

the **Pennsylvania** Winter 2009
Accountant



The Magazine Of The Pennsylvania Society of Public Accountants

- ✓ **Department of Revenue Q & A**
- ✓ **PNC Bank Offers News You Can Use**

**Special Issue – Sample IRS Section
7216 Consent Forms**

Visit us at www.pspa-state.org

PSPA Officers

Randy L. Brandt, CPA, President
Paul J. Cannataro, CPA, President Elect
Barry L. Meyer, CPA, 1st Vice President
Lamont B. Anderson, PA, 2nd Vice President
Irving Braunstein, EA, Secretary
John J. Komarnicki, CPA, Treasurer

Board of Directors

Donald L. Allen, CPA
Lamont B. Anderson, PA
Randy L. Brandt, CPA
Richard Brasch, Jr., CPA
Irving Braunstein, EA
Gerald L. Brennehan, CPA
W. Raymond Bucks, CPA
Paul J. Cannataro, CPA
M. Stephen Caskey
B. Joseph Cellini, PA
Francis J. Cellini, EA
Arlan Christ, EA
Emile P. Cianfrani, CPA
David M. Corpora, CPA
Frank L. Corso, CPA
Bernard A. Deverson, CPA
Penny Erbe, EA
Debra S. Eremus
David E. Fleck, PA
James S. Frederick, PA
William C. Graham, PA
Charles J. Hafer, PA
John P. Hassler, PA
Joyce P. Huttman, PA
Marvin R. Huttman, CPA, CFP, MST
Mary Lew Kehm, CPA
Frank H. Kelly, EA
John J. Komarnicki, CPA
M. Michael Lerner, PA
Kevin J. Matschner, EA
Barry L. Meyer, PA
Brenda Milovich, CPA
H. Richard Neidermyer, CPA
Howard Pachter, PA
Janet Pastor, CPA
Norma J. Ridder, CPA
Linda M. Roth, CPA
Robert P. Skarlis, PA
Timothy Sundstrom, CPA
Barbara Thomas, CPA
Neil C. Trama, Jr., PA
Daniel J. Vecchio, CPA

Sherry L. DeAgostino,
Executive Director

Pa. Society of Public Accountants
20 Erford Road, Suite 200A
Lemoyne, PA 17043
1(717) 737-4439
1(800) 270-3352

A Message From The President



Here we are again, in the midst of yet another tax season. It is my hope that each of you would experience a successful season that sees your business prosper while still allowing you to maintain some semblance of a personal life.

During this time of year, each of us is likely to encounter a unique situation or a problem of which we have limited in-depth knowledge. These situations provide an excellent opportunity to take advantage of one of your membership benefits - the PSPA

listserv. The listserv is an email discussion forum where members can post questions or comments to which other members can respond. Tapping into the knowledge and experience of other members is a great way to reduce (but not replace) time spent researching during the tax season. Many of the local chapters are also offering tax discussion groups at their monthly chapter meetings. I would encourage each of you to create time in your schedule to attend these meetings. Time spent interacting with your colleagues at these meetings can prove invaluable both through knowledge gained and through relationships formed with fellow professionals.

Throughout the last several weeks, the officers of the PSPA and several members of key committees have been working diligently to represent you in the legislative process. Recently, the PSPA participated in a conference call with IRS Mid Atlantic Stakeholder Liaison, Richard Furlong and several others from the Office of Stakeholder Liaison to discuss the implications associated with Section 7216. PSPA has been informed that the Issue Management Resolution System (IMRS) of the IRS has set up a process to take ambiguous issues surrounding 7216 to the Office of Chief Counsel for further clarification. All of the questions that appeared on PSPA's agenda from this call will be presented to chief counsel's office for clarification. A copy of the agenda of questions/issues/scenarios submitted by PSPA on behalf of our membership can be viewed on page 15 of this publication. In addition, the Committee on Cooperation with the PA Department of Revenue, met with various directors and employees of the Department of Revenue last fall. The committee asked Revenue employees a variety of tax questions, the responses of which are also contained within this publication.

As you begin to look ahead and plan your well deserved post tax season vacations, don't forget to note PSPA's annual convention, held from June 25-28, 2009. This year the Central Chapter is proud to host the convention at the Historic Strasburg Inn. The convention committee has been working diligently to coordinate a variety of activities for attendees within the heart of Pennsylvania's "Dutch Country". Consider taking advantage of the opportunity to see this portion of the state while obtaining CPE and participating in the Organization's annual business meetings and election of officers. Additional information and registrations will be available on the PSPA website and will be mailed to members near the conclusion of tax season.

Again, I would like to wish you all a prosperous and healthy tax season. If there is anything that the PSPA or its officers can be doing to further our profession, please do not hesitate to let us know.

Respectfully submitted,
Randy L. Brandt, CPA
PSPA President

In Memoriam
Robert P. Skarlis, PA
1930-2009

PSPA Past President, Robert P. Skarlis passed away on January 26, 2009. Mr. Skarlis served the PSPA as President from 1977-1979. He also served two terms as President of the Western Pennsylvania Chapter and was the chapter's treasurer for the past twenty years. Mr. Skarlis continued to serve as a member of the PSPA Board of Directors and was recently recognized by the Board for his meritorious service to the PSPA.

In this Issue ...

A Message From The President 2

Pennsylvania Tax Update 4

Department of Revenue Q & A6

NSA State Director's Message 10

News You Can Use 12

New Regulations Under Internal Revenue Code14

Consent to Use 16

Consent to Disclosure of Tax Return Information17

Classifieds 20

PSPA 62nd Annual Meeting
June 25-28 2009



Save the dates and join PSPA in the beautiful Pennsylvania Dutch country for the 62nd Annual Meeting. Members have the ability to earn CPE credits, to take an active role in the organization's business meetings, and to meet and interact with other accounting professionals while enjoying all that Lancaster County has to offer. This year's event is hosted by the Central Chapter and will be held at the Historic Strasburg Inn. Additional information will be distributed to members following tax season or you may download additional information at www.pspa-state.org.



PSPA Day
at the Capitol
June 16, 2009





PENNSYLVANIA TAX UPDATE

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

The Department of Revenue recently announced that it is preparing to embark on a new phase of its business use tax voluntary compliance initiative. For the past several years, the Department has been providing outreach and education to various industry groups. The Department previously mailed direct notices to businesses with no use tax reporting history, encouraging them to report and pay any use tax liabilities and agreeing to waive penalties for participants in the voluntary compliance program. The Department is now gearing up to increase enforcement by targeting businesses that did not respond to the notices mailed by the Department. The Department has indicated that enforcement agents will personally deliver follow-up notices to such businesses regarding their use tax filing obligations and will, in addition, address any other unresolved tax issues those businesses may have with the Department. Businesses will be advised that failure to report and remit use tax may result in additional enforcement measures up to and including an audit.

PA Supreme Court Rules That Stipulations Control Disposition of Tax Appeal

In *Northbrook Life Insurance Company v. Commonwealth*, 949 A.2d 333 (Pa. 2008), the Pennsylvania Supreme Court dealt with an insurance premiums tax appeal; however, the most important part of the holding dealt with a procedural rather than a substantive issue. The Court held that, with only minor exceptions, courts are bound by stipulations agreed to by the parties. Thus, the holding has applicability to all Pennsylvania taxpayers.

In the *Northbrook* litigation, the taxpayer and the Commonwealth had stipulated that the “proportionate

part factor” used to determine the amount of tax credits for certain annuity assessments was 1.0. Despite this stipulated fact, the Commonwealth Court, while holding that the taxpayer was entitled to a tax credit, looked behind the stipulation and determined that the parties had inaccurately computed the proportionate part factor. This “look behind” was detrimental to the taxpayer. As a result, the taxpayer took an appeal to the Pennsylvania Supreme Court.

