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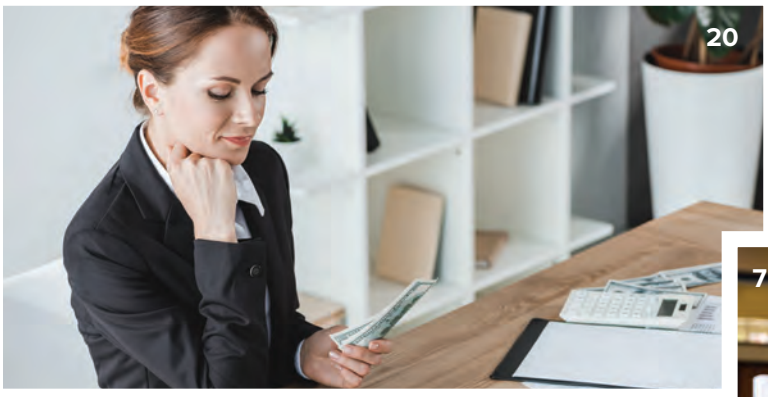
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Congratulations,
Andres Chavez!
TXCPA Rising Star 2024



Celebrating Our 2024 Rising Stars!

Welcome to arguably the most popular issue of *Today's CPA*. It is an honor to spotlight and celebrate the talents and achievements of our 2024 Rising Star Award winners. We had the opportunity to recognize these young CPAs at our Annual Meeting of Members in Frisco in June and I know you'll be impressed by each of them as you read more in this issue's cover story.

These are our future leaders, thinkers and change-makers. Their work not only enhances our success at TXCPA but also serves as inspiration for students and candidates seeking to learn more about the accounting profession. Their stories are a powerful reminder of the importance of nurturing talent and fostering an environment where creativity and ambition can flourish. I would encourage you to reach out to the Rising Stars in your chapters and engage them in visits with local schools and students to share stories of their CPA journey. Personal testimony is a powerful tool to attract young minds into our profession.

> "Their stories are a powerful reminder of the importance of nurturing talent and fostering an environment where creativity and ambition can flourish.

Join me in extending congratulations to each of our 2024 Rising Star Award winners. We are excited to see how you will continue to excel and contribute to our profession. Thank you for being shining examples of excellence we are proud to honor today!



Mohan Kuruvilla, Ph.D., CPA-Houston
TXCPA Chair

Nominate a Future Rising Star!

Help us continue the tradition of recognizing Rising Stars by nominating those in your firms, companies and chapters who you know are taking our profession to the next level. Nominations for the 2025 Rising Stars will open soon.

Let's Connect!
Drop me a note at chair@tx.cpa.

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DeLynn Deakins, MBA
ddeakins@tx.cpa
972-687-8550
800-428-0272, ext. 8550

MANAGER, MARKETING AND COMMUNICATIONS
Peggy Foley
pfoley@tx.cpa

COLUMN EDITOR
Don Carpenter, MSAcc/CPA

DIGITAL MARKETING SPECIALIST
Wayne Hardin, CDMP, PCM®
whardin@tx.cpa

CONTRIBUTORS
Melinda Bentley; Kenneth Besserman; Holly McCauley; Shicoyia Morgan; Craig Nauta; Kari Owen; John Ross; Lani Shepherd; April Twaddle; Patty Wyatt

CHIEF OPERATING OFFICER
Melinda Bentley, CAE

CLASSIFIED
DeLynn Deakins
Texas Society of CPAs
14131 Midway Rd., Suite 850
Addison, TX 75001
972-687-8550
ddeakins@tx.cpa

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Are Noncompete Agreements a Thing of the Past?

They are if the FTC has its way.

The world of commerce is highly competitive and the margin between success and failure can be quite thin. Businesses are consistently searching for an advantage and once achieved can be very protective of anything that distinguishes them in the market. In an effort to protect trade secrets and other valuable information, it has been common for enterprises to require employees to enter into noncompete agreements that prohibit them from working for similar businesses that could exploit proprietary information.

The current administration has expressed its displeasure with these agreements in the past, arguing that it stifles workers' mobility and thus wages. But in April, the displeasure became action when the Federal Trade Commission (FTC) voted 3 – 2 to invalidate most agreements and ban any new agreements full stop effective September 4, 2024. Existing agreements for individuals in policy-making positions who earn in excess of $151,164 annually will remain in effect although new agreements for such individuals will not be enforceable. These rules were proposed in January 2023 and received thousands of comments.

It should also be noted that the ban does not apply to all agreements. Those that arise in the context of a bona fide sale of a business or substantially all of a business' operating assets are still permitted. The ban also does not apply to the franchisor – franchisee relationship. Organizations not under the jurisdiction of the FDA such as banks, credit unions, common carriers and non-profit entities are also exempt.

The rule was almost immediately challenged by the U.S. Chamber of Commerce in a Texas federal court. The Chamber argues that the ban will have negative impacts on business as companies will have to protect proprietary information such as customer lists, manufacturing processes, and pricing models from their own employees thus hindering employee effectiveness and business development. The Texas judge issued an injunction in July that applies only to the plaintiffs in the case.

A Philadelphia federal court issued a conflicting decision in July that found in a case brought by a tree trimming service finding that the FTC has the authority to prevent competition that would include agreements that prevent employees working for a competitor.

Objections were also raised that the ban exceeds the authority of the FTC, which is typically not a rule-making body. Historically, noncompete agreements have been the purview of state laws with each state determining enforceability within their jurisdiction. This argument has been given additional weight with the recent Supreme Court decision that overturned the Chevron rule that historically gave deference to administrative agencies when laws are ambiguous. With that mind, it might be helpful to review the position Texas



DON CARPENTER, MSACC/CPA,
is clinical professor of accounting at Baylor University. Contact him at **Don_Carpenter@baylor.edu.**



Top Five Key Points to Consider

1. **FTC Ban on Noncompete Agreements**: The FTC voted 3-2 to ban most noncompete agreements starting September 4, 2024, with the aim of improving worker mobility and wage growth. Exceptions apply to high-earning policymakers and other specific situations.

2. **Exemptions from the Ban**: The ban does not apply to noncompete agreements made in the sale of a business, the franchisor-franchisee relationship, or organizations outside the FTC's jurisdiction, such as banks and non-profits.

3. **Legal Challenges to the Ban**: The U.S. Chamber of Commerce challenged the rule, arguing it harms businesses' ability to protect trade secrets. Conflicting federal court rulings in Texas and Philadelphia have created uncertainty about the FTC's authority to implement the ban.

4. **Debate over FTC Authority**: Objections have been raised that the FTC is overstepping its role, as noncompete agreements have traditionally been regulated by state law. The recent Supreme Court decision overturning the Chevron rule strengthens these concerns.

5. **Texas Courts' Criteria for Valid Noncompetes**: Texas courts assess noncompete agreements based on five factors: connection to an enforceable agreement, employee compensation or benefits, and reasonableness in terms of time, geography and job function.

courts have taken with regard to noncompete agreements.

Texas courts have used five basic criteria to determine if a noncompete agreement is valid. First, it must be part of an otherwise enforceable agreement. In the context of employment, noncompete requirements often relate to an employment agreement or non-disclosure agreement. Validity of the noncompete agreement can be challenged by challenging the validity of the related agreement.

Secondly, consideration must have been received by the employee in exchange for the noncompete agreement. Often, the consideration takes the form of an annual raise, bonus or stock options with the employee acknowledging that the compensation was due at least in part to the agreement. It must be clear that the employee is receiving access to valuable information in exchange for the compensation. Otherwise, the agreement is just a means to prevent employees from leaving the firm. The compensation may also be non-monetary such as access to trade secrets, which is agreed at the time of hiring or promotion and will allow the employee to perform their required duties.

The last three requirements all fall under a general reasonableness test. First, the scope of the agreement must be reasonable as to time. This test is very fact specific and based on the information that is protected. Generally, Texas courts have been reluctant to honor agreements in excess of five years and many are much shorter. The agreement must also be reasonable in terms of geography. It would likely be deemed unreasonable to restrict an employee from joining a firm in another part of the country if the current employer is not doing business in that area. Also, a salesperson tied to a specific area might be allowed to join a new firm if their new area did not overlap with their current sales area even if the current employer has a business presence in the new region. And finally, the restriction on function will also be examined. A salesperson representing an unrelated line of products in another company would likely not be restricted under an existing employment agreement.

Historically when a former employer has cause to object to a worker's change of employment, there are several avenues of recourse available. Not only can the employee be liable for damages or enjoined from the new job, but the new employer might be sued for damages as well. Employers are therefore understandably reluctant to hire workers if there is even the slightest chance a noncompete agreement might affect the offer. As a condition of employment, prospective employers often require a candidate to disclose any existing noncompete agreements. Obtaining a release from the prior firm may then be a condition of employment offer. The cost of onboarding an employee only to find that they cannot continue in employment, not to mention possible financial damages, does not justify the risk.

Given the prevalence of noncompete agreements, businesses will likely continue a "business as usual approach" to their use and enforcement until the new rules work their way through the courts.

