

# Journal

The Journal of the Kentucky Society of CPAs



## **FOCUS** on the economy

**Five measures that  
provide insight on the  
economy as a whole**

**Also:**

Kentucky sales tax

- Construction contractor issues
- Restoration of the supplies exemption



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# Meet your 2019-2020 KyCPA president



**E**lizabeth Z. Woodward, ECPA/CFF, CFE, was recognized as the 2019-2020 KyCPA president at the Leadership Luncheon and Annual Members Meeting at The Olmsted in Louisville on June 14. She officially began her duties July 1.

Woodward obtained her Master of Business Administration with a concentration in accounting from the University of Kentucky. She worked in the audit group of KPMG for six years, and joined Dean Dorton in 2000. She has 25 years of experience in public accounting. She leads Dean Dorton’s Forensic Group, specializing in bankruptcy accounting matters, litigation support, and forensic accounting services.

In addition to her Certification in Financial Forensics (CFF), Woodward is a Certified Fraud Examiner (CFE). She has served in several fiduciary roles, including Chief Restructuring Officer,

Receiver, and Fee Examiner. Woodward has acted as a Compliance Ethics Monitor/Independent Monitor of a rural electric cooperative, reporting to two branches of the Federal government. Woodward has testified in state and federal courts. She frequently teaches professional ethics for Dean Dorton and for KyCPA. Woodward also speaks on fraud prevention and detection, and on forensic accounting.

Woodward is also a member of the Association of Certified Fraud Examiners and the American Institute of CPAs, Chair of the AICPA Forensic and Valuations Services, Fraud Task Force Committee, AICPA Governing Council and AICPA Forensic and Litigation Services Committee.

The KyCPA president is a volunteer position elected by the Society’s general membership. The president serves one year, offering leadership and guidance, enforcing bylaws, presiding over the executive committee and working with the board of directors to govern the Society.

**See Q&A with Woodward on p. 44.**

## Captions for images on p. 5

- **2019-2020 KyCPA Board of Directors:** From left to right: Eric Scott (secretary/treasurer); Melissa Mattox (executive committee member); Doug Allen; Elizabeth Woodward (president); Carol Shelton; Becky Phillips (immediate past president); Geoff Griffith; Heather Cochran; Kayla Bonsutto; Karen Kreil; Mike Campbell (executive committee member); Jim Stevison; Kevin Oakley and Tony Balbach.
- \* Not pictured - Esther Thompson-Long (president-elect)
- **KyCPA members networking before the Leadership Luncheon on June 14.**
- **Elizabeth Woodward presenting Becky Phillips her KyCPA past presidents pin and plaque.**



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# Construction contractor Kentucky sales tax issues



By Mark A. Loyd,  
JD, CPA

Figuring out how Kentucky sales and use tax applies to construction contractors can be a challenge, whether from the perspective of a construction contractor or from one selling to

or purchasing from a construction contractor.

The first step is to understand the definition of a construction contractor. A construction contractor is a general contractor or a subcontractor engaged in the building trades. 103 KAR 26:070 § 2. Building trades include: carpentry, bricklaying, wall to wall carpeting, cement work, steel work, plastering, sheet metal work (including aluminum siding), roofing, tile and terrazzo work, cabinet work, electrical work, plumbing, central heating and air conditioning, painting, interior decorating, and storm window and permanent awning work. 103 KAR 26:070 § 2.

## Sales and use tax generally applies to construction materials that contractors purchase

One guiding principle of Kentucky sales tax is to avoid pyramiding of the tax. *See George v. Scent*, 346 S.W.2d 784 (Ky. 1961). This means that sales and use tax should generally apply to the sale of the item to the ultimate consumer thereof. So, when a wholesaler sells an item to a retailer, that sale is exempt as a sale for resale, and the retailer's sale of the item to a consumer is subject to sales tax, unless otherwise exempt. *See* 103 KAR 31:111. Likewise, a sale of an item that will be incorporated or fabricated into another item for sale is generally exempt. *See* KRS 139.470(9)(a). A subsequent sale of that fabricated item in a sale not for resale would be subject to tax, unless otherwise exempt.

In contrast, Kentucky sales and use tax generally applies to sales of construction materials that will be incorporated into real property, the sale of which is not subject to sales tax. 103 KAR 26:070 § 1. More specifically, sales and use tax applies to

sales to contractors, subcontractors, builders or owners of building *materials, fixtures and supplies* to be incorporated or fabricated by the process of erecting, remodeling, or repairing any structure or improvement to real estate, including, *e.g.*, buildings, roads, sewers, dams, railroads, and fences. 103 KAR 26:070 §§ 1&2. Sometimes issues can arise as to what constitutes real property versus tangible personal property. Sales tax applies regardless of the type of construction contract, *i.e.*, contracts for erecting, remodeling, or repairing a building or other structure on land, for which a construction contractor is purchasing materials and includes lump sum, cost plus, and time-and-materials contracts. 103 KAR 26:070 §§ 1&2.

So, what are construction materials and fixtures? Construction materials are all tangible personal property, other than fixtures, that enter into and become a permanent part of a structure. 103 KAR 26:070 § 2. Examples of materials are: bricks, builders hardware, cement, gravel, sand, macadam, asphalt, lumber, electrical wiring, wall board and coping, roofing, guttering, aluminum siding, storm doors and windows, and cabinets. *Id.* A fixture is a thing that is an accessory to a building and does not lose its identity as an accessory but which becomes a permanent part of the realty. *Id.* Examples of fixtures are: lighting fixtures, plumbing fixtures, hot water heaters, furnaces, boilers, central heating units, elevators, hoists, burglar and fire alarm fixtures, central air conditioning and built-in refrigeration units, built-in oven-ranges and dishwashers, and cabinets. *Id.* Notice how these examples of materials and fixtures match up with items that building tradespeople use.

In effect, construction contractors are considered to be the consumers of materials, fixtures, and supplies used in building real property so that sales tax applies to sales of such to them. 103 KAR 26:070. On May 31, 2019, the Kentucky Department of Revenue provided its position in response to inquiries prompted by 2019 legislation (available at [revenue.ky.gov](http://revenue.ky.gov)), "According to the provisions of Kentucky Regulation 103 KAR 26:070, all sales





to contractors, subcontractors, or builders of tangible personal property to be incorporated or fabricated into any structure or improvement to real property are subject to sales tax. This same treatment applies to sales of landscaping, janitorial or other taxable services to contractors. The liability for the sales tax associated with the purchase of the property or services is on the contractor as the consumer.” In this regard, construction contractors are like services enterprises. See 103 KAR 26:010.

### Contractors do not charge sales tax to their customers on construction contracts

It is important to remember that, similar to service enterprises rendering services not subject to sales tax, sales tax does not apply to sales of real property or the erection, remodeling, or repair of real property. See KRS 139.200.

In 2018, the General Assembly extended the sales tax to many services including installation of tangible personal property, effective July 1, 2018. KRS 139.010(15)(a). However, as the Department notes (available at [taxanswers.ky.gov](http://taxanswers.ky.gov)), “Nothing in the new law changes the current tax treatment of construction contractor services or labor.”

### Contractors may also be retailers of tangible personal property or services

A contractor may also be a retailer, *i.e.*, a contractor-retailer, making sales of tangible personal property that it has fabricated or purchased for resale; in which case, it collects and remits sales tax like any other retailer. 103 KAR 26:070 § 5. For example, the sale and installation of machinery, appliances or equipment that do not become part of real property. In the home construction

business, examples of appliances include refrigerators, ovens, ranges and dishwashers that are not built-in, laundry appliances, window unit air conditioners, and space heaters. 103 KAR 26:070 § 2. Indeed, a taxpayer may operate as a manufacturer (manufacturing building materials), contractor (installing building materials), and retailer (selling building materials to contractors, builders, and owners).

Not surprisingly, the imposition of sales tax on landscaping services also caused some confusion. Landscaping providers must charge sales tax on landscaping services [KRS 139.200]; however, they do not charge sales tax when acting as a construction contractor or subcontractor by erecting, remodeling, or repairing any structure or improvement to real estate, *e.g.*, a pond, patio,

**Continued on p. 8**

## Construction contractor continued

retaining wall, stone fence, or irrigation system. So, just like any other contractor-retailer, a landscaping provider would charge sales tax on landscaping services (e.g., when acting as a subcontractor of a landscaping service such as planting bushes or trees) but not on construction contracts (e.g., when acting as a subcontractor such as providing site preparation).

When a taxpayer engages in business as a contractor-retailer, the taxpayer should endeavor to keep records that clearly delineate its different lines of business. Consideration may also be given to operating such businesses in separate entities for clarity of sales tax treatment.

### Post-Wayfair, construction companies operating in multiple states face challenges

The Kentucky tax regulation concerning construction contractors requires suppliers selling construction materials, fixtures, and supplies to contractors to collect Kentucky sales tax on such sales from contractors. 103 KAR 26:070 § 5. And, since *South Dakota v. Wayfair, Inc.*, 138 S. Ct. 2080, 201 L. Ed. 2d 403 (2018) overturned the “physical presence” nexus test, out-of-state suppliers in addition to in-state suppliers can be anticipated to charge and collect Kentucky sales tax on sales made by suppliers in Kentucky or shipped to Kentucky by out-of-state suppliers.

So, when a contractor purchases materials, fixtures, and supplies on which Kentucky sales tax is paid to fulfill a construction contract outside of Kentucky or on which another state’s sales tax is paid to fulfill a construction contract inside Kentucky, there is a potential for the contractor to overpay sales tax. Fortunately, Kentucky provides a credit for sales tax paid to other states. See KRS 139.570. Nevertheless, traps exist....

*Morton Buildings, Inc. v. Revenue Cabinet*, No. 2002-CA-001787-MR (Ky. App. July 25, 2003) (unpublished) provides a cautionary tale. In that case, it was “determined that [the taxpayer] was subject to Kentucky’s use tax on raw materials purchased and used to make building components [manufactured in factories in Illinois and Ohio] that [were] eventually assembled into prefabricated buildings in Kentucky.” In that case it appears that both Ohio and Kentucky were attempting to each impose their respective sales taxes.

Because states and localities outside of Kentucky impose different sales tax rates, depending on the construction contract, it may be worthwhile to plan for sales tax efficient sourcing of construction materials, fixtures, and supplies (e.g., vendor ships construction materials to an out-of-state job site).

### Complexities exist in construction contracts with tax-exempts

Construction contracts with tax-exempt entities such as qualified charities and governments can present opportunities and risks. This is because these tax-exempt entities may make purchases without sales and use tax. See, e.g., KRS 139.470(1)&(9); KRS 139.495.

