

CALIFORNIA SOCIETY OF ENROLLED AGENTS



San Diego Chapter Forum Newsletter December 2008 www.cseasandiego.org



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December 9, 2008 – Chapter Dinner Meeting

**Topic: Selling Your Tax Practice
Exit Strategies**

Speaker: Leo Klijn

As we come to the end of the year, have you thought of putting your tax practice up for sale? Decided that there just isn't any more room for new tax updates in your mind? Well, tonight's program may be good for you. Leo Klijn is a business broker and he will discuss various exit strategies for tax professionals. Selling a practice isn't easy and there are many things you should think about before doing so.

We will close the evening with a great entertainment program that promises many surprises and lots of fun!!!! You'll have to attend to see what we mean.

Event Times and Topics:

4:00 – 5:00 Board of Directors Meeting
5:00 - 5:30 Registration
5:30 – 6:20 Seminar Begins
6:20 – 6:40 Networking
6:40 – 7:40 Dinner
7:40 – 8:30 Seminar wraps & and adjourn meeting

Reservations:

If you **are not** on our "Prepaid Reservation List", call **800-642-1040** or send an e-mail to paulatax@san.rr.com before 5 p.m. the previous Thursday, which will be **December 6, 2008**, to make your reservation. If you are on our "Prepaid Reservation List", you only need to call the phone line if you are CANCELLING. Your cooperation is greatly appreciated.

Menu Selection:

Cheese /FruitTray
Filet Mignon and Drunken Shrimp – Charbroiled Filet Mignon served with Jumbo Prawns in Drunken Shrimp Sauce served with Garlic Mashed Potatoes.
Chef's Choice of Dessert

Cost:

\$27 for members and spouse with a timely reservation
\$33 for nonmembers with a timely reservation
\$37 for all late reservations and nonmembers.

Location:

The Handlery Hotel, 950 Hotel Circle North, Mission Valley. Phone (619) 298-0511.

President's Message – December 2008

Dear Chapter Members,

Another year has come and gone. I am writing this message to you on a 3 day getaway with my wife in Palm Springs. We've been to Palm Springs enough times now that there isn't much we go to do other than sit around, drink our Starbucks, rent some movies (or go see a movie), and just enjoy getting to spend time together. There were plans for a massage, but since each of us are suffering from a cold, nasal congestion and coughing does not help promote a relaxing massage. Our upcoming dinner meeting is about selling your tax practice. Not something I'm looking to do just yet, but some of you may be looking for a way to retire. Perhaps even find a nice retirement home in the Palm Springs area if you like the heat of the desert.

There are only 2 more dinner meetings until we start another tax season, or now it is beginning to feel a lot more like tax season never really ends, it just take a short nap. We will wrap up in January with our Ethics dinner meeting where Connie Ferrell, CSEA President, will come down from her home for the day and talk to us.

Remember, our dinner meetings are some of the best networking opportunities you have to talk with fellow EA's. We all have various experiences, educations, specialties, and concerns that allow us to help each other. Take these times as your chance to get some complimentary help. Perhaps you want to try something that someone else has already attempted, let them tell you of their experience, and help you learn from it. Your attendance and participation in these meetings and at our Board meetings is greatly appreciated and welcome. Do not sit idle. The one thing I have learned is sitting idle is dangerous for a business owner. If you aren't able to keep up with the changes, they will ultimately overcome you. Keep learning from the best, your fellow EA's.

See you on the 9th of December.

Steven C Leibold, EA
Chapter President

CSEA MISSION STATEMENT

The mission of the California Society of Enrolled Agents is to foster the professionalism, business development and personal growth of its Members, to protect the interests of the individual Members of the Society, and to enhance the awareness and role of the Enrolled Agent among members of the public, other professions and with governmental agencies.

