

the **Pennsylvania** Winter 2010



Accountant

The Magazine Of The Pennsylvania Society of Public Accountants

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A Message From The President



I hope everyone had a wonderful holiday season. It's our last hoorah before TAX SEASON.

IRS has been very busy since our last PA Accountant. They issued two Rev Rulings that clarified some of the confusion surrounding 7216 and 6713. And for the first time ever the IRS Commissioner has recommended a mandatory Preparer Registration accompanied by New CPE Requirements and Competency Testing for those preparers who are not Circular 230 Practitioners. **Fortunately, the Recommended Regulatory Model will have no impact on**

tax season 2010. But stay tuned because proposed Regulations and ultimately final regulations will be coming.

As you read about the comprehensive preparer reviews, no doubt you will have questions. Please forward them to us so that we can address any issues before the final regulations are released. One such question has already surfaced regarding Public Accountants. Will IRS require them to take a Competency Test? I posed that question to Stakeholder Liaison Richard Furlong. It was his opinion that Public Accountants will be viewed as a Circular 230 Practitioner and, as such, will not be required to take the Competency Test. As you will see in this issue, we have received clarification which does, in fact, confirm Stakeholder Liaison Richard Furlong.

As PSPA has done with 6694 (The New Preparer Penalties) and 7216 (The New Disclosure Requirements), we will stay on top of the New Regulatory Model and keep our members informed of the requirements that will be imposed on preparers.

For PA purposes, our committee that meets with the PA DOR has been very busy dealing with issues important to PA tax preparers. As you know, PA will have a 2010 Tax Amnesty Program that, in certain situations, will waive all penalties and 50% of the interest due on delinquent taxes. That program starts on April 26, 2010 and concludes on June 18, 2010.

Our legislative committee, with assistance from our legislative consultant, is working through the legislative process to bring about two bills that will assist taxpayers. These bills are our first attempt at introducing legislation. I want to thank Sherry and Neil Trama for their continued efforts!

Another first occurred this December. PSPA had their first Webinar and it was attended nationally. Mary Lew Kehm did a great job making the attendees aware of the implications of 7216 and 6713.

Finally, after all this tiring work of keeping abreast of the tax law changes and preparing tax returns, we will be a tired group. But we have a Convention for you that will rejuvenate your spirits and bring a smile to your face. The 63rd Annual Convention will be held in Cooperstown, New York at the historic Otesaga Hotel. In addition to the fine food and local festivities that have been planned, our entertainment package will keep you laughing, singing, and dancing. Please watch your email for the Convention Package. I hope you will be able to attend.

Have a Profitable Tax Season and hopefully we can get together in May and June for some work and a lot of fun.

Respectfully submitted,
Paul J. Cannataro

IS YOUR FIRM REQUIRED TO REGISTER FOR A SEPARATE FIRM LICENSE WITH THE PENNSYLVANIA STATE BOARD OF ACCOUNTANCY?

If you are a CPA or PA you are well aware of the individual requirements necessary to keep your license in good standing with the PA State Board of Accountancy.

However, many public accounting firms in Pennsylvania are also required to apply for a separate firm registration. If you are a CPA or Public Accountant, and if your firm is structured as a partnership or corporation - including single member LLC's - you must register your firm with the State Board of Accountancy. In recent years many public accounting firms have become LLC's but have failed to apply for the firm license. Please note that firms registered as sole proprietorships are excluded from this requirement.

The initial firm license fee is \$45; future firm license renewals are \$100 the same as the individual license. The form for initial firm registration is available on the State Board of Accountancy's website at: www.dos.state.pa.us/bpoa, click on 'licensure information' and then on 'board forms'. If you are not currently registered, but are a partnership, corporation, LLC (including single member LLC) or LLP we strongly encourage you to register immediately.

We bring this to your attention due to increasing fines levied by the Board to firms who are practicing public accounting without a license.

Questions? Contact the PSPA Executive Office at 1-800-270-3352.

WHAT WOULD HAPPEN TO YOUR ACCOUNTING PRACTICE IF YOU HAD A MEDICAL EMERGENCY? WOULD YOUR SPOUSE KNOW WHO TO CALL OR WHAT TO DO?

The PSPA Practice Continuation Committee is currently seeking PSPA members who would like to be a part of our Practitioner Assistance Cooperative. Basically, we'd like to add your name to our list as a practitioner willing to lend per diem practice assistance to a fellow member in the event of a medical emergency or death. The PC Committee is in the process of developing a list of guidelines to which a spouse can refer if a medical emergency or death of his/her spouse occurs. We'd like the practitioner list to be a part of these guidelines. If you would like to be become a part of the Practitioner Assistance Cooperative please send an email to: info@pspa-state.org and in the subject line put: Practitioner Assistance Cooperative and we will forward you a registration form. The form is very brief including basic contact information and your required per diem rate.

We encourage members to be proactive with respect to succession planning. At PSPA's 63rd Annual Meeting in Cooperstown New York (June 24-27, 2010) we will conduct a 2-hour workshop on Succession Planning geared for spousal participation.

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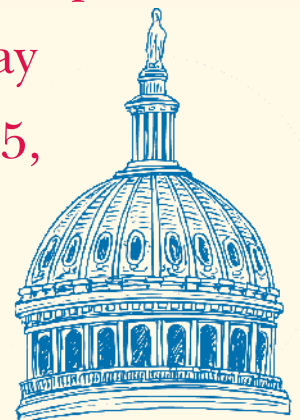
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PENNSYLVANIA TAX UPDATE

PA TAX AMNESTY GUIDELINES PUBLISHED BY DEPARTMENT OF REVENUE

By Sharon R. Paxton

The fiscal 2009-10 Pennsylvania budget package included a tax amnesty program to be conducted from April 26, 2010, through June 18, 2010. The Department of Revenue published 2010 Tax Amnesty Program Guidelines in the Pennsylvania Bulletin on December 5, 2009 (39 Pa.B. 6872). (The Pennsylvania Bulletin can be accessed online at www.pabulletin.com. The Guidelines are also available on the Department of Revenue's web site.)

The amnesty will apply to state taxes (including related interest and penalties) where a known or unknown (to the Department of Revenue) delinquency existed as of June 30, 2009. Unpaid taxes, penalties and interest that result from periods subsequent to June 30, 2009, are not eligible for the amnesty program. Non-filed tax returns or reports, as well as unpaid, under-reported or un-established taxes constitute eligible delinquencies. To participate, taxpayers must file an *online* Amnesty Return, file all delinquent tax returns (or complete amended returns for all required periods for which tax liabilities were underreported) and make the required payment within the amnesty period. Participants will receive a waiver of all penalties and one-half of the interest due. Payments on interest and penalties made prior to the beginning of the amnesty period are not eligible for tax amnesty. In addition, there will be no extensions of time granted for the filing of missing tax returns and reports beyond the June 18 deadline.

