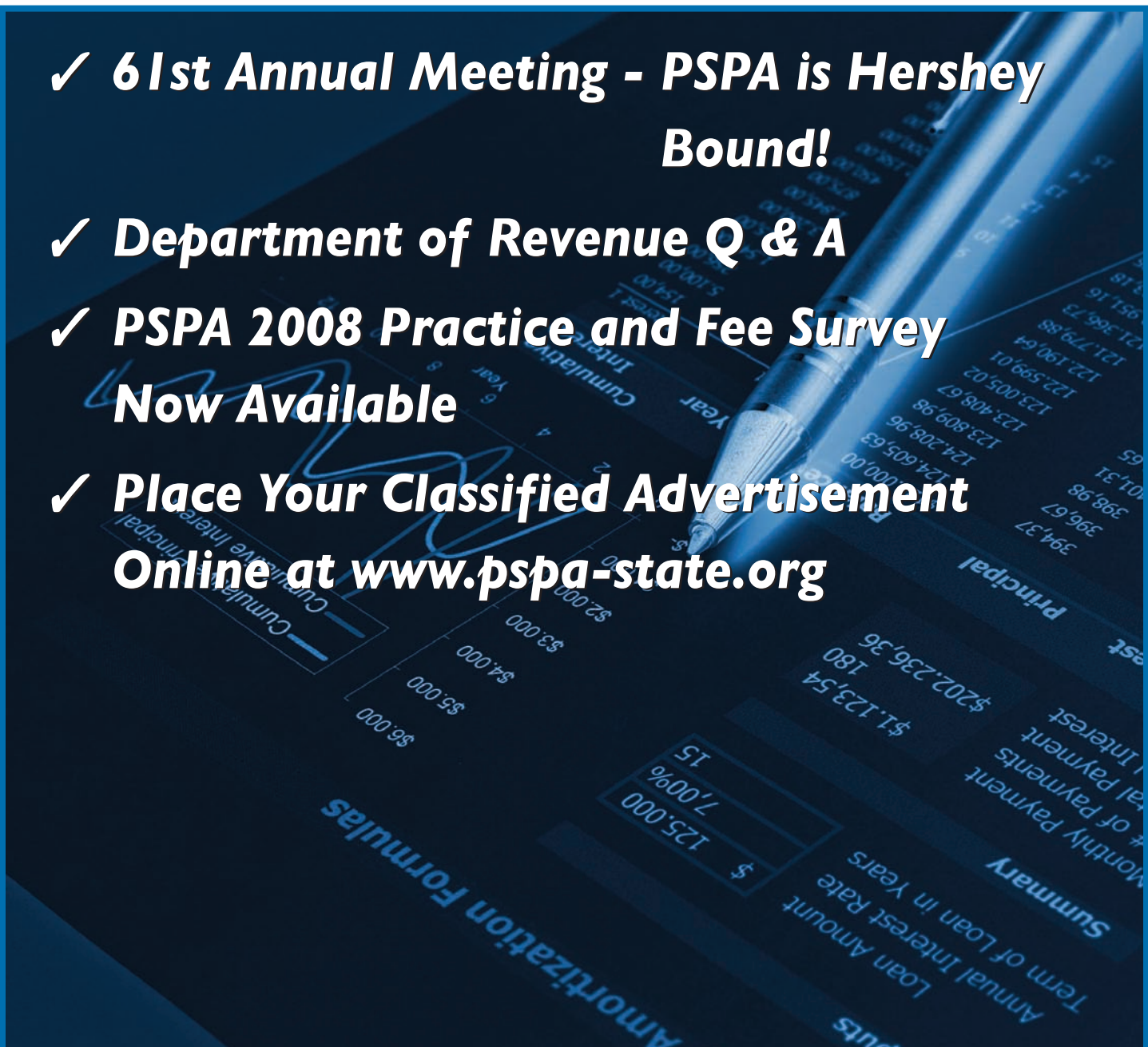


the **Pennsylvania** Winter 2008

Accountant

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The Magazine Of The Pennsylvania Society of Public Accountants

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- ✓ **61st Annual Meeting - PSPA is Hershey Bound!**
 - ✓ **Department of Revenue Q & A**
 - ✓ **PSPA 2008 Practice and Fee Survey Now Available**
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A Message From The President



As the New Year begins to unfold, I would like to wish all of you a very healthy and prosperous tax season. I encourage you to take advantage of the tax roundtables offered in many of the local chapters. These programs offer the perfect opportunity for members to give and receive assistance on complicated tax issues and to seek the advice of other professionals who may share a similar issue. This is also a good time of year to join the PSPA email discussion group (listserv.) This convenient free membership benefit could save you valuable time during tax season.

PSPA's Day at the Capitol is scheduled for Tuesday, May 6, 2008 in Harrisburg. Please plan to attend this very important function; it is offered free to PSPA members. PSPA is monitoring the status of the proposed sales tax on professional services. Please make sure that PSPA has a valid email address for you to ensure that you are getting the updates on this most important legislation.

We are pleased to announce the addition of the 'classified advertisement' section to the PSPA website. This is offered to PSPA members free of charge. Members can post advertisements on the site or search the advertisements that are posted in a variety of categories. This feature was added due to the growing popularity of the advertising portion of this publication. Members now have the ability to post their ads in both places.

I hope that you find the 2008 Practice & Fee Survey conducted by the PSPA to be a useful tool. Thanks to all of you who participated in the survey this year. This of course was our initial year. We will be working to streamline some of the questions and develop methods for maximizing participation in the future. One of the challenges we faced in conducting the survey was effective information dissemination. This survey was conducted exclusively online. If PSPA did not have a valid email address for you we were unable to send you an invitation to participate in the survey. You can help us by making sure that we have a valid email address for you at all times. Many of you have given us very positive feedback on the survey results; it was definitely a good first effort. You can download the report from the 'members only' area of the PSPA website.

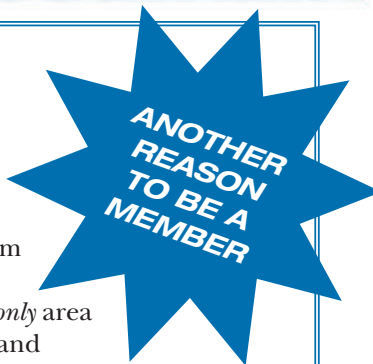
PSPA's 2008 convention is scheduled for June 26th-29th at the Hershey Lodge and Convention Center. Events include 8 hours of CPE for members, a guided tour of historic Hershey, an afternoon of Hershey Park attractions followed by an evening picnic, and of course plenty of Hershey chocolate for all! Please see the center pages of this publication for more detailed information. Registration material will be sent to the membership under separate cover.

Respectfully Submitted,
Gerald L. Brenneman, CPA
PSPA President

**PSPA 2008
Practice & Fee Survey**

How does YOUR practice compare to others throughout the state? Let PSPA's 2008 Practice and Fee Survey assist you with that information. Members can download a copy of the results from the 2008 Practice and Fee Survey at www.pspa-state.org. Members should log-in to the *members only* area using their unique PSPA identification number and password. Click on the 'My Membership' dialogue box and then on 'Documents'. If you need assistance please contact the PSPA Executive Office.

PSPA conducted the Practice and Fee Survey for the first time this year. Information regarding the survey was sent to respondents via email; the survey was exclusively conducted online.



Please Give Us Your Email Address



Please verify that our records show your current email address. Please refer to the mailing label on this newsletter. The email address that we have in our records appears above your name on the mailing label. If this is not your correct email address please complete the email correction form on the back page of this publication and forward it to the PSPA Executive Office. If no email address appears above your name, then we do not have an email address on file for you. PSPA uses a variety of mediums including email to communicate with our membership. *The Practice & Fee Survey* for example, was disseminated to the membership via email only. Please ensure that you are receiving ALL of the information that is being distributed to our membership by making sure that we have a current email address. Please be advised that PSPA does not sell our email list; it is for internal use only.

PSPA is Hershey-bound!!!



The 61st Annual Meeting will take place in the Great American Chocolate Town, where street lights are shaped like HERSHEY KISSES, Chocolate Avenue meets Cocoa Avenue, and the air is filled with the wonderful aroma of chocolate. Join the PSPA June 26-29, 2008 in the sweetest place on earth...Hershey. (See details on the center pages of this publication)



**Another New Benefit of Membership -
Online Classified Advertising**

Selling Your Practice? Want to Buy a Practice? Office Space Available? Position Available? You can now post your classified advertisement on PSPA's website. This new membership benefit is provided to PSPA members free of charge. Go to www.pspa-state.org to place your ad or to view the classifieds.

