

the **Pennsylvania**

Summer 2012



Accountant

The Magazine Of The Pennsylvania Society of Public Accountants



PA Society of Tax & Accounting Professionals



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A Message From The President



I hope this issue of the PA Accountant finds everyone enjoying their summer. As we usually take this time of the year to work on extensions and evaluate our practices; please don't forget to take time to "recharge the batteries". Tax season is close and will be here before we know it.

Our organization has grown by leaps and bounds in recent years due to the willingness of this organizations leadership and members to plan and adapt to emerging trends in the profession. We will continue to boldly make technological and structural changes to our organization in response to the feedback we get from both members and non-members.

With that said; I would like to celebrate and make all aware of a decision made to operate our organization under the fictitious name of the Pennsylvania Society of Tax & Accounting Professionals. At the PSPA 65th Annual Meeting, it was voted to maintain the corporate name of Pennsylvania Society of Public Accountants and to begin to use and to operate under the fictitious name Pennsylvania Society of Tax & Accounting Professionals. All members received a detailed letter from our executive director as to how this decision was a culmination of several years of research. A copy of that letter appears on page 3 of this publication. You will see a different name but be assured it will continue to be the same professional organization that has protected your right to practice, provide quality CPE and, in general, empower the community practitioner.

Let us also celebrate that, PSPA's legislative initiatives are now "The Law of The Land". PSPA's provisions among others, were amended into HB 761, the Omnibus Tax Code Bill that was signed by the Governor in early July. These tax provisions will apply to tax years beginning on or after January 1, 2013. The legislation will allow a surviving spouse in Pa. to file a joint return in the year of the decedent's death as long as a joint return could have otherwise been filed if both were living. The legislation also provides for the recognition of prior year special tax forgiveness credits (SP) when calculating the amount of estimated tax required for a taxpayer in the current year.

In closing I would like to remind you of the wealth of affinity programs and member benefits that are provided through the organization. Please take advantage of the Verizon Wireless monthly discounts and discounts on wireless equipment. These discounts have alone paid for many members annual dues. Find out how members can receive a free online ethics course through Thomson Reuters and Checkpoint. For a wealth of information visit our web site at <http://www.pspa-state.org>.

Please enjoy the rest of your summer.

Respectfully Submitted,
Francis J. Cellini EA, ABA, ATA, ATP

The following information was distributed to the PSPA membership via US Mail. We thank our membership for your overwhelming support as we embark on this exciting time in our organization's history.



PA Society of Tax & Accounting Professionals

PA Society of Public Accountants to Operate Under a New Name

You may remember receiving an online membership survey last fall. This survey was a culmination of several years of research regarding the organization's name. Although the PSPA membership has grown by leaps and bounds in recent years, the board of directors wants to adequately plan for emerging trends in the profession and continue to flourish in the future.

Here are the facts:

- PSPA members list member services, small firm advocacy and quality continuing professional education as their reasons for joining the PSPA;
- More than 70% of current PSPA members and 85% of nonmembers surveyed think that our current name, Pennsylvania Society of Public Accountants, is confusing because new Public Accountants are no longer being licensed in Pennsylvania;
- 50% of the nonmember CPA respondents indicated that they didn't know our membership was composed largely of CPAs when in fact 65% of our membership is CPAs. These same CPAs thought our membership was composed of only Public Accountants.

The PSPA Board of Directors based on these findings concluded that a change to the organization's name was needed to eliminate this confusion and to sustain the longevity of the organization. At the PSPA 65th Annual Meeting, it was voted to maintain the corporate name of Pennsylvania Society of Public Accountants and begin to use a fictitious name, **Pennsylvania Society of Tax & Accounting Professionals** under which we will now operate. Throughout a transition period, both names may appear together to eliminate confusion. This name, PA Society of Tax & Accounting Professionals, was heavily supported by survey respondents. Respondents indicated that particularly in small firms, tax services are an important practice component and therefore should be incorporated in the name.

Few professions have witnessed as many significant changes in the last decade as the accounting profession. It is important that our new name reflect our past as well as our future. **The ONE thing that the majority of PSPA members share is that they are small firms, representing small business and individual taxpayers in their communities.**

We will continue to attract the best practitioners in the profession. You can be assured that the requirements for PSPA membership will remain unchanged including our CPE requirements. You can be further assured that this organization will continue to provide the same value and will continue to protect your right to practice just as we have always done. We thank you for your membership and your ongoing support. Please don't hesitate to contact me directly if you have any questions.

Sincerely,
Sherry L. DeAgostino, Executive Director

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The PA Accountant is published four 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.



REMINDER....

**PSPA Memberships
Expired June 30, 2012
Thank You For Your Timely
Renewal**

If You Haven't Renewed, Please
Renew to Avoid Interruption in
Your Membership Benefits – Renew
Online at www.pspa-state.org, by

check using the dues renewal form you received via
US Mail, or contact 1-800-270-3352 and pay over the
telephone.

For the second year in a row, PSPA has enjoyed an
increase in membership that exceeds 10%, which
is unheard of in membership associations. We also
have more than a 95% retention rate among current
members. Our numbers speak for themselves.

Here are the highlights of the past year:

- PSPA members saved an average of \$325 per member on continuing professional education; we offered more than 1,000 hours of live continuing professional education credits and another 800 hours of group-live webinars and webcasts;
- PSPA was at the forefront of the PA UC computer glitch that caused unwarranted delinquency rates for more than 21,000 employers in the Commonwealth. PSPA urged PA UC to establish a streamlined resolution process that limited the burden on practitioners during tax season;
- Approximately one-fourth of the PSPA membership enrolled in our new Verizon Wireless program, saving between \$15 and \$50 per month;
- More than 3,000 discounted publications were purchased by PSPA members including the Quickfinder Handbook, the RIA Federal Tax Handbook, The Tax Book, and the full line of CCH publications;
- Secretary of Revenue, Dan Meuser, attended PSPA's *Day at the Capitol* last June and based on attendee feedback regarding the need for a practitioner's hotline established PA Revenue's new email hotline;
- PSPA members saved a combined total of \$12,000 on UPS shipping;
- The PSPA listserve continues to provide a very effective opportunity to communicate with other members on a variety of issues;
- PSPA legislation was signed by the Governor on July 3rd (see page 6 & 7).

We're here for you! Please contact us at any time with your member needs or if you have suggestions, 1-800-270-3352 or info@pspa-state.org.

Gear Up Seminars RTRP Review Course Coming This Fall

We will be offering the newly updated RTRP Exam Review Course in the fall 2012. This new course has been rewritten to provide an in-depth review of those topics covered on the RTRP exam, specifically Circular 230. If you attended the Gear Up RTRP Review Course



that we offered last year in either Harrisburg or Valley Forge, you will be able to attend the 2012 course at no cost. The 2012 course

will be held in Valley Forge; the date and location will be announced. Additional information on the course content will be available soon.

PSPA Members Attending any Gear Up Seminar in 2012

Can Take a FREE 2-hour Online Ethics Course Through
Thomson Reuters – Checkpoint Learning Details
Regarding this Offer will be Distributed Later This
Summer

Recruit A New Member - Attend Any Seminar of Your Choice Absolutely FREE!