A construction contractor must pay sales and use tax on materials purchased and used in fulfillment of a construction contract with a tax-exempt organization. 103 KAR 26:070 § 5; *Pete Koenig Company v. Dep’t of Revenue*, 655 S.W.2d 496 (Ky. App. 1983). However, a construction contractor’s purchases of materials used in constructing real property for a tax-exempt entity may be exempt from sales tax when the contractor is acting as the tax-exempt entity’s agent. *Mountain Constr. Co. v. Revenue Cabinet*, No. 90-CA-0086-S (Ky. App. 1990) (unpublished). “If a nonprofit entity wishes to take advantage of its exempt status by making purchases directly, [the Department of Revenue] recommends that the exempt entity initially advertise separate competitive bids for materials and labor and any materials purchased by the exempt entity should be delivered to the exempt entity’s job site. In addition, the exempt entity must prepare and submit its own purchase order for materials



and payment must be made directly by the exempt entity to the vendor.” Dep’t of Revenue, *Kentucky Sales Tax Facts*, Vol. 5, No. 1 (Dec. 1, 2003). So, it can be done.

**“It’s a big building with patients, but that’s not important right now.” Rumack in *Airplane!* (1980).**

The more familiar one becomes with the application of sales and use tax to construction contractors, the more obvious, *i.e.*, black and white, the tax treatment of most purchases and sales to and from construction contractors becomes. Nonetheless, as it seems with many tax issues, more time seems spent in the gray.

*About the author:* Mark A. Loyd, JD, CPA, is a partner of Bingham Greenebaum Doll in Louisville and chairs its Tax and Employee Benefits Department. He chairs the Society’s Editorial Board and Tax Committee. He can be reached at [MLoyd@bgdlegal.com](mailto:MLoyd@bgdlegal.com); 502.587.3552.

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# Restoration of the supplies exemption

## The decision

On March 27, 2019 the Kentucky Claims Commission issued a ruling that, if it withstands the rigors of the appellate process, will profoundly affect all manufacturing and mining companies in Kentucky. The Commission ruled that the Department of Revenue failed to follow the rules of statutory construction mandated by the Kentucky Supreme Court when it failed to “harmonize” the conflict between the exempt “supplies” statute and the taxable “repair, replacement and spare part” statute. *Century Aluminum of Kentucky, GP v. Department of Revenue*, KCC Order No. K-25903, File No. K17-R-39 (March 27, 2019). The result of the ruling is that certain supplies held taxable by the Department, including welding wire, furnace lining, industrial gases and refractory materials were ruled exempt from tax as supplies by the Claims Commission.

## Background

From the beginning of sales tax in 1960 until 1992 the New and Expanded Industry exemption for new machinery was administered in a consistent manner. Among the rules for the exemption was the requirement that the machinery and equipment cannot be a repair, replacement or spare parts. In *Revenue Cabinet v. Armco, Inc.*, 838 S.W.2d 396 (App. 1992) the Court ruled that the words spare parts did not appear in the statute and, therefore, the spare parts purchased as part of a new machine were exempt contrary to Revenue’s ruling that they were taxable. To prevent future cases concerning the exemption of spare parts the legislature in 1994 added the words “spare parts” to the already present repair and replacement parts language making repair, replace, and spare parts taxable. At the same time the legislature added the spare parts language to the statute concerning supplies making repair, replacement, and spare parts taxable. The legislature also added the definition of repair, replacement, and spare parts. According to the Revenue Cabinet at that time, the definition of repair, replacement and spare parts was added only to prevent the further erosion of the tax base and did not change

the enforcement of supplies exemption. That is, if a supply had a useful life of less than one year, was used in manufacturing at a manufacturing facility, and was consumed during the manufacturing process it was exempt.

The 1994 legislative changes did not affect the enforcement of the supplies exemption with the exception that spare parts could no longer be supplies. That was until around the year 2000 when Revenue changed its administrative interpretation of an exempt supply. Starting in 2000 if a part maintained, restored, mended, or repaired any machinery or equipment it was a taxable repair, replacement, or spare part regardless of whether it met the definition of an exempt supply and was consumed in the manufacturing process. The result of this change in enforcement criteria made almost all supplies taxable and the statute concerning exempt supplies null, void, and without meaning.

## The law

KRS 139.470(9) provides an exemption from sales and use tax for “supplies” sold to manufacturers and industrial processors if certain criteria are met. The supplies must be tangible personal property used directly in manufacturing or industrial processing process at a plant facility. The exempt supplies include “supplies such as lubricating and compounding oils, grease, machine waste, abrasives, chemicals, solvents, fluxes, anodes, filtering materials, fire brick, catalysts, dyes, refrigerants, and explosive.” They do not have to come into direct contact with a manufactured product to be exempt.

**“Supplies does not include repair, replacement or spare parts of any kind.”**

KRS 139.010(35) defines repair, replacement, or spare parts as “any tangible personal property used to maintain, restore, mend, or repair machinery or equipment.” “Repair, replacement, or spare parts does not include machine oils, grease, or industrial tools.”



The highest court in Kentucky ruled in *Mansbach Metal Company v. Department of Revenue*, 521 S.W.2d 85, 87 (Ky. 1975) that “a distinction can be drawn between materials and supplies which are designed and intended to be used up in the manufacturing process, and parts which simply wear out.” Supplies and materials intended to be used up are exempt supplies and parts that simply wear out are taxable repair and replacement parts.

The Supreme Court in *Department of Revenue v. Cox Interior*, 400 S.W.3d 240, 242 (Ky. 2013) stated, “we presume the General Assembly intended for the statute to be construed as a whole, for all of its parts to have meaning, and for it to harmonize with related statutes.” Almost all supplies that meet the criteria of an exempt supply are considered taxable by Revenue, making the supplies exemption null, void and without meaning. At the hearing, Revenue’s witness was asked how firebrick (which is specifically mentioned in the statute) could ever be an exempt supply. He answered that he did not see how it could be exempt.

### The ruling

The Claims Commission stated, “Revenue’s analysis for determination of whether a part is an exempt supply or a taxable repair, maintenance, or spare part is flawed. In using Revenue’s analysis, the supplies exemption statute under KRS 139.470(10) (subsequently changed to KRS

139.470(9)) has to be ignored thereby making it null, void, and without meaning. This type of analysis is contrary to the statutory construction rule dictated to us by the Supreme Court that all words in a statute must have meaning and if there is a conflict in the statutes then they must be harmonized. In harmonizing applicable statutory law, the items at issue are exempt supplies under KRS 139.470.”

### Harmonization of the statutes

To give meaning to both the exempt supplies exemption statute and the taxable repair, replacement, and spare parts statute the Claims Commission suggests the following:

- a. Determine the useful life of the tangible personal property at issue if the machine or equipment that the tangible personal property allegedly maintains, restores, mends, or repairs is operated **without** the introduction of the product being manufactured.
- b. Determine the useful life of the tangible personal property at issue if the machine or equipment that the tangible personal property allegedly maintains, restores, mends, or repairs is operating **with** the introduction of the product being manufactured.
- c. If there is a difference in the useful lives of the tangible personal property between a. and b. above then the

tangible personal property is being consumed in the manufacturing process and is exempt from tax.

- d. If there is no difference in the useful life of the tangible personal property between a. and b. above then the tangible personal property is a taxable repair, replacement or spare part.

### Current status of the case

This case is far from final. Revenue has appealed the decision and it is currently at the Franklin Circuit Court. The Claims Commission decision cannot be used as precedent nor can any decision from the Franklin Circuit Court. Only if the Court of Appeals issues a “published” decision does it become precedent and, therefore, the law. However, it should be remembered that the Claims Commission decision is not an expansion of the supplies exemption, it merely restores the exemption to the criteria used before Revenue administratively changed its interpretation in the year 2000.



#### About the author:

Steve Lenarz,  
JD, CPA, of  
Steve Lenarz  
Attorney  
at Law in  
Louisville. He  
can be reached at

[slenarz@kytaxfirm.com](mailto:slenarz@kytaxfirm.com).

# The gift of business valuations for estate planners



By Miranda L.  
Aavatsmark, CPA

In case you had not heard, never watch the news, or do not regularly check Twitter, the estate and gift tax exemption doubled from about \$5.5M to \$11.2M starting in 2018. This

change was included in The Tax Cuts and Jobs Act of 2017 that was passed on December 22, 2017. As with many of the recent changes to the tax laws, the estate and gift tax exemption is set to revert back to pre-2018 levels (including increases for inflation) after December 31, 2025. What does this mean and how does this affect taxpayers? What does estate planning look like now for clients? And more importantly, will this change be short-lived, or continue beyond the 2020 presidential election? Regarding the latter, your guess is as good as mine. As with all changes to the tax laws, CPAs can only plan based on what we know the tax laws to be for certain right now. That being said, let's dig into the background of estate taxation.

## What is an estate and gift tax exemption?

The modern estate tax was enacted in 1916 and has been phased in and out and repealed at various times over the years. In 1916, the estate and gift tax exemption was \$50,000 and, more than 100 years later in 2019, the exemption has increased to \$11.4 million *per person* (\$22.8 for a married couple). Unlike the federal *income* tax, the estate tax is based on value, not income. Most simply put, the estate tax is a tax on the value of a person's assets at the time of their death.

The gift and estate tax exemption is synonymous with what is referred to as the lifetime exemption. The lifetime exemption is the amount that can either be gifted during a person's lifetime or excluded from

their taxable estate upon death. For example, if a person passes away in 2019 and the value of their estate is \$10M but during their lifetime they gifted \$5M, then their lifetime exemption of \$11.4 would be reduced by the \$5M of gifts. Therefore, the taxable estate would be \$3.6M (\$10M + \$5M - \$11.4M). If the value of the person's estate is instead \$10M but they did not make any gifts during their lifetime, then they do not have a taxable estate since the value is less than the exemption.

On the topic of gifts, there are many considerations, such as whether a gift is a "generation-skipping gift." A generation-skipping gift most often occurs when a grandparent bypasses their own child to make a gift to their grandchild. There are many special rules and nuances with these types of gifts and although beyond the scope of this article, CPAs should be aware of their client's specific situation and whether these might apply.

## Tax Cuts and Jobs Act of 2017

Although there was some talk of repealing the estate tax completely, most professionals in the community weren't betting their Derby money on it. And rightfully so, since what we ended up with instead was something like what happened with the alternative minimum tax (AMT). CPAs were hopeful that the AMT would be repealed, but Congress decided *alternatively* to increase the exemption, thereby eliminating the tax for many taxpayers. The doubling of the estate tax exemption essentially accomplished the same, in that now many wealthy taxpayers may no longer need to worry themselves with the "death" tax.

