

Pennsylvania



National Association
of Tax Professionals
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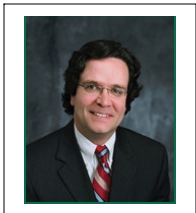
PA-NATP NEWS

Volume 20, Issue 3

Autumn 2008

President's Message

Dear PA-NATP,



As I write this column the Dow Jones is below 8500. We live and work in very turbulent financial times. This is a restatement of the painfully obvious. Knowing this reality should *cause* you to act differently in the times ahead. Notice I did not say REACT. Our collective goal should be to PLAN for the unexpected and not wait until such forces are pressing down. Reacting to change can cause one to make short-term temporary decisions. Such decision-making is counter-productive in the long-term. All of you are like me. You are in this profession for the long haul; so don't make short-term decisions. I believe that those of us who *responsibly* trim costs and tighten our belts, will be better positioned than those who, in a *panic*, cut costs too drastically.

Reactive cost cutting can lead to a reduction in service and can ultimately have a more pronounced negative impact in the long run. Let's face this reality... we are going to have significant pressure applied to us by our clients on our fees. We have to push back!! You cannot afford to let clients dictate fees and you can't afford to cut fees this tax season. In my opinion, this may lead to a "loss" of some business. If a client is going to price shop your service as if you were a food commodity, then this client doesn't value your service. Maybe it is time for some of these clients to go elsewhere.

I believe these times are an opportunity to sharpen the image and look at the way you provide your service. Imagine the client's experience of your business from their perspective, by using what you think of *YOUR OWN* doctor, lawyer, or architect experience. Draw the good from these experiences, just an item or two, and put these ideas to work. Spruce up your office; train your secretary in better phone etiquette. Be more punctual or friendly. Put out a local advertisement. You know best what you can improve upon. Focus on these self-improvement items, put away your falling stock portfolio statements, and strive to provide the best service you can this year. This will make more of an impact than retrenching or aggressive cost cutting. Always remember that the public looks to people they trust...people like YOU, in times of economic uncertainty. They should be willing to pay a premium, not a discount, for such quality.

Nothing under heaven lasts forever ... certainly not the bad. Focus on the things you can control and ignore the rest.

Good luck and God bless.

Sean

Western Regional Seminar Summary

Submitted by Justina Tushak, EA

The West seminar was held October 6, 2008 at Peek 'n Peak Resort in Findley Lake, New York. The conference was required to be located in New York State. New York Department of Taxation employees are not allowed to cross the state line to educate tax professionals about New York laws and procedures. The morning speakers presented New York issues for Pennsylvania residents. Suzanne Reusch, Outreach Specialist for NYS Department of Taxation, presented various topics including the new online mandate for individuals and businesses, updates for both individuals and businesses and the sales tax presumed vendor rules. Diane Marzec, Income Franchise Tax Auditor for NYS Department of Taxation, discussed the New York State audit procedure for individuals and businesses. She also discussed a Pennsylvania entity, with or without a physical location in New York, doing business in New York.

Pennsylvania Department of Revenue agent Terry Scutella and Taxpayer Assistance Technician Betty Simmons addressed the Pennsylvania side of a Pennsylvania individual or business with New York activity.

Bill Leonard from Berkheimer Associates spoke about local tax issues. He also spoke about the newly passed Act 32 Countywide Tax Collection Act.

Charles Potter, a partner at Pepper Hamilton in Pittsburgh, presented the topic Oil and Gas Taxation. Mr. Potter, an attorney and a CPA, concentrates in state and local taxation. His topics included federal and state treatment of sales of oil and gas, tax treatment of investors in drilling activities and tax treatment of holders of royalty interests.

Information about purchasing the instructional material from the West Seminar will be released shortly.

Celebrities Wanted:

Have you appeared on television, had articles published or spoken publicly with respect to tax topics? If so, the PA-NATP Chapter of the Year Application Committee wants to hear from you. One of the sections of the NATP Chapter of the Year application awards points for Chapter members who have published articles or spoken on taxes. Please contact Sean Brennan at sean@brennantax.com or Justina Tushak at justinatu@verizon.net if you have engaged in any such activity. Complete documentation is required. The committee prefers to receive the documentation throughout the year rather than at the June 1 deadline.

Philadelphia Revenue Department Introduces ReveNews

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A New Tax Newsletter

This month, Philadelphia Revenue Commissioner Keith Richardson introduced a new quarterly tax newsletter to feature information about [tax policy and administration in the city of Philadelphia](#).