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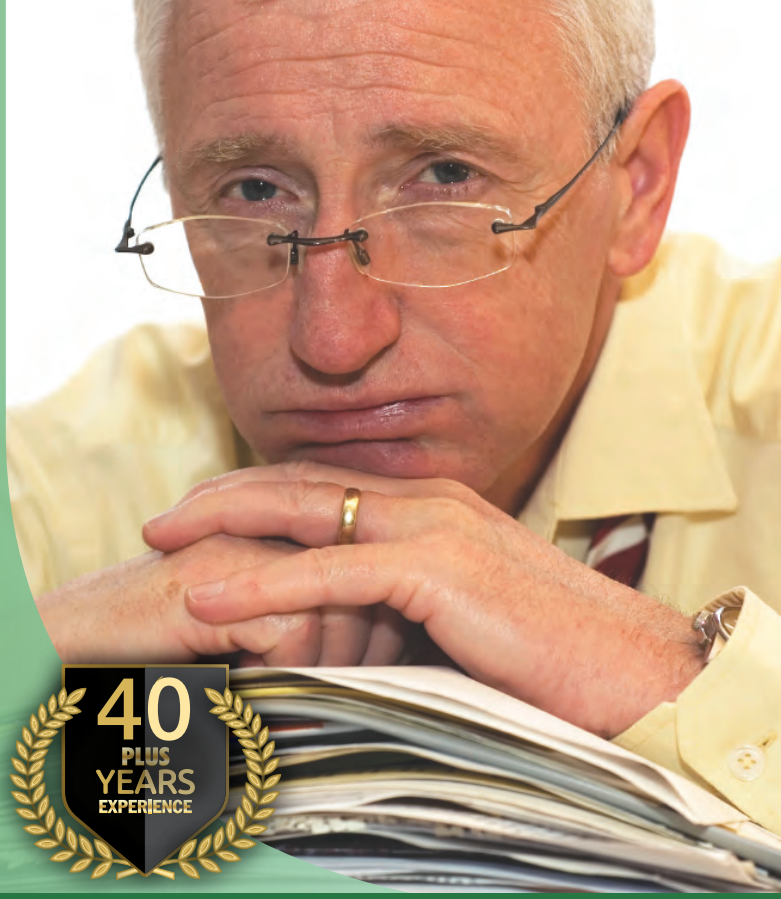
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The 2024 Election and What it Means for Texas

On November 5, 2024, and for many weeks before, the American and Texas electorate went to the polls to cast ballots for the President, Senators, Representatives, state officials, and a myriad of other local races. While elections seasons seem to be never-ending as of late, the 2024 election seemed especially long. The 2024 presidential race was in the news almost daily since the last election in 2020 and the change at the top of the Democratic Party ticket further cemented the 2024 election as one of the most newsworthy and important elections in decades.

On the national level, the election saw many close elections that will determine which party controls the White House, the Senate and the House of Representatives. While control of the Texas House and Texas Senate were not in jeopardy this election, there were still some significant races and issues taking shape. Statewide elected offices – Governor, Lt. Governor, Comptroller, Attorney General – were not on the ballot in 2024; those races will be on the ballot in 2026. In November 2024, the full Texas House (150 districts) and half of the Texas Senate (16 districts) were on the ballot.

The most significant news in the Texas Senate going into the 2025 legislative session will be that former Senator John Whitmire – the longest serving Texas Senator and the former Dean of the Texas Senate – retired from his Houston Senate seat to become Mayor of Houston. The new Dean of the Texas Senate will be Senator Judith Zaffirini (D-Laredo).

The Texas House of Representatives is where the action has been in 2023 and 2024 and will be during the 2025 legislative session. At the end of the 2023 legislative session and for the remainder of 2023, the issue in the Texas legislature, and especially the Texas House, was centered around the impeachment and trial of Attorney General Ken Paxton and the issue of school choice/vouchers. Those two issues were centerpiece during the Republican primaries and runoffs in early 2024.

Over 40 incumbent members of the House were challenged by members of their own party. Governor Greg Abbott and Attorney General Paxton took an active role in the Republican primary targeting many sitting members of the House on their impeachment and school voucher votes. Over 20 Republican incumbents were defeated in the primary or runoff elections. This has created an experience vacuum in the Texas House as many long-term leaders and committee chairs were defeated.

Most significantly in the Texas House, there was a challenge to Speaker Dade Phelan. It is very unusual for a sitting House Speaker to be challenged in their primary election. Speaker Phelan came in second in a three-way primary forcing a runoff. In the runoff, Speaker Phelan prevailed by 366 votes. As for Speaker Phelan's continuing as Speaker of the House in 2025, while that is in question, most Austin insiders think that he will prevail in his run for Speaker. With at least 30 new members of the Texas House entering office in 2025, it will be a different legislature in 2025.

IMPORTANT ISSUES IN THE UPCOMING LEGISLATIVE SESSION

The state budget, infrastructure, property taxes, school choice, and water will be front and center in 2025. TXCPA's agenda will address CPA pipeline issues and other issues that are important to you.

Stay tuned for a lot more information about TXCPA's legislative initiatives and please reach out to us if you have any legislative, election or advocacy information you would like to share.



BY KENNETH BESSERMAN, Director of Government Affairs and Special Counsel. Contact him at **kbesserman@tx.cpa.**

In What's Happening Around Texas, we give you highlights of events and activities happening around the state in the TXCPA chapters.

TXCPA Dallas members kicked off their morning with coffee and conversation at Tre Stelle during a Coffee & Connections event – a perfect way to start the day! In addition, Texas Live! was buzzing with energy at the largest TangoTab Feed the City event yet. TXCPA Dallas volunteers teamed up with over 2,000 participants to pack an incredible 41,250 lunch bags for the homeless. A huge shoutout goes to all the amazing volunteers!


TXCPA Dallas


TXCPA Dallas


TXCPA East Texas

TXCPA Fort Worth's Crafty Connections event brought a fresh wave of fun, featuring an exciting new 4D craft project that impressed attendees! Since its debut two years ago, the program has attracted 60 unique visits and 290 total visits, and it has sparked over 1,750 applied connections – what a success! In a program on another day, the chapter held the 2024 Leadership Development class, empowering future leaders for success.


TXCPA East Texas

The **TXCPA Houston** Student Auxiliary Kick-Off brought together bright students eager to jumpstart their professional journeys. It's always exciting to see these future CPAs connect in person, exchanging ideas and building valuable networks that will serve them in their careers. The event was filled with opportunities for students to talk with professionals, gain insights into the world of accounting and strengthen their ties to TXCPA Houston.

At **TXCPA Permian Basin's** 37th Annual Shrimp Boil, more than 120 local CPAs, students and guests gathered for an evening of delicious food and great company! A highlight of the event was the chapter's presentation of a generous $15,500 check to the University of Texas of the Permian Basin, supporting scholarships for accounting students. The chapter also recognized the valuable contributions of Howard College, Midland College and Odessa College.



TXCPA Fort Worth

A dynamic Accounting Educators Mixer was held in **San Antonio**, bringing together passionate educators dedicated to shaping the future of the accounting profession. Their commitment to mentoring the next generation is truly inspiring! In another meeting, chapter leaders from Houston, Dallas, Fort Worth, Austin and San Antonio gathered at Hotel Contessa to share strategies and innovative ideas to boost engagement, grow membership and increase involvement across Texas.


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November is Accounting Opportunities Month and TXCPA Month of Service!

This November, TXCPA is hosting Accounting Opportunities Month in conjunction with our annual Month of Service to raise awareness of accounting career opportunities. Your participation can create a meaningful difference! Consider volunteering for classroom visits or utilizing the hashtag #CPAMonth to share your unique career story, words of wisdom or message of gratitude on social media.

Help extend our reach by sharing this opportunity with educators in your network! They can use the QR code below to request a classroom or virtual visit during the month of November. Together, we can inspire the next generation of CPAs!

November is also TXCPA's annual Month of Service, where members, firms and companies come together to make a difference. From food drives and financial literacy workshops to holiday toy collections with a money-smart twist, there are countless ways to give back. If you're looking for ways to participate in Month of Service, please contact the membership team by email at membership@tx.cpa or give us a call at 800-428-0272.

SAVE THE DATE: TXCPA's Advocacy Day and Midyear Leadership Council Meeting is January 28-29, 2025

TXCPA's 2025 Advocacy Day and Midyear Leadership Council Meeting will be held on Tuesday and Wednesday, January 28-29, 2025, in Austin. Attendees will hear legislative updates during the Advocacy Day program and are encouraged to visit legislators and legislative staff at the Texas Capitol to discuss critical business issues.



Go to the Leadership Meetings area of TXCPA's website at www.tx.cpa for more details about the meeting.

Accountants Confidential Assistance Network (ACAN)

If you're struggling with addiction, substance abuse or mental health issues, TXCPA Peer Assistance is here to help. Join a weekly support group, send a confidential message and find more resources at tx.cpa/resources/acan.

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Join TXCPA's Key Persons Program and Advocate for the Profession



Are you interested in helping TXCPA grow the CPA pipeline, protect the CPA license, and/or engage in politics and government affairs? If so, the TXCPA Key Persons Program is for you! This program connects members with legislators to promote the CPA profession and support TXCPA's legislative priorities. Key Persons engage with lawmakers to communicate the importance of the profession and protect the CPA license.