Members tell us all the time how much they value their membership in PSPA. PSPA is more than just CPE; we have the whole package. The representation members receive in Harrisburg, with the Department of Revenue, with the IRS, with other state agencies has a worth that cannot be measured. Consider the other ways PSPA supports your practice: the ListServe; updates on late-breaking accounting and tax information; publication discounts (Quickfinder, CCH, The Tax Book, RIA); insurance discounts (professional liability, long term care, auto, life, disability, health); discounts on products & services including UPS, Hertz Car Rentals, and office supplies; 15% discount on Verizon Wireless services and the list goes on.

PSPA is experiencing a tremendous growth period as the word is getting out and more and more professionals are taking notice to what we offer. YOU can help us by spreading the word to your colleagues. Recruit just one new member to join the PSPA and we will reward you with a FREE 8-hour seminar of your choice. All you have to do is make sure your name appears on the application. Download an application from our website and be sure to have it with you at the upcoming seminars as this is a perfect place to recruit a new member.

Verizon Wireless - Another Great Reason to be a Member of PSPA!



PSPA is pleased to offer PSPA members an extreme cost-savings discount

through Verizon Enterprise Center (VEC) for Verizon Wireless services. Through a unique partnership, this program will make available to PSPA members a corporate discount that is normally reserved for large corporations and government agencies. The discount is available for both current and new Verizon Wireless customers, and it includes a 15% monthly discount for data and voice service, a 25% discounts on Verizon Wireless accessories as well as immediate rebate offers. Please send an email to: info@pspa-state.org to request information on how you can begin saving money on your Verizon Wireless service or contact us at 1-800-270-3352.

Social Security Strategies and Planning - November 1st - Valley Forge

DATE: November 1, 2012

LOCATION: Embassy Suites, Valley Forge

SPEAKER: Ronald D. Woltjer, EA

CPE: 8 Hours Federal Tax

FEE: \$175 - PSPA Members / \$235 Non-Members

COURSE DESCRIPTION: Social Security has become increasingly important as forty percent of the baby boom generation will rely on Social Security for at least 90 percent of their income.

- Social Security Basics & Strategies
- Cutting Edge Tax Planning for the Self-Employed
- Myths and Misconceptions on Social Security
- Social Security Strategies for those Approaching Retirement
- Privatizing Social Security (You, not the Government)
- Social Security Scenarios (Women, Young High Income, Those Approaching Retirement)
- Using the Earned Income and Other Credits to Build a Social Security Benefit

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**It's Been a Long Road,
but PSPA Legislation has
Passed and is NOW the
Law of the Land!**

After more than three years, PSPA drafted legislation was signed into law on July 3rd. PSPA provisions, among others, were amended into HB 761, the Omnibus Tax Code Bill and they were signed by the House and Senate on July 2nd. The bundle landed on the Governor's desk and was signed into law on July 3rd, 2012 as Act 85 of 2012. A recap of all of the provisions of the bill is provided in the *State Tax Update* beginning on Page 11 of this Magazine.

PSPA provisions include:

1. HB 1333 / SB 320 – Changing Calculation of Estimated Tax Penalty

The original House legislation was prime sponsored by Representative Dunbar and Senator Tomlinson sponsored companion legislation in the Senate. The legislation modifies the way in which the penalty is calculated for some taxpayers who fail to make estimated tax payments. Specifically the legislation provides for the recognition of prior year special tax forgiveness credits when calculating the amount of estimated tax payments required of a taxpayer for the current year.

Prior to this legislation, Pennsylvania based the amount of the current year estimated tax payments on the prior year's liability but ignored any tax credits from the prior year which may have significantly reduced that liability. The failure to account for the prior year credit often resulted in a higher tax liability and consequently a taxpayer penalty. This change exempts a taxpayer from penalty if the taxpayer meets 100% of the prior year liability after all prior year tax credits have been deducted.

This change makes the Pennsylvania requirement consistent with the federal requirement which provides the same penalty exemption. In addition, it eliminates a long-time nuisance which has plagued taxpayers who fall into this circumstance, most often senior citizens and low income taxpayers.

This change will apply to tax years beginning on or after January 1, 2013.

2. HB 665 / SB 318 – Filing of Joint Tax Return for Surviving Spouse

The original House legislation was prime sponsored by Representative Reichley and Senator Tomlinson once again sponsored companion legislation in the Senate. The legislation allows a surviving spouse to file a joint return in the year in which his or her spouse dies, if a joint return could have been filed if both were living for the entire year.

Up until now, Pennsylvania law required a surviving spouse to his or her own tax return and a separate decedent's return for the year in which his or her spouse died. Those of you who have clients affected by this burden that it is both a financial as well as an emotional burden for the surviving spouse to have to file this extra return.

This legislation streamlines the process by eliminating the burden on a surviving spouse to file two returns. The legislation puts to rest a process that was costly for the taxpayer because they had to pay for two tax returns as well as one that doubled the work of the PA Department of Revenue who had to process the extra returns.

Once again, this change makes Pennsylvania consistent with the federal government guidelines which allow for joint filing as well as that of all other states where an income tax is imposed.

This change will apply to tax years beginning on or after January 1, 2013.

A Legislative Recap

It all began at our Day at the Capitol. PSPA members, at the 2008 PSPA *Day at the Capitol*, identified both of these issues as common sense provisions that have been long-time nuisances to practitioners and taxpayers alike. We took the feedback seriously and committed to effectuating these changes. We proceeded to work with members and lawmakers to draft the legislation that would address these issues. PSPA staff and committee members spent many hours meeting with legislators and the PA Department of Revenue to advocate in favor of the legislation.

Throughout the past three years the legislation bounced back and forth between the House and Senate Finance Committees and the Appropriations Committees. While supported by both sides of the aisle, both bills sought to amend the Tax Reform Code, which proved to be a challenging task. It took three years to enact Marcellus Shale Impact Fee Legislation which seriously affected not only the movement of our legislation but of all other Tax

Code legislation as well. In early June we were contacted that both the House and Senate recognized the need to assemble an omnibus Tax Reform Code proposal that would accompany the budget and that our legislation would be included in that bill, HB 761.

Thank You to Those Who Helped Along the Way

Many individuals had a hand in this legislative victory. We appreciate the members who come out to our legislative events, particularly the Day at the Capitol each year. The relationships and contacts you've established greatly aided our efforts in this endeavor. The Legislative Chairmen for the organization throughout this process were Neil C. Trama, Jr. (Northeast Chapter) and M. Steven Caskey (West Central Chapter). Our prime sponsors, State Senator Tomlinson, State Representative Dunbar and State Representative Reighley stood by the legislation

throughout the process and kept us informed of its status. Our executive staff and governmental relations team were committed to this project and continued our advocacy even during times when success seemed unlikely.

In the coming months we will be considering new issues for our legislative agenda. As a member, you have the power to effectuate change. If there is a state issue that you'd like to see the PSPA pursue, we'd love to hear from you. Please contact our Executive Office (1-800-270-3352) or send us an email at info@pspa-state.org.