The inaugural edition of ReveNews includes a welcome from Commissioner Richardson, information on tax rate changes, an update on tax collections, details of recently introduced incentives for growth, helpful links and more.

To subscribe to this e-newsletter, please e-mail ReveNews@phila.gov with "Subscribe" in the subject line.

Allocation of Mortgage Interest

Submitted by Fred Weaver, EA, ATA

I have been in many income tax audits over the years where the auditors insisted that interest on a farm mortgage must be allocated to personal mortgage interest based on the percentage that the original residence cost bears to the original purchase price of the farm. For example if the residence represented 20% of the original farm purchase price, 20% of the interest paid must be allocated to Schedule A over the entire life of the mortgage.

I was researching this issue for another tax associate and discovered that this approach conflicts with IRS regulations. Under Reg 1.163-8T(d)(1) all principal paid on a farm mortgage is first allocated to the residence portion of the loan. After enough principal has been paid to cover the residence cost, all future interest payments are 100% deductible on Schedule F as business interest.

It is significant that this Temporary Regulation first hit the books in 52 FR 24999, July 2, 1987 and was corrected in 62 FR 40269-40270, July 28, 1997. The regulation is effective for interest expense paid in taxable years beginning after December 31, 1986 (Reg 1.163-8T (n)(1)) and applies whenever loan proceeds are used to acquire both personal and business use property. The principal amount of the loan repayments are treated as repaid in the following order:

- 1) Personal
- 2) Investment and passive activities
- 3) Rental real estate with active participation
- 4) Former passive activities
- 5) Trade or business

A detailed example of how the process works is provided on Page 5-7 of the 1040 Quickfinder Handbook for 2007 which was the primary source of the above information.

Quick Reference Book Reminder

- The order forms for Quickfinder and TaxBook reference books are now available on the NATP website http://www.natptax.com/quick_reference_guides.html
- PA-NATP receives a nice donation from both of these companies when reference material is ordered on these specially coded order forms but only when ordered on these forms. So please remember when ordering you quick reference books to download and use only the coded forms, not ones that you receive in the mail.



PA-NATP Annual Conference & Membership Meeting

November 11 & 12, 2008, Holiday Inn Harrisburg West
5401 Carlisle Pike, Mechanicsburg, PA 17050

Tuesday Agenda

3:00 PM – Board of Directors Meeting

7:00 PM – Roundtable Discussions

E-File

Paperless Office

Practice Management

What can your chapter do for you?"

Wednesday Agenda

7:45 AM – Registration & Continental Breakfast

8:15 AM – Introductions

8:30 AM – Business Entity Selection

Louis T. Glantz, Esquire - Glantz Johnson & Associates

11:00 AM – Update on IRS Preparer Penalties

Sean Brennan, CPA, MBA – Brennan & Associates

12 Noon – Lunch & Annual Membership Meeting

1:30 PM – PA Personal Income Tax Update

David A. Braden, CPA - Assistant to the Director, PA Dept of Revenue

5:00 PM – Closing

CPE Credits available: 7 EA / 7 CPA

REGISTRATION FORM

Please submit a separate form for each person attending.

