PENNSYLVANIA SOCIETY OF TAX & ACCOUNTING PROFESSIONALS

PENNSYLVANIA ACCOUNTANT

THE MAGAZINE OF THE PENNSYLVANIA SOCIETY OF TAX & ACCOUNTING PROFESSIONALS [WWW.PSTAP.ORG] OCTOBER 2014

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2014–2015 LINE OFFICERS WERE INSTALLED AT THE PSTAP ANNUAL MEETING IN MAY 2014 AT THE RADISSON HOTEL & CONVENTION CENTER, CAMP HILL.

(left to right) Andrew J. Piernock, NSA State Director conducted the installation. Richard Kelly, CPA, was installed as Second Vice President. Arlan Christ, EA, was installed as President Elect. Brenda Milovich, CPA, was installed as Treasurer. Maureen Christy, CPA, was installed as Secretary. Absent from the photo, Frank H. Kelly, EA was installed as First Vice President.

«

A MESSAGE FROM THE PRESIDENT

Greetings to everyone as PSTAP begins another year! I would like to begin by thanking Irv Braunstein for his year of service as President. It is with great anticipation that I look forward to the year ahead and working with the Executive Office, line officers, Executive Board, and committee chairs to continue the hard work of the Society.

GREETINGS TO EVERYONE AS **PSTAP** BEGINS ANOTHER YEAR!

As we all work in our offices to complete extensions, our seminar season is in full swing. August was our PSTAP "Meet in the District" month. All members are encouraged to meet with their local elected officials at their district offices if they haven't done so already. This is the best way to get to know your House and Senate member. The main topic of conversation should be the Department of Revenue's new policy regarding Unreimbursed Employee expenses and PSTAP. Make sure to schedule a meeting by September 20 when they return to session in Harrisburg.

In my President's installation speech and subsequent message to attendees at our Annual Meeting, I made it known that my goal is to visit every chapter during my term in office. I have already scheduled some meetings and appeal to our chapter presidents to contact Sherry or myself to schedule a visit, if we have not already done so. I have prepared a two hour presentation on the new CPA law including recent and proposed changes that I will be glad to present if a chapter is in need of a program during a Chapter meeting.

PSTAP will be holding PA Department of Revenue tax seminars in various locations around the state. More information is available on our website.

If you want to attend this or any PSTAP sponsored seminar for free, all you have to do is recruit one new member to the society. Tell a colleague about the value of membership in PSTAP and get them to join. It's that simple. Contact the executive office for more information about the program.

Planning is underway for the annual Q&A with the PA Department of Revenue. Any member with a systemic issue that needs to be addressed should e-mail Executive Director Sherry DeAgostino at sherry@pstap.org to have the issue placed on the meeting agenda.

Planning is also underway for our next Annual Meeting at Mohegan Sun Pocono Downs casino outside of Wilkes Barre, PA. Mark your calendars now for June 18-21, 2015 and make plans to attend. Because of timing and scheduling problems, we were not able to hold our first annual practice management retreat. We are instead planning to hold events in conjunction with the Annual Meeting. Watch for details in the coming months.

Speaking of conventions, I attended the NSA National Convention in Baltimore, MD from August 20-24. State Director Andy Piernock has details in his message.

Throughout my term, PSTAP will continue to focus on representing the independent practitioner both licensed and unlicensed, with the legislature, PA Dept. of Revenue, Internal Revenue Service, and local taxing authorities. The Executive Office is ready and willing to serve all members and my phone line is always open to any questions, comments, or concerns you have for the organization.

Respectfully Submitted,

Neil C. Trama

Neil C. Trama
PSTAP President

ANNOUNCEMENTS, UPDATES AND GENERAL INFORMATION

ATTENTION PUBLIC ACCOUNTANTS – MAY WANT TO DELAY PTIN RENEWALS UNTIL AFTER NOVEMBER 1, 2014

Unlike many states, Pennsylvania Public Accountants have a licensed credential that is equivalent with that of a CPA license in our state. In addition, Pennsylvania Public Accountants (even without an Enrolled Agent credential), like Certified Public Accountants are recognized Circular 230 practitioners. Because Pennsylvania is unique in this regard (only three other states share this commonality) there is not a box on either the initial PTIN application nor the PTIN renewal form to indicate this status. Public Accountants in Pennsylvania should check the 'CPA' box on the PTIN Renewal Application. Our members have been advised accordingly since PTIN registration first became mandatory.

This year, the Return Preparer Office of IRS has audited all practitioners who hold a state credential to ensure these practitioners do in fact have an active, valid license in their respective state. Unfortunately the RPO office was not properly informed of the nuances with Pennsylvania Public Accountants and has issued 'Professional Status Verification Letters' to those Public Accountants who have renewed their PTINS due to the discrepancy between the CPA and the PA license. Once the PSTAP became aware of this issue we addressed it with IRS RPO and provided them with the necessary documentation from IRS Legal Counsel which grants Circular 230 practitioner status to Pennsylvania Public Accountants in good standing. We have been told that the staff within the IRS RPO are being educated regarding this issue and no further letters should be issued.

If you are a Public Accountant who has received this letter, you should contact the IRS point of contact listed at the top of the letter and inform them that as a Pennsylvania Public Accountant you are a Circular 230 practitioner. Please also contact our office at 1-800-270-3352 to let us know that you received the letter so that we can send the Memo from IRS Chief Counsel that addresses the issue.

We advise PSTAP members who are Public Accountants to wait to renew your PTIN until after November 1, 2014 just to allow IRS RPO to properly funnel this information to their employees. Waiting a couple of extra weeks may save you from having to potentially respond to the IRS letter that asks you to verify your license.

If you have questions, please don't hesitate to contact the PSTAP Executive Office at 1-800-270-3352.

Do You Have Questions for the PA Department of Revenue?