With the 2025 legislative session fast approaching, TXCPA is looking for more members to bolster the program, build relationships with legislators and support our efforts in Austin. No experience is needed – just a willingness to get involved. Contact Kenneth Besserman at kbesserman@tx.cpa or Patty Wyatt at pwyatt@tx.cpa for more information, or submit a volunteer interest form at bit.ly/4dknbOa. We look forward to working with you in the coming year and in Austin during TXCPA's Advocacy Day in January 2025.



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TXCPA's 2024 Rising Stars

BY DELYNN DEAKINS, TODAY'S CPA MANAGING EDITOR

TXCPA's Rising Stars Program recognizes CPA members aged 40 and under who have shown outstanding leadership qualities and active engagement with TXCPA, the accounting profession and/or their communities. A TXCPA selection committee named the following 18 emerging leaders based on their contributions to both the accounting profession and their communities. We are pleased to introduce the 2024 Rising Stars honorees, listed alphabetically.



Lauren A. Albrecht, CPA

Audit Manager
Collier, Johnson, & Woods, PC
Corpus Christi

Lauren Albrecht is an Audit Manager at Collier, Johnson & Woods, PC, where she oversees all stages of financial statement audits, reviews, compilations, and preparations. She also mentors junior associates, focusing on improving project efficiencies and delivering high-quality client work. Her commitment to delivering exceptional results is supported by over six years of experience in public accounting. She received her Bachelor of Science in Accounting from Texas A&M University and her Master of Accountancy from Texas A&M University-Corpus Christi.

Outside of work, Lauren is deeply involved in her community. She serves as a board member and on the finance committee for the Purple Door, a nonprofit organization supporting survivors of domestic violence. Lauren is also the incoming Chair of the Portland Chamber of Commerce, having previously served as the Chamber's Treasurer. Additionally, she contributes to TXCPA Corpus Christi, assisting with "Counting on Santa," a local initiative that collects toys for Catholic Charities. Lauren is also participating in the Leadership Portland program. Her dedication highlights her passion for making a positive impact, embodying leadership driven by compassion and purpose.



Candelaria (Candy) Arroyo, CPA

Senior Tax Manager
Weaver and Tidwell LLP
Permian Basin



Candy Arroyo is a Senior Tax Manager at Weaver and Tidwell LLP. She has been a strong leader within the accounting field, as well as in the community. She has mentored interns and associates and contributed significantly to the firm's Learning and Development team. After passing her CPA Exam, Candy became passionate about helping others succeed as well, serving as a CPA Exam coach and mentor.

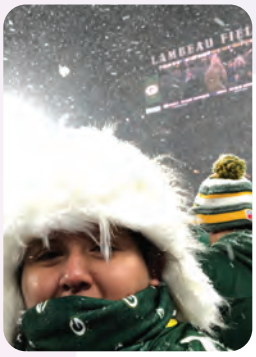
She is well-connected with the local college, regularly attending events for aspiring accounting students, and is an active participant in TXCPA events, where she expands her network and supports others. Additionally, Candy is a member of her local Junior League chapter and a former board member of Casa de Amigos, a nonprofit organization. Whether it is work-related, personal assistance or anything in between, she is not afraid to jump in and help others to grow. Candy is clearly a Rising Star in the accounting profession.

Katie Brown, CPA, CFF

Supervisory Senior
Huselton, Morgan, & Maultsby P.C.
Fort Worth

Katie Brown is a Supervisory Senior at Huselton, Morgan, & Maultsby P.C. She has made a significant impact on social media by actively supporting and encouraging newly licensed CPAs. Through her authentic and engaging presence, Katie provides valuable guidance, career advice and resources to those entering the accounting field, helping them navigate the early stages of their careers with confidence.

Her relatable approach resonates deeply with new TXCPA members, creating a sense of community and connection in what can often be an overwhelming time for many. By fostering this supportive environment, Katie not only helps individuals succeed but also contributes to the broader growth of the accounting profession in Texas. Her use of digital platforms to connect with others highlights her forward-thinking approach to mentorship, showing how networking is evolving in today's digital age. Her guidance serves as a model for how individuals can use technology to make a meaningful difference.



Jennifer Cadena, CPA

Financial Accountant
USAA
San Antonio

Jennifer Cadena serves as a Financial Accountant Lead at USAA, where she has become a standout leader. With years of service as Co-Chair of TXCPA San Antonio's Jr. Duel Financial Literacy Committee and an active member of the Financial Literacy Committee, Jennifer has made it her mission to inspire the next generation by visiting schools at all levels and sharing her experience as a CPA. Her enthusiasm for educating young minds about financial literacy and promoting the CPA license earned her the Outstanding Committee Chair award in 2021.

Since 2017, Jennifer has also served on the TXCPA San Antonio board. Her willingness to step up and volunteer, often on short notice, underscores her eagerness to assist wherever she is needed. Whether in her role at work or her volunteer efforts, Jennifer consistently rises to the occasion, embodying the values of coaching and service. Her contributions reflect her passion for assisting others and her determination to help shape the future of the profession.

Andres Chavez, CPA

Tax Manager
Condley and Company LLP
Abilene



Andres Chavez joined Condley and Company, LLP as a Tax Associate in June 2018 and was promoted to Manager in June 2023. In his current role, Andres leverages his expertise to oversee tax compliance and planning for a diverse client base. He has become the firm's go-to resource for Texas franchise and state-related tax matters, and he stands out for his management qualities, consistently choosing actions that benefit his team and the firm. He is known for fostering strong relationships across departments and maintaining a "one firm mentality," which has strengthened collaboration at Condley.

In addition to his career achievements, Andres is deeply involved with the Abilene community and TXCPA. He regularly attends TXCPA meetings and has played an active role in Condley's financial literacy service projects, particularly with local elementary schools. His commitment to financial education aligns with TXCPA's mission. His skills in staff development, client services and community engagement make him a trusted advisor and an influential leader.



Monica Corey, CPA

Partner
Haynie & Company
Permian Basin

As a Partner at Haynie & Company, Monica Corey held multiple roles, including Office Lead for the Midland/Odessa region, Tax Lead Committee Member, and Learning and Development Director. As Office Lead, Monica oversaw the Midland team, guiding them in their career development and ensuring high-quality client service. She left Haynie & Company on October 31 and is taking some time off before leveraging all of her experience as a partner in public accounting in the Career and Organization Development space.

Beyond her roles at Haynie & Company, Monica is deeply involved with TXCPA Permian Basin and has volunteered extensively within the organization. She has served on the Board of Directors and contributed to several chapter committees, where her knowledge and expertise have had a lasting impact. Through her involvement with TXCPA, Monica is an outstanding advocate, promoting educational initiatives and supporting the growth of future CPAs. Monica is a driving force and key figure in the Permian Basin accounting community.

Austin Fleet, CPA

Internal Auditor
Southside Bank
East Texas



Austin Fleet is an Internal Auditor at Southside Bank and an active member of TXCPA East Texas, where he serves on multiple committees. As a member of the Golf Committee, he has been instrumental in organizing successful fundraising events. He also serves on the chapter's Pipeline Committee. In this role, he dedicates his time to engaging with students and young professionals, introducing them to the world of accounting and inspiring the next generation of CPAs. His passion for education also extends beyond his role on the Pipeline Committee. He volunteers through his job at Southside Bank and TXCPA East Texas to visit schools to talk about essential financial concepts.

Austin's focus on his community and profession is evident in everything he does. Whether he's volunteering at a local school, coordinating a chapter event or working diligently at Southside Bank, he is consistently focused on giving back and making a positive impact.

Evan M. Green, CPA

Audit Partner
Whitley Penn LLP
Permian Basin



As an Audit Partner at Whitley Penn LLP, Evan Green supervises and performs audits for public and privately held companies primarily in the energy industry, focusing on upstream, midstream and oilfield service providers. Evan has extensive experience in audits with foreign currency translation, complex derivatives, business combinations and equity valuation. He leads a team of direct reports and plays a key role in staff recruiting efforts, training interns and new hires, and delivering presentations at campus recruiting events. Passionate about professional development, Evan invests time in attending and hosting networking events and training sessions.

He currently serves on the Board for TXCPA Permian Basin. He also serves as President of the Petroleum Accountants Society of the Permian Basin and on the Rawls College of Business Recent Alumni Board for his alma mater Texas Tech University. Evan is a frequent speaker on audit topics and he is passionate about mentoring the next generation of CPAs.



D'Andra (Izzy) Isabel, CPA

PwC Consultant
MBO Professional Services
Houston

D'Andra Isabel is a results-driven consultant partnering with PwC to serve as a pivotal leader for client engagements across diverse industries with a focus on optimizing accounting practices and operational efficiency. Renowned for her strategic foresight, pragmatic solutions and results-driven approach, D'Andra utilizes cross cultural communication to drive the success of global accounting and finance teams. With over 14 years of experience including directorial roles across industries and companies including EY, PwC, Schlumberger, Fifth Third Bank, and Fiserv, D'Andra demonstrates proficiency in managing high-visibility projects.