**In this
Issue ...**

**A Message From The
President.....2**



**NSA State Director's
Message.....4**

**Pennsylvania Tax
Update6**

**Department of
Revenue Q & A8**

**61st Annual Meeting
Information 10 & 11**

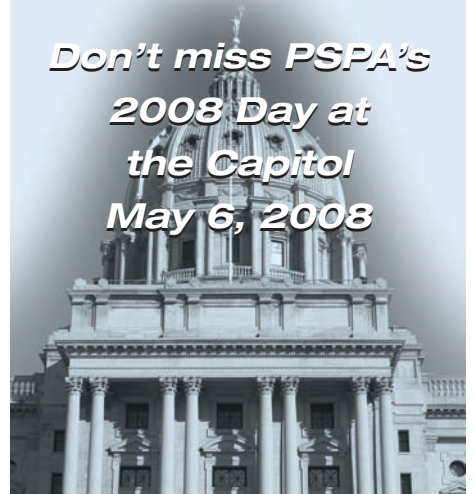
Professionals Corner.....13

News You Can Use 14



Classifieds.....20

**Don't miss PSPA's
2008 Day at
the Capitol
May 6, 2008**



NSA State Director's Message



NSA State Director
of the Year

Who needs NSA?

I recently attended a Gear Up 1040 seminar sponsored by the PA Society of Public Accountants. While at the program, I had an NSA membership table set up, which gave me the opportunity to talk to accountants about the benefits of membership in The National Society of Accountants. A strange thing happened: several accountants actually approached me with some very flattering, unsolicited comments regarding their experience as NSA members. Clare Shaw, a Certified Public Accountant from Langhorne, PA told me how happy she was to have joined NSA, referring to the timely information that flows out of NSA. She was of course referring to the NSA e-newsletters: the NSAlert®, which is emailed to members every two weeks, and NSA MemberLink®, which comes to members monthly. The NSAlert® contains information relating to the most recent developments at IRS and legislative alerts coming out of Congress, while MemberLink® provides useful tips and tools that accountants can utilize in their daily activities. Another Certified Public Accountant, Ethel Parsons, from Philadelphia, stopped by and thanked me for "twisting her arm" to join NSA. She had taken advantage of NSA's tax help desk and was able to get a quick expert answer to a tax question. NSA members are entitled to receive help on 5 federal tax questions for FREE by either calling toll free or via email. Ethel also was an active member of the NSA Listserv, the interactive email discussion group, where members post questions online and get timely answers to those questions from their peers. There were many other members I spoke to this day. Several

ACAT members were looking for the latest information on the Tax Preparer Registration legislation which NSA has so vigorously monitored to protect their members right to practice. One accountant told me that he didn't think he would make use of the benefits offered by NSA and that was why he had not joined. My question to him was a simple one: What if NSA wasn't there, actively representing his right to practice?

For over 60 years, the National Society of Accountants has been a major force protecting every practitioner's right to practice. During that time, NSA has fought and won many long, hard battles, and the challenges are never ending. I explained that not only does he need NSA, but NSA needs him. Members are the lifeblood of associations, and only through their support can NSA continue to be a watchdog for all accountants. He took an application and pledged to join. The short answer to the question, "Who needs NSA", is obvious.....YOU do.

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. As a special introductory offer for NSA members, anyone signing up for 2 webinars at \$35 each will get a third FREE. For more information regarding the webinars please contact NSA toll free at (800) 966-6679.

Program schedule follows:

Thursday, February 28, 2008

Topic: No Business is Too Small for an Employee Benefit Plan

Thursday, March 27, 2008

Topic: Easy Client Communications

Thursday, April 24, 2008

Topic: OUTLOOK: How to Effectively Use a Program You Already Have

Thursday, May 29, 2008

Topic: A Dollar Here...A Dollar There

Thursday, June 26, 2008

Topic: The Engagement Process: The Life of a Client from Birth to Death

2007-2008 NSA Income & Fees Survey Report Now Available for Download to Members at NO CHARGE

The new 2007-2008 Income & Fees Survey contains detailed information on fees charged for various services, broken down by state, all nine census geographic regions and practice size. The survey also includes information on salaries and compensation for principals/partners, practitioners and support staff, as well as fringe benefits. Demographic data on the respondents describes type of practice, community size, gender, credentials, years in practice, and education level. Operating expenses broken down by category are included in addition to information on succession planning and dispute resolution.

Log Into the NSA Member Only Site to download the report.

Your User Name is:

Your Last Name

Your Password is:

Your NSA Member ID#

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



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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:	_____	_____
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)			

PENNSYLVANIA TAX UPDATE

"Base of Operations" Requirement Eliminated for Business Privilege Taxes on Local Activities

By Sharon R. Paxton

On December 27, 2007, the Pennsylvania Supreme Court handed some Pennsylvania municipalities and school districts a late Christmas present when it upheld the City of Harrisburg's right to impose its Business Privilege Tax on a contractor performing construction work, but not maintaining a traditional business office, in the city. The court rejected a line of Commonwealth Court decisions that had required the presence of a local "base of operations" to support a tax imposed on the "privilege of doing business" within the city. *V. L. Rendina, Inc. v. City of Harrisburg and Harrisburg School District*, No. 130 MAP 2005 (Pa. Supreme Court) (3 justices joining in opinion of the court, one concurring, one dissenting, two not participating).

From 1999 to 2001, Rendina constructed a major office building in Harrisburg. The company maintained the usual jobsite trailer but did not have any other office in the city. Rendina paid the city's business privilege tax and then filed a refund claim. The city's appeals board and the Dauphin County Court of Common Pleas held that the job trailer was a "field office" which constituted sufficient presence to support imposition of the tax.

On appeal, the parties treated the tax as one imposed on the privilege of conducting business in the city, as opposed to a tax on business "transacted" in the city. Following a line of cases requiring the presence of a "base of operations" before a company could be subjected to a "privilege-based" tax, *see, e.g., Township of Lower Merion v. QED, Inc.*, 738 A.2d 1066 (Pa. Cmwlth. 1999), *appeal denied*, 775 A.2d 811 (Pa. 2001), the parties focused their arguments on whether or not the job trailer should be considered a "base of operations" in the city. A divided panel of the Commonwealth Court reversed and struck the tax, holding that Rendina's jobsite trailer was not a "base of operations." The city then appealed

to the Pennsylvania Supreme Court.

Somewhat surprisingly, the Pennsylvania Supreme Court completely side-stepped the question of whether the job trailer constituted a "base of operations." In fact, the court suggested that whether a company has a "base of operations" in the taxing municipality is relevant only when the municipality seeks to tax income from activities outside the municipality. In *Gilberti v. City of Pittsburgh*, 511 A.2d 1321 (Pa. 1986), the court ruled that revenues from activities outside the city could not have been taxed by the City of Pittsburgh if its tax had been imposed on business "transactions" within the city. However, Pittsburgh's tax was imposed on the privilege of doing business from a location within the city. Since the services provided by Gilberti were directed and controlled from Gilberti's office or "base of operations" in the city, the court held that revenues from those services were fairly related to the exercise of the privilege of doing business in the city and could be taxed.

The *Rendina* court refused to require the inverse of *Gilberti* - to preclude a privilege-based tax in the absence of a "base of operations" in the municipality. The court noted that the Local Tax Enabling Act ("LTEA") broadly authorizes local taxing bodies to impose taxes on "persons, transactions, occupations, privileges, subjects and personal property within the limits of such political subdivisions" 53 Pa. C.S. § 6902. And, the City of Harrisburg's tax ordinance and regulations defined "business" broadly, so as to encompass local construction activities. In this light, the court held that Rendina's presence in the City of Harrisburg for "a major long-term construction project" represented an exercise of the privilege of doing business afforded by the city. Furthermore, the court indicated that Rendina's activities were subject to tax "regardless of whether the job site trailer

was used as a 'base of operations' ..., or whether the three-year construction project can, in some sense, be viewed as constituting a single lengthy 'transaction.'"

Justice Baer, in a concurring opinion, indicated that the Majority Opinion unnecessarily blurred the lines between the local taxation of "privileges" and of "transactions." He would adhere to the requirement of a "base of operations" to support imposition of a privilege-based tax, and would not view a jobsite trailer as a "base of operations." However, he also opined that, under the LTEA, a local government was permitted to adopt a "hybrid tax" on both the exercise of a privilege to do business and on transactions within the taxing jurisdiction. In his opinion, Harrisburg had adopted a "hybrid tax."

Justice Cappy dissented, indicating that he agreed with the reasoning of the Commonwealth Court majority, that the contractor's job trailer did not constitute a "base of operations" within the taxing jurisdiction and that the tax could not be upheld in the absence of a "base of operations." Justice Baldwin and former Justice Newman did not participate in the decision of the case.