CPE REMINDER TO PENNSYLVANIA LICENSEES

Pennsylvania licensees must have a minimum 20 hours of CPE by December 31st to comply with Pennsylvania CPE requirements. If you need CPE log in to our course catalog at www.pstapcpe.com, there are many options still left in 2014.

A VALUABLE TAX SEASON RESOURCE!

Join our Email Discussion Group – PSTAP Listserv

Are you getting the most out of your membership? Don't miss out on a valuable membership benefit during the tax filing season – subscribe to the PSTAP Listserv – our email discussion group. Have a question? Simply type an email to the group and wait for the response. You can help out fellow members too by responding to questions and/or sharing your experiences. Plus, we post important announcements, changes and updates as they occur.

Don't want the emails cluttering up your inbox? Subscribers have the choice to receive either the daily digest which includes all of the discussion activity for the day in one email or to receive each email as it is posted.

Send an email to pstaplistserv@pstap.org with 'subscribe me' in the subject line. You will receive a confirmation email once you are subscribed to the group. You will be subscribed to receive each individual email as they occur unless you tell us otherwise. If you want to subscribe to the daily digest (1 daily email containing all of the discussion activity for the day) please let us know. Please contact us at 1-800-270-3352 if you have any questions about this benefit.

GIVE PSTAP A NEW MEMBER – WE'LL GIVE YOU A FREE SEMINAR

SHARE YOUR MEMBERSHIP EXPERIENCE

Members tell us all the time how much they value our organization. Our numbers speak for themselves. With five consecutive years of record membership growth and a better than 90% retention rate, it's clear that our membership is the one that makes a difference for tax and accounting professionals throughout the Commonwealth. Membership in the PSTAP yields an exceptional return on investment that is measured in both tangible and intangible benefits.

It's Simple to Do – Tell a Colleague About:

- Our quality continuing professional education and the savings that members enjoy when they attend;
- PSTAP's advocacy efforts with both the Pennsylvania Legislature and state agencies such as the PA Department of Revenue as well as the Internal Revenue Service;
- Networking with other tax & accounting professionals and the friendly atmosphere at our meetings;
- ListServe (our email discussion group);
- Discounts on Quickfinder, CCH, The Tax Book, RIA Federal Tax Handbook;
- Insurance including professional liability, long term care, auto, life, disability, health;
- Discounts on products & services including UPS, Hertz Car Rentals, and Office Depot, Verizon Wireless services and more..

ACTION ITEM FOR YOU: When you attend your next PSTAP seminar, take a moment to stop by our membership table and say hello and pick up a membership kit to share with another colleague at the seminar. Sign the membership application as the sponsor. OR bring the potential member to our table and WE will talk to them about membership. You will still get the credit and the free seminar if they join. Your FREE seminar is good on ANY 8-hour PSTAP sponsored program or on a 2-day seminar you will pay just half-price.

PENNSYLVANIA TAX UPDATE

By Sharon R. Paxton

New Corporation Tax Notices and Statements

In 2013, the Pennsylvania Department of Revenue implemented a "modernized" computer system for processing corporate tax returns and maintaining corporate tax accounts for Capital Stock Tax, Foreign Franchise Tax, Corporate Net Income Tax, Shares Taxes, Gross Receipts Taxes and Insurance Premiums Taxes. Recently, there had been some confusion among taxpayers regarding some of the new notices being issued by the Department and how to respond to them – e.g., whether a specific notice should be appealed. An explanation of the new notices and statements is set forth below, together with some common tax return errors identified by the Department.

Notice of Adjustment Letter and Worksheet

The Department's new system has an "auto-calculation" feature, which reviews data within a tax return. If this analysis results in a change to a line item on a tax return, a Tax Calculation Worksheet is generated and mailed to the taxpayer with a Notice of Adjustment letter. The Notice of Adjustment explains options for dealing with the adjustment, including that an amended return should be filed if the adjustments resulted from incorrect data provided on the original tax return.

A tax increase reflected in a Notice of Adjustment is not appealable. If the Notice reflects a tax increase that is disputed by the taxpayer, the tax increase can be appealed only after a Notice of Assessment has been issued by the Department. A Notice that reflects adjustment(s) not resulting in an increased tax liability may, however, be appealed if the adjustment(s) will increase the amount of tax due in a subsequent year. Examples of such adjustments include recalculation by the Department of a taxpayer's net loss carryforward for future Corporate Net Income Tax purposes and recalculation of a taxpayer's average net income for Capital Stock and Franchise Tax purposes. A taxpayer may appeal such adjustment(s), which do not increase its tax liability for the year to which the Notice relates, within 90 days of the mailing date of the Notice of Adjustment, or wait to file an appeal for a subsequent tax year when the adjustment creates an increase in its reported tax liability.

Billing Notices

A Notice of Adjustment that results in an increased tax liability will also trigger a Billing Notice. Billing Notices may be accompanied by a coupon for remittance. However, coupons should be used only for payments under $1,000. Payments of $1,000 or more should be remitted by EFT in order to avoid the imposition of an EFT penalty. If a Billing Notice is not paid within 45 days, the Department will then proceed to issue a Notice of Assessment.

Notices of Assessment

A Notice of Assessment, which will be clearly labeled as such, must be timely appealed in order to protect the taxpayer's right to contest the deficiency. A Notice of Assessment includes a "Tax Period Review" section which lists the tax due, including interest and penalties. The Notice should state the due date for filing a petition for reassessment. If an appeal is not filed within the applicable time period, the taxpayer may appeal the disputed tax only by paying the tax and filing a petition for refund. (While the Department may accept a compromise proposal for un-appealed tax delinquencies under certain circumstances, the taxpayer technically has no appeal rights if it does not file a timely petition for reassessment or pay the tax and file a timely refund claim. Thus, even if a compromise can be negotiated in a particular case, the end result will not be as beneficial as if a timely appeal had been filed.) Filing an amended report or calling and writing letters to the Department does not extend the time period for filing an appeal from a Notice of Assessment and does not eliminate the need to file a petition for reassessment with the Board of Appeals.

