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Volume 30, Issue 2

January 2019

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## President's Message

In a short while, we practitioners will be starting another tax season. It will be interesting to see how it goes with this being the first year of the huge tax changes. I for one am very excited.



If you did not attend our Annual Conference in Grantville on November 8-9, you missed an outstanding selection of educational sessions, instructors and comradery. At this meeting we said many thanks to 2018 retiring Director Mary Jane Stump. We elected new 2019 Board Directors Mary Lynn Lemmon and Marianne Kleppner, and returning Directors Holly Whiteside and Troy Clawson. The officers installed for 2019 are: Holly Whiteside-President, Patti Blum-VP, Joyce Jones-Secretary and Sue Bure-Treasurer.

David Fleming and I have both decided to retire from the Board and 2018 was our last year. It has been a great learning experience again and we wish the new Board well in their coming endeavors. The Chapter is in good hands with Holly Whiteside at the helm.

Welcome Mary Lynn and Marianne and best wishes to Holly.

The Chapter would also like to recognize and sincerely thank Arlene Justice and Keith Moyer. Arlene donated her door prize of a free 2018 conference back to the Chapter for their Scholarship Fund and Keith donated his winnings from one of the 50/50 raffles. Thanks to both of you!

Have a very prosperous tax season. May the beauty of the holiday season truly touch your life.

*Kathryn Bowman EA*

Former President PA-NATP

**"Adding the Value of State & Local Benefits to the Power of your National Membership"**

## **PA-NATP Mission Statement**

- To unite those engaged in the practice of preparing Federal, State and Local Taxes.
- To foster and promote NATP's contributions toward the high standard of the tax preparation profession.
- To promote and protect the interest of tax professionals everywhere for the public benefit.
- To promote and maintain high standards of conduct in the tax preparation profession as expressed in the Code of Ethics and the Standards of Professional Conduct of the National Association of Tax Professionals.
- To work with the National Association to provide and promote continuing tax education programs for all members of the Association, particularly on issues and changes in the tax laws of the Commonwealth of Pennsylvania.

## **Get Involved in Our Chapter!**

*Included with NATP membership*

Getting involved in your Chapter is a great way to stay up-to-date on state and local tax issues and network with tax professionals in your area.

Here are some Chapter opportunities available to all members:

- Register for local education seminars on state and local tax topics. The PA Chapter is holding events in September and October plus the Annual Conference in November.
- Volunteer and share your state and local tax expertise with other members.
- Attend state Chapter meetings where members can exchange ideas, solve problems and discuss issues with other state members.
- Reach out to fellow members for support or advice about state and local tax issues.

For more information or to contact our Chapter, visit <http://panatptax.com>.

## **2019 PA-NATP Board of Directors**

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(xx) indicates year term will expire

# Welcome New Members

The PA Chapter is honored to welcome these new members

## June 2018

Akshay Thakar	Lansdale
Amanda Hegarty	Exton
Carolyn West	Philadelphia
Christopher Morrow, EA	Chambersburg
Crystal Smith, EA	Chambersburg
Donna M Fitzgerald	Bensalem
Eugene Grimley EA	Wayne
Evelyn Woods, EA	Philadelphia
Ilana Rosenbloom	Exton
Jacqueline Kohr, AFSP	Myerstown
James Bryson, CPA	Norristown
John J Faust, CPA	Millersburg
Joseph J Ciminera, Jr	Philadelphia
Juanita Otieno, AFSP	Brookhaven
Lori Oraschin, EA	Quakertown

## July 2018

Carole Harris	Norristown
Elizabeth Gargano	Hermitage
Frank Keshvari, CFE	State College
Gerald Piper	Carlisle
Giulia Dozzi	Pittsburgh
Jacqueline Bucholz	Cooperstown
James M Paul, III	Blakely
Jessika Hiepler	Lancaster
Nigel Jones	Milford
Penny Snavelly	Pocono Pines
Vickie Teresa Bunch, EA	York