2012 Day at the Capitol

Members from across the State made their annual pilgrimage to Harrisburg to attend the *2012 PSPA Day at the Capitol* on June 5th. The day began with a Legislator Appreciation Breakfast in the East Wing of the Capitol Building; more than thirty invited legislators attended the breakfast and/or dropped in to meet with our attendees. Despite the budget debates looming over the event, PSPA members successfully met with their elected representatives and senators in their Capitol offices. Attendees also participated in an exclusive tour of the Pennsylvania Gaming Laboratory. Following the tour, lunch was served at the Hilton prior to the commencement of the Legislative Workshop. This year's speakers included: Daniel Meuser, Secretary of the PA Department of Revenue and Gregory Shore, PA Unemployment Compensation. This annual event is a free event to PSPA members; plan to attend next year!

PSPA to Host Pennsylvania Department of Revenue Fall Tax Seminars

September 21, 2012 – Holiday Inn Conference
Center, Breinigsville

October 2, 2012 – Radisson Penn Harris
Conference Center, Camp Hill

October 18, 2012 - Springfield Country Club,
Springfield

October 24, 2012 – Four Points Sheraton, Mars
(Cranberry Township)



FRANK CELLINI / OWNER
CHADDS FORD ACCOUNTING PROFESSIONALS
ACCOUNTING AND TAX SPECIALISTS
CHADDS FORD, PA
SINCE 1957 8 EMPLOYEES

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Attention Licensees of the Pennsylvania State Board of Accountancy: Firm License Amnesty Period Expires December 31, 2012

The Pennsylvania State Board of Accountancy has issued a special notice to Pennsylvania licensees informing them of an amnesty period for firm license registration. During this period, (July 1st through December 31st), a firm can voluntarily register their firm without disciplinary repercussions or monetary penalty. The registration fee is \$45 and is renewable every two years on the same cycle as individual licenses.

Please note that the firm license requirement is not a new requirement. The amnesty period is being offered because it has come to the Board's attention, largely through the efforts of PSPA, that there is uncertainty, particularly among smaller accounting firms about the need for a firm to obtain a license from the Board. Throughout the last several years accounting firms have been fined as much as \$1000 per year for each year the firm was in practice without a firm license.

Who needs a firm license? Please be advised that a firm of any size, other than those structured as an individual sole proprietorship is required to be licensed by the Board. **This requirement DOES APPLY to single member LLC's.**

As part of filing the amnesty application with the Board, a firm will be required to sign a declaration certifying that they are eligible to participate in the amnesty program. Amnesty is not being offered to firms that have previously had a firm license from the Board and/or has a firm license that is lapsed.

This information was circulated to our membership through the PSPA ListServe and also via our electronic newsletter, PSPAeLink. Since that time, we have received questions regarding the use of fictitious names and how that affects this requirement. If a Pennsylvania licensee, structured as a sole proprietor uses a fictitious name as a business name, the firm is not required to have a firm license.

Members should call the PSPA Executive Office if you have questions about the requirement. However, if you are unsure if your firm is required to have a firm license we advise you to contact the PA State Board of Accountancy. The firm license amnesty application as well as the board issued special notice is available on the PA State Board of Accountancy website at: www.bpoa.state.pa.us.

Get Your Ethics Through PSPA

All of our ethics courses will meet both the State licensing requirements for CPAs and PAs as well as the Circular 230 requirements for Enrolled Agents and Registered Tax Return Preparers

Buxmont - October 23, 2012

Central - September 18, 2012

Lehigh Valley - November 20, 2012

Northeast - October 24, 2012

Philadelphia Tri County - October 25, 2012

South Central - December 5, 2012

West Central - September 2012

CPE Reminders for Pennsylvania Licensees

Ethics Requirement for Certified Public Accountants & Public Accountants

The Spring 2012 issue of the *PA Accountant Magazine* went to press prior to the *Special Notice Re: CPE Changes* that was posted on the PA State Board of Accountancy's website in early Spring. As a result, the Spring 2012 issue of our *Magazine* indicated that the ethics requirement was postponed.

Please be advised that the Board had once again adopted the Ethics Requirement for the current biennial licensing period. Four hours of professional ethics CPE is required to renew your license before December 31, 2013. The requirement will remain in place for each biennial thereafter. This requirement allows licensees to obtain the credit during either year as long as 4 credits are obtained before December 31, 2013.

Please note that the board has not presented specific content guidelines for ethics CPE. Your local chapter will offer ethics CPE that will meet this requirement.

General CPE Requirement

Licensees of the PA State Board of Accountancy must obtain at least 20 CPE hours by December 31, 2012, in this first year of the licensing biennial. These 20 hours of CPE can be taken in any combination of accounting, tax, ethics, and other credits. 80 hours of CPE must be completed by December 31, 2013 with specific requirements of 16 A&A, 8 tax and 4 ethics is met by December 31, 2013.

Licensees who have a hardship due to illness, military service or other good cause may petition the Board for a waiver or an extension of time for CPE compliance; these waivers or extensions are not guaranteed. Please be advised that any request should be submitted to the Board with supporting documentation in advance of the expiration of the requisite reporting period. It is unlikely that the Board will grant requests submitted after a license has expired.

65TH ANNUAL MEETING

Treose, PA



Pennsylvania Society of
Public Accountants

Highlights

June 21-24, 2012
Radisson Hotel - Philadelphia
Northeast, Treose
Hosted By: Buxmont Chapter





PENNSYLVANIA TAX UPDATE

PA ADOPTS BUSINESS FRIENDLY BUDGET & TAX CHANGES

By Sharon R. Paxton

The Pennsylvania state budget adopted for 2012-13 restrains state spending while preserving the scheduled phase-out of the Capital Stock and Franchise Taxes, moving to Single Sales Factor apportionment of the Corporate Net Income Tax, preserving the vendors' allowance for Sales Tax collection, adopting a \$1.65 billion credit to promote development of businesses in the Marcellus Shale Gas area and making a significant number of other substantive and procedural changes. Following are highlights of interest.

CAPITAL STOCK & FRANCHISE TAX PHASE-OUT

Notwithstanding many interested parties - including local schools, county commissioners and social service groups - seeking to avoid funding cuts or obtain funding increases, the General Assembly and Governor preserved the scheduled phase-out of Pennsylvania's onerous Capital Stock and Franchise Taxes. The tax rate was reduced to 1.89 mills on January 1, 2012, and will be reduced to 0.89 mills on January 1, 2013, with full elimination on January 1, 2014. The benefit to the business community for FY 2012-13 is just under \$300 million.

SINGLE SALES FACTOR

For taxable years beginning after December 31, 2012, business income will be apportioned using a single sales factor. Currently, the sales factor is weighted at 90%, while the property and payroll factors are weighted at 5% each. The change will save businesses \$12 million in FY 2012-13.

SALES TAX VENDOR DISCOUNT

The Corbett administration and certain elements in the Legislature attempted to cap the 1% vendor's discount at \$250 per month. Strong lobbying by the Pennsylvania Retailers Association and other business

organizations demonstrated that this would saddle vendors with tens of millions of dollars of costs for collecting Pennsylvania's tax. Support from certain leaders and many rank-and-file legislators successfully preserved the vendors' compensation at 1% of tax collected, with no cap. Even this is not sufficient to cover the costs of administering the collection of the complicated tax.

