

JULY 2018

KĀLĀ

The Official Publication of the Hawaii Society of Certified Public Accountants



TAX REFORM



The Official Publication of the Hawaii
Society of Certified Public Accountants

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President's Message

By Darryl Nitta



HAPPY NEW YEAR!

I am truly honored to be your Hawaii Society of CPAs President for the next two years. I am very proud of our professional organization, our history, our leadership, our administration, and most importantly, our intelligent and diverse membership. As President, I vow to work hard to uphold the values we treasure as CPAs and listen to our membership so we can continue to improve together as a professional organization.

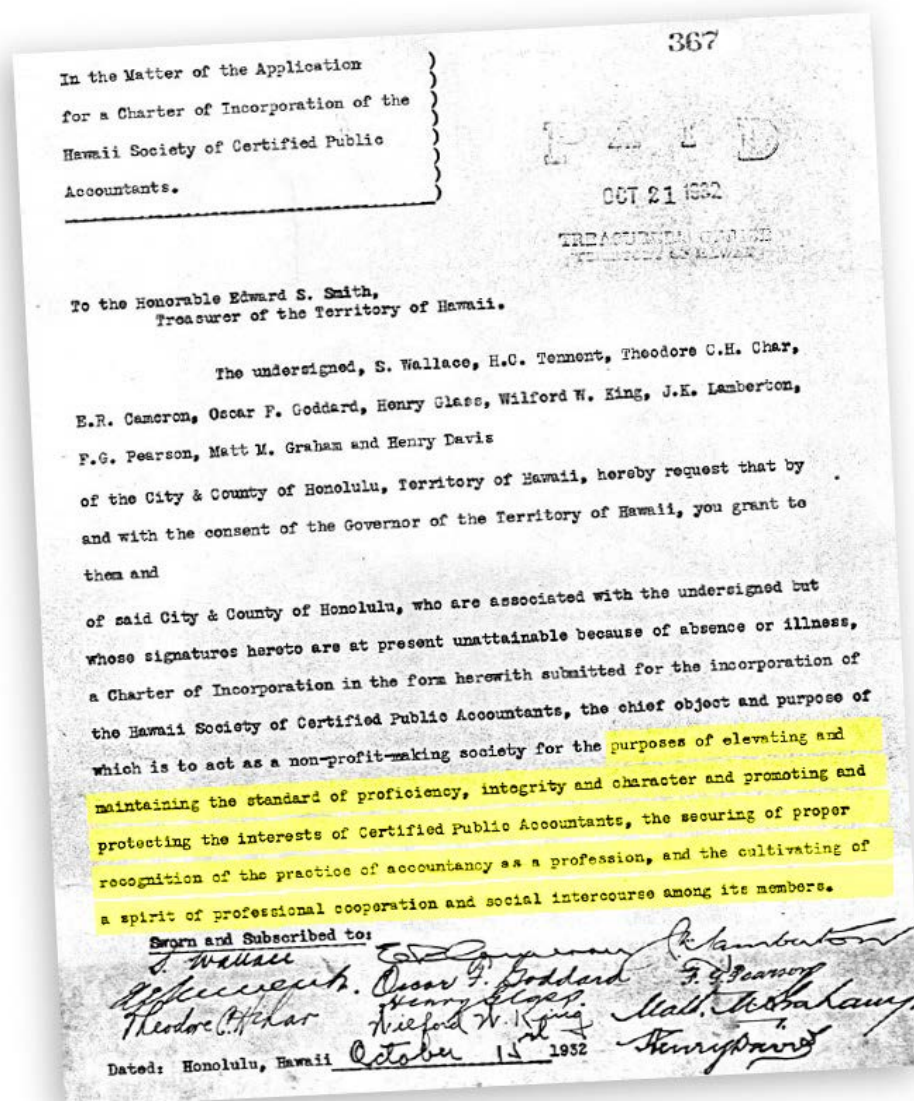
So, what are those values we treasure as a CPA and what are our goals as the premier CPA organization in Hawaii? I thought a good place to find the answer would be our HSCPA Mission Statement which was established in 1932. Here it is:

"The Hawaii Society of Certified Public Accountants, the chief objective and purpose of which is to act as a non-profit-making society for the purpose of elevating and maintaining the standard of proficiency, integrity, and character and promoting and protecting the interests of Certified Public Accountants, the securing of proper recognition of the practice of accountancy as a profession, and the cultivating of a spirit of professional cooperation and social intercourse among its members."

Whoa ... that a lot of wordy words, right? I like the integrity and the promoting and protecting parts, but don't you think our mission statement needs an update! Agree or Disagree? Well, assuming the majority is in agreement, let's begin the re-write process by taking out the "social intercourse" section of the mission statement that is in direct violation of the #MeToo Movement. And since I really wanted to make all of my President's Messages interactive, let's start with an

HSCPA Mission Statement contest! To assist in your quest of winning HSCPA cash and fabulous prizes, here is an example of the current HSCPA's Y-CPA Mission Statement:

"Provide opportunities for young CPA professionals to become involved in the profession; give back to the community and connect with the sustaining value of being a CPA."





Please submit all HSCPA mission statements to me at darryl.nitta@cyhawaii.com with the subject title "HSCPA Mission Statement". Good luck to all and thanks for playing!

