

PENNSYLVANIA ACCOUNTANT

THE MAGAZINE OF THE PENNSYLVANIA SOCIETY OF TAX & ACCOUNTING PROFESSIONALS

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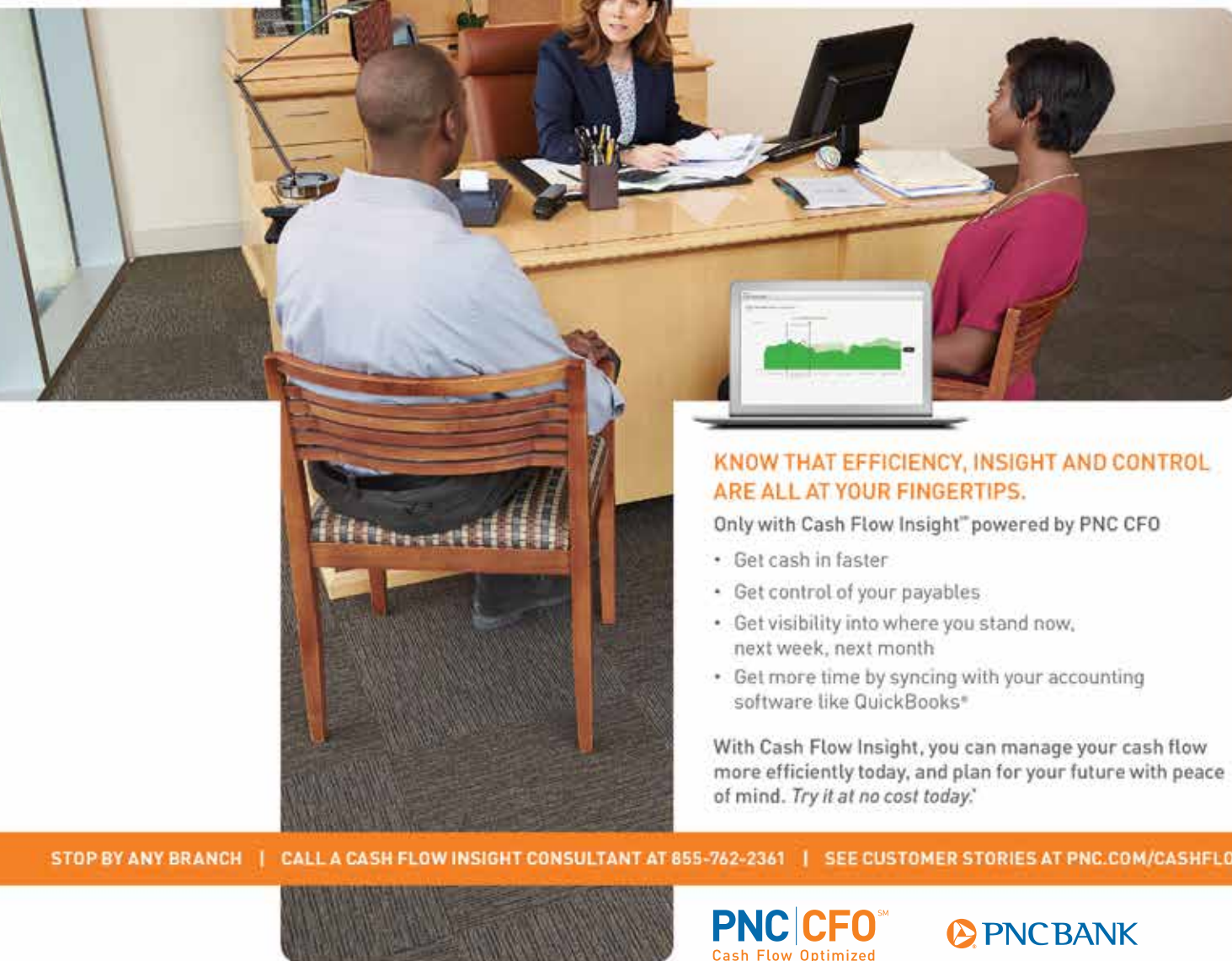
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- » **Highlights from the 69th Annual Meeting, Corning New York**
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A MESSAGE FROM THE PRESIDENT

Greetings to All Members of PSTAP



The 69th Annual Convention of PSTAP is behind us and the end of the summer is fast approaching.

I would like to thank Arlan Christ for his

time and devotion to the Society as a Chapter Officer and then as a Line Officer and finally as the President of PSTAP. Arlan - many wishes for the future to you and your wife Patricia. The new Officers held their first - albeit short - Board meeting on Sunday following the Annual Convention. There have been many phone calls, conference calls and Officers Conference calls over the past couple of months - Thank you Officers for participating.

I would like to thank all of the past and current Officers of the Society for making the Society what it is today and the potential that the the Society has in the future. In that line, I would like to thank all of the Members of the Society who have "stepped up to the plate" and volunteered for the various Committees. This Society would not be where it is today without the past Officers and Volunteers. Thank you for the volunteering of your time and effort to help the Society mature and grow into an organization that you can be proud of being a member.

I am in the process of putting together my Chapter visits for the September to January time frame. If your Chapter has not arranged for a visit - please call my office at 717.774.7536 and speak with Karen as she will find a date and time that fits your schedule.

