Woman C.P.A.

Volume 31 | Issue 4 Article 6

7-1969

Twenty- Five Years Ago - in the Woman CPA: What Accountants Should Watch

Rush H. Pearson

to comply with the substantiation rules of Reg. 1.274-5(c), effective beginning January 1, 1963.

The startling implication of this case was the attempt by the Treasury Department to assess the negligence penalty for failure to keep adequate records. The Court failed to sustain the Commissioner in his position by virtue of the presence of a set of books that recorded all income and deductions. It was therefore possible for the examining Revenue Agent to make the necessary adjustments. There had been no negligent or intentional disregard of the Commissioner's rules concerning a taxpayer's records.

While deductions may be disallowed for failure to comply with particular substantiation requirements of the Code Section permitting those deductions, as long as a taxpayer's records adequately reflect his income and expenses the negligence penalty may be avoided.

EXTENDED COVERAGE OF SECTION 1239

The recent Revenue Ruling 69-109, I.R.B. 1969-10, 38, has altered the tax implications of Section 1239 of the Code. Hitherto no capital gains treatment would be allowed in the case of a gain on the sale or exchange of depreciable property between husband and wife; or an individual and a corporation, more than 80% in value of the outstanding stock of which was owned by the individual, his spouse, or minor children and grandchildren. The present ruling no doubt is founded on an even stricter interpretation of the phrase "directly or indirectly" in Sec. 1239(a), with the result that any gain on the sale of depreciable property between two corporations, where one individual owns more than 80% in the value of the outstanding stock in both corporations, will also result in ordinary income.

Of course as time progresses, Sections 1245 and 1250 of the Code will have an equivalent effect on intercorporate sales through depreciation recapture; but this new interpretation of Section 1239 will negate the possibility or even a portion of the gain receiving beneficial tax treatment in the case of affiliated corporations of this type.

TWENTY-FIVE YEARS AGO—in THE WOMAN CPA

All too frequently the very characteristics which make one proficient at a job tend also to limit his ultimate success in his chosen field. Consequently, it behooves the ambitious to comprehend that fact and to know what characteristics he should watch so that his achievements may equal the fullest measure of his ability.

Most important for accountants to watch are those characteristics which have led to the observation that accountants are not *good mixers*. There are exceptions, of course, but most accountants do not devote enough time and thought to the art of making themselves popular with others. . . .

The accountant by nature is trained to locate and call attention to error. Because of this urge, cultivated or native, he may be too prone to find fault with others and to express his views quite frankly. Fault-finding is most detrimental, especially if one desires to be a good mixer.

This formula, taken from *The Executive's Manual*, seems to sum up the entire thought: "In dealing with *things* accuracy is the primary requirement, but in dealing with *people* constructiveness is the primary requirement; therefore, accuracy becomes secondary in importance."

From "What Accountants Should Watch." by Rush H. Pearson,
Personnel Consultant, Montgomery, Alabama
August, 1944