

Rascal's Corner



Woof! I mean, hello. My name is Rascal, and I'm the official greeter and security chief here at CrawfordEllenbogen. (I have my own business cards to prove it.) I keep my eye on everyone and everything at the office, and let me tell you, there's been a lot of activity going on lately! The first floor offices have been remodeled, and now we're getting ready to do the second floor. It's a big job, but the end result will be well worth it – nicer, brighter offices to serve you.

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Our Tax & Financial Planning Guide

It's never too early to start your year-end tax planning.

Before You Sell Your Home What You Should Know About Taxes

The home-sale exclusion is one of the best and biggest tax breaks on the books. With smart tax planning, you can take maximum advantage of existing rules when you sell your home, even if you sell multiple pieces of property.

For starters, an individual can elect to exclude a home-sale gain of up to \$250,000. The exclusion doubles to \$500,000 for married couples filing a joint return. To qualify, the home must have been used as your principal residence for two of the last five years.

The exclusion doesn't apply if you have excluded gains from another principal residence sale within the last

two years.

Theoretically, you could qualify for the home-sale exclusion every two years. Similarly, the IRS doesn't impose any age requirements on this tax bonanza. And you don't have to roll over the home-sale proceeds into another home (although you can certainly do so).

Fortunately, the IRS has issued regulations that give home-sellers wide latitude when they sell vacant land surrounding a home. In brief, if you divide the property into separate parcels, you still may qualify for the home-sale exclusion on all parcels. That includes vacant-land parcels.

In other words, the home-

sale exclusion may apply to the sale of a property that doesn't include the home.

Be careful to ensure that all property sales meet the strict tax laws. This tax break is especially significant if you own residential property with significant surrounding acreage.



If you are contemplating a sale, we would be happy to meet with you to discuss the requirements, so call us today. ☎

New Reporting Requirement

Small Tax-Exempt Organizations Must File or Lose Exemption

The Internal Revenue Service is implementing a new annual notice, *Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ*.

In the past, tax-exempt organizations with gross receipts of \$25,000 or less were not required to submit information returns, but with the enactment of the *Pension Protection Act of 2006*, the majority of small tax-exempt organizations are now required to submit the e-Postcard. The first e-Post cards are due in 2008.

The new reporting requirement is simple and straightforward; however, organizations should not ignore it or

they risk losing their tax-exempt status. Any organization that fails to meet its annual reporting require-



ment for three consecutive years will automatically lose its tax-exempt status. An organization that wants to regain its exempt status will then have to reapply for recognition as a tax-exempt organization.

The new e-Postcard requires small organizations to provide a legal name and mailing address, any other

names used, a Web address if one exists, the name and address of a principal officer and a statement confirming the organization's annual gross receipts are normally \$25,000 or less. There is no fee to file the e-Postcard.

Further details on the *Form 990-N e-Postcard*, including frequently asked questions, are available in the charities and non-profits section of IRS.gov. If you have any questions about the filing requirements for your organization, please contact Victor Dozzi at CrawfordEllenbogen. ☎

IRS Audits on the Increase

Readiness is the Best Strategy

According to the latest *IRS Data Book* for the 2006 fiscal year, IRS audits have increased for virtually every taxpayer category. (The IRS fiscal year covers October 1, 2005 through September 30, 2006.) What's more, the IRS vows to keep the pressure up as it focuses on a perceived \$300 billion revenue "tax gap." Here are the key facts included in the 2006 *Data Book*:

About 1.3 million individual income tax returns were audited; also 41,648 em-

ployment tax returns, and 28,799 corporate returns.

For individuals with an AGI between \$50,000 and \$100,000, audit rates increased from .57% in 2005 to .60% in 2006.

For self-employed business filers with an AGI above \$100,000, audit rates jumped from 3.65% in 2005 to 3.90% for 2006. (For 2004, this figure was only 1.86%.)

Exams of S-corporation returns increased from .30% in 2005 to .40% in 2006.

Audit rates of non-S-corporations remained at 1.60%.

With examinations on the rise, it is becoming even more important that the deductions and credits you claim stand up to any IRS challenges. If you have any concerns about your returns, we would be glad to review them with you.

Also, if you are audited, we stand ready to represent you in meetings or through correspondence with the IRS. We are here to help. ☎

Pennsylvania's Unclaimed Property

Reporting Requirements, the Law, and How to Make a Claim

Unclaimed property is any financial asset that has been left with a *holder* such as a bank, insurance company or other business or organization, without activity or contact for a period of five years, according to the PA Treasury Department. By law, at the end of the five year period, holders must transfer abandoned property to the Treasury Department. Here are some examples of unclaimed property:

- Uncashed payroll checks
- Accounts payable or receivable checks
- Credit balances
- Expired gift certificates
- Stocks and bonds
- Escrow accounts
- Money orders
- Travelers checks
- Utility refunds

- Safe deposit box contents
- Insurance proceeds

All businesses are required to file an unclaimed property report with the PA Treasury Department by April 15 each year, even if there is no property to report. The PA Treasury Department has the authority to assess penalties and interest to any holder who does not file a report by the deadline, and businesses that do not submit zero reports may be contacted by the Treasury. The Treasury will not seek sanctions against holders who fail to file negative or zero reports; instead they are seeking the zero reporting information to more effectively conduct its holder outreach and auditing activities.

The PA Treasury Department will hold unclaimed

property until the rightful owner can prove ownership. At that time, the property will be returned to the owner without a fee.

If you think you may have unclaimed property, you may search the database at www.patreasury.org. At the bottom of the page, select "Search Pennsylvania's Unclaimed Property Database," then follow the onscreen instructions. If you have a claim pending, you may also check it on the PA Treasury Department's website.

A word of warning: If someone offers to help you locate unclaimed property for a fee, you should notify the PA Treasury Department at 1-800-222-2046 before you proceed. ☎



Meet Adina Herrmann CPA & Manager at CE

Adina has been using her knowledge of tax compliance, accounting and estate planning to help our clients since 2002. She graduated *cum laude* with a bachelor's degree in accounting from Robert Morris University, where she was also a member of the Sigma Beta Delta honors society.

Adina and her husband have two beautiful daughters, ages 3 and 5, so a part-time work schedule allows her to spend more time with her family. She is also involved with her church and community and frequently volunteers to help with various projects.

Adina's husband runs a family-owned business, and this has given Adina a strong understanding of the unique complexities that family business owners face. This insight serves Adina well as she works with our clients, many of whom own and operate family businesses. ☎

Name Our Newsletter & Win Dinner for Two!

Enter our "Name the Newsletter" contest, and if your entry is chosen as the winner, you will receive a \$100 gift certificate to the restaurant of your choice.



To e-mail your entry, send it to Vickie at vbeck@ce-cpa.com. To enter by U.S. mail, send it to *Attn: Newsletter Name* at the address below.

Please be sure to include your name, address, phone number, and e-mail address. You may submit as many entries as you like, but all entries must be received by November 30, 2007.

The winner will be chosen at the sole discretion of the firm and will be announced in the Winter edition of the newsletter. Good luck! ☎



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