Supreme Court Affirms Rejection of Department of Revenue's Tax Apportionment Procedure for Transportation Companies

On December 27, 2007, the Pennsylvania Supreme Court affirmed, without opinion, the Commonwealth Court's April 27, 2007 decision in *Ex Ground Package System, Inc. v. Commonwealth*. The Commonwealth Court had rejected the Department of Revenue's longstanding interpretation of Pennsylvania's "revenue-miles" apportionment fraction, which is used to apportion the income and value of transportation companies for Corporate

continued on page 14



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2007 TAX YEAR PRODUCTS

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	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! Quick Guide-2006 & Spring 2007 Tax Acts	Each	\$49	\$45	\$5.00 ea.
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Ethics Self-Study CPE	Per course	\$22	\$19	\$2.00 ea
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7	Subtotal: Add lines 1 through 6.				
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PA Department of Revenue – Q&A

The Pennsylvania Committee on Cooperation with the PA Department of Revenue met with the Department on November 15, 2007. The Q&A results from that meeting are reprinted here. They are also available at www.pspa-state.org.

Administrative

1. *When responding to the Department's request or additional information, taxpayers and their representatives have no way of knowing that the information was received and that the request was satisfied. Is it possible for the Department to mail (or email) a memo to the taxpayer or the preparer so that we know the issue(s) is resolved? It seems our only other alternative is to file an appeal when we respond to the Department's initial letter of request.*

Answer: The Department of Revenue does not provide acknowledgements of the receipt of information for paper filed personal income tax returns due to budgetary constraints. However, the Department does provide a follow-up response/notice to taxpayers upon the completion of our review of the correspondence received regardless of whether it satisfies or does not satisfy a request for information issued by the Department. In most cases, it is likely that the taxpayer/client is not providing you, the preparer, with our follow-up notice or our follow-up requests for information.

Although the Department does not provide acknowledgements of the receipt of information for paper filed returns, any personal income tax returns that are filed electronically permit the preparer to have access to the return and notices to determine if the information was received and if the return has been adjusted or released as originally filed. This information is available whenever a Power of Attorney has been obtained by the preparer; the preparer indicates or enters the acknowledgment of the receipt of the POA on the electronically filed return and the preparer accesses the Tax Pro e-Services section of our Web Site.

Beginning in January 2008, the Department will no longer provide notices which show two columns labeled "Your Figures" and "Our Figures." Future personal income tax notices (pre-assessments, assessments, etc.) will now reflect one column of figures representing the amounts as originally reported on the tax return (unchanged) or as

adjusted by the Department. All future notices involving tax return changes will indicate the nature of the change and will include instructions on how to dispute or appeal the changes shown on the notice. If the information provided in response to our request does not require a change by the Department, the taxpayer will receive a notice indicating that no changes were made to the tax return. Additionally, under Act 119, all Notices of Assessment for an amount equal to or greater than \$300 will be sent by certified mail.

In the current environment the Bureau of Corporation Taxes issues a Settlement Notice for every report filed. This will tell the taxpayer whether the information provided is adequate and will reflect any change made to the report. Under Act 119, the Bureau of Corporation Taxes will provide a Notice of Adjustment when we review a report and change an item, regardless of tax effect. The Bureau is working on sending a letter when we request information and the response received results in no change to amounts reported on the tax report.

As a general rule, the Bureau of Business Trust Fund Taxes does not issue correspondence acknowledging the receipt of additional information. Regarding a response to a notice of a non-filed period (which the Bureau issues on a regular basis), the taxpayer can receive confirmation that their return has been filed if they utilize one of the electronic filing options provided by the Department.

2. *Is there a way to provide the ability to cancel an ACH debit if it is made at least 48 hours prior to the due date? This is particularly important in the case that an inadvertent error is made (i.e. a misplaced decimal point etc.) on the filing. Depending on the amount, the client may not want to leave the funds as a credit, nor wait the 6-8 weeks to have a refund processed, and stopping payment on the transfer is not an option when faced with the Department's legal recourse.*

Answer: Generally, ACH Debit payments can be cancelled if action is

taken at least 2 business days before the payment is due. Instructions are as follows:

Business Tax Payments

- e-TIDES Web Site

First, access the Filing History screen in e-TIDES. If the Filing History reflects a transaction status of "Complete", contact the Department's e-Business Tax Unit at 717-783-6277 for help to cancel or correct your payment. If the Filing History reflects a transaction status of "Submitted" or "Processed", you will need to contact your financial institution to cancel the payment.

- Telefile System

Dial 1-800-748-8299 and select the option to cancel a payment. To cancel a payment, you will need to provide your confirmation number.

- EFT Program

Dial 1-800-950-1381 and select the option to cancel a payment. Hold for an operator to request a cancellation. To cancel a payment, you will need to provide the operator with your 5-digit reference number.

Personal Income Tax Payments

Contact the Department at ra-achrevok@state.pa.us or fax 717-772-9310 to request a cancellation, regardless of the system or program used to make your payment. The request must be made in writing and include your name, social security number, payment date and payment amount.

Individual Income Tax

1. *When a 2006 tax return has an overpayment and the client wants to carryforward the overpayment to 2007, to which period does the Department apply the carryforward for 2007?*

Answer: Personal Income Tax: A carry over credit from one tax year to the following tax year is applied to the first estimated period since all taxes from the previous tax year were to have been paid by the April due date of the return when the first estimated period's payment is due.

A return with a balance due where the balance due amount is overpaid

cannot be allocated to carryover credit regardless of how the overpayment may be requested to be allocated. Overpayments on balance due returns will always result in cash refunds.

Returns with overpayments where a cash refund and a carryover credit are requested that are adjusted to increase the tax liability will have the cash refund reduced before a carryover credit is reduced. Returns with overpayments where a cash refund and a carryover credit are requested that are adjusted to decrease the tax liability will have the cash refund increased with no adjustment to the carry over credit.

Corporation Tax: In our current environment, upon receipt of a tax return, if an overpayment develops taxpayers may select 1 of 3 available options to resolve the credit:

Option A: instructs the Department to transfer available credit forward to the next tax year after paying all tax due in the current year.

Option B: instructs the Department to transfer a portion of the overpayment to the next tax year after paying all tax due in the current year and refund the balance.

Option C: instructs the Department to pay all tax due in the current year and refund the balance. Note: prior to refunding current period credit (under option B and C) all or a portion of the overpayment will be applied to prior year liabilities (not under appeal or subject to appeal) and subsequent year estimated tax obligations.

If no option is selected a “no option notice” is send to the taxpayer requesting they select an option to resolve the credit. No response by the taxpayer to the “no option notice” may result in an automatic refund or manual transfer forward to the next tax year. Taxpayers always receive a “notice of available credit” that confirms the disposition of the credit.

Act 119 changes: Taxpayers will have TWO options for resolving overpayments of tax in the current period.

Option A: If this option is selected, any current period tax overpayment is transferred

automatically to offset underpaid taxes in the current tax period and the remaining portion of the credit is applied to the next tax period for estimated tax purposes.

Option B: If this option is selected, prior to issuing a refund the Department will apply any current period tax overpayment credit to unpaid tax in the current tax period. In addition, the Department may offset other unpaid liabilities in the account or other unpaid Commonwealth obligations.

A Notice of Available Credit will be mailed to the taxpayer confirming the disposition of the credit. If “no option” is selected the system will default to Option A and transfer the overpayment to the next tax year. The “no option notice” has been eliminated.

2. *How many RK-1's are able to be efiled on an individual return? Is there a limit?*

Answer: Fifteen (15) is the current limit for the amount of RK-1s that can be included with an e-filed individual return.

3. *When filing a paper return, what is the requirement for attaching the out of state return for out of state credit? If schedules and attachments are required, why?*

Answer: When attaching the copy of another state’s tax return, the Department requires at least the pages of that other state’s return which shows the name(s) of the taxpayer(s), the income subject to tax in the other state, the tax paid to the other state and, if possible, any schedule which indicates the source (entity or property) and nature (class of income) of the income subject to tax in the other state. In some cases, this requirement can be met by only providing the first and second page of a return (ie. New York wages subject to tax in both states) while in other cases additional pages may be required (ie. Massachusetts non resident returns are three pages). Schedules which provide a breakdown of any line items on the other state’s return are also helpful to the Department.

4. *Has there been a change in the underestimation penalty to allow prior year SP provisions to safe harbor calculation?*

Answer: Although there has been no

change to the safe harbor provisions for estimated underpayment penalty purposes when a taxpayer qualified for SP in a previous tax year, we did formalize our special exception provisions so that taxpayers who may have qualified for SP in previous tax year or who were not required to make estimated payments in a previous tax year because of a liability of less than \$246 can be eligible for a special exception from underestimated payment penalties. However, in order to be eligible for this special exception, taxpayers must make the proper amount of estimated payments in the first estimated payment period in which they become aware that they no longer would qualify for SP or would expect to owe more than \$246 in taxes for the tax year. Additional questions were added to page 2 of the REV-1630 under the heading of “Special Exception Information” and additional instructions were included in the “Determining the Underpayment Amount upon which the Addition of Interest May Be Assessed” section of the instructions.

