

AUGUST 2020

KĀLĀ

The Official Publication of the Hawaii Society
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90 DAYS

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OPERATIONS

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CREATE DEMAND

CREATE VALUE
AND TRUST

ENSURE
THE SAFETY
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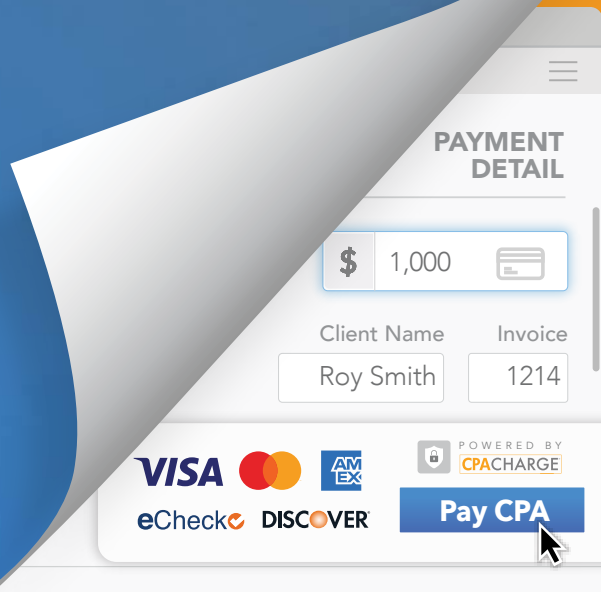
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President's Message

By Ed Nakano

Lessons We Can Learn from the Coronavirus Challenges

As we each face the challenges and disruption resulting from the Coronavirus, I found this article *“Lessons to Learn from the Coronavirus”* written by Daniel Hood in *Accounting Today* to be inspiring, appropriate and worthy of sharing.

The article gives credence to a series of in-depth studies that the U S Army conducted during WWII on how and why soldiers fight and win. The results of these studies concluded that the basis of many of the Army's current core strengths are due to **Extraordinary Degrees of Self-Awareness** and **Self-Confidence**.

Extraordinary Self-Awareness according to the Army's definition, is one's ability to reflect on what actions are needed and to respond accordingly and appropriately. **Extraordinary Self-Confidence**, from my perspective, involves GRIT, believing in oneself, among other characteristics which includes risk management and careful planning.

My dad was an American of Japanese Ancestry (AJA) infantryman with the 100th Infantry Battalion who, during WWII, survived 5 campaigns. He and his comrades displayed **Extraordinary Self-Awareness** and **Extraordinary Self-Confidence**. They had to prove their AJA loyalty to the U.S. and did it with GRIT and bravery.

I can look back and relate to how I unconsciously embraced these core strengths when I started working from the 6th grade delivering newspapers at 5 am in the morning, to serving in Vietnam as a Small Arms Repairman, to caring for my parents in their senior years, and my 48 years in public accounting and the retail industry.

The article describes the following processes to address the COVID-19 disruptions utilizing these core strengths:

1. Temporary Expedients Part 1.

This requires using temporary systems to address the disruption from the pandemic such as new workflows, management, and reporting structures. We need to self-reflect on these processes with a “Clean as We Go, Focus on the Big Rocks” strategies, experiment, evaluate and keep moving forward.

A prime example of temporary systems I had to adapt to is working remotely and adjusting to this new process. In order to be productive, I upgraded my home computer equipment and software and learned to use ZOOM for remote meetings. My employer and ourselves had to quickly adapt to numerous systems and structural changes in order to deal with the COVID-19 health issues and reduction in sales and customer traffic when the business was allowed to reopen in mid-May.

2. Temporary Expedients Part 2.

This is the evaluation and change phase where after several months, temporary systems will be replaced, enhanced or made permanent. Adapting to working remotely, wearing masks, washing our hands frequently, social distancing are examples of what has been and will continue to be the “new normal” since the COVID-19 abruptly impacted us in March 2020. These processes will not change dramatically until a vaccine is discovered.

3. Remember If They Stood Out. The innovative, creative and adaptive employees will solve their challenges, help others and go above and beyond. We need to take note of these employees' strengths and contributions, recognize them and be aware that they are not only the current but future leaders of our organization. At C S Wo, I am proud that I have several employees who have worked for me for over 30 years who have adapted to several economic downturns and continue to contribute significantly to the organization.

4. Forget It If They Didn't. Not everyone will stand out in this crisis since they may be dealing with other personal crises at home. During these challenging times, we must exercise **GENEROSITY** with selective **AMNESIA**. The Japanese term I use and do my best to consciously practice is called “**GAMAN**” (endearing the seemingly unbearable with patience and dignity).

We should all embrace these core values to meet and survive the turmoil caused by COVID-19. This is the time for experimenting and practicalities, working collaboratively and determining what works and doesn't. Let's not “throw rocks at each other” during these disruptive times, especially when dealing with the threats from change and failures. This is the stress test that requires we all work together as a team. As the saying goes, “We are in this together”.

Take care and be safe.



Back to Work, but Maybe Not at the Office

By L. Gary Boomer, Visionary & Strategist

I remember a book titled *Work Sucks: and how to fix it* written by Cali Kessler and Jody Thomson back in 2008. They correctly defined work as what you do and not where you go. They were employed by Best Buy and started the virtual work movement. For the past 12 years, we have had significant technological advancements that have improved productivity and the work experience. The pandemic finally brought a sense of reality, urgency and acceleration to the virtual workforce.

Today we hear from those who feel working from home increases productivity while reducing commute times and expenses. They want to continue working from home for a variety of reasons. At the same time, some can't wait to get back to the office and the structure because working from home isn't for them. Both are right, and firms need to envision a business model that leverages both types of workers as they plan for the future. The market will determine the economic differences.

This change alone will impact office size and design. It will also increase the importance of technology, including different applications, to work in a virtual rather than a physical world. Home offices are being redesigned with security and privacy in mind. Many people just weren't prepared to work from home, while others were already prepared. For

a few weeks, it was difficult to purchase microphones, monitors and vanity lights while people were upgrading their home offices and adjusting to Zoom or Teams. Some employees found they have better bandwidth at home than in the office while others needed to upgrade their bandwidth. A new trend is a bandwidth stipend for those working from home.



