Wisconsin Institute
WI CPA
Certified Public Accountants

Volume 1, No. 166 Fall 1993

You are the bottom line

by Larry J. Weber, CPA, WICPA Northwest Chapter Member

Larry J. Weber, CPA

I hope the summer (what summer?) provided opportunities for each of you to get out and enjoy time with your family and friends to relax and have fun. We all need time to re-charge our batteries.

The WICPA staff, committees and board of directors have been busy working for your interest.

1. Strategic Plan. A facilitator has been hired and members appointed to a special task force to develop a strategic plan. We will be meeting in late October and securing input shortly thereafter from our membership as to direction and function of the WICPA.

2. Statute of Limitations Bill - AB197, SB358. We have been busy working with the Wisconsin Bankers Association to iron out the main points of this important legislation for all members. CPAs in industry have a very important stake in this legislation, as we are the customer, and securing passage of this bill should help CPA firms hold down their costs. It is important to the success of this legislation that we obtain the support of the WBA.

3. 150 - Hour/Mandatory CPE. The 150-Hour Task Force and the Accounting Examining Board have been busy preparing for legislation that will result in improved job entry candidates by the year 2000, and should level the playing field for all accountants in Wisconsin as related to continuing professional education.

If you have concerns and issues that need attention, let us know. Call the WICPA office at either (414) 785-0445 or (800) 772-6939 (WI/MN), or discuss your concerns with your chapter representative to the board of directors. Their names and numbers are:

Diane Austin	Northeast Chapter	(414) 433-1757
John Dietrich	West Central Chapter	(608) 783-5056
Edward Hahn	North Central Chapter	(715) 387-6341
Lucretia Mattson	Northwest Chapter	(715) 832-1173
Rebecca Rush	Southeast Chapter	(414) 355-0400
Kim Tredinnick	Southern Chapter	(608) 249-6622

Remember — ***You are the bottom line!!***

Larry J Weber

Larry Weber, CPA
President, 1993-94
WICPA Board of Directors

Across the board

by LeRoy C. Schmidt, Executive Director, WICPA

WICPA members and WICPA staff are actively involved in efforts to promote the CPA profession and the WICPA. I am continually impressed with the dedication and enthusiasm of our members who have accepted President Larry Weber's challenge to become active in the WICPA. A good example of this dedication and enthusiasm is Sue Kunze and the Accounting Careers Committee. These committee members along with scores of other WICPA members will be promoting the CPA profession as a possible career choice in, hopefully, all the high schools in the state of Wisconsin. Dick Sprain and the Nominations Committee is another example of the importance of our volunteer members. The Nominations Committee is well on its way to identifying new leaders for the WICPA to continue the important work of the Institute.

I would encourage you to consider becoming actively involved in promoting your profession through participation in WICPA activities. What we really need is all 7,300 WICPA members taking an active interest in public relations for our profession.

Legislative Activities

On Sept. 22, 1993, Senator Petak's Business, Economic Development and Urban Affairs Committee held a hearing on SB358, the WICPA Statute of Limitations bill. Larry Weber, Larry Rose, Karin Gale and Michael Vaughan, testified on behalf of the WICPA. We are still hopeful that SB358 will be reported out of Senator Petak's committee in time to be passed by the full Senate during the October session. We are continuing to encourage Representative Rutkowski to hold a hearing on our Statute of Limitations bill in the Assembly and to report it out to be voted on by the full Assembly.

We are continuing to work with the Accounting Examining Board (AEB) to obtain legislative sponsors for the 150-Hour Education Requirement legislation. Also, we are encouraging accounting faculty at Wisconsin colleges and universities to discuss ways to implement the 150-Hour Education Requirement at their institutions, and to make the concept work for all parties involved.

LeRoy C. Schmidt

WISCONSIN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, INC.

BALANCE SHEET
APRIL 30, 1993

	1993	1992
ASSETS		
Current Assets	$ 489,186	330,249
Assets Held For Deferred Compensation	334,792	342,062
Equipment-Net	144,857	171,403
	$ 968,835	843,714
LIABILITIES AND FUND BALANCES		
Current Liabilities	$ 150,591	199,048
Deferred Compensation Payable	307,433	313,724
Fund Balances	510,811	330,942
	$ 968,835	843,714

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDED APRIL 30, 1993

Revenues	$1,960,904	1,671,568
Expenses	1,781,035	1,641,663
Excess of revenues over expenses	179,869	29,905
Fund Balances, beginning of year	330,942	301,037
Fund Balances, end of year	$ 510,811	330,942

STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 1993

Net Cash Provided By Operating Activities	$ 181,181	94,684
Net Cash Used In Investing Activities	(194,927)	(64,499)
Increase (decrease) in cash and cash equivalents	(13,746)	30,185
Cash and cash equivalents:		
Beginning	91,816	61,631
Ending	$ 78,070	91,816

The above condensed information was taken from the financial statements audited by Conley McDonald & Company. Their report dated May 20, 1993 expressed an unqualified opinion on those financial statements. If you have any questions or would like the complete financial statements, please call Denise Wagner, WICPA's Director of Administrative Services at (414) 785-0445 or (800) 772-6939 (Wisconsin and Minnesota only).

WISCONSIN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1993

Note 1. Significant Accounting Policies
A summary of the Institute's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Principles of statement preparation:
The accompanying financial statements have been prepared in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide Audits of Certain Nonprofit Organizations. Accordingly, assets, liabilities, resources and expenditures are classified into funds associated with specific activities or objectives. The following funds are utilized:

The Operating Fund is used to account for the operations of the Institute, including all resources over which the Board of Directors has discretionary control.

The Equipment Fund is used to record the investment in and transactions related to equipment.

Investment securities:
Investment securities are stated at cost adjusted for accretion of discounts, which are recognized as adjustments to interest income.

Equipment:
Asset additions are recorded at cost in the Equipment Fund. Depreciation and amortization are provided on the straight-line basis over the estimated useful lives of the related assets.

Revenue/expense recognition:
Membership dues are recognized as revenue over the period to which they relate. Fees for professional development seminars and conferences and from activities of committees are recognized as revenue in the period in which the seminar, conference or activity occurs. The fees collected by the Institute for the quality review program are restricted for use in the program and are recognized as revenue over the period for which they were billed. Contributions received for the CPA liability program are recognized as revenue in the year received and are restricted for use in that program. Expenses relating to seminars, conferences and other activities are recognized in the period in which the related function occurs.

Cash flows:
For purposes of the Statement of Cash Flows, the Institute considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Concentration of credit risk:
The Institute grants credit to members, substantially all of whom reside within the State of Wisconsin.

Note 2. Deferred Compensation Agreements and Retirement Plan
The Institute has two deferred compensation agreements. One agreement is with a former executive director and requires the Institute to maintain an investment account for the benefit of the former employee. Interest earned on the investment account is not recognized as revenue to the Institute but is recorded directly as an increase to deferred compensation payable and the related asset. The agreement provides for monthly payments to the employee upon retirement with payments starting during 1990.

The other deferred compensation agreement is with a former employee who retired on December 31, 1978. Under this agreement the Institute must pay $2,400 per year to the former employee until death. The Institute has accrued the estimated liability for all future payments to be made under the agreement.

WISCONSIN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
APRIL 30, 1993

Note 2. Deferred Compensation Agreements and Retirement Plan - Continued:
The Institute has established a trusteed contributory 401 (k) plan for qualified employees who have completed one year of continues service. Under the plan, the Institute contributes 6% to 10% of an employee's annual compensation to the employee's retirement account. Contributions under the plan were $26,850 and $15,251 for the years ended April 30, 1993 and 1992 respectively.

Note 3. Leases
The Institute leases its office facilities under a noncancellable operating lease which is to expire on April 30, 1995. The lease requires the Institute to pay contingent rentals equal to the amount of certain operating costs in excess of a specified amount. Total rent payments of $76,581 and $71,975 were paid under the operating lease for the years ended April 30, 1993 and 1992 respectively.

The Institute also leases a copier machine under a 60 month operating lease which started in January, 1993. Total rent payments of $5,443 were paid under the operating lease for the year ended April 30, 1993.

