



Serving the Public Accounting Profession for over 50 years

January 2008

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E-Mail & Address Changes

Don't miss out on important information regarding upcoming seminars and chapter meetings because you didn't let us know of an email or address change. Notify us of any changes via email at:

info@pspabuxmont.org



FREE SEMINAR DRAWING

Congratulations!
Mary Rex

The winner of a free one day seminar of their choice at the drawing held at the **December** business meeting. The Buxmont Chapter holds a drawing for a free seminar at the conclusion of every business meeting.

Buxmont Accountant

Buxmont Chapter

PA Society of Public Accountants

PRESIDENT'S NOTE

Dear Fellow Buxmont Members,

I am starting to work on next years chapter meetings. If you have a subject you would like presented, please let me know. Those of you who have your CFP license, our Gear UP seminars qualify for your CPE. Also we are licensed in New York.

Have a Happy and Health New Year.

Very truly yours,
Monty Anderson
President Buxmont Chapter

JANUARY MEETING

NEW JERSEY TAX UPDATE

FIRST 100 REGISTRANTS WHO ARE PSPA MEMBERS GET A FREE 1040 QUICKFINDER

Next meeting is scheduled for Tuesday, January 22, 2008

Speaker: Jim Tressel
2 Tax CPE

Place: Williamson's Restaurant
Willow Grove, PA

Meeting: 7:00-9:00 PM

Dinner: 6:00—7:00 PM

Must pre-register for dinner reservation.

Please complete and mail the registration form with payment.

Deadline for registration is Wednesday January 16, 2008

"Meeting Only" Registrants at the door will be subject to a \$5.00 surcharge.

REMEMBER, IT IS YOUR RESPONSIBILITY TO CONFIRM THE CHAPTER HAS YOUR RESERVATION

To review the registration list, go to: www.buxmontpspa.eboard.com and look at registrants under the meeting tab.

Health Insurance deduction for 2% S Shareholders

IRB Notice 2008-1, 2008-2— explains when a 2% shareholder-employee is an S Corporation is entitled to the Code Sec. 162(l) above-the-line deduction for health insurance premiums that are paid or reimbursed by the S corporation and included in the gross income. Notice 2008-1 effectively repudiates guidance appearing in an article on IRS's web site last year. That guidance had concluded that an S corporation's sole shareholder-employee couldn't buy health insurance in his own name and get the above-the-line deduction for the premium expense. As explained below, if certain requirements are met, such a deduction is now possible and may be gained for a prior year by filing an amended return.

Welcome New Members



Jeffrey Migliore
Chalfont, PA

IR-2007-203 [Form 8919](#) for employees who have been misclassified as independent contractors by an employer. , Uncollected Social Security and Medicare Tax on Wages, will now be used to figure and report the employee's share of uncollected social security and Medicare taxes due on their compensation.

FORMS

Forms Affected by the AMT patch

The February delay caused by the AMT patch will affect taxpayers using any of these forms:

Form 6251	Alternative Minimum Tax
Form 1040	Schedule R—Credit for Elderly or Disabled
Form 1040-A	Schedule 2—Child and Dependent Care Credit
Form 1116	Foreign Tax Credit
Form 2441	Child and Dependent Care Credit
Form 5695	Residential Energy Credit
Form 8396	Mortgage Interest Credit
Form 8839	Qualified Adoption Expenses
Form 8859	District of Columbia First-Time Homebuyer Credit
Form 8863	Education Credits
Form 8880	Credit for Qualified Retirement Savings Contributions

AMT

IR-2007-209 The *IRS* announced today that the upcoming tax season is expected to start on time for everyone except certain taxpayers potentially affected by late enactment of the Alternative Minimum Tax "patch."

Following extensive work in recent weeks, the IRS expects to be able to begin processing returns for the vast majority of taxpayers in mid-January. However, as many as 13.5 million taxpayers using five forms related to the Alternative Minimum Tax (AMT) legislation will have to wait to file tax returns until the IRS completes the reprogramming of its systems for the new law.