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: _____

Conference Fee	<u>NATP Member:</u> ___ \$ 89.00	<u>Non-member:</u> ___ \$ 119.00
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Check if planning to attend the Tuesday night Round Table discussions _____

~~~~~**detach Here**~~~~~

|                              |                      |
|------------------------------|----------------------|
| Mail to:                     | Richard Miller       |
| Or fax to: 724 853-8537      | PA-NATP Treasurer    |
| Questions call: 800-726-2871 | 168 McCabe Drive     |
|                              | Greensburg, PA 15601 |

**CANCELLATIONS/REFUNDS:** You may cancel anytime prior to Oct. 28. A \$25 service fee will be charged after Oct 27. No refunds will be issued for cancellations after Nov. 4 or for no-shows however printed material will be mailed. Substitutions are acceptable at the same member/nonmember rate.

**HOTEL RESERVATIONS:**  
A block of rooms have been reserved for PA-NATP at \$75/night. Call 717 697-0321 and mention PA-NATP. Rooms can also be reserved on the hotel's website <http://www.hiharrisburgwest.com/> at the internet rate of \$99.

**HOTEL LOCATION:**  
<http://www.mapquest.com/maps?city=Mechanicsburg&state=PA&address=5401+Carlisle+Pike>

This program is open to anyone interested in increasing or reinforcing his or her knowledge in the subject area. CPE Certificates will be mailed to all attendees. 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 early 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.

**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

## *Oil and Gas Lease Commonly Asked Questions*

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

In light of the recent increase in the number of oil and gas leases in the commonwealth, landowners may wonder what income tax implications are involved. The following questions and answers address these concerns and are available in the department's [Online Customer Service Center](#).

Q: Do I need to make estimated payments on the income received from my gas lease?

To avoid penalties and interest, you must make quarterly estimated tax payments if you have taxable income – not subject to employer withholding – over \$8,000 annually. To determine the amount of estimated payments you should make, see the Individuals Worksheet, REV-414(I).

Q: Can I deduct any expenses from my gas lease?

You may deduct expenses you paid or incurred during the taxable year that are ordinary and necessary for the production or collection of rents and royalties or the management, conservation or maintenance of rents, royalties, patents, copyrights and similar property.

Normally the only expenses that can be taken as deductions against rents or royalties for gas leases are property taxes and mortgage interest; however, these will need to be apportioned for the percentage of the land leased. See the PA-40 Schedule E instructions for other allowable expenses.

You may not deduct expenses for your own labor, capital investment or capital improvements. You recover costs associated with capital improvements through depreciation deductions. You may not deduct personal expenses or the part of any expense that is personal.

See also the PA Personal Income Tax Guide, [Chapter 13](#).

Q: What if I didn't receive gas lease money until the end of the year -- do I still need to make estimated payments?

When income is earned unevenly throughout the year, complete REV-1630. You should make your first estimated payment at the end of the quarter in which you determine you will receive in the year more than \$8,000 of taxable income not subject to withholding. The date the income is received during the taxable year is irrelevant to the payment of estimated tax.

Q: Is the money I receive from a gas lease taxable?

Yes, the income is taxable and should be reported on Line 6, Rents, Royalties, Patents or Copyrights of PA-40 Schedule E. Income paid under a gas lease is normally reported by the payer on Form 1099 MISC.

Q: I have a five-year gas lease and received one lump-sum payment for all five years. Can I carry income over to future years?

No, you must report rental/royalty income in full, in the year in which it is received.

Q: Once drilling begins on my land and I start receiving royalties, the land is no longer developable. May I depreciate the value of my land from the earnings?

As a general matter, land itself does not depreciate. Therefore, someone who leases land under an oil and gas lease may not claim a depreciation deduction for the land. If the landowner had existing equipment on the land for the production or extraction of oil or gas, which is included as part of the gas and oil lease, then he may be able to claim some depreciation for that equipment against his rental income.

There is no depreciation deduction for the removal of oil or gas, since that is covered by the depletion deduction. In the case of an oil and gas lease, the depletion deduction is apportioned between the lessor and lessee in accordance with federal income tax requirements.

See 61 [Pa. Code § 125.51\(c\)\(1\)](#) and [Chapter 23, Natural Resources](#), of the PA Personal Income Tax Guide for more information.

## *Clean Indoor Air Act*

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

