

Pennsylvania



PENNSYLVANIA CHAPTER
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PA-NATP NEWS

Volume 19, Issue 4

Winter 2007-8

President's Message

Hello,

This newsletter finds you, I am certain, in the thick of the holiday season. So much to do and so little time and yet, with a little luck, everything seems to come together.

I think, for the sake of the holidays, brevity would be appropriate.

We had a year of challenges and accomplishments and the job your Board of Directors did to make this a successful year was truly amazing. I sincerely thank everyone for their dedicated efforts.

PA-NATP recently held its annual conference in Harrisburg. The event was well attended, our speakers were excellent and Sam Wingard was given our *Award of Excellence* for his many contributions over the years.

Thanks to the organizers Sam Wingard, AC Stickel, Patty Turner and Rich Miller for a job well done.

Our Eastern Pennsylvania seminar will be held in late May or early June of 2008. Please check our website www.PANATPTAX.COM for details on this, and other, upcoming events.

I wish you a Merry Christmas and Happy Holidays and I hope 2008 is a year of peace and prosperity for you and your family.

Sean Brennan, CPA, MBA
PA-NATP President

PA-NATP Reorganizes

One of the items of business at the 2007 Annual Membership Meeting was a vote to amend the Chapter's bylaws. Twenty odd years ago when the PA Chapter was organized, the number of Directors on its Board was set at 21. This was the largest number of Directors on any NATP state chapter board and over the years finding 21 members willing to volunteer time to serve on the Board often proved difficult. For extended periods the Board had to operate at less than full strength and this occasionally resulted in the Board being unable to conduct a meeting due to a lack of a quorum.

After debating the issue for several years, the Board decided to submit to the membership an amendment to the bylaws reducing the number of Board seats to 16. This reduction would be accomplished by reducing the number of regions in the state from 7 to 5. The number of Directors from each region would remain at 3 and 1 Director would serve "at large".

Those members attending the Annual Meeting unanimously approved the bylaw amendment and a new Board was elected. The officers and directors of the 2008 Board can be found on the following page along with a map of the new state regions.

The Board would like to remind members that serving as a Director is not the only way to assist the Chapter in its work. Other opportunities do exist so anyone with a little free time and a desire to get involved should contact any Board Director for info.

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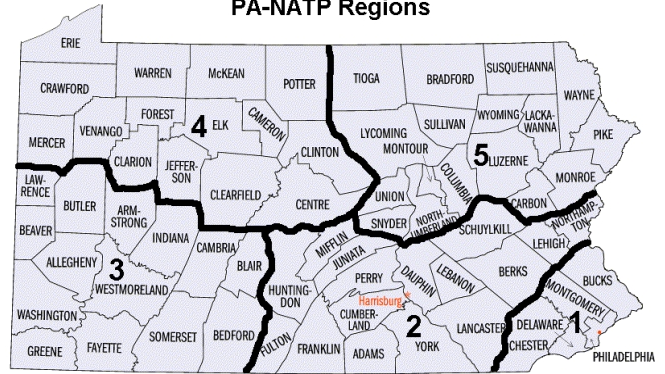
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PA-NATP Regions



November Meeting of the PA-NATP Board of Directors

submitted by Board Secretary Justina Tushak, EA

President Brennan introduced Bibi Rudestad from National. She will also be attending the Seminar and the Annual meeting on November 13, 2007.

Patti reported that as of September 30, 2007 Chapter membership stood at 908 members. Many Directors took membership information material to distribute to local colleges and trade schools.

Gary reported there are four people with expiring terms. All four have agreed to stay on the Board.

Sam is looking for articles for the newsletter. Several people agreed to submit articles for the next newsletter.

The treasurer, Rich stated the sale of the RCT101 books has been very profitable.

The PA-NATP website is up and running. The address is www.panatptax.com.

The Dave Knickerbocker Scholarship fund is moving forward. There will be further discussion about the fund at later meetings. The proceeds from the casino night after the Annual meeting will go to the scholarship fund.

In 2008, there will be 3 seminars again. In the spring the seminar will be in the East. In the fall the seminar will be in the West. The annual meeting will be held in conjunction with the Central seminar.

A committee was formed to prepare the Chapter of the Year application.

The bylaws will be voted on November 13, 2007 at the Annual meeting.

The new Executive Committee will hold a teleconference to work on the budget.