Question: Why didn't firms use Zoom and Microsoft Teams before the pandemic? Why didn't they upgrade their communications capabilities? Some firms and small businesses are using 20-year-old phone systems.

Think about it: the same reasons they didn't use document management and workflow in the early 2000s. They were resistant to change and held back by personal preferences and paper. Today,

you must be digital and in the cloud just to survive.

Enough of the past, let's get back to work, but not necessarily back to the office. Here are 10 steps to get you there that will assist in sustaining success and improve your future-readiness.

1. Develop a pivot plan or roadmap.

This should include a vision for Today, 90 Days, and One Year. This may sound simple, but it's critical to your future. Now is the time to focus on priorities and allocate resources accordingly.

2. Ensure the safety and health of employees and clients.

Safety and health must be part of your messaging and value proposition.

3. Create value and trust.

It is more important to create value than it is to capture value at the current time. Many new opportunities have already been identified.

4. Revive and create demand.

The tendency in crisis is to isolate and worry rather than converse with peers and clients. Client conversations will present new opportunities and demand for your services. Focus on your best clients rather than trying to save all clients. This is a difficult concept for many technical minds to accept.

5. Reboot physical and virtual operations.

The physical reboot is painful for firms in high rise office buildings and relatively easy for firms in stand-alone or smaller office buildings.

6. Explore the subscription business model.

This will help reduce risk and improve cash flow. Packaging and pricing of multiple services will add value to your clients and improve cash flow for the firm. The subscription model works in today's economy.

7. Evaluate IT and shift to restart mode.

The cloud is mandatory. You may need to reprioritize your IT roadmap and budget.

8. Leverage opportunities created through crisis and reinvest.

Many of these opportunities will require management skills and vision. Help your clients define and shape their future. This is an excellent opportunity for those who are more experienced and have technology skills.

9. Upskill your workforce.

Now is a great time to learn. Define your requirements before hiring more accounting skills. Your greatest needs may be in project management, data analytics, technology, marketing and business development.

10. Evaluate within 90 days.

A great plan requires accountability, and we are in a very fluid and dynamic situation.

Technical skills and silos within a firm may be the biggest challenges because many specialists focus on solving technical issues rather than looking at a holistic approach. Considering what is best for the client and how you can add value is the necessary mindset to survive and even thrive from a crisis. Technical skills and working more hours are not the solution to this crisis. The crisis has left many

hopeless and without a clear future. Your greatest value as a trusted business advisor is to assist clients in developing their vision and future. This requires conversations, thinking and tough decisions.

It is often easier to start with the knowns and then predict the impact of some of the unknowns. Many call these hard and soft trends. Here are some of the hard trends.

- The technology worked, and people can be productive from locations outside of the physical office.
- Mindsets are often more important than skills and tools. (Winning: I am going to figure out how to make this work, rather than Losing: I am going to figure out why this won't work.)
- The cloud provides advantages over those who are still in the physical world with legacy technology.
- The convergence of multiple technologies will continue to automate processes and improve the integrity of data.
- Physical offices will need to be redesigned and, in some cases, repurposed.
- The cloud provides improved access to resources and potential buyers.
- Local currently has more loyalty.
- Value is created from relationships, leadership and creativity.
- Triage may be required (clients and employees).
- Digital transformation has accelerated by at least two years.

- Re-think IT projects and spending.
- Working capital and cash flow will be critical.

While these hard trends can guide you in your vision, strategy and tactics, they still require execution. The Who is more important than the How. By that, I mean small businesses should focus on who can get it done rather than how. The whos know how or where to find the necessary resources. Now maybe the time to source, especially in those areas such as project management, data analytics, process automation, process improvement, marketing and sales. The alternative to sourcing is upskilling.

Now is a good time to learn, and people are finding new learning resources. Most small businesses will do a combination of sourcing and upskilling. Firms should do the same. The key is to be able to change and learn faster than the competition. Think-Plan-Grow

L. Gary Boomer, Visionary & Strategist of Boomer Consulting, Inc., is recognized in the accounting profession as the leading authority on technology and firm management. He consults and speaks around the globe on several topics including strategic and technology planning; mindset, skillsets and toolsets for the future; change management and developing a training and learning culture. He also acts as a planning facilitator and coach to some of the accounting profession's top firms.

HSCPA Legislative Update:

Accounting Profession Provides Congress with Six Recommendations for Next Phase of COVID-19 Relief Legislation

The U.S. House of Representatives and Senate have returned to Washington, DC for the first time since the end of June. Leadership from both chambers are in deep discussion about a path forward for the next COVID-19 relief legislative package. Read any headline and you'll know that Congress has a lot of work ahead in creating bipartisan relief legislation.

The AICPA, on behalf of the accounting profession, continues to encourage Congress to not delay in finding bipartisan consensus on additional relief and recovery legislation, and to include provisions that reflect the true and immediate need of small businesses. In a letter sent on July 20th to Congressional leaders, the profession called for a focus on small business' and the American workforce's urgent need for fast, simple solutions that drive economic recovery.

"The HSCPA joins the AICPA in supporting the accounting profession's commitment to small business recovery. These provisions will help our economy move forward by simplifying the process for PPP loan forgiveness, making PPP funds available to 501(c)(6) organizations, and helping remote workers, among other actions. HSCPA is working to be sure Hawaii's Members of Congress know the important role CPAs play as trusted business advisors in this critical time", said HSCPA President Ed Nakano.

