

PSEA

2013-2014

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PSEA

PENNSYLVANIA SOCIETY OF ENROLLED AGENTS

POWERING AMERICA'S TAX EXPERTS

PA EA ALERT

Volume 23 Issue 3

August, 2013

Happy New Year to all! I hope everyone had a wonderful holiday season and are ready for the busy time of year. Let the games begin!

That phrase, to any non-tax professional, typically would conjure images of the upcoming Winter Olympics in Sochi. For tax professionals, though, we immediately think of the upcoming tax season. Many tax professionals are readying themselves for the games they must play with clients, IRS regulations, government changes, delays to filing season and on and on. We tax professionals must love the game because we are willing to play it every year.



Once again the start of the filing season is delayed. It seems as if every year there is a new reason for the delay. This year the delay is being blamed on the government shutdown during the fall. Systems will not be prepared and tested completed on time so individual returns cannot be filed, either electronically or on paper, until January 31, 2014. This 10-day delay is less than originally anticipated. Business returns will be processed beginning January 13, 2014.

As is typical at this time of year, treading the waters of new, updated and expiring tax laws is a game tax professionals expect to play. For the 2013 filing season, the big topic of concern has been the Affordable Care Act. New information on the ACA seems to be released almost daily. Also of importance this year is the treatment of same-sex married couples, the §263a provisions, the Medicare surcharge and many tax planning concerns over expiring tax credits in 2013-2014.

Personally, my favorite tax games are the ones my clients try to play. Most of my clients are trained fairly well but there are a few that cause me to get out the "No!" button every year. There is the client who always miraculously has the same, nicely-rounded off amount in charitable contributions. Or the perpetual college student client who can never remember how many part-time jobs he held during the year. Or the client who believes if she drops off her final paystub of the year to me as soon as she receives it, she will somehow be first in the IRS processing queue. Believe it or not, those are actually three of my favorite clients because every year I get to invent a new way to tell them No.

At this time of year, my friends and family know I go into bear mode. Like bears, I tend to go into a type of hibernation from January through mid-April. Unlike a bear, though, my hibernation is not geared toward rest and preparing for the summer. My hibernation is about focusing on almost nothing but taxes for several months. During the day, my job as a tax manager in industry is consumed with tax preparation for not only the US but also international taxes, sales tax, property tax, etc. During the evenings and weekends, I am focused on the individual and business clients of my tax preparation business. Many friends and family say they are clients of mine solely so they can see me for a few hours during those months. I'm sure many of you also go into bear mode during this time of year.

So as we all plan on going into a tax-induced hibernation for the next few months, may I wish you all a good season. Hopefully it is one filled with great clients who remember all their tax documents for their appointments, tax software that works well and few law changes mid-season.

Samantha  
Samantha Stewart, EA  
President, PSEA

P.S. For those of you unfamiliar with the NO! button, it is similar to the Staples Easy button but says No! in several different ways. I keep one on my desk at all times for those clients who just don't understand why tax law does not agree with their reasoning or their recordkeeping.

# Advertisements

## TAX PREPARATION..... WORK FROM YOUR LOCATION !

EA / CPA is looking at a sudden increase in client base, and needs full or part-time employees OR per diem help.

Please reply to [cent\\_1969@yahoo.com](mailto:cent_1969@yahoo.com) with your:

- (1) RESUME
- (2) RATE
- (3) List THE ONE TAX PROGRAM that you now use, and for how many years.
- (4) Do you file a SCHEDULE C?
- (5) Do you have a LOCAL business license?
- (6) Do you have Employees or Subcontractors?
- (7) What is your computer's OPERATING SYSTEM?
- (8) WHICH high-speed internet provider do you use?
- (9) COPY of your PTIN (when hired / subcontracted)
- (10) COPY of your EA certificate (when hired / subcontracted)
- (11) COPY of your E&O certificate (when hired / subcontracted)



Name	Designation	City	State
Adams, Janelle	Enrolled Agent	Yardley	PA
Kaecher, Kelly	EA	Pittsburgh	PA
Migeot, Jan	EA	West Chester	PA

## Meet the Board

*Linda S. Bleil, EA*



Many of you who have attended PSEA education programs over the years know of Linda and her deep involvement with our group. Linda became an enrolled agent in 1990 and joined NAEA at that time. For the past 23 years, she has served in several capacities for the Society, the most recent being the President, and Immediate Past President.

