Pennsylvania

NATP
National Association of Tax Professionals
www.natptax.com
PENNSYLVANIA CHAPTER
1-800-PA-NATP1
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PA-NATP NEWS

Volume 19, Issue 1 Spring 2007

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President's Message

Dear PA-NATP Members,

I would like to use this column to continue to encourage you, our members, to get involved in YOUR PA- NATP and stay active

Summer is closing in fast and the PA-NATP calendar is taking shape and heating –up. We don't want you to forget about us during the summer months.

We have numerous opportunities for you to get involved in PA-NATP activities.

Start by attending one of our upcoming seminars – the next seminar is June 21 and 22 and will be held in historic Valley Forge. Conveniently located near the Turnpike, Route 202 and the Blue Route, the accommodations are great and this event will be an excellent opportunity to network with other tax professionals.

Volunteer for a committee or help us plan a seminar!! Attend our National Convention to be held in July 23-27 in Las Vegas, Nevada!!

Regardless of your background or experience, we want every member to know that we truly welcome your input and we encourage you to call and become active in YOUR organizations future.

On behalf of the PA-NATP Board, I want to wish you and your families a safe and happy summer season. We hope to hear from you soon!!

Sincerely,

Sean J. Brennan CPA, MBA
President PA-NATP

~ ~

A Personal Invitation

Mr. Sean J. Brennan, CPA, MBA, Mr. Gary N. Smith, EA, CFP and the entire PA-NATP Board of Directors respectfully requests the honor of you presence at their Eastern Pennsylvania Seminar to be held on June 21^{st} & 22^{nd} at the Radisson Hotel, Scanticon/Valley Forge Convention Center, 1160 First Avenue, King of Prussia, PA.

The first day of this two-day event is intended to be a social affair affording attendees the opportunity to meet and become acquainted/reacquainted with their fellow PA tax professionals. Bus transportation will be provided from the hotel to the National Constitution Center in Philadelphia where a movie and tour of the Center will be offered. After lunch, which is included in the very reasonable fee, attendees will have a couple of hours on their own to explore the many area attractions. At 4 PM the bus will return everyone to the hotel where a light reception will be held. That evening members are welcome to attend a PA-NATP Board of Directors meeting.

The second day will begin with a continental breakfast and a morning devoted to IRS issues presented by Mr. Richard G Furlong, Senior Stakeholder Liaison, IRS SBSE Division. This session will be a somewhat free ranging discussion to include Circular 230 issues, IRS penalties and factors for asserting reasonable cause. After the included lunch, Mr. Nicholas Crocetti of CBIZ Accounting, Tax & Advisory Services will present a seminar on Choosing a Business Entity in Pennsylvania.

This promises to be a most entertaining and informative affair that offers 7 CPE credits as well. Please RSVP by returning the registration form that follows. We all look forward to seeing you there.

PA-NATP Board of Directors

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Synopsis of the January Board of Directors Meeting

A teleconference Board of Directors meeting was held on January 16, 2007 beginning at 9:30 AM. A total of 13 Directors participated.

The usual formality of approving the agenda was taken care of. The secretary was not present and the minutes of the previous meeting were unavailable so they could not be approved. The 2007 budget was discussed and approved. It included expenditures for the re-supply of Chapter tablets and a new mileage reimbursement rate.

A.C. Stickel reported on Local Tax issues, specifically the death of bill 1472 in the 2006 legislative session. A.C. plans to speak with Senator Eichellberger on future initiatives.

The newsletter was discussed and all agreed that it is a very important tool for communicating with the members. The letter the Secretary sent to the Editor regarding timely publication had not produced any results. Sam Wingard agreed to get an issue out by the end of the month. A desire was expressed for greater newsletter committee involvement with future issues.

Patti Blum, Membership Committee Chair, reported current Chapter membership stood at 863, down from 890 which reflects a normal seasonal fluctuation.

It was agreed that an order for 1000 tablets would be placed at a cost of $732.88.

It was also agreed that another Board teleconference would be held before the June meeting & seminar in King of Prussia. Details for the June, September and November seminars are to be firmed up before the teleconference.

The meeting adjourned at 11:00 AM.

The Financial Page

Income & Expenses

REVENUES		
Dues	4,045.00	
Incentive	51.75	
Conferences	19.61	
Interest	13.63	
Miscellaneous Receipts	2.56	
TOTAL REVENUES		4,132.55
EXPENSES		
Newsletter - Postage	15.75	
Newsletter - Printing	33.92	
Newsletter - Miscellaneous	200.00	
SUBTOTAL		249.67
Admin - Faxes	22.19	
Admin - Bank Fees	122.83	
Admin - Postage	0.87	
Admin - Telephone	46.95	
SUBTOTAL		192.84
BOD - Conference Calls	133.36	
SUBTOTAL		133.36
TOTAL EXPENSES		575.87
NET INCOME		3,556.68

In general, the art of government consists of taking as much money as possible from one party of the citizens to give to the other.
-Voltaire (1764)