Example: A taxpayer qualified for tax forgiveness in 2006. In 2007, the taxpayer has a sale of property that was unforeseen due to a merger acquisition where the gain that will be reported for 2007 makes them ineligible for tax forgiveness. The taxpayer must begin making estimated payments in the estimated payment period the sale occurred in order to be eligible for the special exception to apply. The taxpayer makes the first estimated payment at the same rate or percentage of taxes (25%, 50%, 75%, or 100%) depending upon which period the sale occurred in that makes them ineligible for tax forgiveness. The remaining estimated payments must also be made (or one payment for total estimated taxes be made) in order for no other underpayment of estimated tax penalties to be applied.

Clients should be instructed to contact you when unusual or extraordinary events occur in their lives where additional income has to be reported so that you can advise them of any potential impacts to their estimated payment requirements for Pennsylvania Personal Income Tax

continued on page 12

HERSHEY

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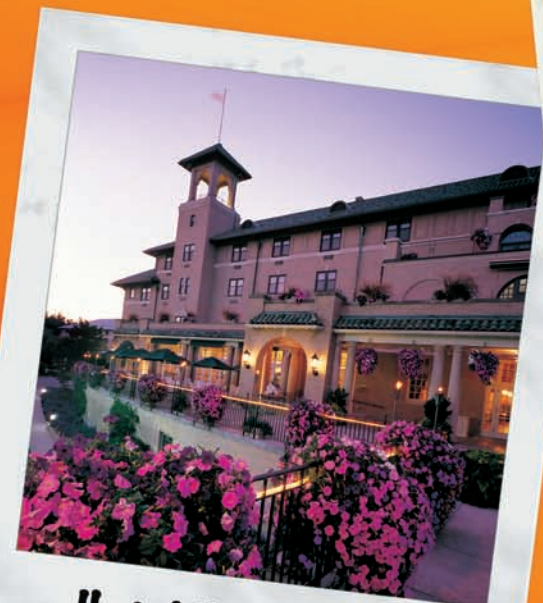
ZOO AMERICA
NORTH AMERICAN WILDLIFE PARK



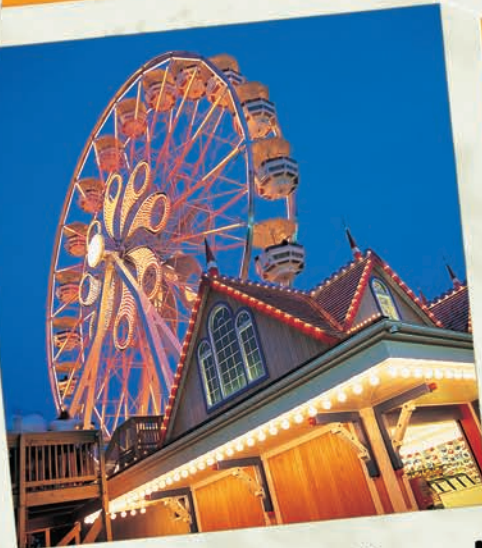
Hershey Lodge
Convention Center



See the Animal



Hotel Hershey



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nt Center



PSPA 61st Annual Meeting

June 26-29, 2008

Hershey Lodge & Convention Center

The South Central Chapter is proud to host the 61st Annual Meeting in the *Sweetest Place on Earth* – Hershey, PA. Registration material for this event will be sent to the membership under separate cover; below is a tentative schedule of events.

Convention Registration Package: \$875 (2 adults)

(Double occupancy three-nights at Hershey Lodge & Convention Center, three breakfasts, two dinners at the Lodge, BBQ dinner at Hershey Park, cocktail reception, hospitality suite, admission tickets to Hershey Park, hospitality basket and PSPA member gift, all other admissions, activities and entertainment, all taxes & gratuities.)

Thursday, June 26, 2008

8:00-4:00 P.M.	CPE - Program to be Announced
4:30 P.M.	PSPA Board of Directors Meeting
5:15 P.M.	Welcome to Hershey Conducted by the Hershey Historical Society
6:00 P.M.	Dinner
7:00 P.M.	Trolley Works Get Acquainted Tour
8:00 P.M.	Hershey Park "Sneak Peek"

Friday, June 27, 2008

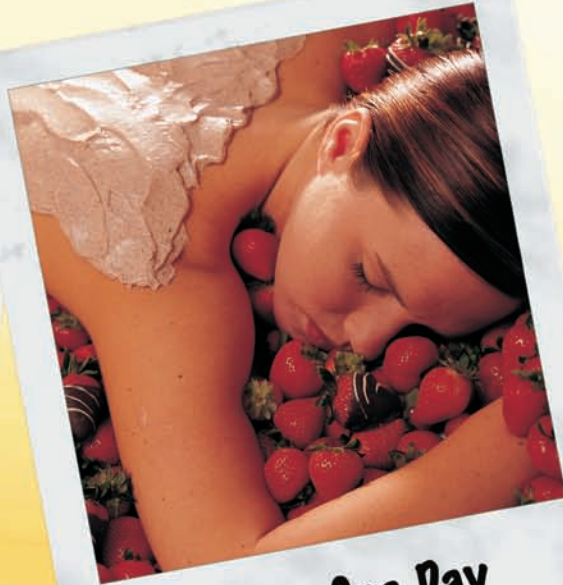
8:00-10:00 A.M.	Group Breakfast
9:00-12:00 Noon	PSPA Business Meeting
ALL DAY	HERSHEYPARK
6:00 P.M.	BBQ at the Park
	ZooAmerica Animal Encounter
10:00 P.M.	Hospitality Suite

Saturday, June 28, 2008

8:00-10:00 A.M.	Group Breakfast
9:00-12:00 Noon	PSPA Business Meeting
1:00 P.M.	Founder's Hall/Hershey Museum/Hershey Gardens/Butterfly House
6:00 P.M.	President's Reception
7:00 P.M.	Installation Ceremony
7:30 – 10:30 P.M.	Dinner & Entertainment
10:00 P.M.	Hospitality Suite

Sunday, June 29, 2008

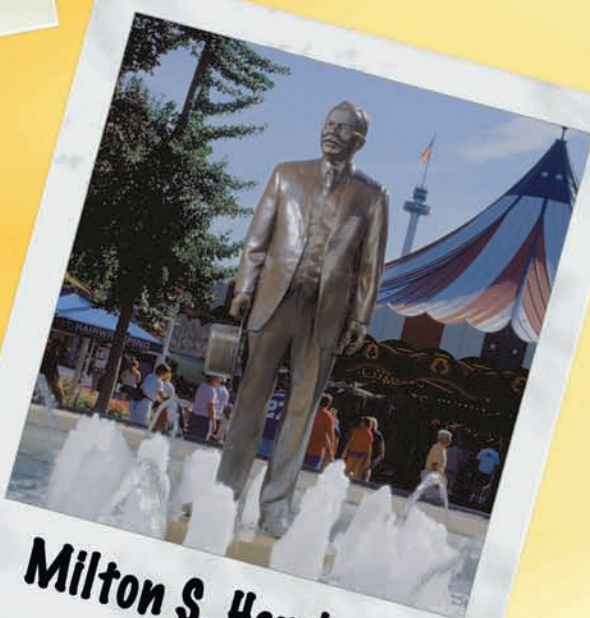
9:00 A.M.	Group Breakfast
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Have a Spa Day



Tour Chocolate World



Milton S. Hershey

Dept. of Revenue Q & A
continued from page 9

purposes.

5. *This question regarding out of state composite tax returns has appeared on past agendas, but the issue has not been resolved. The Department is not coordinating the out of state composite tax returns back to the Pennsylvania return to receive proper tax credit without generating the attached letter for additional information. (SEE ATTACHMENT 1). The information requested in the letter does not seem applicable. Can you please explain? How can this be e-filed?*

Answer: PA Schedule G-L has been updated for 2007 tax year to include an oval that would indicate that the taxpayer is receiving the credit from a pass-through entity and a composite or consolidated return was filed on the taxpayer's behalf. Hopefully, this will eliminate most of these situations. When filing an e-file return, the tax preparer should make sure that, in the case of an S corporation, the resident credit line is completed for the RK-1. In the case of a partnership or LLC where the taxpayer receives a separate notification of the filing in other states, the tax preparer should fax the separate statement to the Department.

6. *When did the State begin auditing individual income tax returns? In the past audits were initiated within the IRS. Is this a new process?*

Answer: No, this is not a new process. However, as of last year, we have expanded the program to examine areas where there appears to be significant noncompliance.

