

the **Pennsylvania**

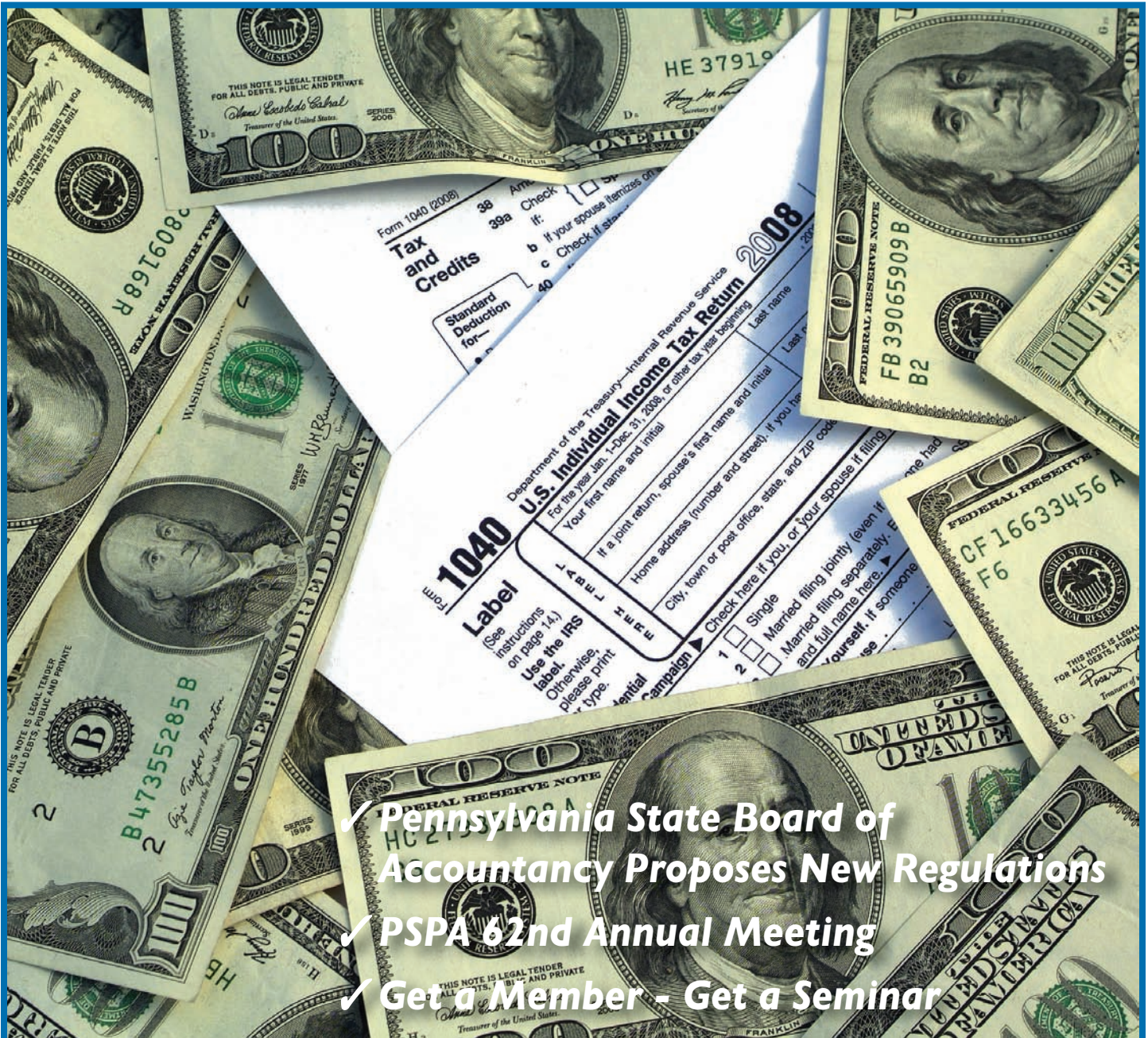
Spring 2009



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# Accountant

The Magazine Of The Pennsylvania Society of Public Accountants



- ✓ Pennsylvania State Board of Accountancy Proposes New Regulations
- ✓ PSPA 62nd Annual Meeting
- ✓ Get a Member - Get a Seminar

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## A Message From The President



Congratulations, you have survived another series of April deadlines! You may now look ahead to the multiple extensions that you likely have due September 15th and October 15th. I would like to express my appreciation to the many members who contributed questions and answers to the PSPA Listserve. Knowing that there are other practitioners to whom we can turn to with questions, or perhaps offer assistance in our own areas of expertise, helped to make the tax season more manageable for many of us.

As you take some time to review the past season and to assess your schedule for the upcoming months, consider making some of the upcoming PSPA events a priority. On June 16th, the PSPA will be sponsoring its 6th annual "Day at the Capitol". This is an excellent opportunity for each of you to meet with your local legislators and discuss issues that affect both you and your clients. Time spent meeting and building relationships with your legislators can be an invaluable asset for years to come. Another event you should be looking forward to is the PSPA's 62nd annual convention to be held June 25-28, 2009 in Strasburg, Pennsylvania. The Central Chapter of the PSPA, in combination with the executive office, has been working diligently to provide you with a meaningful and memorable experience. The convention will begin with an 8 Hour QuickBooks seminar on Thursday, followed by business meetings and various family events throughout the weekend. This is your opportunity to spend some time away with your family while still being an active voice within the Organization.

For those of you looking ahead and planning your CPE for the remainder of the year, I would encourage you to visit the state website at [www.pspa-state.org](http://www.pspa-state.org). The website contains a complete course catalog with the ability to register for several of the seminars on-line. This is one of the areas in which the PSPA executive office and the technology committee have been working to improve our communications and access to members.

Reflecting back upon this past year, I recognize that it has been a privilege to serve as President of the PSPA and I thank you for the opportunity to do so. I would also like to specifically thank Executive Director Sherry DeAgostino, administrative assistant Bonnie Hackman, and the many members of the PSPA who served on various committees and volunteered countless hours to keep our Organization moving forward with a strong, clear sense of purpose. Though our membership may not yet equal that of other professional organizations, our members are certainly as knowledgeable and committed, and in many ways stronger, than those in larger organizations and I am proud to have served you. It is my goal that our Organization continues to grow and to champion the cause of the local practitioner both here in Pennsylvania and throughout the entire country.

