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A Message From The President



Over the years there have been many articles and speeches written regarding the relevance of Accounting Societies. At the end of August, I represented the PA Society of Public Accountants (PSPA) at the 58th Annual Meeting of the National Society of Accountants (NSA) in San Antonio, Texas. One of the keynote speakers, Jeffrey Adelstone, an NSA Past President, gave a rousing speech on why he had joined NSA. It was interesting as he recapped the last thirty years of "attacks" on the accounting profession and the accountants' right to practice, beginning with the introduction of the first Uniform Accountancy Act in the 1970's, the Savings & Loan scandal of the 1980's, the Arthur Andersen scandal and the revised efforts of the Uniform Act of the late 1990's. By the end of his speech it was clear why he joined. Today's business environment continues to present a real challenge to small firm practitioners. The bottom line of the speech was that accounting societies are more necessary today than ever. As Jeff spoke, it was easy to relate his comments with why I joined PSPA.

One of the most important roles of the PA Society of Public Accountants (PSPA) is lobbying the state legislature to insure the rights of our members to practice. In the last couple of months, our Chapters have been busy conducting "Legislator Appreciation Nights" to bring our message to our representatives in Harrisburg. Judging by the attendance at these functions, it is clear that our members recognize that the accounting profession is continually facing legislative challenges that could alter our livelihood. These social events play an important part by increasing the awareness and visibility of small accounting firms to our representatives in government. For those who could not take the time to participate, you can still play an important part. We ask that you consider making a contribution to the PSPA - PAC fund. Your contribution will enable the PAC to support candidates who understand the issues critical to our members, which will in turn protect the independent practitioners' right to practice.

In my September President's Message, I briefly mentioned an issue confronting Public Accountants (PA's) and unlicensed tax practitioners that could result from proposed legislation that would allow IRS to regulate preparers of federal tax returns. I am pleased to report that IRS has issued a memorandum recognizing Public Accountants for purposes of Circular 230. Simply stated, IRS ruled that Public Accountants have the same rights and privileges as CPA's under Pennsylvania law, making them eligible to practice before the IRS by virtue of their license. Please join me in expressing my thanks to Legislative Chairman and PSPA Past President Neil Trama, PA for his efforts relative to this decision. Hats off to you, Neil! There continues to be a proposal in the Senate Finance Committee that would require unlicensed preparers to pass an examination that would test technical skills, knowledge of ethics and compliance with Earned Income Tax Credit rules. The registration period would be for three years, with continuing professional education requirements during that time frame. The proposal also provides penalties for failure to register, or failure to sign returns and provide an identifying number. This proposal is still subject to approval by Congress and the President, so the final version may change.

In response to a member survey regarding peer review, PSPA's Education Committee has organized a seminar, "Financial Statement Boot Camp." As a reminder, any firm that performs a **review** after May 1, 2004 must obtain a peer review in order to renew their license in the biennium that ends April 30, 2006. In addition to covering procedures to prepare for a peer review, the program will cover basics of financial statement preparation, accountant's reports, disclosures and reviewed financial statements. Please refer to our Seminar schedule in this issue for further information on this program.

PSPA's Membership Committee has planned another exciting recruiting year. This year's theme expands the Member-get-a-member program, with a sweepstakes where members recruiting new members get a chance to win a laptop computer (first drawing), or a digital camera (second drawing). Each time one of your referrals joins PSPA, your name is entered in the drawing that will take place at the 58th Annual Meeting in Plymouth Meeting. Enter early and enter often.

Lastly, during the NSA awards ceremony in San Antonio, PSPA was presented with the Keith R. Billings Award for the most outstanding state publication, *The Pennsylvania Accountant*. While it is an honor to accept, I wasn't surprised by the selection. The topics covered in our publication continue to bring timely, practical issues of concern to our membership. The award is a testimonial to the efforts of our Executive Director, Sherry DeAgostino and the Editorial Advisory Committee chaired by Mary Lew Kehm. Great Job!

Richard Brasch Jr., CPA
PSPA President

Questions for the PA Department of Revenue?



The PSPA Committee on Cooperation with the Pennsylvania Department of Revenue will hold their annual Q&A meeting with the Department on December 14, 2004 in Harrisburg. If you have questions and/or issues that you would like the committee to include on the meeting agenda please fax it back to (717)737-6847 or email to execdir@pspa-state.org. Be sure to include your name and contact number and background information on your question(s).

The following members serve on the Committee on Cooperation with the PA Department of Revenue:

H. Richard Neidermyer, CPA Chairman	<i>Central Chapter</i>
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Randy L. Brandt, CPA	<i>Central Chapter</i>
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Kevin P. Summerson, CPA	<i>South Central Chapter</i>
Raymond A. Wolownik, CPA	<i>Central Chapter</i>

2004 PSPA Membership Survey Enclosed

Please refer to the center pages of this magazine for the 2004 PSPA Membership Survey. This survey is being distributed in an effort to gather information that will be used in the future planning processes of this organization. This is your opportunity to let us know what we are doing well, and what we could be doing better. Please take a few moments to complete the questionnaire (located on last page of this newsletter) and either mail it back to the PSPA Executive Office, Attn: Membership Survey, 20 Erford Road, Suite 200A, Lemoyne, PA 17043 or fax (717) 737-6847. Be sure to include your name at the top of the questionnaire; participating members will be included in a drawing for one of three \$100 debit cards.

PA Accountant Magazine Receives National Honors



The Pennsylvania Accountant Magazine received the Keith Billings Memorial Award as the "Most Outstanding State Publication of the Year" at the 58th Annual Meeting of the National Society of Accountants in August. "The overall goal for the publication is to provide members up to date technical information (tax & accounting changes), general business information, and legislative updates as well as society news," says Editorial Advisory Committee Chairperson, Mary Lew Kehm, CPA (PSPA Past President - Lehigh Valley Chapter). Executive Director and Magazine editor,

Sherry L. DeAgostino adds, "Considerable effort is put into content as well as the overall design element of the publication. We want members to *want* to read the *PA Accountant*." *The PA Accountant Magazine* has been the recipient of the Keith Billings Memorial Award in two out of the past three years.

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Congratulations NSA District II Governor Sommer

Robert H. Sommer was elected National Society of Accountants (NSA) District II Governor at the 58th Annual Convention held in San Antonio, Texas, on August 2004. Bob is licensed as a Public Accountant in New Jersey and resides in Harrington Park, NJ, where his accounting and tax practice is concentrated. He is a Past President and member of the New Jersey Association of Public Accountants and Past NSA State Director for New Jersey. He has served on the New Jersey Board of Accountancy for 10 years. Bob is a retired Navy Commander Carrier Pilot.

NSA District II encompasses the states of Pennsylvania, New Jersey, New York and Delaware, as well as Puerto Rico and the Virgin Islands. Bob attended the PSPA Board of Directors meeting in Lemoyne, PA on November 6, 2004. PSPA congratulates Mr. Sommer on his election and looks forward to working with him in his new role.



PSPA Legislative Chairman Neil C. Trama (left) and PSPA President Richard Brasch (right) congratulate Robert H. Sommer after his election as NSA District II Governor at the 58th Annual Convention in San Antonio, Texas.

NSA State Director's Message



Summer is gone; Fall has been very beautiful and Winter is on our coattails. I wish everyone Happy Holidays as they are fast approaching, as well as another Tax Season.

NSA has added a new staff member, Patrick Duffy, who will be responsible for responding to questions received at the NSA Tax Help Desk.

Effective December 1, 2004, NSA will begin a new policy regarding tax help desk assistance. All Active and Associate members are entitled to have three tax questions answered without charge for the remainder of the current NSA fiscal year (through August 31, 2005). For the answer to the fourth and each subsequent question between 12/1/2004 and 8/31/2005, NSA will charge \$15.00 payable by credit card in advance of the answer. NSA will try to respond to all questions within 48 hours; however, heavy call volume at certain times may require additional time to respond. As a reminder, the Tax Help Desk will not answer state tax questions, perform or review calculations, prepare any returns, schedules, or forms or render legal opinions. Complex questions that deal with multiple issues may be considered to be two or more questions. You will be advised of this before NSA will proceed with your question.