As I conclude my first of many President Messages, I would like to thank those who have helped to get me where I am today. The HSCPA membership for voting me as their President. The HSCPA Board of Directors for nominating and supporting me as an Officer. Kathy and Debbie for their unwavering administrative support and guidance. Accuity LLP and C&Y CPAs LLC for allowing me the time to commit to serving. All my mentors, especially my Dad, Ed Nitta, who is also a CPA, for guiding me down the right path. Y-CPAs for providing opportunities to the younger generation to get involved. And to my family, Jess and Gizmo, for understanding that HSCPA is very important to our future.

Looking ahead: For the next President Messages, it will consist of a two-part series featuring two of my personal HSCPA mentors. Stay tuned for priceless insights and advice from former HSCPA Presidents, Wendell Lee and Norman Okimoto!



HSCPA's Best & Brightest

Thanks to the generous voluntary contributions from HSCPA members, the Scholarship Fund is pleased to recognize it's best & brightest students attending Hawaii colleges and universities.

Monique Frances Rapacon – Kauai Community College

Monique grew up in the Philippines and attended Mariano Marcos State University for two years toward her bachelor's degree in Accounting. In 2014, she moved from the Philippines to Hawaii where she attended Kauai Community College. While working as a part-time bookkeeper for McDonald's of Kauai, she was a full-time student and remained on the dean's list which qualified her to be a member of Phi Theta Kappa Honor Society. In 2018, she earned an Associate in Applied Science Accounting degree and will be transferring to the University of Hawaii at Manoa to pursue a bachelor's degree in Accounting with the goal of becoming a CPA.



Tax reform: What does it mean for me? Understanding the new tax laws for 2018

By Susan C. Allen, CPA, CITP, CGMA – AICPA Senior Manager, Tax Practice & Ethics

The recent tax law changes are a hot topic in media coverage. You're probably paying attention to the news and scratching your head as you ask: "what does this mean for me?" For some, the tax changes may be relatively small. For others, the changes could be substantial. Here's the scoop on what you need to know.

Tax rates are changing; many individuals and businesses will pay less.

Though there are still seven tax brackets for individual taxpayers, many will find that they are in a lower tax bracket under the new system.

- The new individual rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37% (effective Jan. 1, 2018 through Dec. 31, 2025).
- The individual tax rates under the prior law were 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%.

Plus, the income limits changed, resulting in many taxpayers being pushed to a lower bracket than before.

Though not everyone will pay less taxes under the new rules, here are a few examples of individual taxpayers who will pay less federal taxes in 2018:

- A married couple who filed a joint



return with taxable income of \$150,000 in 2017 was in the 25% tax bracket; for 2018, this couple will be in the 22% tax bracket — if you do the math, this couple will save approximately \$4,000 in taxes in 2018.

- A single taxpayer with taxable income of \$60,000 in 2017 was in the 25% bracket; for 2018, this taxpayer

is in the 22% tax bracket — if you do the math, this taxpayer will save approximately \$1,600 in taxes in 2018.

There are also changes to the corporate tax rates and a new deduction for individuals who have "qualified business income" or QBI from a partnership, S corporation or sole proprietorship.



- The new corporate tax rate is a flat 21% (prior-law graduated corporate rates were 15%, 25%, 34% and 35%). This rate isn't set to expire.
- There is a deduction of up to 20% for QBI (this deduction is set to expire Dec. 31, 2025).

Many individual returns will be easier to complete.

One of the many goals associated with tax reform is to make it easier for taxpayers to complete and file accurate returns.

The new law increased the standard deduction through 2025 and did away with personal exemptions. What does this mean? For many individual taxpayers, it may mean fewer forms and calculations to complete. More taxpayers will use the standard deduction and avoid the need to itemize their expenses (while avoiding the requirement to file a Schedule A and keeping detailed records of those expenses). [Several studies](#) have estimated that of the roughly 45 million taxpayers who itemized their expenses on their 2017 returns, only between five and eight million will itemize in 2018.

Good news for people who have young children.

The child tax credit may be claimed for qualifying children under the age of 17.

Starting in 2018, more people will qualify for this credit, and it's even bigger — double actually. For 2018, the child tax credit is doubled from \$1,000 to \$2,000 per qualifying child. Plus, the threshold at which the credit begins to phase out is increased to \$400,000 for married taxpayers filing a joint return and \$200,000 for other taxpayers.

No penalty imposed on individuals who do not have health insurance.

The new law reduces the individual shared responsibility penalty to zero for tax years starting Jan. 1, 2019. However, note that the penalty is still in effect for the 2018 calendar year, and even when the penalty goes away, other aspects of the Affordable Care Act are still in place.

Even when there is no penalty associated with not having health insurance, you should consider the financial implications of being uninsured.

Other noteworthy tax changes.

- Individuals may still be subject to alternative minimum tax (AMT); however, the AMT exemption amount was increased (so fewer people will be hit with this tax). Corporate AMT is repealed.

- 529 plans can now be used to pay for public, private or religious elementary and secondary schools. This can be a nice tax benefit for families who choose to put their children in private schools.
- The new law suspends all previous miscellaneous itemized deductions for individual taxpayers (that were subject to the 2% of adjusted gross income limitation).
- There is an overall deduction limit of \$10,000 for property and state and local income taxes for individual taxpayers. Plus, with the increased standard deduction, many taxpayers will no longer itemize their expenses (on Schedule A). Therefore, many taxpayers will not receive any benefit for certain expenses, such as state and local taxes.