The accounting profession's recommendations to Congress were:

1. Allow Full Deductions for Paycheck Protection Program (PPP) Related Business Expenses:

To uphold Congress' intent that PPP recipients receive the full benefit of a PPP loan, the profession supports bipartisan legislation clarifying that receipt and forgiveness of coronavirus assistance through the PPP does not affect the deductibility of ordinary business expenses. ([Read letter of support.](#))

2. Provide Information and Tools to Further Simplify PPP Loan Forgiveness Application Process:

It is critical that all PPP borrowers have access to key

guidance from the SBA and Treasury, as well as tools to easily determine and apply for the forgiven amount. AICPA supports bipartisan, bicameral legislation (H.R. 7413 / S. 4171, the Calculate PPP Forgiveness Act of 2020) that would require the SBA and Treasury to provide or certify free, publicly accessible PPP loan forgiveness calculators. ([Read press release.](#))



3. Remove Unnecessary and Unfair Tax Obstacles to Remote Work:

The AICPA and the HSCPA have long called for simplifying complex tax reporting rules employers and employees face as a result of numerous state income tax laws and varying de minimis exemptions when employees work outside their home states. We support bipartisan legislation, S. 3995, the Remote and Mobile Worker Relief Act of 2020, which reaches a balance between states' rights to tax income and the needs of individuals and businesses, especially small businesses, to operate efficiently in this economic climate. ([Read letter of support.](#))

4. Allow Section 501(c)(6) Associations and Organizations Access to PPP:

Local 501(c)(6) organizations are currently ineligible for assistance through the PPP. Many HSCPA members serve these organizations, which are suffering from event and meeting cancellations. We appreciate the strong bipartisan congressional support on this issue and urge



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Launches Kamaaina Special Offers Program

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The Hawaii Visitors and Convention Bureau (HVCB) has launched a new program geared toward kamaaina, offering Hawaii residents exclusive specials on accommodations, activities, attractions, shopping, dining and more throughout the Hawaiian Islands.

The “Kamaaina Special Offers Program” will be available online through August 31 at HawaiiSpecialOffers.com/kamaaina/. Residents can access unique rates and discounts offered by participating Hawaii partners, to recharge at a favorite island-getaway, reconnect with family and friends, and rejuvenate the mind, body, and spirit.

“Our communities have been vastly impacted by the COVID-19 pandemic, and as such it is important to us that we support our residents and local businesses,” said John Monahan, president and CEO of the Hawaii Visitors and Convention Bureau. “With the recent lifting of the interisland quarantine, the Kamaaina Special Offers Program creates opportunities for residents to reconnect with one another, explore and enjoy our island home, as well as bolster our local economy in the process.”

Congress to include language allowing section 501(c)(6) organizations access to the PPP in the upcoming package.

5. Provide Additional Federal Fiscal Relief to State and Local Governments:

Without appropriately targeted federal assistance, state budget shortfalls could trigger new state taxes on many already-struggling small businesses. CPAs have sounded the alarm on the urgent need for more direct federal aid to states and localities to keep our economic recovery on track. The accounting profession urges Congress to include meaningful federal aid for state and local governments in the upcoming package.

6. Adopt New Coronavirus- Related Liability Provisions:

We are concerned about a wave of meritless coronavirus-related lawsuits against employers trying their best to operate safely in an uncertain environment. Employers and employees must both feel safe and confident about returning to work, and new temporary and targeted liability protections that do not dampen key worker protections should be an important piece of the upcoming legislative package.

The AICPA has developed several resources, including the new, free PPP loan forgiveness platform ([read more here](#)), practice aids and guides, to help small businesses and CPA firms during the pandemic. To learn more, visit the [AICPA Coronavirus Resource Center](#).



TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika

Future of Unemployment Insurance



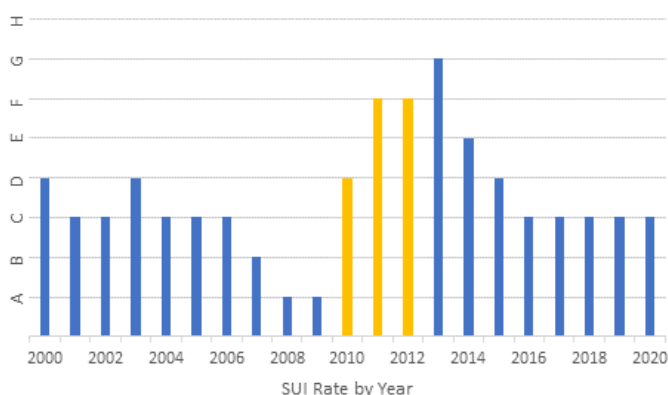
Multiple readers have asked about unemployment insurance and how it is going to fare after the pandemic. This will give you an idea of how the system works.

State unemployment insurance (SUI) is largely funded by employers. Most employers are charged tax that depends on two things: the overall health of the fund into which SUI tax is collected, and the claims history of the employer. So, an employer with a long history of chargeable claims, for example, will pay more than others. Also, if there is lots of money built up in the fund then the tax rate goes down for everyone.

The health of the fund determines the proper tax rate schedule. The schedules are named after a letter of the alphabet, with A the least costly schedule and H the most expensive. The fund health is measured at the end of the year, and that measurement is used to set the rate for the following year.

Here is a chart of the SUI rate schedule for the past 20 years:

Source: DLIR Reports compiled by Tax Foundation of Hawaii.



Although the Great Recession of 2008 and related events caused the fund to run out of money and we needed to borrow around \$180 million from Uncle Sam, employers were not subjected to the dreaded Schedule H because our lawmakers passed special legislation to control the SUI rates and override the normal formulas for the years 2010 through 2012 (the orange bars in the diagram).

What can we expect once the year ends? Lately, the volume of unemployment claims has been so great that the authorities set up a processing center at the Hawaii Convention Center. Our fund started off the year at nearly \$600 million but has been draining rapidly. A news release dated July 2, 2020, said that the Department of Labor and Industrial Relations already has paid out \$1.85 billion in benefits. Fortunately, federally funded benefits such as the extra \$600 per week paid to those on unemployment are not charged to employers

because that money does not come from our fund. The State's budget bill, Senate Bill 126, section 38, appropriates federal CARES act money to fund an additional weekly unemployment benefit of \$100 per week once the federal \$600 per week runs out. Those benefits will not affect the SUI fund either and should not count against employers for the same reason.