The Supreme Court held that the Commonwealth Court erred when it did not use the parties’ stipulated proportionate part factor. The Court reasoned that parties are entitled to limit the issues available for consideration by a reviewing court, provided that the parties cannot stipulate to matters affecting the jurisdiction, business, or convenience of the courts. Further, the Court reaffirmed prior Pennsylvania case law holding that parties’ stipulations become the law of the case.

The Court’s holding in *Northbrook* puts taxpayers on notice that when litigating tax cases in Pennsylvania, it is of utmost importance that stipulations be carefully crafted. Once a matter is stipulated, a court cannot then reopen the matter for examination. Note that the Supreme Court’s holding means that the stipulation drafting process can be used by a taxpayer to focus the court on specific legal issues. Conversely, if a taxpayer is not vigilant about drafting tight stipulations, it faces the possibility that a court will base its decision on facts or legal issues that were not sufficiently developed or briefed.

Failure to Maintain Proper Fuel Tax Records Can Be Costly

Pennsylvania imposes a “Motor

Carriers Road Tax” on operators of “qualified motor vehicles” on Pennsylvania highways. The tax is imposed on the amount of fuel used in Pennsylvania, but credit is given for Pennsylvania fuel tax paid on fuel placed into qualified vehicles. Audit procedures that are applied when a carrier lacks proper mileage records or proof of fuel purchases almost certainly guarantee a substantial assessment even for a carrier with modest motor carrier operations. Although administrative appeals of audit assessments are often unsuccessful, many cases are resolved by negotiated settlement after appeal to the Commonwealth Court.

Under the International Fuel Tax Agreement’s “base state” regime, all Pennsylvania-based motor carriers file a single return with the Pennsylvania Department of Revenue to report activity in all IFTA jurisdictions, including all states (except Alaska and Hawaii), and certain Canadian provinces. Pennsylvania is then responsible for distributing tax due to other IFTA jurisdictions. One set of decals, from the base state, authorizes the carrier to operate in any IFTA jurisdiction. IFTA governs “fuel taxes” only; it does not apply to other jurisdiction-specific taxes (e.g., New York Highway Use Tax), which must be reported and paid directly to the jurisdiction in which the travel occurs. Exemptions (e.g., off-road use and vehicles owned and operated by schools) vary from state to state and are posted on the IFTA website at <http://www.iftach.org>.

Companies that operate “qualified motor vehicles” on any highway must register for IFTA decals (unless all travel is within one state, in which case a vehicle can operate with only a state registration). A “qualified motor vehicle” is a vehicle used, designed or maintained for the transportation of persons or property which (1) has

three or more axles, (2) has two axles and a gross vehicle weight or registered gross weight exceeding 26,000 pounds, or (3) is used in a combination that has a combined or registered gross vehicle weight of more than 26,000 pounds. In addition to "trucking companies," the tax applies to companies hauling their own products and companies leasing construction vehicles (such as cranes) licensed to operate on the highway.

A motor carrier must maintain records to document all miles (taxable and nontaxable, if any) traveled by its qualified motor vehicles and must also maintain receipts for all fuel placed into those vehicles. The mileage records should include distance data on each vehicle for each trip and be recapitulated in monthly fleet summaries. Acceptable source documents for verification of reported mileage would include the date(s) of each trip, the origin and destination, routes of travel, beginning and ending odometer readings, total trip miles, distance in each jurisdiction, and the vehicle unit number. Odometer readings are important because they facilitate the verification of total mileage in the event of an audit. Fuel receipts should contain the date of

purchase, name and address of seller, number of gallons purchased, type of fuel purchased, price per gallon, unit number of the vehicle, and the purchaser's name. In the case of bulk fuel facilities maintained by a carrier, detailed disbursement records should be maintained for each withdrawal identifying the date, number of gallons, fuel type and the unit number of the vehicle. Mileage and fuel records must be maintained for a period of four years from the due date, or the date the IFTA return was filed, whichever is later.

Leasing arrangements create reporting complications, especially when the parties do not document their agreement in writing. In the case of a carrier using independent contractors, reporting requirements depend on the length of the lease. Under short-term leases of 29 days or less, the lessor is required to report and pay fuel taxes on all of its vehicle operations. Under a lease of 30 days or more, the parties have the option to designate which party will report and pay fuel use tax - in the absence of a written agreement, the lessee is responsible for reporting and paying. Special rules apply to the rental of motor vehicles without drivers.

Evidence that a lessee utilized a vehicle for a period in excess of 30 days may be insufficient to establish a long-term lease if the lease agreement does not specify the lease term and the lessee is billed on a short-term basis. In such a situation, the Department of Revenue may take the position that the arrangement involved multiple short-term leases.

Detailed record keeping is critical to avoiding a substantial IFTA audit liability. If a carrier does not have detailed records of mileage and fuel purchases by vehicle, the Department of Revenue will likely apply a 4.0 m.p.g. factor to determine the amount of fuel consumed. If fuel purchases cannot be tied to specific vehicles, credit for tax paid may be denied. The combination of disallowed credit and a 4.0 m.p.g. factor frequently produces a substantial audit deficiency. In such cases, extrinsic evidence of a motor carrier's actual fuel consumption rate may be an important factor when negotiating a tax settlement after an appeal to court.

When the Pennsylvania Department of Revenue audits a Pennsylvania-based carrier, audits are on behalf of all IFTA jurisdictions. It is important for a carrier to allocate mileage properly to the various states in which travel occurs. Even if the Department generally accepts a motor carrier's reported total mileage figures and grants credit for tax paid on fuel purchases, deficiencies may result from a re-allocation of mileage among the various states in which the carrier operates. The impact of such reporting errors is exacerbated by the fact that each state imposes interest on tax deficiencies from the due date of the tax, while interest does not generally start accruing on tax overpayments made to other states until after the filing of a refund claim. Thus, even a nominal net tax deficiency can generate a large interest assessment.

Sharon R. Paxton and Timothy J. Horstmann are members of McNeese Wallace & Nurick LLC's State and Local Tax Group.



Department of Revenue Q & A

The PSPA *Committee on Cooperation with the Pennsylvania Department of Revenue* submits the following issues/questions in conjunction with the annual Q&A scheduled for Tuesday, December 9, 2008. Please contact the PSPA Executive Office if there are any questions or if any additional information is required.

