

PSEA

2014-2015

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PSEA

PENNSYLVANIA SOCIETY
OF ENROLLED AGENTS

POWERING AMERICA'S TAX EXPERTS

PA EA ALERT

Volume 24 Issue 2

February 2015

President's Letter

By Joni Cappuccio, EA, CPA

Greetings,

Tax season 2015 is upon us. I hope you are all off to a great start. I've heard it said that this season may be our most challenging yet, as we face the new provisions of the Affordable Care Act and the final tangible property repair regulations. However, we are so very lucky to have a wonderful network of peers who are always willing to answer questions and help one another. Whether you are unsure of how to handle an issue or just need confirmation that you are reporting something correctly, you can always reach out to a fellow member. In addition, you can post your question through our website, and we will route it to someone who will be able to provide assistance. This is by far the most valuable benefit of membership in PSEA.

Please save the date for our annual fEAst in the East which will be held this coming June 8 and 9 in State College. As always, the Board has assembled an awesome program filled with great representation subjects. Back by popular demand, Frank Degen, EA USTCP will return to speak on Monday, June 8 presenting sessions on tax research, ethics, IRM and reasonable cause. Frank Agostino, Esq. will speak on Tuesday, June 9 presenting sessions on substantiating deductions, international tax issues (including FBAR), audits and criminal tax issues. We are hoping that Rich Furlong will be able to join us on Tuesday June 9 to enlighten us on IRS issues. Additional information and registration forms will be forthcoming.

Our annual PSEA membership meeting and election of the 2015 / 2016 Board of Directors will be held on Monday, June 8 at 5:30 following our education session. Our nominating committee is currently working on preparing a slate of candidates. If you are interested in serving on the Board or any of our committees, please send me an email at jonicapea@aol.com. We encourage all members to become involved with the organization. Finally, I would like to thank Lisa McAllister for her participation and leadership on the Board.

I wish you all the best for a successful tax season! See you at fEAst!!

Best regards,
Joni

Editor's Note—

It's been an interesting few months on the PSEA Board. As you know, our President has moved on, our first selection for Acting President has also moved on, and we now welcome our current Acting President, Joni Cappuccio.

We welcome Joni's willingness to serve and look forward to working with her to assure the successful completion of the current presidential term.

In addition, Diane Kennerup, our previous newsletter editor (who always did a magnificent job), found herself unable to continue in the role. The Board wants to thank Diane for her excellent service. Your newsletter is temporarily being edited by Lynda Moscatello (who is not a whiz with Publisher). If you know how to make Publisher do things, please consider taking on this task. Contact any Board member to volunteer.

My last note, sadly, is to recognize the passing of George Meyers, EA. George was a tireless friend to Enrolled Agents everywhere and especially to PSEA. He will be greatly missed.

Patient Protection Affordable Care Act

Making Sense

By Mikal Abdullah, EA

As the days drilled down to the end of the year and the start of the 2014 tax filing season I am sure that there are many concerns weighed with uncertainty. Self-included two concerns are in escapable the first is after twelve years I have decided to switch tax software and the second is the Affordable Care Act (ACA). In 2014 the ACA mandates that all Americans must meet the Individual Shared Responsibility Provision (ISRP) that is have minimum essential coverage, a coverage exemption, or make a shared responsibility payment. If the former is not confusing enough try to tackle the responsibility of the Health Insurance Marketplace, the Health Insurance Premium Tax Credit (PTC), and the Small Business Health Care Tax Credit (SBHCTC). On or about mid-March 2010 President Barack Obama together with the Health Care and Education Reconciliation Act signed into law the Patient Protection and Affordable Care Act. Since 2010 I have and I am sure that

many of you have asked yourself how the new law is going to affect my clients and our responsibility as tax practitioners. I can assure you with complete tax certainty there stands' to be complete chaos creating a continual line of clients seeking answers to their responsibility to the requirements of the Affordable Care Act. Many of our clients will volunteer that they did not call the healthcare market place nor did that maintain the minimum essential coverage each month during the 2014 tax year. Hesitation is normal where many for various reasons will simply not meet deadlines and there are always those who will never comply with standards. The number one item that will most likely take center stage and be off greatest concern for clients for their actions of non-compliance is the penalty or in terms of the Affordable Care Act the (ISRP) Individual Share Responsibility Payment.