## Business valuations and estate planning

Many Americans build a wealthy estate over the course of their lifetime through business ownership. CPAs in the estate planning field deal largely with business owners who are very much concerned with preserving their wealth and businesses, even beyond the grave. To mitigate or reduce estate taxes,





business owners will want to organize their affairs and develop a strategic plan.

One of the strategies for reducing potential estate taxes is by gifting some or all of a company's ownership from the business owner to their children or a family member during their lifetime. By gifting ownership, business valuers can utilize discounts to reduce the value of the business. The following are some of the discounts available for use when determining values for gifting purposes. This is not an exhaustive list or a detailed map for valuing a business.

- **Marketability discounts**

A marketability discount is a discount allowed for reducing the value of the business due to lack of "marketability." If the company is a closely-held business, finding the right buyer may take a substantial amount of time and effort, therefore the value of the business can be reduced for these factors. Unlike publicly traded stocks, which can be easily bought and sold, a family-run business is not as quick and easy to buy and sell.

- **Minority discounts**

A minority discount is available when only a small percentage of a company is transferred. For example, if a dad owns 100 percent of the company, and transfers 10 percent to his son, then the small percentage is not as valuable to the son because of lack of control. If the son only owns 10 percent of the company, he may not have any ability to vote on important issues or make executive decisions. As such, a minority discount is allowed since the son is not really enjoying a relatively equal 10 percent share of the pie.

- **Key person discount**

A key person discount is a discount used to take into consideration personal goodwill. A company that is heavily dependent on the reputation and skill of the owner is probably not worth as much in the hands of another person. Although the owner can certainly transition their work, some customers may not be loyal to the new owner.

The advantage of using discounts is best explained with an example.

Let's say Rich owns 100 percent of the shares in an S-Corporation, Riches, LLC. An initial business valuation is performed as a baseline, and

**Continued on p. 14**

## Business valuations continued

determines that 100 percent ownership of the business is worth \$10M. Rich wants to gift ownership of the company to his son, but he is not ready to give up control of the business at this time, so he decides to gift 40 percent to his son initially. Based on the baseline value of \$10M, the value would appear to be \$4 million for the 40 percent interest. But due to the fact that his son will not be in control and the stock lacks liquidity, a business valuator would discount the 40 percent interest. Assuming the valuator determines a 35 percent combined discount is appropriate, the interest would only be worth \$2.6 million for gift tax purposes.

When the 40 percent interest in the business is transferred to his son, Rich will be required to file a gift tax return. The value listed on the gift tax return will only be \$2.6M, thereby reducing Rich's lifetime exemption by this amount, instead of the original value of \$4M. On the other hand, if Rich dies while still owning the company, the \$4M value will likely be used for estate tax reporting purposes. Assuming Rich has other assets that push him over the estate tax exemption, the \$1.4M discount from the gift to his son has the potential to produce a savings of up to 40 percent in estate taxes, or \$560,000.

Furthermore, provided that a gift is adequately disclosed on the gift tax return, the three-

year statute of limitations clock begins to tick. Business valutors have a checklist of the required disclosures and documentation required by the IRS to support the valuation of the business. After the three years have passed, the IRS generally cannot open the gift tax return for audit and challenge the value of the gift.

## Business valuations post-mortem

After the passing of a business owner, there are two considerations for business valutors. One, valuing the business for purposes of reporting and paying estate taxes and two, valuing a business for purposes of the step up in basis. Most likely, the second consideration is the more important of the two, considering the increase of the estate tax exemption. When an individual dies and the assets are transferred to their heirs, the heirs acquire a brand-new basis in the asset. The assets are valued as of the date of death and the value becomes the heir's basis. If the beneficiary decides to sell the asset, they may not realize much or any gain on the sale and therefore pay minimal or no income tax. Alternatively, if the assets were transferred to the beneficiary as a gift before death, the donor's basis generally becomes the donee's basis. In this case, if the asset is later sold, there may be significant gains subject to income tax.

If the value of the business, along with the taxpayer's other assets, are well below the estate tax exemption, there may not be a need to gift ownership during the taxpayer's lifetime. The value of the business, as determined upon death, may be more beneficial to the heirs because of the step up in basis. Effectively reducing income tax in the hands of the beneficiary becomes the main goal in this situation.

On the contrary, if the taxpayer's business and other assets are near or above the estate tax exemption, then gifting before death could be beneficial to reduce estate taxes. Gifting before death allows the use of some of the discounts mentioned above and an overall reduction of estate taxes. As a side note, the IRS clarified late last year in IR-2018-229 that the increased gift and estate tax exemption would not adversely impact estates post-2025. To explain this, suppose an individual dies in 2026 and this person gifted assets of \$10M between 2018 and 2025, but the estate tax exemption reverted back to \$5.5M. The estate is permitted to use \$10M as the exemption instead of \$5.5M, and not be penalized by the large gifts made during the time frame that the estate exemption was much higher.

## Conclusion

The doubling of the estate tax exemption may certainly eliminate estate taxes for most taxpayers, but estate planning



for high net worth clients and business owners remains a critical task for professionals. Determining the value of a business as part of planning can provide a wealth of information to use as a guide. With the volatile nature of tax laws and the uncertainty of the current political climate, knowing the value of a business can be

useful to make necessary estate planning changes as needed. As discussed earlier, the current estate tax exemption is set to revert back to pre-2018 levels after December 31, 2025. Barring any extensions or changes prior to this, at the very least, estate planning will need to be re-evaluated as this date grows closer.

*About the author: Miranda L. Aavatsmark, CPA, is a tax manager of Blue & Co., LLC in Lexington. She can be reached at [maavatsmark@blueandco.com](mailto:maavatsmark@blueandco.com).*

## Business Valuation and Litigation Conference

**August 23** - Gratzer Education Center, Louisville

10 CPE hours (CLE pending)  **Live webcast option**

**Who should attend:** Valuation analysts who have to deal with business valuation issues for a variety of uses

RAISE THE BAR



### Topics include:

- Judgement in valuation
- Aristotle's rhetoric and the 21st century's testifying expert
- M&A disputes: What experts need to know
- Cost of capital
- Ethics (1 CPE hour)
- Buying and selling businesses: Preparing a closely held business for sale
- SBA loans and valuations
- Personal goodwill vs. enterprise goodwill

See p. 22 for list of speakers.

### Registration and more information:

Go to [kycpa.org](http://kycpa.org) or call 502.266.5272.

# Five measures that provide insight on the economy as a whole

By Chris Kuehl





Even the casual observer of the economy and business matters will be inundated with data on a daily basis – all purporting to provide some insight into what is going on in the local, regional, national and global economy. To be honest, most of this is only barely relevant as it usually applies to some very specific aspect of the economy. It will be of paramount importance to those in transportation to understand the implications of movement in the Baltic Dry Index but most other businesspeople will be less engaged. Are there measures that can be counted upon to be reliable and generally relevant? It so happens that there are.

Some of the most commonly quoted measures are pretty vague and so general as to be unhelpful. Others are so broad they don't really provide much insight on a given business environment. The overall unemployment numbers tell us very little as these look at the entire nation and that obscures the fact that some states have lower rates than the national norm and other have higher rates. GDP growth is so broad as to provide no useful detail on what is growing in the economy and why. There are five measures that do provide insight on the economy as a whole. These are not specific to one industry or sector so it is always important to pay attention to the specific numbers that pertain to one's own sector.

### 1. Purchasing Managers' Index

The first of these is the Purchasing Managers' Index published by the Institute for Supply Management. It takes advantage of the fact that every company has someone who procures the needed material to support the business and production. By noting the pace and extent of that purchasing, one can get a read on what is happening in manufacturing as well as in services. The people responding to the survey are simply noting whether

there was more or less purchasing taking place and there is less temptation to finagle the numbers. The PMI also sports an easy to understand diffusion index where anything more than 50 is expansion and anything under 50 suggests contraction. Over the last several months the PMI has been trending lower than it was last year at this time. Beyond the PMI itself there are several sub-indices that provide unique insights. There is a New Orders Index that tracks the most recent activity and thus has an orientation towards forecasting. There are export indicators and employment indicators – all derived from the data that comes from the PMI survey.

### 2. Credit Managers' Index

A similar index was created by the National Association for Credit Management using the same diffusion index. The Credit Managers' Index looks at issues in the world of the credit manager – dollar collections, applications for credit, disputes, accounts out for collection, slow pays and the like. These issues often surface even before the purchasing managers make their decisions and over the years the index has been a good forecasting tool. As with the PMI, numbers more than 50 indicate expansion and numbers below 50 signal contraction. For the past year the numbers that look at unfavorable factors (such as slow pays, disputes, bankruptcies etc.) have been either in the very low 50s or the high 40s. The favorable (dollar collection, sales, applications for credit etc.) have been either in the low 60s or the high 50s.

### 3. The JOLTS report

The third tool to pay attention to is the Job Opportunity and Labor Turnover Survey – the JOLTS report. This has several interesting aspects to

**Continued on p. 18**

**Chris Kuehl will be presenting an economic update at the:**

- CPAs in Business and Industry Conference on September 17-18
- Financial Institutions Conference on September 23

Find out more about these conferences on page 23 or visit [kycpa.org/cpe/conferences](http://kycpa.org/cpe/conferences) for more information and to register.

## Economy continued

it but one stands out as a reliable and informative measure of the employment situation. There is a part of this that measures the willingness of people to quit their job without the guarantee of another one. This is the quit rate and when it is high it suggests a very confident population – people willing to just leap into the labor pool with the confidence that they will find a new position right away. The quit rate was at an all-time low during the recession of 2008-2009 but has since risen to a nearly twenty-five year high. The most consistent problem noted by employers today is a lack of needed workers and that has led to extensive poaching by companies that can't find the skills they need without raiding other employers. This has also stimulated the high rate of labor turnover.

### 4. Capacity utilization

The fourth of these useful measures is capacity utilization. The rule of thumb is that when industrial capacity numbers are between 80 percent and 85 percent this is ideal. It signals that manufacturers are efficiently using their machines and their personnel. When capacity numbers fall below 80 percent it suggests there is slack and productivity will not be at peak. When the capacity number is beyond 85 percent it signals that

there will likely be bottlenecks and shortages. It is when the capacity numbers are more than 85 that business begins to think seriously about adding people and investing in new machinery as they strive to keep up with that new demand. For the last year the capacity numbers have been close to the bottom end of normal but have yet to break that 80 percent barrier. They have been between 76 percent and 78 percent for the majority of 2018 and 2019.