Administrative

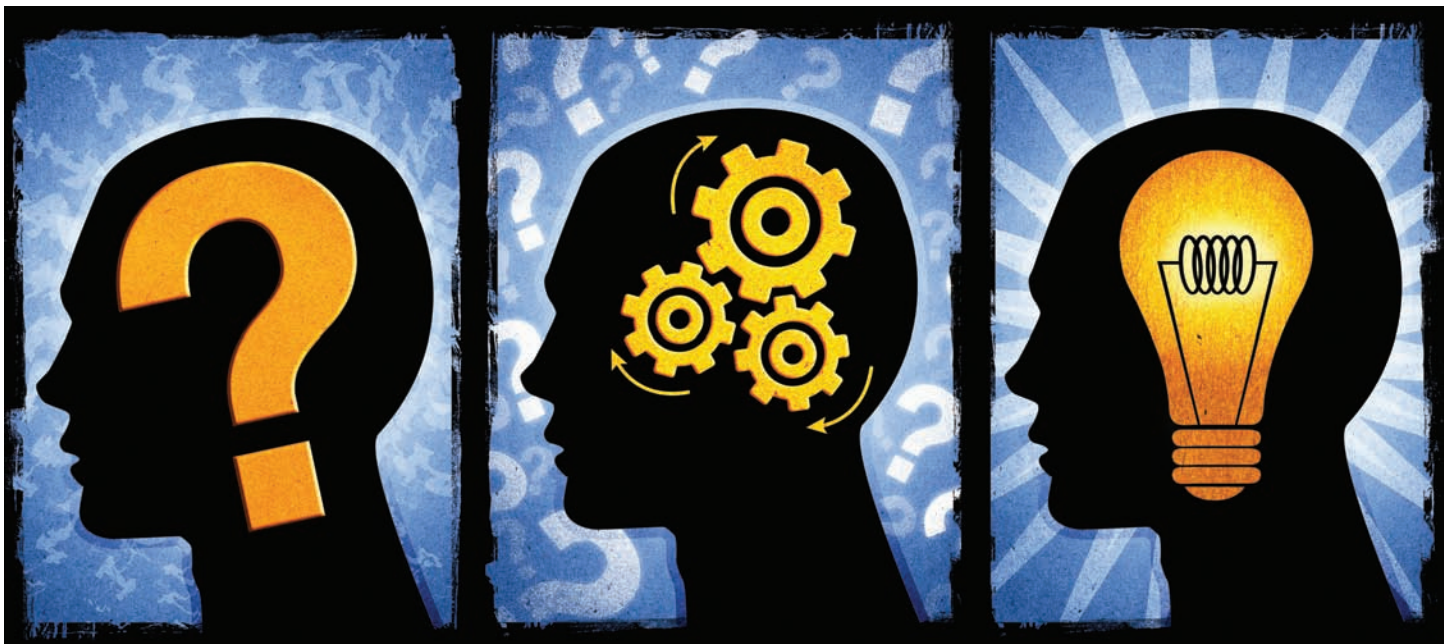
1. There has been an increase in complaints/comments from our membership regarding the wait time on calls to the Department. We've had many reports that practitioners are on hold for extended periods of time and often after having waited are disconnected and are forced to start the process over again. Is there an alternate method or something we can instruct our membership to do to avoid this frustration? Can a practitioner's hotline number be established similar to the IRS?

The Department of Revenue always attempts to respond to incoming telephonic customers within an acceptable time period. To increase

the department's ability to respond to all customers in a timely manner, the Department recently purchased a new ACD (Automated Call Distribution) communication system. Reports, both real time and historical, from the telephone system give the contact center management team the ability to set agent tax skills to meet incoming call demands for specific tax types. Also, to minimize wait time in queue, the average wait time report of all tax skills is reviewed and adjusted, if necessary, on a daily basis. Moreover, while waiting in queue for the next available agent, customers are given an opportunity to drop to a digital mail box system for a return call within 24 to 48 hours. Unfortunately, because of the heavy demand to speak with a department representative and the number of agents available to respond to a call, there will be an occasional longer-than-normal wait in queue. We apologize for that inconvenience and frustration. At this time, the Department does not have the resources to create a practitioner's hotline.

2. Is the Department going to expand what practitioners can access through e-services (i.e. prior year returns and payment history)?

There is not a plan currently to expand the Tax Professional e-Services center; however, the ability for a practitioner to review a taxpayer's prior year returns and payment history is already available through the service center. The practitioner must file the current year return electronically (using Fed/State e-file) prior to accessing the information. Once the current year return has been filed, the practitioner can gain access to information for the three previous years' tax returns. The taxpayer must sign the state Power of Attorney form and the form should be retained by the practitioner. After the practitioner logs into the e-Services center, access to the information is gained by indicating the Power of Attorney form for that tax year has been signed and by providing the tax year liability. Assistance with the Tax Professional e-Services center is provided by calling (717) 787-1392.



3. (Refer to Attachment 1) Our firm received this letter on September 16, 2008 for information that was provided (via fax) on April 2008 in support for out of state credits. When the telephone number on the notice was contacted the response was “the computer generated the notice and we haven’t gotten to the April faxes to look at the supporting information.” (a.) How should this be handled to prevent a letter being generated from the Department? Our firm prides ourselves on filing complete returns, and this letter gives the appearance to our client that we didn’t file a complete return. (b) Does the Department suggest that these returns with out of state credit NOT be e-filed?

All taxpayers and preparers should follow the instructions as prescribed by the Department. The Department encourages the use of electronic filing as the fastest and safest way to file a return. We realize that problems and issues such as this one arise once in a while. The Department is addressing this issue.

4. A client inadvertently sent a check to the PA Department of Revenue made payable to U.S. Treasury in the wrong envelope. The Department cashed the check and it took more than twelve months to have the money refunded to them. Is it the Department’s policy to cash checks made payable to other entities? What is the Department’s policy regarding the payment of interest?

It is not the Department’s policy to deposit checks made payable to other entities. When only a check is received and the payee is the IRS or United States Treasury, a quality assurance section interrogates the account to make certain the payment is not intended for this department. The check then is forwarded to the IRS. When only a check is received and the payee is the PA IRS or PA Treasury, a quality assurance section interrogates the account to ensure the

payment is meant for this department. If no account information exists the taxpayer is contacted by telephone. If it is determined the check is for state personal income tax, the account information is forwarded to document processing and the check is deposited. If the check is not intended for the Department, the check is returned to the taxpayer with a letter of explanation.

When a check is received with a PA return and the payee is the IRS or United States Treasury and the money amount of the check matches the PA return, the check is returned to the taxpayer with a letter of explanation and a request to submit a new check with the correct payee. When an IRS check with a federal 1040 payment coupon or 1040 return is received, the check and coupon are forwarded to the IRS.

Depending on the facts of the particular situation, the Department may pay interest on the overpayment.

5. Online Forms. Is it possible to list the forms in either alphabetical or numerical order or even alpha-numeric order? The forms appear to be in no real order which makes it more difficult to find the one you need.

The forms are in alphabetical order in the first instance and then by form number, with the exception of PIT and PTRR forms. The main forms/booklets for PIT (PA-40) and PTRR (PA-1000) and variations of those forms are posted first, since they are the ones downloaded most frequently. Forms for business taxes are listed in alphabetical order.

6. Can the Department provide a ‘reconciliation’ schedule listing the differences between federal and Pennsylvania for individuals, corporations (C&S), partnerships, Fiduciaries (41) and estates?

PA Corporate Net Income Tax begins with federal taxable income and is adjusted for items specified in

Article IV of the Tax Reform Code. Except for Tax Preference Items, all of these items are listed in the Corporate Net Income Tax Section of the CT-1 PA Corporation Tax Booklet. Tax preference items are not included in the current instructions since the items listed as additions to federal taxable income in the calculation of PA Taxable Income are no longer Tax Preference Items under Section 57 of the Internal Revenue Code.

In the case of PIT related returns, the various instruction booklets, detailed internet instructions, and the PIT Guide provide many if not most of the various differences on a class of income basis and provide write ups for each of the differences. The Department will investigate the feasibility of including a summary after the tables of content for each of the PIT Guide chapters and the detailed internet instructions.

7. Why did the Department change the format of assessment notices? The notice used to provide two columns of information that made the notice easier to understand.

The Department changed to a one column notice due to receiving many inquiries and complaints about the two column notice. Specifically, the complaints regarding the previous notices concerned the “Your Figures” column and that the amounts or figures included on the notice for this column more often than not did not match the amounts included on taxpayers’ returns. Previously, this column’s figures were revised by the Department to reflect any prior adjustment made by the Department. The change was made in conjunction with the changes that were required to be made for Act 119.

Business/Partnership/Corporations

1. How will PA handle the new federal husband/wife partnership issue for Schedule C and Schedule E?

First we have the issue of which form it should be reported to for PA which might differ from federal, or does the form have to be the same? This is important because of the “line” entries for PA. Similarly, we have the issue of T/S or because of Pennsylvania regulations.