Future minimum rental payments under the noncancellable operating lease for the years ending April 30 are as follows:

Years	
1994	$ 87,970
1995	87,970
1996	16,330
1997	16,330
1998	10,886
	$ 219,486

Note 4. Income Taxes
The Institute operates as a not-for-profit organization as provided under Section 501(c) (6) of the Internal Revenue Code and as such is exempt from federal and state income taxes.

Note 5. Related Party Transactions
Various clerical functions and accounting services are provided by employees of the Institute to the Wisconsin Institute of Certified Public Accountants' Educational Foundation, Inc. The Institute does not charge the Foundation for these services.

Note 6. Comparative Amounts
The amounts shown for 1992 in the accompanying financial statements are included to provide a basis for comparison with 1993 and are not intended to present all information necessary for a fair presentation of the 1992 financial statements in conformity with generally accepted accounting principles.

THE WISCONSIN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' EDUCATIONAL FOUNDATION, INC.

BALANCE SHEET
APRIL 30, 1993

	1993	1992
ASSETS		
Cash and Cash Equivalents	$ 11,185	43,830
Investment Securities	389,042	356,274
Other Assets-Net	1,740	16,653
	$ 401,967	416,757
LIABILITIES AND FUND BALANCES		
Scholarship Grants Payable	$ 140,600	140,325
Fund Balances	261,367	276,432
	$ 401,967	416,757

STATEMENT OF REVENUES, EXPENSES, SCHOLARSHIP GRANTS AND CHANGES IN FUND BALANCES
YEAR ENDED APRIL 30, 1993

Revenues	$ 44,763	62,950
Expenses and Scholarship Grants	59,828	55,586
Excess (deficiency) of revenues over expenses	(15,065)	17,392
Fund Balances, beginning of year	276,432	259,040
Fund Balances, end of year	$ 261,367	276,432

STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 1993

Net Cash Provided By Operating Activities	$ 7,071	21,023
Net Cash Used In Investing Activities	(39,716)	(140,395)
Increase (decrease) in cash and cash equivalents	(32,645)	(119,372)
Cash and cash equivalents:		
Beginning	43,830	163,202
Ending	$ 11,185	43,830

The above condensed information was taken from the financial statements audited by Conley McDonald & Company. Their report dated May 20, 1993 expressed an unqualified opinion on those financial statements. If you have any questions or would like the complete financial statements, please call Rick Schubarth, WICPA's Accounting Coordinator at (414) 785-0445 or (800) 772-6939 (Wisconsin and Minnesota only).

THE WISCONSIN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1993

Note 1. Significant Accounting Policies

A summary of the Foundation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Principles of statement preparation:
The accompanying financial statements have been prepared in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, Audits of Certain Nonprofit Organizations. Accordingly, assets, liabilities, resources and expenditures are classified into funds associated with specific activities or objectives. The following funds are utilized:

The Operating Fund consists of unrestricted balances. The Unrestricted Fund balance is used to account for the operations of the Foundation, including all resources over which the Board of Directors has discretionary control.

The Endowment Fund was established during 1984 to account for all monies related to a scholarship fund drive. The intention of the Board of Directors is to preserve the principal raised during the fund drive and use investment income earned on such (which is recorded in the Operating Fund) primarily for the annual scholarship program of the Foundation. Pledges currently being received are to be paid over periods ranging from one to three years. Pledges for contributions to be made in future years are recorded as pledges receivable and deferred Endowment Fund additions. Contributions are recorded as revenue at the time the pledge is received. The restricted portion of the Endowment Fund as of April 30, 1993 and 1992 are as follows:

	1993	1992
Schenck and Associates Scholarship Fund	$ 10,000	10,000
North Central Chapter Scholarship Fund	15,000	15,000
Vincent Derscheid Scholarship Fund	31,574	31,544
Northeast Chapter Fund	12,000	10,000
Board designated	108,860	108,860
	$ 177,434	175,404

Valuation of securities:
Marketable equity securities are carried at the lower of cost or market value. Under the lower of cost or market method, unrealized losses and recoveries of past unrealized losses are reflected directly in the Statements of Revenues, Expenses, Scholarship Grants and Changes in Fund Balances. Other investments are carried at cost which approximates market.
Scholarship grants:
The Board of Directors has the authority to grant scholarships which are payable over a four-year period. Scholarship grants are charged to expense in the period in which the Board approves the grant.
Cash flows:
For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Note 2. Investment Securities

Carrying amounts and approximate market values of investment securities are summarized as follows:

	April 30, 1993	
	Carrying amount	Approximate market value
Firstar - Total Return Balanced Fund	389,042	406,097

THE WISCONSIN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
APRIL 30, 1993

Note 2. Investment Securities - Continued:

	April 30, 1992	
	Carrying amount	Approximate market value
Certificates of deposit	$ 37,000	37,000
Marketable equity securities	161,243	165,645
Municipal bonds	10,000	10,000
U.S. Government Agencies	137,743	138,000
U.S. Treasury securities	10,288	10,572
Total	$ 356,274	361,217

Investments at April 30, 1993 include $389,042 invested in Firstar Bank Madison's Total Return Balanced Fund which is a common pooled trust fund. The mix of investments held in this fund at April 30, 1993 include 58% Equity Securities, 31% Bonds and 11% Cash.

Note 3. Scholarship Grants Payable

Changes in authorized scholarship grants payable at April 30, 1993 and 1992 are as follows:

	1993	1992
Scholarships granted	$ 56,850	55,000
Prior grants rescinded	(5,050)	(4,600)
Payment of scholarship grants	(38,450)	(37,050)
	13,350	13,350
Balance, beginning of year	127,250	113,900
Balance, end of year	$ 140,600	127,250

Annual maturities of grants payable subsequent to April 30, 1993 and 1992 are as follows:

1994	$ 47,100
1995	40,750
1996	33,250
1997	19,500
	$ 140,600

Note 4. Income Taxes

The Foundation operates as a not-for-profit organization under Section 509(a) (3) of the Internal Revenue Code and as such is exempt from federal and state income taxes.

Note 5. Related Party Transactions

Various clerical functions and accounting services are provided to the Foundation by employees of the Wisconsin Institute of Certified Public Accountants, Inc. The Foundation is not charged for these services.

Note 6. Comparative Amounts

The amounts shown for 1992 in the accompanying financial statements are included to provide a basis for comparison with 1993 and are not intended to present all information necessary for a fair presentation of the 1992 financial statements in conformity with generally accepted accounting priinciples.

feature

Looking at women CPAs

by Marion R. Wozniak, CPA, President-Elect, WICPA Southern Chapter Member

Marion R. Wozniak, CPA

Lucretia S. Mattson, CPA

Cheryl A. Connor, CPA

Several months ago I received a call from Mary Jaeger of the WICPA staff, asking me if I would write an article about women CPAs. What I thought at first would be a difficult task, because of the sensitive nature sometimes surrounding this topic, developed into a rewarding and enlightening experience.

In the past 15 years the number of women entering the accounting profession has risen dramatically. Over 50 percent of today's college graduates entering the profession are women. I cannot think of any other profession which offers as much versatility, flexibility and advancement opportunities for women.

It is rewarding indeed to be afforded the opportunity to meet and talk with so many women CPAs. It is also very exciting to see them as leaders in our profession. Therefore, I would like to take this opportunity to introduce you to some of our women leaders. Although the career paths they have chosen are diverse, they have one thing in common - strong commitment to our profession.

Lucretia S. Mattson is an Associate Professor of Accounting at the University of Wisconsin-Eau Claire. She also works as an accountant at Bernicke and Associates, Ltd., Eau Claire, Wis.

Lucretia serves as vice president to the WICPA Board of Directors. She brings to the profession a diverse background, commitment, and enthusiasm which is contagious.

She describes herself as a "retread." She says "my undergraduate degree is in mathematics and after five years of teaching in junior and senior high schools, I wanted a change."

After accidentally taking an accounting course at a community college, Lucretia became enlightened to the opportunity in accounting. "Accounting combines reason, logic, and working with people - an appealing choice," Lucretia said.