CLASSIFIEDS

[Want to advertise office space, practices to buy, practices to sell, etc just send me an e-mail along with the copy that you want. We will place your ad in the newsletter AT NO COST!! What a great way to get your word out.](#)

OFFICE SPACE AVAILABLE - We have 2 rooms available 1 - 10 X 10 and 1 - 12 X 16 conference room. Each room includes a computer, internet access (our computer or yours), client seating and is professional looking. We are offering them by the hour (20 hours per month minimum; additional available for modified rent). Rent is \$250 per month for up to 20 hours of use. NO LONG TERM COMMITMENTS REQUIRED. You'll also receive 1 voice mail box, mail service, and T-1 internet. Copier (color & b/w)/fax/printer/secretarial services available at additional cost. Ideal for small practitioner that doesn't need full time office space, but wants some place professional to meet with their client. Call 619-294-4286 X351 or e-mail sleibold@sdbizadv.com to schedule a time to visit our office. Ask for Steven Leibold.

Committee Interests Questionnaire

In order for our San Diego Chapter of CSEA to function well and achieve the goals put forward by your Board of Directors, **VOLUNTEERS ARE NEEDED!!** Do you have a spare 1 or 2 hours per month to give to SD/CSEA? Each committee has various responsibilities and as with most committees, not all require the same amount of effort or time as others. However, any help you can offer is highly appreciated by your Board. Below are the committees we have. Please complete this questionnaire and either drop off at our dinner meeting, fax it to Steven Leibold (619-294-9908) or e-mail it to Steven Leibold (sleibold@sdbizadv.com). Your officers and Board Thank you for all of the help you can offer.

Steven C. Leibold, EA, Chapter President

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|---------------------------------------|---|--|
| <input type="checkbox"/> Audit | <input type="checkbox"/> Budget & Finance | <input type="checkbox"/> Legislative |
| <input type="checkbox"/> Bylaws | <input type="checkbox"/> Education (Seminars) | <input type="checkbox"/> Education (Dinner Meeting Speakers) |
| <input type="checkbox"/> Membership | <input type="checkbox"/> Newsletter Editor | <input type="checkbox"/> Public Information Awareness |
| <input type="checkbox"/> Scholarships | <input type="checkbox"/> Disaster Services | <input type="checkbox"/> Nominating Committee |

Activities that we need assistance with:

- | | | |
|---|---|---|
| <input type="checkbox"/> CTEC Info Contact | <input type="checkbox"/> Website | <input type="checkbox"/> IRS/FTB/SBE Small Biz Workshop |
| <input type="checkbox"/> IRS Seminar | <input type="checkbox"/> Meeting Arrangements | <input type="checkbox"/> QuickFinders/The Tax Book |
| <input type="checkbox"/> Sunshine | <input type="checkbox"/> Yellow Pages | <input type="checkbox"/> Social Events |
| <input type="checkbox"/> Physical Property (storage shed) | | |

YOUR NAME: _____ Phone: _____

YOUR E-MAIL: _____

CSEA Audio Tax Seminars

Steve Sims, EA, FTB Taxpayer Advocate. is looking for any question or concerns about RDP and/or SSMC. He is presenting the CSEA October Audio Tax on this subject, and he wants to make it as valuable a presentation as possible. He would appreciate your thoughts and questions. You can email any responses directly to Sharon Stone Smith ([sstonesmith@csea.org](mailto:ssstonesmith@csea.org)). Thank you.

Want an easy hour of education from your own office? Sign up for the CSEA AUDIO TAX SEMINARS. Contact CSEA (800-777-2732) or visit their website at www.csea.org and click on EVENTS for more information. All sessions are held the first Wednesday of each month at 11:00 am for one hour. The cost is \$50 for Members and \$75 for non-Members. The current schedule includes:

Date	Topic	Speaker
3-Dec	California Update (2 hours)	Vicki Mulak, EA
7-Jan	Federal Update (2 hours)	Bonnie DeSimone, EA

BE INVOLVED

Did you know that our monthly Board of Director Meetings are OPEN MEETINGS? That's right. You are welcome to sit in on our Board meetings and offer your opinion and views. We WANT TO HEAR FROM YOU! Please come join us at our next Board Meeting and GET INVOLVED! We'd love to see and hear from YOU!