To submit a question online to the Tax Help Desk, go to:
<https://www.nsacct.org/tax.asp> or call toll-free 1-800-966-6679, ext. 1321.

Members of NSA's Federal Taxation Committee (FTC) have begun contacting ASO - Affiliated State Organization's Presidents and Executive Directors and NSA State Directors to solicit their support in helping FTC build a network to gather information from local IRS/Practitioner liaison meetings. The objectives are to use the network as a means for FTC to gather more intelligence on what is happening in the field, and provide a means to get members more involved in NSA activities.

ACAT's next exam will be December 10, 2004. The deadline to register for the exam is November 10th, 2004.

Respectfully,
Margaret A. Romain-Johnson
PA State Director
District II

Semi-Retired Membership Classification - PSPA By-Law Amendment

The following amendment was passed at the PSPA 57th Annual Meeting in Philadelphia (June 2004).

1. Any PSPA member meeting the current provisions of Active membership, reaching the age of eighty (80), having ten (10) years of active membership in the PSPA and currently in practice will be classified as "Semi-Retired" (SR).
2. The annual dues shall be one-half the current rate for Active Membership in the PSPA.
3. Members reaching the age of eighty (80) must notify the Executive Office in writing prior to March 1, of each year. Proof of age must be provided.

If you have any questions regarding this by-law change please contact the PSPA Executive Office at 1-800-270-3352.

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PENNSYLVANIA TAX UPDATE

By Sharon R. Paxton

Sales Tax Coupons Discontinued

The Pennsylvania Department of Revenue is replacing its current paper-based system with two **free** electronic filing options: (1) filing via the Internet and (2) a toll-free telephone filing system. In addition to being faster and easier, electronic filing offers many advantages:

- Licensees receive immediate confirmation that DOR received your return and payment.
- Automatic error checking prevents costly assessments due to math errors.
- Licensees can file early and set-up payment for the due date.
- No coupons to lose and replace.

Licensees **will not** receive a paper coupon booklet for the 2005 calendar year. Sales and Use Tax account holders will instead receive detailed instructions about the two filing systems in November.

Supreme Court Affirms Commonwealth Court Decision in Schering-Plough - Protection under P.L. 86-272 Not Limited to Owner of Goods Sold

On October 20, 2004, the Pennsylvania Supreme Court affirmed, without opinion, the decision issued by the Commonwealth Court on August 28, 2002 in *Schering-Plough Healthcare Products Sales Corporation v. Commonwealth*. The Commonwealth Court had reversed the Board of Finance and Revenue's determination that a manufacturer's representative, whose activities in Pennsylvania were limited solely to the solicitation of sales for tangible personal property, was subject to Corporate Net Income Tax.

The Department of Revenue contended that Schering-Plough was not entitled to the federal exemption from corporate net income taxes afforded by P.L. 86-272 because

Congress intended only to protect the actual owner of the property who sells to an in-state customer. Since Schering-Plough never took title to the goods, the Department determined that it did not fall within the protection of P.L. 86-272.

The Court agreed with Schering-Plough that the Department's position adds a condition not contemplated by P.L. 86-272. Based on both the plain language of the federal statute (which contains no suggestion that the ownership of the goods is significant) and a review of the history leading to the passage of P.L. 86-272, the Court determined that obtaining title to the goods is not necessary to qualify for protection under P.L. 86-272. Rather, the Court concluded that "Congress' intent was to set a clearly lower limit of activity below which no business can be taxed." The Court found no logical basis for the argument "that a company which limits its activity in a State to solicitation of orders for goods to which it will never take title has a greater nexus to that State than a company taking similar orders for goods it owns someplace else."

Corporate Net Income/ Franchise Tax Apportionment - Payments for Management/ Administrative Services Not Considered Payroll

A three-judge panel of the Commonwealth Court has rendered an opinion which may open the door to significant Pennsylvania Corporate Net Income and Capital Stock/ Franchise Tax planning opportunities. In essence, if it ultimately stands, this opinion would allow companies to determine whether to have a payroll factor or not to have a payroll factor for an operating company, by either placing or not placing the operating company's employees in a separate company (which could operate on a break-even basis). *UPS Worldwide Forwarding, Inc. v. Commonwealth*, 843 A.2d 438 (Pa. Cmwlth. 2004) (exceptions pending).

UPS Worldwide had no employees of its own. All of its services were performed by employees of affiliated companies and by independent contractors. In filing its Pennsylvania corporate taxes, UPS Worldwide took the position that amounts paid to an affiliate for services performed by the affiliate's employees should be treated as payroll expenses of UPS Worldwide. Because the affiliate's employees were all located outside Pennsylvania, UPS Worldwide took the position that it was entitled to employ a "zero" payroll factor in apportioning its Corporate Net Income and Franchise Taxes. The Department of Revenue took the position that since UPS Worldwide, itself, had no employees, it was not entitled to include a payroll factor in its apportionment computations. The three-judge panel of the Commonwealth Court agreed with the Department's position.

Under the Tax Reform Code of 1971, the payroll factor consists of Pennsylvania compensation divided by total compensation. "Compensation" is defined as "wages, salaries, commissions and any other form of remuneration paid to employees for personal services." 72 P.S. §7401(3)2(a)(1)(C).

UPS Worldwide relied on *Commonwealth v. American Gas Company*, 42 A.2d 161 (Pa. 1945), in which the Pennsylvania Supreme Court ruled that amounts paid by American Gas to its parent company, for the parent's provision of personnel to serve as officers of American Gas, should be treated as payroll expenses of American Gas. In that case, American Gas had a written management agreement with its parent, specifically requiring the parent to provide five personnel to serve as corporate officers of American Gas, as directed by American Gas. The Dauphin County Court of Common Pleas, serving as the predecessor to the Commonwealth Court, held that the five persons were employees of American Gas and that the amounts paid as a management fee to the parent should be treated as payroll expenses of American Gas. The Pennsylvania Supreme Court affirmed, noting that despite their relation to the parent company, the five individuals had definite statutory obligations to

American Gas as corporate officers, and that the parent company was not in the "labor brokerage business."

While acknowledging the similarity of *American Gas* to the UPS Worldwide situation, the three-judge panel of Commonwealth Court nonetheless held against UPS Worldwide, citing several distinguishing factors. First, UPS Worldwide stipulated that it had no employees under the law of employment. Second, unlike in *American Gas*, the related entity was not providing persons to serve in specific capacities, e.g. as corporate officers. Third, there was no evidence in the record to establish that UPS Worldwide had control of any of the affiliate's employees, whereas American Gas had a written agreement and the individuals in that case were officers of the taxpayer, legally obligated to the control of American Gas.

Business Privilege Tax - Township Must Apportion Interstate Receipts

On September 2, 2004, in *Northwood Construction Co. v. Township of Upper Moreland*, the Pennsylvania Supreme Court affirmed the right of Upper Moreland Township to tax receipts from services performed outside the Township, but within Pennsylvania, by a construction company headquartered in the Township. However, the Court also ruled that the Township's tax violated the Commerce Clause of the United States Constitution because tax was imposed on 100% of the company's revenues from construction jobs performed outside Pennsylvania.

Northwood Construction Company's only office was in Upper Moreland Township, although the company maintained job-site trailer offices from which much of the work on particular projects was managed. The company conducted a substantial portion of its activities in Delaware, New Jersey and Maryland. The Township's Business Privilege Tax Ordinance, which imposes tax on all gross receipts of a company with an office in the Township, provides for apportionment of interstate receipts by applying three-factor apportionment (property, payroll and receipts factors) to such receipts only when a business main-

tains an office outside Pennsylvania. In this case, the Township refused to apportion Northwood's receipts because it did not consider the job-site trailers to be permanent offices, and Northwood had no other offices outside the Township.