A partnership jointly owned by husband and wife that elects to file on Federal Form Schedule C with the Internal Revenue Service files PA-40 Schedule C with the PA-40, Individual Income Tax Return for Pennsylvania. A joint PA Schedule C requires the splitting of the income in the same manner as it is split for federal purposes. Any split other than a 50-50 split between the husband and wife requires the filing of two PA Schedule C’s for the same business with a prorata split of income and expenses between the husband and wife. If the business fails to make the election at the federal level, the filing of a PA-20S/PA-65 Information Return is required.

If filing a federal Form 1065 with the Internal Revenue Service, a husband and wife partnership owning rental property must file a PA-20S/PA-65 Information Return. Otherwise, a joint PA Schedule E should be filed where the income or loss will be split 50-50. Any split other than a 50-50 split between the husband and wife requires the filing of separate PA Schedule E’s for the same rental property with a prorata split of the income and expenses between the husband and wife.

2. I have a partnership that is no longer in existence. Is there a form to file for Pennsylvania that is similar to the one that is filed for a corporation that is no longer in existence or what is the procedure?

General partnerships and sole proprietors that are not required to withhold tax at the source are not required to obtain clearance certificates if they are merely ceasing to do business within PA or selling

their assets in a bulk or auction sale. However, limited partnerships or general partnerships must obtain a tax clearance certificate before filing required documents with the Department of State.

A partnership desiring to withdraw from PA must obtain a clearance certificate from the Department. To obtain a tax clearance certificate from the Department, the entity must file all state tax reports/returns and pay all taxes (including interest, penalties, fees, charges and other liabilities) due to PA up to and including the date that all assets were liquidated and distributed to partners, or the date business operations ceased in PA, whichever is later.

To obtain a Tax Clearance Certificate from the Department of Revenue, the entity must complete *Form REV-181, Application for Tax Clearance Certificate*. See *Form REV-181-I* for instructions.

3. In the case of a small employer where the employer withholding tax is under a certain threshold (i.e. \$300) for the year, has the state considered an annual filing requirement rather than the quarterly W-3R?

No, under provisions of Article III of the Tax Reform Code of 1971, as amended, all employers are required to file reconciliation returns (PA-W3) on a quarterly basis, whether or not there has been any withholding of Pennsylvania Individual Income Tax during the quarter.

Individual Income Tax

1. Does the Department offer the electronic transfer of funds for individual estimated payments? This is currently available for federal estimates.

Taxpayers cannot schedule estimated payments for the following tax year with the electronic filing of their personal income tax return; however, taxpayers do have the ability to schedule and make estimated

payments through the Department’s e-Services center. Payments can be made via ACH Debit. Taxpayers must register with the e-Services center to gain the ability to make payments electronically. A single estimated payment or up to four payments can be scheduled for automatic ACH Debit withdrawal from a checking or savings account.

2. Why doesn’t Pennsylvania follow federal penalty rules for underpayment of estimated tax?

Example: Client retired to Florida. He paid \$0 estimated tax the prior year. He sells a rental property in PA the following year which creates tax – Pennsylvania penalizes him. The IRS provides an exception to the penalty for estimated tax based on the prior year’s tax.

The law and regulations for PA were established at a time when Federal law required the same payment requirements PA follows today. Federal rules were changed during the late 1970s or early 1980s and PA did not follow with changes of its own. The law regarding estimated taxes clearly states that a declaration of estimated tax is due whenever the taxpayer can reasonably expect to have income on which no income tax is withheld to exceed \$8,000. There are no provisions in the law for a taxpayer having zero tax liability in the previous tax year or any other exception provisions regarding failure to make estimated tax payments when no taxes were due in a previous tax year.

3. Why does Pennsylvania require a surviving spouse to file separate tax returns for himself/herself and the deceased spouse? The federal government allows the filing of a joint return in the year that one spouse becomes deceased.

An amendment to the law would be required as Pennsylvania’s personal income tax currently has no provisions comparable to IRC

§6013(a)(3). The legislature would have to provide for the amendment of more than one section of the Tax Reform Code of 1971. In addition, several regulations would need revisions regarding the filing of returns for deceased individuals and tax forgiveness provisions. In addition, any changes to the law would most likely prove to be fruitless for Schedule SP purposes as the annualization of income required by 72 P.S. §7304(d)(3) may still result in the loss of tax forgiveness even when a joint return is filed. Moreover, from a uniformity perspective, there can be no distinction drawn between the situation where one of the spouses dies during the first half of the taxable year and the situation where spouses live apart at all times during the second half of the taxable year.

4. Why does the gross distribution from an annuity have to be included in determining a rent/property tax rebate when a much smaller portion is taxable?

This is part of the PTRR law as enacted by the legislature. Specifically, the law states that "Income means all income from whatever source derived, including but not limited to salaries, wages, bonuses, commissions, income from self-employment, alimony, support money, cash public assistance and

relief, the gross amount of any pension or annuities[.]" (Emphasis added.) The law further goes on to include that certain types of pensions and benefits are only required to be reported up to 50% of the amount received. There is no exception available for claimants to use the cost recovery method or taxable amount of the distribution when reporting distributions from pensions or annuities.

Electronic Filing

1. What is the maximum number of K-1s accepted for the electronic filing of a tax return?

The number of RK-1s and NRK-1s that are accepted with an electronic return is increasing to 25 per return for tax year 2008.

2. Please provide an update on the status of practitioner's electronic filing capabilities.

1) Will practitioners be able to electronically file partnership returns?

2) Will practitioners be able to electronically file S Corporations?

For tax periods beginning in 2006 and 2007, the Department approved software vendors for electronic filing of the Corporation Tax Return (RCT-101) in conjunction with the Federal Forms 1120 and 1120S.

For tax periods beginning in 2008, the Department is working to approve software vendors for electronic filing of the RCT-101 in conjunction with the Federal Forms 1120 and 1120S. Additionally, the Department is working with software vendors to implement a

Modernized E-file project that will allow for the filing of the PA20S in conjunction with the Federal Form 1120S and the PA65 (and RCT-101) in conjunction with the Federal Form 1065.

Sales & Use Tax

1. An art studio goes to their client to install their artwork. Some of the artwork is being installed at the client's home and some is at the client's office. Their invoice is broken out into separate charges for labor and artwork. Should Pennsylvania sales tax be charged on both the labor and art pieces, or just the art?

Pennsylvania's sales and use tax is imposed upon the sale or purchase price of tangible personal property, and the cost of services performed on such property, only, including installation. 72 P.S. §7202(a) and 61 Pa. Code §31.5(a)(3). It is not imposed upon the sale or purchase price or cost of services performed on real property.

A vendor who sells and installs tangible personal property which retains its identity as tangible personal property after its installation is deemed to be a vendor and is required to collect sales tax on the entire purchase price charged to the purchaser, including labor, and remit the tax to the Department. 61 Pa. Code §31.11-31.16. However, if, at the time of installation, the property becomes a part of the real property into which it is installed, the vendor is deemed to be performing construction activities and sales tax is not imposed upon either the customer's purchase price of the property or the labor charge for installation. In this case the artist is required to pay sales or use tax on his acquisition cost of all the installed property. This cost may be passed on to the customer by including it in the overall purchase price.

Accordingly, if the artwork retains

continued on page 18



NSA State Director's Message



NSA State Director
of the Year

Tax Season is Here

With tax season in full swing, NSA would like to remind their members of the exclusive benefits available only to NSA membership. As a member, you are entitled to utilize NSA's **TAX HELP DESK** to have 5 tax questions researched for **FREE**. When you have a federal tax question, NSA's professional research staff will search its extensive library to provide you with the information you need. Questions are typically answered within three business days or less. When you submit a question, our tax research department will research it and send you information, usually including cites, that will allow you to resolve the issue for your client. NSA requires that questions be submitted in writing. There are two easy ways to send your question to the Tax Help Desk

Online:

<http://www.nsacct.org/Members/Tax/20TaxQuestion.aspx>

Fax:

Download the FaxTax Research Form from NSA's website (www.nsacct.org) and fax it to NSA at 703-549-2512.