The ISRP is based on the greater of the percentage of income or flat dollar amount which in the case for most families the IRSP cannot exceed 3x the flat

dollar amount. In respect to the mandate of obtaining healthcare and for those individuals shopping in the Marketplace health insurance exchanges are required to offer four coverage levels: bronze, silver, gold, and platinum. The ISRP amount may not exceed an amount equal to the national average premium at the bronze level. Most Americans will be required to get at least a bronze-level plan, unless eligibility for a religious or hardship exemption applies. For example: the bronze plan is a 60/40 plan meaning that the plan will cover 60% of the cost and the taxpayers out of pocket cost will be 40% of the health care costs. A closer look at the mandate penalty and how to use it correctly is demonstrated below.

	Year 2014	Year 2015	Year 2016	After 2016
	1% of income above Filing threshold	2% of income above Above Filing Threshold	2.5% of income Above filing threshold	2.5% of income above Filing threshold
Minimum Penalty Amount	\$95	\$325	\$695	\$695 + Inflation Adjustment

Example A

Mary is single 23 year old tax filer whose income for 2014 was 43,000 and was uninsured the entire year. Mary employer offered health insurance costing \$280 per month which Mary decided that she couldn't afford the extra \$280 per month choosing to go without insurance. We'll use the 2014 filing threshold \$10,150 (Filing Status + Personal Exemption), and the 2014 national average cost of a bronze-tier

health plan is \$2448 per year. Estimated calculations.....

Step 1

$$\$43,000 - \$10,150 = \$32,850$$

Mary's income – filing threshold for single filers = portion of Mary's income used to calculate penalty

Step 2

$$\$32,850 \times 0.01 = \$328.5$$

$$\text{Flat dollar: } 285 = ((95 \times 2)) + ((95/2 \times 2)) \text{ 2014 ISRP} \\ = \$328.5 (\$328.5 \text{ is } > \$285)$$

The portion of Mary's income used to calculate the penalty X penalty percentage for 2014 or 1% or 0.01 = Mary's percentage of income.

Step 3

Check the table above; compare the minimum penalty for 2014 with percentage-of-income penalty you just calculated. Mary's individual mandate penalty will be the bigger of the two.

Since \$328.50 is larger than the minimum health insurance penalty of \$95 for 2014, Mary will have to pay a penalty of \$328.5 when she files her taxes on April 15, 2015. The penalty is less than the national average cost of a bronze-tier health insurance plan, \$2,448 meaning the Mary is not affected by the penalty cap. Mary is not exempt from paying the penalty because her employer offered health care insurance. Coverage would have cost Mary less than 8% of her income.

The initiator is your client coming into your office and handing you Federal Form 1095-A (Health Insurance Marketplace Statement) www.IRS.gov/

draftforms which is issued by the Health Insurance Marketplace forwarded by January 31. The 1095-A provides documentation of coverage by month, premiums, and advance payments of PTC (Premium Tax Credit). The PTC is a tax credit provides financial assistance to certain individuals to assist in paying health care premiums by reducing the amount of tax you owe, giving you a refund, or increasing your refund amount. This happens on Federal Form 8962 (Premium Tax Credit) which the taxpayer must file a tax return to receive the credit or to account for APTC (Advance Premium Tax Credit) even if you are not required to file an income tax return.

Coverage outside the enrollment period is a possibility but you need to meet the requirements of the Special Enrollment Period such as having a qualifying life event. A qualifying life event can be the following:

- Marriage or divorce
- Having a baby, adopting a child, or placing a child for adoption or foster care
- Moving your residence, gaining citizenship, leaving incarceration
- Losing other health coverage due to lose of job-base coverage, end of an individual policy plan for 2012, COBRA expiration, and losing eligibility for Medicare or CHIP.

Remember that any 2014 plan enrollment within the Special Enrollment Period will end on December 31, 2014 regardless of which month in 2014 your coverage starts. Also, voluntarily ending health insurance

coverage will disqualify you for the Special Enrollment Period. This is also true if you lose coverage that did not meet the individual responsibility requirements under the Affordable Care Act. If a request for a Special Enrollment Period is denied, you can file an appeal and if found incorrect coverage will be backdated to the date your Special Enrollment Period was denied.

In closing I think back to my earlier question of what is or responsibility to our clients in respect to the Affordable Care Act, it is to be well informed. I am not implying that one should read all the 11,000 pages of regulation for this one law, or ask you to take a side of its pros and cons but foster a more social point that instills confidence in your clients. Clients can feel good that the Affordable Care Act puts them back in the driver's seat of stability and flexibility making those important choices about their health. One has to admit that regardless of what side of the aisle you may sit the coverage is equally beneficial for all. The Act ends pre-existing condition exclusions for children, its ends arbitrary withdrawal of insurance coverage, it guarantees your rights to appeal, and my favorite is it allows me to keep my young adult children under 26 who may or may not be in college on my health plan.