MARCELLUS SHALE MANUFACTURING CREDIT

To help entice the location of an ethane cracking plant in Pennsylvania, the Legislature approved Governor Corbett's proposed "Resource Manufacturing Tax Credit" equal to \$0.05 per gallon of ethane purchased from January 2, 2017 to December 31, 2042, for use in manufacturing ethylene. To qualify, a taxpayer must make a capital investment of at least \$1 billion and create at least 2,500 construction-phase jobs. Credits may offset up to 20% of a qualified taxpayer's tax liabilities in the year for which credit is claimed. Credit may not be carried back or forward and may not be used to obtain a refund. Unused credits may be transferred to the owner of a pass-through entity. Unused credits also may be sold or assigned. Sales to upstream or downstream companies are favored. A purchaser or assignee must use the credit in the calendar year in which purchased or assigned; up to 50% of a qualified tax liability may be offset by purchased or assigned credits.

OTHER SUBSTANTIVE AND PROCEDURAL CHANGES

Sales Tax - Prepayment Alternative. Last year the General Assembly enacted a requirement for larger monthly filers to "prepay" an estimated half of their monthly sales tax liabilities (Act 26 of 2011). The prepayment has been due on the 20th of the month and has been equal to 50% of the tax remitted for the

same month in the prior year. This has caused cash flow issues for companies which have experienced significant declines in tax collections compared to the prior year. To help alleviate this problem, the General Assembly has enacted an alternative for use by certain vendors in calculating the prepayment amount - 50% of the tax ultimately due for the current month. For returns due after September 30, 2012, this will apply to companies whose tax liability in the third quarter of the prior year was at least \$25,000 and less than \$100,000. Companies whose third quarter tax was \$100,000 or more must continue to pay based on the same month in the prior year.

Sales Tax - Wrapping and Packaging Services. The wrapping supply exemption provision has been amended to clarify that wrapping and packaging services will not be taxable if the property wrapped or packaged will be resold by the purchaser of the services.

Sales Tax - Processing of Eggs. The "collection, sorting, inspecting and packaging of eggs" has been added to the definition of "Processing." Effective immediately, machinery, equipment and other tangible personal property used directly and predominantly in such activities will be excluded from PA sales and use tax.

Sales Tax - Volunteer Firefighters' Organizations. Volunteer Firefighters' Relief Associations are now specifically recognized under the exemption for charitable organizations. Once issued to a Volunteer Firefighters' Relief Association or to a Volunteer Firefighters' Organization, exempt status will not expire unless and until the activities of the Organization or Association change so that the requirements for an "institution of purely public charity" are no longer met.

Corporate Tax Report Extensions. For taxable years beginning on or after January 1, 2013, Pennsylvania will



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Firm:		Contact:	
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Annual Fees: \$ _____ **Yr. End:** _____ In the past three years, how many firm members attended a loss control seminar _____
 Number of billable employees (with years of experience): _____ On what date was the firm established _____

	F/Time:	P/Time*:	Within the past 5 years:
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 <input type="checkbox"/> NO <input type="checkbox"/>
4 years:	_____	_____	Has any member of the firm provided services or acted as a director/officer/committee member for any financial institution? YES <input type="checkbox"/> NO <input type="checkbox"/>
3 years:	_____	_____	
2 years:	_____	_____	
1 years:	_____	_____	
<1 years:	_____	_____	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 <input type="checkbox"/> NO <input type="checkbox"/>
Total:	_____	_____	

*Average of 25 hours per week or less

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

Approximately percentages 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%

** Call for a supplement

CLAIMS HISTORY (within the past five years): None

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

Please return to Custom Brokers Insurance, 3659 Green Road Suite 209, Beachwood, OH 44122
 Tel: 216-831-0333 · Fax: 216-831-6819 · Email: jnovak@cbioh.com · http:www.cbioh.com

automatically extend the PA due date where a federal extension is granted.

Corporate Net Income Tax – Reports of Federal Changes. For taxable years beginning on or after January 1, 2013, the deadline for submitting reports of federal changes will be six months after the change becomes final. The deadline is currently 30 days from finality.

Personal Income Tax – 1099-MISC Requirements. Effective immediately, persons who make payments of PA-source nonemployee compensation or payments under an oil and gas lease to a resident or nonresident individual, an entity treated as a partnership for tax purposes or a single-member limited liability company, and are required to submit a 1099-MISC to the IRS, must file a copy with the PA Dept. of Revenue and provide a copy to the payee by the federal filing deadline. Willful failure to comply will be subject to a \$50 penalty for each violation.

Personal Income Tax – Returns of Deceased Individuals. Effective for tax years beginning on or after January 1, 2013, a surviving spouse may file his or her return for the year jointly with the final return of his or her deceased spouse, if the joint return could have been filed if both spouses were living for the entire taxable year and, if a fiduciary has been appointed on behalf of the deceased spouse before the tax return is filed, the fiduciary consents to the filing of the joint return. If a surviving spouse files jointly with his or her deceased spouse (and no fiduciary for the deceased spouse was appointed prior to the filing of the return), an after-appointed fiduciary for the deceased spouse may file a superseding return. If a fiduciary files a superseding return, the surviving spouse must file a separate return within 90 days of the filing of the fiduciary's return. A joint return may also be filed where both spouses die during the same year.

Personal Income Tax – Estimated Tax Penalty. The special tax provisions for poverty must now be taken into account in determining penalties for underpayment of estimated taxes.

Realty Transfer Tax – Family Exemption. Transfers between a stepparent and his or her stepchild or the spouse of the stepchild are now covered by the exemption.

Realty Transfer Tax - Acquired Real Estate Companies. For transactions occurring after December 31, 2012, a transfer for purposes of determining whether a "Real Estate Company" has been "acquired" (triggering tax) will be deemed to include the provision of a legally-binding commitment to make the transfer, enforceable at a later date.

Realty Transfer Tax – Family Farm Exemption. Retroactive to July 1, 2010, the exemptions for transfers to family-owned corporations and partnerships have been combined into a "Family Farm Business" exemption. The statute has been clarified to indicate that the business may be conducted as a general partnership or limited liability partnership as well as a corporation or limited partnership. Transfers may be made by family members or another family farm business. The current 75% asset and ownership tests, as well as other conditions, continue to apply. Transfers of ownership interests within the family also are exempted, as are transfers of assets between family farm businesses under at least 50% common ownership.

Cigarette Tax - Wholesaler Definition. Owners of 3 or more retail outlets (formerly 5) will be considered "wholesalers."

Inheritance Tax - Family Farm Exemption. Exemption now applies to transfers of agricultural real estate between members of the same family, provided the property continues to be used for agricultural business for seven years.

Inheritance Tax - Other Agricultural Transfers. Exemption also applies to the transfer of an agricultural commodity, agricultural conservation easement, agricultural reserve, agricultural use property or a forest reserve to lineal descendants or siblings.

R & D Tax Credit. The Research and Development Tax Credit annual limitation has been increased from \$40

million to \$55 million, with \$11 million designated for small business.