Other provisions in tax reform will have varying levels of effects on taxpayers. Plus, many provisions are set to expire in a few years, and there is uncertainty about what will happen at that time.

With so many moving parts and considerations, talk to your Certified Public Accountant (CPA) to see how the tax law changes may impact you specifically. Visit the 360 degrees of [financial literacy](#) website to learn about the benefits of choosing a CPA for all of your tax needs and to find a CPA in your area.

Innovation...developing a culture of growth

By L. Gary Boomer, Visionary & Strategist

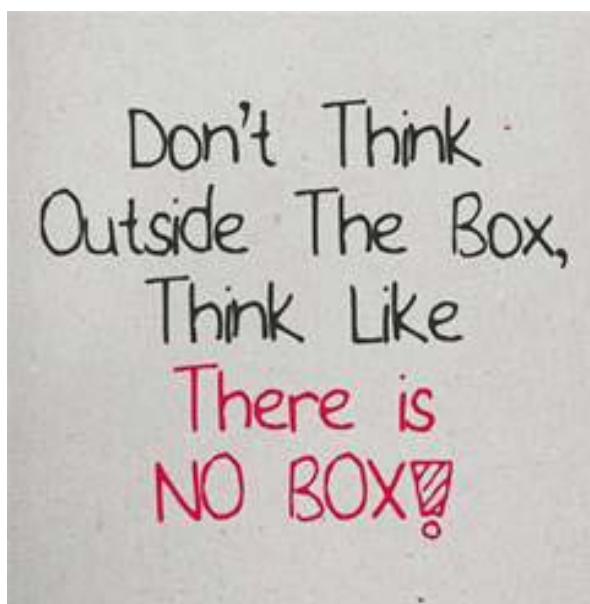


Innovation is more complex than most believe and requires planning and infrastructure to succeed in any organization, including an accounting firm. The best innovative cultures are those where ideas come from all areas, including clients or customers. We like to refer to this as The Bubbling Company. Just as a pot boils, ideas and innovation must come from all areas, not just the top. Creating the innovative culture requires the right mindset, skillsets, toolsets and discipline. The complexity and challenges come from how to manage the current company while innovation occurs.

The late Steve Jobs stated that “innovation requires hindsight, insight, and foresight.” Innovation is not just an ah-ha moment. In fact, most if not all innovation starts as a bad idea. At least it is a bad idea in the minds of those it will disrupt or require change on their part. There are also the challenges of resource allocation, priorities, and duplication of effort within a firm or organization. Some classify this as politics, but it is really more than politics and can be managed with a vision and strong leadership.

Let's look at the innovation process first and then how to better manage

innovation in a firm. We will also look at best practices and how leading firms are addressing innovation. Innovation starts with an idea that has the potential to disrupt or change people within an organization. Take the internet, laser printer, smartphone and blockchain as a few more generic examples. The idea can involve technology, processes, people, leadership or growth. Generally, the person that comes up with the idea is not the person that can manage the process, prove the idea works and then



scale the concept across the firm or organization. A team approach is generally required for success. Also, the level of trust in the process within the organization determines the time and cost to implement. If the trust level is low, the firm pays a tax in increased time and dollars. If the trust is high, the firm receives

a dividend in less time and dollars.

Leadership and culture are paramount to innovative success. Google and Apple generally come to mind when thinking about innovation, because much has been written about their products, services and processes. Yet when we review Forbes 2018 list of top 100 innovative companies, Apple isn't listed and Google is represented by Alphabet ranking 79th. ServiceNow, Workday, Salesforce, Tesla and Amazon are the top five. Intuit, ranks

51st on the list and is the company that impacts small business and the accounting profession the most. They have their own process named “Design for Delight” to create innovative thinking. I have participated in their process, and it works. It is based upon the principle of intersectional versus directional innovation. They include the customer and diverse thinking in the process. Most accounting firms use directional innovation where they only put accountants in the room, and the results are incremental rather than

exponential change and improvement.

Granted, these are large companies, and most accounting firms are small businesses. But some of the same challenges and strategies apply. Here is a list of some of the more important responsibilities of a Chief Innovation Officer as pub-



lished in the Harvard Business Review.

- Supporting best practices
- Developing skills
- Supporting business unit initiatives
- Identify new market space
- Facilitating idea generation
- Directing resources
- Protecting promising projects

According to the HBR article, even well-managed companies can fail at innovation if they don't address the above responsibilities. The challenge comes from the fact these seven responsibilities change in importance over time. Initially, idea generation may be a high priority, but with time there will often be more ideas than resources, so other areas gain in importance. Our experience, in our own organization and in larger firms is the developing of skills, directing of resources and protecting promising projects are all important. The CIO or innovation leader's primary skill may need to be project management.

Innovation requires balance. Firms must continue to generate cash flow from existing service lines while introducing new services and developing the required talent. This requires change management, allocation of resources and education. Some of the lessons learned over the past few years may help you accelerate the innovation process and increase your success.

- Name a CIO or Innovation Leader (depending upon the size of your organization)
- Accept failures – fail fast
- Utilize an open office and collaborate team structure
- Seek ideas from all levels
- Develop filtering criteria
- Free up firm leaders - Provide time to think (tightly scheduled leaders cannot be innovative)

- Provide funding and resources
- Develop or acquire new skills
- Develop your network – peers and outside innovators

Creating and developing an innovative culture is both fun and rewarding. Remember there will be failures, but success builds confidence and confidence drive firms to higher levels.