PA-NATP 21st Ann
submitted by Board Secretar

Due diligence has been used in preparing this publication, however, the possibility of mechanical or human error does exist. Laws, regulations and procedures do change so additional information sources should always be consulted before relying on any information herein contained. Additionally, the facts and circumstances of a particular situation may differ from those presented here. This material was presented with the understanding that PA-NATP is not engaged in rendering legal, accounting or tax advice.

President Brennan first introduced National Board of Directors at our Annual State Conference. He then announced the formation of the Dave Knickerbocker Scholarship fund which is being donated to the fund.

A copy of both the minutes from last year's annual meeting and the current treasurer's report were placed at each seat.

The bylaws were read as they stand. Then the bylaws with the proposed changes were read. A vote was cast to accept the proposed changes. The motion carried unanimously.

The nomination for the 2008 Board of Directors was read. The following members were accepted: Kathy Bowman – Region 1, Paul Nolt – Region 2, Charles Evans Jr. – Region 3 and Howard Pachter – Region 5.

The new officers for the year 2008 were introduced and elected. The new officers are:

- President, Sean Brennan – Region 1
- First Vice President, Patti Blum – Region 5
- Second Vice President, Amy Gambler – Region 7
- Secretary, Justina Tushak – Region 5
- Treasurer, Rich Miller – Region 4

President Brennan announced past President Sam Wingard as the winner of the 2007 Award of Excellence.

PA Treasury - Unclaimed Property

Reprinted from the PA Dept. of Revenue's website with the permission of the Department's Press Office

April 15 is not only the tax filing deadline for most taxpayers, it is also the deadline for businesses to file their annual Unclaimed Property Reports with the Pennsylvania Treasury Department.

Unclaimed property includes any financial asset that has been left with a "holder" such as a bank, insurance company or other business or organization without activity or contact for a period ranging from two to five years, based on property type.

To find reporting instructions, learn about recent legislative changes, download free reporting software, review Pennsylvania's Unclaimed Property Act and search the unclaimed property database, visit www.patreasury.org. To speak with a professional to determine if your business or organization is holding unclaimed property, call 1-800-379-3999.

Fast Fact:

Reprinted from the PA Dept. of Revenue's website with the permission of the Department's Press Office

About \$222 million in rebates have been sent to 508,587 homeowners and renters through the Property Tax/Rent Rebate Program - that is 194,680 more households and \$101 million more than last year.

The Financial Pages

<u>Income & Expenses Year to Date</u> as of 11-30-07	<u>Balance Sheet</u>
REVENUES	ASSETS
Dues 10,871.82	Current Assets:
Incentive 76.75	Commercial Bank Checking 6101.17
Seminars 10,960.00	Commercial Bank Savings 8329.44
Text Sales 1918.51	Total Current Assets 14430.61
Interest 31.06	Accounts Receivable 0.00
Miscellaneous 2.56	Property and Equipment: 953.98
<u>TOTAL REVENUES 23,860.70</u>	Total Property and Equipment: 953.98
EXPENSES	Other Assets: 0.00
Newsletter - Postage 127.44	Total Other Assets: 0.00
Newsletter - Printing 333.33	Total Assets: 15384.59
Newsletter - Editor 800.00	LIABILITIES AND CAPITAL
<u>SUBTOTAL 1260.77</u>	Current Liabilities:
Admin – Officers 900.00	Scholarship Payable 655.00
Admin - Bank Fees 553.18	Total Current Liabilities: 655.00
Admin – Faxes, 456.72	Long-Term Liabilities:
Phone, Postage	Total Long-Term Liabilities: 0.00
Admin – Ofc Supplies, 137.49	Total Liabilities: 655.00
Photocopies	Capital:
Admin – Insurance 150.00	Retained Earnings: 12516.22
Admin – State Fees & 170.00	Net Income: 2213.37
Miscellaneous	Total Capital: 14729.59
<u>SUBTOTAL 2367.39</u>	Total Liabilities & Capital: 15384.59
BOD – Conf. Calls 484.00	
BOD – Mileage Reimb 2247.78	
BOD – Meals 307.24	
BOD – Meeting Fees 230.00	
BOD – Miscellaneous 185.50	
Committee Expenses 1108.79	
<u>SUBTOTAL 4563.31</u>	
National Conference 1236.99	
Eastern Region 2703.46	
Seminar	
Western Region 3833.04	
Seminar	
Annual Conference 5682.37	
<u>SUBTOTAL 13455.86</u>	
<u>TOTAL EXPENSES 21647.33</u>	
<u>NET INCOME 2213.37</u>	