Respectfully submitted,  
Randy L. Brandt, CPA  
PSPA President

**Make a Positive Investment...  
Renew Your Membership Today!**



Pay Your PSPA Membership Dues at:  
www.pspa-state.org - \$10 Early Payment Discount  
Expires June 1, 2009.

**2009 Course Catalog**



We are pleased to provide you with PSPA's 2009 Course Catalog on the center pages of this publication. This catalog contains all of the full day programs as well as the webcast programs offered by PSPA for the 2009 year. You can go to www.pspacpe.com to view course listings and to download registration forms. Questions regarding all PSPA seminars should be directed to 1-800-270-3352. To be eligible for the PSPA member discount at any of our seminars you must be a member in good standing.

**PSPA Accepting Nominations**

PSPA is currently accepting nominations for the positions of Second Vice President, State Secretary, NSA State Director and for delegates to the NSA's 64th Annual Meeting August 12-15, 2009 in San Diego. Nominations for these positions should be submitted to the PSPA Executive Office, c/o Timothy Sundstrom, CPA, Nominating Committee Chairman, 20 Erford Road, Suite 200A, Lemoyne, PA 17043. Nominations may also be faxed to: 717-737-6847 or emailed to info@pspa-state.org. Elections for each of these positions will take place at the PSPA 62nd Annual Meeting (June 25-28, 2009) at the Historic Strasburg Inn in Lancaster County, PA.

As of the date of this publication the following individuals have been nominated to these open seats:

- Second Vice President** – Francis J. Cellini, EA, ATA, ATP (Southeast Chapter)
- State Secretary** – Frank H. Kelly, EA, ABA, ATA, ATP (South Central Chapter) and Andrew J. Piernock, Jr., ATP (Philadelphia Tri-County Chapter)

The PSPA Board of Directors voted (at their May 2, 2009 board of directors meeting) to limit the partial reimbursement of NSA delegates attending the NSA Annual Meeting to only three elected delegates. Any PSPA member interested in running as an elected delegate should submit their name to the PSPA via one of the methods listed above. In order to qualify for partial reimbursement, delegates must attend at least 75% of the business meetings at NSA's 62nd Annual Meeting and submit a written report within 15 days following the annual meeting.

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## Cloud Computing and the Paperless Office for Accountants

Cloud computing has slowly been gaining acceptance on the traditional desktop computing model over the past few years. Web based applications are nothing new but the idea of moving towards 100% of your applications to the web is likely a frightening concept for many of us. Cloud computing is an evolution of the application service provider model. In the cloud model, theoretically all applications and even the operating system can be offloaded to services provided over the Internet. Google Apps is well known as a cloud based business and productivity application and Windows Live Mesh is an example of one foray into a web-based desktop operating and file system. This computing model has many implications for how accounting firms will adopt this technology and how it will impact workflow. One possible benefit is the synergy that can be achieved between cloud computing and paperless office environments.

Many paperless office implementations provide for remote access to electronic content using remote desktop, Citrix, file synchronization and document checkout or various internet portals. This solution works well for many firms but still has the disadvantage of

being tied to particular desktops or laptops, depending on licensing requirements of the software being used. One change coming down the line that is being driven by the proliferation of cloud computing will be an increase in the number and types of Mobile Internet Devices. Many manufacturers have plans to announce these devices in the next 6-18 months and just as we saw an explosion in netbooks over the past year, we will likely begin to see more and more manufacturers jump on board with their own devices. These devices will act as windows into the cloud and will provide more convenient points of access to electronic content without being tethered to desktops or tied to lengthy laptop boot up times. With advances in ultrathin display technology and the smaller processing and hardware requirements of cloud computing these devices may literally become the new "paper".

There are several pitfalls that still must be overcome before this transition can really progress. First, this entire model is based on constant internet connectivity. Although this is a current reality with the widespread availability of cellular broadband and a vast array of Wi-Fi access points available, the price points for these services are still a little steep for many business users. Secondly and maybe the biggest deterrent will be concerns over privacy and security of confidential data. Most hosting providers have far superior security at their facilities than individual accounting firms can obtain, but the real concern

is over the user controls in place within the firm. Weaknesses in the firm's user controls could possibly circumvent the physical and logical access controls in place at the hosting facility. Even though data used in cloud computing is typically encrypted for transmission, it would seem that under many regulations and standards, this might be deemed a disclosure of client data. Finally, there are some applications that for any number of reasons may not be a good fit for the cloud computing model. It is quite likely that firms will need to have a mix of cloud and remote desktop to access all the applications they will need.

The transition to cloud computing is steadily moving forward but a complete transition is a long way off. Firms can begin understanding the transition by looking at the web-based applications they currently use. From there firms should start to develop a strategy on how they will address the issues above and create synergy with their existing workflows.

### **About the Author:**

*Alex Vuchnich, CPA, CFE is the Manager of Enterprise Accounting Markets for Sageworks, Inc. The company develops ProfitCents ([www.profitcents.com](http://www.profitcents.com)), an application that aids accountants in communicating with clients. Mr. Vuchnich assists accountants and other financial advisors with leveraging software to enhance communication and understanding of financial analysis and business analytics. He can be reached at [alex.vuchnich@sageworksinc.com](mailto:alex.vuchnich@sageworksinc.com) or 919.851.7474.*





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Firm:		Contact:
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Annual Fees: \$ \_\_\_\_\_ YIE: \_\_\_\_\_

Number of accountants (with years of experience):

	F/Time:	P/Time*:
5+ years:	_____	_____
4 years:	_____	_____
3 years:	_____	_____
2 years:	_____	_____
1 year:	_____	_____
<1 year:	_____	_____
<b>Total:</b>	_____	_____

\*Average of 25 hours per week or less

In the past three years, how many firm members attended a loss control seminar \_\_\_\_

On what date was the firm established \_\_\_\_\_

Within the past 5 years:

Has the firm provided services to a client that is engaged in the issuance, offering, registration or sale of securities or bonds; or provided clients with forecasts or projections for inclusion in sales literature, etc., of any securities or bonds? YES  NO

Has any member of the firm provided services or acted as a director/officer/committee member for any financial institution? YES  NO