### 5. Transportation Activity Index

The last of these useful measures is the Transportation Activity Index – a measure that was developed by Armada CI for one of our transportation clients. It is no surprise that an index that looks at the transport sector is predictive as transportation has been referred to as the “canary in the coal mine” for years. The connection is simple enough – nothing happens in any sector until there is a delivery of some kind. Parts and raw materials need to be acquired and finished products need to make their way to wholesalers and retailers and ultimately to consumers. There is outbound activity spurred by exports and inbound activity spurred by imports. The TAI looks at all the modes of freight transport – ocean cargo, air cargo,

trucking, rail, barge and anything else that is used to move these supplies. It also looks at some of the key inputs for transportation such as fuel prices and costs of equipment. Looking at what moves the freight gives insights into the overall economy and even hints at what is growing. Air cargo comes into play when there are people willing to pay a premium for fast service, ocean cargo peaks as retailers start to get ready for the holiday season. The rail sector counts on coal and crops as their cash cows and there are different motivations for long-haul and LTL trucking. Over the last year the index has stabilized in the low 50s but there are issues that have started to impact the rail sector.

These are certainly not the only measures that can provide guidance but these are reliable, applicable to a wide range of industries and have been produced for many years – allowing comparisons between what is happening now and what has taken place in past years.



#### *About the author:*

*Chris Kuehl is the managing director at Armada Corporate Intelligence. He can be reached at*

*[Chris.Kuehl@armadaci.com](mailto:Chris.Kuehl@armadaci.com).*

**KyCPA member benefit:** If you enjoyed this article make sure you are receiving Chris Kuehl's Business Intelligence Brief that is emailed each business day. If you are not currently receiving it and would like to be added to the email list please contact Heather Hibbs at [hhibbs@kycpa.org](mailto:hhibbs@kycpa.org).





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# Intellectual property damages: You can't always get what you want



By Glenn Newman, CPA

I don't believe Mick Jagger and Keith Richards were referencing a closely-held corporation seeking to protect its intellectual property ("IP") rights when they penned this catchy tune in 1968. A lot has changed since then with respect to the ability to recover damages for various forms of IP. It's ironic that years after the song was named as the 100<sup>th</sup> greatest song of all-time by Rolling Stone Magazine,<sup>1</sup> it was utilized during the 2016 campaign and related acceptance speech by our current president. It was during this time that the band claimed its song was being used without the band's permission.<sup>2</sup> And so it goes, somebody invents, trademarks, and/or copyrights something creative or useful, and someone else wrongly utilizes the product for self-gain. How to assess the harm? In comes the forensic accountant.

There have been a number of major milestones in quantifying intellectual property damages since Mick and the Boys got together as teens. Although the Lanham Act came into law when Jagger was about three years old, it established the ground rules about trademark infringement, false advertising and unfair competition. The Copyright Act of 1976 provided the basic framework for current law, and years later, the establishment of the Court of Appeals

for the Federal Circuit in 1982 attempted to unify the appeals process for patent claims. All in all, foundations were formed for the bread and butter of forensic accountants.

It is widely known that forensic accountants assist attorneys and their clients by assessing harm, often times in the form of claims of damages. While damages for various forms of infringement, or thefts of trade secrets often involve claims of lost profits, there are additional forms of relief and/or monetary recovery that deserve consideration, and provide alternative computations.

## Where to start?

There are substantial resources available for those financial professionals who practice in the field. More importantly, there are significant differences between a lost profits claim associated with a patent infringement versus one based on a breach of a contract. Specific case law establishes the types of damages available for IP claims. The Association of International Certified Public Accountants and its predecessor, The American Institute of CPAs, periodically publishes Practice Aids which provide illustrative guidance for practitioners by addressing topics such as Reasonable Certainty, and more specifically, Intellectual Property damages. The 2019 update on IP damages provides an excellent overview of the types of infringement damages available, and offers insight into assessing methodological approaches to such claims.

1 Rolling Stone Magazine, 2004.

2 Twitter, July 22, 2016 – Rolling Stones.



Whether one has been requested to quantify a reasonable royalty, disgorgement, or a lost profits claim, the Practice Aid is ground zero. Not only will you learn about the available theories, the key court decisions are addressed which provide insight into factors such as alternative and substitute products, entire market value and apportionment, collateral sales, deductible costs, among others. Familiarity with these topics will help establish your credibility with your attorney client. In the end, "if you try sometime you just might find, you get what you need."

Another perspective necessary to present viable damage calculations involves staying current. Your attorney client should communicate any recent changes to recovery methods that have been decided in the applicable circuit. For example, the Supreme Court of the United States recently granted certiorari whereby the Court will consider whether trademark infringers can be ordered to disgorge their profits without a finding of "willful" infringement. Once again, the IP Practice Aid provides useful information.

These and other IP related damage topics will be addressed at the Kentucky Society of

CPAs Forensic Accounting and Litigation Conference on August 22. Dennis Murrell, JD and I will be presenting a session on intellectual property, hot topics for testifying experts. See p. 22 for details.



*About the author:*  
Glenn Newman is a Forensic CPA specializing in economic damage calculations. He has testified in over 100 matters since 1988. He can be reached at [gnewman@newmanforensics.com](mailto:gnewman@newmanforensics.com).

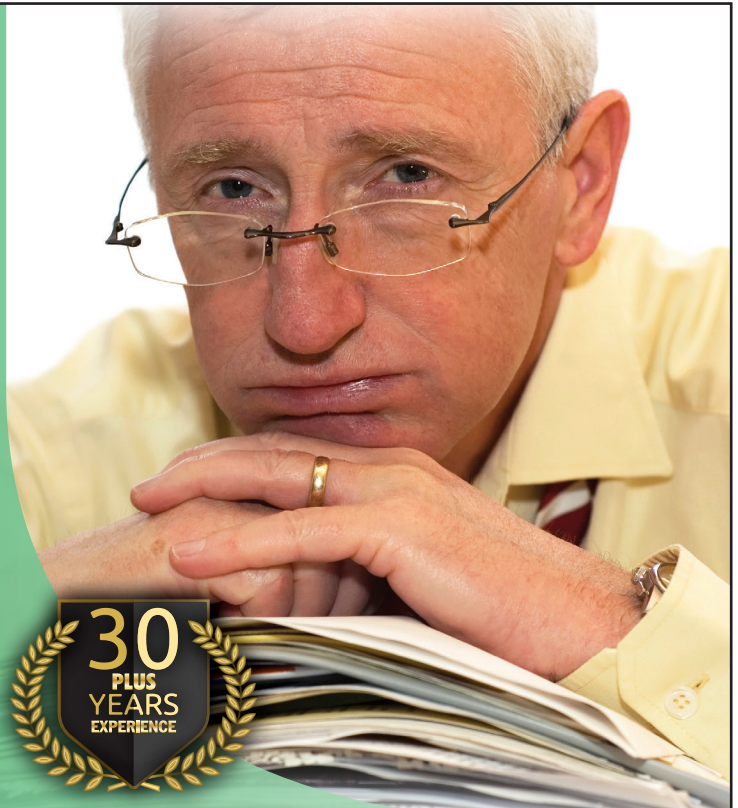
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# Forensic Accounting; Business Valuation and Litigation Conferences

August 22-23, 2019 Gratz Education Center, Louisville

20 CPE hours (CLE pending)  **Live webcast option** (Either or both days)

## Forensic Accounting and Litigation Conference:

August 22 (10 CPE hours)

**Who should attend:** CPAs and financial professionals who want to explore commonly accepted approaches and methodologies used by forensic accountants, investigators and financial managers

### Crypto, fraud and laundering

**John Oldham**, FBI, Louisville

### Professional standards and regulatory update for experts in Kentucky

**Mark Fenzel, JD**, Middleton Reutlinger PSC, Louisville and **Robert Gray, CPA, ABV, CFF, CGMA, CFE**, Gray Schrupp & Associates PLLC, Dallas, Texas

### Intellectual property: Hot topics for testifying experts

**Dennis Murrell**, Middleton Reutlinger PSC, Louisville and **Glenn Newman**, Newman Forensics LLC, Villanova, Pennsylvania

### Expert witness testimony

Panel TBA

### Business development and succession planning for forensic valuation services professionals

**Robert Pay**, Alvarez & Marsal, New York, New York

### Reasonable certainty and lost profits: AICPA practice aid updates

**David Duffus**, Baker Tilly, Pittsburgh, Pennsylvania

### Ethics (1 CPE hour)

**Elizabeth Woodward, CPA, CFF, CFE**, Dean Dorton PLLC, Lexington

## Business Valuation and Litigation Conference:

August 23 (10 CPE hours)

**Who should attend:** Valuation analysts who have to deal with business valuation issues for a variety of uses

### Judgement in valuation

**Harold Martin, Jr., CPA, ABV, CFF, ASA, CFE**, Keiter Valuation and Forensic Service, Glen Allen, Virginia

### Aristotle's rhetoric and the 21st century's testifying expert

**Thomas Hilton, MSF, CPA, ABV, CFF, CVA, CGMA**, Anders Minkler Huber & Helm LLP, St. Louis, Missouri

### M&A disputes: What experts need to know

**Alan Stone**, Milbank, New York, New York

### Cost of capital

**Harold Martin, Jr., CPA, ABV, CFF, ASA, CFE**, Keiter Valuation and Forensic Service, Glen Allen, Virginia

### Ethics (1 CPE hour)

**Elizabeth Woodward, CPA, CFF, CFE**, Dean Dorton PLLC, Lexington

### Additional topics include:

- **Buying and selling businesses: Preparing a closely held business for sale**
- **SBA loans and valuations**
- **Personal goodwill vs. enterprise goodwill**

### Registration | FABV822 (2 days)

FAC822 (1 day)

BVLC823 (1 day)

**Early Bird Fee:** Register by Aug. 8

**KyCPA member: \$399** (1 day) **\$529** (2 days)

Nonmember: \$499 (1 day) \$729 (2 days)

**Regular Fee:** After Aug. 8

**KyCPA member: \$449** (1 day) **\$579** (2 days)

Nonmember: \$549 (1 day) \$779 (2 days)

Fee includes 10 CPE hours for one day and 20 CPE hours for both days (CLE pending), electronic manual, continental breakfast, lunch and refreshment breaks.

**Group discount:** Register four or more from the same firm or company at the same time and save \$25 per person.

Register online at [kycpa.org](http://kycpa.org).