Once enlightened, she returned to school to earn a masters in accounting. Although she never planned to return to the classroom as a teacher, the recession at graduation forced her to reconsider.

As she puts it, "I didn't plan my career - the wind blew a different direction and I went with it."

She met her husband, John, after moving to Eau Claire to take the university position. She attributes her success to John's encouragement to go on for her certification and doctorate. When I asked Lucretia what her goals were, she responded by saying, "My goals are to improve my ability to teach others how exciting and challenging the field of accounting is and to make a small contribution to the improvement of the profession."

There is no doubt in my mind that Lucretia is already doing this.

Cheryl A. Connor, CPA, currently serves as president-elect of the WICPA Southern Chapter Executive Committee.

I had the pleasure of working with Cheryl for over five years and have a great deal of respect and admiration for her. I've never seen Cheryl do anything without giving it 150 percent of her time and energy.

Cheryl graduated from the University of Wisconsin-Whitewater in December of 1982. Following graduation, she worked in public accounting for six years before resigning to complete her Masters of Business Administration Degree. Cheryl completed her MBA in December of 1990. With her advanced degree

(cont. on page 11 - "women")

(cont. from page 10- "women")

in hand and her second child due in four months, Cheryl was at a crossroads.

"At this point in time, I really felt I wanted to stay home with my kids to raise them on a full-time basis. I've never regretted this decision, even when I see others continue their careers. The years go by so fast and I didn't want to miss out at home."

In the future, Cheryl plans on returning to public accounting or pursuing a teaching career at the college level.

In light of her decision, Cheryl sees the importance of staying in touch with the profession. She accomplishes this by accepting short-term assignments on a contract basis and by staying involved in the WICPA. Cheryl is a current member and past chairperson of the Accounting and Auditing Committee and is president-elect of the Southern Chapter. We are indeed fortunate to have Cheryl as a member.

Janice M. Moen, CPA, is Senior Treasury Analyst, Madison Gas and Electric Company; and Secretary-Treasurer to the WICPA Board of Directors.

After talking with Jan, you always feel renewed and full of energy. She is articulate, extremely competent and a true ambassador of the WICPA.

"I enjoy networking with my professional peers. The WICPA offers me a membership that encompasses many different industries, nearly every public accounting firm, and a wide array of experience levels ranging from young people just out of school to very seasoned retirees. This diversity has helped me to be more aware of the economic world we strive so hard to succeed in."

"The WICPA has currently given me the chance to expand my leadership role to the organization. I like the challenge, and I like to be where the action is. The skills I am continuously developing will always be with me. I expect to reap both professional as well as personal benefits from this experience for the duration of my career," Jan expressed.

Jan began her career in 1983 after graduating from the University of Wisconsin-Madison. Her first experience was in public accounting where she worked for Williams, Young and Associates for four years. Upon leaving public accounting, she joined Madison Gas and Electric Company.

Jan sees the accounting profession as a great opportunity for young women because of its diversity and flexibility, offering varied and numerous career paths.

"Accounting opens the door to so many integrated and related fields of opportunity in the world today, regardless of being a woman or a man. Being a 'CPA' automatically gives us a uniform professional designation known throughout the world as being rigorous to achieve. There are no stereotypes or barriers for women that I see. I have always been judged by my knowledge and how I apply my professional skills rather than based on who I am," Jan said.

Janice M. Moen, CPA

Susan E. Kunze, CPA, is Senior Financial Auditor, Sentry Insurance Company, Stevens Point, Wis.; and Chairperson, WICPA Accounting Careers Committee.

I've only known Sue for a few months, however, you don't need to know her very well to realize what a dynamic person she is. What a ball of fire! I really get excited when I meet young men and women like this. They are our future and I am happy to say, we are in good hands.

Susan E. Kunze, CPA

(cont. on page 12- "woman")

(cont. from page 11- "women")

Sue graduated cum laude from the University of Wisconsin-Eau Claire in December of 1986. Immediately following graduation, Sue joined Sentry Insurance Company.

Sue's philosophy of life runs parallel to that of many successful people. She realizes the need to be constantly learning and is not afraid to accept the risk of new challenges.

"There are so many things I want to do and try, I know I will never be able to say, *I'm done.* It's like a perpetual 'to do' list. I used to think I would feel this great sense of accomplishment when I obtained my three accounting designates (CPA, CIA, CMA). Now that I have, I realize it's not enough, I don't know enough and haven't done enough," Sue added.

Sue joined the WICPA because she felt it was a good opportunity to meet new people, exchange experiences, and increase her understanding of the profession. What a great role model for all of us.

In the end, the only difficult part in writing this article was limiting the number of women featured to four. We have an exciting and challenging profession. We need the participation of both men and women in our organization. I challenge you to get involved and help us shape the future.

Plan to succeed

by Mary E. Jaeger, Director of Public Relations/Communications, WICPA

Feeling tired, a little burned or disappointed with your membership in the WICPA or with the CPA profession? You may need to spend a little time with Marion Wozniak. Success does not escape her because she makes it happen.

"Success is being able to find happiness, to meet goals, to accomplish them and to feel contented and happy in life," she said. Although success is something different for everyone, the approach is always the same.

Because success doesn't come easy, doesn't mean it isn't attainable. Don't think I can't, ask yourself how can I? When obstacles are in your path, find a way around them. Look at obstacles as an opportunity, a wonderful challenge. Your attitude has a lot to do with your success or lack of it.

"You need to approach people with a positive attitude, be enthusiastic about what you are doing, know where you are going, and do it. You need to believe in yourself," Marion said.

A positive approach is a must if you are the mother of three and return to college. Marion felt she had the advantage of experience, self-confidence and support. An accounting career was clearly her choice which made planning and working toward her career fun and rewarding.

Although she did well academically, professors cautioned that she probably would not make it in public accounting because of the demands. Marion did not take that advice. Her husband supported her, she was academically prepared, had a positive attitude and she did some realistic goal setting. She was prepared.

(cont. on page 13- "succeed")

(cont. from page 12- "succeed")

When Houghton Taplick offered her a position after graduation, she accepted. Marion was looking for a firm which provided an environment that was challenging and would give her a place to go professionally. She believes Houghton Taplick is a great place for her to work, but she cautions, it may not be right for someone else.

"If you don't like where you are, keep searching until you find what is right for you. What is good for one is not always right for someone else. Find the firm that suits you," she offers.

Approach work with gusto because if you are willing to work hard to do the job reward is eminent. Let other people help you. Women do not need to wait around for women mentors. Some of Marion's best mentors have been men.

When people are happy they want other people to have the same experience. Marion finds pleasure in encouraging others.

"Believe in yourself and don't get discouraged. Take the risk. If it doesn't work, try again. People need to take that approach about everything including attending a WICPA meeting for the first time. Anytime you join a new organization and walk into a room full of people it is difficult. If it isn't fun, challenge yourself to go again. Take the risk. Learn to pull your chair up to the table. Ask to join them," she advised.

Is the WICPA a friendly association? Maybe not as much as it could be, but it is the most friendly organization Marion has ever joined. Everyone needs to make the effort.

Although it is a time for women to be recognized, try forgetting your gender and just think of yourself as a CPA when attending your first WICPA meeting. Try the same approach in your career as well. Remember how prepared you are to do the job as a person. Have confidence and demonstrate that in your action.

If you want a voice or a say in what happens you have to be active. Being active provides an opportunity to assume leadership roles which enhance your professional growth. If you do not understand just where you would fit into the WICPA, call Marion.

Part of Marion's plan as a member and as the future president of the WICPA, is to help members feel more comfortable and challenged in the WICPA.

"I will offer a challenge to any woman or man who wants to become more involved, more active in the WICPA, to call me. I will find something meaningful and challenging for them in the association," she promised.

It may seem easier to let other people lead your profession, however, keep in mind that when you are a member of a profession there are a lot of things that impact you directly within the profession. In the legislative process, professional standards are being set. We all need to be aware of that and participate directly or indirectly.