All individuals and businesses with Pennsylvania tax delinquencies are generally eligible to participate. However, persons or entities currently under criminal investigation for an alleged violation of any tax law or named as a defendant in a criminal complaint alleging a violation of any law imposing a tax administered by the Department of Revenue prior to the amnesty period cannot participate. In order to participate in the amnesty program a taxpayer must waive the right to protest or pursue an administrative or judicial proceeding with regard to returns filed under the amnesty program or to claim any refund of money

paid under the amnesty program. A taxpayer with active administrative or judicial appeals is eligible to participate, but the tax and one-half of the interest due must be paid during the amnesty period and active appeals relating to periods accepted into the amnesty program must be withdrawn.

Types of taxes covered by the amnesty program include Agriculture Cooperative Tax, Bank and Trust Company Shares Tax, Capital Stock and Franchise Tax, Cigarette Tax, Corporate Net Income Tax, Electric Cooperative Tax, Employer Withholding Tax, Fuel Use Tax (except taxes, interest and penalties collected under the International Fuel Tax Agreement owed to other states or provinces), Gross Premiums Tax, Hotel Occupancy Tax (including Local Hotel Occupancy Tax for Philadelphia and Allegheny County), International Fuel Tax Agreement, Inheritance and Estate Tax, Interstate Bus Compact Tax, Liquid Fuels Tax, Loans Tax, Marine Underwriting Profits Tax, Malt Beverage Tax, Motor Carriers Road Tax, Motor Vehicle Carriers Gross Receipts Tax, Mutual Thrift Institutions Tax, Oil Company Franchise Tax, Parimutuel Wagering and Admissions Tax, Personal Income Tax, Public Utility Realty Tax, Realty Transfer Tax, Sales and Use Tax (including Local Sales and Use Tax for Philadelphia and Allegheny County), Surplus Lines Tax, Unauthorized Insurance Tax and Utilities Gross Receipts Tax. With the exception of Local Sales and Use and Hotel Occupancy Taxes for Philadelphia and Allegheny County, the program does not apply to taxes imposed by political subdivisions of the Commonwealth.

Participants who become delinquent beyond certain parameters (i.e., with respect to delinquencies not under appeal, delinquent for three consecutive periods for semi-monthly, monthly or quarterly filing or payment or for more than eight months on any filing of reports or payments due on an annual basis) within two years after the end of the amnesty period will lose their penalty and interest forgiveness under amnesty.

Any taxpayer failing to report and pay an eligible tax during the amnesty period will be subject to a special, additional 5% non-participation penalty. The 5% penalty will not be assessed with respect to existing deferred payment plans, active appeals and entities in bankruptcy. The Department of Revenue may also audit or investigate tax delinquencies reported and/or paid during the amnesty program. Any additional taxes assessed by the Department will be subject to the standard provisions regarding imposition of interest and penalties.

Taxpayers participating in the 2010 amnesty program will be prohibited from participating in future Pennsylvania tax amnesty programs.

REVENUE DEPARTMENT FILING LIENS OUTSIDE PENNSYLVANIA

The Department of Revenue has begun filing liens against hundreds of out-of-state businesses identified as owing Pennsylvania tax liabilities of at least \$5,000. Prior to filing a lien, however, the department notifies each taxpayer of its intent to lien and provides one final opportunity for the taxpayer to satisfy its tax obligations. PA Tax Update, No. 14, Aug./Sept. 2009.

PENNSYLVANIA SUPREME COURT RULES THAT ELECTRICITY DELIVERY AND STRANDED COST CHARGES ARE SUBJECT TO SALES TAX

On November 5, 2009, in *Spectrum Arena Limited Partnership v. Commonwealth*, 42 MAP 2008, the Pennsylvania Supreme Court affirmed the April 2008 decision of the Commonwealth Court that distribution, transmission and transition charges associated with the purchase of electricity for non-residential purposes are subject to Pennsylvania Sales Tax. Numerous refund claims had been filed by commercial electricity users seeking a refund of Sales Tax paid on such charges in cases where the electricity charges had been "unbundled," i.e., one

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63rd Annual Meeting

pspa

PSPA'S 63RD ANNUAL MEETING JUNE 24-27, 2010 COOPERSTOWN NEW YORK

Dear PSPA Colleague,

As chairpersons of PSPA's 63rd Annual Meeting, it is our pleasure to invite you what is sure to be one of the most memorable conventions in PSPA's rich history. The Philadelphia Tri-County Chapter will be your gracious hosts of this year's event being held at the magnificent Otesaga Resort in Cooperstown New York. Established in 1909, the Resort overlooks the tranquil Otsega Lake, and is renowned for its exceptional accommodations, excellent service, award winning fare and elegant atmosphere. We've been able to secure a most attractive rate for our attendees and hope that you will take advantage of this opportunity to enjoy all that the Otesaga Resort and Cooperstown has to offer. The Leatherstocking Golf Course is ranked among the top fifty resort courses in the United States. The Resort blends perfectly with the Village of Cooperstown, a culturally rich repository of Americana, where the country's past is traced and preserved by its hometown cultural institutions – the National Baseball Hall of Fame and Museum, Fenimore Art Museum, the Farmers' Museum – and by the town itself.

Come and take part in this opportunity to learn about more about your professional organization, meet PSPA executive leadership and staff and foster new professional relationships.

Attendees and their families will enjoy many activities, among them are:

- **Professional Development.** Succession Planning Seminar specifically designed for your spouse to attend with you!
 - **Welcome to Cooperstown Trolley Tour.** A good way to get an overview of Cooperstown and learn some of the lesser-known-history of the village.
 - **Who's On First...What's on Second...** top notch entertainment await you with a few surprises thrown in the mix!
 - **The National Baseball Hall of Fame.** No trip to Cooperstown would be complete without seeing the shrine to baseball's greatest players!
 - **Farmer's Museum/Fenimore Cooper Art Museum.** Cooperstown is more than baseball, come experience the rich history and culture of the area.
 - **President's Installation Dinner.** PSPA's most important evening with the installation of the newly elected officers. A cocktail reception with open bar, dinner and entertainment are all included in your registration fee.
- The 63rd Annual Meeting will be a grand slam! Don't strike out, we hope to see you there!