There is a lot to digest about the Patient Protection and Affordable Care Act, confusing numbers, confusing dates and times, are the penalties enforceable, these and many other questions how will it affect us moving forward. I will address these concerns in PSEA's next newsletter.

I have provided under Index below a number of hyperlinks that are essential to keeping ahead of ever changing rules, regulations, and policies changes of the Patient Protection and Affordable Care Act

Index

<http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions-Home> The Affordable Care Act Tax Provision

<https://www.healthcare.gov> Healthcare.gov

<http://www.irsvideos.gov/> IRS Videos

<http://www.hhs.gov/healthcare/index.html> U.S. Department of Health & Human Services

<https://congress.gov/> United States Congress

www.irs.gov/draftforms IRS Draft Forms

About the Author:

Mikal Abdullah, EA, MST, is a Fellow of the NTPI and the President of MAB Consulting Services LLC in Philadelphia, PA. He serves on the board of the Pennsylvania Society of Enrolled Agents where he chairs the Government Relations Committee.

PSEA Second Annual State Education Event

By Joni Cappuccio, EA CPA

On Friday, November 7, 2014, PSEA held its second annual PA State Education event in Carlisle, PA. Approximately 30 attendees enjoyed a program jam packed with valuable information. Linda Bleil, EA provided updates on PA inheritance, estate and trust tax returns and Marcellus Shale. Representatives from the PA Department of Revenue enlightened attendees on recent PA updates. Lauren Zaccarelli, Chair of the Board of Appeals, presented an overview of procedures concerning taxpayers' appeal rights. Jeffrey Creveling, CPA, Chief of the Corporation Taxing Division, discussed PA corporation tax issues. David Braden, CPA, Assistant to the Director, Bureau of Individual Taxes, provided an update on current PIT issues including the Department's W-2 and UE audit initiatives. Finally, Richard Furlong, Jr., IRS Senior Stakeholder Liaison, presented the Affordable Care Act. Thanks to Bill Matesevac for organizing another terrific event!

Form 2848 - Revised Instructions July 2014

By Linda Bleil, EA

In Part II of this form, we (Enrolled Agents) usually put a "C" in the designation box. And then our Enrollment Card Number. The revised instructions tell us to put "IRS" as the licensing jurisdiction. For some newly filed 2848's, there have been instances when the IRS has notified the EA that the form (2848) was incomplete without that addition of IRS as the licensing jurisdiction. And IRS is the way to identify that jurisdiction.

In Memory of George J Meyers, EA

By Lisa McAllister, EA

On October 18, the world lost a great man, EAs lost one of their strongest voices and many of us lost a close friend, when George J. Meyers, EA passed away. Professionally, George was passionate, dedicated and knowledgeable. He proudly considered himself to be a curmudgeon and he worked very hard to live up to that title, but he never turned away another Enrolled Agent who needed assistance. George's drive, dedication and sheer doggedness in his pursuit to represent his clients to the best of his abilities earned him the respect of clients, colleagues and even some of the IRS representatives he faced off against. His stories about his dealings with the IRS were not only funny, but also great learning tools for the legions of EAs who considered him to be their mentor.

Personally, George was the loving father of Rebecca and Burke and adoring grandfather to Hunter, Stellarose and Trinity. While he never got over the loss of the great love of his life, Toni, George still lived his life to the fullest, taking his grandchildren on fabulous vacations and regaling us with wonderful stories about them. He was a gentleman and modern day Renaissance man, able to discuss travel, fine dining and literature and then seamlessly flow to stories about questionable bars in Mexico and Monty Python without missing a beat. He also happened to be one of the best-dressed men at any event he attended, a fact that he took more than a little pride in.

Since his stroke in July, there has not been a day that has gone by that I haven't missed my friend. I cannot count the number of times that I have reached for my phone because I had a question or an idea to bounce off of him. I miss our long car rides to conferences, hearing his stories and his wonderful laughter. I miss his silly emails and his phone calls to tease me about something I said or did. I know that I am not alone in missing all of these things and so much more about George. I am so grateful to have had him in my life. Thank you George for your wisdom, your knowledge, your guidance, your humor and most importantly for your friendship. Rest in peace, Buddy.

Save the Dates !!!

fEAsT in the East

June 8—9 , 2015

Days Inn, South Pugh Street, State College, PA

We are proud to welcome the return of Frank Degan, EA . We are also lucky to welcome Frank Agostino, EA. AND—last, but not least, we hope to have Rich Furlong representing the IRS.