Balance Sheet

ASSETS		
Current Assets:		
Commercial Bank Checking	7,767.83	
Commercial Bank Savings	8,305.07	
Cash on Hand	0.00	
Accounts Receivable	0.00	
Total Current Assets:		16,072.90
Property and Equipment:		
Total Property and Equipment:		0.00
Other Assets:		
Deposits	0.00	
Total Other Assets:		0.00
Total Assets:		16,072.90
LIABILITIES AND CAPITAL		
Current Liabilities:		
Accounts Payable	0.00	
Sales Tax Payable	0.00	
Total Current Liabilities:		0.00
Long-Term Liabilities:		
Total Long-Term Liabilities:		0.00
Total Liabilities:		0.00
Capital:		
Retained Earnings:	12,516.22	
Net Income:	3,556.68	
Total Capital:		16,072.90
Total Liabilities & Capital:		16,072.90

2007 CALENDAR OF EVENTS

Bold type = PA-NATP sponsored or cosponsored events
Italic type = National sponsored events

June 21	**National Constitution Center Bus Trip**	**Radisson Hotel**
	Board of Directors Meeting	**Valley Forge Convention Center**
June 22	**Eastern PA Regional Seminar**	**King of Prussia, PA**
June 25-26	*Final 1040 & Estate 1041 Workshop*	*Crown Plaza Valley Forge King of Prussia, PA*
July 12-13	*Intermediate Partnerships & Intermediate S Corp Workshop*	*Sheraton Reading Hotel Reading, PA*
July 23-26	*NATP National Conference*	*Caesars Palace Las Vegas, NV*
August 16-18	*Enrolled Agents Training Workshop*	*Renaissance Phila. Hotel Airport Philadelphia, PA*
September 13	**Board of Directors Meeting**	**Allegheny Valley Holiday Inn**
September 14	**Western PA Regional Seminar**	**Pittsburgh, PA**
September 28	**Western PA Working Together**	**Futules' Harmar House Cheswick, PA**
November 5-6	*Famous 1040/1040 Extra Workshops*	*Bel-Aire Clarion Hotel Erie, PA*
November 9-10	*Famous 1040/1040 Extra Workshops*	*Crown Plaza Valley Forge King of Prussia, PA*
November 12-13	*Famous 1040/1040 Extra Workshops*	*Radisson Hotel - Green Tree Pittsburgh, PA*
November 12	**Board of Directors Meeting**	**Holiday Inn Harrisburg West**
November 13	**PA-NATP Annual Conference**	
November 14-15	*Famous 1040/1040 Extra Workshops*	***Mechanicsburg, PA***
December 3-4	*Famous 1040/1040 Extra Workshops*	*Eden Resort Lancaster, PA*

A government big enough to give you everything you want, is strong enough to take everything you have.
-Thomas Jefferson

PA-NATP

Eastern Regional Seminar, June 21 & 22, 2007

Radisson Hotel @ Scanticon/Valley Forge Convention Center

1160 First Avenue, King of Prussia, PA 19406 (610) 337-2000

Hosted by Brennan & Associates
Sean J. Brennan, CPA, MBA
Gary Smith, EA, CFP

AGENDA – DAY 1

9:15 am *Sharp*	Bus departs the Radisson Hotel for a trip to the National Constitution Center
10:30 am	Movie and Tour at the Constitution Center
12:30 pm	Lunch at the Constitution Center (*cost included in registration*)
1:30 – 3:45	Free-time around Independence Mall
4:00 pm *Sharp*	Bus departs Constitution Center for return trip to Radisson Hotel
5:30 – 6:45	Light reception at the Radisson Hotel
7:00 pm	Board of Directors Meeting

AGENDA – DAY 2

7:30 – 8:15	Registration and Continental Breakfast
8:15 – 8:30	Welcome and Introduction
8:30 – 10:15	Circular 230 Issues - Navigating the IRS website Presented by Mr. Richard G. Furlong, Senior Stakeholder Liaision Internal Revenue Service, Small Business Self-Employed Division
10:15 – 10:30	**BREAK**
10:30 – 11:45	Navigating the IRS Website – continued IRS penalties and Factors for Asserting Reasonable Cause Presented by: Mr. Richard G. Furlong
11:45 – 1:00	**LUNCH**
1:00 – 2:20	Choosing a Business Entity in Pennsylvania Presented by Mr. Nicholas Crocetti, Director CBIZ Accounting, Tax and Advisory Services, LLC
2:20 – 2:30	**BREAK**
2:30 – 4:00	Choosing a Business Entity in Pennsylvania, cont'd.
4:00	**CLOSING**

REGISTRATION FORM

Please submit a separate form for each person attending. Payment must accompany registration.