Outside of her professional contributions, D'Andra is dedicated to the community both domestically and abroad. She's been an active mentor with Big Brothers and Big Sisters Houston and utilized her TESOL certification to teach listening and speaking at a government high school in Prachuap Khiri Khan Thailand. She's been recognized as 40 under 40 by Tennessee State University National Alumni Association. D'Andra continues to foster the next generation by actively engaging in mentorship initiatives, workshops and speaking engagements.



Ashlei Lewis, CPA

Client Accounting Solutions Manager
Armstrong Backus & Co LLP
San Angelo

Ashlei Lewis is a Client Accounting Solutions Manager at Armstrong Backus & Co LLP. Her colleagues recognize her as someone who will go the extra mile to get the job done, consistently standing out for her willingness to tackle any challenge. Whether training clients or staff, Ashlei is an exceptional manager and educator.

Beyond her work responsibilities, Ashlei is deeply engaged in the community, particularly through her work with TXCPA San Angelo. As a longtime active member and most recently as chapter president, she has coordinated events such as speaker engagements, luncheons and the local CPA tour. She is a strong advocate for introducing young people to the many opportunities in accounting. In addition to her chapter involvement, Ashlei teaches an accounting class at a local junior college. She consistently gives her time, energy and expertise to help others succeed, making her a valued leader and role model in her firm and the community.

Luis Lopez, CPA, CFE

Manager, Assurance Services
Burton McCumber & Longoria LLP
Rio Grande Valley



In his role at Burton McCumber & Longoria LLP, Luis Lopez serves as a Manager of Assurance Services in the McAllen office, where he focuses on governmental and non-for-profit clients. His work has been instrumental in driving new firm initiatives, including integration of advanced technology to streamline the audit process. During his time as manager, the audit department has seen steady growth, contributing to the firm's success. Most notably, the firm earned a spot on the IPA Top 500 firm list, a testament to the team's high performance.

In addition to these responsibilities, Luis continually looks to give back to the community. Early in his career, he served as a board member of the Palmer Drug Abuse Program, a nonprofit organization that provides counseling and support to at-risk youth. He has also served on the Board of TXCPA Rio Grande Valley. His leadership and expertise have greatly contributed to the advancement of the accounting profession in the region.



Kyle Noack, CPA, CFP®

Chief Executive Officer
Keller & Associates CPAs PLLC
Victoria

As a managing member and Chief Executive Officer of Keller & Associates CPAs, PLLC, Kyle Noack's accomplishments are integral to the firm's success. His extensive knowledge and expertise are complemented by a forward-thinking and innovative approach, always seeking ways to enhance both client satisfaction and the employee experience. In addition to his work responsibilities, Kyle is a dedicated and long-standing member of TXCPA Victoria, where he served as chapter president in 2017. He also serves on the boards of the Victoria College Foundation and the University of Houston-Victoria School of Business Dean's Advisory Board.

Kyle's passion for developing the next generation of CPAs and business leaders is evident in his mentorship of young professionals. He has served as an adjunct professor at Texas A&M University in their Financial Planning Program. In this role, Kyle bridged the gap between academia and the workplace, providing students with real-world insights and preparing them for their future successful careers in accounting and financial planning.



Jordan Payne, CPA

Senior Manager
Connor Group
Houston

As a Senior Manager, Jordan Payne identifies the finance and accounting requirements of clients to provide tailored solutions that address their needs. He also helps create efficiencies by streamlining processes and procedures within the accounting function. Since relocating from Canada to Texas, Jordan has contributed significantly to various TXCPA Houston committees. As an active member of the Membership Committee, he provides insights into the evolving needs and aspirations of today's young professionals, helping shape initiatives that support their career development. Jordan also plays a key role in welcoming newly licensed CPAs, accounting students and newcomers, ensuring they feel supported and connected.

Beyond his work with the Membership Committee, Jordan contributes to the CFO/Controllers and Business and Industry Committees, playing an instrumental role in planning the 2023 CFO/Controllers Conference and 2024 Spring Accounting Expo. His expertise helps ensure these events deliver high-quality educational experiences. TXCPA Houston eagerly anticipates Jordan's continued contributions and involvement in shaping future programs and events.



Andrew Peterson, CPA

Manager
The Bonadio Group
Dallas

Andrew Peterson is a highly regarded Manager at The Bonadio Group. He works with the SALT team to assist clients with a variety of state tax matters, primarily focused on sales and use taxes including fuel taxes. In his role, he is recognized as one of the most talented and valued members of the team. His expertise and knowledge not only benefit his clients, but also contribute to the overall success and reputation of the firm.

Andrew's journey is marked by significant achievements, including his graduation from the TXCPA Dallas 2023 Leadership Development Academy, a prestigious program designed to cultivate leadership skills among emerging professionals. He is actively involved in TXCPA Dallas, and has participated in the Young Professionals Group, CPA Involvement committees and the CPE Council. His participation with these groups and chapter activities underscores his passion for the accounting field and his commitment to community engagement and continuous learning.

Alan B. Pruitt, CPA

CEO
Pruitt Prep CPA
Houston



Alan B. Pruitt is the CEO of Pruitt Prep CPA, a dynamic CPA firm committed to empowering mental health professionals. With a focus on minimizing tax liability, enhancing growth potential and implementing effective strategies, Alan provides invaluable support. A proud husband to a Licensed Professional Counselor Supervisor for over 13 years, with her own thriving practice, Alan understands the unique challenges faced by mental health providers. Together, they nurture their three young children.

Alan's expertise is grounded in practical experience; he successfully implemented the Pruitt Prep Profitable Performance Playbook in his wife's practice. This hands-on knowledge, and his guidance for private practices ranging from six to seven figures, equip him to navigate the complexities his clients face. He has also been a prolific speaker and presenter at events and in various media appearances. Alan's mission is clear: to help those who dedicate their lives to caring for others. He transforms the financial landscapes of mental health professionals, enabling them to thrive both personally and professionally.



Elsa Selleck, CPA

Owner
Selleck Accounting & Finance, PLLC
East Texas

As the managing shareholder of Selleck Accounting & Finance, PLLC, Elsa Selleck oversees all aspects of the full-service firm, which provides accounting consulting, assurance and tax preparation services. She is responsible for managing the firm's staff and has a focus on areas such as ERISA audits for employee benefit plans, non-profits, small to mid-sized construction companies, privately owned businesses, Yellow Book audits, Single Audits, internal control assessments, and process improvements. Elsa also handles all client relationships and ensures ongoing, personalized service through regular communication and interaction.

Elsa has been an active member of the TXCPA East Texas Young and Emerging Professionals Committee for many years, demonstrating her passion for the profession and her goal to mentor young individuals. Deeply engaged in her community, she frequently volunteers to speak with students and future CPAs about pursuing a career in accounting. She is a shining example of a Rising Star, showcasing her leadership in fostering connections among students and young professionals.

Paige Smith, CPA

Controller
Principal Industries
San Angelo



Paige Smith is the Controller at Principal Industries, where she plays a crucial role in overseeing a $100 million revenue company, ensuring its financial health and stability. A charismatic and driven leader, Paige has led the successful integration of strategic acquisitions that significantly grew the company's size and market presence. She supervises the accounts receivable and payable teams, ensuring the timely and accurate processing of transactions. Her strategic financial insight drives key decisions, enhances profitability, mitigates risks and capitalizes on growth opportunities.

Paige is also an Adjunct Professor at Angelo State University. She teaches a Principles of Accounting course. She is also actively involved in TXCPA San Angelo, currently serving as President for 2024-2025, and she volunteers for local charities. Her exemplary background, dedication to service and community involvement make her an outstanding representative of the CPA field. Her contributions, both professionally and personally, position her as a true leader.



Jaimie Yang, CPA, CIA, CISA

Senior Manager, IT Audit
McKesson Corporation
Dallas

As a Senior Manager, Jaimie Yang leads a team of three auditors, overseeing full-cycle IT and integrated audits. She places a strong emphasis on coaching, following an "I show, we do, you do" mentality to nurture each auditor as they learn foundational skills and methodologies. Jaimie also leads a department initiative to continuously improve audit processes and is highly skilled in building and maintaining relationships with stakeholders, ensuring that she keeps communication lines open.

Jaimie's leadership extends beyond her professional role. In 2019, she participated in the TXCPA Dallas Leadership Development Academy and is starting her fifth term as chair of the Partners in Education Committee. Her hard work towards advancing the committee's mission through performing outreach to schools has made her stand out among younger members and resulted in exceeding state student impact goals for the last two chapter years. With her management skills and commitment to excellence, Jaimie shows significant potential to make an impact across the state.



Mitigating Medicare Mistakes:

The CPA's Role in Navigating IRMAA Challenges

BY AL KUSHNER

In the labyrinth of health care planning for retirement, one of the most complex challenges faced by individuals is understanding and navigating the Income-Related Monthly Adjustment Amount (IRMAA) associated with Medicare. IRMAA is an additional charge added to Medicare Part B and Part D premiums for individuals whose income exceeds certain thresholds. This can significantly impact the health care costs of higher-income beneficiaries.

As CPAs, you are uniquely positioned to guide your clients through the financial intricacies of Medicare, helping them avoid costly mistakes related to IRMAA. Your expertise in tax planning and financial strategy can be a beacon of clarity for clients navigating these turbulent waters. Here's how you can make a difference.