In reviewing Northwood's Commerce Clause challenge, the Pennsylvania Supreme Court applied the "Internal Consistency" and "External Consistency" tests utilized by the United States Supreme Court to determine whether a tax is fairly apportioned. Although the Township's tax satisfied Internal Consistency, it did not pass constitutional scrutiny under External Consistency which looks at whether a tax applies only to "that portion of the revenues from interstate activity which reasonably reflects the in-state component of the activity being taxed." In this case, since the Township taxed 100% of Northwood's receipts, generated in substantial part from activities outside Pennsylvania, the Court held that the Township's tax clearly violated External Consistency. The Court noted that, even if the Township had excluded some interstate receipts based on an ordinance exclusion for actual taxation by an out-of-state jurisdiction, that may not have saved the Township's tax from constitutional infirmity because receipts generated from out-of-state activities would still remain subject to the tax to the extent out-of-state jurisdictions did not tax them.

COMMENT: While the results in this case are entirely predictable based on earlier precedent, in particular the Commerce Clause cases, the fact that Upper Moreland sought to sustain its tax, and that two lower courts sustained the tax, indicates the confusion which reigns with regard to local business gross receipts taxes in Pennsylvania. Our recommendations, based on a number of precedents:

1. Any company which is conducting activities on a multi-state basis but is not currently being allowed to apportion its interstate business receipts should consult with its tax counsel and demand the right to apportion.
2. A company being asked to pay local business gross receipts

continued on page 9

PSPA Offers Custom Seminar

PSPA is offering a Custom Seminar on Financial Statement Preparation and for those preparing for peer review. "Financial Statement Bootcamp" is the result of the many requests we've received from members for a peer review preparatory course.

This course is being offered on December 8, 2004 at the Double-Tree Hotel in Plymouth Meeting. (Brochures were mailed to PSPA members separately). PSPA has teamed up with Gear Up Speaker, Joseph L. Santoro, CPA to help small practitioners prepare financial statements in accordance with professional standards and to have a successful peer review. You won't find the content of this seminar anywhere else! For additional information or to register contact 1-800-270-3352.

AICPA Adopts New Ethics Requirements for Members Who Outsource

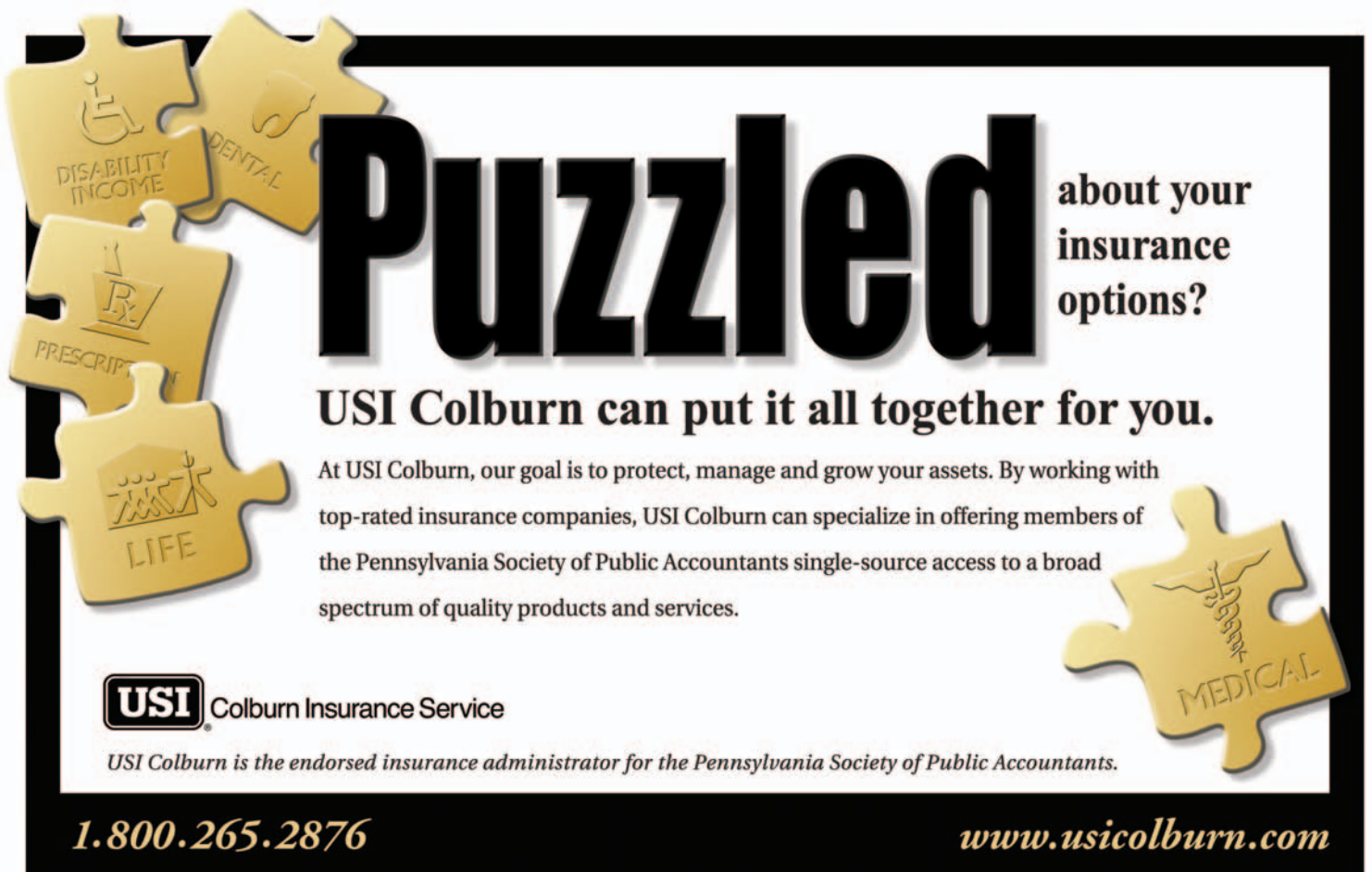
The American Institute of Certified Public Accountants (AICPA) has adopted new ethics rules that place new requirements on members who outsource work. Two new rules and one revised rule spell out the responsibilities AICPA members now must meet when outsourcing clients' work to third-party providers. The definition of third-party service providers has been broadened beyond an outside tax service bureau to any third-party service provider used by AICPA members, including independent contractors used by a CPA firm.

The new requirements state that AICPA members must inform their clients - preferably in writing and before providing confidential client information to the third-party service provider - that the firm will use a third-party service provider when providing professional services to the client.

The new rules also clarify that

AICPA members are responsible for all work performed by the service provider. Furthermore, AICPA members using third-party service providers are required under the new rules to enter into a contractual agreement with the third-party service provider to maintain the confidentiality of the client's information, and to be reasonably assured that the third-party service provider has appropriate procedures in place to prevent the unauthorized release of confidential client information.

New rules are effective for all professional services performed on or after July 1, 2005, except for professional services performed pursuant to agreements in existence on June 30, 2005, that are completed by December 31, 2005. Early application is encouraged. New standards are available at http://www.aicpa.org/download/ethics/2004_1028_outsourcing.pdf



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Pennsylvania Public Accountants Recognized under Circular 230

The Office of the Chief Counsel of the IRS has issued a written determination re: Code Section 7453: Rules of practice, procedure and evidence. According to this determination, since public accountants in Pennsylvania are statutorily given equivalency with CPAs they are also recognized under Circular 230.

On form 2848 Public Accountants should check box (b) Certified Public Accountant and add the following sentence: "I am duly qualified to practice as a CPA as a Public Accountant licensed in Pennsylvania as per IRS written determination #200441028."