NSA's Tax Discussion Group

Don't forget to sign up for NSA's popular Listserv, another great source of support. NSA's version of the networking Listserv is an automated email discussion group designed for interactive discussions with your peers. This is a great medium with which to solicit the advice of your peers, benefit from their experience, and participate in ongoing conversations. Feel free to ask a tax question of your peers, get help with a return for another state, and keep up with the sticky-issues of the 2008 tax-filing year. To subscribe and select your settings, go to the **Members Only** tab on the NSA webpage www.nsacct.org, log-on with your member name and ID, and then click on NSA Tax Talk Discussion Group box on the left side of the page.

Tax Season Time Savers

NSA continues to have a full menu of professional letters that can be personalized on your letterhead and used with your clients to enhance your image. Some sample letters include Privacy Statements, Engagement Letters, and client memos. There are many other marketing

tools on the **Members Only** section of the NSA webpage. Simply log on with your user name (last name) and password (ID#) and go to Sample Letters at bottom left side of the page.

Education

NSA continues to make quality education programs available on your desktop through **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.

Recorded Playbacks of all NSA past Webinars are available for purchase on the NSA website. Fee includes all handouts.

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.

NSA's 64th Annual Meeting

The National Society of Accountants will hold their 64th Annual Meeting on August 12-15, 2009 in San Diego, CA. Make plans to join NSA and elect your future leaders. Details will be posted in the coming weeks.

Please feel free to contact me with any questions via email at rbraschcpa@verizon.net

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





Custom Brokers Insurance

Specialists • Professional Liability

3659 Green Road • Suite 209 • Beachwood, OH 44122-5754

Tel.: 216-831-0333

Toll-Free: 800-969-7475 • Fax: 216-831-6819



Firm:		Contact:
Address:		
City: State:		Zip:
Phone: Fax:	Email:	

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:	_____	_____
Total:	_____	_____

*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*	
Total	100%

**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)	\$ _____	\$ _____	\$ _____

News you can Use

Federal Reserve Policy: The New Frontier

At the Limit of Interest Rate Targeting, the Fed Engages in "Quantitative Easing"

Federal Reserve policy continues to evolve in this very challenging period for the U.S. economy. On December 16, the Federal Open Market Committee voted to reduce the Fed funds target rate to a historically low range of 0.00 to 0.25 percent. It also signaled that it would keep the Fed funds rate at that very low level for "some time". Now that the Federal Reserve has cut the Fed funds rate to near zero, many market observers are concerned that the Fed is "running out of bullets" in its fight against the severe recession gripping the U.S. economy. This concern stems from the fact that for the last 25 years Federal Reserve policy has been focused on interest rate targeting.

During normal economic times, interest rate targeting is an effective way for the Fed to signal its economic goals and intentions to the financial community. We are all very used to the idea that when the Federal Reserve wants to stimulate the economy, it cuts the Fed funds target rate. It then conducts open-market operations, focused on short-term transactions, to manipulate bank reserves in order to bring the effective Fed funds rate in line with the newly adjusted target rate. Obviously this course of action can no longer be used as an economic stimulant now that the Fed funds target rate is very close to zero.

Interest rate targeting is not the only weapon that the Fed can use in its battle against the recession and abnormal financial markets. Over the course of

2008 the Federal Reserve has implemented many new programs that are designed to increase liquidity in financial markets. The Fed is lending to both commercial banks and non-bank financial institutions and has widened the scope of acceptable collateral for those loans. With the various new programs in place, the Fed has greatly expanded the asset side of its balance sheet to include a variety of financial instruments. The Fed has also entered the commercial paper market and asset-backed securities markets in support of non-financial institutions and in support of credit availability to households. It is preparing to purchase large quantities of agency debt and mortgage-backed securities with the goal of driving down mortgage interest rates. The Fed has already been successful in driving the interest rate for 30-year fixed rate mortgages, and we expect the 30-year fixed rate to settle in the 4.5-5.0 percent range in early 2009.

These funding operations fall under the heading of "quantitative easing". A program of quantitative easing is designed to free up the flow of money within the banking system so that banks are able to loan to businesses and consumers. The exact course of quantitative easing is not pre-determined. The Fed will use its balance sheet as needed to restore confidence in the financial system and to foster economic growth. This shift in the Federal Reserve's approach to monetary policy will not result in a disjointed lurch toward a new policy regime. The Federal Reserve will continue to closely monitor the effective Fed funds rate to ensure that it will not fluctuate wildly as Fed policy focuses on nontraditional funding operations. We

also expect the Federal Reserve to return to Fed funds interest rate targeting once the economy re-establishes a self-sustaining expansion in 2010.

The degree of quantitative easing that the Fed can undertake is theoretically limitless. In recent months the size of the Fed's balance sheet has grown substantially through funding from the Treasury Department and from its new ability to pay interest on bank reserves which encourages banks to hold more reserves at the Fed. It can undertake a significant volume of quantitative easing without issuing new currency. However, there is potential for the dramatic expansion of the Federal Reserve's balance sheet to spur inflation beyond 2010. The degree to which quantitative easing is inflationary depends on how the Federal Reserve drains liquidity from the banking system once its objectives of financial market stability and economic growth have been achieved.

Nearly Half of Small and Middle Market Businesses in U.S. Looking to Switch Banks

Reductions in Credit and Banks' Lack of Commitment Cited as Reasons for Turnover

Wednesday, January 7, 2009 Stamford, CT USA — Almost half of small and middle market companies in the United States are actively seeking a new bank or would consider changing banks if presented with a compelling offer, according to the results of the latest Greenwich Market Pulse survey of 670 companies.

At the start of 2007, less than one-third of the companies participating in the Greenwich Market Pulse said they were actively seeking a new bank or considering a switch. At the end of 2008, nearly half of the 260 small businesses and 40% of the 410 middle-market companies participating in the survey were looking for or open to finding a new bank.

In past years, companies switched banks mostly due to price or service issues. In the midst of the current crisis in

continued on page 18

THE TAX BOOK™

Real Answers. Real Fast!

Written by proven authors with over 65 years experience!

SPECIAL PRICING FOR

Pennsylvania Society of Public Accountants



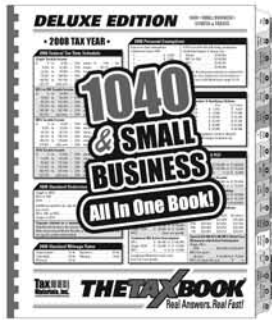
1040 EDITION

Income Tax Compliance & Planning
Release Date: 12/15/08



SMALL BUSINESS EDITION

Small Business, Estates & Trusts
Release Date: 12/15/08



DELUXE EDITION

1040, Small Business, Estates & Trusts
Release Date: 12/15/08



ALL STATES EDITION

Individual Tax Returns for All States
Release Date: 2/2/09

\$5 donation to PSPA for every copy of *The Tax Book™* purchased using code 395.

For Discounts

mention code: **395**

Order by mail, online or phone!