7. *Is it possible to eliminate the necessity to fax out of state returns to Revenue if there is an out of state return included on the PA 40? Our software packages produce an image of the out of state return. States like Virginia and New Jersey tell you not to send the other states. Please advise.*

Answer: Until such time as we are able to communicate electronically with other states and receive information regarding the filing of returns with them, the requirement to include an out of state return with paper filed PA-40 returns or fax the out of state return for e-filed returns will continue.

8. *Why does the Department request "a signed statement from your employer*

verifying the correct amount of Pennsylvania personal income tax that was withheld and the income earned for Pennsylvania purposes" especially when the W-2 or copy thereof has already been sent to the Department?

What does the Department gain by having the president of a company send a letter verifying that his own personal information shown on his W-2 is correct?

This information can be verified by reviewing the employer's annual file information which has already been sent to you. If the employer's submitted W-2 amounts agree with the amounts shown by the individual and the employer's total payments made to you match the W-2 totals, this would indicate that the individual is reporting his amounts correctly. If there is a discrepancy, it seems this would be a better use of resources.

Answer: Tax examiners are instructed to not request this verification if the W-2 is from an S corporation which the taxpayer owns. There may be some instances in which the examiner has not performed the necessary steps to verify there is no ownership relationship involved and we apologize for those circumstances. However, if direct examples were provided, we could utilize those examples to focus our training on the individual(s) most in need of refresher training on this issue. In the case of C corporation ownership, tax examiners cannot be expected to always know the ownership situation of a company in order to prevent the issuance of a letter requesting the information.

The Department receives millions of W-2s every tax year. The Bureau of Individual Taxes does not have the unfettered ability to verify the same W-2 was filed with the Bureau of Trust Fund Taxes. However, the Department is in the process of developing a system enhancement that will provide it with an electronic data base of W-2s that can be utilized for verification purposes.

9. *Does the Department disallow losses as reflected on K-1 forms when the individual does not receive a RK-1? If the business is conducted out of state, and regardless of what the Commonwealth's law might say and whether or not they are enforceable, the business in most instances will not file a*

PA tax form. What is the individual to do when he requests the form and the business refuses to provide it? The K-1 is the best available information the individual has to properly quantify his income/loss. The individual is trying to comply with the law and is being harassed even though he has done nothing wrong. It is the business who is violating the law by not preparing a PA tax return.

If the loss shown on the K-1 is incorrect and ignored by the Department, then by analogy, any gain/income shown on the K-1 is also incorrect and should also be ignored.

This problem has existed for a long time for partnerships and has been exacerbated by the recent law changes for S Corporations. The Department really needs to quickly develop a simple and practical solution to this problem.

Answer: If the partnership does not file a return with PA, it has been the policy of the Department to deny the loss. The law states that all partnerships with a PA resident partner must file a return with Pennsylvania. Pennsylvania is not the only state with this requirement. New York and New Jersey have the same requirement.

The Department does understand that this is an issue with partners in large partnerships. We have changed our approach regarding such partners and hope that it will not be an issue in the future. In that regard, we are not denying losses under a predetermined dollar parameter. However, it is an enforcement tool that we will continue to utilize because it has resulted in the receipt of partnership returns.

E-tides & Telephone Filing

1. *Clients are receiving letters with penalty for failure to pay when telephone filing sales tax returns. Department is claiming that the returns were not properly filed and assessing a flat penalty of \$88. Meanwhile the client has received a confirmation number. The telephone payment system is an acceptable method of sales tax payment set up by the Department, yet it does not provide for adequate confirmation. How does one prove a confirmation number received over the phone? Isn't it possible that the error occurred with the call-in system?*

continued on page 19



CORNER

PROFESSIONALS

Important IRS Contact Numbers

Title	Telephone Number	Hours of Operation
Practitioner Priority Service	866-860-4259	M-F, 8:00am - 8:00pm, local time.
IRS Tax Help Line for Individuals	800-829-1040	M-F, 7:00am - 10:00pm, local time.
Business and Specialty Tax Line	800-829-4933	M-F, 7:00am - 10:00pm, local time.
e-Help Desk (IRS Electronic Products)	866-255-0654	M-F, 6:30am - 6:00pm CT (non-peak) M-F, 6:30am - 10:00pm CT (1/8/2008 - 4/19/2008) Saturdays 7:30am - 4:00pm CT (1/8/2008 - 4/19/2008)
Refund Hotline	800-829-1954	M-F, 7:00am - 10:00pm, local time. Automated Service available 24/7
Forms and Publications	800-829-3676	M-F, 7:00am - 10:00pm, local time.
National Taxpayer Advocate's Help Line	877-777-4778	M-F, 7:00am - 10:00pm, local time.
Local Taxpayer Advocate - Pittsburgh, PA	412-395-5987	M-F, 8:00am - 4:30pm, local time.
Centralized Lien Payoff	800-913-6050	M-F, 8:00am - 5:00pm, local time.
Centralized Bankruptcy	800-913-9358	M-F, 7:00am - 10:00pm ET
Telephone Device for the Deaf (TDD)	800-829-4059	M-F, 7:00am - 10:00pm, local time.
Electronic Federal Tax Payment System (EFTPS) - for Businesses	800-555-4477	Automated Service available 24/7 Live assistance M-F, 8:00am - 4:30pm
Electronic Federal Tax Payment System (EFTPS) - for Individuals	800-316-6541	Automated Service available 24/7 Live assistance M-F, 8:00am - 4:30pm
Government Entities (TEGE) Help Line	877-829-5500	M-F, 7:30am - 5:30pm CT Complex Tax Law 7:30am - 3:30pm CT
Forms 706 and 709 Help Line	866-699-4083	M-F, 7:00am - 7:00pm, local time.
Automated Collection System (ACS) (Business)	800-829-3903	M-F, 8:00am - 8:00pm, local time.
Automated Collection System (ACS) (Individual)	800-829-7650	M-F, 8:00am - 8:00pm, local time.
Tax Fraud Referral Hotline	800-829-0433	Automated Service available 24/a7.
Employer Identification Number (EIN)	800-829-4933	M-F, 7:00am - 10:00pm, local time.
Excise Tax and Form 2290 Help Line	866-699-4096	M-F, 8:00am - 6:00pm ET
Information Return Reporting	866-455-7438	M-F, 8:30am - 4:30pm ET
ITIN Program Office (Form W-7 and Acceptance Agent Program - Form 13551)	404-338-8963	Message Line: 24/7 hour operation
IRS Federally Declared Disaster or Combat Zone Inquiries Hotline	866-562-5227	M-F, 7:00am - 10:00pm, local time.

NJ Mandates Electronic Filing Unless Clients Opt Out

Tax practitioners who prepared or filed 50 or more 2006 New Jersey incometax resident returns (Form NJ-1040) must electronically file all 2007 New Jersey resident income tax returns for their clients who do not opt out. A \$50 penalty may be imposed for each tax return that was not electronically filed as required.

An overview of New Jersey's 2007 NJ-1040 E-File requirements, including a list of Frequently Asked Questions, and the "Opt-Out" form for taxpayers who choose not to have their NJ-1040 returns filed electronically, is available on the E-File Mandate page of the New Jersey web site: www.state.nj.us/treasury/taxation/efilemandate

IRS Issues Proposed Regulations for Cash Balance and Other Hybrid Pension Plans

The Treasury Department and Internal Revenue Service (IRS) issued proposed regulations relating to cash balance plans and other hybrid pension plans.

The proposed regulations would interpret rules that were added to the tax law by the Pension Protection Act of 2006 (PPA), including an age discrimination safe harbor for hybrid pension plans, conversion protection for employees, and a 3-year minimum vesting requirement. The proposed regulations would also apply for purposes of the parallel rules that were added by PPA to the Employee Retirement Income Security Act of 1974 (ERISA).

The regulations are generally proposed to be effective for plan

years beginning on and after Jan. 1, 2009. For periods before the effective date of these regulations, a plan must comply with the new PPA statutory provisions. During these periods, a plan is permitted to rely on the regulations for purposes of satisfying the new PPA statutory provisions.

Treasury and IRS Give Taxpayers Greater Control over Information Held by Tax Preparers; Propose Marketing Restrictions on RALs

The Treasury Department and the Internal Revenue Service released final regulations and a related revenue procedure giving taxpayers greater protection and control over their tax return information held by tax return preparers. Treasury and

continued on page 16

News you can Use

Financing for Your Future The Five C's of Credit

It's the most common question business owners ask their banker: "What are you looking for from me and my business if I need to borrow?"

While each lending situation a bank reviews is unique, most banks utilize some variation of "The Five C's of Credit" when making credit decisions - Character, Capacity, Capital, Conditions, and Collateral.

Character

Banks want to put their money with clients who have the best credentials and references. The way you treat your employees and customers, the way you take responsibility, your timeliness in fulfilling obligations - that's character.

Capacity

What is your company's borrowing history and track record of repayment? How much debt can your company handle? Will you be able to honor the obligation and repay the debt? There are numerous financial benchmarks such as debt and liquidity ratios that banks use before advancing funds.