Income & Expenses Year to Date

2008 PA-NATP Budget

DESCRIPTION	2007 Budgeted	2007 Actual	2008 Budgeted
INCOME			
Interest	30	31	30
Out of State Dues			
Dues	8600	10872	11000
Incentive	170	77	100
TMI Commissions	1500		
Printed Materials	4000	1919	2000
Regionals	9000	10960	11000
Vendors/Advertising			
Miscellaneous	0	3	
Charity			
TOTAL INCOME:	23300	23862	24130
EXPENSES			
Newsletter			
Postage	300	127	200
Printing	1600	333	400
Expenses	800	800	800
Subtotal	2700	1260	1400
Administrative			
Officer Reimb	900	900	900
CAC Dues	90		90
PEITOAC Dues			
Insurance	150	150	150
Audit	0		150
Faxes		22	
Bank Fees			
Charge Card Fees	500	553	600
Miscellaneous		100	250
Office Supplies	100	118	150
Copies	150	20	150
Telephone	600	99	300
Postage	120	335	400
Quickfinder			
PA State Fees		70	
Misc Mileage			
Subtotal	2610	2367	3140

DESCRIPTION	2007 Budgeted	2007 Actual	2008 Budgeted
Board Meetings			
Conference Calls	500	484	600
Mileage Reimb	5000	2248	4000
Meals	800	307	800
Meeting Fees	600	230	320
Miscellaneous		186	
Subtotal	6900	3455	5720
National Conference			
\$100 / attendee	1000	500	1000
Chapter Showcase	300	506	500
Miscellaneous	600	231	600
Subtotal	1900	1237	2100
Committees			
Executive		109	
Membership	300	158	300
Nominations			
Long Range Plan			
Conferences	5000	5682	5000
Regionals	3000	6537	6000
Speaker Fees			
Accreditation			
Public Relations	1500		
New Projector			2000
Charity			
Web Site		643	960
Scholarship			500
Printed Materials	1600	199	500
Subtotal	11400	13328	15260
TOTAL EXPENSES:	25510	21647	27620
NET INCOME:	-2210	2215	-3490

PA 40 Review of Basics

submitted by Kathryn Bowman, EA

This is the first in a series of articles reviewing basic facts of PA-40 preparation.

PA-40 Heading

Use the current address of the taxpayer, refund checks are not forwarded. Use the proper filing status (discussed later). Use correct school district and code. This is determined where you lived as of 12/31. Use code 99999 if you are not a resident of PA on 12/31. Using incorrect codes results in incorrect funding to school districts. PA does not have a "PA-40X". Fill in the oval if an amended return. Fill in the oval if taxpayer is a farmer and received at least 2/3 of their gross income from farming.

Filing Requirements

Residents, part-year residents and non-residents are required to file a PA-40 return if their PA source income is more than \$33, even if no tax is due. If your gross income is over \$33 but your net is under, you are still required to file. Age is not a factor.

Filing Status

You may be required to file a certain filing status because of your tax situation. Filing status "D" is a final return for a deceased taxpayer. A return must be filed in the year of death for a decedent. Separate returns must be filed if married. Filing status "F" is for a taxpayer who lived in PA but moved from PA and will not have any income after this year.

As of 1/1/05 PA does not recognize common law marriages. This does not affect common law marriages prior to that date.

Residency

One who lives in PA or has a residence in PA and spends more than 183 days within the state is considered a resident. A non-resident does not have a residence in the state, did not spend more than 30 days in the state and had a residence outside of PA for the entire year.

Military taxpayer's residence is established by their state of residence indicated on their military records, regardless of where the taxpayer actually lived.

Reciprocal Agreements

Agreements apply only to compensation received as an employee. The income is subject to tax in the state of residence, not the state where it was earned. PA has agreements with Maryland, Indiana, New Jersey, Virginia, Ohio and West Virginia. If a taxpayer has income in another state that does not have a reciprocal agreement with PA, the income is taxable to both states and a tax credit is available on the resident state.

Signatures on the PA-40

Every taxpayer must sign his or her return. If the return is for a dependent child, the child's parent or guardian should sign the child's name followed by the words, "By (sign your name), parent/guardian for minor child". The same is true for a disabled taxpayer. Sign the disabled person's name followed by the phrase, "By (sign your name), spouse/parent/guardian for disabled person".