The fall time is the time to plan for your end of year education. For those of you who are licensees of the Commonwealth of PA, please remember that this is the 1st of your 2 year reporting cycle. Plan your continuing education accordingly. Along those lines - there has been no final direction issued on the change in the A&A hours from 16 to 24 hours for those individuals who do reviews and audits. One item that has continued to be brought up is that the change will more than likely be retroactive to January 1, 2016, the beginning of this biennial renewal cycle. This is not certain, please plan your A&A credits accordingly.

Those of you who are Enrolled Agents, please make sure that you will have achieved the required 2 hours of Ethics by the end of the year. You will also need to make sure that you have achieved the required minimum of 16 hours in continuing education credits per Circular 230 to maintain your license as an Enrolled Agent. The renewal cycle for those Enrolled Agents with social security numbers ending in 3, 4 and 5 will be from November 1, 2016 to January 31, 2017. In order to renew your license - you will need to have completed 72 hours of continuing education in the 3 years, obtained a minimum of 16 hours per year and at least 2 hours of Ethics in each of the 3 years. You will be able to renew by going to pay.gov or using IRS form 8554.

For those individuals who are falling under the IRS's AFSP program, please make sure that you complete those requirements for the tax filing season of 2017. You will need to have a completed an 18 hours of continuing tax

education of which 6 hours must be a Annual Federal Tax Refresher course and 2 hours in Ethics. If you are a registrant of certain tax boards or have taken and passed NSA's Accredited Business Accountant/Advisor or the Accredited Tax Preparer exam - you are exempt from the Annual Federal Tax Refresher course. However, you will still need the continuing education hours based on the Accreditation and the 2 hours of Ethics.

All of the above required continuing education can be attained at your local Chapter meetings, education seminars and online through webinars at pstap.org. Please login into the pstap.org website to view the various education topics available to you. You may register online to attend any of the seminars - please do not wait as most of the seminars fill up fast. PSTAP will be offering various PA Department of Revenue continuing education throughout the state as well. This 8 hour course is a good course to attend for a comprehensive state tax update.

Sherry and the 70th Annual Convention Committee are already planning the Annual Convention for next year in Williamsburg, VA from June 22nd to June 24, 2017 - watch your mail and e-mails for updates on this Convention.

For those of you who are not Chapter Officers or on any Committee for the Society - you are invited to the Board meetings - please contact the State Office at 717.737.4439 and ask for Sherry or Amy if you need any additional information or if you wish to attend the Board Meetings.

Frank H. Kelly, EA
President - PSTAP

I would like to thank all of the past and current Officers of the Society for making the Society what it is today and the potential that the the Society has in the future.

ANNOUNCEMENTS UPDATES & GENERAL INFORMATION

Pennsylvania Department of Revenue Releases 2017 Tax Amnesty Dates

April 21, 2017 - June 19, 2017

Questions for the PA Department of Revenue

PSTAP's Committee on Cooperation with the Pennsylvania Department of Revenue will take place in the coming months. We would like to hear from members who may have systemic issues that we can include on our meeting agenda. If you have any systemic issues and/or questions please send them to: infor@pstap.org.

Discounts on Technical Publications

The order forms for the Quickfinder, Tax Book and RIA Federal Tax Handbook for the upcoming tax year are available in this issue and are also posted in the 'members only' area of our website and are available for download.

Get a Member - Get a Seminar

NEW THIS YEAR - WE HAVE MADE A CHANGE....If a member of your own staff joins as a new member of the PSTAP, you will receive a FREE 8 Hour seminar of your choice. This is applicable only to first time Active or Associate members of the PSTAP.

CPE Reminder to Pennsylvania Licensees

December 31st marks the end of the first year of the CPE biennial for Pennsylvania licensees. Licensees are required to have obtained a minimum of 20 CPE hours by

this date. Failure to obtain the minimum credit requirement is subject to an automatic fine. If there is any reason why you might expect not meet this requirement (i.e. health issues) it is best to communicate with the Pennsylvania State Board of Accountancy as soon as possible to receive an extension. Please contact the Executive Office if you have questions or if you need assistance at 1-800-270-3352.

PA Department of Revenue Fall Tax Seminars Sponsored by PSTAP

Register for any of these locations online at www.pstapcpe.com

- September 19 - Breinigsville Holiday Inn
- September 29 - Mechanicsburg, Park Inn by Radisson
- October 18 - Wyomissing, Inn at Reading
- October 20 - Cranberry Township, Regional Learning Alliance
- October 26 - Springfield, Springfield Country Club
- October 28 - Gettysburg, Eisenhower Hotel & Conference Center

New CPE Regulations Published in the PA Bulletin

The Independent Regulatory Review Commission published the regs in the Pennsylvania Bulletin on July 9th. Their final form regulations are slated for this fall. These regulations will:

- Remove the 16 hour A&A credit requirement for those licensee who DO NOT DO REVIEWS OR AUDITS. Please note that compilations with or without disclosures will not be required to obtain A&A CPE.
- Increase the A&A credit requirement for those licensees who do REVIEWS

AND AUDITS FROM 16 to 24 A&A credits for the 2-Year biennial licensing period.

- Remove the TAX CPE requirement for licensees.


Please Note: The effective date for these regulations are still unknown. There has been some discussion by the State Board of Accountancy to make these retroactive for the current licensing period. However, this is not confirmed and will depend on when the final form regulations become available.

There is NO CHANGE to the required 80 hours of required CPE for the 2-year licensing period, 4 of which must be ethics.