Statements of Account

The Department will routinely issue a "Statement of Account" with all Billing Notices, Notices of Assessment and Tax Period Overpayment Summaries.

A Statement of Account includes three sections: a "Summary of Filed Tax Periods with Balances Due," a "Summary of Non-Filed Tax Periods" and a new section summarizing restricted credits available for application to future liabilities, sale or assignment. Except for the "Summary of Filed Tax Periods with Balances Due," only sections with financial activity will be displayed on the Statement.

Tax Period Overpayment Summaries

A new notice, the "Tax Period Overpayment Summary" was developed to show the resolution of tax overpayments resulting from the processing of tax returns, tax reductions resulting from audits or appeals, corrections and the application of restricted tax credits. A Tax Period Overpayment Summary contains a "Summary of Tax Period Activity," which lists the tax type(s) where the overpayment(s) were developed, and a "Summary of Overpayment(s) Applied to Open Liabilities Within the Account," which summarizes the application of overpayments to open liabilities within the taxpayer's account. If additional credit remains, the Summary will also include a third section identifying the overpayment option(s) selected by the taxpayer and the Department's resolution of the remaining overpayment. For example, the Summary will indicate whether the remaining overpayment has been transferred to the next tax period or scheduled for refund.

Common Tax Return Errors

Several common corporate tax return errors have been identified by the Department to help taxpayers avoid mistakes that may result in the issuance of one or more of the notices listed above:

History of Earnings. When filing Capital Stock and Franchise Tax Reports, taxpayers should be careful to properly report their Book Income for prior years. The Department's return processing system will generate a notice if the reported Book Income figures do not match the Book Income figures in the Department's records for prior years.

Investments in LLCs. If a taxpayer's activity in Pennsylvania is limited to an investment in an LLC, the taxpayer should check the appropriate box on page 2 of the PA Corporate Tax Report to so indicate. If the Capital Stock/Foreign Franchise Tax section of the tax report is completed in error by such a taxpayer, using a zero over zero apportionment (which the computer will treat as 100%

apportionment), a Notice of Adjustment and Billing Notice may be generated.

Other Common Errors. Other common errors identified by the Department include incorrect or missing Revenue ID numbers, incomplete data submitted with an amended return, gaps in a taxpayer's History of Earnings, and incomplete returns. Also, the word "NONE" should not be used on an apportionment schedule or anywhere else in a tax report. Finally, it is important for taxpayers to accurately complete various "indicators" throughout the PA Corporate Tax Report because the computer processing system has tied unique programming features to these "indicators." Special "indicators" on the RCT-101 include Step B, page 1 (Amended Report, Federal Extension, Regulated Inv. Co., 52-53 Week Filer, Address Change, Change Fed Group, First Report, KOZ/EIP/SDA Credit, File Period Change), Section A, page 2 (Investment in LLC, Holding Company, Family Farm), Section B, page 3 (Business Trust, Solicitation Only, Single-Member LLC, PA-S Corp., Taxable Built-In Gains) and Section E, page 5 (Corporate Status Changes).

Sales Factor Sourcing of Services & Intangibles

Effective for tax years beginning after December 31, 2013, Act 52 of 2013 provided new rules for the sourcing of receipts from services in the corporate net income tax and franchise tax sales factors. We are still awaiting official guidance from the Pennsylvania Department of Revenue concerning its interpretation of the apportionment changes made by Act 52.

For years prior to 2014, receipts from sales of services and intangibles were subject to the UDITPA-based "income-producing activity" and "costs of performance" analysis. If the income-producing activity was performed in one or more states, in addition to Pennsylvania, the receipts from those activities were sourced to Pennsylvania if the greater proportion of the income-producing activities, as measured by costs of performance, occurred in Pennsylvania.

Under Act 52, receipts from sales of services are now attributed to Pennsylvania if "delivered to a location" in Pennsylvania. 72 P.S. §7401(3)2.(a)(16.1)(C)(I). If delivered to other states as well as Pennsylvania, the receipts are to be allocated "based upon the percentage of total value of the service delivered to a location in [PA]." *Id.* at (16.1)(C)(II).

Where the point of delivery cannot be determined, the following defaults apply:

1. If the customer is an individual who is not a sole proprietor, delivery is deemed to be at the customer's billing address. *Id.* at (16.1)(C)(II).
2. If #1 does not apply, the service first would be deemed to be delivered "at the location from which the services were ordered in the customer's regular course of operations." *Id.* at (16.1)(C)(III).
3. If the answer under #2 cannot be determined, the service is deemed to be delivered at the customer's billing address. *Id.*

Unfortunately, Act 52 does not define "delivered." However, inasmuch as receipts from sales of tangible personal property have long been sourced to the point of delivery, one would think that some analogies could be drawn. For example, the point of delivery of tangible personal property is not necessarily the location where the customer ultimately puts the property to use. Therefore, one would assume that the Legislature did not intend for the location where a service is "delivered" to necessarily correspond to the point of ultimate use. This is consistent with the provision specifically providing for receipts from the rental or lease of tangible personal property which is subsequently taken out of state to be sourced (at the taxpayer's election) based on "a reasonably determined estimate of usage in [PA]." *Id.* at (16.1)(B)(II).

But what if a service is performed primarily in a state other than Pennsylvania, the service would provide a general benefit to the customer company, the work product from the performance of the service (e.g., a marketing study) is delivered to an address in another state outside of Pennsylvania, but in the course of performing the service the service-provider was in touch with company personnel both inside and outside of Pennsylvania? Is this a case where the point of delivery really cannot be determined and the default sourcing rules should come into play? Or would the PA Department of Revenue take the position that the point of delivery could be determined on these facts?