If a deceased taxpayer is married, the surviving spouse should sign the deceased taxpayer's return followed by, "Surviving spouse". If the deceased taxpayer is single, the executor/executrix must sign the return followed by their title.

If the taxpayer has a POA, that person signs the return followed by, "POA". You must attach the IRS Form 2848.

In our office, we print out these phrases on colored paper, cut them out and paper clip them to the appropriate returns. Receptionists and clients can then readily understand how to sign the returns.

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PA-40 Review, cont'd

Filing the PA-40

There are four ways to file a PA-40. TeleFile uses a worksheet and the information is phoned to 888-472-3453. PA.Direct File transmits the return through the state's website. PA/IRS E-File transmits through a tax professional. A taxpayer can always snail mail a return. If serving in a combat zone, the taxpayer is allowed the same extension as the Federal. Print "Combat Zone" at the top of the PA-40.

Extensions are automatically granted for PA if you have been granted a Federal extension. Write the words, "Filed under Federal extension" on the top of your PA-40 and attach a copy of the Federal extension to the front of the return. If you owe taxes, you will need to file the PA Rev-276 and submit the payment along with the form.

Miscellaneous Information

PA has 16 district offices located across the state to answer our tax questions and help with our tax problems. The hours are 8:30-5. The PA Taxpayer Services telephone number is 717-787-1064. The Fact & Information line, 888-728-2937 will not be answered by a live person, but will allow you to do a number of items. You can order tax forms, check the status of your refund, estimated payments, or property tax refunds. You can get information on electronic options of filing and paying or information on the Special Tax Forgiveness Credit. PA has a "Package X" just like the Federal and can be ordered on the above 888 phone number. When you order it, you will receive it yearly. PA also has a publication, PA Resource Guide, similar to the IRS Publication 17. This can be viewed and printed (very lengthy) on the Department's website, revenue.state.pa.us. You can obtain copies of past-filed PA-40 returns by mailing a request to: PA Dept of Rev, Central Records, 12th Fl Strawberry Square, Harrisburg, PA 17128-1200.

Resource Enhancement and Protection Program (REAP) Credits

submitted By Dave Fleming, EA

Pennsylvania Act 55 of 2007 created the REAP credits which allows farmers and businesses to earn tax credits by implementing Best Management Practices (BMP) on agricultural operations that will enhance farm production and protect natural resources. Only projects completed after October 23, 2007 are eligible for the tax credits.

The REAP credit is a state tax credit that has three ways for a farmer to participate in the program:

1. Self participation- the farmer implements the BMPs and then takes the state tax credit against his own taxes.
2. Sell the credit- the farmer implements the BMPs and sells the credit to another PA tax payer.
3. Sponsor- The farmer works with a sponsor who finances the BMPs and the sponsor then takes the tax credit.

To qualify the farmer must meet several requirements. These include a current conservation plan, erosion and sedimentation control plan, and a nutrient management plan if required.

The tax credit ranges from 25% to 75% of the cost, depending on which practices are implemented. Also projects which receive cost sharing from other programs such as EQIP and Growing Greener must reduce the cost to reflect the other funding sources.

The State Conservation Commission will start accepting application on January 2, 2008 and any applications postmarked earlier than December 16, 2007 will be returned to the sender. Applications will be reviewed on a first come- first served basis and the first round of tax credits will be issued no later than June 30, 2008.

While the REAP credits generated quite a bit of buzz in the agriculture community when first announced, it doesn't appear that the mechanisms will be in place to utilize them for 2007 tax returns. Also with the

low income tax rate in PA, it would take several years for all but the highest income taxpayers to recoup the credit.

More information about REAP credits can be found on line at www.agriculture.state.pa.us.

Voluntary Disclosure

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The Voluntary Disclosure Program provides an opportunity for businesses and individuals who have recently become aware of their Pennsylvania tax obligations to voluntarily come forward. In return for coming forward voluntarily, filing their tax returns and clearing their tax debts, taxpayers are only responsible for the payment of tax and interest. All of the penalties for all taxes administered by the Department of Revenue will be waived when the requirements of the Voluntary Disclosure Agreement have been completed.

The program is only available to those taxpayers who are not registered with the department, and for whom no investigations or collection actions have begun.