### There's a new Air about Pennsylvania - Smoke-Free is now the Law!

On Sept. 11, the Clean Indoor Air Act went into effect, prohibiting smoking in most public places, including restaurants, workplaces and a portion of casino floors. Governor Edward G. Rendell signed the law in an effort to protect Pennsylvanians from the deadly health effects of secondhand smoke.

"All Pennsylvanians will benefit from the persistence of advocates and legislators who refused to quit working until we had joined dozens of other states in banning smoking in most public places," Governor Rendell said as he signed the law.

The act prohibits smoking in public places and workplaces. The bill allows for some exceptions, including private clubs, drinking establishments, tobacco shops and private residences (except those licensed as a child-care facilities).

The act also established and imposes penalties on establishments that violate the law by allowing smoking in prohibited areas, as well as individuals smoking in prohibited areas.

Prior to Sept. 11, establishments had 90 days to make changes to become compliant with the new law. During this time, the Pennsylvania Department of Health provided technical assistance to businesses with regard to implementation of no-smoking policies.

#### Exception application

Cigar bars, tobacco shops and drinking establishments may apply for exceptions from the Pennsylvania Clean Indoor Air Act if they meet the following criteria:

**Cigar Bar** – A location for which total annual sales of tobacco products – including tobacco, accessories, cigar storage lockers and humidors – totaled at least 15 percent of gross annual sales the prior year.

**Drinking Establishment** – A location for which food sales for on-premise consumption totaled 20 percent or less of gross annual sales the prior year.

**Tobacco Shop** – A location for which sales of tobacco and tobacco related products – including cigars, pipe tobacco and smoking accessories – totaled at least 50 percent of gross annual sales the prior year.

The Clean Indoor Air Act does not apply to private clubs, and therefore private clubs do not need to apply for exemptions to allow smoking inside. However, certain rules for smoking pertain specifically to private clubs, and these can be found at the Department of Health's [Clean Indoor Air Act Web site](#).

An establishment seeking exemption from the smoking ban must submit a completed [Application for Exception](#) to the Department of Health to obtain written approval.

All businesses are affected by the Clean Indoor Air Act and should refer to the [Compliance Toolkit](#) for helpful information regarding signage requirements, policy development and enforcement.

This fall, the Department of Revenue is developing a new schedule for drinking, cigar and tobacco establishments to report sales by product category. This form will be available in [e-TIDES](#) for sales and use tax filers, for the convenience of business owners who wish to apply to the Department of Health for exemptions from the smoking ban.

Individuals who believe establishments may be allowing smoking in violation of the Clean Indoor Air Act may report suspected violations to the Department of Health by submitting a [Violation Report Form](#).

To learn more about Pennsylvania's Clean Indoor Air Act, visit [www.health.state.pa.us](http://www.health.state.pa.us).

## *PA-40 Review of Basics - CREDITS*

The last in a series of articles reviewing PA-40 basics.

Written by Kathryn A. Bowman, EA.

Pennsylvania has two main credits for residents, the Tax Forgiveness Credit and the Resident Credit. Eight other credits are available, all from pass through entities.

### Tax Forgiveness

This is a credit that allows eligible taxpayers to reduce all or a part of their tax liability. It is computed on Schedule SP and attached to the return. You are eligible if:

1. You are subject to PA Personal Income tax.
2. You are not a dependent on another person's federal return.
3. You meet the eligibility requirements.
4. A dependent child may be eligible if he/she is a dependent on the PA Sch SP of his/her parents, grandparents, or foster parents.

Eligibility income is the PA taxable income with nontaxable income added from the list on the bottom of the Sch. SP. This total amount needs to be less than the amounts listed on the tax forgiveness chart based on the number of dependents and marital status of the taxpayer.

The nontaxable items that need to be added back to determine eligibility are:

1. Nontaxable interest, dividends, and gains.
2. Alimony
3. Insurance proceeds and inheritances.
4. Gifts, awards and prizes.
5. Nonresident income.
6. Nontaxable military income.
7. Gain excluded from the sale of a residence.
8. Nontaxable educational assistance
9. Cash received for personal use from outside your home.

Caution: Taxpayers will not qualify in the year they received life insurance and inheritance benefits, including cash and property. Another item commonly missed are the nontaxable payments to the taxpayers cafeteria plan for hospitalization, sickness, disability, or death, supplemental unemployment, or strike benefits and the value of the personal use of employer-owned or leased property.