## August 2018

Donna J Greenhow, EA	Munhall
Lawrence J Hoffman	Waynesboro
Marianne Kleppner, EA	Finleyville
Mary Jane Kloiber, CPA	Exton
Rakesh N Jani, CPA	Bensalem
Robert Adams	Philadelphia
Stephen Drosdick, EA	Danville

## September 2018

Amy E Schoen	Langhorne
Denise Puskaric	Pittsburgh
Gregory S Teal	Upper Chichester
Jonathan Boleratz	Meadville
Mary L Bixler	Hegins
Patricia Spivak	Drums
Tyler Cerminara	Pittsburgh

## October 2018

Ave N Cinar	East Stroudsburg
David Hamm, Sr	Center Valley
Denise K Weaver	Lebanon
Derek J Bush	Carlisle
Diana Raph	Easton
Diane Lea Wallo, CPA	Easton
Duane E Leshar	Chambersburg
Garret Hilbert	Topton
Greg Baxter	Birdsboro
Jennifer Schmidt, AFSP	Fredericktown
Kenneth John DeAngelis	Cranberry Twp
Lisa Ann Kresge	Allentown
Marlin Hagg, EA	Eldred
Mary Dylewski, EA	Erie
Mary Puzak	Murrysville
Maureen Eckman	West Middlesex
Michelle Ann Zulisky	Confluence
Nicole Hinkel	Langhorne
Sharon Snyder, AFSP	Westfield
Thomas Wible	Philadelphia
Todd A Stepke	Allison Park

## November 2018

Audrey Schaeffer	Collegeville
Cathy Shortledge	Lock Haven
Edward Mendola	Belle Vernon
Jennifer Russell	Jessup
Joseph Rozsas	Canonsburg
Kathryn G McCusker	Carlisle
Kayla Ramirez-Murphy	Philadelphia
Kurt A Peterson	Yardley
Laura Rola	Bensalem
Linda M Costello	Latrobe
Lise Hackett, AFSP	Phoenixville
Matt Shade, MBA, CPA, CGMA	Lykens
Maulin Gandhi	Norristown
Regina Dailey	Bensalem
Ross Dougherty	Secane
Samantha McGrath, CPA	Oreland

## December 2018

Adam Coppola	Irwin
Barbara B Harding, EA	Gillett
Barbara Flipiak	New Park
Denise Loula, AFSP	Lititz
Edward Mathis, EA	Broomall
Ellen Kotermanski	Glenshaw
Kim Grech	Glenshaw
Kimberly A Detrick, CPA	Kane
Larry M Carroll, CPA	Blue Bell
Matthew J Cronin	Philadelphia
Padraic Malinowski, EA	Pittsburgh

# 2019 Calendar of Events

## PA Chapter events in bold type

*National events in italics*

<b>May 9, 1pm-5pm Thursday</b>	<b>Board of Directors Meeting Hoss's, State College, PA</b>
<b>May - TBD</b>	<b>East Working Together Penn State University, Devon, PA</b>
<b>July 10, 8:30am-12noon Wednesday</b>	<b>Board of Directors Teleconference</b>
<i>July 22-25 Monday-Thursday</i>	<i>NATP National Conference &amp; Expo Hilton, Chicago, IL</i>
<b>September 4, 8:30am-12noon Wednesday</b>	<b>Board of Directors Teleconference</b>
<i>September 18-19 Wednesday-Thursday</i>	<i>NATP Tax Forums &amp; Expo Wyndham Indianapolis West, Indianapolis, IN</i>
<i>September 24-25 Tuesday-Wednesday</i>	<i>NATP Tax Forums &amp; Expo Planet Hollywood, Las Vegas, NV</i>
<b>September TBD</b>	<b>West Working Together TBD</b>
<b>TBD TBD</b>	<b>PA-40 &amp; Locals Line-by-Line TBD</b>
<i>October 17-18 Thursday-Friday</i>	<i>NATP Tax Forums &amp; Expo Harrah's, Atlantic City, NJ</i>
<b>November 6, 4pm-9pm Wednesday</b>	<b>Board of Directors Meeting Penn Stater, State College, PA</b>
<b>November 7-8 Thursday &amp; Friday</b>	<b>Annual State Conference &amp; Membership Meeting Penn Stater, State College, PA</b>

## Office Management

The Pennsylvania Chapter of the NATP provides a member benefit of ordering tax and related books and information at a discount from Tax Materials, Inc. and Thomson Reuters Checkpoint. Every tax office should have these various informative tools to help in the planning and preparation of tax returns. By ordering through us, these companies help support our chapter with a donation for each purchase.