Linda's tax career began in January 1970 when she was assigned to work in the Trust Department for a major Pittsburgh bank. Specifically, she was the assistant to the Tax Manager—at the start of the tax season! And she's still doing taxes 44 years later. It was love from the beginning doing taxes, learning and handling estates and trusts. In 1978, Linda left the comfort of a regular paycheck and started her own business offering estate and trust work to local attorneys. The income taxes followed rather quickly and she's still at it.

She was active with PA-NATP for a number of years and during that time met Steve O'Rourke, who was with NATP. Steve encouraged Linda to sit for the EA exam, despite her protests that she knew nothing about corporations and would fail the test. (She scored the highest points on the corporation part!) With PA-NATP, Linda was the Secretary and President and worked on the annual education programs for the membership, often times presenting issues on estates and trusts. In addition to PA-NATP, Linda has presented for MD-NATP, VA-NATP, Greater Cleveland EA's, Serving Aging America, IRS Working Together and many times for PSEA. About her work Linda is often heard to say, "I'm lucky. People pay me to do what I love to do!"

Linda is originally from Cleveland and now lives in the Pittsburgh area. She is married with one grown son, who is an English professor (no.....he wanted to work in Mom's office). Her interests are reading, counted cross stitch, drag racing and baseball. You might be surprised to learn that she worked in the pits for an alcohol funny car owner!

Estate and Trust Issues for Tax Season 2014

By

Linda S. Bleil, EA

Soon the clients will be coming in with not only their personal tax issues, but also questions an estate or trust that they are involved with during 2013. Here are some typical questions I get in my office and my answers:

1. The administration expenses and fees were claimed on the REV-1500. Can I still claim them on the 1041?

***Yes, this is not “double-dipping.” However, if the expenses and fees were claimed on a federal estate tax return for the estate and those fees reduced the federal tax, then you cannot claim them on form 1041.***

2. The estate earned no dividends or interest in 2013, but there was a sale of stock that resulted in a loss. Is a return necessary?

***Yes– the IRS only gets information regarding the sale price and not the date of death value so has no way of knowing if there is a gain or loss.***

3. Taxpayer died 7/13/2013. An IRA payment of \$50000 with %5000 withholding was received by the estate. The children are the beneficiaries of the estate. Who pays the tax on the IRA?

***The answer is—it depends. First of all, there is PA inheritance tax on the \$55,000 IRA value (\$50,000 received plus \$5000 tax withheld). Second, the payment of income taxes on the \$55,000 distribution is reported on 1041. If there are no distributions to the children from the estate in the tax year, then the estate pays income tax on the \$55,000 and gets credit for the \$5000 withholding. BUT.....with tax planning, it is possible that the children will pay the tax (at a much lower tax bracket) and the estate will get a refund of the withheld tax. How? The estate makes a distribution of \$50,000 to the children before the tax year end. If the estate chooses 12/31/13 as the year end, there is a 65-day rule that provides the distributions made by the 65th day after the end of the tax year qualify as having been made in the tax year by election made by the Executor. If the kids get the \$50,000, there is no taxable income left in the estate and the estate pays no taxes. Each kid gets a Schedule K-1 for his/her share of the money distributed. If there are 4 kids, each one will have \$13750 in income to report on his/her tax return. OR.....***

***The estate can elect a fiscal year end of 6/30/2014. The \$55,000 is included on the tax return along with any other income in the fiscal year minus administration expenses and fees. Distribution of estate funds is made to the children and they are taxed for 2014 purposes with their share of the net income from the 1041.***

4. Taxpayer had a Revocable Living Trust. He died 6/12/2013. All assets are in the Revocable Trust, including stock and real property. The Trust document provides for the trust to terminate and make full distribution to the taxpayer's child. Now what?