Has any member of the firm had an accounting license or authority to practice accounting revoked, or been subject to disciplinary action, fine reprimand, or criminal penalty related to performance of professional services? YES  NO

Renewal: \_\_\_/\_\_\_/\_\_\_ Insurer: \_\_\_\_\_ Limit: \$ \_\_\_\_\_ Deductible: \$ \_\_\_\_\_ Premium: \$ \_\_\_\_\_  
What is the retroactive date on your current policy \_\_\_/\_\_\_/\_\_\_  None  N/A

Approximately percentage of income received from the following activities for the last annual period:

Activity	%
Audit: Public Companies**	
Audit: Other	
Review	
Compilation	
Bookkeeping	
Tax	
Business Valuation	
Computer Consulting	
Litigation Support	

Activity	%
Litigation Support	
Management Advisory Services	
Assurance Services	
Financial Planning	
Asset Management	
Sale of Mutual Funds	
SEC/Sarbanes Oxley Related Services**	
Other*	
<b>Total</b>	<b>100%</b>

\*\*Calls for a supplement

### CLAIMS HISTORY (within the past five years):

Date claim(s) Reported	One: ___/___/19 _____	Two: ___/___/19 _____	Three: ___/___/19 _____
Amount Paid, including	\$ _____	\$ _____	\$ _____
Defense Expenses (if closed)	\$ _____	\$ _____	\$ _____
Reserve amount (if open)	\$ _____	\$ _____	\$ _____

# PSPA 62nd Annual Meeting

## June 25-28 2009

### Historic Strasburg Inn

Join the PSPA in Pennsylvania Dutch country for the 62nd Annual Meeting. Earn CPE, learn more about your organization, network with other accounting professionals while enjoying all that Lancaster County has to offer. This year's event is hosted by the Central Chapter. Registration material was sent to you via U.S. mail at the end of April. You may download additional information at [www.pspa-state.org](http://www.pspa-state.org).

#### SCHEDULE OF EVENTS

##### Thursday, June 25, 2009

Seminar – Quickbooks	8:00 A.M.	Eden Resort
Registration	8:30 A.M. – 4:30 P.M.	Eden Resort
Seminar	9:30 A.M.	Rockvale Outlets
Spouse's Outlet Shopping Spree*	3:00 P.M.	Historic Strasburg Inn
Hotel Check-In Begins	2:00-5:30 P.M.	Front Desk Lobby - HSI
PSPA Registration	5:30 P.M.	Lancaster Room – HSI
Board of Director's Meeting	7:00 – 10:00 P.M.	Ballroom ABC – HSI
Welcome Dinner/Monte Carlo Night	10:00 P.M.	Ballroom ABC Lobby
Hospitality Suite		

##### Friday, June 26, 2009

Breakfast	7:30-9:30 A.M.	Strasburg Room – HSI
Business Meeting	9:00-11:15 A.M.	Ballroom C – HSI
Kitchen Kettle/Amish Tour/Dinner	12:00 – 8:00 P.M.	
Hospitality Suite	9:00 P.M.	Ballroom ABC Lobby - HSI

##### Saturday, June 27, 2009

Breakfast	7:30-9:30 A.M.	Strasburg Room – HSI
Business Meeting	9:00 – 12:00 Noon	Ballroom C – HSI
Railroad Museum & Train Ride	1:00 P.M.	
President's Reception	5:30 P.M.	Ballroom ABC – HSI
Dinner/Installation/Dancing	6:30-10:30 P.M.	Ballroom ABC - HSI

##### Sunday, June 28, 2009

Breakfast	8:30-9:30 A.M.	Strasburg Room – HSI
Board Meeting	10:00 A.M.	Lancaster Room – HSI





# Quickbooks for Accounting Professionals

Training from the only QuickBooks training company  
**ENDORSED** by Intuit (Makers of QuickBooks):

Intuit endorsed Real World Training (RWT) in 1998, and since that time they have taught over 1,000,000 users and accountants how to use QuickBooks, fix errors, and save time. In addition to live seminars and hands-on training classes, Real World Training also:

- Creates the "Learning Center" inside Quickbooks
- Creates the Quickbooks ProAdvisor Certification course
- Creates the Quickbooks Enterprise Solutions Certification Course
- Creates the Point of Sale Certification course for the Retail Solutions Providers (RSP) Program

**...And now RWT has created an exclusive seminar for the PSPA!**

**Discover why clients make errors, and how to fix them:** Clients don't realize they are performing complex accounting tasks without an accounting background. This creates errors and unexpected results. After teaching over 1 million Quickbooks users (people just like your clients), RWT has seen almost every possible error...and discovered WHY clients make these errors, and HOW to fix them. You learn the quickest and smartest fixes to the most common client errors. You also learn how to answer all your clients "how do I ..." questions. The instructor will stay until ALL your questions are answered!

## EVERYDAY CLIENT TRANSACTIONS

- Be ready to answer all your clients "how do I" questions
- Learn How to process transactions the RIGHT way for Quickbooks
- Sales: Different methods for entering sales
- Purchases: A/P vs. other methods. Debit Card and Petty Cash purchases
- Banking: Reconciling and locating discrepancies
- How to work with client data files

## SPECIAL TRANSACTIONS ("WORKAROUNDS")

- Trading A/R and A/P balances
- Voiding vs. deleting checks
- Customer deposits
- Bad debts
- Void prior period checks
- Automate Journal Entries for depreciation and other transactions

## FIXING ERRORS AND UNDERSTANDING "QUIRKS"

- List limits and what to do when clients outgrow QB
- Clean up the COA and other lists
- Closing the books
- Understand and use Retained Earnings

## ADVANCED REPORTING

- Create customer reports (and batch reports)
- Why A/R has a balance on a cash basis B.S.
- Why statements and Aging reports don't tie to B.S.
- Audit trail and finding changes made to closed periods

*...and MUCH more!*

## ABOUT THE SPEAKER - DAVID J. O'BRIEN, CPA

David is founder and President of Real World Training. He is an award-winning speaker and has written more than 20 books on how to best use QuickBooks. He authored the first QuickBooks ProAdvisor course in 2000 and has consulted with numerous business units at Intuit. He wrote the scripts that the award winning RWT speakers use to deliver QuickBooks training around the country. David has been teaching QuickBooks since 1994 and has taught over 25,000 students!