PSTAP Webinar Program - Check Them Out

In May 2016, we emailed our membership to announce that we were adding webinar based CPE to our education offerings. Thank you to those who have attended our webinars the past several months and made them so successful. This new webinar platform offers members state of the art technology and convenience. The webinar program is a supplement to our live seminar and chapter meeting schedule, allowing us to offer practitioners increased educational choices on timely topics in a very convenient format. ALL of our webinars count as LIVE CPE for licensing purposes and thus far have been offered in 1-hour increments. Registered attendees are able to view the program on-demand following the completion of the course (usually 24 hours). Continue to check our website for new offerings - www.pstapcpe.com

September 30 - Divorce 101: I Promise to Love You Forever or Maybe Not
October 4 - Merchant Processing 101
October 21 - New FLSA Overtime Exemption Regulations
October 27 - Super 401K Plan Design
November 10 - FBAR & FATCA Reporting

Additional courses are being added all the time. 

PENNSYLVANIA

TAX UPDATE

By Sharon R. Paxton and
Randy L. Varner

Highlights of Tax Changes in 2016-2017 PA Budget

Although the Pennsylvania budget for fiscal year 2016-17 included no broad-based tax increases, the Tax Reform Code amendment bill (HB 1198) passed by the General Assembly and signed by the Governor on July 13, 2016 (as Act 84 of 2016), does include a number of significant tax changes. Following are highlights of interest.

Sales & Use Tax

Elimination of Vendor Discount

Prior to the enactment of HB 1198, vendors who timely reported and paid sales tax collections to the Department of Revenue were permitted to claim a 1% discount on their sales tax liability to compensate them for the expense of collecting and remitting the tax and as consideration for prompt payment. For sales tax returns due on or after August 1, 2016, the vendor discount has been capped at the lesser of (1) 1% of the amount of sales tax collected or (2) \$25 per return for monthly filers, \$75 per return for quarterly filers and \$150 per return for semiannual filers. In effect, the vendor discount is now capped at \$25 per month (or \$300 per year) for all filers, regardless of the amount of sales tax collected. This change

Sharon R. Paxton is a member of McNeese Wallace & Nurick LLC's State and Local Tax Group. Randy L. Varner is Chair of the Group.

will cost retailers doing business in Pennsylvania over \$55 million a year.

Taxation of Digital Goods

Effective August 1, 2016, sales tax applies to items delivered, streamed or accessed electronically or digitally, including music, audio, video, photographs, apps, games, books and any other otherwise taxable printed matter. This includes subscription services such as Netflix and satellite radio services.

With the exception of canned computer software, property that was electronically delivered was not previously treated as a taxable transfer of "tangible personal property." HB 1198 amended the definition of "tangible personal property" to include digital goods, as well as "maintenance, updates and support" for digital goods, including canned computer software. The imposition of tax on computer software support services is a significant change that will affect many Pennsylvania businesses.

Sales Suppression Devices

The possession, sale or distribution of an automated sales suppression device, zipper or phantomware with the knowledge that the sole purpose of the device is to evade taxes is now a criminal offense. In addition to any other applicable penalties, fines of up to \$10,000 may be imposed. A person who uses such a device is also liable for

all taxes, interest and penalties due as a result of the use of the device.

Timbering Exclusion

Effective July 1, 2017, HB 1198 provides a tax exclusion for property and services used directly in timbering operations by companies primarily engaged in the business of harvesting trees. The exclusion will apply broadly to various operations conducted by those in the business of harvesting trees, but will not include the harvesting of trees for clearing land for access roads.

Snack Food Packaging

Effective immediately, HB 1198 added a provision to clarify that corrugated (cardboard) boxes used by snack food manufacturers to deliver the manufactured product are exempt from tax as "wrapping supplies," whether or not the boxes are returnable.

Convention Center Exemption

Effective for services occurring after June 30, 2016, services related to the setup, tear down or maintenance of tangible personal property rented by an authority to exhibitors at certain convention centers and public auditoriums are exempt from tax.

Personal Income Tax

Taxation of PA Lottery Winnings

Effective retroactively to January 1, 2016, Personal Income Tax ("PIT") applies to all prizes of the Pennsylvania State Lottery other than non-cash

prizes. In addition, the Pennsylvania Lottery must now withhold PIT in instances where it is required to withhold Federal income tax.

Tuition Account Program Contributions

Starting with the 2016 PIT return, taxpayers who are entitled to a tax refund will have the option of designating all or a portion of the refund as a contribution to a Tuition Account Program. The Department of Revenue will report the designated amount to the State Treasurer, who will transfer the amount from the General Fund to the appropriate account within the Tuition Account Guaranteed Program or the Tuition Account Investment Program.

Intangible Drilling Costs

HB 1198 clarifies the treatment of intangible drilling costs for PIT purposes. Effective retroactively to January 1, 2014, a person who incurs intangible drilling and development costs is required to capitalize the costs and recover them over a 10-year period, or may elect to currently expense up to one-third of the costs in the taxable year in which the costs are incurred and recover the remaining costs over a 10-year period beginning in the taxable year the costs are incurred.

Involuntary Conversions

Effective September 11, 2016, HB 1198 adopts the provisions of IRC § 1033 (relating to involuntary conversions of property) for PIT purposes. Section 1033 permits a taxpayer to acquire replacement property following an involuntary conversion (e.g., when property is destroyed by fire or a natural disaster) and elect to defer recognition of gain.

Corporation Taxes

Change to Filing Deadline

Due to a change to the Federal corporate income tax filing deadline, for taxable years beginning after December 31, 2015, Pennsylvania corporate tax reports will be due 30 days after the Federal report is due, or would be due if the corporation were required to file a Federal report.