[L. Gary Boomer](#), Visionary & Strategist of Boomer Consulting, Inc., is recognized in the accounting profession as the leading authority on technology and firm management.

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PRESIDENT

Darryl K. Nitta



Darryl is a Principal with Accuity LLP (former PricewaterhouseCoopers LLP Honolulu Office) and the Managing Director of C&Y CPAs LLC, a locally owned

subsidiary of Accuity LLP. C&Y CPAs specializes in servicing small business clients in various industries with bookkeeping, compilation, consulting, and tax compliance services. From 2010-2012, Darryl was appointed by the Governor to serve on the Hawaii Tax Review Commission. On a national level, Darryl is proud to be the second participant from Hawaii selected to the AICPA Leadership Academy.

PRESIDENT-ELECT

Edmund N. Nakano



Ed is the Corporate Secretary & Treasurer and serves on the Executive Team of C. S. Wo & Sons, Ltd. Ed has been with C. S. Wo for 39

years and is the Executive Manager of the Accounting, Human Resources, and Inventory Control Departments. His responsibilities include overseeing the company's legal and tax issues, procurement of major equipment and capital expenditures, financial reports, investments, property management, estate and financial planning for certain owners, Chairman of the Safety and Health Committee which includes the management of C. S. Wo's self-insured workers compensation, general liability and auto insurance programs. Ed is a Vietnam Veteran who utilized his GI bill to continue his education at UH Manoa where he switched majors, received his Accounting degree and was employed as

an Auditor and Tax Specialist at Coopers & Lybrand for 6 years. An Honorary member of the AICPA, Ed maintains his PTP to hold the CPA and CGMA designations. Ed's family includes 2 daughters who are accountants with MBAs, one is also a CPA.

VICE PRESIDENT

Ryan K. Suekawa



Ryan is a Senior Manager with Deloitte & Touche LLP. He has experience serving audit clients in various industries including telecommunications,

real estate, state government, hospitality, employee benefit plans, ocean transportation, healthcare, agribusiness, construction, and not-for-profit. Ryan has a Master of Business Administration degree and Bachelor of Business Administration degrees in accounting, and management information systems from the University of Hawaii Manoa. He is a certified public accountant, chartered global management accountant, and accredited in business valuation.

SECRETARY/TREASURER

Chad K. Funasaki



After graduating with a Bachelor of Business Administration degree in Accounting from the University of Hawaii at

Manoa, Chad joined N&K in 1995 and became a principal in 2014. He is responsible for overseeing the operations of the Assurance Services Division of the firm. Chad's industry expertise includes construction, nonprofit, government and commercial industries. He is also a Chartered Global Management Accountant and a member of the AICPA.

DIRECTORS

Robert K. Hatanaka



Bob is an audit principal at CW Associates, CPAs, actively involved in assurance services for business enterprises,

construction contractors, employee benefit plans, governmental entities, and nonprofit organizations. He is also a lecturer in accounting and auditing at the University of Hawaii Shidler College of Business, School of Accountancy. Bob has a Master of Accounting degree and a Bachelor of Business Administration degree in accounting from the University of Hawaii, and recently served as secretary for the Hawaii Chapter of the Association of Government Accountants. He is a member of the American Institute of CPAs

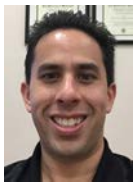
Ronald I. Heller



A director of Torkildson Katz Hetherington & Knorek, a law corporation, Ron practices in the areas of taxation, tax litigation, business/commer-

cial litigation (including CPA malpractice defense), and business law. He has served on the Board since 1988 and was the Society's president for 1994-95. An active member of the Society, Ron also served as a member of the AICPA Council in 1994-96, 2002-04, 2011-13, and 2015-17. He also served on the AICPA Accountant's Legal Liability Committee.

Adrian K. Hong



Adrian is president of Island Plastic Bags, Inc., a local, family-owned company that manufactures plastic bags. He is a CPA, not in public

practice, with previous experience in auditing, teaching, and XBRL taxonomy development at the Financial Accounting Standards Board. Adrian is a member of the Y-CPA Squad and the Y-CPA committee. Both the Squad and committee are actively involved in outreach programs with college and high school students to promote the HSCPA and accounting profession.

Franklin T. Kudo



Frank Kudo is the Chairman, CEO, and majority shareholder of New City Nissan, the largest Nissan franchised retailer in the State

of Hawaii. He is also a full-time professor of accounting at the University of Hawaii at West Oahu. Frank teaches intermediate financial, managerial and advanced accounting courses. In addition, he is the lead faculty advisor and founder of the UH-WO FAFSA (Free Application for Financial Student Aid) project serving ten Title 1 high schools in the underserved West Oahu and the Leeward coast regions of Oahu. Frank has over forty years of practitioner experience in a variety of business areas. His public accounting experience was with KPMG where he was a senior auditor specializing in fire and casualty and life insurance audits, retail, schools, and other commercial engagements.