## CPAs in Business and Industry Conference

September 17-18

16 CPE hours

Holiday Inn Hurstbourne, Louisville

### Day 1

- Development of NuLu and Portland
- Cybersecurity
- Ethics
- Economic update
- Vendor management
- FASB update
- Legislative update

### Day 2

- The economic impact of the airport authority
- Big tax issues for business
- Getting the team to think like executives/owners
- Personal financial planning for CPAs
- Excel/Power BI
- Getting the next generation ready
- Treasury management
- Effective remote working environments

## Financial Institutions Conference

September 23

8 CPE hours

Holiday Inn Hurstbourne, Louisville

- Cybersecurity
- TPRM's impact on your overall ERM environment
- ALCO
- Mergers and acquisitions
- Kentucky tax update
- Economic update

## Ohio Valley Construction Conference

October 24-25

16 CPE hours

Seelbach Hilton, Louisville

### Day 1

- Ownership transfer/Management succession
- Federal tax update
- Talent attraction and retention - CFO/HR panel
- Opportunity zones
- Economics
- State taxes: Income and sales
- Cybersecurity
- Churchill Downs construction project

### Day 2

- Modern technology innovations: Changing the conversation in construction
- CFMA national update
- Succession planning: Been there, done that
- Fraud
- FASB update: Rev Rec implementation and leases
- Active shooter training

## Employee Benefit Plans Conference

October 29

8 CPE hours

Gratzer Education Center, Louisville 

## Commercial Real Estate Conference

November 14

8 CPE hours

Gratzer Education Center, Louisville 

## Kentucky State Tax Conference

December 5

8 CPE hours

Holiday Inn Hurstbourne, Louisville

## Technology Conference

December 16-17

17 CPE hours

Holiday Inn Hurstbourne, Louisville

See [kycpa.org/cpe/conferences](https://kycpa.org/cpe/conferences) for more conference information and to register.

# Spotlight CPE: Federal Tax

## Best Federal Tax Update

8 CPE hours

- **October 28** Hampton Inn & Suites, Paducah
- **October 29** WKU, Owensboro
- **October 30** Hampton Inn, Somerset
- **October 31** Holiday Inn Express, Ashland
- **November 1** Indiana Wesleyan University, Florence



**Instructor: Ed Harter**

**Who should attend:** CPAs who need to know the latest tax law changes

In this course, tax advisors will be fully updated on the most important aspects of tax reform as well as major trends on the horizon with a view toward planning. Individual, partnership and corporate taxation, as altered by tax reform, will be included. As both formal and informal guidance is issued, you will be kept fully up-to-date.

### Major Topics:

- New loss limitation rules applicable to NOLs and the ability to offset income
- Revised home mortgage interest deduction
- Treatment of state and local taxes
- Monumental changes to the treatment of alimony for both payor and payee
- Section 1031 like-kind exchanges
- Carried interest
- New deferral possibility for stock options
- New bonus depreciation rules and expansion of Sec. 179
- Expansion of number of taxpayers able to use the cash method of accounting
- 30 percent business interest limitation
- New rules on entertainment expenses, including meals
- New business credit for wages paid due to family and medical leave
- Doubling of estate and gift tax exemption to \$22.36M for a married couple
- Comprehensive coverage of the emerging flagship item of tax reform, Sec 199A and its alteration of pass-through taxation and planning
- Relevant state domicile issues which are quickly becoming a new source of practitioner profit
- Review of pertinent cases and rulings affecting taxpayers
- Practice aids, including all the numbers applicable for the current year -- inflation-adjusted amounts, mileage rates, retirement contributions, and more
- The latest issues related to any other late-breaking tax law changes





**Instructor: Pat Garverick**

### Federal Tax Update for Individuals

8 CPE hours

**November 18**

Gratzer Education Center,  
Louisville 

**Who should attend:** Tax accountants in public or private practice in need of power-packed Federal individual income tax update course

With the increasing complexity and ever-changing nature of tax laws and issues, today's accountant needs an update course focusing on individual income tax issues. This comprehensive class will not only review the current Federal individual income tax laws but will also update tax return preparers of new tax forms, changes to existing tax forms, as well as tax planning opportunities and pitfalls. This is a **“must-attend”** course for all tax practitioners who want to be up to speed quickly and have a successful Federal individual income tax filing season.

**Register for both the Individual and Business Updates with Pat Garverick and save \$69. Use course code FTUIB1118.**

### Federal Tax Update for Business

8 CPE hours

**November 19**

Gratzer Education Center, Louisville 

**Who should attend:** Tax accountants in public or private practice in need of power-packed Federal business entity update course

With the increasing complexity and ever-changing nature of tax laws and issues, today's accountant needs a one-day update course focusing on business income tax issues. This comprehensive class will not only review the current Federal business income tax laws but will also update tax return preparers of new tax forms, changes to existing tax forms, as well as tax planning opportunities and pitfalls. This is a **“must-attend”** course for all tax practitioners who want to be up to speed quickly and have a successful Federal business income tax filing season.



**Instructor: Ron Roberson**

### 2-Day Federal Tax Update

16 CPE hours

**November 12-13**

Holiday Inn Hurstbourne,  
Louisville

**January 7-8, 2020**

Marriott Griffin Gate, Lexington

**Who should attend:** Tax practitioners in public accounting and industry

A complete annual update that covers all the changes that affect individuals and business entities, as well as detailed analyses of how the new tax laws will affect your tax clients or your company. This class will include the latest modifications to TCJA as well as other relevant IRS Notices, announcements, ruling and court cases for individuals, corporations, S corporations and entities taxed as partnerships. In-depth example coverage of 2019 actual return preparation issues will provide professionals with the answers they need.



**Instructor: Bill Eversole**

### 1-Day Federal Tax Update

8 CPE hours

**January 10, 2020**

Gratzer Education Center,  
Louisville 

**Who should attend:** CPAs in public practice and members in industry seeking the latest tax developments impacting both individual and business taxpayers

This course will address the ongoing developments and IRS interpretations, prepare practitioners for the upcoming filing season, and cover any recent tax legislation occurring during 2019 affecting both your individual and business clients. Useful strategies to assist in the tax preparation process, including tax planning tips with practical solutions, will be given.

 **Live Webcast option**

# Spotlight CPE: Management seminars

## Annual Update for Controllers

8 CPE hours

**Instructor: John Cox****August 13**Gratzer Education Center, Louisville **Who should attend:** CFOs, controllers, treasurers, and other financial managers

## Enterprise Risk Management: New Approaches for Today's Complexities

8 CPE hours

**Instructor: John Cox****August 14**

Gratzer Education Center, Louisville

**Who should attend:** Practitioners who play a risk management role in entities of any size

## Employment Law Update: FMLA, HIPPA, COBRA, ADA and more (AM)

4 CPE hours

**Instructor: Curt Quickel****October 17**Gratzer Education Center, Louisville **Who should attend:** CPAs in business and industry and non-profits, and CPAs in public practice who want to advise client on employment law issues

## Employment Law Update: Reducing Employer Liability (PM)

4 CPE hours

**Instructor: Curt Quickel****October 17**Gratzer Education Center, Louisville **Who should attend:** CPAs in business and industry and non-profits, and CPAs in public practice who want to advise client on employment law issues

## Risk, Cost and Cash Management for Controllers (AM)

4 CPE hours

**Instructor: Curt Quickel****October 18**

Gratzer Education Center, Louisville

**Who should attend:** Owners, controllers, treasurers, financial officers, and other financial managers in organizations with less than \$250 million in sales

## Financial Forecasting: Planning for Success (PM)

4 CPE hours

**Instructor: Curt Quickel****October 18**

Gratzer Education Center, Louisville

**Who should attend:** Financial professionals responsible for preparing financial forecasts

## Introduction to Lean Management Accounting (AM)

4 CPE hours

**Instructor: Nick Katko****November 22**

Gratzer Education Center, Louisville

**Who should attend:** Financial professionals, managers and owners, especially those new to lean financial management

## Lean Practices for the Accounting Function (PM)

4 CPE hours

**Instructor: Nick Katko****November 22**

Gratzer Education Center, Louisville

**Who should attend:** Chief financial officers, controllers and accounting managers who have responsibility for accounting processes







## Financial Statement Analysis: Basis for Management Advice (A)

8 CPE hours

**Instructor: Michelle Kemp****December 11**Gratzer Education Center, Louisville **Who should attend:** Accounting professionals responsible for financial statement analysis



# 2019 calendar










Date	Title	AM/ PM	City	CPE Credit	CPE Type	Member Early Fee
8/12/19	Professional Issues Update	PM	Bowling Green	4	BMO, E	79
8/13/19	Annual Update for Controllers 		Louisville	8	FN	299
8/14/19	Enterprise Risk Management: New Approaches for Today's Complexities		Louisville	8	MS	299
8/14/19	Annual Update for Accountants and Auditors		Ashland	8	AC, AD	274
8/15/19	Annual Update for Accountants and Auditors		Lexington	8	AC, AD	274
8/15/19	Professional Issues Update	PM	Corbin	4	BMO, E	79
8/15/19	Internal Control Best Practices for Small-Medium Entities		Louisville	8	AD	299
8/16/19	Annual Update for Accountants and Auditors		Owensboro	8	AC, AD	274
8/19/19	Professional Issues Update 	PM	Louisville	4	BMO, E	79
8/19/19	Latest Developments in Government and Nonprofit Accounting and Auditing		Lexington	8	YB	274
8/20/19	Preparing Not-for-Profit Financial Statements Under ASU No. 2016-14 		Louisville	8	YB	299
8/21/19	Construction Contractors: Accounting, Auditing, and Tax Issues		Louisville	8	YB	299
8/21/19	Best Practices for Payroll Taxes and 1099 Issues		Louisville	8	TX	299
8/22/19	Forensic Accounting and Litigation Conference 		Louisville	10	AC	399
8/23/19	Business Valuation and Litigation Conference 		Louisville	10	CPE	399
8/26/19	Applying Professional Skepticism in an Audit	AM	Louisville	4	AD	164
8/26/19	Forensic Investigations: Key Tools to Success	PM	Louisville	4	AC	164
8/27/19	Revenue Recognition: Mastering the New FASB Requirements		Louisville	8	AC	299
8/29/19	Preparations, Compilations and Reviews 		Louisville	8	AD	299
8/29/19	Professional Issues Update	PM	Ashland	4	BMO, E	79
09/17- 18/2019	CPAs in Business and Industry Conference		Louisville	16	CPE	424
9/20/19	Financial Institutions Conference		Louisville	8	AC, AD, TX	324

Calendar continued on p. 28








## Fields of study key

**AC** = Accounting; **ACG** = Accounting (Governmental); **AD** = Auditing; **ADG** = Auditing (Governmental); **BL** = Business Law; **BMO** = Business Management & Organization; **CM** = Communications & Marketing; **CSA** = Computer Software & Applications; **E** = Ethics; **EC** = Economics; **FN** = Finance; **IT** = Information Technology; **MS** = Management Services; **SK** = Specialized Knowledge; **ST** = Statistics and **TX** = Taxes