***Upon the death of the taxpayer, the trust becomes irrevocable and a 1041 needs to be***

**filed for 2013. All income up to 6/12/2013 is reported on the taxpayer's 2013 income tax return and the balance of income is reported on a 1041 for the trust. After death, the trust is treated as a complex trust for tax purposes and unless distributions are made to the taxpayer's child in the tax year, the income post-death is taxable using the trust income tax rates. The securities and real property get a step-up basis to DOD value, which may or may not help with a capital gain situation. Remember—any gain or loss will be long-term. Watch the broker statements carefully—not all brokers change the basis to DOD values and often times mark the transactions as short-term because they use the DOD as the acquisition date and that makes their system automatically default to short-term.**

5. Client comes in and reports that her spouse died in 2013. Is there anything different about the income tax filing for 2013?

**Unless the spouse has remarried, she can still file a joint return for federal purposes. For state purposes, the old rules said separate returns had to be filed and if there were estimated tax payments made under the husband's social security number, then in addition to the separate returns, you had to request transfer of estimated tax money from the husband's social security number to the wife's social security number. If the planets are aligned correctly, we will now be able to file a joint tax return for 2013. I haven't seen the 2013 forms, so I cannot be sure how this is going to be handled. If this happens to you, you may need to do some research, especially if there were estimated payments made.**

6. Can I electronically file a 1041 for an estate or trust?

**Yes, e-filing is available for federal purposes. Sadly, PA still does not accept these returns electronically. In order to file the 1041 electronically, you'll need to have a name code for the return (usually on your first input screen) This code is the first four letters of the last name of the estate. Opting out of e-filing for federal purposes is easy if your client wants to paper file the federal return since the state return will need to be paper filed.**

7. Taxpayer died in 2013, was single and all assets were in joint name with his daughter. No need to probate the Will. Taxpayer's final return has a refund due to pension withholding. How does the estate get the refund?

**Daughter needs to complete form 1310 with her name, address and social security number as the person requesting the refund. On that single-page form, check that there will be no one appointed as the personal representative and that the person signing the form (daughter) will distribute the money in accordance with the laws of the state that taxpayer died in. She should get the refund check. By the way, a return with form 1310 cannot be electronically filed**

Email Linda with your questions.  
[lindatax1947@gmail.com](mailto:lindatax1947@gmail.com)

**PSEA**  
**Current and Proposed**  
**2014-2015 Slate of Officers and Directors**

**Current Officers 2013-2014**

Samantha Stewart, EA—President

Mary Ann Jessee, EA—1st VP

Lisa McAllister, EA—2nd VP

Lynda Moscatello, EA—Treasurer

Aaron Shirk, EA—Secretary

Linda Bleil, Immediate Past  
President**Current Board**

Diana C. Dugan, EA

Joni Cappuccio, CPA, EA

Barbara Richardson, EA

William P. Matesevac, Jr. , EA

Kathryn G. McCusker, EA

George J. Meyers, EA

**Proposed Officers 2014-2015**

Lisa McAllister, EA—President

Mary Ann Jessee, EA—1st VP

Joni Cappuccio, CPA, EA—2nd VP

Lynda Moscatello, EA—Treasurer

Linda Bleil, EA—Secretary

Samantha Stewart, EA—Immediate  
Past President**Proposed Board**

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Jeffrey Cohick, EA

Diane C. Dugan, EA

Warren Hudak, Jr., EA

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Kathryn G. McCusker, EA

Barbara Richardson, EA

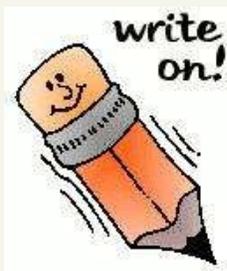
Aaron Shirk, EA

*Nominations from the floor will be available for anyone willing to offer their time and expertise for the betterment of our organization. The Officers and Board are also seeking Committee Members. Please let any member of the Board know of your interest in participating by contacting through email or at the June 2014 fEAst in the East.*

## More than 122 million Returns e-Filed in 2013

On December 4, 2013, the IRS announced the statistics of the number of returns filed and processed during 2013. Although overall returns filed decreased slightly, the number e-filed showed a nice uptick. Also increasing from 2012 to 2013 were the number of returns prepared by a tax professional. Below is the statistics chart from the IRS notice.