Name: ___________________________________ Member #____________ First Time Attendee___Yes ___ No
Address: ____
____ Phone: ____
Check Enclosed **Payable to PA-NATP**: ____ Visa ____ MC ____ Card # ______________________________
Cardholder Name: ____
Billing Address: ____
____
Exp Date: _________ V Code (last 3 digits on back of card) ________
I authorize PA-NATP to charge my VISA/MasterCard for the above amount. All goods and services have been received and are in good order.
Signature: ____

Thursday Only	Postmarked Before June 5	___ NATP Member: $ 50.00	___ Non-member: $ 60.00
	Postmarked After June 4	___ NATP Member: $ 60.00	___ Non-member: $ 70.00
Friday Only:	Postmarked Before June 5	___ NATP Member: $ 100.00	___ Non-member: $ 125.00
	Postmarked After June 4	___ NATP Member: $ 120.00	___ Non-member: $ 145.00
Both Days:	Postmarked Before June 5	___ NATP Member: $ 145.00	___ Non-member: $ 175.00
	Postmarked After June 4	___ NATP Member: $ 175.00	___ Non-member: $ 200.00

Thursday’s fee includes bus transportation, lunch and evening reception.
Friday’s fee includes continental breakfast, lunch, breaks and materials. Both Day’s fee includes all.

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Mail to:
Or fax to: 724 837-9442
Questions call: 800-726-2871

Richard Miller
PA-NATP Treasurer
168 McCabe Drive
Greensburg, PA 15601

CANCELLATIONS/REFUNDS: You may cancel anytime prior to June 5. Cancellations after June 4 will be charged a $25 service fee. No refunds will be made after June 14. No refunds for no-shows however printed material will be mailed. Substitutions are acceptable at the same member/nonmember level.

HOTEL ACCOMADATIONS: A special sleeping room rate of $119 is available for attendees. For reservations call (888) 201-1718 or (610) 337-2000 and mention PA-NATP. Reservations should be made ASAP. The hotel is hosting a number of large functions and availability of rooms at this rate is very limited.

DRIVING DIRECTIONS: Sean@brennantax.com or www.mapquest.com

This program is open to anyone interested in increasing or reinforcing his or her knowledge in the subject areas. CPE Certificates will be distributed at the end of the program. Attendees will be responsible for reporting their CPE credits in accordance with their respective reporting requirements. To ensure the integrity of this program, attendance will be periodically monitored for late arrivals or departures and credits will be adjusted accordingly.

PA-NATP is registered as a sponsor of Continuing Professional Education for the Internal Revenue Service and the PA State Board of Accountancy which has final authority on the acceptance of individual topics for CPE credit. This program qualifies for 7 CPE Credits for Enrolled Agents under Treasury Department Circular 230, Section 10(g) and 7 Credits under Pennsylvania Code, Title 49, Chapter 11, Section 11.63. Each credit is based on a 50-minute credit hour. Field of Study: Taxation. Prerequisite: None. Level of Knowledge: Basic. Teaching Method: Seminar/ Lecture. Upon completion of this seminar you will receive a certificate of attendance.

AMERICANS WITH DISABILITIES ACT: In accordance with the ADA, please note any special needs you have on both the registration form and when making hotel reservations.

PLEASE SUPPPORT YOUR PA STATE CHAPTER
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Reflections on Tax Season Past

The following comments on the 2006 filing season are offered by PA-NATP Directors, past and present.

I would like to know if anyone had a normal tax season. Mine was horrible. Every five returns I did was a multi state. I had quite a few that I needed to file three to four states. Every other return on the average took me about 1/2 to 3/4 hours longer to complete, due to clients having more complex issues. It was also interesting how many clients gave us their phone bills for the past three years along with their bill for the energy efficient washing machine they purchased in 2006 (those were the funny ones). We even had one guy who insisted that his new multi fuel furnace qualified for the energy credit. Thank goodness my clients understand that I am trying to protect them from an audit and we did require them, on those questionable items, to contact the manufacturer. No one got real upset, but some really thought I was wasting their time. Then they realize how much time of mine they wasted.
Denise Madeira - Bernville

Our tax season went very well this year, especially since it was our first year for e-filing. My partner and I spent countless hours preparing for the upcoming e-filing season with a bit of hesitancy. We conferred with many seasoned e-filers - they all said go into it expecting problems, because you will definitely have them. Despite the doom and gloom, I think our experience went surprisingly well. I don't have official numbers, but I estimate that over half of our clients took advantage of e-filing and loved it! It does take extra time and effort on the preparer's part, however. The hardest thing was to get myself organized with a system. We have a total of 7 preparers in our office but only wanted one person to be in charge of e-filing. We went with a red, yellow and green folder system. Our red folder contains signed 8879's (returns ready to be e-filed); the yellow folder has 8879's that have been e-filed but are awaiting acks (acknowledgements); and the green folder is the finished and accepted 8879's. I would recommend this basic setup to anyone getting started. I am sure that as the seasons progress, we will further refine our system. We figured we had to start somewhere. I encourage all of you who don't e file to take the plunge - it is a scary one, but worth the effort!
Amy Gambler - Reading

The 07 tax season was very different for me since this was the first tax season of being an employee instead of owning the business. It was much less stressful and I actually had a life. I took off whenever I wanted, and when my work was done, I went home. I didn't think I would feel the full effect of selling the office until after tax season and I was right. Not having to be in the office each day makes a big difference. I LOVE it!!!!!!!!
Kathy Bowman - Myerstown

I had a rather unusual situation. A new client presented me with a 1099-MISC form from their school district showing non-employee compensation of over $8000. Upon questioning I learned that the school district has found it to be cheaper to pay some parents to transport their children to school rather than for the school district to provide transportation in this very rural area where it is miles between pick-ups. With further questioning I also learned that last year's preparer (a large national firm) had reported this amount on Sch C, deducted some vehicle expense and had the taxpayer pay SE tax on the net profit.