## Calendar continued







Date	Title	AM/ PM	City	CPE Credit	CPE Type	Member Early Fee
9/24/19	Professional Issues Update	PM	Paducah	4	BMO, E	79
9/26/19	Professional Issues Update	PM	Owensboro	4	BMO, E	79
9/26- 27/2019	Audit Skills Training: Level 2 – Staff Accountant		Louisville	16	AD	499
9/26/19	Reviewing Individual Tax Returns: What Are You Missing?	AM	Louisville	4	TX	164
9/26/19	Protecting Your Client and Your Firm from Tax Return Identity Theft	PM	Louisville	4	TX	164
9/27/19	Reviewing Pass-Through Tax Returns: What Are You Missing?		Louisville	8	TX	299
10/17/19	Employment Law Update: FMLA, HIPPA, COBRA, ADA more 	AM	Louisville	4	BL	164
10/17/19	Employment Law Update: Reducing Employer Liability 	PM	Louisville	4	BL	164
10/17/19	Compilations, Reviews and Preparations: Engagement Performance and Annual Update		Louisville	8	AD	299
10/18/19	Annual Accounting and Auditing Update 		Louisville	8	A&A	299
10/18/19	Risk, Cost and Cash Management for Controllers 	AM	Louisville	4	MS	164
10/18/19	Financial Forecasting 	PM	Louisville	4	FN	164
10/22/19	Real World Fraud in Today's Small-Medium Entities		Louisville	8	AD	299
10/23/19	Construction Contractors Advanced Issues 		Louisville	8	AC, AD, TX	299
10/24- 25/2019	Ohio Valley Construction Conference		Louisville	16	CPE	350
10/28/19	Best Federal Tax Update		Paducah	8	TX	274
10/29/19	Best Federal Tax Update		Owensboro	8	TX	274
10/29/19	Employee Benefit Plans Conference 		Louisville	8	AD	324
10/30/19	Best Federal Tax Update		Somerset	8	TX	274
10/31/19	Best Federal Tax Update		Ashland	8	TX	274
10/31/19	Individual Tax Planning 		Louisville	8	TX	299
11/1/19	Social Security 		Louisville	8	TX	299
11/1/19	Best Federal Tax Update		Florence	8	TX	274
11/4/19	Guide to Section 199A's Pass-Through Deduction After IRS Guidance	AM	Louisville	4	TX	164
11/4/19	Four Tiers of Loss Limitations: New Rules for Pass-through Entities	PM	Louisville	4	TX	164
11/5/19	LLCs: Losses, Liquidations, Terminations, Continuations and Sales	AM	Louisville	4	TX	164
11/5/19	The Essential Multistate Tax Update	PM	Louisville	4	TX	164
11/5/19	Advanced S Corporation Issues for Practitioners		Louisville	8	TX	299
11/6/19	Hottest Tax Planning Developments Under Current Tax Law	AM	Louisville	4	TX	164



Date	Title	AM/ PM	City	CPE Credit	CPE Type	Member Early Fee
11/6/19	Tax Consequences and Reporting Issues of LLCs, LLPs and Other Partnerships	PM	Louisville	4	TX	164
11/6/19	Federal Estate and Gift Tax Return Boot Camp		Louisville	8	TX	299
11/7/19	Advanced Tax Strategies for LLCs and Partnerships		Louisville	8	TX	299
11/7/19	How to Settle a Client's Estate		Louisville	8	TX	299
11/8/19	Real World Frauds in Governments	AM	Louisville	4	YB	164
11/8/19	Real World Frauds in NFPs	PM	Louisville	4	YB	164
11/8/19	Securing a Comfortable Retirement in the Age of Spending (SCRT) 		Louisville	8	TX	299
11/11/19	Accounting and Auditing Update	AM	Lexington	4	AC, AD	164
11/11/19	Preparation, Compilation and Review Engagements: Update and Review	PM	Lexington	4	AD	164
11/11/19	Buying and Selling a Business: Critical Tax and Structuring Issues		Louisville	8	TX	299
11/12/19	Mastering Basis Issues for S Corps, Partnerships and LLCs	AM	Louisville	4	TX	164
11/12/19	Essential Depreciation and Expensing Update	PM	Louisville	4	TX	164
11/12/19	Interpreting the Revenue Recognition Standard: What CPAs Need to Know 	AM	Louisville	4	AC	164
11/12/19	The Bottom Line on the New Lease Accounting Requirements 	PM	Louisville	4	AC	164
11/13/19	Professional Issues Update	PM	Erlanger	4	BMO, E	79
11/14/19	Commercial Real Estate Conference 		Louisville	8	AC, AD, TX	324
11/18/19	Federal Tax Update Individuals 		Louisville	8	TX	299
11/18- 19/2019	Federal Tax Update Combo 		Louisville	16	TX	529
11/19/19	Federal Tax Update Business 		Louisville	8	TX	299
11/20/19	Professional Issues Update	PM	Louisville	4	BMO, E	79
11/21/19	Maximizing Your Social Security Benefits	AM	Louisville	4	TX	164
11/21/19	Select Estate and Life Planning Issues for the Middle-Income Client	PM	Louisville	4	TX	164
11/22/19	Introduction to Lean Management Accounting	AM	Louisville	4	AC	164
11/22/19	Lean Practices for the Accounting Function	PM	Louisville	4	AC	164
11/22/19	Fiduciary Income Tax Returns: Form 1041 Workshop with Filled-in Forms		Louisville	8	TX	299
11/25/19	Professional Issues Update	PM	Lexington	4	BMO, E	79
12/2- 3/2019	Audit Skills Training Level 3		Louisville	16	AD	499

Calendar continued on p. 30

## Calendar continued

Date	Title	AM/ PM	City	CPE Credit	CPE Type	Member Early Fee
12/3/19	Annual Update for Accountants and Auditors 		Louisville	8	A&A	299
12/4/19	Annual Update for Preparation, Compilation and Review Engagements 		Louisville	8	A&A	299
12/4/19	Form 1065 Return Review: Essential Procedures You Can't Overlook	AM	Louisville	4	TX	164
12/4/19	Form 1120S Return Review: Essential Procedures You Can't Overlook	PM	Louisville	4	TX	164
12/5/19	Surgent's Top 10 Tax Topics This Year 		Louisville	8	TX	299
12/5/19	Kentucky State Tax Conference		Louisville	8	TX	324
12/9/19	Real Estate Tax Boot Camp		Louisville	8	TX	299
12/9/19	Tax Prep Boot Camp		Louisville	8	TX	299
12/10/19	Form 1065 Boot Camp: Step-by-Step Preparation with Completed Forms		Louisville	8	TX	299
12/10/19	Not-for-Profit Accounting and Auditing Update 		Louisville	8	YB	299
12/11/19	Financial Statement Analysis: Basis for Management Advice 		Louisville	8	A&A, FN	299
12/12- 13/2019	2-Day Federal Tax Update		Louisville	16	TX	529
12/16- 17/2019	Kentucky Technology Conf		Louisville	17	CS, IT	469
12/18/19	Advanced Technical Tax Forms Training – LLCs, S Corps and Partnerships		Louisville	8	TX	299
12/19/19	Advanced Technical Tax Forms Training – Form 1040 Issues		Louisville	8	TX	299
01/7- 8/2020	2-Day Federal Tax Update		Lexington	16	TX	529
1/10/2020	1-Day Federal Tax Update 		Louisville	8	TX	349



KyCPA members have access to 12 CPE hours each year of selected online CPE for free.

Go to [bit.ly/KyCPAfreeCPE](https://bit.ly/KyCPAfreeCPE) to view available courses.

## Live Webcast options

These programs are broadcast live from the Gratz Education Center. Participate in real time from your computer. **Visit [kycpa.org](http://kycpa.org) for thousands of live webcasts and hundreds of on-demand courses.**

Date	Code	AM/ PM	Title	CPE Credit	CPE Type
8/13/19	SKSB813		Annual Update for Controllers	8	FN
8/19/19	PIU819	PM	Professional Issues Update	4	BMO, E
8/20/19	ENFP820		Preparing Not-for-Profit Financial Statements Under ASU No. 2016-14	8	YB
8/22/19	FAC822		Forensic Accounting and Litigation Conference	10	AC
8/23/19	BVLC823		Business Valuation and Litigation Conference	10	CPE
8/29/19	PCR829		Preparations, Compilations and Reviews	8	AC, AD
10/17/19	4EMP1017	AM	Employment Law Update: FMLA, HIPPA, COBRA, ADA more	4	BL
10/17/19	4LAW1017	PM	Employment Law Update: Reducing Employer Liability	4	BL
10/18/19	ACAU1018		Annual Accounting and Auditing Update	8	AC, AD
10/23/19	CCAI1023		Construction Contractors Advanced Issues	8	AC, AD, TX
10/29/19	EBC1029		Employee Benefit Plan Conference	8	AD
10/31/19	ITP1031		Individual Tax Planning	8	TX
11/1/19	SS111		Social Security	8	TX
11/8/19	SCRT118		Securing a Comfortable Retirement in the Age of Spending	8	TX
11/12/19	4INR1112	AM	Interpreting the Revenue Recognition Standard: What CPAs Need to Know	4	AC
11/12/19	4LEA1112	PM	The Bottom Line on the New Lease Accounting Requirements	4	AC
11/14/19	REC1114		Commercial Real Estate Conference	8	AC, AD, TX
11/18/19	FTU1118		Federal Tax Update Individuals	8	TX
11/18- 19/19	FTIB1118		Federal Tax Update Combo	16	TX
11/19/19	FTUB1119		Federal Tax Update Business	8	TX
12/3/19	AUAA123		Annual Update for Accountants and Auditors	8	AC, AD
12/4/19	CORU124		Annual Update for Preparation, Compilation and Review Engagements	8	AD
12/5/19	TTEN125		Surgent's Top 10 Tax Topics This Year	8	TX
12/9/19	RETC129		Real Estate Tax Boot Camp	8	TX
12/10/19	NAU1210		Not-for-Profit Accounting and Auditing Update	8	YB
12/11/19	FSAB1211		Financial Statement Analysis: Basis for Management Advice	8	AC, FN
1/10/20	FTU1110		1-Day Federal Tax Update	8	TX



## TEAM STREAM

A great option for your organization to train together at your location.

Available for KyCPA livestreams and for other webcasts offered at [kycpa.org/cpe/catalog](http://kycpa.org/cpe/catalog) under the Online CPE tab. Call the CPE department for more information at 800.292.1754 or 502.266.5272.





# Professional Issues Update

Last year's format change proved very popular with members! Attend the 2019 KyCPA Professional Issues Updates with KyCPA CEO, Darlene Zibart, KyCPA Government Affairs Director, Shelby Williams and others. We will begin with 2 hours of Ethics training, using an interactive program developed by the NASBA Center for Public Trust. Take a well-deserved networking break with refreshments, then resume the dynamic program with legislative and other professional issues updates.