Toll Free: 866-919-5277 • www.thetaxbook.com

ORDER FORM

2008 Tax Year

MAIL CODE

3 9 5

		Qty. ×	Price	=	Cost				
PACKAGES Order Today & Save (S&H included)	Value Package #1 (retail \$308.25) Deluxe Book • All States Book • WebCD • Deluxe CPE		\$257 \$243		\$				
	Value Package #2 (retail \$278.25) 1040 Book • Small Business Book • All States Book • WebCD		\$229 \$224		\$				
	Value Package #3 (retail \$259.25) Deluxe Book • All States Book • WebCD		\$219 \$215		\$				
	Value Package #4 (retail \$209.25) Deluxe Book • All States Book • Deluxe CPE		\$189 \$176		\$				
	Value Package #5 (retail \$127.00) Deluxe Book • Deluxe CPE		\$117 \$115		\$				
2008 BOOKS Pricing by Edition Per Copy (calculate S&H)	BOOK QUANTITY	1	2	3-10	11-20	21+	Qty.	Price	Cost
	<i>Deluxe Edition</i>	\$65	\$65	\$60	\$60	\$59	\$61	\$57	A \$
	<i>1040 Edition</i>	\$41	\$41	\$39	\$39	\$37	\$39	\$36	B \$
	<i>Small Business Edition</i>	\$41	\$41	\$39	\$39	\$37	\$39	\$36	C \$
	<i>All States Edition</i>	\$71	\$71	\$68	\$67	\$64	\$67	\$62	D \$
2008 WEBCD (S&H included)	WebCD QUANTITY	1	2	3+	Site License*	*Unlimited Licenses for One Location	Qty.	Price	Cost
	<i>WebCD price per copy</i>	\$93	\$93	\$73	\$269	\$269			\$
CALENDARS (S&H included)	PACKAGE QUANTITY	1	2-4	5-9	10+	Each package includes 30 calendars	Qty.	Price	Cost
	<i>Package Pricing</i>	\$42	\$42	\$36	\$30	\$30			\$

Customer # _____ (enter if known, not required)

Company Name _____

Name _____

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

City, State, Zip _____

Email _____ (Needed for order and shipping confirmation, CPE, and Updates in Your Inbox)

Day Phone _____

FastTaxFacts	Tri-fold laminated sheet	\$16.95	\$15.95	\$
2008 CPE COURSES (S&H included)	<i>Deluxe Edition CPE</i> 12 hrs.	\$49	\$46	\$
	<i>1040 Edition CPE</i> 8 hrs.	\$38	\$36	\$
	<i>S.B. Edition CPE</i> 8 hrs.	\$38	\$36	\$
	<i>Ethics Edition CPE</i> 2 hrs.	\$32	\$31	\$
	<i>CPE Bundle Pkg.</i> 1040, S.B., Ethics	\$79	\$75	\$

BOOK S&H	Book Shipping & Handling Charge	Book S&H Charge
Calculate book subtotal: A + B + C + D = \$	(Subtotal)	\$
Find book subtotal in S&H chart below to determine book S&H charge		\$

Book Shipping & Handling Chart					
Subtotal	Charge	Subtotal	Charge	Subtotal	Charge
\$ 0-\$ 44	\$6.00	\$193-\$256	\$20.50	\$883-\$1197	\$44.65
\$ 45-\$ 86	\$8.90	\$257-\$448	\$25.75	\$1198+	\$1.85/book
\$ 87-\$132	\$12.10	\$449-\$640	\$31.00	*Please call for international orders.	
\$133-\$192	\$15.25	\$641-\$882	\$37.25		

Step 1	Total of Cost Column (include Book S&H)	\$
Step 2	MN residents add 6.65% sales tax	\$
Step 3	Step 1 + Step 2 = Grand Total*	\$

PAYMENT OPTIONS

Expiration Date:

_____-_____-_____-_____-_____-_____-_____-_____-_____-_____-

Credit Card

- MasterCard
- Discover
- Visa
- American Express

Cardholder's Signature _____

Check or Money Order payable to: Tax Materials, Inc.

Thank You!

Please sign me up for the free "Updates in Your Inbox" email service.

15105 Minnetonka Ind. Rd., Suite 221
Minnetonka, MN 55345
Local: 952-746-5276
Toll Free: 866-919-5277
Fax: 952-746-5278
Email: info@thetaxbook.com

Tax Materials, Inc.™

New Regulations Under Internal Revenue Code Section 7216, Disclosure or Use of Tax Information by Preparers of Returns

As PSPA has been informing you, new regulations under Internal Revenue Code Section 7216, Disclosure or Use of Tax Information by Preparers of Returns, became effective January 1, 2009. Section 7216 is part of the criminal code which prohibits tax return preparers from “knowingly or recklessly” disclosing or using client tax return information. Violations could result in imprisonment for up to one year, a fine not to exceed \$1,000 or both, for each violation. There is a parallel Section 6713 with a civil penalty of \$250 per instance; unlike Section 7216, this section does not require intent.

These sections apply to all types of income tax returns (individual, corporate, partnership etc.). There are more specific requirements for the 1040 series. The IRS defines tax return information as including but not limited to the taxpayers name, address, or any information furnished for the preparation of an income tax return of the taxpayer.

We hope that by now you have reviewed in detail the following documents put forth by the IRS:

Section 7216 Update Rules for Taxpreparers

<http://www.irs.gov/efile/article/0,,id=188390,00.html>

Section 7216 Frequently Asked Questions

<http://www.irs.gov/efile/article/0,,id=188398,00.html>

Aids to Preparing 7216 Consent Forms

<http://www.irs.gov/efile/article/0,,id=201520,00.html>

Rev Proc. 2008-35 addresses the format of the required consent statements for 1040 clients (see particularly Section 4)

http://www.irs.gov/irb/2008-29_IRB/ar13.html

These links can be accessed from the home page of the PSPA website.

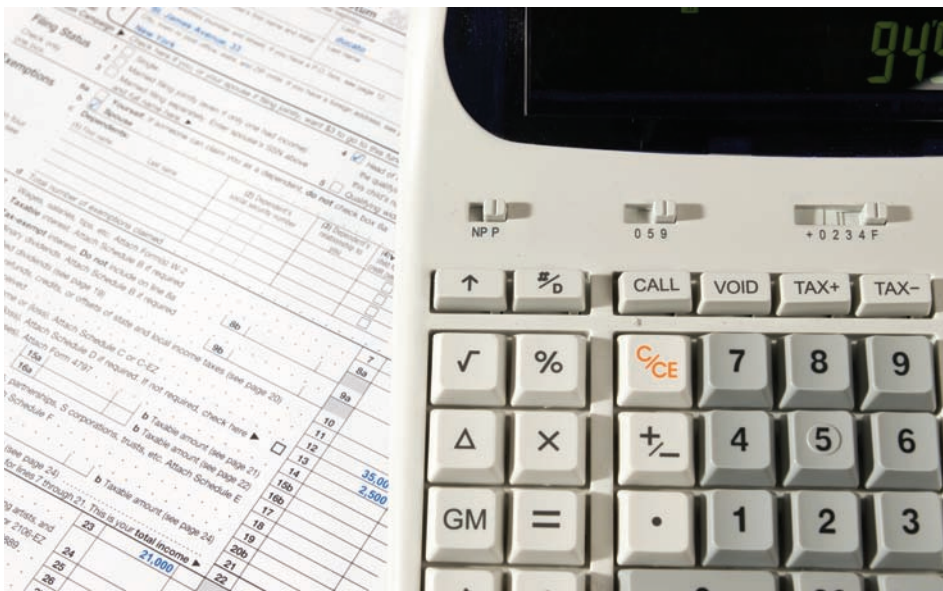
If you have not reviewed these documents we strongly suggest that you do so. Since these rules apply to many of the issues that will arise during client meetings throughout tax season your review and understanding of these regulations cannot wait until after tax season.

In the January 24th issue of the PSPA's electronic newsletter, The PSPA eLink, members were informed of a conference call that PSPA had on January 24, 2009 with IRS representatives in which a slate of questions were forwarded to Chief Counsel's office. We are currently waiting on the responses to those questions and will distribute them upon receipt. A copy of the questions submitted to IRs by PSPA appear after this article.

Sample Consent Forms

For your convenience and guidance we have constructed two sample forms. Sample A is an example of a consent to use form. Sample B is an example of a simple consent to disclose tax return info. If you disclose information to other preparers or outside of the country, you should refer to the rules for guidance.