A special thank you to Neil Trama (PSPA Past President) for his follow up with the IRS on this issue.



An excerpt from the written determination appears below:

Office of Chief Counsel Internal Revenue Service Memorandum

Number: 200441028
Release Date: 10/8/04

Richard S. Goldstein
Special Counsel to the Associate Chief Counsel
(Procedure & Administration)

Subject: Pennsylvania Public Accountant

This memorandum responds to the inquiry regarding a licensed and registered public accountant in Pennsylvania who has represented himself as "duly qualified to practice as a certified public accountant" (i.e., category (b)) on Form 2848, Power of Attorney and Declaration of Representative, authority to represent taxpayers before the IRS.

ISSUE

Whether an individual who is a registered and licensed public accountant in Pennsylvania, but is not a CPA, is eligible to practice before the IRS by virtue of their public accountant's license?

CONCLUSION

Yes. The statute and regulations provide that an individual who is duly qualified to practice as a CPA in any State, territory, or possession of the United States or the District of Columbia may represent a person before the IRS. Under Pennsylvania law, a registered and licensed public accountant has the same rights and privileges as a certified public accountant. Thus, for purposes of Circular 230, a public accountant registered and licensed in Pennsylvania is eligible to practice before the IRS by virtue of their public accountant's license.

Pennsylvania Tax Update continued from page 7

taxes by a municipality where the company has no office or other permanent facility should have its legal counsel evaluate whether it is legally required to pay tax to that jurisdiction. The company may not be required to pay.

3. Any company which has offices or other permanent facilities in more than one Pennsylvania jurisdiction, which is being asked by one or more of those jurisdictions to pay tax on 100% of its receipts, should consult counsel to oppose the imposition of tax on all of its receipts.
4. Any company which is being asked to pay tax on 100% of its gross receipts on the basis that the company has its only headquarters in the jurisdiction should ask its tax counsel whether the tax actually may be applied to

receipts from business transacted outside the jurisdiction.

Business Privilege Tax - Contractor with Field Office in Taxing Jurisdiction Not Subject to Tax

The Commonwealth Court recently ruled in *V.L. Rendina, Inc. v. City of Harrisburg* that the City could not impose a business privilege tax on a contractor with no permanent office in the City. The City had argued that the contractor's job trailer, which the company maintained in the City for approximately three years, provided a "base of operations" from which to manage, direct and control the business activities necessary to complete the City project. Applying principles developed in prior cases, including *Township of Lower Merion v. QED, Inc.*, in which the Commonwealth Court held that a local taxing

district may impose a privilege tax only on businesses with a "place of business" or "base of operations" within the taxing district, the Court determined that the company was not subject to the Harrisburg tax because its job trailer was not a "place of business." While there is some question whether the Harrisburg ordinance was properly characterized as a "privilege" tax rather than a "transaction" tax (an issue that does not appear to have been raised by the parties), the decision is otherwise consistent with the analysis applied in prior cases to evaluate the status of contractor field offices. The City of Harrisburg is expected to appeal.

Sharon R. Paxton is a member of McNeese Wallace & Nurick LLC's State and Local Tax Group. Additional Pennsylvania tax information may be obtained at the firm's "Pennsylvania Tax Page" on the Internet at: www.mwn.com.



New E-Service Revolutionizes Transcript Delivery

Tax practitioners can now request transcripts of their client's tax records and receive them within minutes instead of days or weeks using a new online tool delivered through the IRS Business Systems Modernization program. The Transcript Delivery System (TDS) is the latest in a series of e-services that are revolutionizing how tax practitioners work with the Internal Revenue Service on behalf of their clients.

Authorized tax practitioners use the new electronic tool to order tax account and tax return transcripts and other tax information for their business and individual clients. The documents are returned to the practitioner's computer through a secure online connection within minutes. Paper requests for the same information can take days or weeks to complete.

Tax practitioners use transcripts when representing their clients before the IRS. Transcripts are printouts of a taxpayer's account that show actions taken by the IRS or the taxpayer and any tax, penalties or interest assessed. Tax returns can also be printed as transcripts to show most of the numbers reported on the return and those from accompanying schedules or forms. In many cases, transcripts are used instead of making copies of tax returns.

TDS is one of three premium e-services the IRS has developed for practitioners who have successfully e-filed 100 or more individual tax returns and registered to use e-services. The other premium e-services, Disclosure Authorization and Electronic Account Resolution, were released in July.

The Transcript Delivery System is the final product in a line of e-services developed through the Business Systems Modernization program in partnership with the

PRIME Alliance group of contractors led by Computer Sciences Corporation.

Links on IRS.gov:

- What are the e-services products?
<http://www.irs.gov/taxpros/article/0,,id=107478,00.html>

IRS Extends Tip Compliance Agreement Program

The Internal Revenue Service announced it is indefinitely extending its Tip Rate Determination and Education Program, a voluntary compliance tool that has helped nearly double the reporting of tip income.

Originally developed by the IRS in 1993 for the food and beverage industry, the tip program was set to expire in 2005. Now, the successful program will continue without a sunset date.

Since the program was introduced, voluntary compliance has significantly increased. In 1995, tip wages reported were \$9.45 billion. For 2003, the amount exceeded \$18 billion. To date over 15,000 employers have entered into tip agreements, representing nearly 47,000 individual establishments.

The tip program offers employers multiple voluntary agreement options designed to provide non-burdensome methods for employers and employees to comply with tip reporting laws.

Options include:

- Tip Rate Determination Agreement (TRDA);
- Tip Reporting Alternative Commitment (TRAC);
- EmTRAC - Employer-designed TRAC.

The tip agreements have common elements including:

- Education - To help employers and employees better understand the federal tax laws regarding tips;

- Simplification - To make it easier for tipped employees to calculate their tips, report their tips and pay their taxes;
- Burden Reduction - To reduce the likelihood of and to ease the financial burdens associated with a tip examination.

With the indefinite extension of the tip program, the IRS will administer existing tip agreements without the need for employers to re-sign agreements.

Schedule C-EZ Change Means Savings for Small Businesses

The Internal Revenue Service announced it will expand the number of small businesses eligible to file a simplified expense form, a move that will save money and reduce paperwork burden.

The IRS will double the business expense threshold to \$5,000 from \$2,500 for filing the Form 1040, Schedule C-EZ. The change will mean a savings of 5 million hours of paperwork burden for small business taxpayers. The threshold change means approximately 500,000 more small businesses - a 15 percent increase - will be able to file the Schedule C-EZ.

The Form 1040, Schedule C-EZ was first established in 1992. It was intended to make it easier for small businesses with modest expenses to file a simplified form. Small business owners that file a Form 1040 use the Schedule C to report profits and expenses.

Tax Professionals to Send Certain Tax Returns to Different IRS Centers Than Last Year

The Internal Revenue Service is urging tax professionals to be aware of changes that will affect where they send tax returns and payments for clients starting in

2005. The changes are a result of redistributing workload among the seven IRS processing centers to provide better service.

For tax year 2004, the changes affect returns, with or without payments, from Connecticut and Virginia and for returns with payments from Arizona and Utah.

Tax professionals should send:

- Returns from Connecticut without payments to the IRS in Kansas City, Mo.,

- Returns from Connecticut with payments to the IRS in St. Louis, Mo.,
- Returns from Virginia without payments to the IRS in Fresno, Calif., and
- Returns from Arizona, Utah and Virginia with payments to the IRS in San Francisco.

Because many tax professionals will need the addresses for IRS centers before the tax filing season, the IRS is

providing them now. The addresses for all of the states are below.

For taxpayers who file paper returns, the new center addresses will be provided on the envelopes in the tax packages. Taxpayers who e-file will not be affected by these changes. Almost half of all individuals chose to e-file their federal tax returns in 2004.