# PENNSYLVANIA TAX UPDATE

General Department of Revenue Beginning New Phase of Use Tax  
Voluntary Compliance Initiative  
By Sharon R. Paxton

## *Educational Improvement Tax Credit Pass-Through*

In March 2009, the Department of Revenue released Form REV-1123 (Educational Improvement Tax Credit Election Form), which is to be used by a pass-through entity to make an irrevocable election to transfer all or part of an Educational Improvement Tax Credit ("EITC") to its owners for application to their Personal Income Tax liabilities. In the absence of an election to the contrary, credit will be applied to the taxes of the entity (e.g., Capital Stock Tax) for the tax year in which the contribution is made. A pass-through entity may make an irrevocable election to pass through all or a portion of the EITC to its owners in the taxable year in which the contribution is made or in the taxable year immediately following the taxable year in which the contribution is made. An election to pass through an EITC must be made by the pass-through entity on or before the tax report due date for the year in which the contribution is made. If the election is not made to pass through any unused EITC to the owners, the EITC will expire.

## *Corporate Net Income Tax - Net Operating Losses*

The Department of Revenue issued guidance in Corporate Tax Bulletin 2008-03 regarding the application of IRC Sections 381 and 382 in the calculation of Pennsylvania Corporate Net Income Tax. Those sections limit, for federal income tax purposes, the amount of an acquired corporation's net operating loss that the acquiring corporation may properly deduct. The Department recommends that taxpayers subject to these provisions prepare separate schedules detailing the calculation of the loss allowed and an explanation of the transaction giving rise to the limitation.

## *Capital Stock Tax - Single Factor Apportionment - Cash Balances*

The Department of Revenue issued guidance in Corporate Tax Bulletin 2008-04 concerning determination of the taxable portion of a corporate taxpayer's cash balance in the calculation of the single factor exemption for manufacturing, processing or research and development. When utilizing the single fraction manufacturing exemption in the calculation of the Capital Stock or Franchise Tax in a given year, the taxpayer's taxable assets fraction will include the lowest end of month cash balance of its interest generating accounts as an asset not used in the exempt activity during the year (i.e., as a taxable asset). This would be in addition to any portion of the average cash that would not be exempt for any other reason (i.e., cash associated with sales of non-manufactured goods).

## *Corporate Net Income Tax - Income Tax Add-back*

The Department of Revenue issued guidance in Corporate Tax Bulletin 2008-05 (replacing Corporate Tax Bulletin 2005-01) regarding the add-back of taxes imposed on or measured by net income in the calculation of Pennsylvania taxable income. In addition to providing an updated list of states that impose such a tax, the Department reminded taxpayers that in some states a net income tax may be measured only in part by net income, or not at all (e.g., a tax based upon the greater of net income or gross receipts). Finally, the Department noted that in the event of an over accrual of taxes in an add-back state, the taxpayer may adjust the add-back in the subsequent year.

## *Ambiguities In The Taxation of Items Affixed to Real Property*

Even though it has been over 10 years since the enactment of Act 45 of 1998 ("Act 45"), which was intended to simplify the taxation of construction contracts, issues still arise regarding the appropriate Sales and Use Tax treatment of items purchased under various types of contracts. Application to some types of contracts, such as contracts for road work, for the erection of a new building or for substantial renovations to an existing building, is fairly straightforward. However, application of the statute to other types of contracts is sometimes less clear.

Contractors, including vendors who install items that are affixed to a building or other real property, need to be aware of the differing tax treatment of items installed for a tax-exempt entity, and items installed for a non-exempt entity. Furthermore, purchasers of various items installed by the seller need to be aware that they could be responsible for tax on a transaction treated by the seller as a "construction contract," if the Department of Revenue takes the position that the property installed by the seller remained "tangible personal property" after installation. The fact that the seller may have paid tax on its materials and passed through that cost to the purchaser will not protect the purchaser from assessment. Conversely, purchasers of items that appear to become part of the real estate upon installation may be entitled to seek a refund of sales tax charged by the vendor on contracts for the purchase and installation of those items.

## *Contracts with Tax-Exempt Entities*

The Pennsylvania Supreme Court has clarified that all tangible personal property purchased by a contractor



and transferred to a tax-exempt entity pursuant to a construction contract is subject to sales and use tax (regardless of whether or how each particular item is attached), with the exception of items constituting "building machinery and equipment." The term "building machinery and equipment" is statutorily defined as generation equipment, storage equipment, conditioning equipment, distribution equipment and termination equipment that is part of certain specified systems, including, by way of example, air conditioning systems, electrical systems, plumbing systems, communication systems, alarm systems, control systems, medical systems and "furniture, cabinetry and kitchen equipment."

Even though Act 45 has substantially clarified the taxation of construction contracts with tax-exempt entities, issues sometimes arise as to whether a particular item qualifies as "building machinery and equipment." Although the Department of Revenue has never issued regulations addressing the taxation of construction contracts under Act 45, the Department has published letter rulings containing lists of items the Department views as "building machinery and equipment" and items that are not considered to qualify. An example of an area where ambiguity still exists is the proper tax treatment of concrete median barriers. While "guardrails" and "medial devices" are specifically included in the definition of "building machinery and equipment," the Department says contractors must pay tax on concrete median barriers because they do not constitute "medial devices."

#### *Sale and Installation of Fixtures for Non-Exempt Entities*

For contracts with non-exempt entities, the tax consequences of contracts for the sale and installation of property still depend on whether the property becomes a permanent part of the real estate upon installation. The Department of Revenue continues to apply its

regulation at 61 Pa. Code § 31.11 for purposes of determining whether an item is presumed to become part of the real estate or to remain tangible personal property upon installation. A determination of whether an item becomes part of the real estate upon installation (so that a contract for the sale and installation of that item constitutes a "construction contract") affects the incidence of the tax. A seller who installs property in such a manner that it becomes part of the real estate is considered to be a "construction contractor" and must pay tax on the cost of all property purchased in connection with the contract. A seller who sells and installs property that remains tangible personal property upon installation must collect sales tax from the purchaser on the entire contract price, including installation charges.

