



Buxmont Accountant

Buxmont Chapter

PA Society of Public Accountants

MAY 2007

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PRESIDENT'S NOTE

Dear Fellow Buxmont Members,

Another tax season has come and gone. Ever year it takes a little more out of us, but we keep going. It is now time to start getting the required CPE in for this year. If you have any suggestion for topics at our meeting please give Frank Corso or myself a call. I look forward to seeing you in the upcoming months.

Very truly yours,
Monty Anderson

MAY MEETING

WHAT IS A 412(i) DEFINED BENEFIT PLAN?

Next meeting is scheduled for Tuesday, May 22, 2007.

Speaker: John J. Koresko V Esq., CPA Place: Williamson's Restaurant
2 HR Tax CPE 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 Friday May 18, 2007

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



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

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.

'BACKDATED' STOCK OPTION

IRS 2007-18—allows companies to step forward and pay the additional 20-percent tax and any interest tax that employees owe. The initiative does not permit the company to pay the additional tax for stock options exercised by its top executives or other insiders.

IRS initiative aimed at providing relief for rank-and-file employees affected by their companies' issuance of backdated and other mispriced stock options. While the program will be available to help these employees who may be unaware that they held backdated options, the opportunity will not be available for backdated options exercised by most corporate executives or other insiders. If an employee exercised a 'backdated' stock option in 2006, the employee may owe an additional 20-percent tax, plus an interest tax, under the Federal tax laws governing deferred compensation. If the option had been properly priced, the employee normally would only have owed income tax on the difference between the value at the date of grant and exercise.



FREE SEMINAR DRAWING

Congratulations!
Bob Cohen

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

Welcome New Members



Daniel M. Sierchio, CPA
North Wales, PA

Harold E. Watkins, EA
Langhorne, PA

Joan A. Smalarz, EA
Philadelphia, PA

REFINANCING TIP

IF a homeowner is refinancing a [mortgage for](#) a second time, the balance of points paid for the first refinanced mortgage may be fully deductible at pay off.

SMALL TAX-EXEMPT ORGANIZATIONS

Beginning in 2008, small tax-exempt organizations that previously were not required to file returns may be required to file an annual electronic notice Form 990-N (e-Postcard).

FORM W-7

Forms and publications for the 2007 filing season show a new address for [Form W-7](#), Application for IRS Individual Taxpayer Identification Number. The current Form W-7 shows the correct address as follows:

Internal Revenue Service
ITIN Operation
P.O. Box 149342
Austin, TX 78714-9342

OFFER IN COMPROMISE

[IR-2007-50](#)—The revised application for an offer in compromise (OIC), the Form 656 package, is now available. An OIC is an agreement between a taxpayer and the IRS that resolves the tax liability, sometimes settling for less than full payment.

ACTIVE-DUTY RESERVISTS GET RELIEF ON RETIREMENT PLAN PAYMENTS: REFUNDS OF 10-PERCENT TAX AVAILABLE BACK TO 2001

Military reservists called to active duty can receive payments from their individual retirement accounts, 401(k) plans and 403(b) tax-sheltered annuities, without having to pay the early-distribution tax, according to the Internal Revenue Service.

The newly-enacted Pension Protection Act of 2006 eliminates the 10-percent early-distribution tax that normally applies to most retirement distributions received before age 59½. The new law provides this relief to reservists called to active duty for at least 180 days or for an indefinite period.

Eligible reservists activated after Sept. 11, 2001, and before Dec. 31, 2007, qualify for relief from this tax. This tax is often referred to as the 10-percent early-withdrawal penalty. Regular income taxes continue to apply to these payments in most cases. Early distributions from both Roth and traditional IRAs received by a reservist while on active duty qualify for this relief. Likewise, a reservist's elective contributions and earnings distributed to him or her by employer sponsored 401(k) plans and 403(b) tax-sheltered annuities also qualify for this relief.

Because this relief is retroactive, eligible reservists who already paid the 10-percent tax can claim a refund by using Form 1040X to amend their return for the year in which the retirement distribution was received. Eligible reservists should write the words, "active duty reservist," at the top of the form. In Part II Explanation of Changes, the reservist should write the date he or she was called to active duty, the amount of the retirement distribution and the amount of early-distribution tax paid.

Reservists can choose to re-contribute part or all of these distributions to an IRA. Ordinarily, these special contributions must be made within two years after the reservist's active-duty period ends. However, if the reservist's active duty ended before Aug. 17, 2006 (the date the new law was enacted), he or she will have until Aug. 17, 2008, to make these special contributions. No deduction is available for these contributions.

