HAPPY NEW YEAR!

Last year, Hurricane Sandy made tax season one of our toughest with all those casualty losses. At that time, I didn’t think that much could make tax season 2014 more difficult and then along came DOMA and ACA! I am so thankful for the wonderful education NATP provides us at the National and Chapter level to help all of us keep up with the ever changing tax world! Don’t you just love your job!

2014 will be a busy year for our NJ Chapter. This year marks our 25th anniversary as a Chapter. It is a remarkable accomplishment. Our chapter has been selected by National as the “Chapter of the Year” for the last three out of four years, so we have much to celebrate. In addition, we are fortunate to have two NJ members on the National Board, Colette Taylor and Jean Millercip, and this year Jean was elected to serve as President of the National Board – congratulations Jean!

Our 25th Anniversary Celebration will take place the evening before our Annual Conference on October 1, 2014. We are planning a Cocktail Reception complete with entertainment. Please watch Chapter Weekly and our Newsletter for further announcements. I hope each of you will come and help us celebrate!

Our 2014 educational lineup will be superb! Our first event in 2014 was our Famous State Tax Seminar. This year we invited back Director Michael Bryan as our Keynote speaker. Mike walked us through the highlights of tax law changes in 2013 and gave us a good idea of the “direction” of the Division. Michael Feinberg, Esq. and Susan Feehey, Esq. completed our morning with NJ Inheritance Tax and Sales Tax Updates. Our afternoon was devoted to NJ Tax Updates and NY Tax Updates. It was one of our best line ups ever and was well received. I hope you were able to join us. If not, mark your calendars now for the 2015 State Tax Seminar. It is always held the second Saturday of January and it is the only seminar around that concentrates on NJ taxation!

Your NJ Chapter plans a NJ 1040 Line by Line seminar in May, followed by an Inheritance Seminar in June, our Annual Conference celebrating our 25th anniversary October 2 and a Schedule E and an 1120 S Corporation seminar in the fall. Please watch for our yellow and green postcard scheduled to be mailed to all members in late April. The postcard will have the complete list with dates and locations.

Please remember to lean on NATP this tax season to help you through. At the National level, please use the research available as well as the tools and worksheets you can find on the website: www.natptax.com. NJ NATP also has a website with helpful links and a list of NJ volunteers to answer NJ questions: www.njnatp.com. Last, visit our NJ NATP Facebook page and join the discussions among fellow NJ Preparers. Watch for further updates and announcements on Chapter Weekly. It is emailed to you from National every Tuesday with a list of important dates and announcements by state.

Have a great tax season!

Marilyn H. Ayers, CPA
NJ Chapter President
In the fourth quarter of 2013, the NJ Chapter welcomed 18 new members:

- GRACIELA E. AYUDANT  
  Elizabeth  
  Pompton Plains

- RORY COGAVIN  
  DEBORAH CONDON  
  Hamburg  
  CURTIS ELVIN  
  JOSEPH FORTINI  
  ELLIOTT FREIDENREICH  
  JOSEPH FORTINI  
  WILLIAM LEACH

- Elizabeth  
  RORY COGAVIN  
  Pompton Plains  
  DEBORAH CONDON  
  Hamburg  
  CURTIS ELVIN  
  JOSEPH FORTINI  
  ELLIOTT FREIDENREICH  
  JOSEPH FORTINI  
  WILLIAM LEACH

- Union  
  John G. Nettleton  
  Voorhees  
  Teaneck  
  Moorestown  
  Englewood  
  North Brunswick  
  Jersey City  
  Woodbridge  
  Bayonne

Please join the NJ Chapter at any or all of our many education events. If you ever have any questions, the contact numbers of the NJ Board of Directors are on the back page of the newsletter.
IDENTITY THEFT IS NOT A NEW PHENOMENON, but it has certainly come into the main headlines recently with all the retail credit card processing system problems. Because of these headlines, many of our tax clients may voice concerns or have problems of their own.

Identity theft remains a top priority for the State of New Jersey as well as the Internal Revenue Service in 2014. Identity theft is one of the fastest growing crimes nationwide, and refund fraud caused by identity theft is one of the biggest challenges facing taxing jurisdictions today.