The attribution of service receipts to the location where the service is "delivered" is a relatively new concept. Guidance from the Department of Revenue is therefore needed so that a company may prepare its Pennsylvania tax report with some degree of certainty that it is not unexpectedly opening itself to a dispute with the Department of Revenue.

Sharon R. Paxton is a member of McNees Wallace & Nurick LLC's State and Local Tax Group.

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A MESSAGE FROM

The NSA State Director

Greetings: Just returned from attending the Annual NSA Convention from August 20th to August 24th at the Hyatt Regency Inner Harbor in beautiful Baltimore, Maryland. For the second year, I served as a member of the Rules Committee during the Convention.

IRS Commissioner John Koskinen was the Keynote Speaker at the 69th Annual NSA Convention. For tax preparers, taxpayers, and others frustrated by long wait times on the phone for Internal Revenue Service (IRS) assistance with tax questions, IRS Commissioner John Koskinen has a message: **Call your member of Congress.**

The reduced funding for the IRS – cut 7 percent in FY 2014 at the same time the IRS was forced to implement tax provisions of the Affordable Care Act while 7 million more taxpayers filed returns – is "the biggest challenge facing the IRS" according to Koskinen.

"People don't vote for me – they vote for members of Congress," Koskinen declared. "Congress needs to hear and understand the impact of the funding cuts. As I tell people on Capitol Hill, we are the only agency still operating at the post-sequester level."

Koskinen drew on his private-sector experience to point out the fallacy of reducing funding for the major revenue-generating function of the U.S. government at a time when a revenue shortage continues for force budget cuts. In his view, there is a net revenue benefit to providing full funding for the IRS.

"Congress is starving our revenue-generating operation. If voluntary compliance with the tax code drops by 1 percent, it costs the U.S. government $30 billion per year," he explained. "The IRS annual budget is only $11 billion per year.

Koskinen applauded NSA for writing a letter to the U.S. House of Representatives Appropriations Committee earlier this year that strongly opposed IRS funding cuts and pointed out how these cuts punish American taxpayers.

The IRS was forced to cut 5,200 call center employees because of budget cuts, and Koskinen warned that wait times for phone service will increase through the rest of the year because of a lack of staff.

His message to Congress is, "You cannot continue to reduce our resources and ask us to do more things. The blind belief in Congress that they can continue to cut funding and we will just become more efficient is not the case. We are becoming more efficient but there is a limit. Eventually the effects will show up. We are no longer going to pretend that cutting funding makes no difference."

Koskinen said that the IRS will "play the hand we are dealt" when it comes to funding, but added, "I will tell you what we can do with the funding we have but I will also tell you what we can't do."

While IRS budget cuts may have been driven partially by outrage over the tax scandal involving audits of tax returns from certain tax-exempt organizations last year, Koskinen was emphatic that "this was a mistake that should never happen again. My job is to make sure the public knows that."

Late Tax Law Changes

He also noted that when Congress passes tax law changes late in the year it creates huge challenges for the IRS and taxpayers. "We think it is unlikely that the tax provision extender package will pass before the mid-term elections but we hope it will pass soon after that," he said. "Congress needs to understand that the later these are passed and the more complicated they are, the more challenging it is for taxpayers to file accurate returns on time."

The IRS has to amend its tax forms to reflect these changes and then deliver them to tax preparers, Tax Software companies, and taxpayers. This takes time and can effectively shorten the tax filing season. "We will keep you informed as best we can," he said.

Elections of Officers:

President:
Marilyn N Niwao, Hawaii

1st Vice President:
Kathy Hettick, Washington

2nd Vice President:
Al Giovetti, Maryland

Sect/Treasurer:
Brian Thompson, Arkansas

Immediate Past President:
Steve Hanson, Minnesota

District Governor II:
Robert Genovese, New York

Ralph Walters was defeated in his re-election bid.

Voluntary Annual Filing Season Program by Internal Revenue Service

The Internal Revenue Service plans to implement by the beginning of the 2015 tax filing season, a voluntary Continuing Education for Tax Preparers. As part of the new voluntary program holders of either the ABA or ATP credential will not have to take the Annual Tax Refresher Course and pass the examination to obtain the IRS Annual Filing Season Record of Completion and be listed in the IRS preparer database launching this upcoming tax season.

More information about the IRS Annual Filing Season program is on NSA's website at http://connect.nsacct.org/AFSP.

Future Events: Mark your Calenders

NSA 70th Annual Meeting

Wednesday, August 19 - Saturday, August 22, 2015

Hyatt Regency

Vancouver, British Columbia

In late October, I will be attending the NSA State Directors and Leadership Conference in Indianapolis. The highlights of this conference will be in my next report.

Please feel free to contact me with any questions via e-mail at: andrewpiernock@comcast.net

Sincerely yours,

Andrew J. Piernock, Jr. ATP

NSA State Director - Pennsylvania

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WebLibrary *Plus* (Add Users)	×	~~$89~~ $79	= $

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20 Online Credit Hours	×	~~$139~~ $119	= $
8 Online Credit Hours	×	~~$78~~ $70	= $
1 Online Credit Hour	×	~~$15~~ $13	= $
Review Health Care Reform	×	~~$47~~ $42	= $
New Tax Law	×	~~$47~~ $42	= $
Preparing Partnership Returns	×	~~$47~~ $42	= $
Preparing S Corporation Returns	×	~~$47~~ $42	= $
Circular 230 Ethics	×	~~$37~~ $34	= $
Disclosing Client Information	×	~~$37~~ $34	= $

