

Welcome New Members



Thomas Bates, EA
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Langhorne, PA

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Warminster, PA

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Philadelphia, PA

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Jenkintown, PA

Steve Sroba, CPA
Horsham, PA

Arnold Weiss, CPA
Warminster, PA

Michael Wright
Warminster, PA

Kathleen Zaroff
Doylestown, PA

FORD AND MERCURY HYBRIDS QUALIFY FOR TAX CREDIT

IR-2006-194: Purchasers of qualified Ford Motor Company vehicles may continue to claim the Alternative Motor Vehicle Credit. The announcement comes after the IRS concluded its third quarterly review of the number of hybrid vehicles sold. Ford sold 4,626 qualifying vehicles to retail dealers during the quarter ending September 30, 2006. The credit amount and make and model of qualified vehicles sold are:

- Ford Escape 2WD, Model Years 2005, 2006 and 2007 — \$2,600
- Ford Escape 4WD, Model Years 2005, 2006 and 2007 — \$1,950
- Mercury Mariner 4WD, Model Years 2006 and 2007 — \$1,950

IRS'S LATE CODE PROVISIONS

The three tax breaks expired on January 1, 2007. Form 1040 will not be updated and the higher education and educator expense deductions cannot be claimed on Form 1040A.

- ◆ \$250.00 adjustment to teachers for unreimbursed out-of-pocket classroom expenses.
Claim on Form 1040, line 23, which is labeled "Archer MSA Deduction". Taxpayers claiming the teacher's adjustment should put an "E" on the dotted line to the left of the entry. If the taxpayer wants to claim both the adjustment and Archer deduction, he should enter the sum with a "B" on the dotted line and attach an explanation to the return.
- ◆ The deduction of up to \$4,000 for tuition and fees paid to a college or university.
This should be entered on Form 1040, line 35, which is labeled "Domestic production activities deduction." The letter "T" should be put on the dotted line to the left of the entry. If both the education and production deductions are claimed enter a "B" and attach an explanation.
- ◆ The deduction for state and local general sales taxes, which can be taken instead of that for state income taxes.
It is to be entered on line 5 of Schedule A of Form 1040, labeled "State and local income taxes." If the sales taxes are being claimed, enter "ST" on the dotted line next to line 5.

IRS may not be able to process many of the returns that include the teachers, education and sales tax deductions until early February.

DEBIT CARDS FOR MEDICAL EXPENSE

Notice 2007-02 provides transition relief with respect to the use of debit cards for medical expense reimbursements at certain merchants with non-health care related merchant category codes. It also addresses the use of debit cards for medical expense reimbursements at stores with the Drug Stores and Pharmacies merchant category code.

LIABILITY FOR SERVICES AND INSURANCE

Revenue Ruling 2007-03 provides guidance on when an accrual method taxpayer incurs a liability for services or insurance under section 461 of the Internal Revenue Code.

Revenue Procedure 2007-14 provides procedures for a taxpayer to obtain automatic consent to change its method of accounting for services or insurance to comply with the revenue ruling.

MONETARY DONATIONS

To deduct any charitable donation of money, a taxpayer must have a bank record or a written communication from the charity showing the name of the charity and the date and amount of the contribution. A bank record includes canceled checks, bank or credit union statements and credit card statements. Taxpayers should get an acknowledgement from a charity for each deductible donation (either money or property) of \$250 or more.

NEW JERSEY NEWS

EITC: Earned Income Tax Credit Schedule no longer appears on page 3 of Form NJ-1040. Eligible taxpayers must complete the schedule to calculate the amount. EITC credit on the IRS return must fill in the oval at Line 50, Form NJ-1040 instead of entering a credit amount.

HOMEOWNER: Taxpayers who owned, occupied and paid property taxes on a home in NJ that was principal residence on October 1, 2006, must fill in the oval at Line 36b, Form NJ-1040. Taxpayers who were tenants on October 1, 2006, or who were not homeowners on October 1, 2006, do not fill in the oval.