Capital

How well capitalized is your company? How much money have you invested in the business? Banks want to see that you have a financial commitment; that you have put yourself at risk in the company.

Conditions

What are the current economic conditions and how does your

company fit in? If your business is sensitive to economic downturns, the bank wants to know that you are good at managing productivity and expenses.

Collateral

While cash flow will nearly always be the primary source of repayment of a loan, bankers look at what they call a secondary source of repayment. Collateral represents assets that the company pledges as an alternate repayment source for the loan. Hard assets. Most collateral is in the form of real estate and office or manufacturing equipment. Your accounts receivable and inventory can also be pledged as collateral. Unless you're a business with a proven payments track record, you will almost always be required to pledge collateral.

All loans subject to credit approval. The articles in this section may provide reference to Internet sites as a convenience to our readers. While PNC endeavors to provide resources that are reputable and safe, we cannot be held responsible for the information, products or services obtained on such sites and will not be liable for any damages arising from your access to such sites. The content, accuracy, opinions expressed and links provided by these resources are not investigated, verified, monitored or endorsed by PNC.



PA Tax Update continued from page 6

Net Income Tax and Franchise Tax purposes. The Court determined that the numerator of the apportionment fraction should be computed by multiplying "Pennsylvania miles" by "Pennsylvania average receipts" per mile, rather than by multiplying "Pennsylvania miles" by "everywhere receipts per mile." (As the company's average receipts per mile in Pennsylvania were \$2.94, as compared to \$3.93 per mile everywhere, the Department's "shortcut" method substantially overstated the company's Pennsylvania tax liability.) It is likely that the Department will issue guidance to clarify the impact of this decision on tax reporting procedures for transportation companies.

Department of Revenue Updates Realty Transfer Tax Regulations

Comprehensive amendments to the Realty Transfer Tax regulations (61 Pa. Code, Chapter 91) took effect on December 15, 2007. The updated regulations address numerous statutory changes enacted since the regulations were last amended in 1988 and bring the regulations into conformity with Department of Revenue policies on various issues. The updated regulations amend the definitions of "association" and "financing transaction" and add new definitions for "child," "conservancy," "conversion," "corporation," "debt," "entity," "living trust," "ordinary trust," "settlor," and "testamentary trust." The regulations also implement statutory changes relating to family farm corporations and partnerships and living and ordinary trusts, and contain rules explaining when a document that evidences a change in a business entity's name or form is considered to be merely a confirmatory deed. Other topics addressed by the amendments include timber sales, documents that evidence the transfer of real estate by operation of law, the treatment of qualified

continued on page 18

Pennsylvania Business Owners' Outlook Stable Amid Turmoil On Wall Street; Housing Worries Temper Their Companies' Prospects

The well-publicized anxiety on Wall Street about credit availability and the housing market is not yet translating into the same degree of concern among small and mid-sized business owners across Pennsylvania, according to the PNC Economic Outlook survey. This survey, conducted every six months since April 2003, gauges the mood and sentiment among small business owners who represent the bedrock of the American economy.

Steady interest rates and lower energy prices contributed to their stable outlook for sales, profits and hiring during the next six months compared to our surveys in Spring 2007 and Autumn 2006.

Key Findings

Wall Street's credit squeeze and housing slump are not yet raising the same concerns among Pennsylvania business owners, according to PNC's findings.



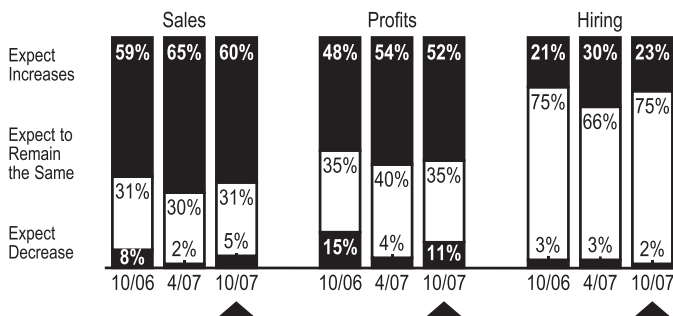
Stable Business Outlook: Reflecting stable interest rates and lower energy prices, owners' expectations for sales, profits and hiring are on par with the Spring 2007 and Autumn 2006 results. More than half expect company sales (60%) and profits (52%) to increase while one out of four (23%) expect to add full-time employees.



House Prices: Their tempered view on the housing market is evident by the two out of five (41%) who expect local house prices to decline during the next 6-12 months, compared to one out of four (25%) that expect an increase. One-third (34%) expect prices to be flat. Of those business owners who expect a decline in house prices, close to one out of five expect that it will adversely impact their sales (17%) and profits (21%).

Owners' Expectations for Their Business

For the next six months

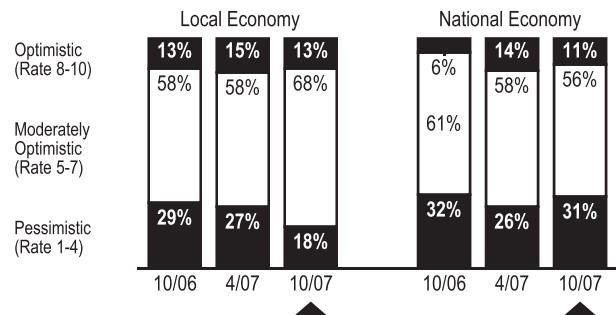


- Investing In Their Own Business:** Just over two out of three (67%) Pennsylvania business owners plan to make investments in their business, slightly less than in our past two surveys. Technology equipment, mentioned by 19%, is most likely to receive the largest spending increase over the next six months with other types of business equipment (13%) second, followed by employee training (10%).
- Continued Cost Pressures:** Two out of three (67%) expect to pay higher prices to suppliers, up from our Spring survey but still below the Autumn 2006 survey. These results likely reflect limited declines in energy and other raw material prices. About half expect an increase in employee compensation (51%) and healthcare costs (53%), little changed from 48% and 57%, respectively, in our Spring survey.
- Prices Charged to Customers:** A greater number (38%) plan to pass along some portion of their higher costs in the form of higher selling prices to customers, compared to 32% in the Spring. Of those who plan to raise prices, nearly two-fifths (38%) report favorable market conditions will allow it, while three-fifths (59%) are attempting to preserve profit margins.

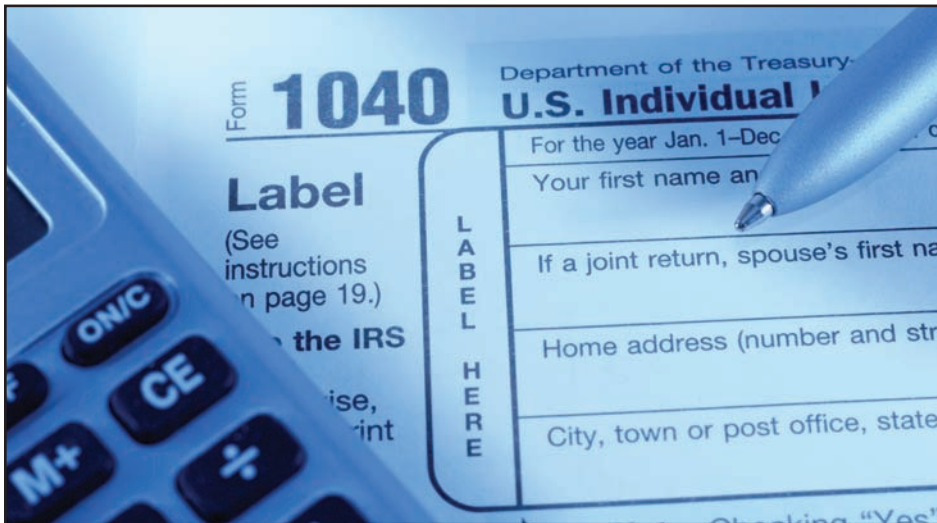
Owners' Outlook on the Economy

U.S. and local outlook for the next six months

- Attitude About Local Economy:** Compared to the U.S. economy, Pennsylvania business owners are relatively more positive about their local economy with 13% optimistic (rating 8 to 10 on a scale of 1 to 10) and 18% pessimistic (rating 1 to 4). This is less pessimistic about their local economy than in our past two surveys.
- Attitude About U.S. Economy:** Compared to last Spring, a lower number (11% now vs. 14% in the Spring) are optimistic while a higher number (31% now vs. 26% in the Spring) are pessimistic about the U.S. economy.
- Lingering Concerns:** Among a list of five choices, higher energy prices remain the top concern for Pennsylvania business owners, but to a lesser extent than in our survey a year ago. 34% said a rise in energy prices would have the greatest impact on their business over the next six months compared to 30% in the Spring and 50% last Autumn. The possibility of federal business and personal tax rate hikes is the second greatest concern (20%).