Sincerely,

Joyce P. Huttman, PA & Timothy J. Sundstrom, CPA
PSPA Chairpersons, 63rd Annual Meeting

Guests will enjoy accommodations at Cooperstown's most exclusive resort, the Otesaga. We've secured a fabulous package rate of \$1100 per couple; a fraction of the Otesaga's published overnight rate. Don't forget that this rate includes the following for two people: overnight room accommodations, three breakfasts, three four-course gourmet dinners, a two-hour Succession Planning Seminar (designed for your spouse to attend) admission tickets to the Baseball Hall of Fame, the Farmer's Museum and the Fenimore Cooper Art Museum, a trolley tour of Cooperstown, cocktail reception, 3-nights of entertainment and a convention gift that displays the PSPA logo.

Check www.pspa-state.org in the coming weeks for a complete schedule as well as registration material. We will send members a registration packet via U.S. mail immediately following tax season.



Pennsylvania Department of Revenue Q&A Responses

The following information is the result of the Q&A session held with the Pennsylvania Department of Revenue. The meeting was held on December 7, 2009 in Revenue's Strawberry Square offices. Representing PSPA at the meeting were: H. Richard Neidermyer, CPA, Co-Chairman; Randy L. Brandt, CPA, Co-Chairman; Donald L. Allen, CPA; W. Raymond Bucks, CPA; Frank H. Kelly, EA; Joseph Pinnelli, EA; Norma J. Ridder, CPA; Kevin P. Summerson, CPA; James Tice; Raymond Wolownik, CPA. and Sherry L. DeAgostino, Executive Director.

The PSPA Committee on Cooperation with the Pennsylvania Department of Revenue submits the following issues/questions in conjunction with the annual Q&A scheduled for Monday, December 7, 2009. Please contact our Executive Office if there are any questions or if any additional information is required.

Individual Income Tax

1. How should non deductible items impact PA AAA? For example, penalties, life insurance premiums etc?

Consistent with Chapter 16 of the PIT Guide, the PA AAA should not, usually, equal the federal AAA, because of the differences between the Internal Revenue Code and Pennsylvania personal income tax law. Although Pennsylvania does generally parallel federal rules for the PA S corporation's AAA, there are the following significant differences:

a) the PA S corporation AAA only reflects the income (loss) or distribution from the inception of the election of PA S corporation status.

b) the PA S corporation does not make an adjustment for any income (loss) that is not enumerated in Pennsylvania personal income tax law or any nondeductible expense. For example, for Pennsylvania personal income tax purposes, tax-exempt income is not added to the PA PIT AAA.

c) the PA AAA is based on the Pennsylvania personal income tax income (loss) or distributions.

2. We understand that a Tax Amnesty period has been planned as part of the budget package. Can you please provide the effective dates as well as details regarding the amnesty period?

Pennsylvania authorized (under Act 48, signed into law on Oct. 9, 2009) a tax amnesty period from April 26 to June 18, 2010. During this limited, 54-day timeframe, the Pennsylvania Department of Revenue will waive 100 percent of penalties and half of the interest for any taxpayer that pays delinquent state taxes. The program will apply to a taxpayer that is delinquent on a payment of any Pennsylvania tax liability as of June 30, 2009. The Department will notify, in writing, all known eligible taxpayers at their last known address. The Amnesty application and payment process will be completed electronically through a Revenue Amnesty website that is currently being developed.

3. If you file a state extension and don't want to make a payment, do you have to file a state extension form (Form 276)?

Caveat: an extension to file is not an extension to pay.

Options for an extension to file are as follows:

- Paper form REV-276 – this is the best way to ensure your extension request is received.
- Federal extension "piggyback" via electronic or paper submission. When you submit your PA return you must mark the oval or indicator for an extension. Make sure to include either a copy of the paper federal extension or a "statement" containing the Federal DCN with the electronic return.

a. How does Revenue track an extension if you don't file an extension form?

If you don't file the form REV-276 or make an "extension" payment, Revenue has no way to track the extension prior to the filing of the return.

b. How does an individual doing his/her own tax return obtain Form 276? Why isn't this available on your website? Form REV-276 is on the Department's website.

4. The PA-40 requires you to report your income (loss) by applicable class, whether it is received directly, through an estate or trust or as a distributive share of the income of a partnership or PA S Corporation. Married taxpayers can file a joint tax return for convenience. If the PA Schedule OC is used (i.e. PA Resource Enhancement and Protection Tax Credit awarded to farmers and PA Volunteer Responder Retention and Recruitment Tax Credit allowed to volunteer firefighters), why may a "married filing joint" tax status PA-40 return not be filed to claim these credits when the taxable income from which these credits are based on are already reported by applicable class? (See 2008 Form PA-40 Instructions below)

Per the 2008 Pennsylvania PA-40 Instructions (excerpt):

LINE 23. TOTAL OTHER CREDITS

Enter the total of the allowable credits you can claim on PA Schedule OC. PA Schedule OC is not included with this booklet and may be obtained by using one of the Forms Ordering Services on page 3. Taxpayers claiming any credit on PA Schedule OC may not file a joint return and are required to file separate returns.

The statute imposes upon the Department reporting requirements for taxpayers who utilize certain credits. Unfortunately, when

applying payments and credits, there is no way for Revenue's existing computer system to separate amounts between a husband and wife on a joint return. In order to properly apply and track the credits, a separate return is required.

5. In this situation, the taxpayer passed away in 2008. Joint estimated tax payments were made throughout 2008. The return was split per PA-DOR procedures. I handwrote on the side of each return that the estimated tax payments were being split between the taxpayer and the spouse. There was a balance due on the spouse's tax return and she paid the tax due when the return was mailed. The check was cashed and deposited by the PA-DOR on March 31st. The taxpayer received a notice from PA-DOR and they assessed the estimated taxes (she received a full refund on the deceased spouse's tax return); DOR never credited 1/2 of the estimated tax payments to her as per the handwritten instructions. How should this be handled to prevent this outcome?

The Department has a form "REV-459B Consent to Transfer, Adjust or Correct PA Estimated Personal Income Tax Account," which should be used to document the request to transfer and properly account for the splitting of the payments. This form is also available on the Department's website. Please note that the Department's Right Now Q&A does provide guidance on this subject matter.

6. A practitioner prepared a return for a client who moved into Pennsylvania from the state of Texas after the first of the year; Texas of course is a state with no state income tax. When matched with the IRS, the PA Department of Revenue found no PA return filed and issued a notice of assessment to the taxpayer. PA-DOR will not accept the fact that all of the earnings took place in Texas and will not change their assessment even though supporting documents show a summons for jury duty, car insurance, car registration renewal, a Texas driver's license, and a letter from the taxpayer's landlord stating that she rented in the state of Texas during the time in question. Why won't Revenue accept this reasonable documentation in this case? What documents will be accepted by the Department to show proof of residency during the timeframe in question?

This documentation should have been sufficient to provide a reasonable basis that the taxpayer was a resident of Texas for the tax year in question. However, there may have been other factors that are not clearly present in the above scenario which did not indicate the taxpayer should have been a resident of Texas.