I didn't think this was right and thought I remembered a similar situation from when I started in taxes 25+ years ago but since I have such a terrible memory I couldn't recall the particulars so I called NATP research. The researcher was initially unsure and said she would consult with the other researchers. When she called back she said a 1099 should not have been issued in this situation and the easiest fix would be to get the school district to issue a corrected 1099. If that weren't possible then I should put it on the return and then deduct it citing Revenue Ruling 60-280,1960-2 CB 12, IRC Sec (s).61 I called the school district and then faxed them a copy of the Rev Ruling. Two days later we had corrected 1099 forms for both 2005 and 2006. This saved the taxpayer over $1800 in SE and income tax. Boy did I look good thanks to NATP Research! We all know word of mouth is our best advertisement and I'm sure this client will give me plenty of it.
Patti Blum - Sheffield

Report on the IRS/PA Tax Practitioner Liaison Meeting

Submitted by Sean Brennan, CPA, MBA

On May 8th, 2007 an IRS/PA Tax Practitioner Liaison meeting was held at the Philadelphia IRS Headquarters located at 600 Arch Street. This meeting marked the end of the 3rd year that Pennsylvania Liaison has been active and the start of the 4th year. The meeting was called to order at 9am and was attended by the following IRS and External Liaisons:

IRS

Brian Finn	Darlene Perez	Tina Wilson
Eileen Mesure	Andrea Escher	Andy Mettlen
Richard Furlong	James Beyer	

External

Ed Jenkins, PICPA	Marv Huttman, PSPA	Ron Wiener, PA Bar
Sean Brennan, PA-NATP	Jean Rigney, ASWA	

The meeting began with an introduction by each Liaison. The IRS flyer, containing the status of the pending and closed case items, from prior periods, was then reviewed. Several items of note that were discussed:

1. CP 2000 notices do not give enough time for a response prior to a client receiving a 90-day STAT notice. A recession of the STAT notice can be sought but it is difficult and cumbersome. The suggestion was to evaluate ways to ensure the CP 2000 time frame is not inadvertently reduced.
2. The suggestion of posting the phone prompts to the IRS website and the suggestion to eliminate input of a SSN or EIN on the phone, neither of which is considered by the IRS when you speak to an agent, will **not** be addressed by the IRS.
3. The ACS submission center in Philadelphia is closing in June of 2007. All payments previously sent to Philadelphia will be sent to Kansas City, MO.

I received no specific examples of systemic or administrative problems to report to the IRS. I did discuss the following issues with them:

1. The Tax gap and my view of the issue.
2. The need to involve the Tax Payer advocate to collect a refund, near the statute date, that is being denied.
3. Requested the ability to e-file, during the off-season, non-current year tax returns.
4. Voiced the concern, that was communicated to me, about the difficult precedent that was created when the IRS allowed users of the, “Pro Series” to gain additional time to file due to server problems.
5. Poor coding practices of 1099R’s distribution codes by banks and other institutions.

A presentation was made by Alex Basden regarding the “Financial Crimes Enforcement Act”. This topic concerned the Federal Governments efforts to thwart money laundering in the US. This individual will be available to speak on this topic at a future PA-NATP seminar.

The meeting adjourned at 12:25pm.

For a complete list of issues currently being considered and those that have been resolved, visit the IRS website http://www.irs.gov/businesses/small/article/0,,id=158507,00.html

The Issue Management Resolution System (IMRS) is a streamlined and structured process that facilitates stakeholder issue identification, resolution and feedback. IMRS captures, develops, resolves and responds to significant national and local stakeholder issues. When stakeholder organizations notify the IRS of concerns about IRS policies, practices and procedures, SL researches the issues to bring about resolution. IMRS also identifies nationwide trends in the reporting, filing and paying requirements that may necessitate changes to IRS processes and procedures. Progress on stakeholder issues is closely monitored to assure proper response and communication to the initiating stakeholder and all impacted stakeholders.

If you have issues, please report them to PA-NATP’s Liaison, Sean Brennan, sean@brennantax.com

Report on the Eastern PA Working Together Workshop

Submitted by Gary N Smith, EA, CFP

Have you ever wished you could give the sender of that pesky CP 2000 notice a piece of your mind? Tell him or her that the middle of March is NOT the time to send one? Have you ever wished you knew the exact right individual to call to help you solve a problem for one of your clients? Discuss a case with someone from the Taxpayer Advocate Service - in person? Put the tough questions to IRS and PA DOR people in a format where they have to answer in public?