These rules may result in differing tax treatment of similar contracts depending on the identity of the purchaser. For example, a contract for the sale and installation of communications equipment, including cable or wire, for a tax-exempt entity will be taxed as a "construction contract" no matter how the equipment and wiring are attached to the building. However, a contract for the sale and installation of communications equipment for a non-exempt entity will generally be viewed by the Department of Revenue as a contract for the sale and installation of tangible personal property, so that the vendor will be required to collect sales tax from the purchaser. See Ruling No. SUT-03-005 (reissued January 25, 2008).

The Department's regulation listing items presumed to become part of the real estate upon installation and items presumed to remain "tangible personal property" has not been updated in about 25 years, and many items are not specifically addressed in that regulation. In addition, the taxability of any particular item may depend, at least to some extent, on the specific manner in which it is installed in a particular situation. For example, it is our understanding that

the Department of Revenue treats towers embedded directly in the ground as part of the real estate, while towers attached by bolts to a concrete foundation are treated as tangible personal property after installation.

For property tax purposes, Pennsylvania's courts have adopted a test somewhat easier to apply than the test traditionally applied by the Department of Revenue to determine whether an item becomes part of the real estate upon installation for sales and use tax purposes. In *In re Appeal of Sheetz*, 657 A.2d 1011 (Pa. Cmwlth. 1995), *appeal denied*, 666 A.2d 1060 (Pa. 1995), the Commonwealth Court enunciated a three-part test for determining whether an item attached to real estate becomes part of that real estate, including (1) the manner in which the item is physically attached or installed, (2) the extent to which it is essential to the permanent use of the building or other improvement, and (3) the objective intention of the parties who attached or installed the item. Although the *Sheetz* test does consider the manner in which an item is physically attached to the real estate, that factor appears to carry somewhat less weight than a determination as to whether the item is likely to remain in place while the property is being used for its current purpose or until the item is worn out or becomes obsolete.

No court has yet addressed the issue of whether the *Sheetz* test applies for purposes of determining sales and use tax liabilities. However, that issue likely will be addressed by the Commonwealth Court when it issues its decisions in *Medical Associates of the Lehigh Valley, P.C. v. Commonwealth*, 50 F.R. 2006, and *Northeastern Pennsylvania Imaging Center v. Commonwealth*, 635 F.R. 2007. The issue in those cases is whether MRIs and other medical scanning systems become part of the real estate upon installation.

---

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

## NSA State Director's Message



NSA State Director  
of the Year

### **ABA Credential Receives National Accreditation**

ACAT, the Accreditation Council for Accountancy and Taxation received accreditation from the National Commission for Certifying Agencies (NCCA) for the Accredited Business Accountant/Advisor (ABA) credential. As an independent resource, recognized as the authority on accreditation standards for professional certification organizations and programs, NCCA's prestigious accreditation attests to the high quality of the ABA credential and provides national recognition. NSA President James H. Nolen reports that NSA recently made a presentation to the Joint NASBA/AICPA UAA Committee to include nationally recognized and accredited professional credentials such as the ABA, ATA and ATP as part of the UAA proposed legislation.

### **Upcoming Exams**

The comprehensive examination for Accreditation in Accountancy (ABA) and the Accredited Tax Preparer (ATP) credential are offered at electronic testing sites throughout the country during the next testing window from May 22 to June 14. For additional info, please call ACAT toll free at (888) 289-7763 or visit the ACAT website at: [www.acatcredentials.org](http://www.acatcredentials.org)

### **Education**

NSA continues to make quality education programs available on your desktop with ConnectEd, a series of one hour webinars to help accountants and tax professionals. For more information regarding the webinars, please contact NSA toll free at (800) 966-6679.

### **2009 NSA ConnectED Webinars**

- May 21, 2009 2:30-3:30 EDT  
Cyber Etiquette
- June 9, 2009 2:30-3:30 EDT  
Data Security
- June 16, 2009 2:00-4:00 EDT  
The Basics of Cost Segregation
- June 18, 2009 2:30-3:30 EDT  
How Much is an Hour Worth?
- July 7, 2009 2:00-4:00 EDT  
Accounting Rules for Reviews and Compilations
- July 14, 2009 2:00-4:00 EDT  
Application of Cost Segregation
- August 18, 2009 2:00-4:00 EDT  
Building Your Cost Segregation
- August 20, 2009 2:30-3:30 EDT  
The Looming Sales Tax Crisis

**NSA Members: Buy three live webinar hours and receive one live 1-hour webinar free (a \$40 value)!**

### **2009 IRS Tax Forums**

NSA is pleased to continue its partnership with the IRS to offer NSA members a special savings of \$10 off the pre-registration fees for the 2009 IRS Tax Forums. The NSA member discount rate is \$196. Members could access the NSA discount code by accessing the members only section of the website and save \$10 off the IRS fee of \$206 in any of six cities:

- Las Vegas, NV Jul 7-9, 2009  
San Diego, CA Jul 14-16, 2009  
Orlando, FL Aug 4-6, 2009  
New York, NY Aug 25-27, 2009  
Dallas, TX Sept 8-10, 2009  
Atlanta, GA Sept 22-24, 2009

### **64th Annual Meeting**

NSA's 64th Annual Meeting will be held in San Diego, CA on August 12-15, 2009. Register before July 1 to save \$100 off the full conference cost; after July 1, conference cost will be \$649. The schedule, similar to last year, includes 12 hours of CPE, the Awards breakfast, 2 buffet lunches, and admittance to NSA's Installation Banquet. NSA members across the nation will meet to elect officers for the upcoming year.

### **Membership**

The National Society of Accountants continues to offer a discounted membership to any PSPA member who joins NSA as a new member incentive. PSPA members can join NSA for \$159, and save \$30 off the regular \$189 membership fee. This offer expires on August 31, 2009.