Nevertheless, with an unemployment rate peaking at 23.8% in April, a tremendous strain has been placed on the fund. There will be a spike in SUI rates next year unless our government does something to prevent it, as it did for the years 2010-12. Is our government simply going to wait around for the automatic increases to take effect from the beginning of 2021? Some businesses might not survive another hit at that time. Perhaps some thought should be given sooner rather than later to the impact of elevated SUI rates.

Tom Yamachika is President of the Tax Foundation of Hawaii - the 'watchdog' that keeps an eye on Hawaii's taxes. Tom is also the owner of Aloha State Tax, a small law firm with emphasis on State taxes. Prior to going solo and the TFH, Tom was a principal with Accuity LLP where he managed the tax consulting practice, including quality and risk management and practice development.

Jessica Gluck from the HSCPA's Y-CPA Squad Selected to Attend AICPA's 2020 Leadership Academy



Jessica Gluck, CPA, was one of only 30 CPAs honored by the American Institute of CPAs (AICPA) as a member of the Leadership Academy's 12th graduating class. She was selected based on her exceptional leadership skills and professional experience for the four-day Leadership Academy program, which will be held October 5-8.

Jessica follows fellow HSCPA members who proudly represented Hawaii in the AICPA Leadership Academy: Donny Shimamoto (inaugural year 2009), Darryl Nitta (2010), Gordon Tom (2011), Trisha Nomura (2012), and Michelle Kaneshiro (2014).

Jessica joined the HSCPA in 2013 and immediately became involved and volunteered for Y-CPA activities. Her enthusiasm and passion for the profession

made her a great addition to the Y-CPA Squad in 2018.

The AICPA Leadership Academy was designed to strengthen and expand the leadership skills of promising young professionals while they network with a peer group of talented and motivated CPAs.

The Leadership Academy features career-development workshops and sessions with some of the accounting profession's most prominent influencers, including Tracey Golden, CPA, CGMA, chairman of the American Institute of CPAs and Barry Melancon, CPA, CGMA, American Institute of CPAs president and CEO, Association of Certified Professional Accountants CEO.

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

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

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

For more information about the AICPA Leadership Academy, visit [AICPA.org/Leadership](https://aicpa.org/Leadership).

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Should My Firm File Protective Claims in Advance of the Supreme Court Decision on ACA?

This Q&A from AICPA and the Hawaii Society of CPAs can help your firm's decision-making.

In March of this year, the U.S. Supreme Court announced that it will hear a case that challenges the constitutionality of the individual mandate under The Patient Protection and Affordable Care Act (ACA). (The original case, *Texas v. U.S.*, is now docketed in the Supreme Court as *California v. Texas*.) It is possible that if the individual mandate is held to be unconstitutional, income taxes established under the ACA, such as the Net Investment Income Tax (NIIT), may effectively be repealed.

Accordingly, any ACA-related income taxes paid in prior years, including the individual shared responsibility penalty, may be refundable if a claim for refund is filed in a timely manner. The Supreme Court did not accept the case for an expedited review, so it will be some time until the case is heard. Some practitioners are wondering if their clients should file protective claims for any years about to expire, especially since claims for the 2016 tax year are due July 15, 2020.

The AICPA has not taken a formal position on filing a protective claim by July 15. The AICPA's conversations with Tax Executive Committee, Employee Benefits TRP, and Tax Practice and Procedures Committee members who deal with the ACA helped to inform the conclusion that there is little chance of the tax being declared unconstitutional for tax years before 2019.

Most national and regional CPA firms are not recommending that their clients file a protective claim. Protective claims must be filed on a reasonable basis; if the Supreme Court declares the ACA unconstitutional, it is unlikely that it would be retroactive, and therefore, protective claims filed now could be considered baseless claims.

Below are some questions and answers to help determine whether filing a protective claim is the right decision for you and your clients. You can also [watch this free AICPA Tax Section Odyssey Series video](#) to learn more.

1. Why is *Texas v. United States* important?

The case of *Texas v. United States* has brought forward a discussion of protective claims that we have not had since *Quality Stores*. *Quality Stores* was the case where the issue was whether severance payments were subject to employ-

ment taxes. *Texas v. US* involves a case brought by several state governors challenging the constitutionality of the Affordable Care Act (ACA). The Supreme Court will hear arguments that address the constitutionality of the ACA, with a decision likely to come out next spring.

2. Is the possibility that the Supreme Court finds the ACA unconstitutional retroactively back to at least 2016 reasonable?

Firms are grappling with whether they should file protective claims regarding the case. If a protective claim is filed, it must be on a reasonable basis; some firms don't think it is reasonable that even if the Supreme Court deems the ACA unconstitutional, that it will do so retroactively to 2016. These firms believe if a claim is filed, it will likely be thrown out as baseless. Many firms are not filing claims, but there is a risk with that as well. Other firms are telling their clients to consult their attorneys.

AICPA concluded that there is little chance of the tax being declared unconstitutional for tax years before 2019 (2019 is different as that is the year the 2017 Tax Cuts and Jobs Act effectively eliminated the individual health insurance penalty). Almost all national and regional CPA firms have reached the same conclusion and as such, they are not recommending that their clients go through the expense of filing a protective claim. AICPA is making the same recommendation and does not advise action.

3. If deemed unconstitutional, can we expect the Supreme Court to make it retroactive to 2016?

Some firms think it's a stretch that, if deemed unconstitutional, the Supreme Court would look back retroactively to 2016. But, if it's found unconstitutional and retroactive to 2016, then there could be a problem because the statute runs out on the 2016 tax year on July 15th. Taxpayers that paid these taxes with their 2016 federal tax returns would lose any opportunity to claim a 2016 tax refund if they don't file a protective claim for refund.

While we can't be certain, it would be a stretch for the Supreme Court to make it retroactive back to 2016. That's why firms are saying that even if they filed protective claims, they could be considered baseless claims because the chances are slim.