The PNC Financial Services Group, Inc. (NYSE: PNC) is one of the nation's largest diversified financial services organizations providing retail and business banking; specialized services for corporations and government entities, including corporate banking, real estate finance and asset-based lending; wealth management and global fund services. **METHODOLOGY:** Harris Interactive Inc., a global market research firm, conducted the telephone survey between late July and mid-August 2007 among small and mid-sized businesses. 610 interviews were conducted nationally and 734 within PNC Bank's primary region, including 155 in Pennsylvania. All respondents were owners or senior decision-makers in their respective businesses. Sampling error for the Pennsylvania results is +/-8 percentage points. Study released October 2007. **DISCLAIMER:** This report was prepared for general information purposes only and is not intended as specific advice or recommendations. Any reliance upon this information is solely and exclusively at your own risk.



Professionals Corner

continued from page 13

the IRS also issued a separate request for public comment on a proposal to restrict the marketing of refund anticipation loans and similar products.

The final rules update disclosure and privacy laws related to preparers for the first time in more than 30 years and bring taxpayer consent requirements into the electronic age. Preparers will have until Jan. 1, 2009 to implement the new consent requirements, giving preparers a full year to make any necessary changes.

The final rules apply to Code section 7216 and a related provision of the Code, section 6713, which provide penalties against tax return preparers who make unauthorized use or disclosure of tax return information. Regulations published in 1974 provide certain exceptions to the penalties in cases of taxpayer consent. However, the 1974 regulations did not address issues raised by electronic preparation and filing of tax returns. Currently, 57 percent of all individual taxpayers file their tax returns electronically.

The final rules affirm a general rule in place for more than three decades that taxpayers, not the IRS, control their own tax return information held by preparers and, within appropriate limits and safeguards, taxpayers are able to direct preparers to disclose tax return information as taxpayers see fit. More

than 60 percent of individual taxpayers use a preparer.

Federal law already strictly prohibits the IRS from making disclosures of taxpayer return information within its control to third parties except with taxpayer consent or in circumstances set by Congress. The final rules have no effect on the strict protection of return information in the IRS's hands and apply only to tax return information held by income tax return preparers.

Among the new rules:

- Generally, preparers must obtain taxpayer consent, either by paper or electronically depending on how the return is being filed, before tax return information can be disclosed to any third party or used for any purpose other than filing the return.
- If the taxpayer consents to the disclosure and use of his information, the consent must identify the intended purpose of the disclosure, identify the recipients and describe the particular authorized disclosure or use of the information.
- Mandatory language informs individual taxpayers that they are not required to sign the consent; that if they sign the consent, federal law may not protect their information from further disclosure; and that if they sign the consent, they can set a time period for the duration of that consent. If taxpayers fail to set a

time period, the consent is valid for a maximum of one year.

- To prevent consent requests from individual taxpayers from being buried in fine print, the rules require the paper consent documents to be in 12-point type on 8¹/₂ by 11 inch paper and require electronic consent requests to be in the same type as the Web site's standard text, all to prevent consent requests from being too difficult to read for individual taxpayers.
- If a taxpayer declines to provide consent for an unrelated tax preparation disclosure or use request, the preparer cannot make a similar consent request. The intent is to protect taxpayers from being pressured with repeated consent requests regarding the same issue.
- Mandatory consent from taxpayers also is required if the tax information is going to be disclosed to a tax preparer located outside the United States. This provision is intended to ensure taxpayers are informed if their tax information is being sent off-shore for return preparation. The individual taxpayer's Social Security Number also must be redacted.

Proposed regulations under section 7216 were the subject of many public comments during the comment period in late 2005 and early 2006. The final regulations summarize many of the comments and explain how these comments were addressed.

One issue that was raised during the comment period was the use by tax return preparers of tax return information to market Refund Anticipation Loans (RALs) to taxpayers. The issue of marketing RALs and similar products, such as Refund Anticipation Checks and Audit Insurance, was not specifically addressed in the proposed regulations.

The Treasury Department and the IRS are concerned that RALs and similar products may provide preparers with a financial incentive to take

improper tax return positions in order to inflate refund claims inappropriately. In order to give the public an opportunity to comment on this issue, the Treasury Department and the IRS are issuing an Advance Notice of Proposed Rulemaking (ANPRM) that announces they are considering a proposal that tax return preparers be prohibited from disclosing or using taxpayer return information for the purpose of selling products such as RALs and similar products.

The ANPRM has a 90-day written comment period after the publication in the Federal Register. Thereafter, the Treasury Department and the IRS will consider what steps, if any, to take with respect to RALs and similar products.

Treasury, IRS Implement Enhanced Standards of Conduct for Tax Return Preparers; Plan Overhaul of Tax Return Preparer Regulatory Regime

The Treasury Department and the Internal Revenue Service issued Notice 2008-13 that implements a May 2007 law that expanded the tax return preparer penalty and heightened the standards of conduct that must be met by tax return preparers in order to avoid that penalty.

Notice 2008-13 also solicits input from the tax return preparer community on a planned overhaul of the tax return preparer penalty regime anticipated to be completed by the end of 2008.

"The plan to take a fresh look at the preparer penalty regulations will be a top priority for us in 2008," said IRS Chief Counsel Don Korb. "We look forward to receiving comments from all interested parties on their recommendations for the final regulations. Our goal is to complete our work on the overhaul of these rules by the end of 2008," he said.

For undisclosed positions on a tax return, the new law replaced the realistic possibility standard with a requirement that there be a reasonable belief that the tax treatment of the position would more likely than not be

sustained on its merits. In cases in which the taxpayer discloses the position on the tax return, the notice implements the new law that states there must be a reasonable basis for the tax treatment of the position taken on the tax return.

The notice provides interim rules to implement and interpret these heightened standards. The interim rules will be in effect until the overhaul of the current return preparer penalty regulations is complete. The interim rules emphasize the importance to preparers of understanding the legal basis for positions taken on tax returns, the requirement for taxpayers to disclose certain positions, and the need for preparers to advise taxpayers on the various penalties that can apply when a position is taken on a return that may not be supported by existing law.

Under the notice, preparers generally can continue to rely on taxpayer representations in preparing returns and can also generally rely on representations of third parties, unless the preparer has reason to know they are wrong.

The new law also expanded the return preparer penalty to cover all tax return preparers, not just income tax return preparers. Under the notice, preparers of many information returns, however, will not be subject to the new penalty provision unless they willfully understate tax or act in reckless or intentional disregard of the law. The notice also includes examples illustrating how the new standards would apply.

In addition to Notice 2008-13, additional guidance has been provided in Notice 2008-12 with respect to the implementation of the tax return preparer signature requirement, and in Notice 2008-11, which clarifies the transition relief provided in Notice 2007-54, issued earlier this year.

2008 Excise Taxes on Air Transportation

The Internal Revenue Service announced the 2008 inflation adjustments to the excise taxes on air transportation.

Excise taxes apply to the domestic

segments of taxable air transportation and to the use of international air facilities. The Consolidated Appropriations Act, 2008, signed into law on Dec. 26, 2007, extends these excise taxes to air transportation that begins or is paid for no later than Feb. 29, 2008.

These excise taxes are adjusted annually for inflation. For 2008, the excise tax on the domestic segment of taxable air transportation is \$3.50. The excise tax for 2008 for international flights that begin or end in the United States is \$15.40. The tax on use of international air facilities also applies at a reduced rate to departures of interstate flights that begin or end in Alaska or Hawaii. For 2008, the international air facilities tax on these flights is \$7.70.

Revenue Procedure 2007-66, which contains other amounts that are adjusted annually for inflation, will be modified in the near future to include the 2008 inflation adjusted items listed above.

Misclassified Workers to File New Social Security Tax Form

The IRS has developed a new form for employees who have been misclassified as independent contractors by an employer. Form 8919, Uncollected Social Security and Medicare Tax on Wages, will now be used to figure and report the employee's share of uncollected social security and Medicare taxes due on their compensation.

Generally, a worker who receives a Form 1099 for services provided as an independent contractor must report the income on Schedule C and pay self-employment tax on the net profit, using Schedule SE. However, sometimes the worker is incorrectly treated as an independent contractor when they are actually an employee. When this happens, Form 8919 will be used beginning for tax year 2007 by workers who performed services for an employer but the employer did not withhold the worker's share of social security and Medicare taxes.

In addition, the worker must meet

one of several criteria indicating they were an employee while performing the services. The criteria include:

- The worker has filed Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding, and received a determination letter from the IRS stating they are an employee of the firm.
- The worker has been designated as a section 530 employee by their employer or by the IRS prior to January 1, 1997.
- The worker has received other correspondence from the IRS that

states they are an employee.