### Resident Credit

A PA resident can receive a credit on his/her PA-40 for income tax, wage tax, or other tax paid to another state or country when the other state/country imposes its tax on income that is also subject to the PA Income Tax in the same year. Three schedules will help you complete this credit, PA Schedule G-S (short version), PA Schedule G-L (long version) and PA Schedule G-R (summary of all PA Schedules G-S and PA Schedules G-L. You can use the short version only if you have: PA taxable compensation that is also subject to tax in other states/countries OR PA taxable interest or dividend income that is also subject to tax in other countries from foreign sources. If you want to claim a resident credit on any other class of income subject to tax in another state/country or interest and dividend income subject to tax in another state, you must complete Schedule G-L.

Your credit is the lesser of: The actual tax due to the other state/country or the tax calculated using the PA classified taxable income that you received in the other state/country multiplied by the PA tax rate.

If you file PA Schedule G-S, you are required to submit:

1. Copies of a signed income tax return that you filed with the other state/country.
2. A copy of each W-2 that shows the compensation that the other states/countries taxed.
3. Copies of the federal K-1s showing amounts of foreign interest and dividend income subject to tax paid to foreign countries.
4. Any other documentation from brokers or banks showing the amount of foreign interest and dividend income subject to tax and the amount of foreign taxes paid.
5. A copy of Federal Form 1116 if you listed interest and dividend income from foreign countries as "various".

Caution: If you paid income tax to another country on a return that is in a foreign language, you are required to submit a translation of the return. The amounts need to be converted to U.S. dollars and you need to provide the conversion rate utilized.

Continued on next page

### *Credits*

Continued from previous page

#### Other Credits

The remaining credits available on the PA-40 are all from pass through entities. The credits are claimed on Schedule OC. A taxpayer and spouse must file separate PA-40 returns if one or both are claiming any of the following pass through credits:

1. PA Employment Incentive Payments Credit
2. PA Jobs Creation Tax Credit
3. PA Research and Development Tax Credit
4. PA Film Production Tax Credit
5. PA Organ and Bone Marrow Donor Tax Credit
6. PA Keystone Innovation Zone Tax Credit
7. PA Resource Enhancement and Protection Tax Credit
8. PA Neighborhood Assistance Tax Credit

### *Approved Third Party Vendors for Corporation Tax*

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

File your RCT-101 PA Corporate Tax Report, schedules and payments electronically using vendor software.

Listed below are software developers and products approved by the Pennsylvania Department of Revenue to electronically prepare and file PA Corporate Tax Reports (RCT-101), forms and schedules. Developers and products will be added to the list as vendors are approved. Contact the PA Department of Revenue at [corptaxefile@state.pa.us](mailto:corptaxefile@state.pa.us) if you have questions about the status of a specific software developer.

While the PA Department of Revenue promotes electronic tax preparation and filing, it does not endorse or recommend any specific company, its products or services.

Electronic tax preparation services are provided by independent commercial companies, and the scope of and approach to tax return preparation and filing vary among service providers. Please carefully read the information provided by each company to fully understand the service that it offers. Requests for assistance with the software must be directed to the individual service provider, not the PA Department of Revenue.

| Approved Software Vendors                                                        | Product Name | For More Information                                             |
|----------------------------------------------------------------------------------|--------------|------------------------------------------------------------------|
| CCH, a Wolters Kluwer business<br>9111 E Douglas, Suite 200<br>Wichita, KS 67207 |              | <a href="mailto:efile@prosystemfx.com">efile@prosystemfx.com</a> |

| Approved Software Vendors                                          | Product Name | For More Information                                                         |
|--------------------------------------------------------------------|--------------|------------------------------------------------------------------------------|
| CS Professional Suite<br>7322 Newman Boulevard<br>Dexter, MI 48130 | UltraTax CS  | <a href="http://www.cs.thomson.com">www.cs.thomson.com</a><br>1-800-968-8900 |

| Approved Software Vendors           | Product Name | For More Information                                                   |
|-------------------------------------|--------------|------------------------------------------------------------------------|
| CCH Small Firm Services<br>Tax Wise | Tax Wise     | <a href="http://www.taxwise.com">www.taxwise.com</a><br>1-866-345-4171 |

## *Sales & Use Tax: 12 Common Questions & Filing Errors*

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