Finally I would like to thank the PSPA Committee which has been following this issue. Special thanks to Mary Lew Kehm, CPA (PSPA Past President – Lehigh Valley Chapter) for her input on the sample consent forms.



**Pennsylvania Society
of Public Accountants
Conference Call with IRS
regarding Section 7216-
Friday, January 23, 2009**
*PSPA Questions submitted to IRS Chief
Council for further clarification.*

**1. Q&A 8 vs. Reg 301.7216-3(b)(2) –
Request for Clarification of Timing**

- a. Can a client-requested disclosure be made to a third party after the return is signed? Scenario: Client requests copy of prior two years returns to be faxed or emailed to a bank to obtain a mortgage.
- b. Solicitation of preparer to provide additional services to client e.g. investments or insurance. After return is signed, tax preparer can no longer solicit client. Does this preclude any mention of the services in newsletters, etc?
- c. Is solicitation limited to the tax preparer approaching the client or is a client requesting services included in the definition of solicitation? Scenario: Tax preparer has prepared two years of tax returns for client. Client then approaches tax preparer and requests tax preparer to provide investment services. Can client give consent to use at this point? The regulations would make it appear they cannot.
- d. If client has refused to sign use consent prior to return being signed, is the client allowed to come back at a later date and have the return data used? In scenario 1c, what if client had refused when preparing 2008 return but calls in 2010 to request services? Should client bring return back for use or is tax return preparer forever barred from using tax return information?

**2. Use of tax related information -
Would the following uses of tax
return information require a
consent:**

- a. Adjustment of estimated taxes
Scenario: client has a new baby and calls to have tax preparer assist with calculation to adjust estimated tax payments .
 - b. Withholding adjustments as in the 2a.
 - c. Tax planning
 - d. Medicare D assistance
 - e. Information generally helpful to a client – newsletters, informational flyers etc.
 1. client newsletter distributed to all clients providing tax information only
 2. client newsletter distributed to all clients providing tax and financial planning information
 3. client newsletter distributed to all clients providing financial planning information only
 4. informational flyer on how to obtain a free credit report sent to all clients
 5. client information sent only to those clients over the age of 65 regarding Medicare D information
- 3. Do both individuals have to sign the consent when disclosing or using information on a joint return, i.e. divorce or disagreement between spouses.**
- a. Example: couple to file joint return. Tax preparer uses contractors. Must both consent?
 - b. Example: couple to file joint return. Husband is interested in tax newsletter (perhaps via email) but wife is not. Can tax preparer send to husband or must wife consent?
 - c. Husband and wife are divorcing. Husband requests draft of return be sent to his attorney.
 - d. Taxpayers filed a joint return in prior year and are now divorced. Ex-wife needs information faxed to bank to obtain a mortgage. Must ex-husband consent?

4. Are taxpayer consents necessary in the following scenarios?:

- a. Workers comp audits where only

payroll tax info is requested. Once used on a tax return, does information such as name and address become tax return information?

- b. 1120 & payroll taxes. 1120 is tax return information, but payroll taxes are not included in Chapter 1 of the Tax Code, thus can 941 information be given to the auditor?
- c. 1120 or Schedule C is requested

5. We request clarification on 7216-2(k) the definition of “audit of state or local tax returns...”. In some cases information is requested in letter or notice form.

6. Third parties helping or acting as agents to the client

- a. Children or other third parties helping elderly/incapacitated without power of attorney with tax information i.e. organizing records, obtaining information etc. .
- b. We assume that powers of attorney that deal with tax matters would not require a disclosure to the agent. Is this assumption correct?
- c. Scenarios: A relative will pick up the tax return or other related information on behalf of the taxpayer, for example, a son picks up his father’s return or estimated tax payment, or parent picks up 19 year old college student’s return since student is away at college. Does your answer change if the return is provided in a sealed envelope?

7. As tax and accounting professionals, we are often trusted advisors to clients in a broader scope than merely tax return preparation. As a result, we need additional guidance on how to prepare consents without overwhelming the taxpayer or causing excessive inconvenience.

Sample A. CONSENT TO USE TAX RETURN INFORMATION

*Use of tax return information is defined as any circumstance in which the tax return preparer refers to, or relies upon tax return information as the basis to take or permit an action.
(PRINT FORM ON YOUR COMPANY LETTERHEAD)*

Federal law requires this consent form be provided to you. Unless authorized by law, we cannot use, without your consent, your tax return information for purposes other than the preparation and filing of your tax return.

You are not required to complete this form. If we obtain your signature on this form by conditioning our service on your consent, your consent will not be valid. Your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent is valid for one year.

I/We request and authorize [Name of Tax Preparer/Accountant] to use tax return information contained in my/our federal income tax returns and supporting schedules for 200 _____ for the purpose of providing to the taxpayer(s):

- Information that may be of interest to the taxpayer.
- Financial advice, including tax planning, discussion of investments, and other aspects of your financial life.
- Newsletters, including email updates, of accounting firm/preparer and from our affiliates.
- Press releases and published articles of accounting firm/preparer.
- Upcoming seminars, webinars, and webcasts.
- Accounting firm/preparer announcements.

This consent will be valid for a period of _____ year(s) beginning on _____ and will expire on _____

Alternative expiration date requested by client: _____

Name(s) (please print) _____

Signature(s) _____

Date: _____

If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484 by email at complaints@tigta.treas.gov

The paragraphs highlighted in yellow are standard language required by the regulation for individuals. They should not be altered.

The blue bullets should describe those activities for which your firm seeks consent to use your client's tax return information. Please be advised the information that appears in blue is not standard language and should not be copied verbatim. Your list of consents should be applicable to your own practice and the specific services you provide to your clients. The bullets provided are examples only.

The information appearing in green specifies the term for which the consent is effective. If no time limit is specified, the consent is effective for one year from the date signed.

The information that appears in red is the required client signature and the date the form was signed. These are both required by the regulation.

BE ADVISED:

- The taxpayer must be given a copy of the signed form, and a copy should be put in the client file.
- Consents must be given on 8.5x11 paper using 12 pt. type.
- Consents must be given prior to specified use or disclosure. Retroactive consents are prohibited by the regulation.
- A consent for soliciting business unrelated to tax return preparation is not allowed after the preparer provides the completed return to the taxpayer.
- If the taxpayer does not give consent (refuses to sign the consent form), the taxpayer may not ask again.
- If you are selling investments or insurance products you will want to consult with your broker dealer or compliance consultant for guidance.

SAMPLE B. CONSENT TO DISCLOSURE OF TAX RETURN INFORMATION

*A disclosure is the act of making tax return information known to any person
in any manner whatever.*

(PRINT FORM ON YOUR COMPANY LETTERHEAD)

The paragraphs highlighted in yellow are standard language required by the regulation for individuals. They should not be altered.

The information in blue lists the name of you and your firm as well as the purpose for the disclosure and the name and address to whom the information is being disclosed. While not standard language, these individual pieces of information are required by the regulation.

The information appearing in green specifies the term for which the consent is effective. If no time limit is specified, the consent is effective for one year from the date signed.

The information that appears in red is the required client name and signature and the date the form was signed. This information is required by the regulation.

Federal law requires this consent form be provided to you. Unless authorized by law, we cannot disclose, without your consent, your tax return information to third parties for purposes other than the preparation and filing of your tax return. If you consent to the disclosure of your tax return information, Federal law may not protect your tax return information from further use or distribution.

You are not required to complete this form. If we obtain your signature on this form by conditioning our services on your consent, your consent will not be valid. If you agree to the disclosure of your tax return information, your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent is valid for one year.