Focus on member involvement needs to be ongoing. That involvement needs to be nurtured and rewarded. As the 1994-95 WICPA President, you can be certain, Marion Wozniak will put everything she has into her presidency. The profession needs the association. She believes in a membership that takes ownership in their association. Become a leader in the WICPA and help shape your future. Give Marion a call.

"Believe in yourself and don't get discouraged. Take the risk."
Marion R. Wozniak

(cont. from page 16- "health")

assured of receiving a deduction that may mean the difference between affording health insurance and going without.

With an average cost of health insurance of $3,000 a year, a self-employed business owner in the 28 percent tax bracket would realize a savings of approximately $840 under a full deduction. Under a 25 percent deduction he would only realize a savings of $210. The increased savings serves as a powerful economic incentive to purchase health insurance and will help make health insurance more affordable for 150,000 to 160,000 people in this state.

Our goal for the 90's must be access to affordable, quality health care for all Wisconsin residents. By passing this health insurance deduction, we have taken a step in the right direction toward achieving that goal.

Recent developments affecting cleanup costs

by Kevin D. Anderson, CPA, Attorney, Foley & Lardner, Milwaukee, Wis., WICPA Southeast Chapter Member

The enforcement of various federal and state environmental laws has caused taxpayers across the country to incur a variety of expenditures generally described as environmental remediation, or cleanup, costs. These costs result from a number of different activities, including remediation of contaminated soil, removal of underground storage tanks, the clean-up of public areas such as harbors, lakes and landfills and the removal of hazardous substances from buildings and equipment.

Anecdotal evidence suggests that, except in unusual circumstances, taxpayers have treated these costs as deductible expenses in the nature of repairs rather than as capital expenditures. However, two technical advice memoranda released by the Internal Revenue Service in the last year, together with subsequent public comments by its representatives, indicate that the IRS has examined and will continue to evaluate the circumstances under which environmental remediation costs must be capitalized.

At the same time, it has publicly acknowledged a potentially restrictive interpretation of its regulations concerning the use of qualified settlement funds ("QSFs") to accelerate an otherwise allowable deduction for liabilities arising under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA").

Kevin D. Anderson, CPA

Deduct or Capitalize?

At the heart of the controversy surrounding the appropriate tax treatment of remediation costs is the fundamental distinction between repairs and capital expenditures. The regulations permit a deducation for "incidental repairs which neither materially add to the value of the property nor appreciably prolong its life, but keep it in an ordinarily efficient operating condition."[1] On the other hand, no deduction is permitted for an expenditure that produces any one or more of the following results: (1) adds to the value of property owned by the taxpayer; (2) substantially prolongs its useful life; or (3) adapts the property to a new or different use.[2]

(cont. on page 18- "clean-up")

(cont. from page 17- " clean-up")

In the first memorandum (the asbestos TAM)[3], the taxpayer incurred costs to remove asbestos insulation from its manufacturing equipment and to replace it with other insulation that was slightly less thermally efficient. The taxpayer rejected an alternative approach consisting of continuous monitoring of the asbestos because, although it was initially less expensive, it was less cost effective on a long-term basis. The IRS concluded that the taxpayer was required to capitalize the removal costs because, by eliminating or at least reducing human health risks and complying with federal health regulations, the value of the property had been increased.[4]

In the second memorandum (the PCB TAM)[5], the taxpayer incurred costs to remediate soil surrounding some of its facilities that had been contaminated with polychlorinated biphenyls (PCBs). These costs had been incurred for assessment, remediation, transportation and disposal of contaminated soil and acquisition of new soil. The IRS required these costs to be capitalized as a part of the depreciable facilities rather than the land. In so doing, it developed a two-part test for capitalization that does not rely on any of the three factors set forth above. First, the IRS concluded that the remediation costs were not "incidental repairs", with particular emphasis on the meaning of the term "incidental". Second, the IRS held that, even though a particular cost might be deductible if incurred separately, all the costs must be capitalized because they were incurred as part of a general plan of rehabilitation.

This plan-of-rehabilitation doctrine has been developed by the courts, but only in circumstances in which there has been some value enhancement, extension of useful life, or adaptation of the property to a new or different use.[6] The doctrine has not been applied to require capitalization of repair and maintenance costs even when such costs have been incurred pursuant to a plan of rehabilitation.[7]

In their ultimately unsuccessful attempts to sustain the claimed deductions, each of the taxpayers in the asbestos TAM and the PCB TAM relied on the *Plainfield-Union* case[8] among others. In this case, a water utility was permitted to deduct the costs of cleaning pipes and lining them with cement after they had been damaged by acidic river water from an adjacent system connected to the main system. The process did not increase the carrying capacity of the pipes but merely prevented the capacity from being diminished. The court held that the proper test for determining whether an expenditure should be capitalized is whether it "materially enhances the value, use, life expectancy, strength, or capacity as compared with the status of the asset *prior to the condition necessitating the expenditure*" (emphasis added).[9] The IRS distinguished *Plainfield-Union* in the asbestos TAM by noting that the former was a case of progressive deterioration while the latter was an action taken after manufacture of the equipment based on the classification of asbestos as a health hazard. In the view of the IRS, it was impossible to apply the *Plainfield-Union* test to value the equipment without asbestos because it had been manufactured with asbestos. In the PCB TAM, the IRS dismissed *Plainfield-Union* as inapplicable because value enhancement was only one of the factors to be considered in its conclusion that the costs were required to be capitalized.

In response to comments by taxpayer and practitioner groups, the IRS announced that it would develop guidance on the tax treatment of these costs. In a speech on March 9, 1993, Stuart Brown, IRS Associate Chief Counsel

(cont. on page 19- "clean-up")

(cont. from page 18- "clean-up")

(Domestic), identified five factors that the IRS might use to determine whether environmental clean-up costs must be capitalized.[10]

The factors are as follows, together with a brief analysis of their relevance to the basic issue:

1. Creation of New Property. To the extent that the costs result in the creation of new property or a permanent improvement or betterment,[11] capitalization will be required.

2. Ownership of Property. Taxpayers are frequently required under CERCLA and comparable state laws to contribute to the clean up of public or common areas, such as harbors, lakes and landfills. If the taxpayer does not own the property being cleaned up, none of the factors requiring capitalization (value or useful life enhancement or adaptation of property) is present. This principle may also be applied to land leased by the taxpayer for use in its business.

3. Future Income. The taxpayer's method of accounting should result in a clear reflection of its income.[12] The income of a taxpayer should properly be matched against the expenses incurred to produce that income.[13] However, an accrual basis taxpayer may not deduct an expense before the year in which economic performance occurs,[14] subject to a limited recurring item exception. If an expenditure will result in the creation of future income, such as the cost to rebuild a machine that will be used in the taxpayer's business, the costs are likely to be capitalized and recovered through depreciation as the anticipated future income is generated. This factor also suggests that the costs of remediation of contaminated soil should be deducted because the activities resulting in the condition have already been completed and the income from the use of the land has been earned. The purpose of the remedial efforts is simply to restore the land to its uncontaminated state, and thus none of the factors requiring capitalization is present. In addition, a deduction should clearly be permitted in circumstances where the taxpayer continues to own the land but has ceased all productive use of the land.

4. Pre-Existing Problem. If the particular environmental problem was present when the property was acquired by the taxpayer, the costs to perform the remedial efforts will probably be capitalized as part of the cost of acquiring the property and placing it in a condition suitable for its intended use.[15] On the other hand, if the problem arose during the taxpayer's ownership of the property and its use in the taxpayer's business, the matching principle and the absence of future benefits suggest that the costs should be deducted.