Job Creation Tax Credit. Credit for hiring an unemployed individual will be \$2,500 instead of \$1,000. The small business job creation requirement is reduced to "10% within three years." The term for creation of new jobs will be 1, 2 or 3 years - as determined by DCED.

Educational Improvement Tax Credit. The annual cap on EITC credits has been increased from \$75 million to \$100 million. Surplus lines insurance companies are now eligible for credit. The per-business annual credit cap is increased from \$300,000 to \$400,000 for FY 2012-13, and to \$750,000 for subsequent years. The cap on credits for contributions to pre-kindergarten scholarship organizations has been increased from \$150,000 to \$200,000. The delayed application date for pass-through entities has been removed.

Educational Opportunity Scholarship Tax Credit. In addition to expanding the EITC, a new credit has been established for businesses contributing to organizations awarding scholarships to students residing in some of the Commonwealth's most poorly performing public schools, to allow the students to attend participating public or non-public schools. The limitations on business contributions and business application procedures are similar to those under the EITC. A total of \$50 million in credits may be granted annually.

Film Production Tax Credit. The annual cap on credit awards is set at \$60,000,000. A purchaser or assignee of credits may carry forward unused credits purchased in 2010, to taxable years 2011 and 2012. Credits may now be used against the Bank Shares and Insurance Premiums Taxes. Awards of credits may include parts of the award amounts available in subsequent fiscal years. An additional 5% credit (above the current 25% cap) may be awarded if certain "qualified production facility" requirements are met. Under certain circumstances, the Department may waive the 60% requirement for PA

production expenses.

Neighborhood Assistance Tax Credit. Preference will be given to applications by businesses contributing food or money to charitable food programs.

Historic Preservation Incentive Tax Credit. Effective July 1, 2013, taxpayers may apply for credits of up to 25% of the costs of restoring a qualified historic commercial building. Aggregate credit awards will be limited to \$3 million per year and the maximum per taxpayer will be \$500,000. Credits may be carried forward for up to 7 years. There will be no carry back or refund of credits, but unused credits may be transferred to the owners by a pass-through entity or may be sold or assigned for use in the year of sale or assignment.

Community-Based Services Tax Credit. Effective July 1, 2013, businesses contributing to providers of community-based services to individuals with intellectual disabilities or mental illness may apply for credit of up to 50% of their contributions (75% if making a 2-year commitment). The maximum credit per business per year will be \$100,000. Total credit awards will not exceed \$3 million per year.

CHANGES TO TAX APPEALS PROCESS

Assessments No Longer Mailed Certified. Effective immediately, the Department of Revenue is no longer required to use certified mail when issuing assessments. This appears to be driven by cost considerations as the use of certified mail originally was the Department's idea. The business community opposed this change.

Adjustments Not Immediately Impacting Tax. There had been no immediate opportunity for a taxpayer to contest a Revenue Department adjustment that did not change the taxpayer's current tax liability. The tax code now authorizes the inclusion of such an issue in a petition for reassessment. The statute specifically recognizes that such issues may include (1) recalculation of corporate net income tax net loss as adjusted by the Department, (2) recalculation of "average net

income" for capital stock or franchise tax purposes as adjusted by the Department, or (3) recalculation of personal income tax basis as adjusted by the Department. A taxpayer still retains the option of challenging such adjustments in a subsequent year when the Department's adjustment has a tax impact.

Authority for Compromise. Although the Department implemented a compromise process in late 2011 for cases before the Department's Board of Appeals, there had been some question about the legal authority for such compromises. The statute now clarifies that the Secretary of Revenue may compromise any civil matter before the Department in an administrative appeal. The compromise may be based on doubt as to liability and/or the "promotion of effective tax administration."

Refund Limitations Extended. Two refund statutes of limitations which have caused much confusion in the tax community over the past several years have been extended. First, if an audit does not grant credit for tax paid within the audit period, the taxpayer may now file a refund petition by the later of 3-years from the date of payment or six months from the mailing date of the audit assessment, determination or settlement. Second, as to tax paid as a result of an assessment, determination or settlement, a refund petition may now be filed within six months of the date of payment (formerly six months from assessment date).

ADMINISTRATIVE BANK ATTACHMENT

The Department of Revenue has been authorized to attach accounts subject to tax liens totaling at least \$1,000. This includes accounts of business entities, individuals operating as sole proprietors, shareholders, members and partners of pass-through entities and corporate officers or other responsible individuals who have been individually assessed and lienied. Accounts may not be attached if access is restricted due to pledge as

security, the financial institution has a present right to exercise a right of setoff, another party is an owner on the account or the obligor otherwise lacks an unconditional right of access. Attachment also does not apply to funds or property deposited after attachment. The financial institution may assess a reasonable administrative fee in connection with the attachment. After the financial institution confirms the amount attached, the Department must give notice to the account holder. The attachment may then be challenged within ten days by filing a motion with the county court of common pleas. Among the reasons for challenge is a request for spousal relief from joint liability.

PENNSYLVANIA CHANGES POSITION ON TAXATION OF "CLOUD COMPUTING"

On May 31, 2012, the Pennsylvania Department of Revenue issued a private letter ruling (Ruling No. SUT-12-001), in which it concluded that "[a]ccessing taxable canned software is taxable when the user is located in Pennsylvania." This ruling, which ties the taxability of software access to the location of the end users, represents a reversal of the Department's long-standing position that the taxability of access to software located on a remote server depended solely on the location of the server. In Ruling No. SUT-12-001, the Department concluded that "in light of recent case law and technological advances," a charge for electronically accessing taxable software in Pennsylvania is subject to sales and use tax because the end user "is exercising a license to use the software, as well as control or power over the software, at the user's location." The Department plans to apply the new policy, which did not result from any change in applicable law, on a prospective basis.

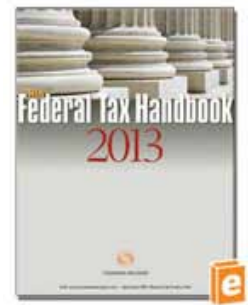
Sharon R. Paxton is a member of McNeese Wallace & Nurick LLC's State and Local Tax Group.

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FAX: 717-737-6847**



Berkheimer is the New Tax Administrator for Schuylkill and Susquehanna Counties

Effective immediately, Berkheimer Tax Administrator has been appointed as the local Earned Income Tax collector for Schuylkill and Susquehanna counties. Central Tax Bureau of Pennsylvania, Inc. - which had collected the local Earned Income Tax at the beginning of this year - has been terminated as the tax collector for these areas. Please be advised that, due to the changes mandated under ACT 32, all Earned Income Taxes collected in the following counties, for the 1st quarter of 2012 forward, should be remitted to Berkheimer. The 2011 final returns for the political subdivisions (PSD) in each, should be filed with the collector of record for that tax year. Please update your records accordingly and remit all future (2012) Earned Income Tax (EIT) payments for these areas to Berkheimer.