Amended Reports

New procedures for dealing with amended corporate tax reports will be implemented for amended reports filed after December 31, 2016. Taxpayers will have three years from the due date of the original report, including



extensions, to file an amended report (which must satisfy all the requirements of an original report). The filing of an amended report will extend the Department of Revenue's authority to adjust a taxpayer's tax liability to one year from the date the amended report is filed or three years from the filing date of the original report, whichever expires later. In addition, a taxpayer may consent to extend the period for the Department to consider an amended report at any time before expiration of the applicable limitations period.

The Department of Revenue will be required to act on an amended report within one year of filing and to notify the taxpayer as to whether the proposed changes have been accepted. If the Department fails to act within the one-year period, it will be deemed to have accepted the amended report as filed. A taxpayer who disagrees with the action of the Department on an amended report may file a petition for review within 90 days of the mailing date of the written notice provided by the Department. It should be noted that the Department's acceptance of an amended report will not limit the Department's authority to assess additional tax within the applicable limitations period.

While the new amended report procedures should be beneficial to some taxpayers, they may be useful only in limited circumstances (i.e., to correct an error on the original report or provide additional information for the Department's consideration). An amended report will not be a substitute

for the filing of a petition for refund with the Board of Appeals in most cases. A taxpayer is prohibited from filing an amended report instead of a timely appeal of an assessment, except if the taxpayer would be entitled to the requested adjustment under the Department's regulations. More importantly, a taxpayer may not file an amended report "that takes a position that is contrary to law or published department policy." Amended reports which do not meet these requirements will not be subject to the deemed acceptance rule.

In short, best practices dictate that a taxpayer who has reason to believe that it over-reported its Pennsylvania corporate tax liability should file a petition for refund with the Department's Board of Appeals and not rely on the new amended report provisions. The new provisions will apply only if the Department agrees that the proposed adjustments are in accordance with Departmental policy. Depending on when an amended report is filed, it may also extend the period of time for the Department to assess additional tax.

Realty Transfer Tax

In changes taking effect September 11, 2016, HB 1198 adds a definition of "conservancy" and clarifies that transfers to and from conservancies, transfers involving conservation easements and transfers to and from land banks are not subject to realty transfer tax. In addition, veterans' organizations are now exempt parties for realty transfer tax purposes.

Inheritance Tax

HB 1198 amends the inheritance tax exemption for family farms and qualified family-owned businesses to allow farms and businesses that are transferred “to or for the benefit of” a member of the same family to qualify for tax exemption. That is, the exemptions are extended to transfers to trusts for the benefit of members of the same family. In addition, relatives of a decedent’s spouse are now treated as “members of the same family.” The new provisions relating to relatives of a decedent’s spouse and to the exemption for family-owned farms are effective retroactively to decedents whose date of death is after December 31, 2012. The provisions relating to family-owned businesses apply to decedents with a date of death after June 30, 2013.

Bank Shares Tax

For calendar years beginning January 1, 2017, the rate of the Bank Shares Tax (“BST”) will be 0.95 percent (up from the previous rate of 0.89 percent). No longer will a threshold of \$100,000 in Pennsylvania-sourced receipts be necessary for a bank to be subject to BST. Importantly, all banks may now elect to apportion receipts using either Method 1 (“other receipts” that are sourced to Pennsylvania) or Method 2 (investment and trading assets in Pennsylvania). The new law clarifies that the “goodwill deduction” applies both to the base of the BST and the deduction for U.S. obligations. Finally, there is a phased-in exemption for Edge Act subsidiaries.

Unclaimed Property Law

The Treasurer can now require unclaimed U.S. Savings Bonds issued to Pennsylvania residents to be escheated to the state if the bonds are more than three years beyond the date of final maturity and there has been no indication of interest by the owner. There are new provisions related to escheatment of property held by a fiduciary or agent-in-fact when the holder has lost contact with the owner.

Tax Amnesty

The Department must administer a sixty (60) day tax amnesty program that ends no later than the end of the fiscal year on June 30, 2017. This program will not be available to taxpayers who are on notice that they are being criminally investigated or are a criminal defendant in an action that involves non-compliance with tax laws. The amnesty program will apply to all taxes that are administered by the Department of Revenue for which a taxpayer was delinquent on December 31, 2015.

Participating in the amnesty program will require a taxpayer to file an amnesty return, pay all tax and 50% of the interest that is due for all delinquent periods. This will save the taxpayer 50% of the interest and all penalties that would otherwise have been due. If the tax liabilities are unknown by the Department, taxpayers will not be liable for any delinquent taxes prior to January 1, 2011.

Taxpayers that take advantage of the amnesty program must remain compliant with Pennsylvania tax

obligations or risk “clawback” of the amounts forgiven by amnesty. The law requires the Department to issue amnesty program guidelines no later than September 11, 2016.

Tobacco Taxes

The tax on a pack of cigarettes has increased to \$2.60 from \$1.00, effective August 1, 2016. A new tobacco products tax has been imposed on other tobacco products (except cigars), including smokeless tobacco and roll-your-own tobacco, and on electronic cigarettes. The tax rate on tobacco products is 55 cents per ounce and includes a minimum weight provision. The tax rate on electronic cigarettes is 40% of the wholesale price. The effective date for the new tax on other tobacco products and electronic cigarettes is October 1, 2016, except that the new tax on roll-your-own tobacco will take effect sixty days after publication of notice in the Pennsylvania Bulletin.