4. If I decide to file a protective claim for my client, how do I do it?

- a. Include name, address, TIN, year of refund claim, dollar amount of claim and explanation to alert the IRS of the basis of the claim.
- b. The entire copy of the originally filed return does not need to be attached; attach the first two pages, but even these aren't required.
- c. You will almost always have to file a perfecting claim for refund once the uncertainty is resolved. While sometimes taxpayers know the dollar amount of the claim, generally they do not. Because of the uncertainty, the IRS almost never processes, nor will they ever process, these claims. However, sometimes they do when the claim amount is clearly identified, and the protective claim can be easily processed. Generally, taxpayers must file a perfecting claim once the uncertainty is resolved.

d. Like any amended return, enough information must be provided so that the IRS can identify the taxpayer and understand the basis and dollar amount of the claim.

5. A protective claim frequently shows a dollar amount of \$1. Why?

Because an amended return extends the assessment statute of limitations, but only to the extent of the dollar amount of the allowed claim; if a taxpayer indicates a dollar amount of \$1, but then perfects the amended return to \$10,000, the SOL will be extended, but limited to \$10,000 instead of \$1.

With the potential refund of NII tax, the theory is that if you identify the dollar amount of the tax and the Supreme Court rules that the applicable law is unconstitutional, because there will be so many protective claims filed, the IRS will simply refund the dollar amount identified in the protective claim and the taxpayer does not have to file a second amended return to perfect the protective claim. However, the usual procedure is that once the uncertainty is removed, the taxpayer must perfect the protective claim.

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Tips for Managing Your Mortgage During the COVID-19 Pandemic

For most homeowners, their mortgage is their biggest monthly expense. But job losses around the country are hammering people's finances, causing challenges for managing their cash flows and leaving many to wonder how they will pay their mortgage and maintain their home.

While things may seem grim, there are options for homeowners struggling to pay all their bills. CPAs from the Hawaii Society of CPAs offer these tips to help you better manage your mortgage and bills.

Review money coming in, money going out

Cut unnecessary expenditures, like cups of coffee and eating out. Look at savings too. If needed, redirect monthly contributions to a retirement or college fund to cover monthly bills.

Contact lenders about relief options. Some credit card companies offer no-fee and no-interest grace periods that may

temporarily reduce your credit card payments, freeing cash for other purposes.

Understand CARES Act and other mortgage relief options

The federal Coronavirus Aid, Recovery and Economic Stimulus (CARES) Act gives homeowners experiencing financial hardship 180 days to request a mortgage forbearance. Forbearance puts on-hold interest and payments for a few months to allow homeowners the opportunity to better manage their short-term cash flow issues. Payments are not forgiven and will have to be repaid via a lump sum, spread out over the life of the mortgage or added on at the end of the mortgage. There are no additional fees, penalties or interest accrued during forbearance. But homeowners must contact their lenders to initiate the process.

Look at modifying your existing mortgage,

such as reducing interest rates, changing loans from adjustable to fixed rate or lengthening the loan from 15 to 30 years. Modification options differ by lender, and not all banks offer them. Also, modifications are listed on a credit report and may reduce your credit score, hampering your ability to borrow in the future.

Consider the long-term financial impact of your mortgage

Refinancing or home equity loans may seem like an attractive solution, but there are drawbacks. Refinancing is a long process, and the monthly savings may come too late. Home equity loans bring additional debt that needs to be repaid.

Regardless, never stop making payments to anything with collateral or assets. Mortgages and car loans are typically backed by the property as collateral. And a credit score is an asset, and ceasing to make credit card, mortgage and car payments can severely hamper your credit. The AICPA's 360 Degrees of Financial Literacy website offers a variety of [free mortgage calculators](#), as well as tools and information to help you understand [how credit works](#) and why it's important.

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TAKE YOUR PICK 4-HOUR WEBINARS HAWAII TIME!

August 4 - Understanding State Law - Compliance Guide Hawaii Death Taxation

(8:30 a.m. - 12 noon) This course outlines the details surrounding Estate and Inheritance taxes and the differences pertaining to Hawaii. This course will highlight Hawaii's death tax: Hawaii estate tax exemptions; IRC sections 2031-2058; estate tax exemption portability; tax return Form 706.

August 25 - Individual Tax Planning Ideas (8:30 a.m. - 12 noon)

With the far-reaching changes brought about by recent tax reform, careful planning takes on new importance. This course presents the most important income tax planning ideas wealthy clients and close-held business owners need to consider this year to take advantage of the present and plan for the future. It highlights areas in the income tax return that suggest future opportunities for the individual client.

August 25 - Required Minimum Distributions: Compliance and Planning (12:30 - 4:00 p.m.)

Required minimum distributions (RMDs) from employer requirement plans and IRAs must be made or steep penalties will be incurred. Planning opportunities exist in certain situations to minimize distributions. Also, special rules exist for inherited retirement funds. Your clients depend on you to help them navigate the rules regarding RMDs and the taxation of distributions.

August 26 - Key Partnership and S Corporation Tax Planning Strategies

(8:30 a.m. - 12 noon) Most of our clients are pass-through entities for which many of the general business strategies are subject to additional limitations. To provide the tax planning strategies for closely-held business clients that will bring more revenue, this course focuses on the special concerns and techniques the practitioner needs to thrive in this market.

August 26 - Buying and Selling a Business: Tax and Structuring Overview

(12:30 - 4:00 p.m.) One of the major transactions CPA clients enter into is a purchase or disposition of a business. This course offers a comprehensive analysis of the business and tax aspects of buying and selling a business. All CPAs, including controllers and executives in the industry, should understand how difficult the process of buying and selling a business has become.

August 27 - Section 199A: Applications and Challenges (8:30 a.m. - 12 noon)

Section 199A continues to challenge tax practitioners because of its complexity and its interactions with other provisions of the Internal Revenue Code. This program incorporates the experiences of tax practitioners regarding this provision, including relating to the preparation of the Forms 8995 and 8995-A, and will include any recent IRS guidance regarding Section 199A.

August 27 - Section 199A: Schedule K-1 Reporting by Relevant Passthrough Entities

(12:30 to 4:00 p.m.) Section 199A is the hottest tax topic related to the Tax Cuts and Jobs Act of 2017. The IRS has added disclosure lines to Schedules K-1 for S corporations, partnerships, and trusts. This course will cover the new reporting requirements on those forms and discuss uncertainties that still exist related to the reporting requirements.