Wage Compensation for S Corporation Officers

FS-2008-25, August 2008

Corporate officers are specifically included within the definition of employee for FICA (Federal Insurance Contributions Act), FUTA (Federal Unemployment Tax Act) and federal income tax withholding under the Internal Revenue Code. When corporate officers perform services for the corporation, and receive or are entitled to receive payments, their compensation is generally considered wages. Subchapter S corporations should treat payments for services to officers as wages and not as distributions of cash and property or loans to shareholders.

S corporations are corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. Shareholders of S corporations report the flow-through of income and losses on their personal tax returns and are assessed tax at their individual income tax rates.

The Internal Revenue Code establishes that any officer of a corporation, including S corporations, is an employee of the corporation for federal employment tax purposes. S corporations should not attempt to avoid paying employment taxes by having their officers treat their compensation as cash distributions, payments of personal expenses, and/or loans rather than as wages.

This fact sheet clarifies information that small business taxpayers should understand regarding the tax law for corporate officers who perform services.

Who's an employee of the corporation?

Generally, an officer of a corporation is an employee of the corporation. The fact that an officer is also a shareholder does not change the requirement that payments to the corporate officer be treated as wages. Courts have consistently held that S corporation officer/shareholders who provide more than minor services to their corporation and receive or are entitled to receive payment are employees whose compensation is subject to federal employment taxes.

The Treasury Regulations provide an exception for an officer of a corporation who does not perform any services or performs only minor services and who neither receives nor is entitled to receive, directly or indirectly, any remuneration. Such an officer would not be considered an employee.

What's a Reasonable Salary?

The instructions to the Form 1120S, U.S. Income Tax Return for an S Corporation, state "Distributions and other payments by an S corporation to a corporate officer must be treated as wages to the extent the amounts are reasonable compensation for services rendered to the corporation."

The amount of the compensation will never exceed the amount received by the shareholder either directly or indirectly. However, if cash or property or the right to receive cash and property did go the shareholder, a salary amount must be determined and the level of salary must be reasonable and appropriate.

There are no specific guidelines for reasonable compensation in the Code or the Regulations. The various courts that have ruled on this issue have based their determinations on the facts and circumstances of each case.

Some factors considered by the courts in determining reasonable compensation:

- Training and experience
- Duties and responsibilities
- Time and effort devoted to the business
- Dividend history
- Payments to non-shareholder employees
- Timing and manner of paying bonuses to key people
- What comparable businesses pay for similar services
- Compensation agreements
- The use of a formula to determine compensation

Medical Insurance Premiums treated as wages.

The health and accident insurance premiums paid on behalf of the greater than 2 percent S corporation shareholder-employee are deductible by the S corporation as fringe benefits and are reportable as wages for income tax withholding purposes on the shareholder-employee's Form W-2. They are not subject to Social Security or Medicare (FICA) or Unemployment (FUTA) taxes. Therefore, this additional compensation is included in Box 1 (Wages) of the Form W-2, Wage and Tax Statement, issued to the shareholder, but would not be included in Boxes 3 or 5 of Form W-2.

A 2-percent shareholder-employee is eligible for an AGI deduction for amounts paid during the year for medical care premiums if the medical care coverage is established by the S corporation. Previously, "established by the S corporation" meant that the medical care coverage had to be in the name of the S corporation.

In Notice 2008-1, the IRS stated that if the medical coverage plan is in the name of the 2percent shareholder and not in the name of the S corporation, a medical care plan can be considered to be established by the S corporation if: the S corporation either paid or reimbursed the 2percent shareholder for the premiums and reported the premium payment or reimbursement as wages on the 2percent shareholder's Form W-2.

Payments of the health and accident insurance premiums on behalf of the shareholder may be further identified in Box 14 (Other) of the Form W-2.