- Bradford
- Lackawanna
- Northumberland
- Venango
- Butler
- Lawrence
- Pike
- Wayne
- Cambria
- Lehigh
- Schuylkill
- Westmoreland
- Crawford
- McKean
- Snyder
- Wyoming
- Erie
- Mercer
- Sullivan
- Indiana
- Monroe
- Susquehanna
- Jefferson
- Montgomery
- Union

Please be advised that at the time this went to press, the Central Tax Bureau of Pennsylvania (CENTAX) has announced that the company will close its doors after more than eighty years of business. As of August 20th it had not been decided who will take over the CENTAX contracts. However, a cooperative agreement has been entered into with Berkheimer for more than half of those clients. We will keep you apprised of ongoing developments as it relates to this issue.

PA Department of Revenue Posts Third-Party Preparer e-File Requirements for 2013

The Pennsylvania Department of Revenue (DOR) has posted notices of electronic filing requirements for third-party preparers on or after January 1, 2013, for personal income tax withholding; liquid fuels and fuels tax; and sales, use, and hotel occupancy tax. For

all calendar years following a calendar year in which a third-party preparer prepares 50 or more of those tax reports, the preparer is required to electronically file (e-file) according to DOR instructions. The DOR discusses who is a third-party preparer and the 50-report threshold.

Failure to file any of those reports correctly will subject the preparer to a fine of between \$10 and \$500, depending on the tax due. Waiver of those penalties also is discussed.

The notices are available on the Pennsylvania Bulletin website at

- <http://www.pabulletin.com/secure/data/vol42/42-26/1229.html> (withholding)
- <http://www.pabulletin.com/secure/data/vol42/42-26/1230.html> (liquid fuels and fuels tax)
- <http://www.pabulletin.com/secure/data/vol42/42-26/1231.html> (sales, use, and hotel occupancy tax).

PSPA Supported Changes to the CPA Law

CPA Experience Requirement

Legislation is currently pending, HB 2354, which would eliminate the requirement for a specified number of hours of experience in attest activity to earn a CPA license. CPA candidates currently are required to acquire 25% of their overall experience requirement in the attest function, or 400 hours. The new requirement would be more broad-based and would benefit many of our members by allowing those firms who do not perform the attest function with the opportunity to provide experience to CPA candidates. This less restrictive requirement was recommended in the Uniform Accountancy Act and has been adopted by 26 states.

Expungement of Disciplinary Records

HB 646, will allow the State Board of Accountancy to expunge the disciplinary records for licensees that involve minor violations of the law.

To qualify for expungement, the disciplinary record must be at least four years old, must be the only disciplinary record the licensee has (current or previously expunged), and the violation must be of the nature that it would be prosecuted under the board's citation program for minor violations.

Return Preparer Visitation Project

In an audit of the Return Preparer Visitation Project (RPVP) TIGTA's (Treasury Inspector General for Tax Administration) analyses of IRS data showed that the

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Small Business Edition	x	\$47 \$43	= \$
All States Edition	x	\$79 \$73	= \$
Planning Strategies	x	\$47 \$37	= \$
What's New In-Depth	x	\$47 \$37	= \$
TheTaxBook CD (1040 & SB)	x	\$89 \$79	= \$
TheTaxBook Binder and Paper	x	\$21 \$18	= \$

TheTaxBook WebLibrary Online Tax Research Library	Quantity	Price	Cost
WebLibrary (1st User)	x	\$129 \$116	= \$
WebLibrary (Add Users)	x	\$52 \$46	= \$
WebLibrary Plus (1st User)	x	\$219 \$197	= \$
WebLibrary Plus (Add Users)	x	\$69 \$59	= \$

TheTaxReview Series Self-Study CPE/CE Courses	Quantity	Price	Cost
RTRP Exam Preparation	x	\$119 \$107	= \$
Minimize Individual Tax Liability	x	\$45 \$41	= \$
Minimize Business Tax Liability	x	\$45 \$41	= \$
New Tax Law	x	\$45 \$41	= \$
Income, Deductions, Credits	x	\$45 \$41	= \$
Self-Employed/Rental Activities	x	\$45 \$41	= \$
Business Entities	x	\$45 \$41	= \$
Advanced Business Topics	x	\$45 \$41	= \$
Clients With Children	x	\$45 \$41	= \$
Circular 230 Ethics	x	\$36 \$33	= \$
Avoid Ethical Violations	x	\$36 \$33	= \$

FastTaxFacts Series Tax Reference Charts	Quantity	Price	Cost
FastTaxFacts Master Set	x	\$49 \$41	= \$
International	x	\$17 \$14	= \$
1040 and Small Business	x	\$17 \$14	= \$
Clients With Children	x	\$17 \$14	= \$
W-2/1099 Roadmap	x	\$17 \$14	= \$
Starting a Business	x	\$17 \$14	= \$
Employee Benefits	x	\$17 \$14	= \$
Depreciation	x	\$17 \$14	= \$
Military	x	\$17 \$14	= \$

ClientTaxTools Series Client Handouts	Quantity	Price	Cost
Client Handouts CD	x	\$99 \$79	= \$
Pocket Calendars (30 Booklets)	x	\$47 \$42	= \$
Donation Trackers (30 Booklets)	x	\$47 \$42	= \$
Social Security/Medicare (30)	x	\$47 \$42	= \$

STEP 2 Total Quantity and Cost Columns

Total Quantity of All Items	A	Total Cost	B
-----------------------------	----------	------------	----------

Calculate Your Quantity Discount Here

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

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

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

Total Quantity of All Items (from STEP 2)	Shipping & Handling (S&H) Charge Per Item						Shipping & Handling Charge*
	1 Item	2 Items	3-5 Items	6-10 Items	11-20 Items	21+ Items	
(items) ×	\$5.95 per item	\$4.95 per item	\$4.45 per item	\$3.95 per item	\$3.45 per item	\$2.45 per item	= \$
A							D

* Exclude WebLibrary Products. Please call for international orders.

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

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

STEP 6 Finalize Your Order

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

2012 ORDER FORM

MAIL CODE

3 9 5

Customer # _____

Company Name _____

Name _____

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

City, State, Zip _____

Email _____
(Needed for order and shipping confirmation)

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

PAYMENT OPTIONS Remember to include credit card number & expiration date.

Credit Card: MasterCard Discover Visa American Express Expiration Date

3-Digit Security Code (optional)

AmEx (4 digits)

Your credit card will be charged for entire order when first item ships.

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RPVP issued letters to more than 10,000 paid preparers, and revenue agents completed 2,404 visits, or 96 percent of the FY 2010 RPVP goal. In addition, TIGTA found that in FY 2011 the RPVP issued letters to more than 10,000 paid preparers and conducted 2,498 visitations, or nearly 100 percent of its goal. As part of this review, TIGTA conducted a survey of paid preparers who were visited by revenue agents as part of the RPVP during FY 2010. While paid preparers generally had a positive view of the revenue agent visitations, 70 percent of respondents to the survey stated they would not change the way they prepared tax returns as a result of the visit. TIGTA evaluated the methodology used to select paid preparers and determined that those visited may not have benefited the most from an educational visit. Based on the survey responses, several paid preparers remarked that the use of IRS resources to visit their office was wasteful because their continuing professional education requirements were much more extensive than the information presented by the revenue agents. TIGTA also determined that the RPVP did not have performance measures or tracking procedures to successfully evaluate its effectiveness.