[Click on the course title above to register!](#)



Norman's Book Review

"Tenacious"

by Penni Leigh Graham

Normally at this time, college football fans are getting excited about the upcoming football season and are starting the countdown to the first game. COVID-19 has put a big question mark on the 2020 season, and it is not clear how many games, if any, Hawaii will be playing this year.

I was especially excited for this season, with the hiring of Todd Graham to replace Nick Rolovich. I remember when Coach Graham's Tulsa team crushed our Hawaii team 62-35 in the 2010 Hawaii Bowl, and was impressed with his stint at Arizona State. I had the pleasure of meeting him at Hawaii's national signing day event in February, and we share a mutual friend in Jay McCracken.

When I found out Coach Graham's wife Penni wrote a book last year, I knew I had to read it to learn more about Coach Graham and his family.

"Tenacious" is an awesome book because not only is it inspirational and full of useful and interesting words of wisdom and quotes, but you also get a behind-the-scenes look at what life is like as a football coach and coach's wife. You will learn how much the Graham's care about their family, friends, players and faith, and you will feel the love they have for everyone and the love others have for them.

The book is organized into five sec-

tions, "Tenacious Character, Tenacious Smart, Tenacious Discipline, Tenacious Tough, and Post Game." I really enjoyed reading the book and it reinforced my belief that our Hawaii football program is in good hands with the Graham's. The following are a few of the items I thought you would find interesting from the book.

Why "Tenacious!"



As noted in the book's Foreword by Coach Graham, "that word says a lot about the way I coach football, the way our family fights through adversity, and the way Penni

and I try to live our faith. Tenacity has been a key to every success we've ever experienced."

About the Graham's

Both Todd and Penni have similar backgrounds. "They both came from broken families, both became educators, both were instilled with a deep desire to impact young people very early in their careers, and they both learned early on the importance of family, teamwork and to serve others above yourself."

"Football to them is more than a game,

it's a calling, it's a ministry. Their faith ignites their soul to love, serve, teach and inspire others. That's why for them, there's never been much of a line between their family and their football family. Those are their kids."

Four Core Values

The Grahams believe having a "Championship Life" all starts with their four core values of "Character, Smart, Discipline and Tough." "From there, it's all about priorities, faith, focus, structure and execution."

"Character – Quality inside of you that responds to change happily, even joyfully, and helps others behave in the same way.

Smart – That part of you that responds effectively to change with foresight and adaptability.

Discipline – The value that lets you execute your plans with commitment and organization.

Tough – Quality inside of you that helps you achieve long-term goals with short-term resilience."

Kids Want A Present Mom, Not A Perfect Mom

With so many challenges in the world and life in general, most moms strive and struggle to be the perfect mom for

"In life, you're going to get knocked down and you have got to get back up. You can never give up on those people you love." (Coach Graham)

*"Our lives are fashioned by our choices. First we make our choices; then our choices make us."
(Anne Frank)*

their kids, so their kids can be the best they can be. Many moms feel like a failure at times, and others sometime have kids who resent them for trying to be the perfect mom. The author experienced these things with her family, and what she learned in looking back can help all of us in our lives.

When her daughter was going through a period of "hating" her, a friend told her "the relationship between parent and child is at least a 50-year relationship. This perspective allowed her to take a breath and know she had not lost her daughter. Soon after, she and her daughter had the relationship she longed for. She has passed on this lesson to other parents hundreds of times." Also, during these challenging times, she "walked around in fear and shame, because she couldn't be the perfect mom. The truth, however, was that her kids wanted a present mom, not a perfect mom." Looking back, she noted "had she learned to treasure what she had at the time, she would have been a much better person, wife, mother, family member and friend."

"Death of Joy"

How many of us are endlessly comparing ourselves, our careers, our marriages, our kids, etc. with others? Does this mental exercise make us happier and

*"Knowing who you are and your gifts are quintessential to building strong character. You cannot be a giver if you have nothing to give."
(Penni Graham)*

walk around with a smile on our faces? Probably not. As the author simply states, "comparison can be the Death of Joy." Appreciate and be thankful for what we have.

Teacher Model

Coach Graham uses what he calls the "teacher model" when hiring his coaches. "He searches for great men first, men of character, ones who genuinely loved the players and had a unique passion that ignited the souls of everyone on the field. He then looks for people with strong teaching skills. It's not a coincidence that many of his coaches have teaching degrees or are former high school coaches, because he wants people who are equipped with the teaching strategies and skills necessary to educate the players."

Having A Successful Marriage and Family

Using a football analogy, the author notes successful football teams are constantly making changes in their strategies and game plans both long term and during games. If something is not working, you have to change things. If the opponent makes a successful adjustment, you have to adapt and make changes too. The same goes for our marriages and family life. "In marriage we constantly need to be aware of ways we need to adapt. Families are ever-changing, so we must be looking for ways to adapt in order to keep our marriages healthy and growing. If you aren't moving forward, you are moving backward. Change is part of marriage. Cultivating change promotes healthy growth."

Be A Tough Warrior

After reading the book, I believe the Graham's were destined to be in Hawaii

*"The true Warrior understands and seizes that moment by giving an effort so intense and so intuitive that it could only be called one from the heart."
(Pat Riley)*

and coach the Hawaii Rainbow Warriors football team. In the chapter on "Tenacious Tough," the author covers how to become a "Tough Warrior," and becoming a "Warrior, not a Worrier." The Graham's believe they have overcome many life adversities and have achieved many successes by 'being warriors and taking on tough tasks with passion, purpose and perseverance.'

Summary

This was such a heartwarming book filled with timeless and important life lessons. It is very colorful and filled with many pictures of family, friends, players and coaches. Our Hawaii football team is in good hands with the Graham's. If I had a son good enough to play D1 football, I would want him to play for Coach Graham. Why? Because as Coach Graham says in the book:

"We're going to create young men who are givers, not takers, who are bright-eyed, not dull-eyed, who are victors, not victims, who are basically in the service of others. We want young people who value their academics, who are smart, who see themselves as smart, and who have discipline."