**Who should attend:** All CPAs

**12:30 p.m.**

**Registration**

**1-2:45**

**Professional ethics**

This program will cover ethical expectations and concepts based on case studies. Case studies will illustrate ethical decision-making challenges CPAs often encounter in their positions of trust.

**Sedrik Newbern**

National Association of State Boards of Accountancy's NASBA Center for the Public Trust

**2:45-3:15**

**Networking break with refreshments and appetizers**

**3:15-5**

**Legislative and professional issues update**

Hot topics impacting the CPA profession and taxation. Current trends in business and industry, current Congressional issues CPAs should care about and new KyCPA initiatives.

**Darlene Zibart, CPA** and **Shelby Williams**

Kentucky Society of CPAs

Date	Location	City
Aug. 12	Holiday Inn University Plaza	Bowling Green
Aug. 15	Corbin Technology Center	Corbin
Aug. 19	Gratzer Education Center (Live webcast option)	Louisville
Aug. 26	Eastern Kentucky Expo Center	Pikeville
Aug. 29	Holiday Inn Express	Ashland
Sept. 24	Carson Four Rivers Center	Paducah
Sept. 26	Holiday Inn Owensboro Riverfront	Owensboro
Nov. 13	Receptions South Conference Center	Erlanger
Nov. 20	Gratzer Education Center	Louisville
Nov. 25	Embassy Suites Hotel	Lexington

**Registration**

**KyCPA member: \$79** Nonmember: \$119

Fees include 4 CPE hours, electronic manual and networking reception.

If you have special dietary or other needs, please contact the Society office at 502.266.5272 / 800.292.1754 or [kpuckett@kycpa.org](mailto:kpuckett@kycpa.org).

**Register online at [kycpa.org](http://kycpa.org).** A registration form that you may print and send in is also available at [kycpa.org](http://kycpa.org).

# CPE discounts

KyCPA offers several ways to save money on our seminars and conferences:

1. Member discounts save you \$50 to \$200 per program
2. Early Bird discounts save you \$25 to \$50 per program when you register at least 21 days in advance
3. AICPA discounts save AICPA members \$30 on eligible 8-hour programs [marked (A)]
4. Get Smarter discounts save KyCPA members \$25 per eligible 8- or 16-hour program when you purchase 3+ at the same time by Sept. 30, 2019
5. Group discounts save you \$25 per registration for 4+ from the same organization registering at the same time for the same program

## Early Bird discount change

We are required to meet various minimum registration requirements for seminars and the decision whether to run must be made 3 weeks prior to the course date.

We know that your circumstances can change rapidly, and we are happy to have you register for programs until midnight the night before online or to simply walk in and register on site; however, we LOVE early registrations!



To better align your incentive to register early with our decision deadline, **the Early Bird discount deadline is now 21 days in advance.**

## CPE options for groups

Groups of 4 or more from the same organization registering for the same event at the same time get a \$25 discount on each registration.

Groups can also view webcasts together – contact the CPE department for more information at 800.292.1754.



# Students attend KyCPA College Leadership Institute



The annual KyCPA College Leadership Institute took place May 31 – June 1 at the Gratzer Education Center, Louisville. 22 students from 14 colleges and universities across the region completed the program. Each of the participants was recommended by an accounting educator. This free, two-day event for college accounting majors helps students develop professional skills and identifies future leaders in the CPA profession. Sessions are designed to provide tools needed to cultivate effective communication and networking skills, and to help students perform well during job interviews.

The program concluded with a Meet the Firms reception. The participating firms included:

- DMLO CPAs
- KPMG
- Dean Dorton
- Louis T. Roth & Co.
- Strothman & Co.
- Summit CPA

Congratulations to the following student participants for completing the KyCPA College Leadership Institute:

- Jon Blumer, Bellarmine University
- Alex Bruno, Eastern Kentucky University
- Grace Eck, Asbury University
- Heather Evans, Morehead State University
- Zarin Froukh, University of Kentucky

- Patrick Grady, Indiana University Southeast
- Katelyn Hanna, Northern Kentucky University
- Katelynn Johnson, University of the Cumberlands
- Astri Karniani, University of Kentucky
- Muhammad Khattak, Berea College
- Mason Kraps, University of the Cumberlands
- Kaylee Lax, Murray State University
- Amber Lee, Brescia University
- Alea Lockett, Western Kentucky University
- Davis Mitchell, Brescia University
- Kyle Pomeroy, University of the Cumberlands
- Inna Reznichenko, University of Louisville
- Jon Seykora, Spalding University
- Amanda Verhoeven, Eastern Kentucky University
- Madisyn Wambold, Indiana University Southeast
- Hannah Wilbert, Bellarmine University
- Jenna Williams, University of Louisville

Thank you to the volunteers and presenters who shared their time and expertise with the group, including:

- Sheryl Ball CPA, Texas Roadhouse
- Melanie Blake CPA, MCM CPAs & Advisors
- Kayla Bonsutto CPA, Creative Realities
- Cynthia Borden CPA, MCM CPAs & Advisors
- Anne Brooks CPA, PwC
- Dave Calzi CPA, EY
- Mike Campbell CPA, Venminder
- Dick Carroll, KY State Board of Accountancy
- Heather Cochran CPA, RFH PLLC



- Bill Eversole CPA, Summit CPA
- Austin Fox CPA, Dean Dorton
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- Scott Grant CPA, SGSCO
- Kevin Joynt CPA, Deloitte
- Michael Kimble, BKD
- Julianne Kramer, Dean Dorton
- Shara Lucio CPA, Strothman & Co.
- Lance Mann CPA, Dean Dorton
- Melissa Mattox CPA, Kinkead & Stilz PLLC
- Lisa McNair CPA, Summit CPA
- Christopher Meriwether CPA, BKD
- Kristen Middleton CPA, Deloitte
- Karen Milliner, Linguistical LLC
- Brittany Neaves CPA, Dean Dorton
- Chris Nuttle CPA, The Party Source

- Maria Puche CPA, Access Financial
- Jessica Ralston, TempurSealy International
- Maddie Schueler CPA, Dean Dorton
- Nick Stephan CPA, Summit CPA
- Lane Thompson CPA, Louis T. Roth & Co.
- Elizabeth Woodward CPA, Dean Dorton

**Thank you sponsors and exhibitors, including:**

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- KPMG
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- MCM CPAs & Advisors
- Strothman & Co.
- Summit CPA

**For more information contact Samantha Soutar at [ssoutar@kycpa.org](mailto:ssoutar@kycpa.org).**



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or call 502-736-1377 to schedule

---

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# Create a Legacy

## LEGACY NAMED SCHOLARSHIPS

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-  Brandon Lloyd Warden Memorial
-  Brown-Forman Diversity
-  Crowe LLP
-  Dave Calzi
-  Dean Dorton PLLC
-  Deloitte & Touche LLP
-  DMLO CPAs
-  Ernst & Young LLP
-  Freibert CPA Group PLLC
-  Gordon Ford Memorial
-  Henderman, Jessee & Co. PLLC
-  Kelley Galloway Smith Goolsby PSC
-  KPMG LLP
-  KyCPA Presidents
-  Louis T. Roth Memorial
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-  Papa John's International
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-  Sadie Mae
-  Strothman & Company Accounting
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(Henderman Family Foundation)

**Thank you for supporting the KyCPA Educational Foundation.**

If you see an error or need more information, please contact [dzibart@kycpa.org](mailto:dzibart@kycpa.org).

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# KyCPA honors 100% Champions



The following firms and businesses ensure all eligible CPA employees are members of KyCPA. This demonstrates their commitment to the profession, to the Society's high ethical standards and a commitment to life-long learning. We appreciate their support of KyCPA and its mission.

The information below is verified annually at the time of membership renewals. Inclusion on this list is an opt-in basis. If your organization would like to join the list of 100% Champions, or you have questions about the program, please contact Heather Hibbs at [hhibbs@kycpa.org](mailto:hhibbs@kycpa.org).

*We make every effort to ensure the accuracy of this list. If you have voluntarily notified us of your 100% Champion status and we have left your name off this list, please let us know immediately, by contacting Heather Hibbs at [hhibbs@kycpa.org](mailto:hhibbs@kycpa.org).*

## 100% Champions as of May 21, 2019

- Berry Kington & Utley, PSC, Madisonville
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- BKD, LLP, Bowling Green
- BLD, PLLC, Louisville
- Blue & Co., LLC, Lexington
- Blue & Co., LLC, Louisville
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- Carr Riggs & Ingram, LLC, Russellville
- Charles T. Mitchell Company, PLLC, Frankfort
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- Craft Noble & Company, PLLC, Richmond
- Crowe Healthcare Risk Consulting, Louisville
- Crowe Healthcare Risk Consulting, Lexington
- Crowe, LLP, Lexington
- Crowe, LLP, Louisville
- Dean Dorton, PLLC, Lexington
- Dean Dorton, PLLC, Louisville
- Delta Natural Gas Co., Inc., Winchester
- DMLO CPAs, Louisville
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- Embry & Watts, PLLC, Beaver Dam
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- **Abraham David Buelt**, Jones Nale & Mattingly, PLC, Louisville
- **Matthew Cervoni**, LBMC, Brentwood, Tenn.
- **Molly Sue Corr**, Dean Dorton, PLLC, Lexington
- **Tyler Steven Jenkins**, Stiles Carter & Associates, PSC, Elizabethtown
- **Conor E. Matsen**, Blue & Co., LLC, Louisville
- **Bailee Renee Settle**, RFH, PLLC, Lexington
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- **Angelica Wilson**, WHAS Crusade for Children, Louisville

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**Meet Controller,  
Kristen Schladand**

**K**risten Schladand joined the Society's team in June. Schladand is a graduate of the University of Louisville, where she obtained a Bachelor of Science, Business

Administration with a concentration in accounting and a Masters of Business Administration.

Schladand has more than 15 years experience in various accounting areas including healthcare reimbursement, financial planning and analysis, fixed assets, account reconciliation, and financial statement and account analysis.

As the Society's Controller, she maintains the financial infrastructure/systems needed to support the organization and present financial reports to the CEO and the board of directors. Additionally, she oversees the annual budget, cash flow forecasting, maintain internal controls, and acts as staff liaison to the Audit Committee.

**Schladand may be reached at [kschladand@kycpa.org](mailto:kschladand@kycpa.org).**



**Meet Government Relations  
Director, Shelby Williams**

**S**helby Williams is the newest member of the Society's team. Williams is a graduate of the University of Kentucky (UK), where she obtained a Bachelor of Arts in

International Relations, with a minor in business. Prior to joining KyCPA, she worked for the U.S. House of Representatives, where she served as the Director of Economic Development for the Sixth Congressional District of Kentucky. During her time with the House, she worked on more than 50 economic development projects across various counties within the Sixth District.