UNDERSTANDING IRMAA

First and foremost, it's essential to grasp the basics of IRMAA. IRMAA affects premiums for Medicare Part B (medical insurance) and Part D (prescription drug coverage). The Social Security Administration determines IRMAA charges based on the beneficiary's Modified Adjusted Gross Income (MAGI) from two years prior. Consequently, a client's financial decisions today can influence their Medicare costs tomorrow.

STRATEGIC INCOME PLANNING

One of the most effective ways CPAs can assist clients is through strategic income planning. Since IRMAA is based on MAGI, optimizing income sources to stay below IRMAA thresholds can save clients thousands of dollars annually. For instance:

- Roth Conversions: Advising clients on the timing of Roth IRA conversions can spread out income recognition over multiple years, potentially avoiding spikes that could push them into higher IRMAA brackets.
- Tax-efficient Withdrawals: Guide your clients on which accounts to withdraw from first to manage their MAGI. Balancing withdrawals from taxable, tax-deferred and Roth accounts can help manage their taxable income levels.
- Investment Choices: Recommend investments that offer tax efficiency, such as municipal bonds or life insurance policies, which might not count towards MAGI.

LIFE-CHANGING EVENT APPEALS

Life changes, such as retirement, marriage, divorce, or loss of income-producing property, can lead to a significant drop in income. However, the IRMAA determination may not immediately reflect this change since it is based on tax returns from two years ago. CPAs can guide clients in filing an appeal, known as a "Request for Reconsideration," with the Social Security Administration to adjust their IRMAA based on their current financial situation.

TAX PLANNING AND REPORTING ACCURACY

Accuracy in tax reporting is crucial for IRMAA determinations. Overstating income can inadvertently increase Medicare costs. CPAs play a vital role in ensuring that clients' tax filings are precise, taking advantage of all eligible deductions and credits to accurately reflect their financial reality. This includes being meticulous about capital gains, distributions from retirement accounts and other income sources that contribute to MAGI.

EDUCATING CLIENTS ON IRMAA

Education is perhaps one of the most critical roles CPAs can play. Many individuals are unaware of IRMAA until they receive their first elevated premium notice. By informing clients about how IRMAA works, the income thresholds and the potential for future increases, you empower them to make informed decisions about their retirement planning and health care strategy.

COLLABORATIVE PLANNING

Finally, consider adopting a collaborative approach by working with your clients' other advisors, including financial planners and health care consultants. Such collaboration can ensure a cohesive strategy that aligns financial planning with health care needs, creating a well-rounded approach to retirement planning.

CLOSING THOUGHTS

Navigating the complexities of IRMAA requires a proactive approach, one where CPAs can significantly impact their clients' financial and health care outcomes. By leveraging your expertise in tax planning and financial strategy, you can guide your clients away from costly mistakes and towards a future where health care costs are managed efficiently and effectively.

Remember, your role as a CPA isn't just about numbers; it's about improving your clients' overall quality of life as they transition into retirement. By focusing on the nuances of Medicare and IRMAA, you provide invaluable peace of mind, reinforcing the trust and confidence your clients place in you.

These insights remind us of the pivotal role CPAs play in navigating the financial intricacies of health care planning. Through strategic income planning, accurate tax reporting and client education, you can help your clients avoid the pitfalls of IRMAA, securing their financial well-being and ensuring a smoother transition into the golden years of retirement.

2024 MEDICARE IRMAA REDUCTIONS

MAGI AND FILING STATUS IN 2022			MEDICARE COST IN 2024	
SINGLE FILERS	MARRIED COUPLES FILING JOINTLY	MARRIED COUPLES FILING SEPARATELY	MEDICARE PART B MONTHLY COST	MEDICARE PART D MONTHLY COST
$103,000 or less	$206,000 or less	$103,000 or less	$174.70	Plan premium
$103,001 - $129,000	$206,001 - $258,000	-	$244.60	Plan premium + $12.90
$129,001 - $161,000	$258,001 - $322,000	-	$349.40	Plan premium + $33.30
$161,001 - $193,000	$322,001 - $386,000	-	$454.20	Plan premium + $53.80
$193,001 - $499,999	$386,001 - $749,999	103,001 - $396,999	$559.00	Plan premium + $74.20
$500,000 or more	$750,000 or more	$397,000 or more	$594.00	Plan premium + $81.00



AL KUSHNER is an award-winning Medicare expert with over three decades of experience in health care finance, renowned for his ability to demystify the complexities of Medicare coverage for beneficiaries nationwide. His expertise spans Medicare Parts A through D, focusing on the Income-Related Monthly Adjustment Amount (IRMAA) and tax planning strategies to minimize health care costs. His dedication extends beyond professional achievements. An avid outdoorsman in his personal life, Kushner champions a healthy, active lifestyle as essential for maximizing retirement years. He can be reached at 888-810-9725.

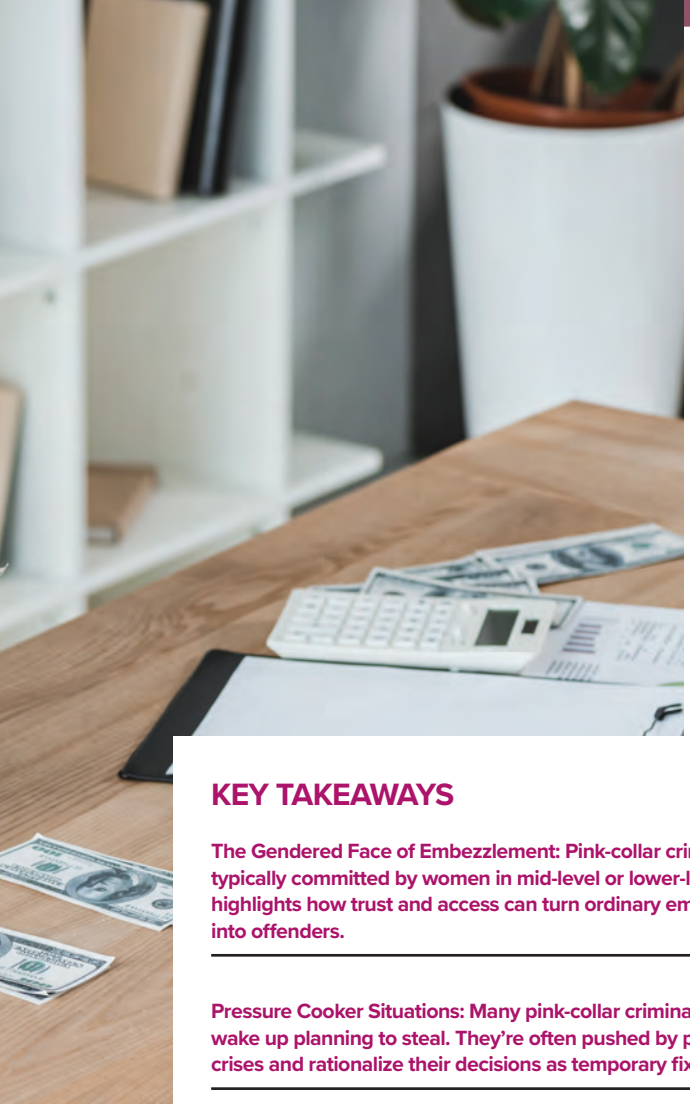
Pink-Collar Crime: An Interview with Kelly Paxton



BY KRISTIE M. YOUNG, CMA, MBA, DBA

Kelly Paxton, CFE, is a pink-collar crime expert. After beginning her career in finance, she then trained to become a special agent for the U.S. Customs Office of Investigations and later became an analyst on the Fraud Identity Theft Enforcement Team for a local sheriff's office in Oregon. "I was a special agent. I arrested bad guys. All of a sudden, I start working in the sheriff's office and I'm arresting people who look like me. It was a mind-blowing experience."

In 2020, Paxton published a book titled "Embezzlement: How to Detect, Prevent, and Investigate Pink-Collar Crime" in which she shares her knowledge about pink-collar crime. After reading her book and learning more about pink-collar crime, I had the opportunity to (virtually) sit down with her and talk more in depth about her experiences.



KEY TAKEAWAYS

The Gendered Face of Embezzlement: Pink-collar crime, typically committed by women in mid-level or lower-level jobs, highlights how trust and access can turn ordinary employees into offenders.

Pressure Cooker Situations: Many pink-collar criminals don't wake up planning to steal. They're often pushed by personal crises and rationalize their decisions as temporary fixes.

Serial Embezzlers vs. Situational Offenders: While most pink-collar criminals feel remorse and confess, serial embezzlers are master manipulators, exploiting vulnerabilities in the system.

Small Businesses Under Siege: Embezzlement can cripple small businesses, but tactics like random audits and clear duty separation can provide defenses.

Remote Work's Hidden Dangers: With remote work on the rise, it's often easier for embezzlement to go unnoticed, making regular checks and oversight even more critical.

QUESTIONS AND ANSWERS

AUTHOR: WHAT IS PINK-COLLAR CRIME?

Kelly Paxton: Kathleen Daly[1] popularized the term pink-collar crime, who describes it as low to medium level employees, comma [emphasis added], primarily women and it [the name] is because women are in low to medium level positions.