Gaming Taxes

The table games tax rate is now 14% (up from 12%), effective August 1, 2016.

Tax Credits, Incentives, and Economic Development

The new law includes many new tax credits, incentives and continuations of existing programs. Of note:

- New tax programs include the Manufacturing Tax Credit, the Computer Data Center Equipment Incentive Program, the Mixed-Use Development Tax Credit, the Rural Jobs Investment Tax Credit, the Waterfront Development Tax Credit, the Coal Refuse Energy and Reclamation Tax Credit, the Video Game Production Tax Credit, and the Concert Rehearsal and Tour Production Tax Credit;
- Increases the Film Tax Credit cap and increases the types of expenses that can qualify for the credit;
- Re-establishes the Brewer’s Tax Credit; and
- Allows for the creation of 12 additional Keystone Opportunity Expansion Zones and allows for continuations of existing zones if certain job creation and investment criteria are met.

If you have questions about the new tax provisions, please contact Sharon at spaxton@mcneeslaw.com; or Randy at rvarner@mcneeslaw.com. 



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STEP 2 Total Quantity and Cost Columns			
Total Quantity of All Items	A	Total Cost	B

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

STEP 4 Calculate Shipping & Handling Charge (Total Quantity × S&H Charge Per Item)								
Total Quantity of All Items (from STEP 2)	x	Shipping & Handling (S&H) Charge Per Item						Shipping & Handling Charge*
		1 Item	2 Items	3-5 Items	6-10 Items	11-20 Items	21+ Items	
		\$7.45	\$6.45	\$5.95	\$5.45	\$4.95	\$3.95	
A	(items) x	per item	per item	per item	per item	per item	per item	= \$ D <i>Free S&H</i>

* 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 <i>Free S&H</i>	= \$

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	= \$

2016 ORDER FORM

PROMO CODE
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Name _____

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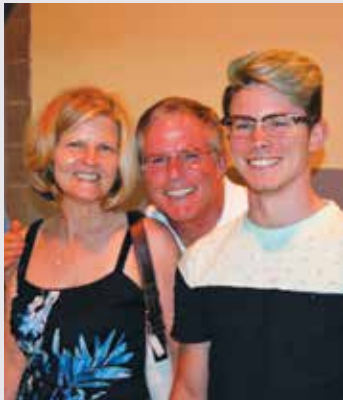
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HIGHLIGHTS FROM THE 69TH ANNUAL MEETING - JUNE 2016



FINGER LAKES - RADISSON HOTEL, CORNING NEW YORK



A MESSAGE FROM

The NSA State Director



Mission Statement of NSA

NSA provides national leadership and helps its members achieve success in the profession of accountancy and taxation through the advocacy of practice rights and the promotion of high standards in ethics, education, and professional excellence.

The 2016 - 2018 NSA Leadership Development Program

The purpose of this two-year program is to encourage and develop our future leaders at the state and national levels; to help our professional members reach their potential and beyond, through enhancement of leadership skills and abilities; to keep our organizations strong and thriving. If interested in this Program, visit the NSA Website www.nsacct.org for info and registration.

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August 2017

72nd Annual Meeting, in Reno, NV.
August 20 to 23, 2017

In the next publication, I will provide info on the 2016 NSA Convention.

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

NSA Officers Meet With IRS Commissioner: Discuss Practitioner Concerns

The leadership of NSA met with IRS Commissioner John Koskinen on August 10 to discuss a range topics relating to the services the IRS provides to tax preparers. The participants in the meeting included NSA President Kathy Hettick; NSA First Vice President Al Giovetti; NSA Second Vice President Brian L. Thompson; NSA Secretary-Treasurer Curt Lee; and NSA Executive Vice President John Ams.



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PRACTITIONER'S CORNER

New Phishing Scheme Mimics Software Providers; Targets Tax Professionals

The Internal Revenue Service alerted tax professionals to an emerging phishing email scam that pretends to be from tax software providers and tries to trick recipients into clicking on a bogus link.

The email scheme is the latest in a series of attempts by fraudsters to use the IRS or other tax issues as a cover to trick people into giving up sensitive information such as passwords, Social Security numbers or credit card numbers or to make unnecessary payments.

In the new scheme identified as part of the IRS Security Summit process, tax professionals are receiving emails pretending to be from tax software companies. The email scheme requests the recipient to download and install an important software update via a link included in the e-mail.

Once recipients click on the embedded link, they are directed to a website prompting them to download a file appearing to be an update of their software package. The file has a naming convention that uses the actual name of their software followed by an ".exe extension."

Upon completion, tax professionals believe they have downloaded a software update when in fact they have loaded a program designed to track the tax professional's key strokes, which is a common tactic used by cyber thieves to steal login information, passwords and other sensitive data.

Although the IRS knows of only a handful of cases to date, tax professionals are encouraged to be on the lookout for these scams and never to click on unexpected links in emails. Similar email schemes using tax software names have targeted individual taxpayers.

The IRS recently launched a new campaign to raise awareness among

tax professionals about security threats posed by identity theft issues targeting their industry. The **Protect Your Clients, Protect Yourself** campaign features an ongoing effort to urge tax professionals to step up their security protections and be aware they increasingly are targets of cybercriminals.

