 donation has been made to
The Foundation of the Nebraska Society
of Certified Public Accountants
in memory of Roger.

Nebraska Certificate #1635
Society Certificate #1258

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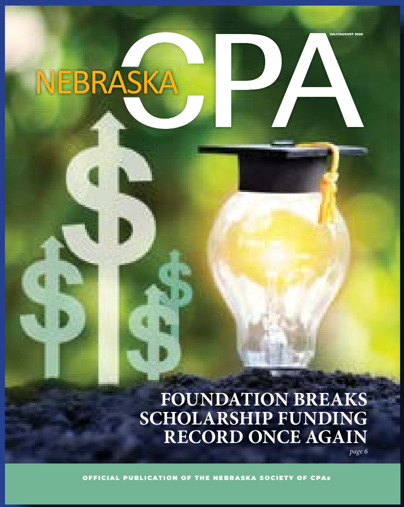

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