Freda Adler was one of the first criminologists to take gender on and her book is called "Sisters in Crime: The Rise of the New Female Criminal." For three years, she [Adler] had over 300 media appearances and I can't get any archives of any of them. She was on the "Tonight Show." She was on "To Tell the Truth." Barbara Walters interviewed her and everyone took her [Adler] to say you're taking away from women's gains in the workforce and she said no, I'm not. Her [Adler's] thing is women are first humans; second, they are women; and third, they can be criminals.

You know who pushes back on me are women. Usually if I get someone who immediately thinks it [pink-collar crime] is about gender, it's a woman. I know no one wants to talk about gender, but it's a thing. I don't think a man could do this topic and that's wrong. It's crime. Anyone should be able to talk about it. And we're all people. People commit crime.

WHO ARE THE LIKELY PERPETRATORS OF PINK-COLLAR CRIME?

Dr. David Weber used U.S. Sentencing Commission statistics and women are [convicted] 13% more than men, in a five-year period, for embezzlement. And that's just federal. I would say local, it's even more, because a lot of the cases go local, not federal.

I just met a woman the other night. She was hired by a guy a long time ago. He said I know you and I trust you, and I know that you won't steal from me. … It was so important for him to trust her, which is great, but he doesn't know. What if her husband gets sick, they get divorced, the kid gets sick?

[A woman] stole $27,000 from the town she was almost a 50-year employee for. Her husband got cancer. For almost 50 years, she was a great employee. Her husband gets cancer, and she says they needed to buy food and she steals money.

Everyone has a price. Mine happens to be in the hundreds of millions of dollars. Some people's price can be $2,000. For someone to say that I don't have a price, I think is disingenuous.

I think most of the people who commit pink-collar crimes don't get up in the morning and say I'm going to steal today. I think they see an opportunity and they take it because there's pressure and there's rationalization. [They] are good people and cross the line. I joke that I could put a pink-collar criminal in the audience and no one would know who she or he is, because they don't have a scarlet E and they look like us.

HOW ARE PINK-COLLAR CRIMINALS DIFFERENT FROM SERIAL EMBEZZLERS?

Most of these people [pink-collar criminals] will confess, except for the serial ones. And there are serial embezzlers. They're grifters. Those ones are going to be really difficult to deal with. My rule is, anecdotally, if they start stealing within six months of a new job, they've done it before. They didn't learn on the job; they learned somewhere else. Look at their history. If they start stealing right away, they've done it before. Also, the person who has done it [embezzled] generally has a get out of jail free card. They know that the business owner is writing off their kids' car, is taking that junket and they'll threaten. They'll get desperate, the serial ones.

WHAT DOES THE AFTERMATH LOOK LIKE?

I think there is a silver lining in a lot of cases and Cheryl Obermiller is the prime example. She was a small business owner who got ripped off. Her business has more than tripled since this happened. She's written a book. It's her passion to

help other business owners understand how it happened to her. She's just a Midwest mom who started a paving business to pay for her kids' ballet lessons. It's a multimillion-dollar business now.

I think there's a learning and teaching experience on both sides of the equation. I have a recent podcast with Diann Cattani, who actually stole over $400,000. Cattani told me her daughter now has a position and she [her daughter] says had it not happened, maybe it could have happened to me, because she's seen how easy it is. She works for someone who gives her a credit card and says go the store and get this for my house. She's so on the line, whereas a lot of other people are going to go, well I drove to the store. He's not paying me for gas. I'm going to buy a pack of gum. And then the pack of gum turns into whatever.

Also, there was a woman who stole $250,000. She was a waitress. The most recent time I talked to her, she's never been happier. When they get caught, and most of them do get caught, they always know they're going to get caught. There is a sense of relief and they can kind of live their true life after the fact.

I would say get insurance. It's not that expensive. It's worth it.

WHAT CAN SMALL BUSINESSES DO TO PROTECT THEMSELVES?

Make sure your employees take vacations, segregation of duties. I was just at CU Denver last week and someone asked what if you don't have the staff to do it? Then mix things up. I talk about "surprise and delight." If the auditors only come in the month of June, have them show up in October. If they think you only look at checks at say, $5000, pull a $500 check.

I'm a big proponent of the "parking lot audit." I know a case where one guy looked out the window and he saw her [his employee] driving a brand-new Cadillac Escalade and he started paying attention to her. She stole $842,000.

You've got to be the first person to get to the bank statements. I can't tell you how many people can change a bank statement with technology and I see it all the time.

Culture and tone at the top are so important. Employees see what the owner of the business does. I use this example all the time. Say the business owner has a trade show in Key West and takes his whole family. Then he comes back and he hands his black American Express bill to his office manager and "Gladys" asks, so how do you want me to break this out? I know you took the wife and kids. And he says just pay it; it's none of your business. Well six weeks, six months, six years later, Gladys's kid needs the last $200 for the school field trip to go to the beach. What goes through Gladys's head? That business owner may be taking an owner draw at the end of the year to cover that, but when you have that sort of attitude, your employees see it.

Small businesses can't afford McKinsey or Boston Consulting Group. A lot of them can barely afford their accountants. They say only 15% of all embezzlement cases get turned over to law enforcement and it's because a lot of times they can't afford us. I have to work under attorney-client privilege and I say you have to hire a lawyer. They [clients] say I just got ripped off $50,000; I can barely pay the light bill now. And it's really, really hard for someone like that who's gone through a theft, who doesn't have insurance. I would say get insurance. It's not that expensive. It's worth it. If you do get ripped off, you have to notify your insurance company the minute you find out.

Be very careful confronting a suspect. This is when you need a lawyer. I hate to say it. I know someone who got sued because they falsely accused an office manager of theft, so you have to be very, very careful. And I know when someone finds out that they've been ripped off, they just want to get rid of them [the employee]. They don't ever want to see them again. [They want] to have them escorted out. You have got to be very thoughtful and unfortunately, strategic about how you do it, because there's nothing worse than getting ripped off and then getting sued for falsely accusing someone.

HOW DOES REMOTE WORK AFFECT PINK-COLLAR CRIME?

Everyone in the fraud world thinks that it [embezzlement] is rising with remote work and part of that I think is behavioral science. When we have distance between people, people can lie and cheat more easily. If you're sitting right outside your boss's office, I think you're going to behave better.

Accounting is just easily done remotely and so you're going to trust but verify even less I think because it's remote. [With remote work] you don't see the car they drive. You don't see the shoes they wear. You don't hear about them going to Vegas for the weekend, so you also lose that. It's harder to know what your employees are doing. I'm not saying it in a creepy sort of way, but it's just harder to know when it's remote.

WHAT INSPIRED YOU TO WRITE YOUR BOOK?

The bigger idea is to get the word out. The number one thing is shame and humiliation; why people don't turn that person [embezzler] in. A lot of times someone is ripped off and people say, "well you weren't very smart to let that happen." I can show you an astronaut who's been ripped off, a neurosurgeon who's been ripped off, so I want people to not feel bad about it. I want people to be able to come forward and not be embarrassed. I don't want to normalize embezzlement; I want to normalize people talking that they have had it happen to them.

The author would like to thank you for sharing your experience and insights on this important topic and its effects on businesses and individuals alike.

[1]As an Associate Professor of Sociology at Yale University, Kathleen Daly published a study about fraud and gender in 1989.



KRISTIE M. YOUNG, CMA, MBA, DBA, is an associate professor of accounting at Illinois State University. She can be contacted at 309-438-7908 or via email at kmyou13@ilstu.edu.



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January 7 - Tyler
January 14 - Midland
January 22 - Tyler
January 27 - Longview

S Corporation, Limited Liability and Partnership Update
November 5 - Tyler
January 23 - Webcast

Individual Income Tax Update
November 4 - Tyler
January 22 - Webcast

Federal Tax Update for Individuals
December 2 - Irving
December 2 - Webcast
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Federal Tax Update for Businesses
December 3 - Irving
December 3 - Webcast
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OBJECTIVES:
To present what financial officers will need to know to meet the new standards for joint venture formation and how issues of goodwill and other private company alternatives allowed in GAAP interact with these new standards

KEY TOPICS:
GAAP for joint venture formation through ASC 2023-05; joint ventures defined; financial reporting for formation; private company alternatives; transition issues

PREREQUISITES:
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ADVANCED PREPARATION:
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Update on Financial Reporting for Joint Venture Formation

BY BARBARA W. SCOFIELD, PH.D., CPA

Joint ventures enable companies to combine their resources and technologies in creating new facilities, new products or services, or new markets for goods. Their ubiquity is confirmed looking at just the public companies headquartered in Texas on the *Fortune* 500[1] list for 2024; 77% of these companies include disclosures about their joint ventures in their most recent SEC annual filing (41 out of 53). Moreover, of the 26 energy industry companies on that list, 92% presented information on joint ventures. New joint ventures are announced monthly in the business media. For example, on June 14, 2024, the *Wall Street Journal* announced joint venture formation by both Stellantis and Zhejiang Leapmotor Technology[2] for automobile manufacturing and WHP Global and Simon Property Group, Brookfield Properties, and Centennial Real Estate[3] for operating retail properties in malls.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update 2023-03 (ASC 2023-05) to fill a gap in generally accepted accounting principles (GAAP) by providing standards for financial reporting for the formation of joint ventures. This article will present what financial officers will need to know to meet the new standards for joint venture formation and how issues of goodwill and other private company alternatives allowed in GAAP interact with these new standards.