Well, all this and more happened at the Eastern Pennsylvania Working Together Conference on May 23rd. Held at the beautiful campus of Philadelphia University, it's home for the past three years, the conference featured representatives from IRS, PA Department of Revenue and virtually all of the tax practitioner organizations, including PA-NATP.

The working together conference uses a panel discussion format. Each panel includes a representative from the appropriate taxing authority plus practitioners from the various practitioner organizations. This format can, and does, make sparks fly, answers clear and understanding deeper. The session on May 23rd, the seventh annual event, included panels on IRS field and office exam, civil and criminal fraud, IRS campus compliance programs and IRS collection procedures. The Pennsylvania Department of Revenue provided an update briefing.

The PA Treasury Department, which is separate from the revenue department, provided a briefing on unclaimed property and how to get yours back. Almost one in three Pennsylvanians is entitled to some amount of unclaimed property. You should visit their web site at www.patreasury.org and find out if you're one of them. A number of attendees at the conference did so and, to their pleasant surprise, found their names on the list.

Of course, the purpose of the Working Together conference isn't to put IRS people on the spot, although that certainly happens. The real purpose is to generate and foster a spirit of understanding and cooperation. And that happens too.

As keynote speaker Robert C. Wilkerson expressed it, the IRS gets to leverage us and we in turn leverage them. They get their word out through the practitioner organizations. We in turn get access to a level of the taxing authority that we otherwise wouldn't have. While all this leveraging is going on, a better understanding of the challenges faced by all emerges.

The working together concept is beginning to spread to other areas of the country. The two in Pennsylvania, one in the east and the other in the western part of the state, have been around for some years. But similar endeavors are appearing in other states - all modeled on the ones right here in Pennsylvania. If you haven't attended a Working Together conference yet, the western PA WT conference is scheduled for September 28, 2007 in Cheswick PA.

Over the years there has been a gradual improvement in the relationship between IRS and the practitioner community. At first, this was a slow and halting process. The establishment of the Stakeholder Liaison function at IRS set the stage for a giant leap forward. The Working Together conference format is that giant leap. I urge my fellow practitioners to attend these valuable sessions.

Western Pennsylvania Working Together Workshop Agenda Finalized

Be sure to reserve September 28th on your calendar. This is the date for this year's Western PA Working Together Workshop which will once again be held at Futules' Harmar House in Cheswick PA. Members will be sent registration details as soon as they are available. The Workshop has sold out the past several years so be sure to send in your registration early.

7:30-8:00	Registration and Breakfast
8:00-8:10	Opening – Administrative Items
8:10-9:00	Appeals and Exam and Liaison
9:00-10:00	PA & Federal Estate & Inheritance Tax
10:00-10:15	Break
10:15-11:05	Section 199 Updates
11:05-12:00	Keynote Speaker – Judge Peter J. Panuthos
12:00-12:50	Lunch
12:50-2:05	LLC Blockbuster
2:05-3:05	PA Revenue Panel
3:05-3:20	Break
3:20-4:00	Pension Plan Reform
4:00-4:30	Fed/State Corporate Piggyback Program

Act 1 Referendum Defeated! What Does It Mean?

An Editorial Comment

The resounding defeat on May 15th of the referendum to increase Local EIT rates in exchange for a reduction in real estate taxes would seem to be sending a strong message to Harrisburg. But what exactly is that message? Does it mean that residents do not want to see their real estate taxes go down? That doesn't seem likely.

This overwhelming rejection is all the more notable since retired individuals stood to gain the most from this legislation and it is generally an older electorate that votes, especially in the primaries. Perhaps the stunning rejection might have something to do with what we tax professionals in PA have been saying for a very long time. The current system of Local EIT collection is an abomination and feeding more money into this dysfunctional system makes absolutely no sense. Maybe now our august government leaders will realize that what the residents of our fair Commonwealth want is real and meaningful local tax reform. But I for one won't hold my breath waiting for that to happen.

Is your business connected?

Submitted by Paul Nolt

Solo Tax Professionals have two advantages, first no payroll, second no concern over what could go wrong it an employee makes a mistake! For the rest of us, do you have employees who read tax updates from their e-mail i.e. (NATP-Tax Pro Weekly)? Receive data from clients, work on it and send the data back? Remotely connect to clients' accounting software to help them out? Surf the web, or Google the Internet for out of states tax laws, instructions and maybe even the old fashion paper forms, (in PFD) to better understand the instructions?

Did you consider what could go wrong if your employee or HELP attaches the wrong client's file to that e-mail? Or sends the e-mail to the wrong client? Or opens a client file with a virus? Do you have any written policy about electronic commerce at work? Or are you like me, knowing you should do more to protect your company, and your clients' data but not sure where to start?