As the Society's Government Affairs Director, she serves as chief policy advisor to the CEO, Board of Directors, and Political Action Committee. Williams also has various other roles, including monitoring the Kentucky state legislature, legislative committees, and key state agencies for issues affecting the Society.

*"I am very excited to serve the CPAs of Kentucky in this new role. I hope to use my experience in government relations to help build and maintain strong partnerships at all levels for the betterment of the CPAs we represent," said Williams.*

**Williams may be reached at [swilliams@kycpa.org](mailto:swilliams@kycpa.org).**

# Empowering Kentucky CPAs

KyCPA is a professional network of more than 4,600 members. Make sure to visit the KyCPA member benefits page at [kycpa.org/mykycpa/memberbenefits](http://kycpa.org/mykycpa/memberbenefits) for new events, information and resources.

## CPE



In a 2018 KyCPA survey, 64 percent of members surveyed said that our CPE was one of the top three reasons they joined the Society. Our catalog is extensive, with 37 simulcasts, 13 conferences, 110 seminars, 300+ on-demand courses and 6,000+ webinars covering 20 fields of study. Members receive discounted rates on CPE.

**Free CPE:** Members may also take advantage of selected webcasts each month for free. Go to [bit.ly/KyCPAfreeCPE](http://bit.ly/KyCPAfreeCPE) to view selected free webcasts.

Go to [kycpa.org/cpe](http://kycpa.org/cpe) to learn more.

## Advocacy

Our passion for CPAs is most evident in our advocacy. As a member of KyCPA you gain close access to lawmakers that impact the profession through an aggressive government affairs division that includes staff and contract lobbyists, a political action committee (PAC) and a key contact program. KyCPA members are invited each year to attend CPA Day at the Capitol.

During the legislative session, members receive weekly legislative updates from Frankfort. KyCPA advocates reviewed bills, meets with legislators and joins forces with other business organizations to ensure your interests are represented.

Part of our success in Frankfort comes from our key contact program. If you have a relationship with a state or federal lawmaker, you can help us advocate further as a key contact.

Go to [kycpa.org/advocacy](http://kycpa.org/advocacy) to learn more.

## News and information



If you need your news fast, follow us on social media. We have a Facebook, LinkedIn, Twitter and an Instagram page.

**E-newsletters:** We have monthly e-newsletters that you may subscribe to in your MyKyCPA profile that are specific to your needs.

**KyCPA website:** The news section ([kycpa.org/news](http://kycpa.org/news)) includes important updates and an information portal with links to general accounting, licensing/regulatory and tax resources. Links to articles published in *The Kentucky CPA Journal* are also included in the news section.

## We want you to succeed

There's always something going on at KyCPA. You will probably hear about things like "Industry Insider" or "Family Fun Day" which are free member events. In our 2018 survey, 49 percent of our members surveyed said that work/life balance was a critical professional challenge. Family Fun Day is the perfect solution. Grab your kids and enjoy a day on KyCPA including food, drinks and entertainment.

Need some adult time or want to network? Industry Insider provides an in-depth look at some incredible businesses across the state such as Bluegrass Stockyards in Lexington.

Another opportunity to relax, learn and get to know each other is at a Women's Networking Event. These events include a small reception with drinks and appetizers. The best part is...it's totally free.

The more you get involved with KyCPA, the more you should think about volunteering. We have more than 20 committees. No matter what you are interested in, one of our committees will fit your passion in and out of the profession.

You may also volunteer by being part of a discussion panel or helping with mock interviews at College Leadership Institute. Consider writing an article for *The Kentucky CPA Journal* or an e-newsletter article. You may share your expertise by being a

subject matter expert for a CPE course.

Other membership perks include our CPA referral service, online member directory, employment resources, discounts

on purchases and insurance products.

Make sure to watch your inbox and your social media to know when we schedule events year-round.

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### Contact Us



813 Oak Street 10A #298  
Conway, AR 72032



Office - 866.260.2793  
Kathy Cell - 501.514.4928  
Christy Cell - 501.499.4357



kathy@accountingbizbrokers.com  
christy@accountingbizbrokers.com  
accountingbizbrokers.com





## Q&A: KyCPA President Elizabeth Woodward

### What inspired you to become a CPA?

Educators take heed. My undergraduate degree is in philosophy. I intended to apply to law school, but sometime during my senior year I decided that I didn't want to do that. Instead, I got a job upon graduation and worked my way up to a staff position in an accounting department. I enrolled in the University of Kentucky MBA program, intending to concentrate in accounting and become a controller in a manufacturing facility. I took an individual income tax class, primarily to help me file my personal tax return. The class professor suggested, "Why don't you become a CPA? Work in public accounting for a few years to get certified, and then go to work in industry." I listened to the first part, but not the second. I like public accounting too much to leave!

### What is a significant issue facing the CPA profession as a whole?

Change. Most CPAs don't like change; it's a personality trait we share. When I started my career, I looked at partners with 20 or 30 years of experience and thought "That's what I want to do one day." I don't think anyone in our profession is doing today what they will be doing in 20 years. We don't know what will need to be done, or how, in 20 years.

### What are your goals for the coming year?

As our profession faces the future, small and medium size firms are at risk of not being able to anticipate and adapt to change. KyCPA and the AICPA are extremely proactive in protecting these professionals. Our profession is one founded in the principle of self-governance. We need to move together to protect the public interest. The term "CPA" should always remind us of our obligation to protect and serve the public.

### What is a significant issue facing Kentucky CPAs?

The legislative issues debated in Frankfort all seem to involve fiscal policy and responsibility. Through our educational and professional knowledge, I think we have an obligation to help inform the dialogue.

### What advice do you have for young people considering a career in accounting?

Pay attention to whether you actually like the debits and credits, and the order of things. There is a huge variety of jobs in accounting – do you want to wear a suit, jeans, or a uniform? You can find a job in accounting to match that desire. Do you want to travel or be home every day at a certain time? These are details that can be worked out. Twenty five years in, I still love to do a T account on paper and I organize my personal tax files with columnar paper. Don't worry if you don't catch those references – the idea is I love the theory and the organization of accounting. My husband might say the same approach does not apply to my closets.

### What are some of your favorite things to do with your free time?

My children tell me that I'm a nerd. I like to binge-watch Netflix (currently on the second round of Grey's Anatomy) and knit or needlepoint. I enjoy walking, and yoga (although I'm not very good). My husband and I recently discovered pickleball – it makes me happy to just say that word. I am intentional about scheduling time to spend with friends. I belong to a book club of people way smarter than me, which insures that I read one fiction book a month.

# Members in motion

## Awards

### Members that received the 2019 Best in Finance Award from Business First Louisville:

- **Phillip Barnhouse**, Limestone Bank Inc. & Limestone Bancorp Inc.
- **Danette Cox**, Appriss Inc.
- **Karen Harbin**, Commonwealth Credit Union
- **Dave Kamer**, ID&A Inc
- **John Lucchese**, Kindred Healthcare LLC.
- **Stephen Lukinovich**, MCM CPAs & Advisors LLP
- **Brian Massey**, Extell Financial Services
- **Todd Taylor**, Taylor Advisors
- **Tony Balbach**, KCC Cos. Inc.

Two individuals received the 2018-2019 KyCPA Outstanding Committee Chair Award for their dedication and service. **Rachel Spurlock**, chair of the Nonprofit Committee and **Lee Ann Watters**, chair of the Governmental Accounting Committee.

## Firms



**James A. Gravitt** joins MCM CPAs & Advisors as a consulting principal and member of the Valuation Services Team. Gravitt is the former vice president of business valuations at Hilliard Lyons, where he served for more than nine years.



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# KyCPA member spotlight: Sisters Hannah Lehman and Rachel Jones



**Hannah Lehman and Rachel Jones**

## Meet Hannah Lehman, CPA

Lehman is the supervisor of accounting at Jefferson County Public Schools (JCPS) in Louisville. She has a degree in accounting from Grove City College in Grove City, Pennsylvania and was the first sister to become a CPA. Lehman wants to continue advancing in her career within JCPS.

## Meet Rachel Jones, CPA

Jones is a staff accountant at Strothman and Company in Louisville. She graduated with a BS degree in Accounting from Grace College. Jones plans on continuing to advance in her career by gaining more expertise in a specific area of accounting.



## What was your main influence to become a CPA?

**Lehman:** I have always loved numbers, solving problems, and helping others succeed. My parents saw those strengths in me and encouraged me to pursue an Accounting degree when we began to discuss colleges and career opportunities. I'm so glad they did!

**Jones:** My main influence in becoming a CPA actually started with my accounting professor, Dr. Roger Stichter. I went to a small school called Grace College and started out majoring in elementary education. I switched over to general business knowing that I would like to focus in on some aspect of business but did not even have accounting on my radar. Dr. Stichter was such an amazing professor and he really encouraged me to continue in accounting.

## What is a surprising aspect that comes with having a family member that is also a CPA?

**Lehman:** We are always asked to do everyone's taxes and they think we are brainiacs on all math subjects.

**Jones:** Everyone thinks we are tax experts!

## What is your favorite family activity?

**Lehman:** Going to the lake and spending quality time together. Weekly family dinners are also top of the list.

**Jones:** Our family has a lake house that we love to visit as much as possible. We are grateful to have a family that loves spending time together.

## What is a memorable way your sister has supported you on a tough day on the job?

**Lehman:** When I was taking the CPA exam several years before her, Rachel was still in high school and was such a great encourager to me. My dad taping a \$100 bill on my laptop while I studied as incentive to pass the exam didn't hurt either!

**Jones:** My sister has definitely been a great source of encouragement to me throughout my journey in accounting, especially while studying for the CPA exams.

## What is one thing you're proud of that your sister has accomplished as a CPA?

**Lehman:** She is so bright and passed the exams with flying colors, much faster than I did! As the younger sister, she knew from seeing me go through the CPA exam that it was really tough, and she still pursued a CPA career despite knowing it was a long road ahead.

**Jones:** I am very proud of how she has moved up to her current position with JCPS. It truly shows how well she did in her first position with them that they chose her to advance to be their supervisor of accounting.

## What are your goals within the next ten years?

**Lehman:** Continue growing in my career with JCPS, finish our current house-build project, become a family of four, and go on a cruise.

**Jones:** Professionally, I hope to continue to advance in my career and gain more expertise in a specific area of accounting. Other goals include traveling somewhere new, buying a house, and getting more involved with a non-profit organization.



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1735 Alliant Avenue  
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