This year, the State of New Jersey continues to take new steps and strong actions to protect taxpayers and help victims of identity theft and refund fraud. Stopping refund fraud related to identity theft is a top priority, with a focus on preventing, detecting and resolving identity theft cases as soon as possible.

Taxpayers can encounter identity theft involving their tax returns in several ways. One instance is where identity thieves try filing fraudulent refund claims using another person’s identifying information, which has been stolen. Innocent taxpayers are victimized because their refunds are delayed.

You may first learn that this has happened when the taxpayer shows you an unexpected notice or correspondence from either the New Jersey Division of Taxation or the IRS. The Division of Taxation, for instance, might notify you that a return was filed using that SSN already. You may even see a notice indicating there is a discrepancy where the W-2 information reported differs from the information on the original filing. They call it the “original filing” but really it was a “fraudulent filing.”

Here are some tips to protect taxpayers from becoming a victim, and steps to take if you think someone may have filed a tax return using their identity:

Tips to protect taxpayers from becoming a victim of identity theft:

- Do not carry your Social Security card or any documents that include your Social Security number (SSN) or Individual Taxpayer Identification Number (ITIN).
- Do not give a business your SSN or ITIN just because they ask. Give it only when required.

What to do if you believe that you are a victim of Identity Theft:

1) Complete and submit a signed copy of Form IDT-100 to the Division of Taxation at the following address:

New Jersey Division of Taxation
Attn: Identity Theft
P.O. Box 272
Trenton, NJ 08695-0272

Be sure to include all documents requested on the form, including a description of the problem and a copy of any notice(s) you received from the Division of Taxation. If you need help completing the form, please call our Customer Service Center at (609) 292-6400.

2) If you haven’t already done so, complete and submit IRS Form 14039 (Identity Theft Affidavit) which you can find on the Internal Revenue Service website

3) Review the Victim’s Reference Guide on the New Jersey State Police website for information about other steps you should take.

Other Identity Theft Resources:
- Federal Trade Commission or call 877-438-4338
- New Jersey Division of Consumer Affairs
- IRS Guide to Identity Theft
few weeks ago I was talking with some other tax professionals about the proliferation of CP2000 under reporting notices. “You charge to fix these?” I was asked. “Of course I do,” I had replied. Then it dawned on me. It was as if I had been struck by a bolt from the blue. The other tax professionals were talking about their own tax customers’ CP2000 letters. You see, most of my tax customers never get these letters. It’s happened about five times over thirty years. Once there was an issue of identity theft; once there was a keypad error and the IRS was at fault and in three instances it has occurred because the taxpayer either forgot to provide the information to me or “didn’t wish to declare” the income. It always surprises me that people decide what they want declare. “I declare the tax code needs to have a sanity check!”

There, I said it. I got it out of my system, but nevertheless, it is the law of the land and needs to be obeyed.

The identity theft issue was pretty clear cut. It was a simple W-2 based 1040EZ and about six months after the return was filed, the taxpayer received a CP2000 due to missing gambling income. The taxpayer said she had not gambled and was not interested in gambling. Her now ex-friend had borrowed her Social Security Number. Ta-dah! The friend kept the money and assigned the tax to my client. **Surprise, surprise…**

I would like to discuss gaming, gambling, income and the prospect of bad information supplied by the gaming tax customer. If you have tax customers who gamble, you will most likely experience CP2000 letters with them. If this is your first year with a particular tax customer, at a minimum, you will want to look at the prior year’s tax return. There is a case to be made to look at the last three to five years of tax returns. Some of the taxpaying public will gladly show you the last two to three years of tax returns without driving you insane with “**Why do you want to see all of this information?**” type questions. When you look at the past tax returns for more than one year, you will be able to see if Line 21 has Gambling Income, maybe. You may also see if there are any loss carry overs or business income. The focus of this article will be Gambling, of course. The problem with the Gambler is a history of gambling may indicate a tendency of taxpayer noncompliance. The persistent gambler, one who shows meaningful gambling income on Line 21 for several prior years may be a compulsive gambler. The compulsive gambler in many cases is someone who is a compulsive risk taker. This person may want to bend the rules to see what he or she can get away with. This is not good for you, the tax preparer.