FastTaxFacts Series Tax Reference Charts	Quantity	Price	Cost
FastTaxFacts Master Set	×	~~$59~~ $50	= $
Social Security and Medicare	×	~~$17~~ $14	= $
1040 and Small Business	×	~~$17~~ $14	= $
Foreclosures & Repossessions	×	~~$17~~ $14	= $
Clients With Children	×	~~$17~~ $14	= $
W-2/1099 Roadmap	×	~~$17~~ $14	= $
Starting a Business	×	~~$17~~ $14	= $
Employee Benefits	×	~~$17~~ $14	= $
Depreciation	×	~~$17~~ $14	= $
Military	×	~~$17~~ $14	= $
International	×	~~$17~~ $14	= $

ClientTaxTools Series Client Handouts	Quantity	Price	Cost
Client Handouts CD	×	~~$99~~ $79	= $
Pocket Calendars (30 Booklets)	×	~~$47~~ $37	= $
Donation Trackers (30 Booklets)	×	~~$47~~ $37	= $
Social Security/Medicare (30)	×	~~$47~~ $37	= $
Variety Pack (30 Booklets)	×	~~$47~~ $37	= $

STEP 2 Total Quantity and Cost Columns

Total Quantity of All Items	A	Total Cost	B

2014 QUANTITY DISCOUNT ORDER FORM…
the more you order, the more you save on each item!

Calculate Your Quantity Discount Here

STEP 3 Calculate Quantity Discount (Total Quantity × Quantity Discount Per Item)

Total Quantity of All Items (from STEP 2)	×	Quantity Discount Per Item: 1 Item	2 Items	3–5 Items	6–10 Items	11–20 Items	21+ Items	=	Quantity Discount
A (items)	×	$0.00 per item	$3.00 per item	$4.00 per item	$5.00 per item	$6.00 per item	$7.00 per item	= $	C

STEP 4 Calculate Shipping & Handling Charge (Total Quantity × S&H Charge Per Item)

Total Quantity of All Items (from STEP 2)	×	Shipping & Handling (S&H) Charge Per Item: 1 Item	2 Items	3–5 Items	6–10 Items	11–20 Items	21+ Items	=	Shipping & Handling Charge*
A (items)	×	$6.95 per item	$5.95 per item	$5.45 per item	$4.95 per item	$4.45 per item	$3.45 per item	= $	D

* Excludes all online products. Please call for international orders.

STEP 5 Calculate Order Cost (Total Cost – Quantity Discount + S&H Charge)

Total Cost (from STEP 2)	–	Quantity Discount (from STEP 3)	+	Shipping & Handling Charge (from STEP 4)	=	Order Cost
B	–	C	+	D	= $	

STEP 6 Finalize Your Order

Sales Tax	MN residents add 7.275% (Order Cost from STEP 5 × 0.07275)	= $
Order Total	Order Cost (from STEP 5) + Sales Tax	= $

2014 ORDER FORM

PROMO CODE **395**

Customer # ____________________

Company Name ____________________

Name ____________________

Address ____________________
(If P.O. Box, please include physical address)

City, State, Zip ____________________

Email ____________________
(Needed for order and shipping confirmation)

Day Phone ____________________ Billing Zip ____________________
(If different, needed for credit card orders)

PAYMENT OPTIONS ❑ Credit Card ❑ Money Order ❑ Check **payable to:** Tax Materials, Inc.

❑ MasterCard ❑ Discover ❑ Visa ❑ American Express — Expiration Date

Remember to include credit card number & expiration date (security code not required)

Cardholder's Signature ____________________

Your credit card will be charged for the entire order when the first item ships. For orders that include an online product, access is available immediately and your credit card will be charged when you order.

Orders are shipped first-in, first-out *starting* on the start ship date of the product.

Tax Materials, Inc.™

Tax Materials, Inc.
15105 Minnetonka Ind. Rd.
Suite 221
Minnetonka, MN 55345

www.thetaxbook.com
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Toll Free: 866-919-5277
Local: 952-746-5276
Fax: 952-746-5278

ARE YOUR CLIENTS BYPASSING YOU AFTER TAX SEASON?

HERE ARE SIX REASONS CLIENTS NEED YOU AFTER THE RETURN IS FILED

BY JIM BUTTONOW, CPA, CITP

The annual tax filing ritual is not the only time a client may interact with the IRS – and recent trends show that your clients are more likely than ever to have an issue come up after filing. And the truth is, clients often don't call their tax professional right away when they have a post-filing tax issue or notice.

As your clients' trusted advisor, it's best to get ahead of this trend and communicate with your clients about tax compliance. Take a look at these six facts, which demonstrate that your clients need you for more than just filing.

Fact 1: Many taxpayers have to contact the IRS outside of filing their tax return – and many are not using their tax professional to do so.

According to the IRS Oversight Board, 37% of taxpayers – that's almost 60 million taxpayers – have to contact the IRS for something other than filing their returns. However, according to the IRS, tax professionals filed only 3.6 million authorizations in 2013 to help their clients with a tax issue. It could be time to examine whether you have a potential client retention risk because your clients aren't seeking your help when they need to understand their tax situation.

Fact 2: More clients are having trouble paying their taxes each year.

For 2011 returns, 23.7 million taxpayers filed a return with a balance due, and 3.7 million needed to make payment arrangements with the IRS. The Government Accountability Office reported in 2011 that 16.5 million taxpayers owe the IRS back taxes. Depending on how your client base fared in the economic slowdown, you may need to help a client who can't pay the IRS.

Fact 3: The Patient Protection and Affordable Care Act (ACA) will require non-filers to file.

In 2012, the IRS found 7.4 million potential non-filers for tax year 2010, and sent only 3.2 million notices to those taxpayers. In the past, the IRS had less incentive to pursue many of these non-filers, who potentially owed only a small balance. However, because the ACA will require taxpayers to reconcile premium subsidies and report insurance coverage, the IRS will question more of these non-filers. These taxpayers will be looking for expert help to file.