To order The Taxbook™ or WebLibrary products and the Quickfinder tax preparation tools, go to our Chapter website at <https://panatptax.com>. The links for the order forms are on the left side of each web page under "What's New". When you order make sure to include the promo codes so the Chapter gets credit for your order.

# *Our Year in Review*

Submitted by Susan Bure

In past years, PA-NATP held a two-day Basic Tax Seminar for those who wanted a refresher and for those who are interested in becoming tax preparers. A third day was devoted to Pennsylvania and Local line by line tax information.

For 2018, the Board of Directors and the Education Committee decided that we would do three PA 40 & Local Line by Line seminars in three separate locations.

There was one in Cranberry Township on September 28 at the Regional Learning Alliance with 27 in attendance, State College on October 5 at the Penn Stater with 14 in attendance and in Wilkes-Barre on October 12 at the Woodlands Hotel & Resort with 29 in attendance.

The evaluations from prior years on the Basic Tax Seminars indicated the attendees preferred the PA and Local portion. As a result of the evaluations, two of our Board Members who are NATP certified instructors, Patti Blum and Kathryn Bowman, went on the road with this seminar. They became known as the Kath and Patti show. Kathryn wrote the text and developed the Power Point presentation for the PA and local session.

The evaluations for 2018 indicated they did an outstanding job of teaching. Even seasoned tax preparers stated they learned a few things.

In 2019, we are planning to hold the PA 40 and Local Line by Line seminars in southwestern and southeastern PA. Details are in the works. Stay tuned as more information becomes available.

This year the Annual Conference was held at the Holiday Inn Express Conference Center near Harrisburg and Hershey on November 8 & 9, 2018. This year was a little different from other years in that we ran two tracks on Friday, November 9. Track One included four hours of Into to Fixed Assets taught by our past education chair Patty Turner, Value Added Services and Advanced Tax Planning for two hours taught by board member Tina Pittman, and Substantiation for two hours taught by board member Patti Blum. Track Two was 1120S with Marilyn Ayers, from New Jersey, teaching for a full 8 hours.

The first day, November 8, was four hours of PA tax updates with David Braden, Assistant to the Director, Bureau of Individual Taxes. Richard Furlong, Stakeholder Liaison of the Internal Revenue Service taught Federal tax updates, and James Hunt from Berkheimer and Associates taught local updates.

The evaluations were outstanding. The group was well pleased with the education and speakers.

At the Annual Conference, Joyce Jones, Chairperson of the Scholarship Committee, passed out applications for the newly formed Scholarship Fund. By the end of the conference she had one completed application. For more information about a scholarship see the article written by Joyce Jones.

Our annual meeting was held after the education sessions and a banquet was enjoyed by all. Door prizes were given to those who attended and several awards were given to retiring board members. We also elected a new president, Holly Whiteside and two new board members.

The Annual Conference for 2019 will be held at the Penn Stater in State College, PA on November 7 & 8, 2019. Save the date and watch Facebook and our website for more details as they develop.

All the PA members of NATP who attended the National Conference in Anaheim, CA were treated to a luncheon at The Marriott NFuse Restaurant by the board of directors. In addition to a good buffet lunch, a good time of socializing was had by all. We hope to see you again in Chicago at next year's conference.



# **PA NATP Chapter Scholarship Fund**

Submitted by Joyce Jones

The chapter is now offering several scholarships because of the generosity of several members and the hard work of the chapter through the past few years. We currently have a balance of \$4,860.24 in our chapter scholarship fund.

