

Welcome New Members



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FORD HYBRIDS

IR- 2007-108—Claim alternative motor vehicle credit for purchases of qualified Ford Motor Company hybrids because Ford has not yet sold its 60,000th vehicle.

- ◆ Ford Escape Hybrid MY 2008 2WD: \$3000
- ◆ Ford Escape Hybrid MY 2005, 2006, 2007 - 2WD: \$3600
- ◆ Ford Escape Hybrid MY 2008 4WD: \$2200
- ◆ Ford Escape Hybrid MY 2005, 2006, 2007 - 4WD: \$2200
- ◆ Mercury Mariner Hybrid MY 2008 4WD: \$2200
- ◆ Mercury Mariner Hybrid MY 2006, 2007 - 4WD: \$1950; and
- ◆ Mercury Mariner Hybrid MY 2008 2WD: \$3000

FICA TIP CREDIT

Employers with employees who receive tips may be eligible for the FICA tip tax credit. The new law allows employers to base the tip credit on a minimum wage of \$5.15 per hour. This treatment ensures that the tip credit will not be reduced because of the higher minimum wage. The tip credit may also offset AMT liability.

JOINT VENTURES

The new law permits a married couple who operate a joint venture and who file a joint return to elect not to be treated as a partnership for federal tax purposes. Both spouses must materially participate in the business and be the only participants in the enterprise.

KIDDIE-TAX CHANGES

The Small Business and Work Opportunity Tax Act of 2007 raises the kiddie tax threshold from under age 18 to under age 19 and students under age 24. Both changes are effective for tax years beginning after May 25, 2007.

The kiddie tax, used to apply to children under age 14. It taxes a child's income at his or her parent's tax rates (a maximum of 35% federal), instead of treating the child as a separate taxpayer whose tax rate is usually 10% to 15%.

The new law will apply the kiddie tax to unearned income for children under age 24, if the child is a full-time student. Otherwise, the kiddie tax terminates when the child attains age 18.

Fortunately, the new law will take effect in 2008, which means children 18 or over may still sell assets through 2007 and pay taxes at their lower tax brackets. For taxpayers in the 10% or 15% tax brackets, the long-term capital gains rate is only 5% for 2007. The new law should boost the popularity of 529 college-savings plans, because investments in these plans are not subject to the kiddie tax.

Assets held in a 529 plan grows tax-free and, in general, withdrawals are tax-free, as long as the money is used for higher education.

By raising the kiddie tax, transfers of appreciating assets to children will not produce tax savings after 2007. The 529 plans now become the investment of choice for families saving money for college.

In any event, your child should consider selling appreciated assets this year to take advantage of the temporary 5% long-term capital gains tax rate.

Another consideration: Invest a child's money in investments that generate little or no taxable income, such as municipal bonds or growth stocks.

Note: The new law does not affect transfers to elderly parents or other relatives who may be in lower tax brackets.

LOCAL LODGING EXPENSES

Notice 2007-47—The IRS provided interim guidance indicating that it expects to amend its regulations under Code Sec. 262 to permit an employer's deduction of the cost of employee lodging that is located in the same town as the employer; provided the lodging is necessary for the employee to take part in a meeting or function of the employer.

Local lodging: IRS new rule will apply under the following conditions:

- ◆ The lodging must be on a temporary basis;
- ◆ The lodging must be necessary for the employee to participate in or be available for a business meeting or function of the employer; and
- ◆ The expenses must be or would be deductible if paid by the employee under the Code Sec. 262

SMALL BUSINESS EXPENSING

The new law increases the dollar limitation from \$112,000 for 2007 to \$125,000 for tax years beginning in 2007 and through 2010. The amount is indexed for inflation.

Investment Limitation: raised from \$450,000 for 2007 to \$500,000 for tax years beginning in 2007 through 2010.

FILE PA BUSINESS TAX RETURNS ELECTRONICALLY

Pennsylvania businesses now can electronically file their state corporate tax reports, schedules and payments for tax year 2006. The Pennsylvania Corporate Tax Report (form RCT-101) is used to file the corporate net income, capital stock and foreign franchise and corporate loans taxes. Pennsylvania corporate tax reports are due April 15 for corporations operating on a calendar-year basis — Oct. 15 for those businesses that requested a six-month extension of time to file — or 30 days after the federal corporate tax due date for corporations operating on a fiscal-year basis. The PA Department of Revenue requires business tax payments of \$20,000 or more to be submitted electronically.

PA PROPERTY TAX/RENT REBATE

Deadline to apply for PA Property Tax/Rent Rebate program (claim form PA-1000) has been extended from June 30 to December 31.

The rebate program benefits eligible Pennsylvanians age 65 and older; widows and widowers age 50 and older; and people with disabilities age 18 and older. Last year, Governor Edward G. Rendell signed a law expanding the rebate program by increasing the income limit from \$15,000 to \$35,000 for homeowners and raising the maximum rebate for both homeowners and renters from \$500 to \$650. Applicants can exclude, as income, one-half of Social Security, Supplemental Security Income and Railroad Retirement Tier 1 benefits. "Because applicants can exclude half of Social Security income, residents can make significantly more than \$35,000 a year and still qualify for a rebate," said Wolf. The expanded household income limits and rebate amounts are:

- \$0 and \$8,000 \$650 rebate
- \$8,001 to \$15,000 \$500 rebate
- \$15,001 to \$18,000 \$300 rebate
- \$18,001 to \$35,000 \$250 rebate

Renters with incomes between \$0 and \$8,000 will now receive a \$650 rebate and those with incomes between \$8,001 and \$15,000 will receive a \$500 rebate.

NEW JERSEY GROSS INCOME TAX

Withholding on Payments to Contractors: Beginning January 1, 2007, any person (other than a governmental entity, a home owner, or a tenant) who maintains an office or transacts business in Jew Jersey is required to withhold New Jersey gross income tax at the rate of 7% from payments made to unregistered, unincorporated contractions (e.g., builders, plumbers, landscapers, painters, carpenters, electricians) for services performed in this State. An Payor who is not already registered with the State as an employer will file the new Form NJ-550 to report and remit the gross income tax withheld.



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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

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)

- ◆ 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

- ◆ Shredder Day 2nd Annual —12 to 2 pm @ Williamson's
Monday, September 10, 2007
- ◆ GAAP Update — 4 HR A&A CPE
Tuesday, September 25, 2007
- ◆ Insurance for Small Business — 2 HR Other CPE
Tuesday, October 23, 2007
- ◆ IRS Ethics & Tax — 4 HR Tax CPE
Tuesday, November, 27, 2007
- ◆ PA Individual & Corporation Tax — 4 HR Tax CPE
Tuesday, December 18, 2007