Without account-specific information, the Department cannot comment on why the taxpayer was deemed to be a Pennsylvania resident.

7. A tax return was electronically filed for client. The client withdrew \$284,367 from his 401(k) in 2008. I taxed only \$184,981 as \$99,386 reflects his actual contributions. The W-2's were faxed to the Department as additional supporting documentation to the return. It appears that the Department ignored the documentation and proceeded to change the return and adjust the refund to include the full amount of the distribution as taxable income.

The supporting documentation that was faxed to the Department included the following: W-2's from 1997 to 2007 and the 2008 W-2 showing the contributions to the 401(k). What is Revenue's procedure for matching faxed supporting documentation with the return? Why did Revenue make this change without considering this documentation?

Faxed information is sorted by predetermined criteria and prepared for imaging into our system. Once imaged, the document is indexed to link the faxed document to the taxpayer's account.

Without account-specific information, the Department cannot comment on why the documents may not have been considered.

Business/Partnerships/Corporations

1. Can PA R&D credits be requested to be transferred to a buyer prior to December 15 following the year of issue because of the new budget law, HB 1531?

Yes, as long as the requirements for sale are satisfied. The requirements include the seller filing the PA Corporate Tax Report for the period in which the credit was approved or granted and for the seller to be compliant with all Pennsylvania taxes.

2. What are the PA filing requirements for a foreign Partnership or S-Corporation that does not have nexus with PA, other than a PA resident or partner or shareholder?

A partnership or S Corporation must file in Pennsylvania if it has Pennsylvania sourced income or a Pennsylvania resident partner or shareholder.

3. What is the current year limit on RK1's transmitted electronically with a PA return?

Electronically filed Pennsylvania personal income tax returns for tax year 2009 can have up to 100 NRK-1s and/or 100 RK-1s. Previously the limit was 25.

4. What is Revenue's position on offers in compromise? Which documents are matched?

The Department as part of its resolution of delinquent accounts entertains offers in compromise proposals. The Department considers each proposal based on its merits, considering such factors as the financial situation of the delinquent entity, the circumstances of the delinquency, mitigating circumstances (such as Department error or employee embezzlement) and equity. All returns must be filed for all taxes. Any abatement of the liability owed must be followed by the taxpayer staying compliant with its PA tax obligations in the future.

5. Does a fire company (non-profit) which is the sole member of an LLC (separate legal entity) that holds real estate have to file the RCT 101 for the state? For IRS purposes it is a disregarded entity.

If the fire company is exempt from federal income taxes under IRC Section 501, the fire company is not subject to the Capital

Stock/Franchise Tax and Corporate Net Income Tax and is not required to file the PA Corporate Tax Report.

Article IV and Article VI both provide for an exemption from tax to entities organized on a non-profit basis and that would qualify for tax exempt status under IRC Section 501 if they were to apply. On September 20, 2007, the PA Department of Revenue issued CT Bulletin 2007-01 which outlines the requirements which must be met by these entities to qualify as tax exempt and what documentation must be provided to the department to support the exempt status.

CT Bulletin 2007-01 provides in part:

Section 601 of the Tax Reform Code of 1971 provides for an exemption from the Capital Stock/Foreign Franchise Tax for entities that are tax-exempt organizations under Internal Revenue Code § 501. In addition, entities organized as not-for-profit organizations that would qualify as tax-exempt organizations under Internal Revenue Code § 501 are also exempt from the Capital Stock/Foreign Franchise Tax.

When a Limited Liability Company or Business Trust is a disregarded entity for federal income tax purposes these entities are not required to obtain federal tax-exempt status separate from the entity reporting the activity of the Limited Liability Company or Business Trust. In addition, the Commonwealth of Pennsylvania does not specifically provide for a Limited Liability Company or Business Trust to organize on a not-for-profit basis.

To qualify as a not-for-profit entity the Articles of Organization, Trust Agreement, or By-Laws must specifically state that the Limited Liability Company or Business Trust is organized as a not-for-profit entity and limit the activity of the entity to those of a not-for-profit or tax exempt organization. A copy of the Articles of Organization or Trust Agreement and a copy of the By-Laws must be provided to the Bureau of Corporation Taxes.

6. An LLC was formed to own a recreation property for “personal” purposes only, and thus no business income or expenses. Is the LLC required to file an RCT 101?

Article VI of the Tax Reform Code includes Limited Liability Companies in the definition of corporations subject to the Capital Stock/Franchise Tax and required to file the PA Corporate Tax Report (RCT-101). Unless the LLC meets the qualifications to be exempt from the tax, it is required to file the RCT-101 even if it conducts no activity during the period.

Administrative

1. IRS has recently discontinued use of private collection agencies due to inefficiencies. What is Revenue’s position on the use of outside collection companies?

The Department uses collection agencies as an integral part of the enforcement continuum. Collection agencies are retained by

the Office of Attorney General (OAG) under the Attorneys Act of 1981. Contracts have been renewed based on performance review by the OAG with input from the Revenue Department. The Department refers cases to these agencies based on criteria that include responsiveness of the delinquent taxpayer to our enforcement efforts and case inventory. The collection agencies have the authority to resolve cases referred including the use of compromises. The Department has held training classes for collection agency agents and has made available certain software systems containing tax delinquency information.

Electronic Filing

1. Will we be able to file the PA20/PA 65 electronically this year?

Yes.

2. Act 50 of 2009 gives the PA Department of Revenue the authority to require the electronic filing of tax returns from individuals or entities preparing 50 or more returns per year. Can you please elaborate on when or if this will take place? Will there be exceptions to this requirement?

The Department intends to implement this requirement for Pennsylvania personal income tax returns and payments beginning after January 1, 2011 for the 2010 tax year and all subsequent years. The Department is considering other instances in which it may require third parties that submit more than 50 returns on an annual basis to file such returns electronically. More detailed information regarding the electronic filing requirement for personal income tax returns and any additional returns will be provided as it becomes available.

PSPA Member Observations and/or Comments

1. A corporate client received a notice that their return was not filed. They did not file a PA extension; there was no tax due. On October 16 the client received a call from the Department of Revenue. The Revenue representative told the client “We’ll call your accountant right now.” Revenue left the following message for me (as I was on vacation), “Your client needs to talk to you; call your client right away.” Revenue proceeded to call my client back and told them, “You should get another CPA if they are not calling you back.” The client had until October 22nd to file.

The Department is unable to respond to this question without more information.

2. Currently taxpayers with incomes under the special forgiveness threshold still have to file a tax return. Why?

This places a burden on the taxpayers in this group – most often senior citizens. It also causes the Department of Revenue to process numerous returns that yield no tax revenue. These same taxpayers generally do not have to file a federal return.