CREDIT FOR TAXES PAID TO OTHER JURISDICTIONS: The Philadelphia nonresident wage tax rate for 2006 is .037716.

TELEFILE DISCONTINUED: NJ TeleFile System that allowed to file their returns by phone has been discontinued. For internet filing or approved vendor software visit www.njfastfile.com

WORLD TRADE CENTER SCHOLARSHIP FUND: Taxpayers may designate a contribution to one of seven other funds. The new fund added for 2006 is the World Trade Center Scholarship Fund.

PAYROLL DEDUCTION CONTRIBUTIONS TO CHARITIES

IR-2006-186: Notice 2006-110 explains how a taxpayer who makes charitable contributions by payroll deductions can meet the new recordkeeping requirements. The taxpayer should retain a pay stub, Form W-2, or other document furnished by the employer that shows the total amount withheld for payment to charity, along with the pledge card that shows the name of the charity.

The recently enacted Pension Protection Act of 2006 changed the recordkeeping requirements for taxpayers claiming deductions for cash contributions to charities, including contributions made by payroll deductions. For calendar year taxpayers, the new rules apply to contributions made beginning in 2007.

DONATED ITEMS DEDUCTION

IR-2006-192: To be deductible, clothing and household items donated to charity after Aug. 17, 2006, must be in good used condition or better.

However, a taxpayer may claim a deduction of more than \$500 for any single item, regardless of its condition, if the taxpayer includes a qualified appraisal of the item with the return. Household items include furniture, furnishings, electronics, appliances, and linens.

INCREASE IN USER FEES FOR INSTALLMENT AGREEMENTS

The increases result from increases in labor and other costs of processing the various applications. Effective Jan. 1, 2007, the following fees will increase:

- ◆ The fee for new direct debit installment agreements, where payments are deducted directly from a taxpayer's bank account, will increase from \$43 to \$52.
- ◆ The fee for other new installment agreements will increase from \$43 to \$105.
- ◆ The fee to restructure an existing or reinstate a defaulted installment agreement will increase from \$24 to \$45.



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(215) 957-9608 x-201

First Vice President

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(215) 632-3064

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(215) 579-6250

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(215) 345-7746

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(215) 757-5555

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(215) 675-0262

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Web Site

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(215) 646-2300 x-305

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**Buxmont Chapter
PA Society of
Public
Accountants**

**2418 Bristol Road
Bensalem, PA 19020**

**Phone: 215-757-5555
Fax: 215-757-5777**

**We're on the web!
www.PSPABuxmont.org**

E-Mail Address:

Info@PSPABuxmont.org

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Editor

Gita Faust
Phone: 215-579-1465
Fax: 888-390-6542

Associate Editor

Irving Braunstein, EA
Phone: 215-757-5555
Fax: 215-757-5777

Chapter Profile:

The Buxmont Chapter is the PA Society of Public Accountants' largest chapter, representing over four hundred Certified Public Accountants, Public Accountants, Enrolled Agents and tax practitioners in the Bucks and Montgomery Counties of Southeastern PA. If you are a small practitioner in search of an organization interested in your needs, you'll want to consider the Pennsylvania Society of Public Accountants.

Chapter Meetings:

Meetings are generally held on the fourth Tuesday of the month at Williamson's Restaurant, Route 611 & Blair Mill Rd, in Willow Grove, PA (unless otherwise noted)

Dinner & Meeting: Member \$25.00 Non-member: \$35.00
Meeting Only: Member \$15.00 Non-member: \$25.00

2007 Gear-UP Seminar Programs

Seminars are held at the Radisson Hotel located at 2400 Old Lincoln Highway, Trevose, PA (1/4 mile south of PA Turnpike Interchange 351)

- June 8, 2007—Accounting
- September 19, 2007—Estates & Trusts
- October 18 & 19, 2007—Business Entities
- December 3 & 4, 2007—1040
- TBD—Technology
- TBD—Fraud



2007 Chapter Program Schedule

January 23, 2007 — "FASB Update" (2 CPE A&A)
Presented by:

John D. Rossi III, CPA & MBA
JR3 Management Services, PC