NOTE FOR FORM 1040A AND 1040EZ RETURNS:

If you are filing a client's Form 1040A or 1040EZ and are enclosing a payment, you will also use the addresses shown in the last column above.

If you are filing a client's Form 1040A and are not enclosing a payment, you will also use the addresses shown in the middle column except the +4 ZIP Code extension will be -0015 instead of -0002 (the Philadelphia +4 ZIP code extension remains -0215).

If you are filing a client's Form 1040EZ and are not enclosing a payment, you will also use the addresses shown in the middle column except the +4 ZIP Code extension will be -0014 instead of -0002 (the Philadelphia +4 ZIP code extension remains -0215).

Educators Should Save Receipts for Reinstated Deduction

The Internal Revenue Service has advised teachers and other educators to save their receipts for books and other classroom supplies. They will be able to deduct up to \$250 of such expenses again this year, following recently-enacted legislation.

The Working Families Tax Relief Act of 2004 reinstated the educator expense deduction, which had expired at the end of last year, for both 2004 and 2005. Expenses incurred any time this year may qualify for the deduction, not just those since the Act was signed on October 4.

The deduction is available to eligible educators in public or private elementary or secondary schools. To be eligible, a person must work at least 900 hours during a school year as a teacher, instructor, counselor, principal or aide.

WHERE TO FILE 2004 TAXES FOR FORM 1040 FOR TAX PROFESSIONALS
(Note: the first line of the address should be: Internal Revenue Service)

If your client lives in	Then use this address if you are filing a client's return and are not enclosing a payment	Then use this address if you are filing a client's return and enclosing a payment**
Alabama, Florida, Georgia, Mississippi, North Carolina, Rhode Island, South Carolina, West Virginia	Atlanta, GA 39901-0002	P.O. Box 105017 Atlanta, GA 30348-5017
Maine, Massachusetts, New Hampshire, New York, Vermont	Andover, MA 05501-0002	P.O. Box 37002 Hartford, CT 06176-0002
District of Columbia, Maryland, New Jersey, Pennsylvania	Philadelphia, PA 19255-0002	P.O. Box 80101 Cincinnati, OH 45280-0001
Arkansas, Colorado, Kentucky, Louisiana, New Mexico, Oklahoma, Tennessee, Texas	Austin, TX 73301-0002	P.O. Box 660308 Dallas, TX 75266-0308
Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, Wyoming, Virginia	Fresno, CA 93888-0002	P.O. Box 7704 San Francisco, CA 94120-7704
Connecticut, Delaware, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin	Kansas City, MO 64999-0002	P.O. Box 970011 St. Louis, MO 63197-0011
Ohio	Memphis, TN 37501-0002	P.O. Box 105093 Atlanta, GA 30348-5093
All APO and FPO addresses, American Samoa, nonpermanent residents of Guam or the Virgin Islands*, Puerto Rico (or if excluding foreign income under Internal Revenue Code section 933), dual status alien, a foreign country: U.S. citizens and those filing Form 2555, 2555-EZ, or 4563	Philadelphia, PA 19255-0215	P.O. Box 80111 Cincinnati, OH 45280-0011

* Permanent residents of Guam should use: Department of Revenue and Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the Virgin Islands should use: V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802

** The addresses listed in this column are different from the addresses listed on the back of the tax booklets. You must use the addresses in this column if you are a preparer.

continued on page 12

Tax Corner

continued from page 11

An educator may subtract up to \$250 of qualified out-of-pocket expenses when figuring adjusted gross income (AGI). This deduction is available whether or not the taxpayer itemizes deductions on Schedule A.

The IRS suggests that educators keep records of qualifying expenses in a folder or envelope with a label such as "Educator Expense Deduction," noting the date, amount and purpose of each purchase. This will help prevent a missed deduction at tax time.

For more information, call the IRS Tele-Tax system toll-free at 1-800-829-4477 and select Topic 458. Or go to the IRS Web site at www.irs.gov and use its search engine to find Tax Topic 458.

New Product, 2005 Form 1040-ES(E), Estimated Tax for Individuals

Beginning January 2005, a new product, Form 1040-ES(E), Estimated Tax for Individuals, will be mailed to taxpayers who have made one or more estimated tax payments electronically using the Electronic Federal Tax Payment System (EFTPS), Electronic Funds Withdrawal (EFW) or credit card payment method. Form 1040-ES(E) will be sent to these taxpayers in place of the current Form 1040-ES package. The Form 1040-ES(E) mailing includes instructions for calculating and paying taxes, but excludes payment vouchers and return envelopes. Taxpayers who pay electronically do not need to send in a voucher. It is projected that approximately 200,000 of the new Form 1040-ES(E) will be mailed to taxpayers in 2005.

Taxpayers are encouraged to pay estimated taxes electronically. However, to obtain a paper payment voucher, taxpayers can visit www.irs.gov, select the "Forms and Publications" link under the search box in the left margin of the page and select "Forms and Instructions". A list of tax forms can be found at the end of the "Forms and Instructions" page. Additionally, taxpayers can request a

Form 1040-ES by calling 1-800-TAX-FORM (1-800-829-3676). The taxpayer should receive the order within 10 calendar days.

IRS Announces Pension Plan Limitations for 2005

The Internal Revenue Service has announced cost of living adjustments applicable to dollar limitations for pension plans and other items for Tax Year 2005.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. It also requires that the Commissioner annually adjust these limits for cost of living increases.

Many of the pension plan limitations will change for 2005. For most of the limitations, the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. Furthermore, several limitations, set by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), are scheduled to increase at the beginning of 2005.

For example, under EGTRRA, the limitation under section 402(g)(1) on the exclusion for elective deferrals described in section 402(g)(3) is increased from \$13,000 to \$14,000. This limitation affects elective deferrals to section 401(k) plans and to the Federal Government's Thrift Savings Plan, among other plans.

Cost-of-Living Limits for 2005

Effective January 1, 2005, the limitation on the annual benefit under a defined benefit plan under section 415(b)(1)(A) is increased from \$165,000 to \$170,000. For participants who separated from service before January 1, 2005, the limitation for defined benefit plans under section 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2004, by 1.0273.

The limitation for defined contribution plans under section 415(c)(1)(A) is increased from \$41,000 to \$42,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the

same manner as the dollar limitation of section 415(b)(1)(A). These dollar amounts and the adjusted amounts are as follows:

- The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from \$205,000 to \$210,000.
- The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employee in a top-heavy plan is increased from \$130,000 to \$135,000.
- The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5 year distribution period is increased from \$830,000 to \$850,000, while the dollar amount used to determine the lengthening of the 5 year distribution period is increased from \$165,000 to \$170,000.
- The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) is increased from \$90,000 to \$95,000.
- The annual compensation limitation under Section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost of living adjustments to the compensation limitation under the plan under Section 401(a)(17) to be taken into account, is increased from \$305,000 to \$315,000.
- The compensation amount under Section 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at \$450.
- The compensation amounts under Section 1.61 21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes increased from \$80,000 to \$85,000. The compensation amount under Section 1.61 21(f)(5)(iii) is increased from \$165,000 to \$170,000.

LIMITATIONS SPECIFIED BY STATUTE

The Code, as amended by the Economic Growth and Tax Relief Act of 2001 (EGTRRA), specifies the applicable dollar amount for a particular year for certain limitations. These applicable dollar amounts are as follows:

- The limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) is increased from \$13,000 to \$14,000.
- The limitation under Section 408(p)(2)(E) regarding SIMPLE retirement accounts is increased from \$9,000 to \$10,000.
- The limitation on deferrals under Section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$13,000 to \$14,000.
- The dollar limitation under Section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or 408(p) for individuals aged 50 or over is increased from \$3,000 to \$4,000.
- The dollar limitation under Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or 408(p) for individuals aged 50 or over is increased from \$1,500 to \$2,000.
- Administrators of defined benefit or defined contribution plans that have received favorable determination letters should not request new determination letters solely because of yearly amendments to adjust maximum limitations in the plans.