The increasing popularity of electronic filing has dramatically decreased the number of filing errors in sales and use tax. However, some common questions and filing errors remain for some small businesses.

Below, we've identified the most common sales and use tax questions and filing errors for businesses and provided information to help your business file and remit taxes accurately and on time.

**Q: How do I register my business with the Department of Revenue for sales and use tax?**  
Any business in Pennsylvania that sells, rents or leases taxable products or services must register with the department to collect and remit sales tax. To register, the business must complete an Enterprise Registration Form (PA-100) to obtain a free Sales, Use and Hotel Occupancy Tax License. A business may register online at [www.paopenforbusiness.com](http://www.paopenforbusiness.com) or obtain a paper form at [www.revenue.state.pa.us](http://www.revenue.state.pa.us) or by calling 1-800-362-2050.

**Q: How often do I have to file and pay my business sales tax?**  
Businesses are required to report and remit sales tax quarterly for the first year they are licensed with the department. Following a business' first year licensed with the department, filing frequency will be determined annually by the amount of sales tax collected. The department will notify a business of any change in filing frequency. Note that a common filing error results when a business fails to change filing practices when the department changes filing frequency for the business. For example, if a business' filing frequency changes from quarterly to monthly, but the taxpayer continues to file every three months, the business becomes noncompliant. To avoid this filing error, be sure your filing period is consistent with the filing frequency and period for which you intend to report.

The easiest way to file and pay taxes is electronically. Register your business on the department's Web site, and file and remit payments conveniently and securely. Or you may file electronically using the toll-free TeleFile phone service at 1-800-748-8299. For more information on electronic filing and payment options, call the e-Business center at 717-783-6277.

**Q: How do I report local sales tax?**  
Businesses in Allegheny and Philadelphia counties must collect, remit and report 1 percent local sales tax in addition to the 6 percent state sales tax. Local and state sales tax must be reported separately. A business filing with [e-TIDES](#) must select Allegheny and/or Philadelphia on the "Filing Options" screen to get the appropriate column to file local taxes, and TeleFile filers must select the appropriate local tax when prompted.

**Q: I kept detailed sales tax records and reported sales tax accurately on my timely-filed return, so why did I receive a tax assessment reflecting double the tax, plus penalty and interest?**  
Some taxpayers erroneously enter the sales tax amount on Line 3 and Line 6 (use tax) of the return, thereby doubling tax liability for the business. So while you may have paid the total amount of sales tax collected, your return indicates you should have paid double that amount. To resolve such a matter, simply call the department at 717-787-1064 and ask to speak to a tax examiner regarding your account.

**Q: I know I tracked and paid my use tax liability correctly, so why did I receive an assessment?**  
Some taxpayers erroneously list the purchase prices of items subject to use tax instead of the use tax amount on returns, resulting in an overstatement (i.e., underpayment) of use tax. List only use tax due on Line 6 of the return.

**Q: I'm trying to satisfy my business tax liability, but I received another assessment. What's going on?**  
Taxpayers who are assessed penalty and interest for a late return often file amended returns including penalty and interest fees in the tax amounts. Doing so does not resolve your liability, but rather causes a

new tax assessment to be issued because the total tax due is over-reported on the amended return. When paying penalty and interest, remit payment along with the voucher attached to the assessment. Taxpayers who file electronically may use the "Make a Sales Payment" option in [e-TIDES](#) to pay interest and penalty for a single period.

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## *Sales & Use Tax*

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Q: My business was closed for the season. Do I still have to file sales tax returns?

Yes, you must file a "zero" return. Businesses are required to file returns for all periods, including those where no sales or use tax is due.

Q: I electronically filed my business return, but I got a non-filer notice from the department. Why?

If you began filing online or by telephone, but exited the system before completing the entire filing process, the return was not accepted. When filing with [e-TIDES](#), taxpayers should check the status of returns before exiting by clicking "View Filing History" to be sure a return is classified as "submitted," "processed" or "complete." TeleFile provides a confirmation number once a return is filed, assuring the process has been completed successfully.

Q: How do I calculate sales tax on an item a customer purchased with a coupon?