The IRS urges all tax preparers to take the following steps:

- Be alert for phishing scams: do not click on links or open attachments contained in e-mails and always utilize a software provider's main webpage for connecting to them.
- Run a security "deep scan" to search for viruses and malware;
- Strengthen passwords for both computer access and software access; make sure your password is a minimum of 8 digits long (more is better) with a mix of numbers, letters and special characters;
- Educate all staff members about the dangers of phishing scams in the form of emails, texts and calls;
- Review any software that your employees use to remotely access your network and/or your IT support vendor uses to remotely troubleshoot technical problems and support your systems. Remote access software is a potential target for bad actors to gain entry and take control of a machine.

Tax professionals should review Publication 4557, Safeguarding Taxpayer Data, A Guide for Your Business, which provides a checklist to help safeguard taxpayer information.

Tax Professionals: Monitor Your PTIN for Suspicious Activity

IRS issued a security awareness tip regarding PTIN monitoring. Tax preparers can help protect clients and their businesses from identity theft by checking their PTIN Accounts to ensure the number of returns filed using their

identification number matches IRS records.

Criminals are increasingly targeting tax professionals, not only to steal client data but also to steal the professionals' data such as PTINs, EFINs or e-Service passwords. The IRS has teamed up with state tax agencies and the tax industry for a "Protect Your Clients; Protect Yourself" campaign to help increase awareness among tax professionals. The IRS offers many preparers the ability to monitor "Returns Filed Per PTIN." This information is available in the online PTIN system for tax return preparers who meet both of the following criteria. You must have:

- A professional credential (Enrolled Agent, Certified Public Accountant, Attorney, Enrolled Retirement Plan Agent or Enrolled Actuary) or are an Annual Filing Season Program participant, and
- At least 50 tax returns from the Form 1040 series processed in the current year.

It is important to monitor this information even if you do not prepare returns or only prepare a small number of returns. If there is no data shown, less than 50 returns have been processed with your PTIN.

To access "Returns Filed Per PTIN" information, follow these steps:

1. Visit <http://www.irs.gov/ptin> and log into your PTIN account.
2. From the Main Menu, find "Additional Activities."
3. Under Additional Activities, select "View Returns Filed Per PTIN."
4. A chart labeled Returns Per PTIN should appear.
5. A count of individual income tax returns filed and processed in the current year will be displayed.

The information in the Returns Per PTIN chart is updated weekly and it is important that you check this information regularly. If the number of returns processed is significantly

more than the number of tax returns you've prepared and you suspect possible misuse of your PTIN, complete and submit Form 14157, Complaint: Tax Return Preparer, to the IRS.

AICPA Once Again Loses Suit Over IRS Voluntary Registration Program

A federal court on August 3 once again dismissed the American Institute of CPAs' lawsuit to stop the implementation of the Internal Revenue Service's voluntary registration program.

The U.S. District Court for the District of Columbia previously dismissed the AICPA's lawsuit on the basis that, as a professional society, it was not injured by the IRS program and therefore did not have standing to file suit. The U.S. Court of Appeals for the District of Columbia Circuit reversed, finding that the organization could argue that its members were injured parties because they could lose business to the voluntarily registered preparers. However, the appeals court sent the case back to the trial court with the instruction that the AICPA also needed to show that its grievance fell "within the zone of interests protected or regulated by the statutory provision it invokes."

The trial court ruled on August 3 that the AICPA failed to show that its members' competitive interests in limiting competition in the tax return preparation field were consistent with the purposes of the statute under which the IRS regulates CPAs. Judge James E. Boasberg said "AICPA can offer no explanation, apart from the consumer-confusion argument" as to why its interest in dismantling the preparer program furthers Congress' goal of consumer protection.

The case was dismissed without prejudice, allowing the AICPA to refile the lawsuit. The judge stated that the IRS "may wish to ensure that its Program was properly promulgated before a suitable party mounts its own challenge."

IRS Works to Help Taxpayers Affected by ITIN Changes; Renewals Begin in October

The Internal Revenue Service announced important changes to help taxpayers comply with revisions to

the Individual Taxpayer Identification Number (ITIN) program made under a new law. The changes require some taxpayers to renew their ITINs beginning in October.

The new law will mean ITINs that have not been used on a federal tax return at least once in the last three years will no longer be valid for use on a tax return unless renewed by the taxpayer. In addition, ITINs issued prior to 2013 that have been used on a federal tax return in the last three years will need to be renewed starting this fall, and the IRS is putting in place a rolling renewal schedule, described below, to assist taxpayers.

If taxpayers have an expired ITIN and don't renew before filing a tax return next year, they could face a refund delay and may be ineligible for certain tax credits, such as the Child Tax Credit and the American Opportunity Tax Credit, until the ITIN is renewed.

The ITIN changes are required by the Protecting Americans from Tax Hikes (PATH) Act enacted by Congress in December 2015. These provisions, along with new procedures to help taxpayers navigate these changes, are outlined in IRS Notice 2016-48, which was released August 4, 2016.

Who Has to Renew an ITIN

The IRS emphasizes that no action is needed by ITIN holders if they don't need to file a tax return next year. There are two key groups of ITIN holders who may need to renew an ITIN so it will be in effect for returns filed in 2017:

- **Unused ITINs.** ITINs not used on a federal income tax return in the last three years (covering 2013, 2014, or 2015) will no longer be valid to use on a tax return as of Jan. 1, 2017. ITIN holders in this group who need to file a tax return next year will need to renew their ITINs. The renewal period begins Oct. 1, 2016.
- **Expiring ITINs.** ITINs issued before 2013 will begin expiring this year, and taxpayers will need to renew them on a rolling basis. The first ITINs that will expire under this schedule are those with middle digits of 78 and 79 (Example: 9XX-78-XXXX). The renewal period for these ITINs begins Oct. 1, 2016. The IRS will mail letters to this group of taxpayers starting in August to inform them of the need to renew their ITINs if they need to file a tax

return and explain steps they need to take. The schedule for expiration and renewal of ITINs that do not have middle digits of 78 and 79 will be announced at a future date.