We must keep a principal amount of \$2,000.00 in the fund, but we have about \$2,800.00 available for scholarships to our members. This year your board of directors decided to offer scholarships to our members for several items. You can apply for a scholarship for Part I, II, or III of the Enrolled Agent Exam, to attend the PA-NATP Annual Conference, or any of the educational events the chapter is planning for 2019.

Our chapter first began the scholarship program to honor a deceased member, Dave Knickerbocker. Dave was very active in the chapter. He died as a result of a fall, and his passing was a shock to the members of the chapter who had worked closely with him. Dave was a self-employed tax preparer and a substitute teacher at General McLane High School. To honor Dave's memory, the chapter worked with the Erie Community Foundation to create a scholarship for a deserving senior who attends General McLane School District and plans to attend college to major in accounting. To fund the scholarship the chapter instituted the Chinese auction held during the annual conference, accepted contributions to the scholarship box that is at every education event the chapter holds, and accepts donations from members. Having a balance in the Knickerbocker Scholarship of over \$10,000, it is fully funded and self-sustaining per the requirements of the Community Foundation. As a result of that, the board decided to continue its efforts to raise funds to create scholarships for our chapter members.

To apply for a scholarship, you must complete the 2019 Scholarship application with the required information. Once completed, you must send the application to Joyce Jones, Scholarship Committee Chair, at 395 Double J Lane, New Castle, PA 16101. All applications must be received by August 30, 2019. Once received, the applications will be reviewed by the committee members who will vote on the winners. The winners will be notified by mail and will receive a Scholarship Disbursement Voucher. The voucher must be returned along with the required information to the committee chairperson who will have the treasurer send you a check for reimbursement.

The education committee is working on current year education events. Once approval is received from National, it will be posted on our chapter website at <http://panatptax.com/>. You can apply anytime for a scholarship to the Annual Conference or the parts for the Enrolled Agent exam. However, if you are choosing to apply for a specific chapter education event, you will need to visit the chapter website to see what will be available.

Good luck with your applications. We hope to see many applications.

## **PA-NATP Scholarship Application Directions**

**DEFINITION:** A scholarship will be given to any active member of the PA Chapter of National Association of Tax Professional for any of the following:

1. PA-NATP Annual Conference
2. PA-NATP Education Events
3. Enrolled Agent Test Part 1
4. Enrolled Agent Test Part 2
5. Enrolled Agent Test Part 3

**INSTRUCTIONS:** Complete PA-NATP Scholarship Application and send to scholarship committee chairperson: Joyce Jones, 395 Double J Lane, New Castle, PA 16101.

### **ALL APPLICATIONS MUST BE RECEIVED BY AUGUST 30**

If you are chosen as a recipient, you will be notified by mail along with a Scholarship disbursement Voucher.

Attachments needed for reimbursement:

1. Scholarship Disbursement Voucher
2. For Enrolled Agent Testing, a copy of the Prometric receipt when you registered and proof that you took the test.

Send the Scholarship Disbursement Voucher and all attachments to: Joyce Jones, 395 Double J Lane, New Castle, PA 16101

**Please note that all scholarships are non-transferable.**

**PA-NATP**

**2019 SCHOLARSHIP APPLICATION**

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY: \_\_\_\_\_ STATE: \_\_\_\_\_ ZIP CODE \_\_\_\_\_

SCHOLARSHIP FOR WHICH YOU ARE APPLYING: (Pick only one)

- 1 PA-NATP Annual Conference \_\_\_\_\_
- 2 PA-NATP Seminar Event \_\_\_\_\_
- 3 Enrolled Agent Test Part 1 \_\_\_\_\_
- 4 Enrolled Agent Test Part 2 \_\_\_\_\_
- 5 Enrolled Agent Test Part 3 \_\_\_\_\_

**Explain why you want to attend the event chosen from the above list.**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Send completed application to Joyce Jones, Scholarship Committee Chairperson,  
395 Double J Lane, New Castle, PA 16101.**

# *Federal News*

## **Big Tax Changes for Divorce Decrees after 2018**

Submitted by Tina Pittman

Welcome to 2019 and a delayed provision of the tax reform, also known as the Tax Cuts and Jobs Act (TCJA). For divorce agreements entered into after December 31, 2018, or pre-existing agreements that are modified after that date to expressly provide that alimony received is not included in the recipient's income, alimony will no longer be deductible by the payer and won't be income to the recipient.