2013 FILING SEASON STATISTICS			
Cumulative statistics comparing 11/23/12 and 11/22/13			
Individual Income Tax Returns:	2012	2013	% Change
Total Receipts	147,874,000	147,744,000	-0.1
Total Processed	147,284,000	147,223,000	-0.04
<b>E-filing Receipts:</b>			
TOTAL	119,560,000	122,515,000	2.5
Tax Professionals	76,322,000	77,268,000	1.2
Self-prepared	43,238,000	45,247,000	4.6
<b>Web Usage:</b>			
Visits to IRS.gov	353,974,215	438,066,180	23.8
<b>Total Refunds:</b>			
Number	110,224,000	109,261,000	-0.9
Amount	\$307.983Billion	\$299.863Billion	-2.6
Average refund	\$2,794	\$2,744	-1.8
<b>Direct Deposit Refunds:</b>			
Number	82,735,000	83,728,000	1.2
Amount	\$246.657Billion	\$244.929Billion	-0.7
Average refund	\$2,981	\$2,925	-1.9



I like to thank all the contributors to our newsletter this month. We're all busy getting ready for the potentially unusual and perhaps difficult tax season.

I had the opportunity to speak to an IRS agent on Friday. I lucked out and got a good one, extremely helpful and resolved my clients issue on just my word. I wish I had her private number. She told me how extremely backed up they were, and this was the business returns section. If they are backed up now, just think what it will be like in just a few weeks.

Just a reminder, the nicer you and your clients are to them, the better they will be to assist you. Remember to hand out the compliments when you can. It makes them feel so much better. Always speak with a smile. They can hear your smiles. Yes, it may be tough but that smile on your face and in your voice will make everyone's day go better.

I anticipate some tough times ahead. I've never seen so much delay or actually doing nothing about resolving tax issues. I currently have an Amended return accepted by the IRS on 7/23/13. I allowed plenty of time to get that refund but the return seems to be stuck in limbo. I've spent many hours on hold trying to get a good answer. Finally the last agent suggested the Taxpayer Advocate, which is the last resort. I kept that smile in my voice, and said thank you although I was thinking something else.

Just remember, be kind to others and they will be kind to you.

Last but not least, please don't hesitate to send articles and/or pictures to me at [dkenerup447@epix.net](mailto:dkenerup447@epix.net). All contributions are appreciated. May I also suggest that they be compatible to Microsoft Office product. Much easier to copy/paste.

**From the desk of**  
*Lynda Moscatello, EA*  
 Treasurer

### Balance Sheet Comparison

	<u>Dec 31, 13</u>	<u>Dec 31, 12</u>	<u>\$ Change</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
<b>Checking/Savings</b>			
PNC Checking	5,009.10	9,122.81	-4,113.71
PNC Money Market	<u>43,233.99</u>	<u>28,208.27</u>	<u>15,025.72</u>
<b>Total Checking/Savings</b>	48,243.09	37,331.08	10,912.01
<b>Other Current Assets</b>			
Undeposited Funds	<u>0.00</u>	<u>700.00</u>	<u>-700.00</u>
<b>Total Other Current Assets</b>	<u>0.00</u>	<u>700.00</u>	<u>-700.00</u>
<b>Total Current Assets</b>	48,243.09	38,031.08	10,212.01
<b>Fixed Assets</b>			
LCD Projector	<u>87.99</u>	<u>257.99</u>	<u>-170.00</u>
<b>Total Fixed Assets</b>	<u>87.99</u>	<u>257.99</u>	<u>-170.00</u>
<b>TOTAL ASSETS</b>	<b><u>48,331.08</u></b>	<b><u>38,289.07</u></b>	<b><u>10,042.01</u></b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Equity</b>			
Unrestrict (retained earnings)	45,362.54	25,374.29	19,988.25
Net Income	<u>2,968.54</u>	<u>12,914.78</u>	<u>-9,946.24</u>
<b>Total Equity</b>	<u>48,331.08</u>	<u>38,289.07</u>	<u>10,042.01</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>48,331.08</u></b>	<b><u>38,289.07</u></b>	<b><u>10,042.01</u></b>