Please feel free to contact me with any questions via email at [rbrascchcpa@verizon.net](mailto:rbrascchcpa@verizon.net)

NSA State Director - Pennsylvania  
Respectfully submitted,  
Richard Brasch Jr., CPA  
NSA State Director - Pennsylvania





## CORNER

PROFESSIONALS

### **New Jersey Tax Amnesty Program**

Governor Jon S. Corzine recently signed a bill into law that requires the Director of the Division of Taxation to establish a tax amnesty period, not to exceed 45 days in duration, which shall end no later than June 15, 2009. As a result, the Division of Taxation has announced the Tax Amnesty program will begin on May 4, 2009, and end on June 15, 2009. In accordance with the law, amnesty "...shall apply only to State tax liabilities for tax returns due on or after January 1, 2002 and prior to February 1, 2009 and shall not extend to any taxpayer who at the time of payment is under criminal investigation or charge for any State tax matter, as certified by a county prosecutor or the Attorney General to the director."

In accordance with the provisions of the law, the program will offer a waiver of all penalties, referral cost fees, and one-half of the balance of the interest that remains due as of May 1, 2009, provided payment of all tax owed and one-half of the balance of the interest that remains due is paid in full during the amnesty period. In addition, all filing requirements must be satisfied for delinquent returns.

### **Energy-Saving Steps This Year May Result in Tax Savings Next Year**

The Internal Revenue Service reminded individual and business taxpayers that many energy-saving steps taken this year may result in bigger tax savings next year. The recently enacted American Recovery and Reinvestment (ARRA) of 2009 contained a number of either new or expanded

tax benefits on expenditures to reduce energy use or create new energy sources.

The IRS encourages individuals and businesses to explore whether they are eligible for any of the new energy tax provisions. More information on the wide range of energy items is available on the special Recovery section of IRS.gov. For a larger listing of ARRA's energy-related tax benefits, see Fact Sheet 2009-10.

### **Tax Credits for Home Energy Efficiency Improvements Increase**

Homeowners can get bigger tax credits for making energy efficiency improvements or installing alternative energy equipment.

The IRS also announced homeowners seeking these tax credits can temporarily rely on existing manufacturer certifications or appropriate Energy Star labels for purchasing qualifying products until updated certification guidelines are announced later this spring.

ARRA provides for a uniform credit of 30 percent of the cost of qualifying improvements up to \$1,500, such as adding insulation, energy-efficient exterior windows, and energy-efficient heating and air conditioning systems. The new law replaces the old law combination available in 2007 of a 10-percent credit for certain property and a credit equal to cost up to a specified amount for other property.

The new law also raised the limit on the amount that can be claimed for improvements placed in service during 2009 and 2010 to \$1,500, instead of the \$500 lifetime limit under the old law.

In addition, the new law has

increased the energy efficiency standards for building insulation, exterior windows, doors, and skylights, certain central air conditioners, and natural gas, propane or oil water heaters placed in service after Feb. 17, 2009.

IRS guidance issued before the enactment of ARRA will be modified in the near future to reflect the new energy efficiency standards. In the meantime, homeowners may continue to rely on manufacturers' certifications that were provided under the old guidance and on Energy Star labels for exterior windows and skylights in determining whether property purchased before June 1, 2009, qualifies for the credit. Manufacturers should not continue to provide certifications for property that fails to meet the new standards.

The new law also eliminates the cap on the 30 percent tax credit for alternative energy equipment, such as solar water heaters, geothermal heat pumps and small wind turbines, installed in a home. The cap generally has been eliminated for these improvements beginning in the 2009 tax year. The IRS issued Notice 2009-41, which explains the effects of this change.

### **Funding Options for Renewable Energy Power Plants**

Business taxpayers who place in service facilities that produce electricity from wind and some other renewable resources can choose one of three options to fund the project: a tax credit based on the amount invested, a tax credit based on the energy produced or a grant.

The flexibility to choose among these options was enacted as part of ARRA.

Taxpayers may opt to claim the energy investment tax credit, which generally provides a 30 percent tax credit for investments in energy projects, instead of the production tax credit, which can provide a credit of up to 2.1 cents per kilowatt-hour for electricity produced from renewable sources.

Taxpayers making qualified investments that are placed in service after 2008 and before 2014 (or 2013 for wind facilities) can make an irrevocable election to claim the energy investment tax credit instead of the renewable electricity production tax credit. IRS will issue guidance explaining how to make the election.

Taxpayers also can claim a grant once the property is placed in service instead of claiming either the energy investment tax credit or the renewable energy production tax credit. For qualified renewable energy facilities, the grant is 30 percent of the investment in the facility as long as construction begins in 2009 or 2010 and the property is placed in service before 2014 (2013 for wind facilities). The Treasury Department will issue guidance explaining how the grant works and how to apply.

Taxpayers electing to receive the grant, created by the ARRA, will not be eligible for either of the tax credits. Proceeds from the grants are not includible in the taxpayer's gross income, but the grant amount is subject to recapture if the property is disposed of or otherwise ceases to qualify.

For more information on the renewable electricity production tax credit under Section 45 see Notice 2008-60 and Notice 2008-48, and for more information on the energy investment tax credit under Section 48 see Notice 2008-68.

### **IRS Issues Five-Year Strategic Plan**

The IRS released its 2009-2013 strategic plan on April 28, 2009, with an emphasis on two overarching goals: to improve service to taxpayers to make voluntary compliance easier, and to enforce the law and ensure compliance.

IRS Commissioner Douglas Shulman notes that tax laws are increasingly complex and the recent explosion in technology has led to increased security risks that require more vigilance from the IRS and tax practitioners.

On the enforcement side, the strategic plan includes as one objective to continue its focused oversight of the tax-exempt sector. More than \$15 trillion in assets are currently controlled by tax-exempt organizations, according to the document.

The strategic plan makes special mention of tax-exempt hospitals and universities as growing in size and complexity.

### **New Web Tool to Check Status of Property Tax/Rent Rebates**

Gov. Ed Rendell announced that eligible older adults and residents with disabilities can now check the status of their Property Tax/Rent Rebate application online at [www.papropertytaxrelief.com](http://www.papropertytaxrelief.com).

Six weeks after submitting a Property Tax/Rent Rebate application, the applicant may visit the site to check the status of the rebate by entering their Social Security number, anticipated rebate amount, and birth date. Applicants may use the Web site at any time to confirm claim status, rebate amount, and the date a rebate is expected to be mailed or direct-deposited. Rebate checks will begin being distributed to early applicants on July 1.