Trisha N. Nomura



Trisha Nomura is the Chief People Officer at ProService Hawaii (PSH). She started her career as a CPA at PricewaterhouseCoopers. Tri-

sha then worked as the Director of Accounting at Young Brothers, Ltd. before returning to public accounting with Grant Thornton, which later became PKF Pacific Hawaii. In 2014, she joined Hawaii Human Resources, Inc. where she was the Chief Operating Officer prior to the company's acquisition by PSH. She is a member of the American Institute of Certified Public Accountants, where she proudly serves as an at-large Council member. Trisha also serves as the treasurer for Kaneohe Little League. In 2012, she was the fourth participant from Hawaii selected to attend the AICPA Leadership Academy.

Steven R. Oberg



Steve has worked in public accounting on Kauai since 1976 and has been a principal in Oberg & Free CPAs in Lihue since he and

his wife, Gale Free, established their firm in 1999. The firm provides tax, accounting and financial reporting services to individuals and small businesses. Steve has been a member of the AICPA and HSCPA since 1985. He also served on the Hawaii Board of Accountancy from May 2009 to June 2014. In addition, Steve has been a member of the Kauai Community College Business Education Advisory Board for many years. His personal interests are surfing, golf, travel, and reading.



UPCOMING EVENTS

July 27:

[Tax & Financial Planning for Caregivers of Adults and Children](#)

July 31:

[Cross-Border Estate Planning in Japan](#)

August 1

[Hawaii Taxes on Interstate Sales – Is it a New Ball Game?](#)

Immediate Past President

Norman N. Okimoto



Norman is President of Hawaiian Tel Federal Credit Union, a full service financial institution with over \$600 million in assets. Prior to joining the credit union, he was Capital Budget Manager at GTE Hawaiian Tel and a senior auditor at Coopers & Lybrand. Norman is a past president (twice) of the HSCPA and is the official HSCPA book reviewer for KALA. He also served on the governing Council of the AICPA.

Valerie M. Peralto



Valerie Peralto is President of Peralto & Co. CPAs Inc. which she jointly owns with her husband Joel Peralto. Their practice provides full service accounting and tax preparation to small businesses located on the Big Island of Hawaii for the past 36 years. Valerie began her career in public accounting after graduating college and has also worked in private industry as an accountant and controller prior

to starting their accounting practice. She graduated from Gonzaga University with a Bachelors of Business Administration in Public Accounting. Valerie is an active volunteer in the Hilo community for the past 36 years serving on various non-profit boards, notably for St. Joseph School, AYSO, Hilo Medical Center Foundation and more recently for the Hui Malama I Ke Ala Uili as board member and treasurer.

Jessica Su



Jessica Su is a Director in TRUSTA, An Accountancy Corporation. She is a CPA in the U.S. and Taiwan and has more than twenty years of experience providing accounting and tax services to clients in diverse industries. Her practice is primarily concentrated in corporate and individual taxation with an emphasis in serving international entities with U.S. investments, U.S. companies with foreign operations and individuals such as expatriates, new immigrants, and nonresident aliens with their U.S. tax planning and compliances.

Natalie M.H. Taniguchi



Natalie joined American Savings Bank in January, 2002 and is Executive Vice President – Enterprise Risk and Regulatory Relations.

She oversees the bank's Enterprise Risk Management Program, which provides a framework to identify, manage, mitigate & report on key risks impacting the bank's business. Previously, she served as Financial Vice President and Treasurer for HEI Power Corp., a subsidiary of Hawaiian Electric Industries, Inc. (HEI), as the Corporate Finance and Investments Director for HEI and as Senior Auditor at what is now known as PricewaterhouseCoopers. Natalie holds a Bachelor's of Business Administration in Accounting from the University of Hawaii at Manoa and is a member of the Risk Management Association, American Institute of Certified Public Accountants and the Hawaii Society of Certified Public Accountants.

Gordon M. Tom



Gordon Tom joined the Board representing the Y-CPA Squad. He is a Senior Manager in KMH LLP's Assurance and Advisory

Services division. Gordon has over fifteen years of experience in providing assurance, advisory and consulting services to a variety of industries, including health care, hospital-ity, insurance, government, real estate, retail and not-for-profit organizations. His primary responsibility is managing audit engagements relating to insurance, hospitality, and non-profit organizations. Prior to joining KMH, Gordon was a Senior Accountant with Deloitte & Touche LLP. Gordon is currently serving as a designated member on the AICPA Council.

Hawaii Practices For Sale

Gross revenues shown: Hawaii Island CPA-\$383K, accounting (57%), tax (42%); Hawaii Neighbor Island CPA-\$1M, Tax (49%), acctng (46%), other (5%), cash flow 50%+; Honolulu CPA Majority Partnership Opportunity-60%+/\$300K; Island of Kauai CPA-\$748K. For more information, please call 1-800-397-0249 or to see listing details and register for free email updates visit www.APS.net.

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Tax & Financial Planning for Caregivers of Adults and Children

How many of these caregivers are your clients?

There are over 145,000 unpaid caregivers in Hawaii* providing over \$2.2 billion in services.

July 27 (Friday)

8:30 a.m. to 12:00 noon

Prince Waikiki

- Are you or your clients receiving all of the tax benefits you're entitled to?
- How do the changes in the Tax Cuts and Jobs Act affect caregivers?

*AARP 2017

This half-day session will discuss a variety of unique tax and financial planning issues pertaining to families, and will include recent tax changes under the Tax Cuts and Jobs Act that affect such planning. We will be comparing 2017 to 2018 legislation.

Many parents and caregivers are unaware of some tax benefits, deductions and credits available to them because of their family situation.