The Voluntary Disclosure Program was created for individuals and businesses that have not met their tax obligations because they were not aware of them. Pennsylvania's Voluntary Disclosure Program offers one-stop service for all taxes. The department's liaison officer will work to make sure that all of the taxpayer's filing and payment requirements have been fulfilled. Taxpayers emerge from the program with a clean slate and on the right track.

For taxpayers accepted into the program, the responsibility for payment and filing of non-corporate taxes will be limited to three years plus the current year. This exposure limitation does not apply to Business Trust Fund Taxes (Sales and Employer Withholding) when the tax has been collected by a taxpayer, but not remitted. Taxpayers who failed to remit taxes collected must comply from the date the tax was collected. Taxpayers must file applicable returns and pay all tax and interest for periods covered in the Voluntary Disclosure Agreement. Penalties will be removed when all requirements of the agreement have been satisfied. Foreign and domestic corporations registered with the PA Department of State are only eligible for participation for non-corporate taxes.

For corporate taxpayers accepted into the program, the responsibility for the payment and filing of corporate taxes will be limited to five years plus the current year. Taxpayers are responsible for filing the applicable tax returns and payment of all taxes and interest.

Taxpayers not eligible to participate in the Voluntary Disclosure Program include the following:

Any taxpayer currently registered with the Department of Revenue in a non-filed or delinquent status for periods the taxpayer requests Voluntary Disclosure participation;

Foreign and domestic corporations registered with the PA Department of State are automatically Registered with the Department of Revenue, and these taxpayers are not eligible for participation for corporation tax liabilities. This does not preclude them from participating in the program for other types of non-corporate taxes; and/or

Any taxpayer currently under investigation by the department's Bureau of Audits or Discovery Division.

All of the following information must be provided in writing for the department to evaluate eligibility for participation in the program:

The type (s) of tax involved and the date the taxpayer's activities began in Pennsylvania.

A detailed description of the taxpayer's activities in Pennsylvania and the product sold/service provided.

An explanation of the taxpayer's failure to file and pay the applicable taxes in the past.

A statement that the taxpayer has not been contacted previously by the department concerning the tax liability.

A completed Business Activities Questionnaire (DEO-50), provided by the Voluntary Disclosure Office.

Cont'd on next page

Voluntary Disclosure, cont'd

All cases are reviewed by a Voluntary Disclosure Committee. Once approved, the taxpayer/representative will receive two copies of the proposed Voluntary Disclosure Agreement for signature. Any modification of this agreement will render it void. Both copies of the agreement must be completed and signed by the taxpayer or his/her authorized representative and returned to the department within 45 business days of the original mailing date. Ultimately, the agreements will be signed by the appropriate official of the department and, if required, by the appropriate official of the Office of the Auditor General. A signed copy will be returned to the taxpayer/representative with specific instructions for the filing of returns and payment. Appropriate forms will be provided.

Failure to comply with the terms of the agreement or other requirements of the program in a timely and accurate manner will render the agreement void. In such a situation, the taxpayer will be subject to all assessment action deemed appropriate by the department.

All correspondence, telephone inquiries and requests for the Business Activities Questionnaire (DEO-50) concerning the program should be directed to the Voluntary Disclosure Program, PA Department of Revenue, PO Box 281100, Harrisburg, PA 17128, or by phone at (717) 787-9832.

Alternative Minimum Tax

Submitted by Susan Greider, EA

Several decades ago, a law was passed to ensure that wealthy individuals, who could claim many itemized deductions and tax-sheltered transaction, paid at least some minimum tax each year. It was called the Alternative Minimum Tax (AMT). This tax was not indexed to inflation, so now it is about to affect 23 million unsuspecting middle class taxpayers with unintended higher taxes as a result.

For years Congress has been aware of this problem and has passed an annual patch in the law to extend the credits so that unintended taxpayers would not be affected by AMT. The number of potential taxpayers falling victim to AMT has grown so dramatically that a more complex fix is required this year, so it could take until early 2008. Congress has dragged its feet. Now, the House has passed one bill so far and the Senate another. Talk about working together!!

When they get a bill passed, it will take 7 to 10 weeks for Internal Revenue Service to fix its computer systems to reflect the bill. This means that IRS will not be ready to accept returns until February 15 at the earliest and could even be March 1. Won't that be fun for us??? This will mean unhappy clients for us – especially those who have refunds coming because the result will be delayed refunds. NATP has a letter on their website, which can be tweaked and used to meet your needs in notifying your clients. What a nightmare this will be.