How to Renew an ITIN

Only ITIN holders who need to file a tax return need to renew their ITINs. Others do not need to take any action.

Starting Oct. 1, 2016, ITIN holders can begin renewing ITINs that are no longer in effect because of three years of nonuse or that have a middle digit of 78 or 79. To renew an ITIN, taxpayers must complete a Form W-7, Application for IRS Individual Taxpayer Identification Number, follow the instructions and include all information and documentation required. To reduce burden on taxpayers, the IRS will not require individuals renewing an ITIN to attach a tax return when submitting their Form W-7. Taxpayers are reminded to use the newest version of the Form W-7 available at the time of renewal which will be posted in September (Use version "Rev. 9-2016").

There are three methods taxpayers can use to submit their W-7 application package to renew their ITIN. They can:

- Mail their Form W-7 - along with the original identification documents or certified copies by the agency that issued them -- to the IRS address listed on the form (identification documents will be returned within 60 days),
- Use one of the many IRS authorized Certified Acceptance Agents or Acceptance Agents around the country, or
- In advance, call and make an appointment at an IRS Taxpayer Assistance Center in lieu of mailing original identification documents to the IRS.

Other Steps to Help Taxpayers

To make this renewal effort easier and reduce paperwork, the IRS will be offering a family option for ITIN renewal. If any individual having an ITIN middle digit of 78 or 79 receives a renewal letter from the IRS, they can choose to renew the ITINs of all of their family members at the same time rather than doing them separately over several years. Family members include the tax filer, the spouse and any dependents claimed on their tax return.

The IRS is also working closely with a variety of partner and outreach groups

to share information about the ITIN changes and help raise awareness about the new guidelines. The IRS will be providing additional information and material to share with these groups and taxpayers in the near future.

New requirement for dependents whose passports do not have a date of entry into the U.S.

Beginning Oct. 1, 2016, the IRS will no longer accept passports that do not have a date of entry into the U.S. as a stand-alone identification document for dependents from countries other than Canada or Mexico or dependents of military members overseas. Affected applicants will now be required to submit either U.S. medical records for dependents under age six or U.S. school records for dependents under age 18, along with the passport. Dependents aged 18 and over can submit a rental or bank statement or a utility bill listing the applicant's name and U.S. address, along with their passport.

Other information about ITINs

ITINs are for federal tax purposes only and are not intended to serve any other purpose. ITINs that are only used on information returns filed with the IRS by third parties do not need to be renewed. An ITIN does not authorize one to work in the United States or provide eligibility for Social Security benefits or the Earned Income Tax Credit. ITINs are not valid identification outside the tax system and do not establish immigration status. For more information, visit the ITIN ITIN information page on IRS.gov.

PA Department of Revenue Launches eStatement of Account

The Pennsylvania Department of Revenue has launched an important new tool that will help businesses and tax practitioners. The business tax system known as e-TIDES is now offering a Statement of Account electronically. No longer do you have to get a print statement in the mail.

We posted this information on the listserv with a link to a video. More information about accessing and requesting your e-SOA is available under the Get Assistance section in e-TIDES at www.etides.state.pa.us.

PA Department of Revenue Resource for Non Filer Concerns

The Department of Revenue has recently created a resource account for nonfiler concerns for taxpayers and/or practitioners who have received a non-filer notice from the Business Tax System and has questions about that notice.

The address is RV, Nonfiler Notice Review (RA-RVNONFILENOTEREV@pa.gov). Taxpayers and/or practitioners should provide as much information as possible. Providing the actual notice as an attachment would be optimal.

IRS Issues Final Regulations for Various Taxes

The IRS has issued final regulations (T.D. 9785) containing amendments to the estate tax regulations, gift tax regulations, generation-skipping transfer tax regulations, the employment tax and collection of income tax at source regulations and the regulations on procedure and administration. The regulations provide guidance on the terms spouse, husband, wife, and marriage.

The IRS Has Released a Number of Statistics of Income Bulletins Including:

- State, County, and Zip Code Data, Tax Year 2014
- Filing Season Statistics, Calendar Year 2016
- 2014 Individual Income Tax Returns Line Item Estimates

IRS Code Section 7521

The direct contact provisions of Code Sec. 7521 generally require IRS personnel to stop a taxpayer interview whenever a taxpayer requests consultation with a representative and prohibits IRS personnel from bypassing a qualified representative without supervisory approval. The Treasury Inspector General for Tax Administration (TIGTA) initiated an audit because it is required to annually report on the IRS's compliance with the direct contact provisions of the Code.

The overall objective of this review was to determine whether the IRS complied with legal guidelines addressing the direct contact of taxpayers and their representatives as set

forth in Secs. 7521(b)(2) and (c). TIGTA found the IRS has a number of policies and procedures in place to help ensure that taxpayers are afforded the right to designate an authorized representative to act on their behalf in dealing with IRS personnel in a variety of tax matters. In addition, the IRS has a process to handle the review and disposition of taxpayer allegations of direct contact violations. Each year, TIGTA focuses on one IRS office or function that interacts with taxpayers and their representatives on a routine basis.