If you have the capability to link coupons to specific items on receipts, you may charge sales tax on the lower, after-coupon price. However, if your system does not link a coupon to a specific item, state law requires you to charge sales tax on the full purchase price of the item. For more information, review [Chapter 33](#) of the Pennsylvania Code.

Q: How do tax-exempt certificates work, and can I be held accountable for accepting a misrepresented exemption certificate?

Qualifying entities can use exemption certificates, available online or from Revenue's Forms Ordering Service. By presenting these certificates at retail locations, the entities can have sales and use tax waived. A seller or lessor who accepts in good faith an exemption certificate disclosing a proper basis for exemption is relieved of liability for collection/payment of tax on transactions covered by the certificate. However, the seller or lessor must be reasonably sure the exemption does not contain information that is knowingly false, is consistent with the activity of the purchaser, is properly completed and is on file at the retailer. For example, a retailer that accepted a certificate provided by an oil company claiming a resale exemption for a television purchase would likely be liable for the sales tax on the television, as the exemption does not provide a valid basis for exemption.

Q: When is sales tax due for items purchased from my store with credit: at the time of purchase, or when I am paid?

Sales tax must be reported on an accrual basis, when an item is invoiced. Just as sales tax is required to be collected on the entire purchase price at the time the purchase is made, the sales tax should be reported and paid in the same filing period.

Q: Where can I find more information on sales and use tax?

The three primary resources for sales and use tax are the [Sales and Use Tax Brochure \(REV-585\)](#), the [Retailer's Information Guide \(REV-717-AS\)](#) and the [Starting a Business in Pennsylvania Guide \(REV-588\)](#). All are available on the [Revenue Web site](#) or by calling 1-800-362-2050. Another good source of sales and use tax information are legal letter rulings from the department, found on the Revenue Web site under the ["Legal/Legislative Information"](#) link.

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.

## *The Financial Page*

### Income & Expenses Year to Date

as of September 30, 2008

#### REVENUES

|                   |             |
|-------------------|-------------|
| Dues              | 6,331.94    |
| Incentive         | 76.75       |
| Printed Materials | 1,368.51    |
| TMI Commissions   | 1,880.00    |
| Seminars          | 6,360.00    |
| Interest          | 24.11       |
| Miscellaneous     |             |
| Receipts          | <u>2.56</u> |

TOTAL REVENUES 16,043.87

#### EXPENSES

|                       |               |
|-----------------------|---------------|
| Newsletter - Postage  | 86.44         |
| Newsletter - Printing | 248.53        |
| Newsletter -          |               |
| Miscellaneous         | <u>400.00</u> |
| SUBTOTAL              | <u>734.97</u> |

|                     |               |
|---------------------|---------------|
| Admin - Faxes       | 37.31         |
| Admin - Bank Fees   | 264.33        |
| Admin - Postage     | 18.42         |
| Admin - Telephone   | 86.25         |
| Admin - Photocopies | 2.25          |
| Admin - State Fees  |               |
| & Miscellaneous     | <u>170.00</u> |
| SUBTOTAL            | <u>578.56</u> |

|                    |                |
|--------------------|----------------|
| BOD - Conf. Calls  | 484.00         |
| BOD - Mileage      |                |
| Reimb              | 990.50         |
| BOD - Meeting Fees | <u>90.00</u>   |
| SUBTOTAL           | <u>1564.50</u> |

|                     |                 |
|---------------------|-----------------|
| National Conference | 620.60          |
| Eastern Region      |                 |
| Seminar             | 2,703.46        |
| Western Region      |                 |
| Seminar             | <u>3,756.60</u> |
| SUBTOTAL            | <u>7080.66</u>  |

TOTAL EXPENSES 9958.69

NET INCOME 6,085.18

### Balance Sheet

#### ASSETS

##### Current Assets:

|                          |             |
|--------------------------|-------------|
| Commercial Bank Checking | 9,810.80    |
| Commercial Bank Savings  | 8,360.88    |
| Accounts Receivable      | <u>0.00</u> |

Total Current Assets: 18,171.68

##### Property and Equipment:

|                        |                |
|------------------------|----------------|
| Equipment              | 2414.10        |
| Equipment - Accum Depr | <u>-191.00</u> |

Total Property and Equipment: 2,223.10

##### Other Assets:

|          |             |
|----------|-------------|
| Deposits | <u>0.00</u> |
|----------|-------------|

Total Other Assets: 0.00

Total Assets: 20,394.78

#### LIABILITIES AND CAPITAL

##### Current Liabilities:

Total Current Liabilities: 0.00

##### Long-Term Liabilities:

Total Long-Term Liabilities: 0.00

Total Liabilities: 0.00

##### Capital:

|                    |                 |
|--------------------|-----------------|
| Retained Earnings: | 15,169.22       |
| Net Income:        | <u>5,225.56</u> |

Total Capital: 20,394.78

Total Liabilities & Capital: 20,394.78

*Synopsis - PA NATP Board of Directors  