Since our software companies should be ready well in advance of IRS, in our office, we are going to hand copies of the letter to our clients as they come in because we want to prepare tax returns on schedule and be ready when the IRS is.

There are several credits which expired at the end of 2007. This will affect another 25 million taxpayers because they will owe higher taxes. Some of these credits are the child tax credit, the child and dependent care credit, the foreign tax credit, and several others.

All of this will make for a very interesting filing season. HAVE FUN!!!! Remember to watch for enactment of these fixes and extensions of credits.

Domestic Production Deduction

Submitted by Howard Pachter, EA, PA

Brief Overview

Code Section 199 of the Internal Revenue Code was added by the American Jobs Creation act of 2004. This section provides a credit phasing in up to 9% against income for a manufacture's qualified production activities income from domestic sources or its taxable income, which is AGI for individuals, whichever is less. The deduction is limited to 50% of the w2 wages paid during the year. The deduction is available to all entities from C and S corporations and individual sole proprietors, even Partnerships, LLC's and estates and trusts.

DEDUCTION SUMMARY

- Step 1: Determine US Gross Profit from qualified activities.
- Step 2: Deduct Direct Expenses from qualified activities.
- Step 3: Deduct indirect Expenses from qualified activities.
- Step 4: Equals Qualified production activities income.
- Step 5: Compare to taxable income and use lesser amount.
- Step 6: Times rate for year (6% for 2007). Equals tentative deduction.
- Step 7: Compare to 50% of W2 wages Box 1 for Individuals.
- Step 8: Deduct the lesser of the tentative deduction or 50% of W2 wages.

This deduction is great for construction clients.

Revised Form for Employment Eligibility Verification

The United States Citizenship and Immigration Services has issued notice of a newly amended Form I-9, "Employment Eligibility Verification." Employers are required to use the Form I-9 to verify the identity and employment authorization of newly hired employees. The amended Form I-9 contains an updated list of acceptable identity and employment authorization documents that reflect the current regulations. As of November 7, 2007, the amended Form I-9 is the only valid version of the form. The Department of Homeland Security will not seek penalties against an employer for using a previous version of the Form I-9 on or before December 26, 2007.

Employers may access the amended Form I-9 (Rev. 06/05/07)N online at <http://www.uscis.gov>. In addition, a newly revised "Handbook for Employers, Instructions for Completing the Form I-9, (M-274)" is available online at <http://www.uscis.gov>. Because of its length, the revised M-274 will not be reprinted in the Federal Register. To order USCIS forms, call their toll-free number at 1-800-870-3676. The public can get USCIS forms and information on immigration laws, regulations and procedures by telephoning the National Customer Service Center at 1-800-375-5283.

What this country needs are more unemployed politicians.

-Edward Langley, Artist (1928 - 1995)

Reminders for Employers

Submitted by Susan Greider, EA

These are simple steps, but can eliminate problems down the road, so this is just a reminder to those of us who have been preparing these forms for many years.

The new I-9 forms have been released and must be used by all new employees, starting now. These are the forms we have to use for Homeland Security to be sure we are not employing illegal immigrants. They look basically the same; however, be sure you are using the most current form for your records.

It is time to start thinking about filing W-2's for employees. You can now verify Social Security numbers on the Social Security website. We are doing that for each of our clients to be sure they don't get letters about names and social security numbers not matching. The website is:

www.ssa.gov/bso/bsowelcome.htm.

Verifying your W-3 totals with 941s and 940s is another important step. Doing this can eliminate those letters from Social Security two years from now. Then don't forget to get new W-4s for each employee for the new tax year.

Happy processing!!

Make Time to Plan

If you haven't given much thought to your human resource needs and your budget for 2008, it's not too late. Unfortunately, some employers end the year without any plans for development programs or for recognizing the value their employees contribute.

Such lack of planning may contribute to higher turnover rates, especially as the new year begins and employees may begin to think about whether to remain with the company. Since the number of skilled workers continues to tighten, proactive employers may review their retention efforts.

An employer can help to prevent potential employee turnover by reviewing the past year and asking a few hard questions: What did we gain as an organization? Who are we? What are we offering all our people?

That review can help employers incorporate any improvement or change to support its retention efforts.

Next PA-NATP Event

In early to mid-June the Eastern Region Seminar will feature a hands-on workshop covering the basics of

RCT-101 for Single Member LLC's

Details will be made available as soon as they are finalized. Watch your email, check our website.

<http://www.panatptax.com/>