This is in stark contrast to the treatment of alimony payments under decrees entered into and finalized before the end of 2018, for which alimony will continue to be deductible by the payer and income to the recipient.

Having the alimony treated one way for one segment of the population and the exact opposite for another group of individuals seems unfair and may ultimately make its way into the court system. But in the meantime, parties to a divorce action need to be aware of the change and compensate for it in their divorce negotiations, for a decree entered into after 2018.

This is not the first time Congress has tinkered with alimony. Way back in the mid-1980s, the definition of alimony was altered to prevent property settlements and child support from being deducted as alimony. Under the definition of alimony since then, payments:

- 1) Must be in cash, paid to the spouse, the ex-spouse, or a third party on behalf of a spouse or ex-spouse, and the payments must be made after the divorce decree. If made under a separation agreement, the payment must be made after execution of that agreement.
- 2) Must be required by a decree or instrument incident to divorce, a written separation agreement, or a support decree that does not designate payments as non-deductible by the payer or excludable by the payee. Voluntary payments to an ex-spouse do not count as alimony payments.
- 3) Cannot be designated as child support. Child support is not alimony.
- 4) Are valid alimony only if the taxpayers live apart after the decree. Spouses who share the same household can't qualify for alimony deductions. This is true even if the spouses live separately within a dwelling unit.
- 5) Must end on the death of the payee (recipient) spouse. If the divorce decree is silent, courts will generally consider state law, and where state law is vague, judges may make their own decision based on the facts and circumstances of the case.
- 6) Cannot be contingent on the status of a child. That is, any amount that is discontinued when a child reaches 18, moves away, etc., is not alimony.

Taxable alimony payments under pre-2019 decrees and agreements are treated as earned income for IRA contribution purposes, allowing the spouse receiving the alimony to make IRA contributions based upon the alimony. The ability to make IRA contributions under pre-2019 decrees and agreements remains unchanged. However, for alimony received as a result of a post-2018 decree or agreement, the alimony can no longer be used as a basis for making an IRA contribution.

To summarize:

**Pre-2019 Decrees** – For decrees entered into before 2019 and unmodified after 2018:

- Alimony continues to be deductible by the payer spouse/ex-spouse.
- Alimony is includable in the income of the recipient spouse/ex-spouse.
- The recipient spouse/ex-spouse can make IRA contributions based upon the alimony received.

**Post-2018 Decrees**– For decrees entered into after 2018 (and pre-2019 decrees that are modified and include the TCJA alimony rules): Alimony is not deductible by the payer-spouse/ex-spouse.

- Alimony is not includable in the income of the recipient spouse/ex-spouse.
- The recipient spouse/ex-spouse cannot make IRA contributions based upon the alimony received.

**One additional complication** is if state tax treatment is different than that at the federal level. Some states, such as California, have not conformed to the TCJA; as a result, the state treatment of alimony paid under both pre-2019 and post-2018 decrees in these states will continue to follow pre-2019 law, with alimony payments continuing to be deductible and alimony received being taxable.



## 2019 Standard Mileage Rates Announced

Submitted by Tina Pittman

The Internal Revenue Service (IRS) computes standard mileage rates for business, medical and moving each year, based on a number of factors, to determine the standard mileage rates for the following year.

As it does annually around the end of the year, the IRS has announced the 2019 optional standard mileage rates. Thus, beginning on Jan. 1, 2019, the standard mileage rates for the use of a car (or a van, pickup or panel truck) are:

- 58 cents per mile for business miles driven (including a 26-cent-per-mile allocation for depreciation). This is up from 54.5 cents in 2018;
- 20 cents per mile driven for medical or moving\* purposes. This is up from 18 cents in 2018; and
- 14 cents per mile driven in service of charitable organizations.