Telephone Conference Meeting July 16, 2008*

President Brennan thanked everyone for attending the meeting.

Justina circulated the minutes from the May 9, 2008 Board meeting via email.

Rich circulated the Profit and Loss Statement and the Balance Sheet via email. President Brennan purchased the equipment and a trunk as discussed at past meetings.

Gary will begin working on the upcoming Board vacancies.

The Public Relations committees would like to have a meet and greet in the fall. It will be in the Wilkes-Barre – Scranton area.

There was discussion about the website. The address is [www.panatptax.com](http://www.panatptax.com). The website will be updated on a continuous basis.

Justina presented the first Dave Knickerbocker Scholarship award.

The East seminar was held June 4, 2008 in Valley Forge, PA. There were 95 attendees. The topic was the RCT-101.

The West seminar committee has been meeting and discussing the details of the seminar. The seminar will be held in the Erie area on October 6, 2008.

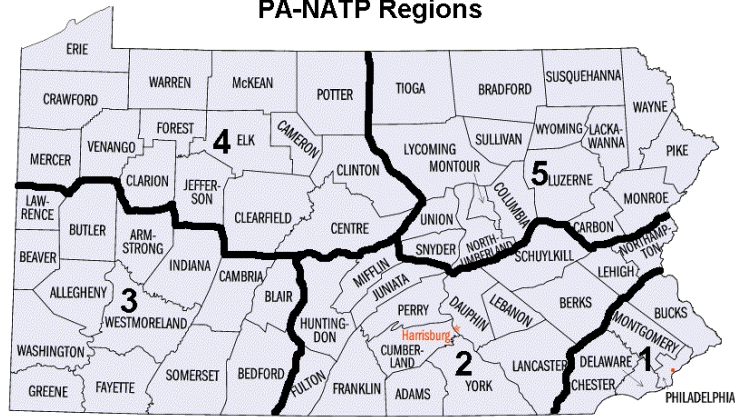
The Annual seminar will be held in Harrisburg on November 12, 2008. Details will be available in the future.

President Brennan discussed the dissolution of the CAC at Annual conference in Atlanta. The Chapter participated in the Chapters on Parade event one evening during Annual convention. The Chapter submitted an application for Chapter of the Year. We received Honorable Mention.

President Brennan stated Paul Nolt has decided to leave the Board. A motion was made to thank Paul for his years of service and time spent on the Board. We will try to fill the vacancy with a person from this same region.

Submitted by,  
Justina Tushak

## PA-NATP Regions



## *PA-NATP Board of Directors*

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| <p style="text-align: center;"><u><i>Region 1 (Philadelphia)</i></u></p> <p>President - Sean Brennan CPA MBA (08)      800-726-2871<br/>Philadelphia, PA 19119<br/>sean@brennantax.com</p> <p>Charles C. Evans Jr. (11)      610-873-2073<br/>Downingtown, PA 19335<br/>evansjrc@aol.com</p> <p>Gary N. Smith, EA, CFP (09)      610-275-1774<br/>Blue Bell, PA 19422<br/>gary@garynsmith.com</p> <p style="text-align: center;"><u><i>Region 2 (South Central)</i></u></p> <p>Patricia Turner, EA (09)      717-299-1686<br/>Lancaster, PA 17603<br/>ptytrnr@comcast.net</p> <p>Susan Greider, EA (08)      717-464-2951<br/>Willow Street, PA 17584<br/>susan@greiderstax.com</p> <p>VACANCY</p> <p style="text-align: center;"><u><i>Region 3 (South West)</i></u></p> <p>Treasurer - Richard L Miller, CFP (08)      724-853-8536<br/>Greensburg, PA 15601<br/>rlmillergbg@msn.com</p> <p>A.C. Stickel (08)      814-944-9000<br/>Altoona, PA 16602<br/>acstickel@abstaxshelter.com</p> <p>Samuel Wingard (09)      814-257-9962<br/>Dayton, PA 16222<br/>sam1040@alltel.net</p> | <p style="text-align: center;"><u><i>Region 4 (North West)</i></u></p> <p>1<sup>st</sup> Vice President - Patti Blum (09)      814-968-5919<br/>Sheffield, PA 16347      widders@penn.com</p> <p>David Fleming, EA (08)      814-764-3371<br/>Fairmount City, PA 16224<br/>dmfleming@pfb.com</p> <p>Secretary - Justina Tushak, CPA, EA (09)      814-456-1040<br/>Erie, PA 16508<br/>justinatu@verizon.net</p> <p style="text-align: center;"><u><i>Region 5 (North East)</i></u></p> <p>2<sup>nd</sup> Vice President - Amy Gambler, EA (09)      610-921-1430<br/>Reading, PA 19605<br/>akg@killianandgambler.com</p> <p>Kathleen J. Kramer, EA (09)      412-824-4060<br/>Pittsburgh, PA 15221<br/>KathyJKramer@comcast.net</p> <p>Howard M. Pachter EA PA (11)      570-343-9910<br/>Scranton, PA 18510<br/>hpachter@aol.com</p> <p style="text-align: center;"><u><i>At Large</i></u></p> <p>Kathryn Bowman, EA (11)      717-273-2742<br/>Lebanon, PA 17042<br/>kbowmanea@comcast.net</p> <p>Historian - Angela Leasure, EA      800 343-TAXX<br/>Erie, PA 16509      TAXAL@AOL.com</p> <p>Delegates - Jeff Cohick      717 249-5321<br/>Carlisle, PA 17013      jcohick@cohickassoc.com</p> <p>Denise E Madeira, EA      610-488-0295<br/>Bernville, PA 19506      dmade42323@aol.com</p> |
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## *2008 CALENDAR OF EVENTS*

PA Chapter events are in bold type. Events presented by National office in regular type.

|                            |                                                                                                                                         |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Oct 31-Nov 1               | Essential 1040 & Beyond 1040 Workshops<br>Pittsburgh PA                                                                                 |
| November 11<br>November 12 | Board of Directors Meeting & Round Table Discussions<br>PA-NATP Annual Conference & Membership Meeting<br>Holiday Inn, Mechanicsburg PA |
| November 17-18             | Essential 1040 & Beyond 1040 Workshops<br>Lancaster PA                                                                                  |
| December 1-2               | Essential 1040 & Beyond 1040 Workshops<br>Mechanicsburg PA                                                                              |
| December 3-4               | Essential 1040 & Beyond 1040 Workshops<br>Fort Washington PA                                                                            |