The IRS has targeted Feb. 11, as the potential starting date for taxpayers to begin submitting the five AMT-related returns affected by the legislation. The February date allows the IRS enough time to update and test its systems to accommodate the AMT changes without major disruptions to other operations related to the tax season. As the IRS has said previously, it will take approximately seven weeks after the AMT patch was approved to update IRS processing systems completely.

Although as many as 13.5 million taxpayers will not be able to file their returns until Feb. 11, the effect of the delay may be lessened by the fact that under previous filing patterns only between 3 million to 4 million taxpayers file returns with the five affected forms during these early weeks in the filing season.

"We regret the inconvenience the delay will mean for millions of early tax filers, especially those expecting a refund," said Linda Stiff, Acting IRS Commissioner. "We've taken extraordinary steps to figure out a way that we can start the filing season on time for most taxpayers, including some using AMT-related forms. Our goal has always been to make sure we can accurately process tax returns while getting refunds to taxpayers as quickly as possible."

While these five forms require significant additional reprogramming due to the AMT patch, the IRS has been able to reprogram its systems to begin processing seven other AMT-related forms, including Form 6251, Alternative Minimum Tax – Individuals. Taxpayers filing these seven forms should not experience delays in filing, and the IRS

expects to begin processing those returns starting on Jan. 14.

Electronic returns involving those five forms will not be accepted until systems are updated in February; similarly, paper filers should wait to file as well. All other e-file and paper returns will be accepted starting in January. The IRS urges affected taxpayers to file electronically in order to reduce wait times for their refunds. E-file with direct deposit gets refunds in as little as 10 days, while paper returns take four to six weeks.

"E-file is a great option for everyone, especially if they are affected by the AMT," said Richard Spires, IRS Deputy Commissioner for Operations Support. "Filing electronically will get people their refunds faster, and e-file greatly reduces the chances for making an error on the AMT or other tax issues."

In addition to filing electronically, the IRS urges taxpayers to take simple steps to avoid problems: Taxpayers filing electronically should make sure to update their tax software in order to get the latest AMT updates. Taxpayers with \$54,000 or less in Adjusted Gross Income can use Free File to electronically file their returns for free. Free File will only be available by visiting the official IRS web site at IRS.gov. In all, 90 million taxpayers qualify for this free service.

Taxpayers who use tax software to print out paper copies of tax forms should make sure they update their software before printing out forms. Taxpayers using paper forms can also visit IRS.gov to get updated copies of AMT forms. The IRS has created a special section on IRS.gov to provide taxpayers with additional information and copies of updated forms affected by the AMT. In recent days, the IRS has posted updated copies of all forms affected by the late enactment of the AMT patch by Congress.

The IRS also reminds taxpayers that printed tax packages, which will begin arriving in the mail around New Year's, went to the printer in November before the AMT changes were enacted. The packages reflect the law in effect at the time of printing. The tax packages include cautionary language to taxpayers that late legislation was pending. the enactment of the AMT patch and other tax changes.

continued 3....

Continued2 AMT

The IRS is also working closely with tax professionals and the tax preparation software community to make sure they can help taxpayers with all of the latest developments on the enactment of the AMT patch and other tax changes.

"The IRS is going to continue to do everything it can to make this a fully successful filing season for the nation's taxpayers," Stiff said. "We will continue to work to keep taxpayers up to date and make this situation as easy as possible for everyone."

Miscellaneous Income

FS-2007-26—While most people are aware they must include wages, salaries, interest, dividends, tips and commissions as income on their tax returns, many don't realize that they must also report most other income, such as:

- ◆ cash earned from side jobs,
- ◆ barter exchanges of goods or services,
- ◆ awards, prizes, contest winnings and gambling proceeds.