Go Bows!!!



*"Our lives are better left to chance. I could have missed the pain. But I'd have had to miss the dance."
(Garth Brooks from his song "The Dance")*



CPA FIRM MICROCOMPUTER TECHNOLOGY



By Joy Takaesu of The CPA Collective



In mid-July, Microsoft released a critical update for Windows Servers to address a DNS vulnerability known as SIGRed. Microsoft urged everyone to update as soon as possible because this vulnerability is “wormable,” meaning that an exploit may rapidly spread between networked systems without any user interaction. Shortly after Microsoft released the update, the Department of Homeland Security issued an emergency directive to all government agencies to patch within 24 hours due to the severity of the vulnerability.

In the recent high-profile Twitter compromise, hackers sent bitcoin scam tweets from popular “Verified” accounts. This incident illustrates the necessity of being wary, even when a source appears

legitimate. Even if we have already taken recommended security steps like using strong passwords and enabling multi-factor authentication, we cannot rely solely on these measures to protect us. Today’s environment requires each of us to actively analyze every incoming request to open an e-mail attachment, follow a link, enter our credentials, or provide personal or payment information.



Symantec researchers reported that hackers injected malicious code into over a hundred sites, including dozens of

US newspaper websites, with the intention of spreading ransomware to website visitors. The malware was disguised as fake software update alerts. In this case, Symantec was able to notify the targeted companies, and the malicious code was removed before it could be deployed. Symantec warns that these attacks looked sophisticated and highly targeted to specific companies, and had the attacks been successful, they could have caused a lot of damage and a potential domino effect on supply chains.

Microsoft warns users to be aware of “consent phishing” attacks, and to be careful when granting authorization to third party apps using OAuth. With content phishing, scammers trick victims into visiting a link that asks for permissions to an account, such as your Microsoft account. Many legitimate apps use the OAuth standard to conveniently share data between apps, without having to enter your password. Since the prompt only requires clicking a button, and doesn’t ask for a password, there is a higher risk that users may accept the request without realizing how much access is being granted, and to whom. Microsoft recommends evaluating all consent requests, and auditing apps and consented permissions to ensure that only legitimate and necessary permissions are being granted.

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

Hawaii Practices For Sale

Gross revenues shown: Hilo Tax & Accounting \$34K - tax work (85%) accounting services (15%); Honolulu CPA Tax \$266K - tax work (70%), bookkeeping (20%). 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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Having Difficult Conversations

By MJ Saguid



The final invoice for your home repairs is higher than what your vendor quoted. The neighbor's dog pooped

in your yard – again. You need to address poor performance with one employee and inappropriate workplace behavior with another. Sound familiar?

Difficult conversations, many of us try to avoid them. Then, when we finally engage in the difficult conversation, it doesn't play out as we had planned. Parties may walk away feeling hurt, angry, or resentment. The worst outcome is nothing gets resolved. In the workplace, it is important for those in management to receive support and training on how to handle difficult conversations because they take their toll on employees.

Whether in a personal or professional setting, how do you structure a difficult conversation so that all parties walk away feeling that they were heard and respected? Per Mel Robbins, an American host, author, and motivational speaker, your success in having difficult conversations will depend on your ability to separate your emotions about having the conversation, from the things you need to talk about and

the outcome you desire. She suggests the following four steps:

Step 1: Acknowledge Responsibility

Start the conversation by acknowledging your responsibility for the situation. Whether you avoided the situation making it worse, or actively contributed to the situation, acknowledge the role you played.



Example: "I didn't speak up in the lunch room when I overheard you making inappropriate comments. I should have said something right away to make you aware the topic was inappropriate."

Step 2: Define the Outcome

Always go into a difficult conversation with the outcome defined first. Emotions may hijack you during the conversation, but having a defined outcome will help reel your emotions back in and keep you focused on why you are having the conversation.

Example: "I'm having this conversation because I want to make our workplace better and am committed to having my employees succeed."

Step 3: Listen and Validate

After you are done speaking avoid arguing and debating with the other person, and instead listen and validate what they are saying. Try to understand where they are coming from. This step is very important. When a person feels heard and validated, they will feel less of a need to defend themselves, and open themselves up to listening to you.

Example: "Oh, now I see why you thought it was OK to talk about that at work."

Step 4: Restate the Desired Outcome

Come back to your desired outcome. The conversation will not be fun or easy, but keep talking until you reach the desired outcome.

Bonus: Rehearse with a friend

Find someone who is not involved in the situation and practice, practice, practice.

CPA EVOLUTION

CPA EVOLUTION: NEW CPA LICENSURE MODEL (July 2020)

Body of knowledge for newly licensed CPAs growing rapidly

Compared to 1980, today there are:

- 3X as many pages in the Internal Revenue Code
- 4X as many accounting standards
- 5X as many auditing standards

Demands of practice require deeper skillsets

- Critical thinking
- Professional judgment/skepticism
- Problem solving
- Understanding of business - systems, controls, risk
- Data management and analysis
- SOC engagements

Stakeholders we talked to:

- AICPA Council
- Boards of Accountancy
- State CPA societies
- Firms of all sizes
- Academia
- Volunteer committees
- Federal regulators
- Students
- Technology experts
- CPAs in business and industry



BACKGROUND

The CPA Evolution initiative aims to transform the CPA licensure model to recognize the rapidly changing skills and competencies the practice of accounting requires today and will require in the future. It is a joint effort of the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA).

Based on the feedback received from over 3,000 stakeholders, NASBA and the AICPA developed a new model for CPA licensure. The AICPA Governing Council and the NASBA Board of Directors have both voted to support advancing the CPA Evolution initiative.

THE CHANGING PROFESSION

Stakeholder feedback, results of the Uniform CPA Examination Practice Analysis and other research show that the body of knowledge required of newly licensed CPAs is growing rapidly.

Additionally, procedures historically performed by newly licensed CPAs are being automated, offshored or performed by paraprofessionals. Now, entry-level CPAs are performing more procedures that require deeper critical thinking, problem-solving and professional judgment. Responsibilities that were traditionally assigned to more experienced staff are being pushed down to the staff level. As a result, newly licensed CPAs need to know more than ever before to meet the needs of practice. To protect the public, the CPA licensure model must reflect these changes.