5. Voluntary/Involuntary Nature. The IRS expects to consider whether clean-up expenditures are voluntarily incurred or have been imposed upon the taxpayer by a court or governmental agency. Case law suggests that the element of compulsion is at best a neutral factor.[16] In those cases where taxpayers were required to capitalize expenditures required by federal or other law, it was clear that the expenditures were not incidental repairs but were instead permanent improvements or changes that produced at least one of the three results indentified above.[17] However, in the case of involuntarily incurred expenditures, a representative of the IRS has reported that it may apply a rule similar to the medical expense provisions, whereby a capital expenditure may nevertheless be deducted to the extent that it does not increase the value of the property.[18]

The IRS reports that, although it is generally pleased with the comments received on

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(cont. from page 19- "clean-up")

this issue, the general consensus of the commentators is that the expenditures should be deductible. It will continue to assess the magnitude of the problem before issuing guidance. The only instance consistently cited in the comments in which the costs should be capitalized is one in which a taxpayer purchases property knowing that it is contaminated and the price of the property reflects that fact.[19] The IRS apparently believes that there are other circumstances in which these costs should be capitalized. At this writing, it has not issued the anticipated guidance and has made no final decisions about whether the five factors described above are the only ones that should be used.

Qualified Settlement Funds

Assuming that a particular environmental remediation cost may be deducted, tax accounting principles determine the taxable year in which the deduction may be taken. The economic performance principles require the deduction to be generally deferred until the remediation services are provided to the taxpayer.[20] However, where the taxpayer's liability arises under CERCLA, among other cases, payments to a QSF may be deducted by the taxpayer assuming the other QSF requirements are met.[21] A deduction is permitted even though the fund itself may not complete the remediation efforts for several years after payment is made to the fund. The QSF regulations also provide that a taxpayer's liability under CERCLA to provide property or services meets the requirements of the regulations only if, following the taxpayer's payment to the fund, its only remaining liability to the Environmental Protection Agency (if any) is a "remote, future obligation to provide services or property."[22]

In a recent speech before a committee of the American Bar Association Section of Taxation, the IRS attorney principally responsible for the drafting of the QSF regulations clarified the position of the IRS regarding CERCLA liabilities.[23] The IRS will not permit a taxpayer to deduct payments to a QSF with respect to potential CERCLA liabilities unless the taxpayer obtains a release from the EPA. In practice potentially responsible parties do not obtain such releases unless they are part of a *de minimus* settlement. Parties who enter into an "internal workout", pursuant to which they provide indemnification to each other in exchange for an agreed upon basis for contributing to the clean-up efforts, are not eligible for QSF treatment based on the current position of the IRS.

While the Treasury Department and the IRS have reported that they will continue to examine this issue, it now appears that QSF treatment is of little value to PRPs who structure their own workout arrangements without the benefit of a release or covenant not to sue from the EPA.

(footnotes cont. on page 21- "notes")

(cont. from page 20- "notes")

1 Treas. Reg. § 1.162-4.

2 Treas. Reg. § 1.263 (a)-1(b).

3 TAM 9240004 (June 29, 1992).

4 It is understood that the IRS intends to reconsider the asbestos TAM because the statement concerning the federal regulatory requirements is not accurate. In addition, the IRS intends to delete any reference to *INDOPCO, Inc.* v. *Commissioner,* 112 S. Ct. 1039 (1992). There is, however, no indication that the IRS will permit any of the asbestos removal costs to be deducted.

5 TAM 9315004 (Dec. 17, 1992).

6 *United States* v. *Wehrli,* 400 F.2d 686 (10th Cir. 1968); *Bank of Houston* v. *Commissioner,* 19 T.C.M. (CCH) 589 (1960); and *Cowell* v. *Commissioner,* 18 B.T.A. 997 (1930).

7 *Moss* v. *Commissioner,* 831 F.2d 833 (9th Cir. 1987).

8 *Plainfield-Union Water Co.* v. *Commissioner,* 39 T.C. 333 (1962), *nonacq.,* 1964-2 Cum. Bull. 8.

9 39 T.C. at 338.

10 "Brown Lists Factors That Could be Used to See if Cleanup Costs Must be Capitalized", 45 *Daily Tax Rep.* G-11 (March 10, 1993).

11 Internal Revenue Code Section 263 (a).

12 Treas. Reg. § 1.446-1(a) (2).

13 *Cf.* Code Section 461 (h) (3) (A) (iv) (II).

14 Code Section 461 (h) (l).

15 This factor is analogus to the costs of demolishing a building (and the cost of the building itself) when the taxpayer acquired the land with the intent to demolish it. Under the law in effect before the amendment of Section 280B of the Code in 1984, such costs were required to be capitalized as part of the cost of the land. Section 280B requires all such costs without regard to the taxpayer's intent at the time of acquisition.

16 *Commissioner* v. *Lincoln Savings & Loan Ass'n,* 403 U.S. 345 (1971) (premiums paid to a secondary reserve required to be maintained under the National Housing Act were required to be capitalized because they created a separate and distinct asset).

17 *Hotel Sulgrave, Inc.* v. *Commissioner,* 21 T.C. 619 (1954) (installation of sprinkler system); *Beaven* v. *Commissioner* 6 T.C.M. (CCH) 1344 (1947) (installation of new heating system); and *Teitelbaum* v *Commissioner,* 294 F.2d 541 (7th Cir. 1961) (conversion of electrical supply from direct current to alternating current, although required by city ordinance, increased the value of the property).

18 "Environmental Cleanup Issue: A Repeating Theme at ABA Meeting", 60 *Tax Notes* 925 (Aug. 16, 1993); Treas. Reg. § 1.213-1(e) (1) (iii).

19 "Brown Describes Taxpayer Comments on Treatment of Environmental Cleanup", 152 *Daily Tax Rep.* G-1 (Aug. 10, 1993).

20 Code Section 461(h) (2) (A) (i).

21 Treas. Reg. § 1.468B-1(c) (2) (i).

22 Treas. Reg. § 1.468B-1(f) (2).

23 "IRS Adopts Strict Reading of Settlement Fund Regs", 60 *Tax Notes* 1062 (Aug. 23, 1993).

feature

CPA travels extra mile for community

by Amy E. Gaeth, Member Relations Coordinator, WICPA

Don Meier, CPA

Making A Difference...

Don Meier, CPA, has made it a mission in life to contribute his time and talents to the community of Sheboygan, Wis. He enjoys people and is dedicated to serving organizations that focus on the future of tomorrow's youth and the community. In examining the diverse activities he has been involved in over the past 24 years, it's evident that Don is a volunteer willing to take on a challenge and go the extra mile for his community.

"There are volunteer opportunities out there we have to be aware of as citizens. Some people think they don't have the time or talent to get involved, but I believe if you're asked, you owe it to yourself and your community to volunteer and make a difference. That's why I like the saying: CPAs can make a difference," Don said.

Don became proactive in his community early in his professional career, taking a personal interest in organizations such as the Sheboygan Area United Way, Sheboygan County YMCA, Sheboygan Sunrise Kiwanis and Sheboygan Symphony Orchestra.

"Volunteering for an organization like the United Way is one of those things that grows on you over time," Don said. He first got involved with United Way in 1970 and held various campaign positions. In this role, he approached area businesses with the United Way story. Since then, he has actively served the organization in its fund-raising efforts for over 20 years and as a member of the board of directors for 13.

It was also through his affiliation with United Way that he became a member of the board of directors for the Visiting Nurses Association. "The VNA has always been near and dear to my heart because I knew what it did to help people as they grew older to be able to stay within their own homes," Don explained, and added, "It really hit home when my parents were in that situation and were using the services of VNA."

Another organization Don has taken a personal interest in is the Sheboygan County YMCA. This activity began when his sons were small, and over time his participation grew to include coordinating various fund-raising events and participating in planning sessions for YMCA expansion projects. Today, Don is chairperson of the board, with one of his largest goals being looking at the possibility of conducting a fundraising campaign to expand the facility.

"YMCA provides so many good, positive services to the youth of our community. We look at youth and the programs available to youth as being the future of Sheboygan. I guess if you take a look at what I'm involved in you'll see that I'm involved with a lot of youth-oriented activities," Don said.

Focusing on the future of area youths has not only been a favorite activity for Don, but also has become a key community service program for his co-workers in the trust group at Firstar Bank of Sheboygan. Each month, employees of the bank participate in an Adopt-A-School program at Longfellow Elementary School. They work with teachers on anything from spelling to identifying the alphabet.