Fact 4: The IRS is making a concerted effort to find and penalize inaccurate tax returns.

The IRS has a lot of potentially inaccurate returns to pursue. According to government data, 24 million of the 143 million individual tax returns filed for tax year 2010 did not match information statements on file with the IRS. That's one out of six returns with potential underreporting that the IRS would like to see reconciled. However, in 2013, the IRS sent notices to only 4.1 million of these taxpayers. As the IRS moves to more automated compliance tools, expect your clients to receive more notices regarding discrepancies.

There could be many reasons for an underreporter notice, including IRS error. In fact, many underreporter notices are resolved with no change to the return. One out of six individuals will face this potential issue – and even more small businesses. Your clients should understand that an underreporter notice may not always indicate an error, and that you can help get to the bottom of the issue.

You should also let your clients know that you can provide expert help to resolve any penalties resulting from an underreporter inquiry. This is important because the IRS is increasing its use of penalties to deter underreporting. From 2005 to 2013, the number of accuracy penalties the IRS assessed on inaccurate individual tax returns increased 1,154%.

Fact 5: The costs of an audit are high.

Clients need expert help in an audit, because the odds are in favor of the IRS. If your client gets audited, the IRS thinks the return needs an adjustment. Of the 1.56 million audits in 2013, the IRS made changes to almost 90% of the individual returns examined and 70% of the corporate returns examined. Overall, when the IRS completes an audit, individual taxpayers are left with an average bill of more than $16,000 per year examined in a field audit, and $8,000 per year examined in a mail audit.

Fact 6: The IRS will continue to develop better technology to reach more taxpayers – by mail.

Despite losing 18 days to employee furlough and $600 million in budget in 2013, the IRS slightly increased its compliance revenue from $50 billion in 2012 to $53 billion in 2013. With fewer people and reduced resources, the IRS has maintained its volume of compliance activity through correspondence. Scaling compliance activity by mail makes great business sense for the IRS. For example, document-matching audit notices have a 20-to-1 return on investment, compared with face-to-face audits, which have a 4-to-1 return on investment. Even though the IRS is struggling with resource constraints, compliance activity is still strong, because compliance by mail covers more taxpayers at less cost.

Helping your clients with tax compliance is about more than filing their required tax returns. It's also about helping your clients after they file. Data shows that this body of work is significant, and that your clients will need your expertise in dealing with the IRS. Let your clients know that they are more likely than ever to get contacted by the IRS. And most importantly, let them know that you're the first person they should call to get expert help after filing.

Jim Buttonow, CPA, CITP, of Greensboro, NC, is an author and instructor in the field of tax controversy. He has 27 years of experience in IRS practice and procedure.

This article originally appeared in the AICPA CPA Insider™ E-Newsletter.

WELCOME OUR NEWEST MEMBERS

JULY 1ST – SEPTEMBER 30TH 2014

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Luke Seier, CPA	Zinman & Company	Southampton	Active
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PRACTITIONER'S CORNER

IRS Annual Filing Season Program

Go to the PSTAP homepage: www.pstap.org for a copy of Revenue Procedure 2014-42 and FS-2014-8 IRS Frequently Asked Questions (PSTAP Member News)

What is the IRS Annual Filing Season Program (AFSP)? The Annual Filing Season Program is a voluntary continuing education program for tax return preparers. Preparers who complete a 6-hour Annual Federal Tax Refresher course and obtain a score of 70% or higher on a 100 question comprehension test receive an Annual Filing Season Program – Record of Completion. The IRS permits anyone with a preparer tax id number (PTIN) to prepare tax returns for compensation, but will not allow all unenrolled PTIN holders to represent clients before the IRS. An unenrolled tax return preparer must complete the 6-hour IRS Annual Federal Tax Refresher Course (AFTR), along with additional continuing education to receive an AFSP record of completion.

PSTAP members who plan to voluntarily complete the refresher course and take the exam to obtain the Record of Completion, we strongly recommend our partner, *FAST FORWARD ACADEMY*. The refresher course and other required CPE is priced at just $59 or $99 depending on the package you choose. The course is IRS approved, they provide unlimited exam attempts, immediate access to course content, certificates are issued immediately upon completion and the information is reported to the IRS in real-time. Access the Fast Forward Academy program by logging into the PSTAP website as a member and choosing the link from the Affinity Programs Tab.

Affordable Care Act – Electronic Resources and Publications

Go to the PSTAP homepage: www.pstap.org for a document that contains important information and links to IRS resources for navigating the Affordable Care Act. (PSTAP Member News)

PA Department of Revenue Issues Guidance on Corporate Tax Notices

The Pennsylvania Department of Revenue has issued this guidance on the large volume of Corporation Tax Notices being generated by the ITS system. This document explains the nature and disposition of the notices and can be found on the homepage of the PSTAP website at: www.pstap.org (PSTAP Member News)

IRS Updates E-Services Registration Process

The IRS recently updated the e-Services Registration process with challenge questions for use in unlocking one's account and certain other changes to the registration screen. More details are available on the e-Services information page on irs.gov.

Final Regulations Regarding Deductibility of Local Lodging

The IRS has released final regulations (T.D. 9696) relating to the deductibility of expenses for lodging when an individual is not traveling away from home (local lodging). Lodging expenses when not away from home are generally not deductible. The regulations provide that under certain circumstances local lodging expenses may be deductible as a necessary business expense. The regulations also provide a safe harbor for local lodging at business meetings and conferences.