*\* For years 2018 through 2025, the deduction for moving is only allowed for members of the armed forces on active duty who move pursuant to a military order.*

The business standard mileage rate is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs determined by the same study. The rate for using an automobile while performing services for a charitable organization is statutorily set (it can only be changed by Congressional action) and has been 14 cents per mile for 20 years).

**Important Consideration:** The 2019 rates are based on 2018 fuel costs. Based on the potential for substantially higher gas prices in 2019, it may be appropriate to consider switching to the actual expense method for 2019 or at least to keep track of the actual expenses, including fuel costs, repairs and maintenance, so that the option is available for 2019.

Taxpayers always have the choice of calculating the actual costs of using their vehicle for business rather than using the standard mileage rates. In addition to the potential for higher fuel prices, the extension and expansion of the bonus depreciation as well as increased depreciation limitations for passenger autos in the Tax Cuts and Jobs Act may make using the actual expense method worthwhile during the first year when a vehicle is placed into business service.

However, the standard mileage rates cannot be used if you used the actual method (using Section 179, bonus depreciation and/or MACRS depreciation) in previous years. This rule is applied on a vehicle-by-vehicle basis. In addition, the business standard mileage rate cannot be used for any vehicle used for hire or for more than four vehicles simultaneously.

**Employer Reimbursement** – When employers reimburse employees for business-related car expenses using the standard mileage allowance method for each substantiated employment-connected business mile, the reimbursement is tax-free if the employee substantiates to the employer the time, place, mileage and purpose of the employment-connected business travel.

The Tax Cuts and Jobs Act eliminated employee business expenses as an itemized deduction, effective for 2018 through 2025. Therefore, employees may no longer take a deduction on their federal returns for unreimbursed employment-related use of their autos, light trucks or vans. Members of a reserve component of the U.S. Armed Forces, state and local government officials paid on a fee basis and certain performing artists continue to be allowed to deduct unreimbursed employee travel expenses, including the business standard mileage rate, because they are deductible from gross income rather than as an itemized deduction.

**Faster Write-Offs for Heavy Sport Utility Vehicles (SUVs)** – Many of today’s SUVs weigh more than 6,000 pounds and are therefore not subject to the limit rules on luxury auto depreciation. Taxpayers who purchase a heavy SUV and put it into business use in 2019 can utilize both the Section 179 expense deduction (up to a maximum of \$25,500) and the bonus depreciation (if the Section 179 deduction is claimed, it must be applied before the bonus depreciation) to produce a sizable first-year tax deduction. However, the vehicle cannot exceed a gross unloaded vehicle weight of 14,000 pounds. Caution: Business autos are 5-year class life property. If the taxpayer subsequently disposes of the vehicle before the end of the 5-year period, as many do, a portion of the Section 179 expense deduction will be recaptured and must be added back to the taxpayer’s income (self-employment income for self-employed individuals). The future ramifications of deducting all or a significant portion of the vehicle’s cost using Section 179 should be considered.

## Does Your Client Qualify for an IRS Offer in Compromise?

Submitted by Tina Pittman



If your client is facing outstanding tax debt that he/she cannot pay, you may want to consider looking into an Offer in Compromise from the IRS. Specifically, an Offer in Compromise is an option offered from the IRS to qualifying individuals that allows them to settle tax debt for less than what they actually owe.

Unfortunately, there seem to be a lot of misunderstandings about Offers in Compromise; many people falsely believe that

these are seldom accepted by the IRS. In reality, it is estimated that the current acceptance rate is over 40%, with the average dollar amount of a settlement reaching more than \$10,000.

As a tax preparer, knowing the basic qualifications of an IRS Offer in Compromise and what to expect from the application process can be extremely helpful moving forward.

### Qualifying factors to consider

Generally, there are three factors that are considered by the IRS when somebody applies for an Offer in Compromise. Most commonly, the IRS must have a belief that the taxpayer will not be able to pay his/her tax debt off at any point in the near future. This means that the taxpayer’s financial situation is probably not going to improve anytime soon and that the IRS would not likely be successful in forcing collections on the taxpayer.