IRS Revises Offer in Compromise Application Form

The Internal Revenue Service announced that the newly revised taxpayer application for an offer in compromise, the Form 656 package, is now available.

An offer in compromise is an agreement between a taxpayer and the IRS that resolves the taxpayer's tax liability. Under certain circumstances, the IRS has the authority to settle federal tax liabilities by accepting less than full payment.

The Form 656 package was redesigned to make it easier for taxpayers to follow the instructions for and correctly prepare the application for an agreement. The form was last revised in 2001.

The new form also includes a signature block for the tax practitioner (if any) employed by the taxpayer to prepare the application form. This paid preparer signature block was added to discourage unscrupulous promoters who falsely market offers in compromise to taxpayers as a "pennies on the dollar" approach.

The IRS worked with and received recommendations from external groups and the National Taxpayer Advocate in revising the Form 656 package.

The package now includes Form 656-A, Income Certification for OIC Application Fee, and a worksheet to help taxpayers determine whether they meet the income exception to the \$150 fee. The redesign also features:

- A checklist to help taxpayers determine if they are eligible to file an OIC before they invest time in form preparation;
- A step-by-step guide through the OIC process;
- A Third Party Designee section, which allows a person other than the taxpayer to discuss any additional information that the IRS needs to process the offer; and
- A summary checklist that reduces the chance that the application will be returned by the IRS for omissions.

Tax practitioners and the general public should begin using the 2004 revised package immediately and destroy any previous versions of the form they may have.

Applicants may order the package by calling the IRS toll-free at 1-800-TAX-FORM (1-800-829-3676). The Form 656 package is also

available on the IRS Web site at www.irs.gov.

Update: Business Tax Reform Commission

Since the Pennsylvania Business Tax Reform Commission issued its Interim Report in June, it has been working diligently in an effort to finalize its report to Governor Edward G. Rendell and the General Assembly by November 30.

Governor Rendell established the Commission to evaluate Pennsylvania's business tax structure and recommend changes to the tax structure that will broaden the business tax base, thereby reducing the rates; leveling the playing field; and creating a fairer business tax climate. The Commission's recommendations must be revenue neutral.

PA DOR Website for Online Sales Tax Payments

The September issue of PSPAeUpdate indicated that the PA Department of Revenue will implement a mandatory electronic filing of sales tax returns beginning with the first deadline of 2005, (February 20, 2005).

The electronic system will replace the paper-based system, and thus coupon booklets will not be issued. Notices of the change as well as detailed instructions were supposed to be mailed to Sales and Use Tax Account holders in August/September, but they were unable to meet this deadline. Revenue plans to have all of these notices out in the next couple of weeks.

The Department will offer two free electronic filing options:

- Filing via the Internet
- Filing using a toll-free telephone filing system

The Department's website is ready to begin setting up accounts for online filings and payments via the Internet. You or your clients can go to <http://www.revenue.state.pa.us/revenue/cwp/view.asp?a=13&q=234496> to set up the account. The telephone filing system will be available soon.

The following article will appear in newspapers and business journals throughout the State. PSPA is proud to partner with Corporate Sponsor, PNC Bank. See PNC's Ad in this issue and take advantage of the programs PNC offers to Small Business.

Statewide Accounting Society Names PNC Bank Preferred Partner Pennsylvania's Largest Bank

The Pennsylvania Society of Public Accountants (PSPA), a growing association with a membership that includes certified public accountants, public accountants, enrolled agents and tax practitioners, announced today a statewide partnership with PNC Bank, Pennsylvania's largest bank.

PNC Business Bankers will work with PSPA's membership to deliver the financial services that are specifically designed for accountants and their small business clients through the PNC Advantage for Accounting Professionals program. PSPA's members serve hundreds of thousands of clients throughout Pennsylvania. In addition, PNC Bank will sponsor the Continuing Professional Education seminars of local PSPA chapters across the Commonwealth this fall.

"We are pleased to announce PNC Bank as PSPA's preferred bank" said Sherry L. DeAgostino, executive director of PSPA. "Our membership is largely comprised of small accounting firms that serve a market of families and small business clients, and they now have the added resources of PNC



Bank to meet their needs and those of their clients."

"Ensuring the success of small business across Pennsylvania has been our priority for many years," said Jeffery Schmidt, senior vice president and PNC Business Banking manager. "This is an exciting partnership for PNC Bank because PSPA members play such an important role in the success of each of their small business clients". Adds Bruce Walton, Vice President, Small Business Banking, "Working with PSPA, we can directly support their educational efforts as well as offer financial services across its membership in our communities." PNC Bank is a Preferred SBA Lender and is the largest lender to small

business in the state.

"I am very familiar with PNC and the benefit they provide to small business because many of my clients are customers, and I have been a PNC customer for years," said Marvin R. Huttman, CPA, MST, of Narberth, PA. "PNC is a perfect fit for our organization, and as a member I couldn't be happier with the partnership."

The Pennsylvania Society of Public Accountants is a non-profit, professional membership association comprised of Certified Public Accountants, Public Accountants, Enrolled Agents and tax practitioners. Since 1946, PSPA has been dedicated to encouraging high standards of technical proficiency among its members through quality continuing professional education and to protecting and supporting small business throughout the Commonwealth. Contact the PSPA Executive Office at 1-800-270-3352 for additional information.



PICPA Attempts to Amend Act 140 CPA Law

State Senator Robert Thompson (Chairman of the Senate Appropriations Committee) introduced SB 1270 at the request of the PICPA. The bill was introduced on November 17, 2004 and was referred to the Senate Consumer Protection and Professional Licensure Committee. It will be reintroduced in the next legislative session.

SB 1270 proposed the following:

- New proposed definition for attest which will eliminate compilations from the definition. (Prevents firms who do not do reviews or audits from qualifying experience for CPA candidates.)
- 150 Hour Requirement – Beginning in 2007, all CPA candidates must have an additional thirty hours of education (Master's Degree) before obtaining the CPA certificate. (Prevents entry into the profession - hiring disadvantage for small firms - additional education need not be accounting, tax or business related.)
- Simple Majority Ownership of Firms – changes accounting firm ownership requirements from one-third to 49%.
- Expands public awareness of unlicensed practitioners who prepare financial information by strengthening the enforcement of safe harbor language.

PSPA members will receive more detailed information via the PSPAeUpdate in the coming weeks.

A copy of the bill can be obtained at: <http://www.legis.state.pa.us/WU01/LI/BI/ALL/2003/0/SB1270.HTM>



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Many other titles are available from CCH. Go to www.tax.cchgroup.com to view a complete list of available titles. If you are interested in purchasing a title that does not appear on this form please contact the PSPA Executive Office at 1-800-270-3352 or email your request to info@pspa-state.org.

CCH 2004 US Master Tax Guide

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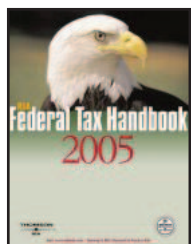
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- Extensive professional advice based on the experience of RIA's expert editorial team, not found in cited authorities (and you won't find it with the competition either)
- A comprehensive topic index with words that practitioners know and use. A margin index on the back cover helps you locate chapters quickly and saves you time
- The Handbook is shipped with the 2005 CPE Quizzer! You have the choice to answer 50, 100 or 150 questions based on Handbook information, and receive 10, 20 or 30 CPE credit hours respectively! A processing fee is charged for grading the Quizzer. Before completing the questions, check with your local CPE accrediting organization to see if it accepts the RIA Quizzer.
- RIA will continue to provide you with the latest tax developments, insightful guidance and updates, via our website (www.RIAhome.com/federaltaxhandbook) even after you receive your Handbook.