The rebate program benefits

eligible Pennsylvanians who are age 65 and older, widows and widowers age 50 and older, and people with disabilities age 18 and older. A 2006 program expansion increased the income limit from \$15,000 to \$35,000 (which excludes half of Social Security income) for homeowners and raises the maximum standard rebate for both homeowners and renters from \$500 to \$650.

### **IRS Issues "Differential Wage Payments" Ruling**

The IRS has recently issued clarification regarding the "differential wage payments" allocated by employers to individuals on active military duty for more than 30 days, which will be subject to withholding for federal income tax, but will not be taxed under the Federal Insurance Contributions Act (FICA) or Federal Unemployment Tax Act (FUTA).

Revenue Ruling 2009-11 addresses an omission in the 2008 Heroes Earnings Assistance and Relief Tax Act, PL 110-245, which speaks to the taxing of differential wage payments for federal income tax purposes, but not for the purposes of FICA or FUTA. It also provides that employers may use the aggregate procedure or optional 25 percent flat rate withholding to calculate the amount of income taxes required to be withheld on these payments, and that these payments must be reported on Form W-2.

Revenue Ruling 2009-11 is in IRB 2009-18, dated May 4, 2009.

### **Life Insurance Contracts**

The IRS has issued guidance (Rev. Rul. 2009-13; IRB 2009-21) relating to the character and amount of income an individual must recognize on the sale or surrender of a life insurance contract. The ruling describes three scenarios. The first assumes the surrender of the contract and concludes that the gross income is



equal to the amount received reduced by the investment in the contract and that all the income is ordinary in nature. The second and third scenarios involve the sale of the contract; the third involves the sale of a term life contract.

### **Revenue Department Releases April Collections**

Secretary of Revenue Stephen H. Stetler reported that Pennsylvania collected \$3 billion in General Fund revenue in April, \$941.5 million, or 24.2 percent, less than anticipated. Fiscal year-to-date General Fund collections total \$21.7 billion, which is \$2.6 billion, or 10.5 percent, below estimate.

Sales tax receipts totaled \$688.4 million for April, \$70.9 million below estimate. Sales tax collections, year-to-date, total \$6.9 billion, which is \$421.2 million, or 5.8 percent, less than anticipated.

Personal income tax (PIT) revenue in April was \$1.5 billion, \$651.4 million below estimate. This brings year-to-date PIT collections to \$8.7 billion, which is \$1 billion, or 10.6 percent, below estimate.

April corporation tax revenue of \$493.5 million was \$123.2 million below estimate. Year-to-date corporation tax collections total \$4.3 billion, which is \$491.4 million, or 10.2 percent, below estimate.

Other General Fund revenue figures for the month included \$69.5 million in inheritance tax, \$8.8 million below estimate, bringing the year-to-date total to \$639.1 million, which is \$83.7 million below estimate.

Realty transfer tax was \$18.5 million for April, \$13.2 million below estimate, bringing the total to \$248.7 million for the year, which is \$93 million less than anticipated.

## **PA State Board of Accountancy Proposed Amendments to Continuing Professional Education and Biennial Renewal Fee Regulations**

The Pennsylvania State Board of Accountancy will seek a biennial renewal fee increase to cover required expenses. The proposed change will take effect beginning January 1, 2010, increasing the biennial renewal fee for Certified Public Accountants, Public Accountants and Public Accounting Firms from \$45 to \$100. The last time the board raised renewal fees was in 1990.

“The increase boils down to an additional \$50 per year to maintain the integrity of the accountancy profession and to protect the health, safety and welfare of every consumer in the commonwealth,” Basil L. Merenda, Commissioner of the Department of State’s Bureau of Professional and Occupational Affairs, said.

The board will also seek an increase in the biennial renewal fees for Continuing Professional Education (CPE) Program Sponsors from \$120 to \$150 to account for additional cost and expenses incurred in reviewing CPE courses.

In addition, the board will propose amendments to the CPE regulations to revise and clarify provisions in CPE subject areas, to ease CPE reporting requirements and to expedite disciplinary action for failure to comply with CPE requirements.

The changes in the CPE Regulations:

- Require each licensee to complete at least four hours of professional ethics as part of the biennial 80-hour CPE requirement.
- Expand the categories of approved CPE Program Sponsors and out-of-state CPE providers pursuant to substantial equivalency.
- Eliminate the need to list each and every CPE course on the biennial renewal application.

The Pennsylvania State Board of Accountancy will no longer mail periodic newsletters to licensees. Licensees are encouraged to go the Department of State’s website to view the Board’s electronic newsletter as well as the special notices section of the Board’s Web site, for updated information about when the proposed amendments to the board’s regulations will be published in the Pennsylvania Bulletin and open for public comment.



# Get a Member - Get a Seminar

## PSPA'S 2009 MEMBERSHIP RECRUITMENT CAMPAIGN

**PSPA is only as strong as its members.** As a member of PSPA you understand the value of the many benefits PSPA offers; your personal endorsement is very important to us and it is the most effective way we build membership. Help us spread the word, and through PSPA's new **Get a Member - Get a Seminar** program you'll receive a **FREE** seminar of your choice. That's right, for recruiting just ONE new member YOU will receive a seminar of your choice, absolutely **FREE**. The free seminar is a \$150 value...another outstanding benefit of membership in the PSPA.

*Here's how it works:*

**#1** Please see the **APPLICATION** on the adjacent page. This application has been modified for this program. Simply fill in your name in the box at the top of the application and distribute it to your colleagues. In order to qualify for the program, your name must appear on the membership application in the box at the top of the form. See below for tips on recruiting new members.

**#2 THE NEW MEMBER:**

- Must never have held a membership in the PSPA.
- Must not be a member of your own firm.
- Must qualify for Active membership.

**Candidates must qualify for Active Membership by meeting at least one of the following requirements:**

- Possess a valid license as a Public Accountant, Certified Public Accountant or Enrolled Agent.
- Accredited in Accountancy or Taxation by the Accreditation Council for Accountancy.
- Possess a B.S. degree in accounting or an associate's degree in accounting.

**#3 GET A MEMBER - GET A SEMINAR.** Once we receive the completed membership application we'll send you a certificate for a free upcoming seminar of your choice. You may apply your certificate to any 8-hour seminar that PSPA offers. (If you are registering for a 16 Hour program, the cost of the program will be reduced by half) PSPA members are eligible to receive one free seminar for each new member they successfully recruit to join PSPA. Seminar certificates must be redeemed in a 12-months from the date of issue. The certificates are non-transferable.