At the end of the day, the IRS needs to believe they are getting a fair deal - so if the taxpayer has any potential to pay the debt at any point in the near future, he/she may not qualify.

The taxpayer might also qualify for an Offer in Compromise if there is doubt as to the actual tax liability; if the taxpayer has documentation proving that he/she owe less in taxes than the IRS believes to be true, or if an assessor has made a mistake on their reporting, you may be more likely to have an Offer in Compromise accepted by the IRS.

Finally, if paying the tax bill would create a significant financial hardship, he/she may also qualify for an Offer in Compromise. Of course, proving financial hardship can sometimes be a challenge.

In addition to all of these considerations, there are several other eligibility requirements that the taxpayer must meet in order to qualify for an Offer in Compromise:

- Taxpayer must pay the application fee
- Taxpayer must have filed all required tax returns
- Taxpayer cannot be going through a bankruptcy at the time of filing
- Taxpayer must submit all required documentation

## What to expect from the process

One of the most complicated aspects of going through the application process for an IRS Offer in Compromise is filling out and submitting all the required paperwork. There are several documents you may need to complete to even be considered for an Offer in Compromise, including:

- [IRS Form 433-A](#) - this form requires information on the taxpayer's assets, liabilities, expenses, and income to determine taxpayer's Reasonable Collection Potential.
- [IRS Form 433-B](#) - this form needs to be filled out for businesses applying for an Offer in Compromise.
- [IRS Form 656](#) - use this form to apply for an Offer in Compromise so long as there are no doubts as to the taxpayer's tax liability.
- [IRS Form 656-L](#) - use this form to apply if you are disputing the tax liability to the IRS.

In addition to completing these official forms as part of the application process, taxpayer will also need to provide some documentation, such as:

- health care statements
- bank and credit card statements
- investment information
- proof of living expenses
- car loan, mortgage, and similar loan statements
- copies of related tax returns

## These above items of consideration will help promote your services as a tax professional

A qualified and experienced tax professional will be able to assess the taxpayers current tax situation and give advice as to whether or not going through the Offer in Compromise application process is worth the taxpayer's time and efforts.

Even if the taxpayer doesn't qualify for an Offer in Compromise, you may be able to assist the taxpayer with other alternatives for making his/her tax payment more financially manageable. This might include options to work out a payment/installment program with the IRS, among other options.

## The bottom line

Overall, getting an Offer in Compromise accepted by the IRS is nearly a 50/50 shot - but if the taxpayer meets the eligibility requirements and take the time to correctly submit all paperwork and documentation, chances of reaching an offer are high.

# **Pennsylvania News**

## **Payment & Filing Changes for Motor Fuel and Alternative Fuels Tax Accounts**

Effective January 23, 2019, Motor Fuel Tax and Alternative Fuels Tax accounts will no longer be using [e-TIDES](#) for online payment and filing purposes. myPATH, a new online system, will be introduced in February 2019.

Visit [www.revenue.pa.gov/mypathinformation](http://www.revenue.pa.gov/mypathinformation) to learn more.

# *Local News*

## **Act 18 of 2018**

The current Act 18 was presented as Bill 245 and passed by both the House and Senate in 2016-2017 sessions. However, it was vetoed by Governor Wolf. Reintroduced and passed in the 2017-2018 sessions of the House (passed unanimously) and Senate (44-6) as House Bill 866, it was signed into law by Governor Wolf on May 4, 2018.

Act 18 amends several provisions of Act 32 which was passed into law in 2008 becoming effective in 2012. While Act 32 was meant to simplify the collection process, one of the unintended consequences permitted some collectors to limit the local credit provisions thereby permitting PA residents to be taxed twice on the same income. Act 18 prevents this practice and makes collection more uniform across the state.

Several of the main provisions correct the double taxation on citizens. When Act 511 was created, the crediting language was crafted such that it ensured taxpayers would not be subject to double taxation. However, in Act 32, the word "Act" was changed to "Chapter". This change was not noted until aggressive collectors began to take advantage of their ability to collect more tax (thereby increasing their collection commissions).