## Profit and Loss Comparison

	<u>Jul - Dec 13</u>	<u>Jul - Dec 12</u>	<u>\$ Change</u>
<b>Income</b>			
<b>Dues Income</b>	8,308.34	14,512.50	-6,204.16
<b>FOE</b>	0.00	125.00	-125.00
<b>Initiation Fees</b>	144.00	288.00	-144.00
<b>Interest Income</b>	13.04	11.41	1.63
<b>Other Registrations</b>	<u>2,535.00</u>	<u>0.00</u>	<u>2,535.00</u>
<b>Total Income</b>	<u>11,000.38</u>	<u>14,936.91</u>	<u>-3,936.53</u>
<b>Expense</b>			
<b>Board Meeting</b>	2,432.91	1,213.76	1,219.15
<b>Education</b>	150.00	0.00	150.00
<b>FEAst</b>	221.34	0.00	221.34
<b>Membership</b>	2,114.28	0.00	2,114.28
<b>Office Supplies</b>	6.00	0.00	6.00
<b>PA Education</b>	2,050.05	0.00	2,050.05
<b>Postage</b>	26.42	0.00	26.42
<b>Sunshine Fund</b>	151.96	0.00	151.96
<b>Telephone</b>	147.18	141.67	5.51
<b>Website</b>	156.70	116.70	40.00
<b>Working Together</b>	<u>575.00</u>	<u>550.00</u>	<u>25.00</u>
<b>Total Expense</b>	<u>8,031.84</u>	<u>2,022.13</u>	<u>6,009.71</u>
<b>Net Income</b>	<u><b>2,968.54</b></u>	<u><b>12,914.78</b></u>	<u><b>-9,946.24</b></u>

Don't forget to mark your calendars for the  
 Greatest fEAsT in the EAst  
 June 9 & 10, 2014  
 In State College, PA

## Is it your turn to renew?

### Internal Revenue Service Renewal Requirements

IRS requirements for continuing education differ from NAEA's requirements. In order to maintain the license, enrolled agents must complete 72 hours within a 3 year cycle based on the last digit of their social security number. The IRS CE reporting period is by calendar year, January 1 through December 31. The IRS enforces a 16 hour minimum per year, and requires 2 hours on Ethics per year. To summarize, if your SSN ends with

- 0, 1, 2 or 3 -- your renewal cycle is between November 1, 2012 and January 31, 2013;
- 4, 5 or 6 -- your renewal cycle is between November 1, 2013 and January 31, 2014;
- 7, 8 or 9 -- your renewal cycle is between November 1, 2014 and January 31, 2015;

Foreign citizens without SSNs but enrolled to practice before the IRS should renew along with those enrolled agents having a SSN ending in 9.

IRS renewal and address change information can be found on the IRS website [here](#).

Circular 230 is the document governing the establishment of the enrolled agent license. [Download Circular 230](#).

- See more at: <http://www.naea.org/events-education/continuing-professional-education#sthash.UyZ0zEhT.dpuf>

### Reminder

### King of Prussia Breakfast Meeting

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 7, 2014  
June 4, 2014  
July 2, 2014  
August 6, 2014  
September 3, 2014  
October 1, 2014  
November 5, 2014  
December 3, 2014  
January 7, 2015