ERISA – Guidance on Notice Requirements

In Notice 2012-46 (IRB 2012-30) the IRS has issued guidance in the form of questions and answers with respect to the notice requirements of section 101(j) of the Employee Retirement Income Security Act of 1974 (ERISA), which requires that notice be provided to participants and beneficiaries relating to certain limitations on benefits in pension plans imposed under section 206(g) of ERISA, as added by the Pension Protection Act of 2006 (P.L. 109-280). Section 101(j) of ERISA requires the plan administrator of a single-employer defined benefit plan to provide a written notice to plan participants and beneficiaries, generally within 30 days after the plan becomes subject to the benefit limitations of section 206(g)(1) or (3) of ERISA (relating to unpredictable contingent event benefits and prohibited payments). In addition, in the case of a plan that becomes subject to the benefit limitations of section 206(g)(4) of ERISA (relating to the cessation of benefit accruals), the section 101(j) notice must be provided within 30 days after the earlier of the valuation date for the plan year for which the plan's adjusted funding target attainment percentage (AFTAP) is less than 60% or the date such percentage is presumed to be less than 60% under the rules of section 206(g)(7) of ERISA. Section 502(c)(4) of ERISA provides that the Secretary of Labor may assess a civil penalty of not more than \$1,000 a day for each violation by any person of the notice requirement under section 101(j) of ERISA.

Taxpayer Advocate Service Priorities Released

National Taxpayer Advocate Nina E. Olson released a report to Congress that identifies the priority issues the

Taxpayer Advocate Service (TAS) will focus on during the upcoming fiscal year. The report expresses particular concern about the taxpayer impact of expired and expiring tax provisions, the rise in tax fraud and tax-related identity theft, and attempts to limit the National Taxpayer Advocate's formal input on issues that affect taxpayer rights and taxpayer burden via "Taxpayer Assistance Orders" and "Taxpayer Advocate Directives." Olson also said "Because of the magnitude of these challenges and the uncertainty about such a large number of important provisions, the 2013 filing season is already at risk. The 2013 filing season is likely to pose problems for many (if not most) taxpayers and the IRS if Congress does not address the many provisions that have already expired or soon will." For more information go to the IRS Web page at www.irs.gov/pub/irs-news/ir-12-066.pdf.

IRS Chief Counsel Memorandum Clarifies Deductibility of Medicare Premiums as Health Insurance

On July 13, 2012, a 2-page IRS Chief Counsel Memorandum 201228037 was issued. The memorandum can be viewed at <http://www.irs.gov/pub/irs-wd/1228037.pdf>. Worth noting, premiums of spouse and dependents under age 27 of self-employed persons are also considered to be deductible.

PA Department of Revenue to Issue Tax Identification Numbers

As you are aware, the PA Department of Revenue is in the midst of a Technology Modernization Project that will update their aging legacy mainframe technology platforms to improve customer service and operation efficiency. The Department hopes to go live with corporate and Business Trust Fund Taxes in early 2013 with PIT to follow in 2014; the entire project will not be completed until 2015. In conjunction with this initiative, beginning in either late 2012 or early 2013, the Department will be issuing Pennsylvania businesses a new 10-digit Revenue Tax Identification Number. The number will be used as a unique identifier for the corporation for all Pennsylvania taxes including sales tax. We will update you on this as we receive additional information.

Once again, the deadline to apply for Pennsylvania's Property Tax/Rent Rebate Program for older adults and residents with disabilities has been extended from June 30 to December 31.

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TN350	Brother MFC-7220, 7420, 7820N, DCP-7020, Intellifax 2820, 2910, HL-2040, 2070N	\$65.49	\$32.99
310-6640	Dell® 1100, 1110	\$69.99	\$36.99
Q2612A	HP LaserJet 1010, 1012, 1018, 1020, 1022, 3015, 3020, 3030, 3050, 3052, 3055	\$77.99	\$22.99
36A	HP LaserJet M1522n Series, LaserJet P1505 Series	\$77.99	\$33.99
Q6000/6001 /6002/6003A	HP Color LaserJet 1600, 2600N, 2605 Series, CM1015mfp, CM1017mfp	\$91.99	\$48.99
#02 single	HP Photosmart 3110, 8230, C5180, C6180, C7180, C7250, C8180, D7145, D7260, D7360	\$10.99	\$6.99
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NSA State Director's Message



Gerald L. Brenneman,
NSA State Director

NSA First- Vice President Hansen Installs PSPA Officers

National
Society of
Accountants First-
Vice President
Stephen Hansen

conducted the officer installation ceremony at PSPA's 65th Annual Meeting held in Trevoese, PA.

Steve addressed the PSPA membership on the second day of its business meeting and shared his views concerning the issues facing the independent practitioner and how both NSA and PSPA are working to answer those challenges. Steve recognizes the mutual benefits that both organizations can share through an increased level of cooperation and we look forward to his continued service as an officer in NSA. Steve will become NSA's President-Elect at its annual convention this August in Hawaii.

NSA Governor Bucks Recognized for Service

W. Raymond Bucks was recognized for his four years of service representing NSA District II (Pennsylvania, New York, New Jersey, Delaware, and Puerto Rico) during the PSPA 65th Annual Meeting. Ray served as the first elected District Governor from Pennsylvania and has been a strong advocate for cooperation among neighboring NSA State ASO's of the northeastern US. We wish him a happy retirement.

NSA'S 67th Annual Meeting

NSA's 67th Annual Meeting and Expo will be held August 22-25, 2012, in Maui, Hawaii.

The Hawaii Association of Public Accountants (HAPA) has been working very diligently (since the 2012

venue was first announced in 2009) to provide attendees with a first rate Hawaiian experience.

Registration forms are currently available online or you may call: Sandra (Sandy) E. Herring Assistant Director of Membership Services

Email: sherring@nsacct.org
Toll free 1-800-966-6679 ext 1311
Website: <http://www.nsaacct.org>

There are several new items on NSA's web site that I'd like to call your attention to:

Mentoring Match

This is an innovative online tool (including a searchable database) that is available at the NSA website for members to establish mentoring relationships.

Mentoring creates an opportunity for the experienced tax and accounting professional to provide guidance and share skills, knowledge, and practical experience to the up and coming practitioner. This is open to the individual starting out in a new career, one desiring to expand their practice, or one looking to benefit from the expertise of their peers.

For more information, click on the

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NSA ConnectEd Webinars

While this is not a new feature on NSA's website, I do think it is worthwhile noting that there are currently over 40 on-demand topics available for both (1) and (2) hour CPE sessions for under \$100 to NSA members. Topics range from Reducing IRS Penalties (recorded 06/26/12) to Estate Planning Techniques to Consider in 2012 (recorded 06/07/12). Check it out!

Please feel free to contact me with any questions via e-mail at ger@glbcpa.com.

Thanks and have a great summer!