- The worker was previously treated as an employee by the firm and they are performing services in a similar capacity and under similar direction and control.
- The worker's co-workers are performing similar services under similar direction and control and are treated as employees.
- The worker's co-workers are performing similar services under similar direction and control and filed Form SS-8 for the firm and received a determination that they were employees.
- The worker has filed Form SS-8

with the IRS and has not yet received a reply.

By using Form 8919, the worker's social security and Medicare taxes will be credited to their social security record. To facilitate this process, the IRS will electronically share Form 8919 data with the Social Security Administration.

In the past, misclassified workers often used Form 4137 to report their share of social security and Medicare taxes. Misclassified workers should no longer use this form. Instead, Form 4137 should now only be used by tipped employees to report social security and Medicare taxes on allocated tips and tips not reported to their employers.

PA Tax Update

continued from page 14

intermediaries and exchange accommodation titleholders in Section 1031 exchanges, sale and leaseback transactions, transfers in bankruptcy proceedings and the Department's application of the Pennsylvania Supreme Court's decision in *Baehr Bros. v. Commonwealth*. On January 3, 2008, in response to questions received from the public, the Department published Realty Transfer Tax Bulletin 2008-01 to provide more detailed guidance regarding application of the "substance over form" rule adopted in *Baehr Bros.* to various factual scenarios. A copy of the updated Realty Transfer Tax amendments is available at www.pabulletin.com/secure/data/vol37/37-50/2306. Realty Transfer Tax Bulletin 2008-01 is at www.revenue.state.pa.us/revenue/cwp/view.asp?A=318&Q=280871.

Department of Revenue Publishes Guidance on Taxation of IRAs

On January 16, 2008, the Department issued Personal Income Tax Bulletin 2008-01 to provide additional guidance concerning the treatment of IRAs for Pennsylvania Personal Income Tax purposes pending the adoption of a regulation. Employer contributions to an IRA of an employee and the income attributable thereto are not considered to be "compensation" received by the employee until distributed (subject to the rules discussed below), unless the plan fails to meet Federal requirements or is not operated in accordance with Federal requirements. However, an employee's receipt of income is not tax-deferred by reason of a contribution to an IRA through payroll deduction, a cash or deferred arrangement or otherwise. Similarly, self-employed individuals (including partners in partnerships and LLC members) cannot defer income by making IRA contributions.

Amounts distributed from an IRA are includible in compensation (to the extent not previously taxed) except distributions made after the participant reaches age 59 1/2 (and, in the case of an employer-sponsored IRA, has also separated from service) and amounts that are transferred into an IRA or qualified plan when the transferred amounts are not included in income for Federal tax purposes. Plan conversions to a Roth IRA are treated as distributions. The Bulletin also clarifies the tax treatment of distributions to the beneficiaries or estate of an IRA participant.

Department of Revenue Publishes Guidance On Election Not To Be Taxed as PA S Corporation

On January 11, 2008, the Department issued Corporation Tax Bulletin 2008-01, which addresses the due date and method of making an election not to be taxed as an S corporation. For Federal S corporations that are conducting business in Pennsylvania and are required to file a PA Corporate Tax Report, the due date for the *Election Not To Be Taxed As A Pennsylvania "S" Corporation (REV-976)* is the due date, or extended due date, of the PA Corporate Tax Report for the first period for which the election is to be in effect. For a Federal S corporation that is not required to file a PA Corporate Tax Report (i.e., does not do business in PA and is not registered to do business in PA), the Bulletin indicates that the due date is thirty days after the due date or extended due date of the federal return. Such corporations must check the box indicating "Corporation is not subject to PA Corporate Taxes; election is for PA Resident Shareholder purposes only." The Bulletin further provides that the election form must be signed by all shareholders on the date of the election and sent via certified mail to the PA "S" Unit of the Department's Bureau of Corporation Taxes.

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

Dept. of Revenue Q & A

continued from page 12

Answer: When a return and/or payment transaction is completed via the Telefile system, the caller is provided with a transaction confirmation number and they are instructed to record it for future reference. They are also provided with the option to have the confirmation number repeated as many times as necessary to further ensure transcription accuracy. The sixth-position digit in the 12-digit confirmation number denotes the type of transaction initiated by the caller; a "1" denotes a return and payment transaction, and a "2" denotes a return only transaction.

2. *Why can't the tire tax be filed on e-tides?*

Answer: The Department is continuously striving to enhance and improve our electronic filing applications for all of our taxpayers. As we continue to assess and prioritize all of our internal projects, the addition of the Public Transportation Assistance Tax to our e-TIDES application remains a goal of the Department.

3. *Is it possible to file a 501 through e-tides with a \$0 balance due if there is a credit equal or greater than the tax withheld?*

Answer: No, you cannot make a 501 deposit payment of \$0.00 through e-TIDES or our business tax telefile application. Any employer withholding tax credit that is authorized by the Department can be utilized at the time the quarterly reconciliation of income tax withheld is filed with the Department.

4. *I have in the past, and would like to continue to file W-2's online. However, all of the employee information (name, address, city, state, zip, ss#) must be re-entered each year, which is very time consuming. Is it possible for e-tides to pre-fill this information from the prior year's W-2's?*

Answer: The Department is assuming that this question refers to transactions submitted for an individual account in e-TIDES, directly through the browser. Although the addition of this functionality has been informally discussed, this feature is not available in the current e-TIDES environment.

For those withholding accounts that involve the submission of multiple individual wage statements, the Department suggests the utilization of the e-TIDES file upload process. The multi-import feature allows you to submit multiple returns or payments by uploading a single file. With this feature you can save and maintain all of the individual employee information in a spreadsheet, save the spreadsheet as a Comma Delimited File (*.csv), and then upload the entire file.

5. *If you have an overpayment you want applied to the next quarter in E-tides, the Department does not tie in when it comes to credits. Clients are receiving notices with penalty and interest.*

Answer: Due to the fact that it is strictly an interface to the mainframe tax system, e-TIDES is not updated to reflect the approval or amount of a tax credit. Clients should be instructed to wait until they receive an authorized credit notice from the Department of Revenue instructing them of the exact amount of the approved credit and for which tax period the credit is available.

Corporate Tax

1. *Please explain the procedure the Department will follow once corporate settlement sheets are discontinued.*

(a) How will the Department handle the distribution of assessment sheets? What is the timeline for assessment notices?

Answer: Under Act 119 corporation tax reports, including specialty tax reports, are considered accepted as filed. The Department has three years to review a filed report and issue an assessment.

If a report is chosen for review and changes are made to the amounts reported, the Department will issue, at a minimum, a Notice of Adjustment showing the taxpayer the item which was changed and worksheets, if appropriate. If the result of the change is an increase in the reported tax, the Department will also issue an Assessment Notice. If the result is a decrease in the tax and the tax is now overpaid, a Notice of Available Credit will be issued.

All assessments of \$300 or more will be mailed by certified mail.

2. *Will we be able to efile partnerships &*

corporate tax returns for the 2008 filing season? Will we be able to file S Corp, with PA 20S?

Answer: Yes, corporate tax returns can be filed through an approved vendor for the 2008 filing season. Partnership returns and the PA20S won't be available during the first half of 2008. The Department is working towards providing this functionality through an approved vendor and hopes to have this service available during the second half of 2008. Software developers and products approved by the PA Department of Revenue can be found on the Department's website.

3. *Are the limits on the use of tax credits calculated together or separately? In other words could you buy film credits to offset 50% of your tax liability and then buy KIZ tax credits to offset 30% and R&D credits to offset the other 20%?*

Answer: The limits are calculated separately. For a purchaser or assignee the statutes clearly state the tax credit may not exceed a specific percentage of a tax liability for the taxable year. There is no definitive section that identifies the application of credit toward tax if multiple purchased tax credits exist in the buyer's current tax period. Buyers should exercise due care when purchasing credits and be fully aware that credit in excess of the tax liability cannot be carried forward, carried back, sold or assigned, or refunded.

4. *Do the KIZ, Film and R&D tax credits when you buy them backdate on the system to the first day of the year like EITC tax credits so as to avoid any underestimation penalty if a April estimated payment was forgone because of a July tax credit purchase?*

Answer: For estimated enforcement purposes it has been the practice of the Bureau of Corporation Taxes to consider restricted credits as a valid 1st quarter payment in the taxable year. The only exception, to this point, is the Job Creation Tax Credit which has a unique effective date that is considered the date paid. The actual award dates of ALL restricted credits are not back dated on the corporation tax ledger. The integrity of the original award date is always maintained whether the credit is in the original award year, carry forward years, sold or assigned.

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

**CHANGED YOUR ADDRESS or
EMAIL ADDRESS?**

Please direct all changes to the PSPA Executive Office:

PSPA
20 Erford Road • Suite 200A • Lemoyne, PA 17043
1-800-270-3352 • Fax 717-737-6847
info@pspa-state.org

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