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Chapter Meeting Dates

Buxmont Chapter

All meetings are held on the fourth Tuesday of the month at Williamson's Restaurant in Willow Grove unless otherwise noted.

DECEMBER 21, 2004

TOPIC: Home Equity Conversion Mortgages
SPEAKER: Alan D. Catz, ChFC, CLU
CPE: 2 Hours Tax

JANUARY 25, 2005

TOPIC: Small Business Tax Update
SPEAKER: Richard G. Furlong, Jr.,
Senior Tax Specialist, IRS

Lehigh Valley Chapter

All meetings are held on the third Tuesday of the month at the Holiday Inn East, Bethlehem, unless otherwise noted.

DECEMBER 7, 2004

Breakfast Meeting
TOPIC: Ethics & Circular 230/Recent Tax Legislation
CPE: 2 Hours Other/Ethics; 2 Hours Tax

DECEMBER 21, 2004

ANNUAL HOLIDAY PARTY

JANUARY 18, 2005

TOPIC: Health Savings Accounts -
An Accountant's Best Friend
CPE: 2 Hours Tax

FEBRUARY 18, 2005

TOPIC: Practitioner's Roundtable Discussion
CPE: 2 Hours Tax

MARCH 22, 2005

TOPIC: Practitioner's Roundtable Discussion
CPE: 2 Hours Tax

Philadelphia Chapter

All meetings are held at McCall's Conference & Meeting Center, 201 Lynn Blvd., Upper Darby unless otherwise noted. Directions at www.meetatmccall.com

DECEMBER 13, 2004

TOPIC: Practice Succession Planning

JANUARY 10, 2005

TOPIC: City of Philadelphia Update

FEBRUARY 1, 2005

TOPIC: Tax Potpourri

MARCH 16, 2005

TOPIC: Medicare Update

South Central Chapter

All meetings are held at the Radisson, Camp Hill unless otherwise noted.

DECEMBER 12, 2004

TOPIC: Holiday Program (Dinner & Show)
LOCATION: Hershey Lodge & Convention Center
TIME: 6:00-8:00 P.M.

JANUARY 26, 2005

TOPIC: Package X
CPE: 4 Hours Tax
TIME: 9:15 A.M. - 2:30 P.M. - Session I
3:00 - 8:00 P.M. - Session II

APRIL 20, 2005

TOPIC: Tax Roundtable & Technology
CPE: 2 Hours Tax; 2 Hours Other

MAY 18, 2005

TOPIC: Determining Cash Flows From Tax Returns &
Financial Statements
LOCATION: Hanover Country Club
CPE: 4 Hours A&A
TIME: 1:00-5:00 P.M.

Western Pennsylvania Chapter

All meetings are held on the 3rd Wednesday in September, October, November, January and February.

DECEMBER 18, 2004

HOLIDAY PARTY

LOCATION: Edgewood Country Club

JANUARY 19, 2005

TOPIC: State & Local Tax Update
SPEAKERS: Charles Potter & Philip Cook, CPA
LOCATION: Edgewood Country Club
CPE: 4 Hours Tax

FEBRUARY 16, 2005

TOPIC: Roundtable Discussion Additional Topic TBA
SPEAKER: PNC Bank Representative
CPE: 4 Hours Tax

MAY 14, 2005

After Tax Season Party
LOCATION: Edgewood Country Club

Seminar Dates

ACPEN Satellite & Webcast CPE

DECEMBER 8, 2004
Annual Tax Update

JANUARY 12, 2005
Effective Controllorship Skills

Gear Up 1040 Tax Seminar

DECEMBER 6 & 7, 2004

Radisson Hotel, Trevose

CPE: 16 Hours Tax

Sponsored By: Buxmont Chapter

DECEMBER 9 & 10, 2004

Edgewood Country Club, Monroeville

CPE: 16 Hours Tax

Sponsored By: Pittsburgh Chapter



Fall Legislator Appreciation Events an Overwhelming Success

Various PSPA chapters held legislative events this Fall (chapters & the legislators who attended are listed below). This legislative program offers PSPA members the opportunity to meet with their elected officials to discuss local issues as well as issues that affect the accounting profession and small business. These ongoing programs are just one way that PSPA ensures that the voice of our membership is heard in Harrisburg.

Thank you to all PSPA members who attended these very important events.



State Representative Julie Harhart talks to LHV Chapter members at their dinner on August 17, 2004.



State Representative Patrick Browne and State Representative Craig Dally in conversation with Lehigh Valley Chapter member Curtis Frantz of Egypt, PA.

August, 17, 2004 - Lehigh Valley Chapter - Attending Legislators - Hon. Patrick Browne, Hon. Craig Dally, Hon. Julie Harhart, Hon. Doug Reichley

September 9, 2004 - Buxmont Chapter - Attending Legislators - Hon. Matthew Wright

September 22, 2004 - Philadelphia Chapter - Senator Dominic Pileggi, Senator Connie Williams, Hon. William Adolph, Hon. Alan Butkovitz, Hon. Jacqueline Crahalla, Hon. Edwin Erickson, Hon. Steve Barrar, Hon.

Thomas Gannon, Hon. Thomas Killion, Hon. Chris Ross, Hon. Ronald Waters

September 23, 2004 - Central Chapter - Attending Legislators - Senator Michael O'Pake, Hon. Tom Caltagirone, Hon. Dennis Leh, Hon. Sheila Miller, Hon. Samuel Rohrer, Hon. Dante Santoni

October 19, 2004 - South Central Chapter - Attending Legislators - Senator Hal Mowery, Hon. Ronald Buxton, Hon. William Gabig, Hon. Keith Gillespie, Hon. Ron Marsico, Hon. Mark McNaughton, Hon. Ronald Miller, Hon. Jerry Nailor, Hon. Steve Nickol, Hon. John Payne, Hon. Patricia Vance (leg aide).



Gerald L. Brenneman, CPA, PSPA Second Vice President, greets State Representative Patrick Browne. PSPA President, Richard Brasch, seated.



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

Annual Fees: \$ _____ Y/E: _____
 Number of accountants (with years of experience):

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

*Average of 25 hours per week or less

In the past three years, how many firm members attended a loss control seminar _____
 On what date was the firm established _____

Within the past 5 years:

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

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

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

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

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

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

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

••Calls for a supplement

CLAIMS HISTORY (within the past five years):

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

Please return to Custom Brokers Insurance, 3659 Green Road Suite 209, Beachwood, Ohio 44122
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2004 TAX YEAR

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November 15, 2004

**LETTER SENT TO
TAXPAYERS
RE: SALES TAX CHANGE.**

Dear Taxpayer:

As you are now likely aware, the Pennsylvania Department of Revenue soon **will no longer mail coupon booklets** to Sales and Use Tax account holders. Beginning in 2005, Monthly, Quarterly and Semi-Annual filers are to use one of three alternative methods for filing Sales and Use Tax returns and remitting payments:

- Our Internet based e-TIDES system, which has been redesigned to offer more user friendly access and provide full-service functionality to business taxpayers.
- Our new TeleFile system, which allows business taxpayers to file returns and make timely payments by using a touch-tone telephone.
- Third-party software, which will allow taxpayers to file returns and payments for multiple states including Pennsylvania.

These new electronic filing systems provide numerous advantages to both the Department and the business taxpayer, including:

- Elimination of most preparation and processing errors.
- Immediate acknowledgement that returns and payments are timely received.
- Online account history.
- Increased security.

It is vitally important to your business that you begin preparing for this change. Please visit the Department's Web site at www.revenue.state.pa.us and click on the E-Services Center logo, then click on 'Businesses'. Choose Business Tax Electronic Filing (e-TIDES) and register to begin using e-TIDES. Registration takes only minutes and will allow you to immediately take full advantage of the benefits provided by electronic filing. While you are registering your Sales and Use Tax account, you can also register to file and remit your Employer Withholding and other taxes online. Instructions are available to help you through the process.