Don is currently serving the following organizations: Sheboygan County YMCA Endowment; Sheboygan Memorial Medical Center; Sheboygan Sunrise Kiwanis; Sheboygan Symphony Orchestra; American Field Service (AFS); U.W. Alumni Club of Sheboygan County; Sheboygan Retirement Home and Beach Health Care Center; WICPA; AICPA; Sheboygan County CPAs; Sheboygan County Estate Planning Council and Sheboygan County Economics Club.

Recently, the Northeast Chapter of the WICPA acknowledged Don with its 1993 Community Service Award for his dedica-

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tion to public service and involvement and participation in community, charitable and civic organizations.

Reflecting on his years of community service, Don says he really owes a lot of his success to the understanding and support of those around him.

"You may see my achievements and the things I've been involved in on paper, but you can't be involved in anything if you don't have the support of other people. I've got a wife of 29 years that has been very supportive both in my career and civic endeavors. I've also got an employer that has always encouraged my community involvement," Don said.

Asked how he feels about receiving the Community Service Award, Don humbly responded, "You don't do community service to get your face splattered all over the paper. You do it because it needs to be done. To be recognized by your peers is the icing on the cake. I really appreciate it," Don exclaimed.

WHAT IT TAKES TO BE NO. 1

Winning is not a something: it's an all the time thing. You don't win once in a while: you don't do things right once in a while: you do them right all the time. Winning is a habit. Unfortunately, so is losing.

There is no room for second place. There is only one place in my game, and that's first place. I have finished second twice in my time at Green Bay, and I don't ever want to finish second again. There is a second place bowl game, but it is a game for losers played by losers. It is and always has been an American zeal to be first in anything we do, and to win, and to win, and to win.

Every time a football player goes to ply his trade he's got to play from the ground up - from the soles of his feet right up to his head. Every inch of him has to play. Some guys play with their heads. That's O.K. You've got to be smart to be number one in any business. But more importantly, you've got to play with your heart, with every fiber of your body. If you're lucky enough to find a guy with a lot of head and a lot of heart, he's never going to come off the field second.

Running a football team is no different than running any other kind of organization - any army, a political party or a business. The principles are the same. The object is to win - to beat the other guy. Maybe that sounds hard or cruel. I don't think it is.

It is a reality of life that men are competitive and the most competitive games draw the most competitive men. That's why they are there - to compete. To know the rules and objects when they get in the game. The object is to win fairly, squarely, by the rules - but to win.

And in truth, I've never known a man worth his salt who in the long run, deep down in his heart, didn't appreciate the grind, the discipline and the harsh reality of head to head combat.

I don't say these things because I believe in the "brute" nature of man or that men must be brutalized to be combative. I believe in God, and I believe in human decency. But I firmly believe that any man's finest hour - his greatest fulfillment to all he holds dear - is that moment when he has to work his heart out in a good cause and he's exhausted on the field of battle - victorious.

-Vincent Lombardi-

Revenue Reconciliation Act of 1993

by F. Michael Arnow, Arnow & Associates, Glendale, Wis., WICPA Southeast Chapter Member

In August, President Clinton signed into law a new, controversial tax bill, called the Revenue Reconciliation Act of 1993 (RRA 93). If you are a Democrat, RRA 93 is the biggest deficit reduction bill in history. If you are a Republican, it is the biggest tax increase in history.

Putting rhetoric aside, this new law helps low income taxpayers, and those affected by flooding and other disasters. It penalizes high income earners and many taxpayers who receive social security.

Most of the tax revenue from this bill comes from high-income earners:

- New tax rate of 36 percent for married persons with taxable income over $140,000. For singles, the break-off is $115,000, head of households $127,500, and for estates and trusts $5,500
- New tax rate of 39.6 percent for taxable incomes over $250,000, $7,500 for estates and trusts
- Medicare payroll tax (1.45 percent) now has no upper limit and will apply to all earned income
- Tax of up to 85 percent on Social Security benefits, up from 50 percent
- Increase in the Alternative Minimum Tax rate from 24 percent to 28 percent.

All of us who drive a car will pay 4.3 cents per gallon extra. However, for the average driver, this will only cost an extra dollar per week.

The most controversial part of this tax law is that portions of it are retroactive. For example, new tax rates go into effect Jan. 1, 1993. To soften the impact of this retroactive change, taxpayers will be allowed to pay for the increase in three annual installments.

There is good news for investors. The maximum rate on capital gains stays at 28 percent, but for new investments in small companies, a 14 percent rate will apply.

F. Micheal Arnow, CPA

There is some good news, too, for small business:

- Reinstatement of the 25 percent self-employed health insurance deduction
- Increase in special depreciation write-off from $10,000 to $17,500
- Write off of goodwill (over 15 years)
- Research and Development and Jobs Tax Credit, formerly temporary, are now made permanent.

There is some bad news for small business:

- Decrease in business meal write-off, now 50 percent, down from 80 percent
- Club dues are no longer deductible
- Business real estate write-off is extended from 31.5 to 39 years.

There are a lot of new provisions in this law, too numerous to mention here, but a few other issues include:

- Special tax treatment for presidentially-declared disaster areas
- Estate and gift tax rates that were scheduled to drop to 50 percent will now remain at their higher level
- Charitable contributions greater than $250 must have substantiation - canceled checks are no longer enough
- Relief for those affected by the onerous estimated tax rules - you may again "file safe", using 110 percent of last year's tax
- Repeal of tax on luxury items (except cars)
- Increase in the top corporate tax rate from 34 percent to 35 percent
- To receive a moving expense deduction you must move 50 miles or more (previously 35) and some moving expenses are eliminated or reduced.

As with prior bills, Congress has left much of the implementation in the hands of IRS officials, so we should expect to see much more written on this subject over the next year or so.

Much of this tax law was effective on the date of enactment, some was effective Jan. 1,

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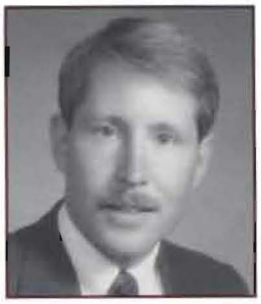
1993, and some on Jan. 1, 1994, so this suggests several problems, or opportunities for quick action on tax planning. Many tax professionals have already begun to contact their clients looking for income shifting techniques and investments to help ease the burden.

A central theme of this tax law was President Clinton looking for methods to stimulate small businesses, in order to help economic growth and job creation. Little did he know that much of the economic stimulus and job growth will be from CPA firms gearing up for a challenging tax season.

Treating benefits in Wisconsin

Wisconsin taxation of non-qualified deferred compensation and retirement benefits received by non-residents

by Jon P. Skavlem, Arthur Andersen & Company, Milwaukee, Wis., WICPA Southeast Chapter Member



Jon P. Skavlem, CPA

The Wisconsin Department of Revenue (DOR) recently issued a ruling which will have a major impact on how Wisconsin employers and certain individuals report distributions from non-qualified retirement and deferred compensation plans for state income tax purposes. In Wisconsin Tax Bulletin No. 82 (July 1993), the Department stated that such distributions are taxable by Wisconsin if the amounts were earned or accrued while working in the state. This ruling means that many individuals who formerly worked and resided in Wisconsin are at risk for Wisconsin personal income taxes on their deferred compensation and retirement benefits. It also raises questions concerning employer withholding responsibilities for these payments.

The treatment of retirement benefits and deferred compensation received by former state residents has been a gray area of Wisconsin tax law until the issuance of WTB 82. Section 71.04(1)(a), Wis. Stats. (1991-92), provides that income from personal services earned by non-resident individuals shall follow the situs of the services. Wisconsin Administrative Code Sec. Tax 3.085 provides that distributions from a qualified retirement plan or deferred compensation plan received by a non-resident of Wisconsin are exempt from Wisconsin income tax, regardless of whether the distribution is attributable to personal services performed in Wisconsin.

Many taxpayers and practitioners in the past have taken the position that, for both individual income and withholding tax purposes, distributions from a non-qualified retirement or deferred compensation plan attributable to personal services performed in the state are exempt from Wisconsin tax when received by a nonresident. For example, retired executives residing in Florida were assumed to be exempt from Wisconsin personal income tax on their non-qualified deferred compensation and retirement payments. There is no explicit authority in Wisconsin's statutes, administrative code or case law which supports WTB 82's departure from the normal cash basis of accounting govern-

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ing the allocation of income from personal service. That is, wages, salary, commissions and other compensation is usually taxable when received and is, thus taxable by the state of residence.