Section 302 (a) of the Tax Reform Code of 1971 provides that: “Every resident individual, estate or trust shall be subject to, and

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	F/Time:	P/Time*:	
5+ years:	_____	_____	Within the past 5 years:
4 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"/>
3 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"/>
2 years:	_____	_____	
1 years:	_____	_____	
<1 years:	_____	_____	
Total:	_____	_____	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"/>

*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)	\$ _____	\$ _____	\$ _____

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 Tel: 216-831-0333 · Fax: 216-831-6819 · Email: custombrokers@cbioh.com · http:www.cbioh.com

Department of Revenue Q&A

continued from page 9

shall pay for the privilege of receiving each of the classes of income hereinafter enumerated in section 303, a tax upon each dollar of income received by that resident during that resident's taxable year at the rate of three and seven hundredths per cent." Section 330 (a) provides that: "On or before the date when the taxpayer's Federal income tax return is due or would be due if the taxpayer were required to file a Federal income tax return, under the Internal Revenue Code of 1954, a tax return under this article shall be made and filed by or for every taxpayer having income for the taxable year." No change to the requirement of filing a return can be made without changes to these sections of the Tax Reform Code.

3. Currently LLCs that are disregarded entities for federal tax purposes are required to file an RTC 101 (ostensibly because there are subject to the PA CST) Why? Many, if not most LLCs in this class are small LLCs that have no CST liability. Why put these entities to the expense and aggravation of filing this return. Why does the Department of Revenue go to the expense of processing these returns that yield no revenue?

I have a client who is a member of a Kansas LLC and if the LLC's capitalization is less than \$125,000 then there is no filing requirement. This seems to make more sense.

Article VI of the Tax Reform Code includes Limited Liability Companies in the definition of corporations subject to the Capital Stock Tax and, as such, are required to file the RCT-101. Like any other corporation, unless the LLC meets the qualifications to be exempt from the tax, it is required to file the RCT-101 even if it conducts no activity during the period. The implementation of a provision such as the filing requirement mentioned would require a statutory change.

4. Members of this Committee, as well as members of the PSPA statewide have commented that Revenue has been returning calls within the specified window of 24-48 hours, and this is appreciated

by practitioners.

Practitioners often contact Revenue regarding a specific client and the heavy call volume requires the practitioner to leave a message. The practitioner leaves detailed information including the client's name and the client number. When the call is returned from the Department often times no identifying information is left, making it difficult for the practitioner to know what/who the call is in reference to. What is the Department's official policy regarding this issue? If this is not Department policy, is it possible to train Department representatives to leave detailed information about who/what the call is in reference to?

To protect the confidentiality of taxpayers, Revenue employees will not normally leave messages with taxpayer-specific information. However, in many instances the Department is leaving an employee name, bureau and private number for a call back from the practitioner. In other instances, Revenue's CATS Call Centers will leave the name of the entity in question and/or the case number.

5. We have requested this for many years, but would like to once again go on record in support of a Practitioner's Hotline number.

At this time, the Department does not have the resources to create a practitioner's hotline or something equivalent thereto. However, the Department of Revenue always attempts to respond to all incoming telephonic customers within an acceptable time period. The DOR understands the importance of maintaining an efficient, cooperative, and timely working relationship with the practitioners. To that end, the Department continues to emphasize the Tax Professionals website for practitioners to get a variety of tax specific information about their clients. Also, the Department is currently working on its future customer service strategy. As the Department looks to the future there is ongoing discussion on ways to enhance customer service to the practitioners.

Also, the Department maintains the E-file help desk as a dedicated number just for practitioners to use if they file returns electronically. The telephone number is 717-787-4017. The general e-file correspondence facsimile number is 717-772-4193.

PA Tax Update

continued from page 4

utility company generated the electricity purchased by the customer and another "local" utility company delivered the electricity. Spectrum Arena had argued that the disputed charges were not subject to sales tax because the transmission and distribution of electricity (as well as transition charges added to the cost of the service) did not constitute the sale of tangible personal property or a specifically enumerated taxable service. It relied, in part, on the fact that the Department of

Revenue's regulations exempt delivery charges from sales tax when billed by a party other than the vendor supplying the product. Spectrum Arena also contended that applying tax to the disputed charges, but not to similar charges for the delivery of natural gas, created an improper disparate tax scheme. In rejecting Spectrum Arena's arguments, the Court determined that the generation and distribution companies were "together" the "vendor," and there was "no truly independent electricity delivery company" as contemplated by the regulations. With

regard to the disparate treatment of delivery charges for electricity and natural gas, the Court rejected the argument on the basis that the Department of Revenue's Policy Statement regarding the taxability of unbundled electricity charges demonstrated the legislature's intention to apply a different tax treatment to electricity delivery charges.

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

IRS Issues Important Section 7216 Guidance

IRS released several important documents in late December 2009 regarding Section 7216. The guidance is contained in Revenue Rulings 2010-4 and 2010-5, both of which were published in IRB 2010-4. You can view a copy of the IRS News Release and the Revenue Rulings at <http://www.irs.gov/newsroom/article/0,,id=217704,00.html>.

The IRS also issued temporary and proposed regulations under IRC § 7216 that increase the circumstances in which tax return preparers can disclose or use certain limited tax return information. According to the proposal, tax preparers can contact their clients regarding tax law developments that may affect the clients. They can also disclose information in connection with the potential sale or purchase of a tax return preparer's business and during the process of conducting client conflict-of-interest checks. IRS is accepting comments on the proposal; PSPA is in the process of reviewing the proposal and will determine whether further clarification is needed. (http://www.federalregister.gov/OFRUupload/OFRData/2009-31115_PI.pdf and http://www.federalregister.gov/OFRUupload/OFRData/2009-31114_PI.pdf).

The following FAQs were posted by IRS as additional clarification. All former FAQs regarding Section 7216 (Numbers 1-20) are available at irs.gov. We have reprinted the most recent posting (Numbers 21-25) for you here.

Q21. On the Consent to Use, do both the taxpayer and spouse have to sign before a practitioner can begin the return and discuss a bank product with them? Many times, one spouse comes by, does the return and then the other comes by and signs later.

A.21. If it's a joint return, yes.

Q22. Is a tax practitioner required to obtain a disclosure consent for financial planning advice when the practitioner is both the tax preparer and the financial advisor for the client.

A.22. In this case the preparer is required to obtain a signed consent to use tax return information if the financial planning advice will be based on information obtained in connection with the preparation of a tax return. A separate signed consent form to disclose tax return information would be required in order for the taxpayer to authorize the preparer to share tax return information with another person for a purpose other than tax return preparation, e.g., to obtain financial advice, products or services. Refer to Treasury Regulation section 301.72163(b) regarding timing requirements and limitations for soliciting consents.