Net Operating Losses

If you have a net operating loss (NOL) for the year you must first carry the loss back to the second year before the loss. Any unutilized amount can be carried forward. You can elect to forgo the carryback period and just carry the loss forward. In *Maryann Larkin et vir* (T.C. Memo. 2014-195) the taxpayers had an NOL for 2005, failed to make the election but carried the loss forward, reporting zero liability on their 2006 return. In 2008 the taxpayers amended their 2003 return to correctly use the NOL carryback and generate a 2003 tax overpayment of $206,311. On the amended return they requested the overpayment be credited to the 2006 liability of $76,400 that resulted from the removal of the NOL carryforward. The IRS, rather than applying the overpayment

refunded it and then assessed the taxpayers' 2006 self-reported and unpaid tax liability of $76,400 along with $8,014 in interest. The taxpayers sought an abatement of the interest. The Tax Court held that the IRS did not abuse its discretion in denying the taxpayers' abatement of interest request and requiring the taxpayers to pay interest on the entire unpaid 2006 liability. The Court also held the taxpayers were not entitled to relief under Sec. 6404.

International Tax Non Compliance Remains Area of Concern for IRS

In an audit, the Treasury Inspector General for Tax Administration (TIGTA) found international tax noncompliance remains a significant area of concern for the IRS. However, the IRS's collection efforts need to be enhanced to ensure that delinquent international taxpayers become compliant with their U.S. tax obligations. TIGTA's review found that the IRS has not provided effective management oversight to international collection, which contributed to several control weaknesses in the program. For example, international collection does not have:

- Adequate policies, procedures, position descriptions, or the training needed to ensure that international revenue officers can properly work international collection cases.
- A specific inventory selection process that ensures that the international collection cases with the highest risk are worked.
- Performance measures and enforcement results reported separately from Domestic Collection.
- A process to measure the value of the "Customs Hold" as an enforcement tool.

A full report can be found at: www.treasury.gov/tigta/auditreports/2014reports/2014430054fr.html.

Revised Form 4506

The IRS has revised Form 4506-T, Request for Transcript of Tax Return and Form 4506T-EZ, Short Form Request for Individual Tax Return Transcript. The IRS has also revised Publication 1544, Reporting Cash Payments of Over $10,000 and Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business.

Civil Service Retirement System and Roll Over Contributions

In *Dennis E. Bohner* (143 T.C. No. 11) the taxpayer participated in the Civil Service Retirement Systems (CSRS) while he worked for the Federal Government. After he retired he received a letter explaining that he could elect to increase his CSRS retirement annuity by remitting a fixed sum. He did remit funds to CSRS, but because he did not have sufficient funds in his bank account, he borrowed a portion of the fixed sum. He paid off the loan and replenished his bank account by making withdrawals from his traditional IRA. The taxpayer did not report as taxable income any of the amounts withdrawn from the IRS, contending that he engaged in a tax-free rollover. The IRS argued that rollover contributions can't be made to CSRS. The Tax Court held that because CSRS did not accept his remittance as a rollover, the taxpayer must include his withdrawals in income for the year at issue.

Due Diligence Warning Letters

Beginning in October the IRS will send due diligence warning letters to tax preparers who appear not to be complying with EITC due diligence requirements. Assistance for understanding these requirements is available on the EITC Tax Professional's website page.

IRS Voluntary Classification Settlement Program

In an audit of the IRS's Voluntary Classification Settlement Program (VCSP; regarding the classification of workers as employees or independent contractors) the Treasury Inspector General for Tax Administration (TIGTA) found that the IRS does not obtain information it needs to verify the accuracy of applications and payments. The IRS does not require employers to provide information on the VCSP application that identifies the specific workers who are being reclassified, such as the workers' names and Social Security numbers. In addition, the IRS is unable to verify the accuracy of the compensation amount reported on the application. For the full report, go to: www.treas.gov/tigta/auditreports/2014reports/201440065fr.html.

Revenue Procedure 2014-54 (IRB 2014-41)

Modifies the procedures in Rev. Proc. 2011-14 and Rev. Proc. 2014-17, regarding certain changes in method of accounting for dispositions of tangible depreciable property. This revenue procedure provides the procedures by which a taxpayer may obtain the automatic consent of the Commissioner of Internal Revenue to change to the methods of accounting provided in Secs. 1.168(i)-1, 1.168(i)-7, and 1.168(i)-8 of the Income Tax Regulations. This revenue procedure also allows a late partial disposition election under Sec. 1.168(i)-8 to be treated as a change in method of accounting for a limited period of time. Finally, this revenue procedure also modifies section 10.11 of the APPENDIX of Rev. Proc. 2011-14 regarding a change to the method of accounting described in Rev. Proc. 2014-16 for amounts paid to acquire, produce, or improve tangible property.

Notice 2014-49

Notice 2014-49 (IRB 2014-40) describes a proposed approach to the application of the look-back measurement method, which may be used to determine if an employee is a full-time employee for purposes of Sec. 4980H in situations in which the measurement period applicable to an employee changes. This notice is intended to address the topics for which guidance was anticipated in section VII.G of the preamble to the final Sec. 4980H regulations (Feb. 12, 2014).

Notice 2014-56

Notice 2014-56 (IRB 2014-41) provides the applicable dollar amount that applies for determining the PCORI fee for policy years and plan years ending on or after October 1, 2014 and before September 30, 2015.

Notice 2014-55

Notice 2014-55 (IRB 2014-41) expands the permitted election rules for health coverage under a Sec. 125 cafeteria plan and addresses two specific situations in which a Sec. 125 cafeteria plan participant is permitted to revoke his or her election under the Sec. 125 cafeteria plan during a period of coverage. The first situation involves a participating employee whose hours of service are reduced so that the employee is expected to average less than 30 hours of service per week but for whom the reduction does not affect the eligibility for coverage under the employer's group health plan. The second situation involves an employee participating in an employer's group health plan who would like to cease coverage under the group health plan and purchase coverage through a competitive marketplace established under section 1311 of the Patient Protection and Affordable Care Act, commonly referred to as an Exchange or Marketplace.