The Department is relying on the language contained in Tax 3.085 as well as s.71.02(1) Wis. Stats. to support its position on non-qualified plan distributions. In addition, Sec. 71.02(1) states that a tax is imposed on "every non-resident natural person...upon such income as is derived from the performance of personal services within the state". Arguably, retirement benefits and deferred compensation are connected to the performance of personal services in Wisconsin.

DOR has indicated that its release merely amplifies Tax Rule 3.085 and that it is making audit adjustments affecting non-qualified plan distributions. To the extent this is true, many former Wisconsin residents and employers have exposure. The former for personal income taxes on non-qualified deferred compensation and retirement benefits accrued while working in Wisconsin. The latter are at risk for Wisconsin withholding tax on payments from non-qualified plans to former employees now residing outside Wisconsin. In addition to exposure for prior year taxes, affected individuals and businesses are liable for related interest and penalty assessments.

Non-qualified plans are characteristically used to compensate corporate executives beyond levels available through qualified plans and the amounts involved tend to be large. Non-qualified plans are also used in other situations such as for corporate director fees. Consequently, non-qualified plans by their very nature entail relatively high risk for back taxes, interest and penalties under the new WTB 82 doctrine.

Many questions arise in connection with the DOR's ruling. For example, why are non-qualified plans singled out for special treatment? On the surface, taxing only non-qualified plan distributions to non-residents appears discriminatory. While there are certain Federal differences in the taxation of qualified and non-qualified plan benefits, they relate more to the timing of when such benefits are reported. Neither the Internal Revenue Code or the Wisconsin Statutes draw any inherent distinctions between the two types of benefits that warrant taxing one and exempting the other.

Another question concerns the scope of Tax Rule 3.085 as interpreted by the Department. Does it now cover other types of deferred payments not specifically enumerated? When an individual retires or otherwise terminates his relationship with his/her employer, many of the payments received currently or on a deferred basis have some relationship to the work performed. Examples of such payments include covenants not to compete, golden parachutes, and stock options.

Has DOR exceeded its authority? This remains to be seen. WTB 82 represents the Department's opinion of Wisconsin tax law in this area. Given the potentially large dollars at stake, the issue is likely to be challenged on audit and possibly in the courts.

Do any other states follow the approach proposed in WTB 82? The answer is yes. New York and California are the most prominent states which tax pension and deferred compensation received by non-residents but related to employment within their borders. Michigan, Minnesota, and Indiana also follow this approach. While each state provides exceptions, no distinction is generally made between qualified and non-qualified plans. Illinois and New Jersey, on

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the other hand, assign qualified and non-qualified plan payments to an individual's state of residence.

Another question relates to the possibility of multiple taxation. If a former Wisconsin resident is required by both his/her current state of residence and Wisconsin to pay tax on his/her non-qualified plan benefits, isn't he/she being taxed twice? Most states provide a credit to individuals for taxes paid to a non-resident state on income that is taxable by the home state. However, the credit is often limited such that individuals affected by WTB 82 could experience a net increase in their total state income tax liability. Since states like Florida and Nevada have no personal income tax, a credit to offset the additional Wisconsin tax is unavailable for persons residing there.

A situation that may be particularly burdensome is where the Wisconsin DOR, on audit, requires a former Wisconsin resident to file returns for years closed under his/her home state's statute of limitations. Assume, for example, that DOR requires returns for the ten prior tax years in order to report non-qualified plan benefits earned in the state. This is possible because Wisconsin's statute of limitations does not toll if a tax return is not filed. If the individual's resident state has only a three-year statute of limitations, he/she will only be able to offset the additional Wisconsin tax for the three most recent years. This is because the resident state will permit amended returns claiming the credit for tax paid to Wisconsin for those years open under its own statute of limitations.

This is just a sampling of the questions and problems that must be addressed under WTB 82. Both employers and former state residents face difficult decisions which in some cases will be inconsistent with each other. Employers may feel compelled to withhold Wisconsin tax while their former employees feel equally strongly that they are not subject to Wisconsin tax. Practitioners, to an extent, will be caught in the middle and would be well advised to raise this issue with clients before a crisis arises in the form of an audit. Undoubtedly, judicial and possibly legislative developments in the months ahead will influence our actions in this area.

IN MEMORIAM

James O. Ash, CPA

Wisconsin Certificate #1485

Mr. Ash, an active member of the West Central Chapter, joined the WICPA in December 1951. His dedication to his professional and civic organizations are exemplified in his past service as WICPA president, director and president of the Greater La Crosse Chamber of Commerce, president of the Downtown La Crosse Rotary Club, president of the La Crosse Area Industrial and Economic Development Association, and member of the board of directors of the First Federal Savings and Loan of La Crosse. He was also active with the United Way. Mr. Ash served on many WICPA committees, including Federal Taxation, Legislative and Annual Meeting. He was a member of the American Institute of CPAs. Mr. Ash was a founding partner in the certified public accounting firm of Hawkins, Ash, Baptie & Co., La Crosse, Wis., where he retired Oct. 6, 1986. He graduated from the University of Wisconsin in 1947 with a major in accounting, and in 1972 earned his masters in business administration. Mr. Ash was born Nov. 4, 1921. He died Oct. 3, 1993. He is survived by his wife, Ellyn, two sons and one daughter.

The following resumes have been submitted to the WICPA Resume File. If a particular resume interests you, contact Shari Marx at the WICPA, P.O. Box 1010, Brookfield, WI 53008-1010; (414) 785-0445 or 800 772-6939 (WI/MN); or fax (414) 785-0838. Please identify the resume by code number. If interested in submitting a resume, request a profile sheet at the address listed above.

R101 BBA/BS-Marquette U. 18+ yrs. of diversified financial & acct'g. exp. Effective communicator w/all organization levels. Familiar with a wide range of computer systems & software.

R102 BBA/BS-UMN. Exp. in tax, analysis, budgeting, PC's, w/training exp. Seek position in industry w/ emphasis in taxation.

R103 BBA-UW-Madison. Background includes "Big 6", internal auditor, & supervisory exp. Seek financial analyst/acc't. position in SE Wis.

R104 BBA-UWM. Financial exec. w/14 yrs. progressive exp. in public acct'g. service & manuf. Seek controller/CFO.

R105 BS/MS-UW-Madison controller w/17 yrs. progressively responsible exp. in manuf. Seek Controller or mngmt. position.

R106 BBA-UW-Madison. Proven exec. in the areas of finance, human resources, mrkting. & sales mngmt. Seek CFO position.

R107 BBA-UW-Milw. 7 yrs. exp. in public acct'g. Seek asst. controller or acct'g. manager in private industry/tax dept.

R108 BBA-UW-Milw. 19 yrs. exp. in insurance industry. 3 yrs. public practice. Seek controllership, financial mngmt. position in insurance or industry.

R109 BBA-UW-Madison, MBA-UW-Oshkosh. CFO for mid-size manuf. company. Background includes, finance, budgeting, training & supervisory. Seek similar position in industry.

R110 BBA-UW-Whitewater. 13+ yrs. exp. in public acct'g./business consulting. Strong mngmt. capabilities. Seek a position in public acct'g. or CFO/ Controller position.

R111 BBA-UW-Milw. 3+ yrs. client write-up/general ledger exp. Training exp., completed CPA exam. Seek position in industry acct'g.

R112 MBA-Keller GSM. BBA-UW-Madison. Broad exp. in industry includes banking & insurance. Seek position in Industry as financial mngmt. or consultant.

R113 BBA-UW-Eau Claire. Strong management; excellent analytical skills solution & goal orientated. Exp. in multiple industries, strengths in manufacturing. Seek position in administration, finance acct'g.

R114 MA/BBA-U-IA. 13 yrs. financial administration mngmt. brokerage industry. 6 yrs. w/"Big 6". Seek CFO/administrative officer position.