<http://www.irs.gov/irb/2008-05IRB/ar07.html>

Q23. Is a practitioner required to get written disclosure consent from their client to disclose tax return information if the client's tax return information is to be used for financial planning purposes by the practitioner who prepared the return?

A.23. In this case the preparer is required to obtain a signed consent to use tax return information if the financial planning analysis will be based on information obtained in connection with the preparation of a tax return. A separate signed consent form to disclose tax return information would be required in order for the taxpayer to authorize the preparer to share tax return information with another person for a purpose other than tax return preparation, e.g., to obtain financial advice, products or services. Refer to Treasury Regulation section 301.72163(b) regarding timing requirements and limitations for

soliciting consents.

<http://www.irs.gov/irb/2008-05IRB/ar07.html>

Q24. What happens when a practitioner sells their tax practice to another practitioner?

How is the disclosure of the client's tax information to the purchasing practitioner handled?

A.24. Refer to Treasury Regulation section 301.7216-2(0). Disclosures are permitted without taxpayer consent. The purchaser of the practice is subject to the section 7216 statute and regulations.

Q25. If a client wants to have the practitioner forward a copy of their tax return to a bank for mortgage purposes, how is this going to be done if the client did not sign a disclosure statement before the tax returns was prepared. For example: return is prepared in March. No disclosure consent was signed. Client gets new job in June and has to move. They need a copy of the return for the bank to get a mortgage for their new home. Is the only option for the practitioner to send the copy of the tax return to the client who will then give it to the bank?

A.25 Refer to Treasury Regulation sections 301.7216-3(b) and 3(c)(2).

* Preparers may not solicit consents after a completed return is provided to the taxpayer for signature. The same restriction does not apply to taxpayers. Taxpayers may ask their preparer to use or disclose their tax return information at any time. In this case the preparer is required to secure a signed consent form from the taxpayer before disclosing the tax return to the bank. Taxpayers may also obtain a copy of their return from the preparer and supply it to the bank without signing a consent form.



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NSA State Director's Message



NSA State Director
of the Year

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The NPA Magazine is all new for 2010 with a contemporary look and a new emphasis on bringing cutting edge information, trends and best practice articles to its members. Designed for all levels of tax professionals, NPA Magazine focuses on the strategic issues they face every day. Presented in both digital and printed formats, the magazine will be packed with insights from today's leaders in the industry—all designed to help members keep pace in a rapidly changing field. Go to the NSA Web Site: www.nsacct.org to read or download your copy.

Tax Season is Here

Now is the time to join NSA, the Association for Accounting & Tax Professionals! As an NSA member, you'll get immediate access to NSA's newest benefit, "What's New In Tax" Online Center where you can get up-to-the-minute daily tax news, journal articles, tax alerts, newsletters, and other expert commentary from 18 CCH federal and state publications; you can customize and save your searches and even get email updates! To subscribe to these sources would cost you as much as \$1,000, but we're giving it to members FREE. All you have to do is become an NSA member. Call NSA Membership Services toll-free at 800-966-6679.

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With tax season in full swing, NSA would like to remind members of the exclusive benefits available only to NSA membership. As a member,

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When you have a federal tax question, NSA's professional research staff will search its extensive library to provide you with the information you need. Questions are typically answered within three business days or less. When you submit a question, our tax research department will research it and send you information, usually including cites, that will allow you to resolve the issue for your client. NSA requires that questions be submitted in writing. There are two easy ways to send your question to the Tax Help Desk Online: <http://www.nsacct.org/Members/Tax/TaxQuestion.aspx>

Fax:

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

NSA's Tax Discussion Group

Don't forget to sign up for NSA's popular Listserv, another great source of support. NSA's version of the networking Listserv is an automated email discussion group designed for interactive discussions with your peers. This is a great medium with which to solicit the advice of your peers, benefit from their experience, and participate in ongoing conversations. Feel free to ask a tax question of your peers, get help with a return for another state, and keep up with the sticky-issues of the 2009 tax-filing year. To subscribe and select your settings, go to the Members Only tab on the NSA webpage www.nsacct.org, log-on with your member name and ID, and then click on NSA Tax Talk Discussion Group box on the left side of the page.

Tax Season Time Savers

NSA continues to have a full menu of professional letters that can be

personalized on your letterhead and used with your clients to enhance your image. Some sample letters include Privacy Statements, Engagement Letters, and client memos. There are many other marketing tools on the *Members Only* section of the NSA webpage. Simply log on with your user name (last name) and password (ID#) and go to Sample Letters at bottom left side of the page.

Education

NSA continues to make quality education programs available on your desktop through **ConnectED**, a series of one hour webinars to help Accountants and Tax Professionals. For more information regarding the webinars please contact NSA toll free at (800) 966-6679.

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

NSA's 65th Annual Meeting

The National Society of Accountants will hold their 65th Annual Meeting on August 18-21, 2010 in Arlington, VA. Make plans to join NSA and elect your future leaders. Details will be posted in the coming weeks.

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

Respectfully submitted,

Richard Brasch Jr., CPA
NSA State Director -
Pennsylvania

IRS Annual Stakeholder Liaison Meeting Summary

The PSPA Committee on Cooperation with IRS periodically meets with IRS representatives in conjunction with other stakeholders. Below is a summary of issues discussed at the Fourth Annual Statewide PA Liaison Meeting on October 20, 2009 in Pittsburgh. PSPA was represented by Marvin R. Huttman, CPA (Philadelphia Tri-County Chapter), Joseph Pinnelli, EA (Philadelphia Tri-County Chapter) and Penny A. Erbe, EA (Western PA Chapter). Various other stakeholders also participated in the meeting.

In attendance from IRS were:

- Brian M Finn, Mid Atlantic Area Manager, Stakeholder Liaison (SL)
- Tina Wilson, Senior Stakeholder Liaison, Pittsburgh
- Andrea Escher, Senior Stakeholder Liaison, Pittsburgh
- Richard Furlong, Senior Stakeholder Liaison, Philadelphia
- Tom Britt, SB/SE, Examination Territory Manager
- Rich Amster, SB/SE, Collection Territory Manager
- Ed Peduzzi, SB/SE, Area Counsel, Pittsburgh
- Andy Mettlen, Local Taxpayer Advocate, Pittsburgh
- Molly Smith, Policy & Strategic Planning, CLD Headquarters

Brian Finn opened the meeting with administrative information and welcomed the newcomers to the liaison process. He gave special thanks to Marvin and the PSPA for sponsoring the continental breakfast at the meeting. Bill welcomed everyone and gave a brief synopsis of what is accomplished through liaison. He defined the primary goal as issue resolution – many issues have been resolved but all issues are addressed. Expanded meetings give organization members a taste of liaison so they might be interested in future representation. Tina Wilson explained that in PA, we meet three times a year with representatives from each of the major practitioner organizations – the May & Aug meetings are working sessions. Issues must be systemic and deal with IRS policy and procedure.