Voluntary Withholding Agreements

The IRS has issued final regulations (T.D. 9692) under Sec. 3402(p) relating to voluntary withholding agreements. The final regulations allow the IRS to issue guidance in the Internal Revenue Bulletin to describe payments for which the IRS finds that income tax withholding under a voluntary withholding agreement would be appropriate.

IRS YouTube Video – Taxpayer Bill of Rights

The IRS has announced (IR-2014-91) the release of a YouTube video encouraging taxpayers to learn about the Taxpayer Bill of Rights. The video lays out in plain language 10 fundamental rights included in the tax code.

Section 6501(c)(4)(B)

Section 6501(c)(4)(B), requires that the IRS provide notice to taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or specific issues. In a review of a statistical sample of 59 closed taxpayer audit files with assessment statute extensions the Treasury Inspector General for Tax Administration (TIGTA) found that the IRS is generally compliant with Section 6501(c)(4)(B). However, TIGTA identified a few instances in which the taxpayer audit files did not contain documentation to support that the taxpayer or the taxpayer's representative were properly notified of the taxpayer's rights.

Revenue Department Releases September 2014 Collections

Pennsylvania collected $2.6 billion in General Fund revenue in September, which was $11.2 million, or 0.4 percent, more than anticipated, Secretary of Revenue Daniel Meuser reported today. Fiscal year-to-date General Fund collections total $6.6 billion, which is $500,000 above estimate.

Sales tax receipts totaled $777.3 million for September, $20.5 million above estimate. Year-to-date sales tax collections total $2.4 billion, which is $25.5 million, or 1.1 percent, more than anticipated.

Personal income tax (PIT) revenue in September was $1 billion, $2.3 million below estimate. This brings year-to-date PIT collections to $2.6 billion, which is $4.4 million, or 0.2 percent, below estimate.

September corporation tax revenue of $539.8 million was $93.7 million, above estimate. Year-to-date corporation tax collections total $666.5 million, which is $86.9 million, or 15 percent, above estimate.

Inheritance tax revenue for the month was $70.3 million, $9.5 million below estimate, bringing the year-to-date total to $212.6 million, which is $9.8 million, or 4.4 percent, below estimate.

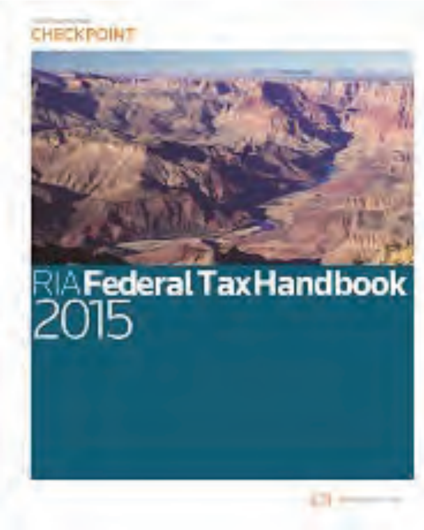
Realty transfer tax revenue was $36.2 million for September, $6.9 million below estimate, bringing the fiscal-year total to $113.7 million, which is $13.5 million, or 10.6 percent, less than anticipated.

Other General Fund tax revenue, including cigarette, malt beverage, liquor and table games taxes, totaled $123.9 million for the month, $100,000 above estimate and bringing the year-to-date total to $348.8 million, which is $700,000, or 0.2 percent, below estimate.

Non-tax revenue totaled $12.3 million for the month, $84.4 million below estimate, bringing the year-to-date total to $279.7 million, which is $83.4 million, or 23 percent, below estimate.

In addition to the General Fund collections, the Motor License Fund received $228.1 million for the month, $19.9 million above estimate. Fiscal year-to-date collections for the fund – which include the commonly known gas and diesel taxes, as well as other license, fine and fee revenues – total $650.2 million, which is $48.2 million, or 8 percent, above estimate.

For more information, visit www.revenue.state.pa.us.



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- Guidance on which forms to use to report transactions
- Extensive professional guidance based on the experience of RIA's expert editorial team

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KEEPING YOU IN THE KNOW

JUST ONE CLAIM COULD PUT YOUR FIRM IN FINANCIAL JEOPARDY
CAN YOUR FIRM AFFORD THE DEFENSE COSTS WITHOUT THIS COVERAGE?

Cyber Liability Coverage

In today's data-driven world where sensitive information is stored and transferred electronically, organizations of all sizes are vulnerable to costly and damaging liabilities from data security breaches that are occurring at alarming, and growing, rates. According to the Privacy Rights Clearinghouse, U.S. businesses of all types suffered 2,372 breaches since 2005, compromising more than 515 million data records, including those containing customers' private information and companies' financials.

Why you need protection

Whether a firm's data is compromised by a hacker, virus, cyber thief, or simply because of lost or stolen computers, laptops, flash drives and smart phones, data breaches can have serious ramifications. There are substantial financial costs involved in finding and remedying a breach, including the cost of notifying customers – now legally mandated by 46 states – possible fines and legal expenses. The company can also suffer immense damage to its reputation and from the interruption to business.

Claim Example

Computer fraud
A hacker gained unauthorized access to an insured's accounts payable in the computer system. Using this access he altered bank routing information on outgoing payments, resulting in $1 million being transferred to his personal account rather than to the entity which was supposed to be paid. Cyber Liability covers damages caused by the unauthorized entry of data into the insured's computer system.

Coverages Provided

Security breach remediation and notification expense
Network and information security liability
Regulatory defense expenses
Crisis management event expenses
Computer program and electronic data restoration expenses
Communications and media liability
Computer fraud
Funds transfer fraud
E-commerce extortion
Business interruption and additional expense

FOR INFORMATION OR TO OBTAIN A QUOTE FOR THIS IMPORTANT COVERAGE, CONTACT
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