For this year's review, TIGTA analyzed the extent to which revenue agents in the Small Business/Self-Employed Division's Field Examination function are complying with the direct contact provisions of the Code during interactions with taxpayers or their representatives. Using computer software, TIGTA systemically searched electronic workpapers for key words that would indicate a potential direct contact violation had occurred. The systemic search initially identified 493 documents from 391 field examination cases that contained information indicating potential direct contact. TIGTA reviewed select examination case information in each document and did not identify any revenue agent violations of the direct contact provisions of Secs. 7521(b)(2) and (c) during the fiscal year.

Did You Know?

The IRS does not currently notify taxpayers it identifies as victims of employment-related identity theft, nor has it established an effective process to ensure that it sends the required notice to the Social Security Administration (SSA) to alert the SSA of earnings not associated with a victim of employment-related identity theft. These are two significant findings in an audit report by the Treasury Inspector General for Tax Administration (TIGTA).

Employment-related identity theft occurs when someone uses the identity of another person to gain employment. Taxpayers may first realize they are victims of this type of crime when they receive an IRS notice of a discrepancy in the income they reported on their tax return. The IRS's Automated Underreporter (AUR) program identifies such discrepancies when it matches taxpayer income reported on third-

party information returns (e.g., Forms W-2, Wage and Income Statement) to amounts that taxpayers report on their individual income tax returns. TIGTA conducted this audit to evaluate the IRS's AUR processes to identify and assist victims of identity theft. During the period February 2011 to December 2015, the IRS identified almost 1.1 million taxpayers who were victims of employment-related identity theft.

In April 2014, the IRS started a pilot initiative to begin notifying taxpayers that they may be a victim of employment-related identity theft. TIGTA's review of the pilot notification initiative found that the IRS did not sufficiently design the pilot to include a representative sample of employment-related identity theft victims. Further, TIGTA found that the IRS has not established an effective process to ensure that it sends the required notice to alert the SSA of earnings not associated with a victim of employment-related identity theft.

Revenue Procedure 2016-48

(IRB 2016-37) provides guidance to taxpayers for making certain elections and filing amended returns to avail themselves of extenders from the PATH Act. The PATH Act of 2015 generally

extends the application of the additional first year depreciation deduction (bonus depreciation), the election out of bonus depreciation for round 5 extension property, and the expensing provision for qualified real property, for property placed in service in 2015.

Records of Gambling Losses

You can take a deduction for gambling losses (on Schedule A) up to the amount of any winnings. But you've got to substantiate those losses. One way is statements from a casino, another is an accurate diary. In one case the Tax Court noted inconsistencies in the diary and in the statements from the casinos. The Court held that the record provided no satisfactory basis for estimating the taxpayers' gambling losses in excess of the amount allowed by the IRS. There were too many omissions and discrepancies among the documents the taxpayers presented as substantiation. Consequently, the Court did not apply the Cohan rule to estimate the amount of the taxpayer's gambling losses. The taxpayers could have avoided this result by keeping complete records of their gambling activities or perhaps by simply using their casino cards to track their slot machine play on each of their gambling trips.

Basis for Amortization/Depreciation Deductions

Before taking an amortization or depreciation deduction, you've got to be able to show you've got a basis in the asset. For example, you may be able to amortize start-up expenses, developed intangibles, etc. or physical assets such as purchased or constructed equipment or buildings. If you purchased the asset you've got a receipt or bill of sale.

But what if you self-constructed it? The IRS will not just accept that you expended \$20,000 in constructing a special machine to use in your business. You've got to have receipts and canceled checks and show that you didn't deduct those expenditures elsewhere. If you had your own employees working on the project you want to be able to reconcile total payroll with currently deducted and capitalized expenditures. The amounts involved can be substantial and may not be challenged immediately. For example, you used in-house labor to construct a building. Seven years later the IRS challenges your depreciation deduction. Do you still have the documentation to prove your basis? 🍷



Maureen H. Christy, CPA, PSTAP State Secretary presents Arlan R. Christ, PSTAP President (2015-2016) with lifetime membership certificate



Frank H. Kelly, EA, of the South Central Chapter was installed as President of the PSTAP for the 2016-2017 year at the 69th Annual Meeting in Corning New York. Here Arlan R. Christ presents a plaque to Frank H. Kelly.

WE'LL SAVE THE DAY!



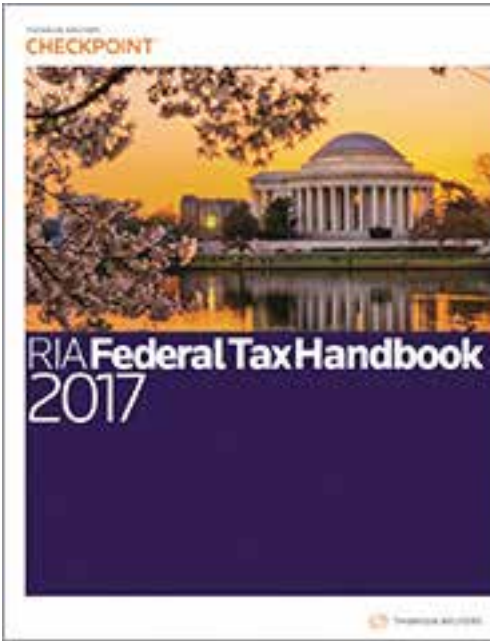
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