Enclosed is a Sales Tax due date reminder for your convenience. On the reverse side there is a checklist of information you will need prior to filing your returns and payments via e-TIDES or TeleFile. A list of third-party vendors will be available on the Department's Web site as they are tested.

If you have any questions, visit our Online Customer Service Center at www.revenue.state.pa.us or call the Department's e-Business Services unit at (717) 783-6277.

Sincerely,

PA Department of Revenue
Bureau of Business Trust Fund Taxes

Enclosure



**2005 PENNSYLVANIA SALES, USE AND HOTEL OCCUPANCY TAX RETURNS
TAX PERIODS AND ADMINISTRATIVE DUE DATES**

MONTHLY FILERS

<u>Tax Period</u>	<u>Due Dates</u>
01M2005	02/22/2005
02M2005	03/21/2005
03M2005	04/20/2005
04M2005	05/20/2005
05M2005	06/20/2005
06M2005	07/20/2005
07M2005	08/22/2005
08M2005	09/20/2005
09M2005	10/20/2005
10M2005	11/21/2005
11M2005	12/20/2005
12M2005	01/20/2006

QUARTERLY FILERS

<u>Tax Period</u>	<u>Due Dates</u>
01Q2005	04/20/2005
02Q2005	07/20/2005
03Q2005	10/20/2005
04Q2005	01/20/2006

SEMI-ANNUAL FILERS

<u>Tax Period</u>	<u>Due Dates</u>
SA12005	08/22/2005
SA22005	02/21/2006

File electronically using e-TIDES.
Log on to www.etides.state.pa.us



See reverse for filing instructions.

TO FILE OVER THE INTERNET:

Go to the Revenue e-Services Center at www.revenue.state.pa.us

- Click the 'Businesses' button
- Click on 'Business Tax Electronic Filing (e-TIDES)'

Online help:

- Click on 'Instructions' on the left-hand side of the e-TIDES screen.
- Online Customer Service Center at www.revenue.state.pa.us

USER ID: _____

PASSWORD: _____

IMPORTANT: Keep User ID and Password information in a secure location.

TO FILE OVER THE TELEPHONE:

Dial the Business Tax TeleFile number: 1-800-748-8299
(Available 2/1/2005 for Sales Tax Returns)

What you need to file Sales Tax Returns via TeleFile:

- 8-digit PA Sales Tax Account ID Number
- 9-digit Entity ID (EIN or SSN associated with sales tax number)
- Tax Period (end date)
- Gross PA Sales
- Net Taxable PA Sales
- Amount of PA Sales Tax collected
- Amount of Use Tax due – if any
- Any applicable credits – (TPPR/other)
- Corresponding amounts for Philadelphia and/or Allegheny Counties (if applicable)
- Banking information (routing number, account number, acct. type.) for ACH Debit

You will receive a confirmation number as proof of filing.
Please record this number for future reference.



HATS OFF TO THESE PSPA MEMBERS

The Following Individuals Contributed to the PA Accountant PAC Since July 1, 2004

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Contributions of \$100+**

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THANK YOU FOR YOUR CONTRIBUTIONS!

If you would like to make a contribution to the PA Accountant PAC please use the form in the September 2004 issue of the PA Accountant Magazine, or contact the PSPA Executive Office at 1-800-270-3352

PSPA MEMBERSHIP SWEEPSTAKES

PSPA is Sweeping the State...Help us Spread the Word!

To continue our commitment to the small practitioner we need the support of your colleagues who have not yet joined our efforts - We Need Your Help! Please participate in the Fall 2004 MEMBERSHIP SWEEPSTAKES.

How to Play: Simply use the postcard provided to you in the membership mailing (September 2004) to record the names and contact information of those colleagues you would like to recommend for PSPA membership, then mail the card back to us - it's that simple. Please contact the PSPA Executive Office if you need additional cards. Cards will also be available at all Chapter Meetings.

Your Effort will be Rewarded: When you send a completed card to PSPA, the prospective member names will be entered into our database along with your name as the referring member. PSPA will then send a membership packet to the professional you named, as well as follow up either by telephone or email. If this individual joins PSPA as a new, active member, you (the referring member) will receive a \$25 PSPA Money certificate redeemable toward membership dues or future CPE programs.

PLUS... Each time one of your referrals joins the PSPA, your name will be entered into a drawing that will take place at the 58th Annual Meeting in Plymouth Meeting (June 2005).*



FIRST DRAWING - LAPTOP COMPUTER



SECOND DRAWING - DIGITAL CAMERA

We appreciate the positive feedback we receive from members who value the various membership benefits PSPA offers. Whether you take advantage of the substantial 40% discount on CCH Guides, one of the various insurance products, or the quality CPE specifically geared for small firms, PSPA is here to enhance your practice and protect your rights as an independent practitioner. If you're happy with your membership why not spread the word???

We've done our best to make it easy for you to welcome colleagues to PSPA. If you have any questions about how the program works, please contact the PSPA Executive Office at 1-800-270-3352. Thank you for your participation in this rewarding program to build the future of PSPA, and thank you for your continued support.

*Only members who sponsor or recruit members through the postcard referral (PSPA Sweepstakes) will be eligible for the prize drawing.

11. I plan to continue my PSPA membership. YES NO

12. Would you recommend PSPA membership to a friend or colleague? YES NO

13. Please check the number that best describes the amount of CPE credits you obtain throughout the course of a biennial licensing period (2 years) from the PSPA:

0-20 21-40 41-60 61-80 80+

14. Have you attended a chapter meeting (excludes chapter sponsored seminars) in the past year? YES NO

15. If you have attended a PSPA chapter meeting in the past year, please rate the following (1 = poor/10 = best)

_____ Meeting Topic Selection (relevance)
_____ Speaker Quality (delivery, knowledge)
_____ Facilities (food, quality, convenience)

16. If you have NOT attended a chapter meeting in the past year indicate why you have not (check all that apply):

- Meeting location is not convenient (too far to drive)
- I have a conflict with the scheduled meeting date
- I would prefer meeting at a different time of day
- I obtain my CPE through 8 & 16 hour seminars only
- Cost is too high
- Other _____

17. Do you volunteer at the chapter level in any capacity? YES NO

18. Have you been asked to volunteer? YES NO

19. Are you interested in volunteering at the chapter level? YES NO

20. Please rank the following PSPA membership services, benefit programs & discounts in order of importance to you (1 = most important, 13 = least important)

- _____ CCH/RIA/Quickfinder Discounts
- _____ Legislative Representation
- _____ Representation with Federal & State Agencies (Dept. of Revenue/IRS)
- _____ Membership Discount at Seminars
- _____ Health Insurance - USI Colburn (NEW)
- _____ Life Insurance - USI Colburn (NEW)
- _____ Disability Insurance - USI Colburn (NEW)
- _____ Professional Liability Insurance - Custom Brokers Insurance Group
- _____ Auto & Homeowner's Protection Plan - Nationwide General Insurance
- _____ Long Term Care Insurance - Richard Connolly
- _____ PSECU - Pennsylvania State Employees Credit Union
- _____ PA Accountant Magazine
- _____ PSPAeUpdate - Electronic Update

21. Is there a benefit that you would like the PSPA to provide that we currently do not? If so, please list: _____

22. Is there anything that the PSPA could do to enhance your membership? If so, what? _____

Additional Comments/Suggestions: _____

Please send completed survey to PSPA Executive Office, 20 Erford Road, Suite 200A, Lemoyne, PA 17043 or fax both pages to (717) 737-6847. Deadline is December 20, 2004.

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Please direct all changes to the PSPA Executive Office:

PSPA

20 Erford Road • Suite 200A • Lemoyne, PA 17043

1-800-270-3352 • Fax 717-737-6847

info@pspa-state.org

Name _____

Address _____

City _____

State _____ Zip _____

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Email Address _____

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Editor's Note:

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