JOINT VENTURES DEFINED

Joint ventures share risks and rewards in developing a new market, product or technology; combine complementary technological knowledge; or pool resources in developing production or other facilities. The Master Glossary of the Codification® includes this definition of joint ventures, which is preserved from previous GAAP:

> An entity owned and operated by a small group of businesses (the joint venturers) as a separate and specific business or project for the mutual benefit of the members of the group.

Joint ventures are distinguished from subsidiaries that are under the control of a parent company and from collaborative arrangements that are joint operating activities, sharing risk and return, but not establishing a separate legal entity. Joint ventures can be organized as partnerships or corporations and can



All of the net assets combined at formation of a joint venture receive a new basis, primarily fair value, with exceptions that are similar to those allowed in business acquisitions.

even include a minority interest by a governmental entity. Joint ventures can have subsidiaries, but those subsidiaries are not themselves joint ventures.

FINANCIAL REPORTING FOR JOINT VENTURE FORMATION

Joint venture formation has definitive accounting standards established with Accounting Standards Update 2023-05 Business Combinations – Joint Venture Formations (Subtopic 805-60) (ASU 2023-03) that will be effective for all entities on January 1, 2025. Issued in August 2023, this addition to GAAP brings comparability to a topic that had no prior definitive guidance and a diversity of practice. The new guidance adapts GAAP for business combinations to the formation of joint ventures, taking into account the unique costs and benefits involved in preparing and using the financial statements of joint ventures. Thus, the complete GAAP for joint venture formation is unlikely to match the actual practice of accounting for any joint venture prior to the issuance of ASU 2023-03.

ASU 2023-05 requires that a joint venture measure its initial net assets at *fair value* on the *date of formation*. Both fair value and date of formation are familiar concepts but are applied here specifically to joint venture formation.

The *date of formation* of a joint venture is the date on which the definition of a joint venture is met. Since the formation of a joint venture may be a result of agreements among more than two parties, there can be multiple transactions that together result in the founding of a joint venture. FASB provides guidance in ASC 805-60-25-4 for an entity to select a date of formation when there are multiple transactions involved. When multiple events are considered part of the formation, a single date of formation is selected and all designated transactions involved in the formation are recorded as of that single date.

The date of formation decision determines which net assets are part of the originating event and follow the new subtopic ASC 805-60 Business Combinations – Joint Venture Formations and which net assets are subsequent transactions that follow other relevant GAAP. This identification of the date of formation takes the concept of date of acquisition from business acquisition GAAP, which uses the similar concept of date of control, but it allows for a single date of formation even when the joint venturers combine at slightly different times, but in contemplation of each other. This flexibility in determining the date of formation guarantees that the contributed net assets at formation share a common basis of fair value.

All of the net assets combined at formation of a joint venture receive a new basis, primarily *fair value*, with exceptions that are similar to those allowed in business

acquisitions. The definition used for *fair value* is "the amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties" from the ASC Master Glossary. Any excess of the fair value of the joint venture as a whole over the fair value of the net identifiable assets is recognized as goodwill. Of course, there may also be a bargain present when the fair value of the joint venture as a whole is less than the fair value of the net identifiable assets. In this case, the bargain is recognized as an adjustment to additional paid-in capital of the joint venture, so that there is no reduction in the fair value of the net identifiable assets.

In a business combination, a bargain is a credit recognized in the income of the acquirer. However, on the day of formation, there is no acquirer and no income recognized in a joint venture formation. A direct adjustment to members' equity provides an equivalent result.

This treatment of fair value has three significant differences from business acquisitions. In business acquisitions, one entity is the acquirer and the other is an acquiree, and only the acquiree's net assets are reset to fair value. In a joint venture, none of the entities combining are considered an acquirer and all of the net assets contributed by every joint venturer are reset to fair value. Secondly, the calculation of goodwill and bargains in a business acquisition is calculated based on the acquisition price paid plus any minority interest. Joint ventures have no acquisition price, so the calculation of goodwill and bargains is based on the fair value of the joint venture as a whole instead. Thirdly, a joint venture may have goodwill and in-process research and development recorded as assets at formation without the contribution of a business to the new entity, an exception to all other goodwill and in-process research and development origin stories in GAAP.



Joint venture formation accounting uses the guidance of business acquisitions for financial reporting areas in which similar factors are present. Joint ventures will have a measurement period in which they can adjust the allocation of value to the net assets. Adjustments to the values of individual assets and liabilities made within the first year as the management gains more information about its new net assets adjust goodwill or bargain without triggering gain or loss recognition. In addition, joint ventures will recognize the same exceptions to fair value measurement of net assets contributed to the joint venture that are already codified for business acquisitions. These include the following:

- Income taxes
- Employee benefits
- Indemnification assets
- Reacquired rights
- Leases
- Contract assets and contract liabilities associated with revenue from contracts with customers, and
- Assets held-for-sale

Each of these exceptions are part of current guidance on business combinations in ASC 805-20-25 and the accounting for joint venture formation matches these practices.

Joint venture formation accounting authorizes unique guidance where joint venture formation and business acquisitions differ. First, share-based payment awards that are classified as equity are treated differently when they are contributed to a joint venture. These awards are continuing contracts. The portion of the award already earned is recognized as a component of equity with no impact on the valuation of the net assets in the joint venture. Secondly, contingent payments present at formation that are classified as assets or liabilities are measured at their fair value at the date of formation, since there is no acquisition price paid from one entity to another. Thirdly, joint ventures in construction and oil and gas that have had a specific industry practice of using proportionate consolidation are excluded from the joint venture formation guidance. This exception, however, is not as broad as it might seem. Proportionate consolidation of a joint venture is allowed:

> in either the construction industry or an extractive industry . . . [A] entity is in an extractive industry only if its activities are limited to the extraction of mineral resources (such as oil and gas exploration and production) and not if its activities involve related activities such as refining, marketing, or transporting extracted mineral resources. (ASC 930-810-45-1)

Thus, many joint ventures in the oil and gas industry will not meet this narrow scope limitation and will be subject to the new guidance on joint venture formation.

PRIVATE COMPANY ALTERNATIVES AND JOINT VENTURES

Most joint ventures are private enterprises, which means that they are eligible to take advantage of a list of seven private

company alternative choices available in current GAAP. These private company alternatives are tailored to the needs of companies with more involved owner-management, benefiting from the simplifications and lower costs without diminishing information for decision-making. However, selecting these alternatives should be analyzed carefully if adjustments to public company GAAP when the joint venture is consolidated with a public company or when the joint venture has an initial public offering anticipated.

Contingent payments present at formation that are classified as assets or liabilities are measured at their fair value at the date of formation, since there is no acquisition price paid from one entity to another.

The accounting alternatives available in GAAP for a private company joint venture at formation are the following:

1. A joint venture with goodwill may elect to amortize goodwill on a straight-line basis over the shorter of its useful life or 10 years. (ASU 2014-02 / ASC 350-20-35-63)
2. A joint venture selecting amortization of goodwill may choose to test goodwill for impairment at the entity level, rather than at the reporting unit level (ASU 2014-02 / ASC 350-20-35-65)
3. A joint venture selecting amortization of goodwill is not required to test annually for goodwill impairment but can undergo impairment testing only at the time of a triggering event. The joint venture would use the same qualitative and quantitative tests used for goodwill impairment testing by public companies. (ASU 2014-02 / ASC 350-20-35-66)
4. A joint venture selecting amortization of goodwill may elect to subsume some intangibles into goodwill rather than recording them separately. Specifically, noncompete agreements and customer-related intangibles that are not separable through purchase or licensing would not be recorded as individually identifiable intangibles if this private company election is selected. (ASU 2014-18 / ASC 805-20-25-30)
5. A joint venture may elect to use a simplified accounting for cash flow hedges of interest rate swaps that meet specific criteria when converting variable rate debt to fixed rate debt. This choice allows the company to measure the designated swap at settlement value instead of fair value. (ASU 2014-03 / ASC 815-10-35-1A)
6. A joint venture that is a lessee may elect to not apply Variable Interest Entity assessment to determine whether a lessor entity under common control should be consolidated. Specific criteria on the lease arrangements are required for this alternative to be available. (ASU 2014-07 / ASC 810-10-15-7A)
7. A joint venture that issues share-based awards may select a practical expedient to use reasonable valuation methods, such as those in Treasury Regulations Section 409A, to estimate fair value of the share-based awards. (ASU 2021-07 / ASC 718-10-30-20C)

TRANSITION

The new GAAP described here is effective for all joint ventures formed beginning January 1, 2025. Early adoption is permitted for any unissued financial statements. Joint ventures formed before January 1, 2025 may apply this financial reporting guidance retrospectively, but they are not required to do so. Joint ventures should carefully evaluate whether full fair value information is readily available when considering changing to ASC 2023-05 standards for previously formed joint ventures.

SUMMARY

FASB has created a consistent and decision-useful GAAP for joint venture formation through ASC 2023-05. It aligns joint venture accounting closely with acquisition accounting by requiring a new basis for the net assets contributed. Moreover, ASC 2023-05 relaxes some principles present in acquisition accounting in order to provide clear, streamlined financial reporting that benefits both preparers and users of financial statements of joint ventures. The new guidance on joint venture formation adds a valuable chapter to GAAP.