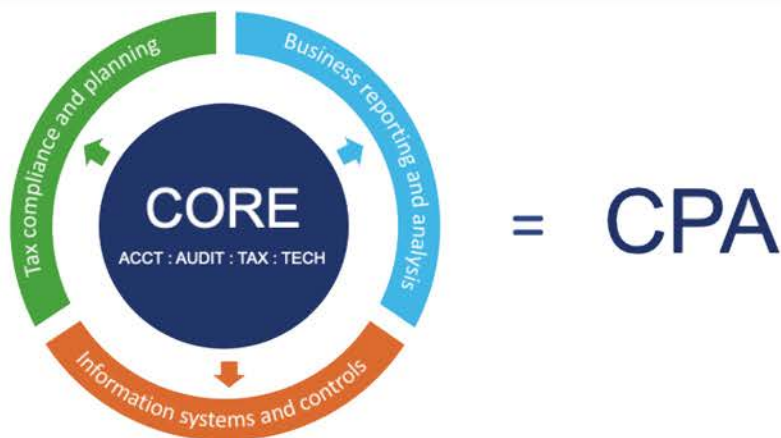
However, the examination and education requirements can only cover so much information in our current licensure model. As the knowledge required of newly licensed CPAs continues to increase over time, we could:

- Stretch the examination and education requirements to cover a greater range of material with less depth, which would water down the requirements for licensure;
- Expand the number of examination and curriculum hours as the body of knowledge continues to grow, which would increase barriers to entry for the profession and ultimately prove unsustainable;
- Or find an alternative solution.

STAKEHOLDER ENGAGEMENT

Over the course of three years, NASBA and the AICPA talked to over 3,000 stakeholders from across the profession to gather input on how to transform CPA licensure. Here is some of the feedback we received:

- Support for the need to change the CPA licensure model
- Newly licensed CPAs should all demonstrate strong common core competencies
- The new CPA licensure model should position the CPA for the future
- The new CPA licensure model should protect the public interest



NEW CPA LICENSURE MODEL: Expected to Launch in 2024

In Fall 2019, NASBA and the AICPA carefully reviewed all of the feedback received, studied other professions' licensure models and considered multiple options for updates to the CPA licensure model before developing the below approach, which we will begin implementing with the goal to launch a new Uniform CPA Examination in 2024.

We believe this approach is responsive to stakeholder input while still propelling the profession into the future. The new model is a core + disciplines licensure model. The model starts with a deep and strong core in accounting, auditing, tax and technology that all candidates will be required to complete. Then, each candidate will choose a discipline in which to demonstrate deeper skills and knowledge. Regardless of chosen discipline, this model leads to full CPA licensure, with rights and privileges consistent with any other CPA. A discipline selected for testing does not mean the CPA is limited to that practice area.

WHAT'S NEXT

The AICPA Governing Council and the NASBA Board of Directors recently voted to support the CPA Evolution initiative. We are establishing plans for a multi-year effort to implement this licensure model. Our goal is to launch a new Exam in January 2024.

As part of the CPA Evolution initiative, the leadership of NASBA, in collaboration with the AICPA, determined that the Uniform Accountancy Act Model Rules around educational requirements for licensure needed to incorporate additional subjects and skills reflective of the evolving profession, and create more consistency. Those changes, which were endorsed by AICPA's Board of Directors, are currently exposed for public comment by NASBA through August 31, 2020. You can find the exposure draft [here](#).

NASBA and the AICPA will continue to work collaboratively with stakeholders from across the profession to implement this new licensure model. We are eager to move forward with a core + discipline model to meet the needs of the profession and the public.

THIS MODEL:

- Enhances public protection by producing candidates who have the deep knowledge necessary to perform high-quality work, meeting the needs of organizations, firms and the public
- Is responsive to feedback, as it builds accounting, auditing, tax and technology knowledge requirements into a robust common core
- Reflects the realities of practice, requiring deeper proven knowledge in one of three disciplines that are pillars of the profession
- Is adaptive and flexible, helping to future-proof the CPA as the profession continues to evolve
- Results in one CPA license

**For more information,
visit [EvolutionofCPA.org](https://www.evolutionofcpa.org)**



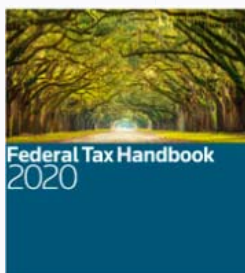
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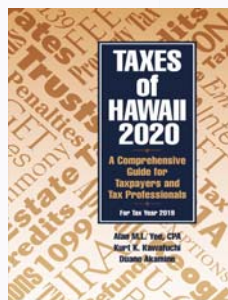
2020 CCH U.S. Master Tax Guide – \$78.00 / \$98.00

The nation's top federal tax resource, the **U.S. Master Tax Guide® (2020)**, has been updated to provide complete and reliable guidance on the historic Tax Cuts and Jobs Act, as well as pertinent federal taxation changes that affect 2018 returns. Virtually all taxpayers are impacted by the changes to the U.S. tax structure, with individual taxpayers and businesses witnessing the most significant changes.



2020 RIA Federal Tax Handbook – \$65.00 / \$85.00

You'll get specific guidance on key tax topics, including individual, trust, partnership and corporate taxation, deductions, credits, capital gains, IRAs, SIMPLE and pension plans, education incentives, passive activity losses, the Code Sec. 199A "pass-through" deduction for qualified business income, employee benefits, estate and gift taxes, and more.



2020 Taxes of Hawaii – \$27.00 / \$36.00

Every year since 1964, this annual publication is updated with all new state taxation laws and judicial rulings. *Taxes of Hawaii* is an invaluable tax-season tool used by Island and mainland CPAs, tax preparers and bookkeepers, as well as attorneys, small businesses, individual taxpayers and students. Includes income tax rate tables, specimen tax forms and vital information on income, General Excise use, estate, property, unemployment, transient accommodations and other taxes.

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