I just came across a web site that has a lot of helpful information, and I thought my fellow PA-NATP members could also benefit. The site is part of Ziff-Davis, the company who publishes PC-Magazine. PC-Mag is the only computer magazine I would get, if I could get only one. I've been a subscriber for over 10 years!

The page I'm describing is financed in part by St. Bernard Software, so yes it's got some shameless self promotion, but just like everything free on the internet, someone is footing the bill, expecting a payback from their "benevolences".

Here are the "white papers" you should know about;
E-Policy Best Practices Guide By Nancy Flynn Executive Director of The ePolicy Institute™ and St. Bernard Software™
Avoiding Legal Traps on the Web: Protecting Your Organization with Internet Filtering
Filtering the Spectrum of Internet Threats
Fighting the Hidden Dangers of Internet Access

The web site is http://www.webbuyersguide.com/landingzone/stbernardsoftware/ and yes you need to register to open or download the articles (for free). I've been a member for about a year, and they are a reputable organization. They let you uncheck the e-mail you don't want, so they don't spam you, and they don't sell your name. While you're there check out the buttons at the top of the page, for the rest of this site.

Don't overlook the reviews tab, it's a misnomer, the reviews are good, but what I really like is how you can search for products that match your specifications by so many different criteria. This is a great starting place to filter down to the models that have features you are looking for. Then you can comparison shop the price right from this review page.

Surf's up – enjoy.

Just because you do not take an interest in politics doesn't mean politics won't take an interest in you!
-Pericles (430 B.C.)

Business License Information Exchange Program Is Underway

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

The Commonwealth Business License Information Exchange Program, created by Governor Edward G. Rendell with Executive Order 2006-03, is to help ensure that people and businesses licensed by the state do not have unpaid state taxes.

The information exchange program will encourage economic growth by creating a level playing field for businesses. It will also help ensure that, whenever possible, the commonwealth does not issue a license, permit or registration to an entity that has failed to pay its taxes.

Under the Business License Information Exchange Program, state agencies under the Governor's jurisdiction will provide the Department of Revenue with information regarding the issuance or renewal of licenses, permits and registrations. The department will then verify that the entities seeking licenses, permits or registrations are compliant with their state tax obligations.

In addition to pursuing collection action against non-compliant taxpayers, Revenue will notify licensing agencies whenever it determines that a prospective licensee has a state tax delinquency. To the extent permitted by law, the licensing agencies shall impose appropriate enforcement action against prospective licensees for failure to comply with state tax laws.

The executive order required the Secretary of Revenue to establish a Business License Information Exchange Committee to oversee the program. The committee consists of representatives from the departments of Revenue and Labor and Industry, as well as the Office of General Counsel.

The executive order did not eliminate the need for legislation addressing this issue, since some state agencies may lack the statutory authority to withhold licenses, permits or registrations based upon non-payment of taxes.

The Revenue Department is expected to collect $3.2 million in previously delinquent taxes this fiscal year and $6.3 million during fiscal year 2007-08 from the new information exchange program.

PA UC Tax Tips from the UC Issues Update

Submitted by: Patti Blum

Tips are covered under what is known as the "catch-all" clause of the UC Law, Section 4 (x)(6), which states "…wages shall include all remuneration for services with respect to which a tax is required to be paid under any federal law imposing a tax against which credit may be taken for contributions to be paid into a state unemployment fund or which as a condition for full tax credit against the tax imposed by the Federal Unemployment Tax Act (FUTA) are required to be included under this act."

That provision stipulates that when FUTA covers something, it is by extension, automatically covered for PA UC. Since the FUTA covers "tips" as wages, it is also covered for PA UC tax purposes.

Adjusting Wage Reports for UC

To adjust or correct gross and taxable wages overstated or understated on a previously filed UC Quarterly Report, Forms UC-2X-*UC Correction Report,* and UC2AX-*Corrected Pennsylvania Gross Wages Paid to Employees,* are available online at www.state.pa.us, PA Keyword: unemployment. A link to downloadable forms is on the left side of the page. Forms are also available from your nearest UC Tax Services Field Accounting Service office listed in the blue pages of your telephone directory, or on the online map at www.dli.state.pa.us

Clarification
To PA Schedule G-S And PA Schedule G-L Instructions

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Line 4a, Tax due or assessed in the other state or country of Schedules G-S and G-L provide the following instructions:

> "Enter the amount of income tax reported to the other state or country as due and payable before any credits for taxes withheld, estimated tax payments, or other payments are taken into account."

To clarify, this amount is generally the tax liability as determined on the other state's return. However, any special tax credits awarded or claimed must be used to reduce this amount.

Line 4b, Tax paid in other state or country of Schedules G-S and G-L provide the following instructions:

> "Enter the amount of income tax actually paid to the other state or country in the form of estimated taxes, withholding taxes, extension payments, and other payments (additional assessments of taxes)."

To clarify, the other payments portion of this instruction includes payments that the taxpayer intends to make with the filing of the return if there is a balance due after application of estimated taxes, withholding taxes and extension payments. If a taxpayer does not make the payment of taxes due with their return or does not intend to make that payment, do not include the balance due on the return with this amount.