Barbara Richardson, EA has negotiated a remarkable room rate of \$74 (plus tax) per night. Call the Day's Inn at 800 258-3297 and request group code **CGROAG**. Reserve early!



**APPROVED
CONTINUING EDUCATION
PROVIDER**

Enrolled Agent Public Awareness

By Joni Cappuccio, EA CPA

Following are some exciting new PR events:

- NAEA has developed a new website, eatax.org, designed for the general public. The website is contains a short description of enrolled agents, Find an EA button and video commercial advertising that EAs are America's Tax Experts.
- Thanks to NAEA and AzSEA, an airplane flew over the Super Bowl XLIX towing a large banner with the NAEA logo directing people to the new website.
- NAEA is advertising enrolled agents on all NPR radio stations across the country during the months of January and February.
- If you are on Facebook, NAEA encourages you to join their member only Facebook page. They are using it to distribute "hot off the press" tax information.
- Press releases are available for members to publish in local media.

Reminder

King of Prussia Breakfast Meeting

By Diana Dugan, EA

Every month, except during tax season, a small group of EA's and tax professionals get together for a 9 AM Breakfast and to discuss questions and problems that come up in our practices.

Michael's Restaurant & Delicatessen
130 Town Center Road
Valley Forge Center, Route 202
King of Prussia, PA

Michael's is on Town Center Rd in the Valley Forge Center which is one mile north of the King of Prussia Shopping Center on Rt. 202

May 6, 2015
June 3, 2015
July 1, 2015
August 5, 2015
September 2, 2015
October 7, 2015
November 4, 2015
December 2, 2015
January 6, 2016

Treasurer's Reports

By Lynda Moscatello, EA

Pennsylvania Society of Enrolled Agents Inc
Balance Sheet
 As of January 31, 2015

2:22 PM
 02/04/2015
 Accrual Basis

	<u>Jan 31, 15</u>	<u>Jan 31, 14</u>	<u>\$ Change</u>
ASSETS			
Current Assets			
Checking/Savings			
PNC Checking	12,440.06	4,937.34	7,502.72
PNC Money Market			
Defense Fund	30,000.00	30,000.00	0.00
Emergency Fund	13,000.00	0.00	13,000.00
PNC Money Market - Other	274.09	13,239.96	-12,965.87
Total PNC Money Market	<u>43,274.09</u>	<u>43,239.96</u>	<u>34.13</u>
Total Checking/Savings	<u>55,714.15</u>	<u>48,177.30</u>	<u>7,536.85</u>
Total Current Assets	55,714.15	48,177.30	7,536.85
Fixed Assets			
LCD Projector	0.00	87.99	-87.99
Total Fixed Assets	<u>0.00</u>	<u>87.99</u>	<u>-87.99</u>
TOTAL ASSETS	<u>55,714.15</u>	<u>48,265.29</u>	<u>7,448.86</u>
LIABILITIES & EQUITY			
Equity			
Retained Earnings	48,887.69	45,362.54	3,525.15
Net Income	6,826.46	2,902.75	3,923.71
Total Equity	<u>55,714.15</u>	<u>48,265.29</u>	<u>7,448.86</u>
TOTAL LIABILITIES & EQUITY	<u>55,714.15</u>	<u>48,265.29</u>	<u>7,448.86</u>

2:17 PM
02/04/15
Cash Basis

Pennsylvania Society of Enrolled Agents Inc
Profit & Loss
July 2014 through January 2015

	<u>Jul '14 - Jan 15</u>	<u>Jul '13 - Jan 14</u>	<u>\$ Change</u>
Income			
Dues Income	9,750.00	8,858.34	891.66
FOE	40.00	0.00	40.00
Initiation Fees	270.00	162.00	108.00
Interest Income	19.91	19.01	0.90
Misc Income	0.00	120.00	-120.00
Other Registrations	1,885.00	2,535.00	-650.00
Total Income	11,964.91	11,694.35	270.56
Expense			
Board Meeting	2,550.15	2,770.67	-220.52
Education	0.00	569.00	-569.00
FEAsst	0.00	221.34	-221.34
Membership	16.81	2,114.28	-2,097.47
Office Supplies	69.45	9.00	60.45
PA Education	1,849.76	2,050.05	-200.29
Postage	45.58	26.42	19.16
Sunshine Fund	0.00	151.96	-151.96
Telephone	0.00	147.18	-147.18
Website	241.70	156.70	85.00
Working Together	325.00	575.00	-250.00
Total Expense	5,098.45	8,791.60	-3,693.15
Net Income	6,866.46	2,902.75	3,963.71