2007 SATURN AURA CERTIFIED AS QUALIFIED HYBRID VEHICLE

[IR-2007-64](#)—The IRS has acknowledged the certification by General Motors Corp. that its 2007 Saturn Aura Hybrid vehicle meets the requirements of the Alternative Motor Vehicle Credit as a qualified hybrid motor vehicle. The credit amount is \$1,300.

NEW PUBLICATIONS

[Publication 4588](#), *Basic Tax for Green Card Holders Guide*, addresses the tax issues of resident aliens (Green Card Holders).

[Publication 4591](#), *Small Business Federal Tax Responsibilities*, is a one-stop resource for small businesses and the self-employed. It provides important Web links and other resources to help small business owners understand their tax responsibilities.

TAX PROFESSIONAL E-SERVICES CENTER

Client Data Access Area Now Available The PA Department of Revenue is pleased to announce that the [Client Data Access Area](#) of the Tax Professional e-Services Center is now available. Tax professionals who have filed their clients' PA Personal Income Tax returns through the Fed/State e-File Program can now review their clients' Personal Income Tax data online. The client must first grant the tax professional Power of Attorney in order to access their information. Tax professionals will need an approved PA e-Signature on file, their federal Preparer Tax Identification Number (PTIN) and an Electronic Filing Identification Number (EFIN) to access this area of the Tax Professional e-Services Center. <http://www.doreservices.state.pa.us/TaxProfessional/PractitionerAccessDefault.htm> Questions call (717) 787-1392

UPDATE ON NON-QUALIFIED DEFERRED COMPENSATION

The Department of Revenue, in a previous PA Tax Update article (April/May 2006, No. 120), provided guidance to employers and taxpayers with respect to deferrals and distributions from Nonqualified Deferred Compensation Plans. The employer requirements included providing plan participants with a letter stating the amount of elective deferrals previously included in PA taxable compensation on a year-by-year basis and new coding for W-2s beginning in 2006 to indicate the certain attributes with respect to the amounts of deferrals and distributions. Due to the IRS extension of their coding requirements for Box 12 of the W-2, the Department of Revenue advised employers that their requirements with respect to the new coding for Box 14 of the W-2s were suspended for tax year 2006. Employers were further advised that, even though they did not need to include the information on the W-2, they would still need to be able to provide the amounts of current year elective deferrals or current year distributions that may have been previously included in PA taxable income.

Taxpayers who do not have the information included on their W-2 with respect to deferrals or previously taxed distributions should complete and include with their PA-40 the new PA Schedule W-2 RW, Reconciliation Worksheet to provide the Department of Revenue with the information missing from the W-2s. Taxpayers and tax preparation professionals should include this new worksheet with the return at the time of filing to avoid delays in receiving any refunds they might be due. Returns received without the new worksheet will be put in a hold status until the worksheet is requested and received from the taxpayer. It is suggested that this new worksheet be completed and included with a PA-40 return any time the Medicare Wages on a W-2 do not match the Pennsylvania Wages on a W-2.

BUSINESS LICENSE INFORMATION EXCHANGE PROGRAM IS UNDERWAY

The Commonwealth Program, Executive Order 2006-03, is to help ensure that people and businesses licensed by the state do not have unpaid state taxes. The information exchange program will encourage economic growth by creating a level playing field for businesses. It will also help ensure that, whenever possible, the commonwealth does not issue a license, permit or registration to an entity that has failed to pay its taxes. Under the Program, state agencies under the Governor's jurisdiction will provide the Department of Revenue with information regarding the issuance or renewal of licenses, permits and registrations. The department will then verify that the entities seeking licenses, permits or registrations are compliant with their state tax obligations. In addition to pursuing collection action against non-compliant taxpayers, Revenue will notify licensing agencies whenever it determines that a prospective licensee has a state tax delinquency. To the extent permitted by law, the licensing agencies shall impose appropriate enforcement action against prospective licensees for failure to comply with state tax laws.



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**"Registration forms
for all seminars
can be printed
directly from our
web page"**

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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: 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)

- ◆ Planning for Later Years
Wednesday, June 6, 2007
- ◆ Accounting
Friday, June 8, 2007
- ◆ Fraud Seminar
Wednesday, September 18, 2007
- ◆ Estates & Trusts
Thursday, September 19, 2007
- ◆ Business Entities
Thursday & Friday October 18 & 19, 2007
- ◆ 1040
Monday & Tuesday December 3 & 4, 2007



2007 Chapter Program Schedule

- ◆ What is a 412(i) defined benefit plan?
2 HR Tax CPE
Tuesday, May 22, 2007
- ◆ TBD