Schedule K-1 (Form 1120S) and Form 1099 should not be used as an alternative to the Form W-2 to report this additional compensation.

We need dinner topic ideas and speakers?

Do you have a fabulous idea for a speaker topic or know a great speaker? We are looking for some ideas on possible speaker topics as well as speakers to present the material. Perhaps you are a closet public speaker and would like to impress your CSEA friends? Don't be shy. SPEAK UP!! Send an e-mail with either your ideas on possible topics or speakers you have heard in the past to Elaine Smith @ eztaxes@sbcglobal.net. We can always use a few good speakers.

Breakfast Meetings:

- **South Bay**, 8:00 a.m. every Tuesday at Stella's On Third, 365 Third Ave, Chula Vista 91910, Chula Vista.
- **Business Entities Tax Group**, 7:30 a.m., at Coco's Restaurant, 5550 Lake Murray Blvd., La Mesa. This group meets the 1st Thursday of each month, except April. Look for Jerry Dixon.
- **Fiduciary Tax Group**, 7:30 a.m., at Coco's Restaurant, 5550 Lake Murray Blvd., La Mesa. This group meets the 2nd & 4th Thursday of each month, except April. Look for Jan Phillips, Sylvia Lang, or Val Daigle.
- **Individual Tax Group**, A 7:30 a.m., at Coco's Restaurant, 5955 Balboa Ave in Clairemont Mesa. This group meets the 2nd and last Friday of each month, except April. Contact Val Daigle for more info (619-435-3131 or val@westax.com)

Upcoming Events In 2008

Date/Time	Event/Topic	Speaker(s)
May 13, 2008—5:30 pm	Chapter Dinner Meeting Head of Household & RAR Reports	Bonnie Hoyle, FTB Lorrie Lefevre, FTB
June 10, 2008—5:30 pm	Chapter Dinner Meeting Indian Taxation on and off the reservation, etc	Emily Williamson, IRS Scott Karafin, IRS Steve Sims, FTB
July 8, 2008—5:30 pm	Chapter Dinner Meeting Medi-Cal Planning Estate Planning w/Medi-Cal Reverse Mortgages	Carl Gehring, CSA David Barnier, Esq. Jerry Sleder
August 12, 2008—5:30 pm	Chapter Dinner Meeting Elective Disability Coverage P/r Taxes ID Theft & I-9's	Josie Munoz (EDD) Robert Burgess (INS Customs)
September 9, 2008—5:30 pm	Chapter Dinner Meeting 105 Plans for Small Businesses Small Business Benefits Plans	Matt Lorenz/Shawndi Filby Cynthia Paxton
September 29, 2008— National University	SEMINAR Balancing the Balance Sheet (2) S-Corp: S means Safe not Sorry (4) I just Bought/Sold a Business (2)	Vicki Mulak, EA
October 16, 2008—5:30 pm	Chapter Dinner Meeting— JOINT WITH CSTC California Tax Update	Lynn Freer (Spidells)
October 27, 2008— National University	SEMINAR Deductible or Not? Schedule C & E (4 hrs) Strategies to Avoid AMT (2) Foreclosures, Forms & Forgiveness: A Guide through Form 1099-A, 1099-C, and 982	Alice Orzechowski, CPA, EA Marilyn Meridith, EA
November 11, 2008—5:30 pm	Chapter Dinner Meeting Mortgage Interest Audits Small Business Retirement Plans	Patricia Feldman, IRS Jackie Weitzberg
November 18, 2008— National University	SEMINAR Interviewing your Tax Clients with Circular 230 in Mind	Maddy Gaoiran, EA
December 9, 2008 – 5:30 pm	Chapter Dinner Meeting Selling Your Practice; Exit Planning Strategies	Leo Klijn
January 7, 2009	SEMINAR IRS Tax Forum	See IRS Flyers for more info
January 13, 2009 – 5:30 pm	Chapter Dinner Meeting Ethics	Connie Ferrell, EA CSEA President