The Department of Revenue allows taxpayers to list "Various" on the Schedules G-S or G-L for interest and dividend income taxed in foreign countries.

In these cases, the Department of Revenue will also accept the Federal Form 1116 in lieu of the individual pages from Broker statements to support the taxes paid to the other countries. A spreadsheet showing the calculation of the credit on a country-by-country basis is also needed to support the credit claimed along with the Federal Form 1116. The statement showing the amounts of income, tax paid and credit calculated on a country-by-country basis may show the name of stock, type of income, or transaction taxed in lieu of the country's name.

Reminder Concerning Single Member Restricted Professional Companies

Act 67 of 2006 amended the Tax Reform Code of 1971 to exclude all Restricted Professional Companies, which are not classified as corporations for federal income tax purposes, from the definition of "Corporations" subject to Capital Stock Tax and Foreign Franchise Tax beginning Jan. 1, 2006. Prior to that date, only Restricted Professional Companies deemed to be limited partnerships were exempt from the tax.

With this change, Single Member Restricted Professional Companies are required to file all PA Corporate Tax Reports up to and including tax years beginning prior to Jan. 1, 2006. The Department is asking these taxpayers to notify it of their status by filing an Out of Existence/ Withdrawal Affidavit, REV-238. The individual completing the affidavit should enter "RPC" on the line normally used for the date business ceased and "Act 67 of 2006" on the line normally used for the date of the disposition of assets. By doing this the Bureau of Corporation Taxes will be able to close the account accordingly.

Cigarette Tax Enforcement Project

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The Revenue Department is stepping-up its cigarette tax enforcement efforts this fiscal year. Along with increased retail inspections to ensure that Pennsylvania retailers are only selling cigarettes bearing the necessary Pennsylvania cigarette tax stamps, the department is going to begin utilizing federal information on cigarette shipments.

A federal law (Jenkins Act, 15 U.S.C. § 375) requires out-of-state cigarette vendors to provide purchase and shipping information to state taxing authorities, such as the PA Department of Revenue, so that appropriate state taxes can be collected. The Revenue Department has been receiving information from out-of-state cigarette vendors and has a responsibility to use this information to collect the tax money that is due to the commonwealth.

Any person who purchases cigarettes over the Internet, by telephone or from out-of-state locations, and brings the cigarettes into state, is liable for Pennsylvania cigarette and use taxes – despite what some vendors falsely advertise. This also applies to cigarettes purchased from Native American Reservations.

Pennsylvania law allows residents to possess one carton of cigarettes not bearing the Pennsylvania tax stamp; however, the purchaser is still responsible for paying the appropriate cigarette and use taxes to the commonwealth. Possessing more than one carton of out-of-state cigarettes is a violation of state law. Depending on the quantity of illegal cigarettes a person or retailer possesses, he or she could be charged with a summary, misdemeanor or felony offense and sentenced to fines and in some cases imprisonment.

This fiscal year, the department will begin mailing letters, along with a **Consumer Cigarette Excise Tax Return (REV- 791),** to taxpayers who were identified as purchasing cigarettes over the Internet or via mail order without paying the appropriate Pennsylvania cigarette and use taxes.

Since 2004, the PA cigarette tax rate has been $1.35 per pack of 20 cigarettes (0.0675 per stick). The tax is imposed on the consumer, but cigarette-stamping agents apply tax stamps to the cigarette packs to indicate payment of the tax and are responsible for remitting the tax to the commonwealth. In addition to the cigarette tax, consumers pay a 6% sales and use tax on the retail purchase price of cigarettes, with an additional 1% local sales tax in Philadelphia and Allegheny Counties.

Pennsylvania-based businesses that sell cigarettes bearing the appropriate Pennsylvania cigarette tax stamp are at a competitive disadvantage against retailers that do not. By enforcing the cigarette tax laws of the commonwealth, the Department of Revenue is helping to ensure a level playing field among businesses.

The revenue generated from the state's Cigarette Tax goes to the Children's Health Insurance Program (CHIP) to provide health insurance to children of low-income families, the state's Agricultural Conservation Easement Purchase Fund used to preserve farmland and to the Health Care Provider Retention Fund for malpractice insurance.

For more information about cigarette taxes, visit the Department of Revenue's Web site at **www.revenue.state.pa.us**

Editor's Note: If you know or suspect that any of your clients are purchasing cigarettes out-of-state, you would be doing them a favor by informing them of this enforcement project. An April 24th article in the Pittsburgh Post-Gazette reported the case of a Washington, PA couple who received a $3000 bill from the Dept of Revenue for cigarettes purchased over the internet from the Seneca Nation of Indians. The article went on to say that the Department has sent notices to some 4300 individuals who the Department's records indicate had purchased 100 or more cartons of cigarettes from out-of-state sources.