### WHERE DO I FIND POTENTIAL MEMBERS TO RECRUIT?

- **Seminars.** Always carry membership applications with you to the seminars you attend. Whether PSPA is the sponsoring organization or not, seminars are the best place to recruit new members. Everyone needs CPE, and PSPA provides the best. Make sure you tell them about the huge savings that PSPA members receive.
- **Colleagues** from other offices. Everyone knows at least one other practitioner who would benefit from a PSPA membership. Drop off membership material or contact them via telephone. (Contact the PSPA Executive Office for a complete recruitment package)

### ONCE I FIND A POTENTIAL MEMBER, WHAT DO I SAY?

- **Discuss the benefits of membership.** Tell them exactly how PSPA has helped you in your practice. Maybe you attend the seminars and find the member savings most beneficial, maybe you enjoy the discounts on various products that PSPA offers, or perhaps PSPA's legislative representation of sole practitioners and smaller accounting firms is most important to you. Convey the value that is offered with the membership. The savings and discounts that our members enjoy more than pay for the annual membership dues.
- **Inquire as to the challenges they face in their business and suggest ways that PSPA can help.** For example if they are in need of support services, you may tell them about PSPA's email discussion group, discounts available on technical publications or PSPA's quarterly magazine, the PA Accountant.
- **Convince them to attend a PSPA chapter meeting with you.**
- **Direct them to the PSPA website,** [www.pspa-state.org](http://www.pspa-state.org) so that they can review the benefits of membership for themselves.





I would like to sponsor this applicant for membership in the PSPA

Your Name

PSPA Chapter

Pennsylvania Society of Public Accountants

20 Erford Road, Suite 200A ♦ Lemoyne, PA 17043 ♦ 1-800-270-3352

Email: info@pspa-state.org ♦ Join online: http://www.pspa-state.org

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Are you licensed? [ ] Yes [ ] No If yes, PA# CPA # State:

Are you admitted to practice before the IRS? [ ] Yes [ ] No If yes, EA#

Are you a member of: [ ] NSA [ ] NATP [ ] NAEA [ ] PICPA [ ] AICPA [ ] IMA [ ] PSEA [ ] NATP [ ] Other

Are you accredited: Accounting? [ ] Yes [ ] No Taxation? [ ] Yes [ ] No

CHAPTER PREFERENCE:

- [ ] Buxmont [ ] Lehigh Valley [ ] Philadelphia [ ] South Central [ ] West Central [ ] Central [ ] Northeast [ ] Western Pennsylvania [ ] Southeast

MEMBERSHIP CATEGORIES: (See reverse side for qualifications) [ ] Active - \$175 [ ] Associate - \$175 [ ] Student - \$25

NOTE: DUES ARE PRO-RATED THE SECOND YEAR OF MEMBERSHIP. Fiscal year ends June 30. A check made payable to the Pennsylvania Society of Public Accountants should accompany this application...

I hereby state that the accompanying statements are correct to the best of my knowledge.

I further state that I will abide by the by-laws of PSPA and will practice according to the Code of Ethics and Rules of Professional Conduct adopted by PSPA.

Payment box with VISA and MasterCard logos, Exp. Date, Account #, and SIGNATURE OF CARD HOLDER.

SIGNATURE

DATE

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CHAPTER

PSPA dues are deductible by members as a business expense but not as charitable contributions for federal tax purposes.

Affiliated with the National Society of Accountants. (PLEASE COMPLETE THE REVERSE SIDE OF THIS APPLICATION)

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## CLASSIFIED ADVERTISEMENTS

### PART TIME ACCOUNTING & TAXES

PSPA member seeks accountant with strong background in accounting & taxes. Office is located in the Harrisburg/West Shore area. Please fax letter of interest with resume and salary requirements to 717-737-6847. Your information will be forwarded to the interested party.

### OFFICE SPACE/BUSINESS OPPORTUNITY

Furnished large office in CPA Suite in Main Line Philadelphia suburbs. Elevator Bldg with large parking lot. Potential for merger or buy out of quality practice. Call 610-664-6600 or e-mail marvin@huttmancpa.com

### CHESTER/MONTGOMERY CPA, PA OR EA

Seeking CPA, PA, or EA to join firm. Must have portable. Salary and benefits provided. Chester/Montgomery County area. Call 610-933-3507

### BERKS OR EASTERN LANCASTER COUNTY

If you are thinking of retiring, scaling back or your clients are just plain grating on your last nerve, I am interested in acquiring your practice. (while I still have some nerve left) Contact me at John@johnandrascpa.com if interested.

### BUSINESS OPPORTUNITY - DAUPHIN OR LEBANON COUNTY

CPA interested in purchasing a tax/accounting practice in Dauphin or Lebanon County Area. Interested parties should fax a letter of interest to the PSPA Executive Office at 717-737-6847. Please reference #0307 in your letter.

### OFFICE SPACE FOR RENT - YARDLEY

Licensed tax professional in Yardley, PA with office space for rent. Inquires to P.O. Box 417 Yardley, PA 19067

### TAX PRACTICE OPPORTUNITY

Ideal opportunity for an existing multi member tax practice to increase its existing client base with limited overhead expense. CPA desires to sell existing practice consisting of individual and business tax returns. Included is office space to meet with these clients during three months of tax season at a reasonable rent. Office is located in the East end of the Lehigh Valley. Interested parties should fax a letter of interest to PSPA Executive Office at 717-737-6847. Please reference #731

### NORTHEASTERN PA ACCOUNTING/TAX PRACTICE FOR SALE

Tired of traffic? Want to control your own destiny? How about a beautiful rural area in the PA Endless Mountains? Nice place to raise a family and plant some roots. Thirty year practice for sale, may include long-time staff.

The high quality client list has been systematically weeded. Top notch software setup, paperless files, long time client list.

FAX a letter of interest to the PSPA Executive Office at (717)737-6847. Please reference D15 in your letter. All replies confidential.

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#### Editor's Note:

*If you would like to submit an article for publication please contact the PSPA Executive Office at 1-800-270-3352 or (717) 737-4439 for submission deadlines and for a copy of the author guidelines.*