Let’s take the situation of a growing number of retired people with a lot of time on their hands and a steady stream of pension money. There are more and more places to gamble. New Jersey now has legalized online gambling. Form W-2G is required to be issued when there is a win of $1200 for bingo or slot machines, for example. The wins of less than $1200 are not reported on Form W-2G. Horse racing wins of $600 or more per wager are also reportable. So, Frederick, strolls into your suburban New Jersey office and tells you his financial advisor had recommended you as a reputable accountant. You ask Frederick for copies of the last five years of his tax returns. Surprisingly enough, he takes these out of a large envelope he had been carrying. “**These are for you to keep in my file.**” He tells you. You notice large numbers on Line 21 with the label “Gaming Winnings”. You quickly check Schedule A and notice a corresponding number to the winnings as losses. You inquire as to why Frederick is changing accountants and he promptly hands you a stack of papers with **“CP2000” printed in the upper right corner of the first page. It’s April 10th and you have 300 tax returns to complete. Frederick’s next question is, “Are we going to make the deadline?” You get a queasy feeling in the pit of your stomach. “Frederick,” you say, “it appears you have more than just tax preparation this year. If you want your tax return prepared quickly; you will need to go somewhere else. If you want your current tax problems addressed and your tax return prepared correctly, it may take some time. You will be going on an extension to file.” In order to get the records from the track in Philadelphia, it could take eight or more weeks. In order to get all of the information from the taxpayer, Frederick, it could take several weeks. “I just want the government off of my back!” Frederick exclaims. “**Please just do the tax return and get the IRS off of my case!**”

You, the ethical preparer, present Frederick with an engagement letter which informs him that he will need to respond to your inquiries quickly and truthfully. The engagement letter also spells out what you will do and won’t do. In this case, you will be preparing the current year’s tax returns and addressing the CP2000 letters. You also hand an organizer to him and instruct him to complete it and get it back to you within the time period you feel is reasonable. Frederick, who was divorced six years ago, signs Form 2848 and leaves. After Frederick leaves your office, you pore over his prior years’ Forms 1040. You notice that he had used a paid professional in each of the prior years. Frederick has been a W-2 employee of a large international refrigeration supply company based out of Finland for all of the years under review. He had paid off his mortgage years ago, but has the typical large amount of real estate tax and he has one large contribution to his house of worship and four smaller contributions to assorted well known charities. He has almost no interest and dividend income. Each of the years under review show the gambling income on Line 21 and the corresponding deduction on Schedule A. Each of the CP2000 letters refers to an understatement of income. You order Wage and Income transcripts from Practitioner Priority Services. You call Frederick and ask him for a record of his wins and losses.

You inspect the transcripts and compare the gambling income reported on the tax returns does not match the total income reported on the IRS Wage and Income transcripts. Unfortunately, the transcripts show more income than the income reported on the tax returns. Upon inspection you find the difference in each of the years is due primarily to a 220 yard sulky sprint wager at a small racecourse in northern New York State. The winnings are substantial. The W-2G on the transcript shows the date of the wager. The dates of the casino gambling in Atlantic City, New Jersey and track wagering in Philadelphia overlap all of the New York dates. All of the big wins have a time and place overlap. There are two or three W-2Gs from Atlantic City or Philadelphia that were not reported each year as well.

Is this a case of identity theft or intentional underreporting, or both? You call Frederick with your preliminary finding. You need to know the name of the venue he had visited in New York each year to race wagering in northern New York. “**Never been there. Didn’t place any bets there either,**” he tells you. “**I gave the other accountant everything I had to show the winnings each year,**” he further explains. You realize Frederick may have not represented his situation to you accurately or he is a victim of identity theft or both. It’s **April 12th, what would you do?**

(Share your thoughts. Please post your responses on our Facebook® page.)
I discovered this release on the NJ Department of Labor and Workforce Development website:
http://lwd.state.nj.us/labor/ui/content/1099G.html

by accident - “Tax Form 1099-G ‘Certain Government Payments’ will no longer be mailed to recipients of Unemployment Insurance benefits in New Jersey. You will be able to obtain this information by using our online 1099-G Income Tax Statement application.

Form 1099-G reports the total taxable unemployment compensation paid to any individual who received New Jersey Unemployment Insurance (UI) benefits for a specific calendar year.