As our population ages, more and more of us will be affected by taking care of aging parents and perhaps also special needs dependents.

As a CPA, you have the ability to gain the knowledge to help your clients by understanding some of the fine nuances associated with medical expense deductions (i.e., retirement plan distributions and home equity loans), the tax benefit rule, and the interaction for the medical expense and home equity deductions, as well as other financing techniques, with the AMT.

As the definition of 'family' expands and tax laws change, CPAs and other financial advisors need to understand the opportunities available to assist their families as they plan for their unique situations. A case study will be provided. Additionally, there will be information provided on the top mistakes in planning for special needs dependents.



Thomas Brinker, CPA/PFS, JD, LL.M., CGMA, ChFC, CFE, AEP, is a Professor of Accounting at Arcadia University. He also serves as Executive Director for the MBA program and Chair for the School of Global Business. He is currently a tax consultant for the special needs community and to local CPA and law firms in the Philadelphia area. His practice concentrates on tax planning and compliance for individuals and businesses.



Kirk S. Barth, CFP®, ChSNC®, CLU®, ChFC®, LUTCF, is a certified financial planner with MassMutual Pacific, and the owner of Special Needs Hawaii, a financial and special care planning firm. Kirk's diverse experience has also led him to become a financial professional focusing on Special Needs Planning, helping families with dependents with special needs plan for the future as well as retirement strategies, business continuation strategies, and life insurance.

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\$150***

**Non-member
\$250***

**Includes complete buffet breakfast, program materials, parking
Four (4) CPE credits**

***Early registration by
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Norman's Book Review

"If Only I Knew"

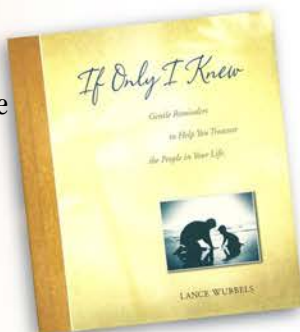
by Lance Wubbels

We all know life is so precious and can change in an instant. We have experienced hardship, challenges and grief during different times in our lives, and we summon our inner strength, family, friends and faith to get us through these tough periods. *"If Only I Knew"* is a book that can also help you during difficult times, and remind you what is important in your life. It is a very uplifting book with very simple, yet powerful messages.

About The Author

Lance Wubbels is Vice President of Literary Development at Koechel Peterson & Associates, Inc. Previous to that, he was the Managing Editor of Bethany House Publishers (BHP) for 18 years,

and taught at Bethany College of Missions in Bloomington, Minnesota. He has authored three books, published



seven fiction books with BHP, and has compiled and edited 25 Christian Living Classic books.

"If Only I Knew"

is his first book for Hallmark. He is a gifted and inspirational storyteller.

"If Only I Knew"

The book contains over 50 inspirational messages centered around the theme "If Only I Knew..." It is really well laid out

with brilliant colors and subtle illustrations and pictures. To give you a feel of the book, the following are two of my favorite messages from the book. I highly recommend you buy the book and read it when you need an emotional lift and give copies to close friends and relatives. Many people have done the latter, based on reading the positive reviews of the book.

On Seeing Someone For The Last Time

"IF ONLY I KNEW

this was the last time...
the very last time...

I would see you,

I would take the time

To treasure everything about you."

ANAHA

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One of Howard Hughes' newest condo projects, Anaha is one of the first-class luxury condos in an absolute prime location within the Kakaako, Honolulu neighborhood at 1108 Auahi Street, part of Ward Village's 1st phase. Ward Village is close to Ala Moana

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Offered	\$2,425,000	\$2,195,000	\$2,129,000	\$1,858,000
Living	2,479 sq.ft.	1,691 sq.ft.	1,704 sq.ft.	1,793 sq.ft.
Description	3 BD, 3.5 BA	2 BD + Den, 2 BA	2 BD + Den, 2 BA	Lanai 93 sq.ft.
Views	Ocean, & Auahi Street Views	Diamond Head, Ocean, Marina, Mountain & City Views	Diamond Head, Ocean, Marina, Mountain & City Views	2 BD, 2.5 BA, 2 Pkg Partial Ocean & Kamakee Street Views

* UNITS - 907, 1500, 1900 SOLD and 2106, 3008 ESCROW * WHOLE FOODS will be opened on May 9 2018



John "Jack" Tyrrell

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JACK TYRRELL
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A Real Estate Brokerage Corporation

On Being A Workaholic

“IF ONLY I KNEW

that I was caught in the trap
of living for tomorrow
and a future that existed
only in my imagination,
I would have slowed my pace,
Drawn boundaries around my work,
And taken time for the people I love.”

Elston Kitamori Tribute

A very good friend of mine, as well as fellow HSCPA members Craig Watanabe, Kurt Kawafuchi, Carl Muraoka and Len Tshako, Elston “Big El” Kitamori, passed away coincidentally on our Annual Conference day, Friday, June 22nd. We were all part of the Iolani Class of 1976, where our graduating class was about 140 students.

Just five months ago on February 2, 2018, Big El, Craig, Len and I were part of 10 classmates and many other Iolani alumni who attended a fundraiser for an Eddie Hamada statue, and paid tribute for all his contributions to Iolani School.

A few weeks later, Big El was admitted to Queen’s Hospital and diagnosed with stage 4 cancer. At that time, our class of 1976 decided to take the “One Team” spirit and support Big El to help him deal with his situation. While he had only a 3% chance of survival, Big El and the rest of his classmates were hoping for a miracle.