Footnotes

[1] https://fortune.com/ranking/fortune500/

[2] https://www.wsj.com/business/autos/the-rise-of-chinese-evs-is-dividing-the-west-850b9e1d?mod=Searchresults_pos3&page=1

[3] https://www.wsj.com/articles/express-bankruptcy-buyout-gets-court-approval-3b6dfe79?mod=Searchresults_pos7&page=1



Barbara W. Scofield, Ph.D., CPA, is Professor of Accounting in the School of Business at Washburn University. Contact her at barbara.scofield@washburn.edu.

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NEW $142,000 gross. NW of Houston. Owner looking to make a career change and available for transitional help. REMOTE, loyal, long-term, and friendly clients with EXCELLENT year-round cash flow. Value-based billing fees paid by clients upfront before work starts. The service mix includes tax (27%), accounting (60%) and other (13%). Perfect for buyer looking to go out on their own or an existing practice to add easy revenue. TXS5345

NEW $288,000 gross. West Austin CPA practice. Well established, single-owner CPA practice with 62% tax preparation (55% individual, 45% business), 24% bookkeeping/payroll, 8% consulting, 5% compilation and reviews. Cash flow to the owner is 81% of gross revenue. Owner anticipates assisting buyer through an appropriate transition. TXC5404

NEW $265,000 gross. Matagorda County tax and accounting practice. The service mix is a balance of both tax (72%) and bookkeeping (28%) that includes payroll. Great cash flow with an exceptional reputation in the developing community providing continued growth. Knowledgeable staff in place interested in working with the new owner. The buyer has flexibility to lease, purchase the building or move practice nearby if desirable. Available for transition after closing as agreed with buyer. TXS5425

NEW $703,000 gross. Denton, TX CPA practice. This well-established and award-winning CPA practice is for sale. Revenue is derived predominantly from profitable tax work (92%), supplemented by accounting and other services that help provide year-round income. About 50% of the total revenue is from business clients. With a solid fee structure in place, the practice delivers strong cash flow to owner over 60% of gross revenue. TXN5433

NEW $490,000 gross. Far North Dallas CPA practice. Approx. 80% total revenue is derived from businesses and overall, nicely mixed between tax work (38%), audits (12%) and accounting/bookkeeping services (40%) generating year-round income. Knowledgeable staff in place, including 2 CPAs, for a smooth transition. No long-term leases. Cloud-based systems. Turn-key opportunity for CPA ready for business ownership or profitable addition for any firm. TXN5200

$477,000 gross. West Houston CPA practice. CPA owner looking to semi-retire and is available for transition as agreed with buyer. Primarily tax services to client book. Year-round revenues in a prime location with great cash flow. An office share arrangement is available for the buyer. High-income, long-term quality clients who provide continuous referrals. Wonderful opportunity for an individual or firm looking to grow their practice. TXS5314

NEW $1,137,000 gross. South Plains Texas CPA practice. Long-standing CPA practice with 2 owners. 62% tax preparation (66% individual and 34% business returns), 38% bookkeeping. Cash flow to owner is 42% of gross revenue. Practice utilizes Sage and Lacerte. 3 FT degreed accountants who do tax preparation and write-up. 4 FT non-degreed accountants who do tax preparation and write-up. 1 FT office assistant. Office space is owner occupied and seller is open to selling or leasing space to new practice owner. Owners are looking forward to retirement after long, successful careers. Owners anticipate assisting buyer through an appropriate transition period to maximize knowledge transfer and client retention. TXW5320

$270,000 gross. Dallas (Park Cities area) CPA practice. This well-established CPA tax practice for sale caters to a high-quality client base that includes loyal individuals and many business entities across a variety of industries. Revenues are composed predominately (95%) of profitable income tax work with strong fees. Experienced staff in place, this practice is primed for a smooth transition and rapid growth. TXN5335

$485,000 gross. VIRTUAL Nueces County CPA practice. Service mix includes tax (58%), accounting (28%) and other business client assistance (14%). Buyer can operate REMOTELY and enjoy the great reputation in a community that brings in constant referrals. Year-round cash flow with experienced staff in place to continue with new owner. Owner available for transitional help as agreed with buyer. Ideal opportunity for either an individual looking to get into practice ownership or an existing firm. TXS5385

NEW $350,000 gross. NW Houston tax and accounting practice. Owner available for transitional help. Service mix includes tax (87%), accounting (9%) and other (4%). Year-round cash flow with support staff in place. Prime location with an excellent reputation in the community for addressing complex tax and accounting issues. Ideal opportunity for either an individual looking to get into practice ownership or an existing firm looking to add revenues. TXS5269

NEW $153,000 gross. NW Houston CPA audit practice. Transitional assistance available from owner. This is primarily an audit practice that caters to small-medium sized organizations. Great cash flow with engagement letters in place through 2025. Buyer will need to be able to visit client locations in the greater Houston and Dallas area. Turn-key opportunity for an individual looking to start with a wonderful book of business. TXS5263

NEW $1,125,000 gross. Montgomery Co CPA firm. Owner seeking retirement and available for transitional assistance as agreed with CPA buyer. The service mix includes tax (70%) and accounting (30%). Well established firm with a great reputation in the community and year-round exceptional cash flow with ample opportunity to grow. Knowledgeable staff in place to transition CPA buyer. Great for experienced CPA looking to get into practice

ownership or an existing CPA firm looking to add revenues. TXS5241

NEW $130,000 gross. Bryan-College Station area tax practice. Owner available for transition as agreed with buyer. This is a tax practice with international clients in the TAMU community. Experienced EA staff ready to support buyer after closing. Great cash flow with opportunities to grow in accounting and bookkeeping. Buyer has flexibility to operate the practice from a nearby location. Turn-key opportunity for an individual looking to start with a wonderful book of business. TXS5283

$517,000 gross. Ellis County, TX/south of Dallas CPA practice. Well-established CPA practice in desirable community south of Dallas with mix of high-quality, loyal individual and business clients. Revenues derived from 85% profitable tax preparation work. Year-round income from monthly accounting services. Strong fees and capable, experienced staff in place. Ideal opportunity for any CPA to start or expand in this thriving area of the DFW Metroplex. TXN5096

$495,500 gross. Fort Worth CPA practice. Loyal client base. 70% tax work and 30% accounting services. Rapid, consistent growth combined with an experienced staff make this an exceptional opportunity. TXN1626

$1,303,000 gross. Midland-Odessa CPA practice. Revenues derived from 40% tax, 40% bookkeeping, 4% franchise reports, and 16% payroll. Cash flow to owner 57% of gross. One owner is retiring. One owner is staying full-time and all staff will assist in transition. TXW1034

$861,000 gross. Bryan-College Station CPA firm. Owner looking to sell to focus on consulting business. 2023 gross revenue estimated over $900K! The service mix includes tax (57%), accounting (38%) and other (5%). Solid reputation in the community with growth opportunities. Knowledgeable staff in place for smooth transition. Buyer can lease or buy building. TXS5067

$410,000 gross. Brownwood, TX CPA practice. High-quality client base made up of large businesses provides room for growth. Balanced revenues of tax work (66%), accounting (14%) and other services (14%). TXN1638

$209,600 gross. Plano, TX CPA practice. Located in a desirable community. Nice mix of revenues for year-round cash flow. 80% tax prep, 10% accounting services, 10% consulting/payroll/other services. Seller assisted transition. TXN1624

$2,380,000 gross. West Texas firm. Highly motivated multi-owner CPA firm. Revenue mix is 15% accounting services, 27% tax preparation (approx. 50/50 individual and business) and 58% attest services. Cash flow to owner solid 54% of gross. Large tenured staff and owner available to assist during transition. TXW1030

$450,000 gross. Houston CPA firm. Service mix includes tax (63%), accounting (36%) and other (1%). Buyer can operate from anywhere in the Houston area. Year-round cash flow with experienced staff in place to continue with new owner. Wonderful reputation in the community that brings in constant referrals. Owner available for transitional help as agreed with buyer. TXS1315

$347,000 gross. Galveston County CPA. Owner available for transition as agreed with CPA buyer. 2024 gross revenues estimated to be $358,000! Service mix includes tax (71%), bookkeeping (15%), audit/review (9%) and other (5%). Year-round work with excellent cash flow! Prime location in a wonderful community. Turn-key practice with experienced staff in place and office available for lease. Opportunity for an individual CPA buyer looking to go out on their own or existing CPA firm wanting a new location. TXS1287

$354,000 gross. South Plains CPA practice. Single owner CPA firm with loyal clients. Revenues derived from 66% tax and 34% bookkeeping. Solid cash flow to owner of almost 60% gross. Full-time staff and leased office space available. TXW1033.

$1,208,000 gross. Heart of Texas CPA firm. Tax preparation is 85-90% of revenue each year, approx. 2/3 of this is individuals. The rest is business and trust returns. Bookkeeping is 10-15% of revenue. Owner's discretionary cash flow is 48% of revenue. 5 employees staying and seller will transition for agreed time. TXC1077

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