The online 1099-G application will be available in late January 2014 and it will provide you with your New Jersey Department of Labor and Workforce Development (LWD) 1099-G Income Tax Statement, which you can view and print through the online application. LWD will update our website when this information becomes available.

To use the online 1099-G application, go to the Unemployment Insurance page of the LWD website at www.njuifile.net. Once you have signed into the application, click on View/Print 1099-G Tax Statement and then simply click continue after reviewing the instructions.

You will need your online user ID, password and Personal Identification Number (PIN) to access your tax information. Before trying to access your tax information, you must have a PIN. If you cannot remember your PIN or are having difficulty with it, please contact one of our Regional Call Centers for assistance.

If you received Disability Benefits During Unemployment (DDU) or Paid Family Leave Insurance (FLI) benefits during the tax year 2013, you will still receive your tax information on form 1099-G by mail. If you also received unemployment benefits during that same period, you will have to visit the website to obtain the 1099-G tax information."

Many states, NJ included, stopped mailing 1099-Gs for state income tax refunds a few years ago. But this is not a problem. It is easy to see if a client should have received a state tax refund by using the online 1099-G Income Tax Statement application.

More tax for the tax preparer, and more wasted time when there is no time to spare!

I went to the website and clicked on “View/Print 1099-G Tax Statement” and was told -

“In order to use the Web 1099-G application and to access your 1099-G tax statement you will need:

- The User ID and Password which you created to access the UI Self-Service application (if you have not created a User ID and Password, you must first do so)

- And

- Your 4-digit Personal Identification Number (PIN) from your current unemployment insurance claim (if you have one)

If you encounter any difficulties with your User ID, your Password or your PIN or if you have not yet established a PIN or if you cannot remember your PIN, you should contact a Reemployment Call Center at: Freehold (732) 761-2020, Union City (201) 601-4100 or Cumberland (856) 507-2340. Out-of-State claimants may call: (888) 795-6672.

There are going to be tons of NJ taxpayers who, if they do not receive a Form 1099-G for unemployment in the mail, are not going to report any unemployment income on their 1040 or 1040A, either because they forgot they received benefits in 2013, or because they think if they did not receive a form they do not have to report the income.

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(Robert D. Flach has been preparing 1040s since 1972, and has been a member of NATP since 1987. He writes the popular tax blog THE WANDERING TAX PRO (http://wanderingtaxpro.blogspot.com) and on tax planning and preparation at the www.MainStreet.com TAX CENTER.)
ALLOCATING NEW YORK STATE WAGES FOR A NEW JERSEY RESIDENT

BY ROBERT D. FLACH

PRACTICE MANAGEMENT

TELEPHONE NIGHTMARES

BY SHERRY DIAMOND

Y OUR CLIENTS MAY NOT WANT TO “wake up in the city that never sleeps”, preferring to reside in the somewhat less expensive Garden State. But several may work in the Big Apple, and will pay a price for the privilege.

As we all know, if you live in one state (New Jersey) and work in another (New York) you must first pay state non-resident income tax to the state where you work (New York) on the wages earned in that state. The state where you live (New Jersey) will tax you on all of your taxable income from all sources, including wages earned in the other state (New York), but will allow you to claim a credit for the non-resident state income tax paid to the other state (New York) on income taxed by both states – so you are not “double-taxed”.

The NY tax rates are higher than those of NJ. In NY a 6.45% rate kicks in at $20,550 of net taxable income for single and separate filers and $41,150 for joint filers – while in NJ the 5.525% rate kicks in at $40,000 for single and separate filers and $80,000 for joint filers. So you will pay more state income tax on wages taxed by NY.

New Jersey residents who work in New York must only pay NY non-resident state income tax on wages actually earned while physically working in the State of New York. Wages earned while working outside of New York State will be taxed at the lower NJ rate.

If a NJ resident who works in NYC spent 5 days at a work-related conference in Chicago and 2 days training at a branch office in Connecticut he/she does not owe NY state tax on the earnings allocated to these 7 days.

It is important to note that days worked at home do not count as days outside of NY. If your client works one day a week at home in NJ it is the same as if he went into the office in NYC.

There are special rules for a non-resident working for a NY employer, without an assigned or primary work location at an established office in NY, who “telecommutes”. TSB-M-06(5)1 “New York Tax Treatment of Nonresidents and Part-Year Residents Application of the Convenience of the Employer Test to Telecommuters and Others” discusses in detail the rules for telecommuters.