We epitomized the spirit of the book by rallying around Big El and doing all that we could for him. We fundraised for him, many visited him when he was at home and when he was in the hospital, and pictures, texts, and emails were shared with Big El. We remembered the good times and shared funny stories, many times with Big El being the storyteller. Most of all, prayers were sent to

Big El from classmates throughout the country. When he knew his days here were short, he made sure he saw as many people as he could to say he loved and cherished them. Despite the pain he had to endure, Big El always had his signature “Big Smile” on his face for all of us. Rest in peace my good friend, you will be missed.

Author’s Hope

After reading this book, I made a commitment to do my best to have no regrets in my life, as well as be there for my dear friend Elston Kitamori. As the author notes in his book:

“Don’t allow the regrets of “if only I knew” to be the final marker of your life. Be swift to love. Hurry to be kind. Take the time to make someone feel special. Freely give hugs and kisses, and may “I love you” be often on your lips.”



CPA FIRM MICROCOMPUTER TECHNOLOGY

By Joy Takaesu of Carr, Gouveia + Associates, CPAs, Inc.



The FBI Internet Crime Complaint Center (IC3) released an urgent request advising owners of home and office routers to power cycle their routers. You can do this by unplugging the router from power for about half a minute, then plugging it back in. This advisory is because of a newly discovered VPNFilter malware that may have compromised over half a million routers worldwide. There isn't really a way to easily determine if a particular router has been infected. Rebooting the

router is meant to help "temporarily disrupt the malware and aid the potential identification of infected devices." The FBI also recommends disabling the router's remote management settings, using strong passwords, and updating to the latest firmware.

For a list of router models known to be vulnerable to the VPNFilter malware, you can search for the Symantec article called "VPNFilter: New Router Malware with Destructive Capabilities." On his blog, security reporter Brian Krebs says the only way to eliminate the infection entirely would be to restore the router to the default factory settings and redo the configuration from scratch. Another option would be to replace the router with a new one, since the affected routers tend to be older models with old firmware.

The FBI also released a PSA to warn businesses about Business Email Compromise (BEC) scams. Under the BEC scam, criminals may compromise or spoof an email account and impersonate a business executive. The scammer sends an email that is designed to appear as if it were sent by someone familiar to an organization, in order to request fraudulent payments or sensitive employee information.

Victims are advised to call the originating bank to request a wire recall, file a complaint with the FBI at www.ic3.gov and save all related messages and evidence. The FBI requests that complaints be filed

regardless of the dollar loss or date of the incident.

To help prevent BEC and other scams, the FBI suggests monitoring email settings for changes in custom rules, adding an external email banner to help identify emails coming from outside the organization, training employees to identify suspicious emails, and creating company policies with safeguards to verify changes to payment-related information. Businesses could consider double-checking email requests for payment or sensitive information via a verified phone number, and requiring two parties to approve payments.

Security researchers at Kenna Security recently found that companies and organizations using Google Groups for mailing lists may inadvertently be sharing more information than intended. By default, Google Groups are private, but researchers estimate that thousands of organizations may be unintentionally revealing sensitive information. You can check your settings by logging into G Suite as an administrator, and typing "Settings for Groups for Business." The recommendation is that this setting be set to "Private." For more details, please search Google's blog for the article "Configure your Google Groups settings for increased security."

If you have any questions or comments, please call me at (808) 837-2517, or send e-mail to joy@cga-cpa.com.

What matters most?



When it comes to your information management program, what matters most to you? We think you will agree, it's access: secure and compliant, yet fast and convenient for you. Access serves premier accounting firms throughout Hawaii.

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B CROSS- R D E R Estate Planning in Japan



July 31
(Tuesday)

8:30 a.m. to 10:00 a.m. • Plaza Club - 20th floor

No parking validation - Public parking available
at downtown municipal lots

Join us for a special presentation by international HSCPA member, [Mike Shikuma](#), who's practicing in Japan for the past 17 years. The presentation will apply to **non-Japan residents** with property and/or family **residing in Japan**; **Japanese nationals** with property and/or family **outside of Japan**; and **non-Japanese nationals residing in Japan**. Mike will focus discussion topics on:

- Japan succession law and practice
- Probate and succession with respect to property, decedents, and/or heirs in Japan
- Estate and tax planning for property, donors, and/or heirs in Japan
- Estate and tax planning for Japanese nationals with property and/or heirs outside Japan



Michael H. Shikuma specializes in international tax and cross-border estate planning in Japan, the US, and the Asia-Pacific region. With over 25 years of professional practice experience, he assists individuals and cross-border families with multi-jurisdiction asset holdings in developing tax-efficient structures for holding assets in various jurisdictions and minimizing gift, estate and inheritance

taxes. In addition, he assists with cross-border probate and succession procedures and tax compliance for decedents with cross-border families and/or assets. He also assists entrepreneurs, SMEs, global companies, and investment funds with tax planning for cross-border corporate restructuring, investment and financing structures, and mergers and acquisitions, in Japan, the US, and the Asia-Pacific region. He has extensive US federal and state income, sales, and transfer tax experience, as well as experience in representing individual and corporate clients in tax controversy cases.