Exam & Appeals

Tom Britt covered the Exam plan. In addition, the 2008 National Research Program (NRP) will generate approximately 1000 returns in PA and there is a Compliance Initiative Project (CIP) on mortgage interest. High income taxpayers are exceeding the allowable deduction – this started as a local initiative and went national. Exam will also be getting voluntary disclosure referrals – the window of opportunity for disclosures ended on Oct 15th at midnight.

Appeals agents do not do audits – cases will be sent back to Exam if they need further development. There are no nominal settlements. Tom does not expect more un-agreed cases due to the inexperience of new agents – there were 617 un-agreed cases last year. Agents are trained to close

the cases at the lowest possible level. The volume of work is balanced throughout the country. Fast Track Settlements (FTS) are not available in western PA, still a pilot program and will continue to be until enough data is gathered to expand it. Only 50 cases have used this process in 2 years. FTS requires that all decision-makers be present; taxpayers don't always like Exam to be at the table; the program is resource-intensive; 60 days to resolution; if no settlement is reached, taxpayers can go through regular appeals.

IRS Recruitment

Terry asked for the practitioners' assistance in reaching prime candidates. Please make use of www.usajobs.gov and you can search under geographical locations and/or job series – Revenue Agent is 512; Revenue Officer is 1169; Tax Auditor is 526. IRS is anticipating 700 Revenue Agent hires next year. Please contact Terry directly at 215-376-5143 for questions & referrals.

Collection Update

For the past year, Rich Amster has been the Collection Territory Manager for western PA and northern WV. He said they are piloting a new closure letter for full paid accounts and those currently not collectible. If cases are being worked in the field and new balance due cases are assessed, they will get the first notice only and then the module will be accelerated to the Revenue Officer working the case.

Discussions arose regarding non-receipt of lien releases and installment agreement letters. The Centralized Lien Unit can be reached at 800-913-6050. They can issue copies of lien releases. For those taxpayers on installment agreements, SL will research to determine who should get monthly/annual notices of account. Both of these items will be worked as new issues.

PSPA indicates that ACS is sending out intent to levy notices when taxpayers are in bankruptcy – this should not be happening. They will fax to SL specific case examples which can be researched to determine if a systemic problem exists.

Taxpayer Advocate Service (TAS)

Andy Mettlen explained that TAS handles case resolution and systemic problems. Pittsburgh primarily receives amended return cases, audit reconsiderations, social security levies &, lately, congressional cases for taxpayers claiming the First Time Homebuyers Credit. He is short-staffed at the moment but inventories are manageable. If anyone has a Form 911 for severe hardship, please fax it to TAS @ 412-395-4769.

IRC Sections 6694, 6707A & 7216

Tax Return Preparer Review: - This initiative is being led by Commissioner Shulman and Karen Hawkins, OPR Director. Several open forums have been held with key organizations and industries - transcripts are available at this link. Concerns include duplication of state efforts; registration & licensing for all paid preparers; testing & CPE requirements; and a tiered approach to implementation. Recommendations are to be made by the end of the 2009 calendar year.

IRC 6694 – FAQs – Preparer penalty provisions under 6694(a) & Preparer signature requirements under 6694(b) are the issues concerning the practitioner community. Recent legislation heightened the standards of conduct that must be met by tax return preparers in order to avoid a penalty.

Practitioners have been informed that referrals to OPR are not mandatory on 6694(a) penalties and the Internal Revenue Manual will be updated to reflect this.

No date has been set for the updates, but SL will continue to check the status at this link: http://www.irs.gov/irm/part20/irm_20-001-006.html#d0e1553

IRC 7216 - FAQs – re: Disclosure of information. Practitioners feel this requires a lot more work on their part and there is confusion regarding when and to whom tax return information can be disclosed. Richard offered to hold a conference call with the PSPA to address the issues that they forwarded last January. While a personal response

cannot be provided by Counsel, they have provided much guidance in the past year, most of which has been posted to www.irs.gov

IRC 6707A – Highlights of Temporary & Proposed Regulations – re: disclosure of listed transactions. This is not a preparer penalty, but is assessed for not disclosing certain transactions. These penalties are extreme and there is no reasonable cause for abatement.

New Issues

Issue #1: Lien releases should be sent to taxpayers after accounts are full paid, but they aren't – difficulty getting releases recorded at prothonotary offices.

Issue #2: What records of account are sent to taxpayers on installment agreements and how often?

Issue #3: FBAR form, Pt 1 owner can use checkbox if over 25, but in Pt 4, info must be listed by signer – why? **Update:** While SL will investigate this issue, practitioners are invited to send questions to: FBARquestions@irs.gov

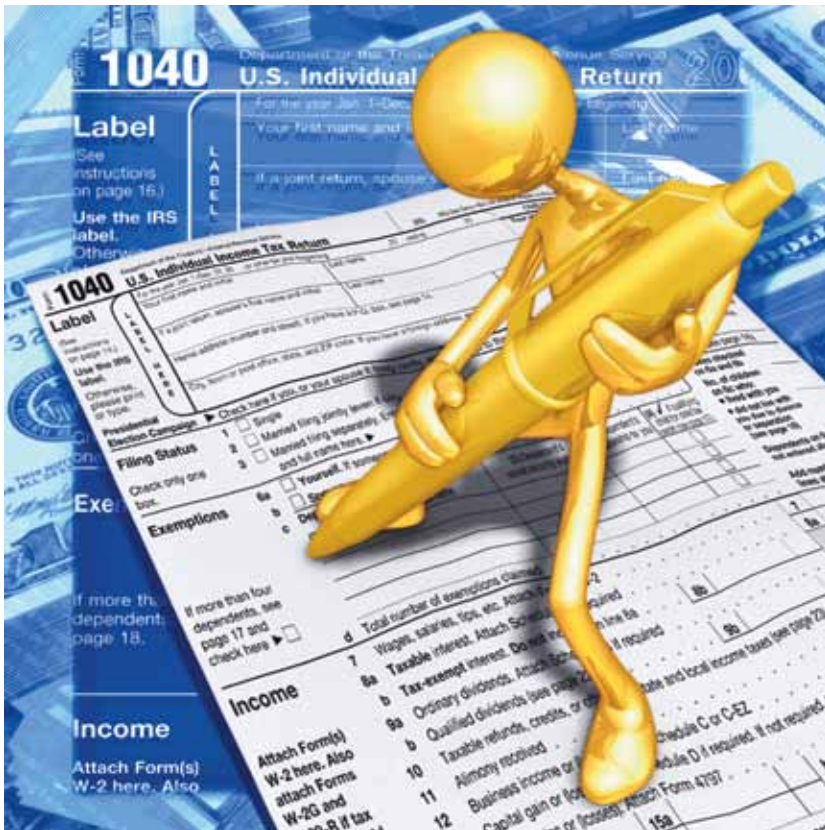
Issue #4: E-filed Form 8886 is limited to 1000 characters – is that an IRS restriction or her software? **Update:** This is an IRS limitation, see link: <http://www.irs.gov/businesses/corporations/article/0,,id=155787,00.html>

Issue #5: What is the procedure for family members and tax professionals to resolve tax matters after death when durable POA has expired?