The allocation of wages earned within and without New York is calculated on Schedule A of NY Form IT-203-B. You will find the specific instructions for this Schedule on Pages 44 and 45 of the IT-203 booklet.

If a NJ resident had two or more jobs in New York at various times during the year you must prepare separate calculations for each job. If both husband and wife lived in NJ but worked in NY, and file a joint return, you must do separate calculation for each spouse.

In addition to the total number of days worked outside of New York you also need to determine the total number of days and the total number of days actually worked during the NY period of employment, whether a full year (total days is 365) or part of the year. You will need to know all of the non-working Saturdays and Sundays, holidays, vacations, and sick and personal leave during the period of employment.

Tell your NJ clients employed in “the city” to keep track of any days worked in a state other than New York – so you can keep more money in their pocket at tax time.

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NO, UNCLE SAM DOESN’T WANT YOU,
NJ-NATP WANTS YOU!

**BENEFITS:**
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- Travel reimbursement to Board Meetings ★
- Free dinner at NJ-NATP Board Meetings ★
- Free hotel the night before our 2 all-day Seminars ★
- Ability to network with knowledgeable peers ★
- Work with truly dedicated group of professionals ★

**WHAT DOES A NJ-NATP DIRECTOR DO?**
NJ-NATP Directors help set up policy and monitor the operations of the Chapter.

**WHAT ARE THE REQUIREMENTS?**
You must attend the annual Leadership and 5 Board Meetings; each held evenings, lasting about 3 hours including dinner. You must attend our two all-day NJ-NATP seminars. You may attend our additional seminars with CPE credits included.

**WHAT ARE THE QUALIFICATIONS?**
You must be a member in good standing of NATP. You should have attended several chapter functions. You must also apply to become a candidate.

**HOW CAN YOU BECOME A CANDIDATE?**
Contact Tom DeTitta, Nominations Chairman at 14 Main Street, Ste 205, Madison, NJ 07940, tom@detittacpa.com or call 973-845-2470.

Submit a brief resume of your tax experience including education and other pertinent outside activities. You must include a statement explaining what you expect you can bring to the NJ-NATP Board of Directors. (1-2 pages maximum)

**IMPORTANT:** Please DO NOT include your salary history or any other personal information that you do not wish to have publicly disseminated to the voting membership during the election process.
did you know...

Before it gained statehood, NJ was known as the Province of New Jersey. It entered the Union on December 18, 1787 as the 3rd state of the country.

New Jersey is bounded by New York, Pennsylvania, Atlantic Ocean, Hudson River, and Delaware.

Famous residents of New Jersey are Jon Bon Jovi, Frank Sinatra, Richard Nixon, Bruce Springsteen, Jack Nicholson, and Bruce Willis.

The official motto is "Liberty and prosperity".

Website: www.njnatp.com or call 732-477-2281

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NJ-NATP FAMOUS STATE SEMINAR
Woodbridge Hilton
Iselin, NJ • January 10, 2015

CALENDAR OF events

NJ-1040 AND MORE
Hotel ML
Mt. Laurel, NJ • May 22, 2014

NJ INHERITANCE TAX
Woodbridge Hilton
Iselin, NJ • June 12, 2014

NATP NATIONAL CONFERENCE
Orlando, FL • August 10-14, 2014

NJ NATP 25TH ANNIVERSARY CELEBRATION
Woodbridge Hilton
Iselin, NJ • October 1, 2014

ANNUAL CONFERENCE
Woodbridge Hilton
Iselin, NJ • October 2, 2014

SCHEDULE E
Woodbridge Hilton
Iselin, NJ • October 30, 2014

1120 S
Woodbridge Hilton
Iselin, NJ • December 11, 2014

TELEPHONE DIRECTORY

NEW JERSEY HOTLINE
609-633-6657 for Personal Income Tax
609-633-6905 for Business Tax

FEDERAL TAX HOTLINE
For practitioners with POA on file to call about a specific client problem:
866-860-4259
Tax Law Questions: 800-829-1040

NJ-NATP CHAPTER OFFICE
Tel. 732-477-2281
Fax 732-477-3555
njnatp@comcast.net

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