HSCPA Member
\$45
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1.5 CPE credit hours

Includes buffet
breakfast



TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika

Balanced Budget



If you are a serious student of Hawaii constitutional law, here is a question for you. Where in our state constitution

does it say we have to have a balanced budget? The answer appears later in this article.

The part of our constitution directly governing our state's budget is Article VII, section 8. It says that "the governor shall submit to the legislature a budget in a form provided by law setting forth a complete plan of proposed expenditures of the executive branch, estimates as provided by law of the aggregate expenditures of the judicial and legislative branches, and anticipated receipts of the State for the ensuing fiscal biennium, together with such other information as the legislature may require." The chief justice of the Hawaii supreme court is supposed to submit the same information for the judiciary branch.

There is also language in sections 8 and 9 limiting general fund expenditures by an "expenditure ceiling." However, it is easy to breach the ceiling. If the governor is proposing a budget that would breach the ceiling, the governor needs to specify by how much the ceiling would be breached, and why. This past session, for example, the governor's proposed budget contained some language buried

in the appendix to the budget: "Total proposed appropriation measures from the general fund . . . will exceed the appropriation ceiling by \$36.7 million (or 0.5%) in FY 19. The reasons for this excess are the substantial costs of social assistance entitlements, support for public education, fringe benefits and other critical requirements." The legislature then can approve appropriations that breach the ceiling by passing a bill with a two-thirds vote in both houses which will "set forth the dollar amount and the rate by which the ceiling will be exceeded and the reasons therefor." That isn't a terribly high hurdle to jump either.



So here is the answer to the question posed at the beginning of the article. According to Attorney General Opinion 97-1, if you are looking for language in the constitution requiring a balanced budget, you won't find it. "There is no express requirement for a balanced budget in either the State Constitution or

the applicable statutes," it says. After the Attorney General goes through several constitutional provisions, statutes, and proceedings of the 1978 constitutional convention, she concludes:

Thus, although the express words "balanced budget" are not included in the State Constitution or the statutes relating to the state budget, the Constitutional and statutory provisions require it by requiring a description of the proposed expenditures and the sources of revenues to pay for them. If there is a shortfall in resources to pay for the proposed expenditures, revenue enhancements to cover the deficit must be proposed, or reductions in expenditures must be proposed to balance out the anticipated revenues.

Back in 1997, it was suggested that the governor's budget could be submitted to the legislature in an unbalanced state, but the governor's office would then impose spending restrictions so that actual expenditures would not exceed revenues. The attorney general nixed that idea.

As reported in [a past article](#), this year's legislature was given a financial plan where spending exceeded revenues by \$200 million a year. That might not be kosher under our constitution for the reasons discussed above. We hope that more awareness of the issue will prevent the same thing from happening in the future.



Hiking for Mental Health

By Marc Miura



Stressed out and want to pull out your hair? Can't take another minute punching numbers in that ten-key? Maybe you should take a hike . . . literally! Please see below for the three mental health reasons going on a hike is good for you.

Everyone knows the benefit of physical exercise, however, one of the benefits we wanted to highlight in this article is what physical exercise can do for your mental health. Being physically active helps reduce stress by reducing cortisol, the body's stress hormones, and increasing levels of endorphins, the body's happy hormones. Exercise could also help you sleep better, and everyone knows firsthand the power that a good night's rest has on improving your mood.

Hiking is also a great way to socialize with people. Although we are more connected to one another through Facebook and Instagram, it may inversely lead to an increase feeling

of loneliness. Having actual face-to-face interactions and a group working towards a goal can help build connections with people and the feeling of connecting with a community.

Lastly, one of the benefits of living in Hawaii is our beautiful environment, and other than a trip to a beach or a trip around the island, hiking is another way to appreciate it. We sometimes fail at taking a moment to stop and enjoy nature and really appreciate the gifts that we are given. When at the top of the mountain overlooking the vast landscape and the wonders nature has bestowed on us, we can truly say that we are lucky to live in Hawaii.

Due to benefits described above, and at the suggestion from our members, the Y-CPA committee is organizing a hiking event at Makapu'u Lighthouse on July 21. We would love it if you could join us!



Meet at the Makapu'u Lighthouse

Bring your hiking survival gear:

- Good walking shoes
- Fully-charged cell phone
- Sunscreen
- Hat / visor
- Water bottle

Questions? Or, if you get lost, contact Marc Miura at:

808-228-2176

mmiura@cwassociatescpas.com

CLICK [HERE](#) for form and return to info@hscpa.org



Hawaii Taxes on Is it a New Ball Game?



August 1st (Wednesday)

8:30 to 9:30 a.m.
(Breakfast at 8:00 a.m.)

Plaza Club (20th Floor)

Parking available at downtown municipal lots



What is the impact of the U.S. Supreme Court's Wayfair decision? How does it relate to Act 41, passed in 2018 by the Hawaii State Legislature, and to the Hawaii Tax Department's new GET Rules on Exported Services and Revised County Surcharge Rules?

On June 21, 2018, the U.S. Supreme Court reversed the prior Quill physical presence standard. What does that mean for your clients, your firm, or anyone doing business

across state lines? Will Hawaii's Act 41 pass the test suggested by Wayfair? Additionally, the Hawaii Tax Department recently issued new rules on the GET exported services exemption, and revised county surcharge rules. The new rules significantly modify the Department's position. Come learn about these new and revised rules and their potential impact.

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\$55

1 CPE credit hour
Includes buffet
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***Our
Expert***



Ron Heller