Respectfully submitted,
Gerald L. Brenneman, CPA
NSA State Director-Pennsylvania



Setting Up Shop in the Cloud

What accounting firms need to know about cloud computing and making the leap to online document management

By Eric Pulaski, Founder & CEO, SmartVault

Moving applications and data to an online environment is inevitable. It's simply part of the accounting profession's evolution. If you look at the continuum of change, it becomes clear where next generation accounting firms are heading. Pencil and paper to green bar reports and manual data entry...DOS to Windows...software CDs to web download...and finally on-premise-based IT solutions to SaaS (Software-as-a-Service).

The message from thought leaders has been consistent and direct: Get on board with technology, or be left behind. The fact is that more firms *are* getting on board, though it's still only a fraction of the broad profession. Those that are adopting advanced technologies in their firms are doing the research and applying the right technologies to create integrated systems that support completely paperless processes. And SaaS has been at the heart of this movement, supplying accounting professionals with easy-to-use, powerful web-based solutions that turbo boost operational efficiencies and convenience. In fact, dedicated internet-based service providers—leveraging their expert resources and spreading their costs over thousands of customers—can deliver lower cost and far more reliable and secure services.

So, we know that a small percentage of the profession is in a state of transition. But the majority of firms have yet to get on board with SaaS. The biggest issue being that they simply don't know where to start on their journey to the Cloud.

What is the Cloud?

Let's first explore what it means to move to "the Cloud." There has been a fair amount of confusion around this term, as well as the term Software-as-a-Service (SaaS). And if you don't know what these are, how can you begin to adopt the technology?

Cloud computing and SaaS are overlapping terms. SaaS is technology that is designed from the ground up to live exclusively on the web. SaaS-based solutions support multiple tenants, meaning users share processing power and database space that is managed by the SaaS provider. The benefits of SaaS are many, which we'll explore a little later.

The acronym, SaaS, has slowly morphed into the popular pseudonym, the Cloud. The Cloud is a general term used to describe services (as opposed to applications) that are provided over the internet. Cloud computing looks like local computing, but the computing power and storage space live solely on the web, just like SaaS.

In a nutshell, here's the difference in meaning between these two terms: *SaaS* means web-based applications. *Cloud computing* means services used by computer programmers

and IT gurus to access resources over the web. Many business users, however, use the terms interchangeably to mean "web-based solutions." To sum it all up, SaaS and the Cloud are both ways of describing solutions that live on the internet.

The confusion around these terms is important to note because firms can't be expected to adopt what they don't understand. And the first step toward making the transition to the Cloud is understanding what it means.

The Value of SaaS—and Getting Over the Fear

The list of benefits associated with SaaS is long and continues to grow. Nonetheless, the biggest obstacle in transitioning to SaaS still seems to be fear. Accounting professionals continue to question whether their data is safe and who has access to it once it moves online.

SaaS is indeed at the center of the next big paradigm shift in the accounting arena, but the actual move to fully web-based software can be scary for those not yet comfortable with data moving out of the walls of their office and into the Cloud. However, the efficiency and convenience that SaaS applications offer cannot be overstated. Consider the benefits:

- **Offers Security and Privacy**—The SaaS environment is far more secure than maintaining your software and data in-house. Consider the possibility of fire, flood, or theft.



Once your computers and servers are damaged or gone, so is your data. SaaS securely houses data offsite and provides daily backups and backup tests. Many firms claim to perform data backups, but how many are actually testing the data that is backed up by initiating a restore?

- **Lives on the Web**—Because SaaS solutions are deployed on the Web, they offer ultimate convenience. Implementation is simplified because there is no hardware to buy and no software to install. Users simply access the service via the internet and get to work. Whether in the office or working offsite, the service is always available with an internet connection.
- **Supports a Paperless Environment**—Operating in a paper-heavy environment is costly, not to mention very “un-Green.” SaaS supports electronic entry, flow, and delivery of data without requiring a printed document. Going paperless is gaining momentum in the profession, as more firms realize the immense time and cost savings associated with Cloud computing.
- **Eliminates CDs, Manual Updating, and Need for Hardware**—You no longer need to deal with physically boxed software. SaaS solutions are always up-to-date and accessible via the internet. That means you can say goodbye to ordering CDs, keeping up with hard-copy manuals, managing software updates, and investing in costly hardware or IT staff required to support desktop applications.
- **Offers Subscription Service Model vs. Software License**—SaaS is offered via affordable monthly or annual subscription rates, depending on the vendor, and is far less costly than software that is licensed. In addition, even larger than the initial cost of traditional software is the expense associated with long-term maintenance of the software and servers, which all goes away with SaaS solutions. Most SaaS vendors offer a fixed monthly or annual fee, so you can easily budget your application costs throughout the year, and there are also no up-front costs.
- **Enhances the Client-Accountant Relationship**—Today’s clients demand service that is convenient. SaaS solutions provide an advanced platform for real-time delivery of services. Via the web, clients can easily view and access their documents without having to wait for an email or fax. Let’s face it; clients have come to expect this level of service. Would anyone really use a bank that didn’t offer online services?

When is the Right Time for Accounting Firms to Adopt SaaS?

Of the accounting, audit, and tax experts consulted on this topic, the consensus is: The time is now. SaaS is well established in the profession...with many proven solutions available. The selection of vendors is rich, many of which are established in the profession and viewed as reliable and forward thinking. Well past the “early-adopter” stage,

where technology is still new and the risk is higher for users, most of today’s SaaS applications are advanced and have thousands within their user base that praise the convenience and efficiency SaaS offers.

With the solutions readily available, accounting professionals need to consider the positive impact Cloud computing has not only on their firms, but on staff and clients as well.

Implementing SaaS-based solutions puts the right tools in the hands of your staff. Working within a web-based environment supports highly efficient processing and the ability to establish standardized operations, so everyone is following the same procedures.

SaaS also opens the door to working remotely. Staff no longer need to be onsite. They can simply log in online and work from a client’s office, home, or even a plane! And don’t forget the heightened use of mobile devices as productivity tools, like popular electronic tablets. SaaS supports working on the go using these tools. In the end, staff will work more efficiently and appreciate having advanced resources to perform tasks.

Clients benefit as well. Web-based applications support real-time exchange of data and ultimate convenience. Not only can clients access their documents on a 24/7 basis via the internet, firms can also place other helpful information within SaaS-based portals, including helpful links, notices, and articles. Many SaaS solutions offer so much more than document storage and exchange—they provide a platform for extended client communication, which serves to continually strengthen the client-accountant relationship.

A Final Word...

It’s fast becoming a SaaS world. Cloud computing is being discussed in just about every media channel and online forum. Those who have set up shop in the Cloud realize the immense benefits—from working paperless to the convenience of accessing version-current, web-based solutions.

SaaS is at the core of today’s “e” movement. That’s simply where the profession is heading, so getting engaged now is critical. Remember what the thought leaders are saying: Get on board or be left behind. And fear not...today’s SaaS vendors are poised and ready to help you make a smooth transition.

About the Author

Eric Pulaski, CEO and Founder of SmartVault Corporation
With over 20 years of experience in network security systems and a focus on cloud computing, Eric founded SmartVault Corporation in November of 2007, and currently serves as the company’s Chief Executive Officer. Eric has made it his personal mission to deliver a simple, low-cost, paperless SaaS solution to small businesses and accounting firms. Reach Eric at eric@smartvault.com.

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