Current and recently closed issues (covered during this meeting):

Issue #1: Regards IRS returning the entire tax return if a W-2 or return schedule is missing. When would a return be considered legally valid, initiating the statute period? **Update:** There have been many updates over the past 4 years. Beginning later in 2009, in certain situations where the taxpayer has filed a return which is not processible because it is missing information and supporting schedules, rather than return the tax return to the taxpayer and request they resubmit the completed return, the IRS will simply correspond with taxpayers for the missing information and schedules. According to Submission Processing, there are very limited circumstances where the IRS would return a tax return to a taxpayer. They would be situations like a misfiled return (for instance a taxpayer who files a Form 1040 to fulfill a business return filing requirement or a tax year '08 Rebate Recovery Credit Return if filed for a year other than '08). Also, the return received date is the date assigned regardless of the return's completeness or incompleteness. **Status: Closed**

Issue #2: Letter is too harsh when informing taxpayers that their POA has partially withdrawn their authority (e.g. when dropping a tax period



to clean up their CAF77). **Update:** A request was sent thru IMRS to reach letter originator/publisher to consider suggestion, issue 09-0001024, on 12/22/08. It was forwarded to Submission Processing by the IMRS team. We received an interim reply indicating that the letter clearly identifies which tax types and periods are involved. SL returned to the business unit on 5/27/09 and 7/21/09 to request a modest modification rather than a rewrite to no avail. **Status: Closed**

Issue #3: Section 6694 referrals to OPR: are they or are they not mandatory? IRS is modifying the IRM to make a distinction between Sections 6694(a) and 6694(b), but the timeline is uncertain. Dennis Brown stated that this is a work in progress and he would have to defer comment to the Return Preparer Coordinator (RPC). Much depends on the type of deficiency assessed. Referrals are mandatory if 6694(b) implications & if willful/reckless conduct. **Update:** The current IRM section governing whether referrals are mandatory or not is available at: http://www.irs.gov/irm/part20/irm_20-001-006.html#d0e1553

Also, OPR Director Karen Hawkins indicated at July's Tax Talk Today, that the reference to automatic referrals for 6694(a) assessments would be removed in the next revision. SL recommends that practitioners who missed the program check out the archives. **Status: Closed**

Issue #4: Letter 2050/ACS Letter 16 is confusing. It discusses seizure of assets in the opening paragraph and delinquent returns in later paragraphs. This letter was forwarded to the Taxpayer Communications Taskgroup (TACT) in March '09 thru IMRS, issue 09-0001107. **Update:** Their schedule shows a Jan '2012 implementation of a new redesign. **Status: Closed, tagged for follow up by IMRS.**

Issue #5: Suggestion was made to include parts of the Internal Revenue Manual on Pub 1796 – IRS Tax Products DVD. The product owner is considering the suggestion – space on the DVD is at issue. SL initiated a local issue in IMRS, #09-0001175. **Status: Open**

Issue #6: FBAR issues – IRS is starting to prosecute. At issue is that OPR holds CPAs accountable to file FBAR forms, but if litigation, they aren't authorized to practice non-Title 26 law. Also, limited partners in foreign funds receiving K-1s and still have to file FBAR form – is this duplication of effort? SL is in contact with FBAR subject matter expert prior to elevation to OPR/Counsel.

Update: Written document was forwarded to the OPR website – the Chief, Enforcement & Oversight responded by indicating that they were working on this issue. There was no approximation of when they would be done. Referred to Notice 2009-62 and the email box for regcomments@finccen.gov to provide comments & suggestions. Extensions have been provided till June 30, 2010 for those who are unsure whether to file 2008 FBAR forms. **Status: Open - new inconsistencies raised & more research is required; will likely be elevated to IMRS.**

Issue #7: When claiming the new home credit on 1040 or 1040X, IRS wants the proof up front? Will this be the standard? Toll free # says yes. It is delaying return processing 6-8 weeks. **Update:** SL posted a copy of the redacted notice the IMRS discussion board. The response is that taxpayers are not required to submit documentation of home purchase with either an original or amended return, however taxpayers can submit information with the amended return if they believe it is necessary to justify the change to the tax return. SL discussed with local phone site management & was informed that some screening is done with returns claiming the credit. **Status: Closed**

PA Department of Revenue Supports PSPA's Legislation

PSPA received a nod of support from the Pennsylvania Department of Revenue on SB 952 and SB 953 at a meeting held on January 12th in Harrisburg.

PSPA, represented by Legislative Committee Chairman, Neil Trama and Executive Director, Sherry L. DeAgostino, met with Revenue officials to discuss preliminary concerns the Department raised regarding the legislation. In the end, agreement was reached and Revenue offered its support of the legislation. The primary focus of the meeting was the effective dates of the both of the bills which was agreed to be 2011 for the 2010 tax year.

Also in attendance at the meeting were Fran Clever (Chief of Staff for Senator Tomlinson), Meg Crompton of the Consumer Protection and Licensure Committee in the Senate, and representatives from both Senator Corman and Senator Mellow's office.

As you are aware SB 952 is legislation that will exempt taxpayers from penalties and interest for failure to make estimated tax payments as long as their tax payments (after credits) is equal to that of the prior year. This change will pattern the Pennsylvania law with what is currently done at the federal level and provide relief to taxpayers. SB 953 allows for the filing of a joint tax return in the year of a decedent's death if a joint return could have otherwise been filed. Also following federal guidelines as well as the guidelines of the rest of the nation, this legislation is just good public policy.

It is our hope that the Senate will move both of these bills this winter. We will continue to keep the membership updated on our progress. Please make plans to attend the PSPA Day at the Capitol on June 15, 2010 in Harrisburg, to assist in passing this very important legislation.

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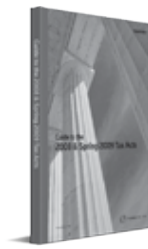
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