Update On Non-Qualified Deferred Compensation

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The Department of Revenue, in a previous PA Tax Update article (April/May 2006, No. 120), provided guidance to employers and taxpayers with respect to deferrals and distributions from Nonqualified Deferred Compensation Plans. The employer requirements included providing plan participants with a letter stating the amount of elective deferrals previously included in PA taxable compensation on a year-by-year basis and new coding for W-2s beginning in 2006 to indicate the certain attributes with respect to the amounts of deferrals and distributions. Due to the IRS extension of their coding requirements for Box 12 of the W-2, the Department of Revenue advised employers that their requirements with respect to the new coding for Box 14 of the W-2s were suspended for tax year 2006. Employers were further advised that, even though they did not need to include the information on the W-2, they would still need to be able to provide the amounts of current year elective deferrals or current year distributions that may have been previously included in PA taxable income.

Taxpayers who do not have the information included on their W-2 with respect to deferrals or previously taxed distributions should complete and include with their PA-40 the new PA Schedule W-2 RW, Reconciliation Worksheet to provide the Department of Revenue with the information missing from the W-2s. Taxpayers and tax preparation professionals should include this new worksheet with the return at the time of filing to avoid delays in receiving any refunds they might be due. Returns received without the new worksheet will be put in a hold status until the worksheet is requested and received from the taxpayer. It is suggested that this new worksheet be completed and included with a PA-40 return any time the Medicare Wages on a W-2 do not match the Pennsylvania Wages on a W-2.

Qualified Tuition Program Contribution Deductions

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With Governor Edward G. Rendell's signing of the 2006-07 state budget, families are better able to pay for a child's college education thanks to a $25 million tax break.

Contributions to any qualified tuition program as defined in section 529 of the Internal Revenue Code (TAP 529), including those offered by other states, will be deductible from taxable income. The amount deducted for each designated beneficiary cannot exceed the annual limitation on gifts permitted by the Internal Revenue Code for purposes of federal estate and gift tax, which is currently $12,000. The deduction cannot result in taxable income being less than zero.

Distributions used for qualified higher education expenses, as well as undistributed earnings in the accounts, will not be taxable. Federally qualified rollovers between accounts and beneficiary changes will also not be taxable events for Pennsylvania purposes. Distributions that are not used for qualified higher education expenses are subject to tax. These changes will apply to tax years beginning after Dec. 31, 2005.

For more information about TAP contribution deductions or to submit a question, please visit the Department's **Online Customer Service Center** on the Department's Web site at **www.revenue.state.pa.us**.

1099R Reporting Requirements

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Beginning in tax year 2006, taxpayers receiving and reporting 1099R distributions on their state income tax returns are to report and include all 1099R distributions, regardless of whether or not the distributions are taxable to Pennsylvania, on PA Schedule W-2S, Part B.

This requirement is as a result of a Departmental review of 1099Rs filed by the payers of the distributions that included Codes 1 or 2 in Box 7 of the 1099R. While reviewing the tax returns of the individuals shown to have these types of 1099Rs, it was noted that a significant number of the taxpayers with distributions Coded 1 or 2 did not indicate that they had PA taxable compensation - particularly those with distribution Code 1. After following up with taxpayers and tax preparers, the Department learned that many did not think that they had taxable compensation to Pennsylvania in these circumstances, nor did they think they needed to include the information on their returns. Therefore, the Revenue Department decided to revise PA Schedule W-2S to require all 1099R information to be included regardless of whether or not the distributions result in any taxable compensation to Pennsylvania.

Taxpayers filing paper returns are required to include a photocopy of the 1099R with their return, regardless of whether or not there is PA tax withheld from the distribution. Taxpayers filing using the e-file method are not required to submit the 1099R form separately to the Department of Revenue. The Department of Revenue receives these documents along with the information it receives from the IRS as part of the Fed/State e-file program.

Form 1099Rs from annuities not considered to be employer sponsored retirement plans (annuities sold by insurance companies, brokers, banks, etc.) should not be listed on Part B of Schedule W-2S. The amount of income that is determined to be subject to tax for Federal Income Tax purposes for these types of annuities is to be reported as interest income for PA Personal Income Tax purposes as a result of Act 40 of 2005.

Tax Professional e-Services Center

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Client Data Access Area Now Available

The PA Department of Revenue is pleased to announce that the **Client Data Access Area** of the Tax Professional e-Services Center is now available.

Tax professionals who have filed their clients' Pennsylvania Personal Income Tax returns through the Fed/State e-File Program can now review their clients' Personal Income Tax data online. The client must first grant the tax professional Power of Attorney in order to access their information.

Tax professionals will need an approved PA e-Signature on file, their federal Preparer Tax Identification Number (PTIN) and an Electronic Filing Identification Number (EFIN) to access this area of the Tax Professional e-Services Center.

The Department mailed letters to tax professionals detailing the new capabilities of the Center and the rules for accessing the information. Direct link to the **Client Data Access Area**.

For questions concerning the Center, refer to the Department's Online Customer Service Center or call the Department at (717) 787-1392.