Taxpayers with no income have no earned income tax liability and are not required to file a return with their local collector. Some collectors were penalizing these taxpayers for not filing a return. The amendment in Act 18 clarifies that penalties cannot be charged to individuals with no taxable income after they have filed and earned income tax return marked as FINAL.

While Act 32 charged the Department of Community and Economic Development (DCED) with certain responsibilities which included promulgating forms and collections regulations as well as receiving annual tax collector audits and compliance reports, it gave them no power to do so. Act 18 amends Act 32 giving the DCED power to enforce provisions for which they are responsible as well as providing the public a method to report any issues it might have with tax collections.

Under previous law, an aggressive tax collector could collect a multitude of earned income tax rates on employees who work in tax jurisdictions outside their home jurisdiction. For example, if a taxpayer worked for 1 hour working in four different local jurisdictions in a single day on various temporary job assignments, there was nothing to prevent the tax collector from enforcing the collection of four different rates of tax for that day of work. This issue created confusion for employers and small businesses which made PA a difficult place in which to do business. Act 18 puts rules in place for employer withholding of taxes for taxpayers on temporary job assignments in jurisdictions other than their home jurisdiction. A 90-day threshold was established before an employer is required to withhold the tax at the rate in the jurisdiction of temporary employment. Persons working on temporary job assignments in Philadelphia are subject to the Sterling Act. This change makes tax collection easier and less confusing.

Act 32 caused tax collectors to penalize individuals who made estimated payments under Section 502 of the Local Tax Enabling Act (Act 511 of 1965). Act 18 provides that a taxpayer is deemed to have met the estimated payment requirements as long as four equal and timely estimated payments are made that are equal to 100% of the prior year tax liability or 90% of the current year's tax liability (less tax withheld in either case.) If done as stated, they will not be subject to penalty. This language is consistent with federal language in the Internal Revenue Code.

Form W-2 coding requirements in the past used a two digit code to indicate the tax collection district wherein withholding was remitted. Act 18 requires the full political subdivision code in a specified format to clarify exactly the rate used in withholding the tax and where the tax was remitted.

Act 18 prohibits auditing tax records on a contingency fee basis which has resulted in inappropriate personal gain to private audit companies at the taxpayers' expense. The tax collectors' books are to be carried out on a calendar year basis.

## Act 172 of 2016

Submitted by: Walter Douglass

I hope you are all doing well during this early fall season. I had a wonderful time during the PA line-by-line seminar. I learned a few new things.

One thing that was not introduced or known at the time is [Act of Nov. 21, 2016, P.L. 1509, No. 172](#). This Act is a credit for volunteer fire personal, EMS, and Ladies Auxiliary. It is up to a \$500 credit on the local side of the taxpayer return.

There are rules and procedures that need to be in place in order for the first responder to receive this credit.

Please check with your local government to see if they have enacted this Act. My local borough just enacted this resolution on October 11, 2018.

The [Pennsylvania Municipal League](#) has a link containing four pages of easy reading explaining this Act 172.

If you already know of this Act, I hope you are sharing the information. If you do not know about it, then let's read up on it and share the information with our clients and other PA Practitioners.

# **PA-NATP - Seeking Committee Members**



Love your tax profession and want more out of your career? PA-NATP is seeking nominations for an open Board of Director position to finish out 2019 term. We have several positions coming open for the 2020 year. These positions are three-year terms. If you feel the desire to impact the future growth of the tax profession, now is the time to join us.

PA-NATP is also seeking members in good standing who would like to volunteer on one or several PA-NATP committees. Committees are as follows:

Audit	Awards	Budget	Bylaws
Membership	Newsletter/Communications	Nominations	Public Relations
Scholarship Fund	Seminars & Events	Tax Practitioner Liaisons	Education

Members must be in good standing with NATP and be at least 18 years or older to be nominated for any Board of Director position and to volunteer on a committee.

If you have any questions on either of these positions above, please reach out to Tina Pittman via email at [tina@pittman-cpa.com](mailto:tina@pittman-cpa.com). She will provide you with more information and direct you to the right contact person.

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