Losses from wash sales of stock or securities

[RR 2008-05](#) provides that if an individual sells stock or securities for a loss and causes his or her IRA or Roth IRA to purchase substantially identical stock or securities within a specified period, the loss on the sale of the stock or securities is disallowed under section 1091, and the individual's basis in the IRA or Roth IRA is not increased by virtue of section 1091(d).

Mortgage Debt Forgiveness Relief

House lawmakers voted unanimously to approve the Mortgage Forgiveness Debt Relief Act of 2007 (HR 3648) clearing the measure for President Bush's expected signature. The measure creates a three-year exception to current law so that homeowners caught in the current subprime mortgage crisis do not have to pay taxes for debt forgiveness on their troubled home loans.

House Ways and Means Committee Chairman Charles B. Rangel, D-N.Y., said the legislation was needed to protect homeowners. "Current law treats forgiven mortgage debt as income, but it is simply unfair and unconscionable that families would have to suffer through a foreclosure only to be dealt a second blow in the form of a tax bill when their net worth has not

increased," he said.

The bill would also extend a provision allowing homeowners to deduct mortgage insurance payments from their taxable income. The bill would also ease restrictions for qualifying as a housing cooperative corporation.

Other provisions included in the bill provide tax relief for volunteer firefighters and emergency medical technicians; protection of tax relief for homeowners after the death of a spouse; and flexibility to help co-op tenant/owners deduct real estate taxes and mortgage insurance. The bill is fully offset by increased penalties for failure to file S corporation or partnership returns and new requirements for corporate estimated tax payments.

By Stephen K. Cooper, Paula Cruickshank and George Jones, CCH News Staff

JCT Estimated Revenue Effects of HR 3648, the Mortgage Forgiveness Debt Relief Act of 2007, as Amended and Passed by the Senate on December 14, 2007, JCX-118-07.

Disabled Veterans Ruled Tax-Free

IR-2007-198—Payments under the Department of Veterans Affairs (VA) Compensated Work Therapy (CWT) program are no longer taxable and disabled veterans who paid tax on these benefits in the past three years can now claim refunds.

Recipients of CWT payments will no longer receive a Form 1099 from the Department of Veterans Affairs. Disabled veterans who paid tax on these benefits in tax-years 2004, 2005 or 2006 can claim a refund by filing an amended return using IRS Form 1040X. According to the VA, more than 19,000 veterans received CWT in Fiscal Year 2007.

NJ GIT withholdings on Real Estate

NJ non-resident individuals, estates, or trusts that sell or transfer real property in NJ make an estimated gross income tax payment on the gain from a transfer/sale of real property as a condition of the recording of the deed.

The division has determined nonresident taxpayers claiming an exemption under IRC section 1031 are exempt from making a payment for the like kind property received but must pay an estimated tax payment on the Fair Market Value of the consideration received for the non like kind property. Therefore, the taxpayer must submit both GIT/REP-1 and GIT/REP-3 to the County Clerk in the above circumstances.

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**The Buxmont
Accountant**

is published by the
Buxmont Chapter of the
Pennsylvania Society of
Public Accountants.

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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:(2 Hr.)	Member \$25.00	Non-member: \$49.00
Dinner & Meeting:(4 Hr.)	Member \$35.00	Non-member: \$59.00
Meeting Only: (2 Hr.)	Member \$15.00	Non-member: \$39.00
Meeting Only: (4 Hr.)	Member \$25.00	Non-member: \$49.00

2008 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)



- ◆ Accounting—8 CPE Hours A & A
Friday, September 19, 2008
- ◆ Business Entities—16 CPE Hours Tax
Monday & Tuesday, October 20-21, 2008
- ◆ 1040—16 CPE Hours Tax
Monday & Tuesday, December 4 & 5, 2008

2008 Chapter Program Schedule

- ◆ NJ Tax Update - 2 HR Tax CPE
Tuesday, January 22, 2008
- ◆ TBA
Tuesday, May 28, 2008
- ◆ TBA
Tuesday, June 24, 2008