R115 BBA-UW-Milw. Background includes acct'g., taxes, employee benefits, budgeting, computers, training & supervisory exp. Seek position in industry acct'g.

R116 BS/BBA- Marquette-U. Resourceful professional w/broad based exp. in audit, tax & financial mngmt. Respected expert in PC-based information systems. Seek Consulting/CFO.

R117 BBA/MBA-UW-Whitewater & Milw. Financial & administrative exec. w/20+ yrs. of financial, general mngmt., banking & more Excellent communications & presentation skills.

R118 BBA-UW-Oshkosh. 20+ esp. in auditing, systems, costing, international operations & general acct'g. in the manuf. environment. Seeks management position.

R119 BBA-UW-Milw. Financial Exec. w/15 yrs. business exp. through both public acct'g. & private sector Sr. level positions. Seek CFO/Sr. financial level position.

R120 BBA-UW-Madison. Sr. financial executive w/ 20+ yrs. corp. finance & mngmt. exp. Seek financial officer position.

R121 MBA-UW-Milw. BBA-UW-Whitewater. 22+ yrs. of increased financial responsibility in manuf. & public acct'g. & all phases of gen. acct'g.

R122 BBA-UW-Milw. Exp. in grant administration, budgeting, mngmt., reporting. Seek position in municipal or fund acct'g. in the areas of Gov't., health, finance, college or university.

R123 BBA-UW-Madison. MBA-Milw. 14 yrs. exp. in audit, having fiduciary position; worked w/Fortune 500 & Mafpa Co. Audits & industry.

R124 BBA-Marquette. 3 yrs. public acct'g. exp. specializing in Health care & Manuf. Seek career w/ financial analytical & communication skills in a higher interpersonal level.

R125 BBA-UW-Milw. 15+ yrs. exp., in auditing, controllership, & mnging. Seek CFO/Controller position.

R126 BBA-UW-Madison. CPA w/diverse background in finance & operations. 5 yrs. public acct'g., 5yrs. mfg. controller, CFO w/focus on bottom-line.

R127 BBA/BS-U-Michigan. 14+ yrs. exp. in public acct'g. in gov't. & industry audit, tax & acct'g. Seek position in public practice or industry.

R128 BBA/MBA-UW-Madison & Oshkosh. Strong mngmt. & supervisory skills. Excellent education & financial exp. both public & private available immediately. Seek CFO/ health care position.

R129 BBA-UWO. 20 yrs. background includes financial, credit, risk, administration & human resources mngmt. as well as public acct'g. exp. Seek CFO/ controller position.

(cont. on page 30- "resume")

resume

(cont. from page 29- "resume")

R130 BBA-UW-Whitewater. 10 yrs. exp. in Manuf., w/ strong background in job cost. Lotus 1-2-3. Coordinated a computer conversion. Seek controller position.

R131 BSC/MBA-Santa Clara-U. 20 yrs. acct'g./ finance exp. 6 yrs. w/"Big 6". 14 yrs. in acct'g. mngmt. Seek CFO/controller position.

R132 BBA-UW-Madison. 30 yrs. exp. in health care & finance. Provide sound financial mngmt. expertise. Seek position in Madison area. "Available on a project basis."

R133 BS/MBA. National & local public exp. in broad areas of tax & financial reporting. Seek controller position in industry.

R134 BBA-UW-Milw. Recent graduate, has extensive exp. w/Lotus. Seek position in acct'g. which will utilize my acct'g. & Lotus exp.

R135 BBA-UW-Eau Claire. 16 yrs. public exp. position in industry, w/emphasis in taxation & special projects.

R136 BS-U-Indiana. Public acct'g. & commercial real estate exp. w/exposure to fraud investigations, business valuations for divorce & mergers. Seek position in litigation support or forensic acct'g.

R137 BBA-UW-Milw. Financial & credit analysis, budgeting, acct'g., audit, operations, & administration. Supervisory & P.C. exp. Seek position in industry, finance/acct'g.

R138 BS-Marquette. 2 yrs, diversified progressive exp. Seek position in public practice w/a firm offering audit & mngmt. advisory services.

R139 BS-UW-Milw. 8 yrs. exp. w/"Big 6" & 1.5 yrs. service industry exp. Seek controller position w/ growth oriented company.

R140 BBA/MB-UW-Milw. 20 yrs. exp. in treasury mngmt. & financial planning w/10 yrs. supervisory exp. Seeking top level financial mngmt. position.

R141 BBA-UW-Milw. 12 yrs. exp. as controller primarily in manuf. & distribution. Seek position w/ firm whose mission is to bring value to the customer.

R142 BBA-UW-Oshkosh. Exp. includes all aspects of insurance acct'g. & reporting. Seek position in industry-financial reporting & managerial acct'g.

R143 BBA-UW-Oshkosh. 14+ yrs. exp. in all acct'g. EDP, personnel, administration functions, & excellent leadership skills. Seek position as controller/CFO.

R144 BS-Northland College. M.Mgt.-NWU. Exp. in public acct'g., industry, teaching, capital, operational budgeting, planning & computer skills. Seek administrative/financial mngmt. position.

R145 BBA-George Washington U. 9 mo. interning w/real estate firm, 11 mo. acc't. w/medical research grants. Seek non-profit or tax position.

R146 BBA-UW- Whitewater. 13 yrs. exp. w/gen. & cost acct'g., budget & forecast, staff mngmt., system. development-MIS, multi-plant & Intn'l. financial reporting, & more.

R147 BBA-UW-Milw. 4 yrs. financial, general ledger, training & supervisory exp., audit, & computer knowledge. Seek personal & professional career development.

R148 BBA-Spencerian College. Acct'g. professional w/23 yrs. Seek health care position in financial mngmt. or consulting.

R149 BAA-UW-Milw. exp. cost acct'g., systems develope & implementation, budgeting, A/P & A/R. Seek position in industry.

R150 BBA-UW-Milw. Controller of med. manuf. co. Specialties in computers, Intn'l. transactions, corp. insurance. Seek position in service or manuf. co.

R151 MS/Chem. Eng-U. TX. Background includes, all forms of Federal & State taxation & use of tax treaties. Training & supervisory exp. Seek position in public or industry acct'g.

R152 BBA-UW-Milw. 17+ yrs. exp. in financial statement analysis, cash flow forecasting. Strong technical acct'g. & supervisory skills. Seek CFO position.

R153 BS-U-AZ. Energetic, dedicated & self motivated CPA. Exp. includes 6+ yrs., w/"Big 6", non profit & Governmental. Seeking employment in private industry.

R154 Financial professional w/17+ yrs. of responsibilityw/6 yrs. as CFO, 4 yrs. as controller & 7 yrs. public acct'g.

R155 BBA-UW-Milw. 19+ yrs. exp. in financial mngmt., Seek position where compensation is commensurate w/individual contributions.

R156 BSC-DePaul U-IL. Acct'g. manager able to use dual background in acct'g. & data processing to reduce Com. staff costs & improve efficiencies. Broad industry exp. in the healthcare, Gov., & insurance industries. Able to deal effectively w/people at all organizational levels. Grad course in computer science.

R157 BS-U-IL. Financial /acct'g. exec. w/20 yrs. manuf. company mngmt. responsibilities. Accomplished in directing & executing financial functions, planning, mngmt. information systems, insurance & employee benefits. "Big 8" exp. Seek CFO position.

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IN MEMORIAM

Gordon G. Volz, CPA
Wisconsin Certificate #907

Mr. Volz, an active member of the WICPA Southern Chapter, joined the organization on Sep. 5, 1940. He was selected as the recipient of the 1973 WICPA Distinguished Career Award in recognition of his active professional and community life. He was a past president of the WICPA, and also served on the Council of the American Institute of CPAs.

Mr. Volz practiced with the Madison accounting firm of Ronald Mattox & Associates; and later joined Alexander Grant & Company, now Grant Thornton. He retired as an active partner with the Madison office of Grant Thornton in 1983.

Mr. Volz was born Dec. 28, 1915. He died July 2, 1993. He is preceded in death by his wife, Martha Jane.

WI CPA

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