Please complete:

I/We request and authorize [Name of tax preparer/accountant] to disclose my tax return information for 200 _____. (You may request a more limited disclosure of tax return information as listed here:

_____).

• Purpose for disclosing information: _____

• Name and address to whom the information is being disclosed:

• Duration of Consent: _____

Taxpayer(s) Name(s): _____

Signature: _____ Date: _____

Signature: _____ Date: _____

If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484, or by email to: complaints@tigta.treas.gov

Department of Revenue Q & A

continued from page 9

its identity as tangible personal property after installation, sales tax is imposed upon the purchase price of the artwork, as well as the charge for its installation. If the artwork becomes part of the real property into which it is installed, sales tax should not be collected from the customer on either the purchase price or the installation fee.

2. A client bought a shrink wrapping machine from a vendor and was not charged sales tax on the purchase at the time of the purchase. The vendor had a sales tax exemption certificate on file for wrapping supplies that my client purchased from the vendor. The vendor recently had a sales tax audit and the auditor told the vendor that he should have collected sales tax on the purchase of the machine. My client has now received an invoice from the vendor requesting the sales tax. Does my client owe the sales tax to the vendor?

The Tax Reform Code provides for a sales tax imposed upon each separate sale at retail of tangible personal property, which tax shall be collected by the vendor from the purchaser. 72 P.S. §7202(a). There is no provision in the Code or Department regulation which precludes a vendor from ultimately collecting sales tax that he did not collect at the time of sale. Accordingly, the client owes the sales tax to the vendor. It should be noted that the only wrapping equipment that is exempt from sales and use tax is equipment that places the manufactured product into packaging that passes to the ultimate consumer.

Additional Question

1. Beginning with wages paid in 2009, IRS will require “disregarded entities” to pay their own employment taxes

and file their own tax reports. Under these new rules, certain single-owner eligible entities are disregarded as entities separate from their owners for tax purposes. My client was issued a new EIN number from IRS. Do we need to notify the state of this change, and if so, is there a form to do so? Will DOR issue new numbers for PA withholding? If the entity already had employees, does this change the answer?

Yes, any entity that has been assigned a new Federal Employer Identification Number from the Internal Revenue Service must notify the Department. These entities can request a change of their entity ID (EIN) online through the enterprise maintenance function of our e-TIDES website, by downloading and completing the REV-1705R Tax Account Information Change/Correction Form, or via written correspondence to the Department.

Depending upon the business structure used to establish the initial PA withholding account, the entity may be issued a new PA withholding account number. Procedurally, the Department issues a new Pennsylvania employer withholding account number if a change in business structure has taken place. If the initial account was created with the business structure of a limited liability company, the Department will allow the entity to keep the same PA account number and will change the entity ID to the newly assigned EIN. If the initial account was created with a business structure other than a Limited Liability Company, the entity will need to cancel their current Pennsylvania employer withholding account number and apply for a new one for the limited liability company.

News You Can Use

continued from page 12

credit markets and the banking sector; however, companies are changing providers primarily due to banks' lack of demonstrated commitment to the business, poor communication and uncertainty regarding financial health. Also a source of major concern, of course, are reductions in credit availability or changes in credit terms.

Among middle market companies that changed banks in the past 12 months, a quarter say their original banks could not provide required services and more than 20% say their banks failed to give loans or financing when needed. Almost a quarter of small businesses that switched banks in the past year say their previous bank could have retained their business by improving communication and response or simply by “appreciating our business and treating us better.”

“The risk for banks is that many creditworthy companies are feeling like they’ve been mistreated by their banks, and they are voting with their feet,” says Greenwich Associates consultant Steve Busby. “Companies that are on solid ground see the credit reductions, more stringent terms and higher fees as punishment they are being forced to take for bad decisions made by the banks or less responsible borrowers.”

Special Pricing For Pennsylvania Society of Public Accountants

Your association receives a donation for each product purchased under this special discount code—and you receive a discounted price on every product! Prices and donation amounts are listed on order form.

Discount Code: **Q760** Customer Number.....(If known.)

Company Name

Name.....

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

.....

City, State, Zip

Email(Required for order confirmation.)

Day Phone (.....)

ORDER INSTRUCTIONS

Use your association discount code (listed above) on every order!

- Phone: 800-510-8997, option 1
- Fax: 817-877-3694
- Mail check to:
Quickfinder
36786 Treasury Center
Chicago IL 60694-6700
- Online: Quickfinder.Thomson.com



Credit Card Account # Visa MasterCard Discover AMEX

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Expiration Date

Month Year Cardholder's Signature

Please Note: Our policy is to charge your credit card at the time of order.

Product	Qty	Retail	Assoc.	Donation
Quickfinder Handbooks (Print or CD): 1040 • Small Business • Individuals— Special Tax Situations • Tax Planning for Individuals • Tax Planning for Businesses • Depreciation • Accounting and Bookkeeping	1	\$43	\$40	\$5.00 ea
	2 – 10	\$41	\$38	
	11 – 20	\$38	\$35	
	21+	\$36	\$33	
All States Quickfinder Handbook (Print or CD)	1	\$76	\$71	\$5.00 ea
	2 – 10	\$72	\$67	
	11 – 20	\$68	\$63	
	21+	\$63	\$58	
NEW! Efficient Tax Office (Print Only)	Each	\$39	\$34	\$5.00 ea.
Client Quick Reference Tax & Wealth Schedules (Set of 5)	Each	\$12	\$11	\$1.00 ea
Wall Calendar w/ Discount Coupons	Each	\$10	\$9	\$1.00 ea.
Package QF-X (Individuals or Businesses)	Each	\$12	\$9	\$1.00 ea
Tax Tables (Individuals or Businesses)	Each	\$12	\$9	\$1.00 ea
Tax Tips Newsletter	1 yr/12 iss.	\$59	\$50	\$5.00 ea
Handbook-Based Self-Study CPE	Per course	\$22	\$19	\$2.00 ea
Ethics Self-Study CPE	Per course	\$22	\$19	\$2.00 ea
Tax Training CPE (DBIT, DCIT, DBTT)	Per course	\$99	\$89	\$5.00 ea
Federal Tax Handbook-Quickfinder Edition	Each	\$29.95		

Quickfinder Shipping Rates	1 unit	2 – 10 units	11 – 20 units	21+ units
All Handbooks; Tax Tips Newsletter (excludes Federal Tax Handbook)	\$4	\$4 each	For quantities greater than 11, call for shipping/handling pricing	
Federal Tax Handbook-Quickfinder Edition	\$7.50 each			
Package QF-X; Laminated Tax Tables; Quick Reference Tables; Calendar; CD & CPE	\$3 each			

All Discounts: The highest available discount will be applied to your order; discounts and special offers cannot be combined.
Quantity Discounts: Combined quantities of the SAME TITLE are eligible for a quantity discount (e.g., you buy six 1040 Handbooks and pay \$38 each, instead of \$40 each). Discount does not apply when purchasing different titles (e.g., you buy two 1040 Handbooks and three Small Business Handbooks).
CD Discount: 20% off each CD when purchased with the print version (e.g., 20% off three 1040 CDs when purchased at the same time as three print 1040 Handbooks).

S&H and Sales Tax: Applicable state and local sales tax and shipping and handling charges will be added at time of order.



FOB Shipping Point

Line	Product	Print Qty	CD-ROM Qty	CPE	Unit Price	TOTAL
1						
2						
3						
4						
5						
6	Subtotal: Add lines 1 through 5.					
7	Shipping & Handling: Please see the chart above for costs.					
8	Sales Tax: Add your exact state and local tax. Call 800.510.8997 for assistance.					
9	GRAND TOTAL: Add lines 6, 7, and 8.					

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.

The PA Accountant is published five times annually by the Pennsylvania Society of Public Accountants, 20 Erford Road, Suite 200A, Lemoyne, PA 17043. All editorial correspondence, manuscripts, etc, should be sent to: PSPA, 20 Erford Road, Suite 200A, Lemoyne, PA 17043. This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. The publication is not engaged in rendering legal, accounting or other professional services.

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.