

CALIFORNIA SOCIETY OF ENROLLED AGENTS



San Diego Chapter Forum Newsletter September 2009

www.cseasandiego.org



PRESIDENT'S MESSAGE

Dear Chapter Members:

Well, this month we all have to get those partnerships and corporations (calendar year end) finished by 9/15/09, so we have another deadline looming. Hopefully your clients are "somewhat" cooperative and have been responsive to your requests. If not, break out that midnight oil and be ready to go.

We had an excellent August meeting with Lynn Freer talking about California taxes. What a great evening it was!! We had about 50 people in attendance and look forward to increases in the next few months. In September, David Woods, EA will be discussing S-Corporations and the various issues associated with that tax entity. Oh the fun and some great timing.

Our seminars on August 17th were very well attended. Thank you for those that support our education efforts. We do appreciate it and we hope that you find the education hours valuable and a good value \$\$\$. We have a new tax update course scheduled for December. Vicki Mulak, EA and Lisa Ihm, EA will teach our new Tax Update Course and you don't want to miss this. These are two excellent educators and great speakers. The early bird special is until October, so don't miss out on this. Talk with Roger Garay, EA at the next dinner meeting to obtain information to sign up and save some money!!

We are having a Membership Drive from September 14th to October 12th. We would greatly appreciate you talking with your colleagues that aren't members of CSEA and have them consider joining. One of the prizes is free attendance to next year's Super Seminar. It would be wonderful if we could have San Diego recognized as an extremely supportive Chapter.

Starting in September 2009, we will be having a drawing for all people in attendance. Your attendance will put a ticket in the drawing for either a \$25 VISA Gift card or \$25 gift certificate toward one of our Seminar's hosted by the San Diego Chapter of CSEA. The certificate toward the CE will be good for 12 months, so you can also use it next year. The only way to win though is to attend our dinner meetings. We will be holding this drawing on a monthly basis through January 2010. Don't miss out!!

We need some new volunteers to help with various aspects of running SD/CSEA. Please contact myself at sleibold@sdbizadv.com so we can discuss how you would like to help us out.

I look forward to seeing everyone at the September 8th, 2009 meeting.

Steven C Leibold, EA / Chapter President

CHAPTER DINNER MEETING

When: September 8, 2009
Speaker: David Woods, EA
Topic: S Corporation Basics

The presentation will cover AAA Account basics, determining shareholder basis, at risk rules and much more.

Where:
The Handlery Hotel
950 Hotel Circle North
Mission Valley
(619) 298-0511 for directions

Times:

4:00 – 5:00	Board of Directors Meeting
5:00 – 5:30	Registration
5:30 – 6:20	Presentation begins
6:20 – 7:00	Dinner
7:00 – 7:10	Announcements
7:10 – 8:00	Presentation continues
8:00	Meeting adjourns

Cost:
\$30 for members and spouse with a timely reservation
\$36 for nonmembers with a timely reservation
\$40 for all late reservations and nonmembers.

Reservations:
Call (800) 642-1040 or send an e-mail to paulatax@san.rr.com before 5 p.m. the previous Thursday, which will be September 3, 2009 to make your reservation.
PRE-PAID DINNER RESERVATIONS MUST CALL AND CANCEL IF NOT ATTENDING THE MEETING!

Menu Selection:
Spinach salad
Herb marinated grilled chicken breast served on wild mushroom ravioli with sherry cream glaze and market vegetables.
Chef's choice of desert

As a member of an organization dedicated to the professional interests of its members, you need to be aware of the Mission, the Goals and the Vision of your Society. Take a few minutes to read and embrace society's commitments to you as a member of CSEA.

CSEA MISSION STATEMENT

The California Society of Enrolled Agents is a progressive, professional association dedicated to serving EA's in California and abroad, enabling them to grow, prosper, and lead as "THE" Tax Professionals while serving taxpayers in a dynamic, rapidly changing environment with integrity and trust.

CSEA GOALS

1. To enhance the visibility and recognition of Enrolled Agents as the preferred tax professionals and to promote CSEA Members to the general public.
2. To be an effective voice in advocacy and the rights of taxpayers and Enrolled Agents before all State levels of legislative and regulatory agencies and Federal agencies as deemed necessary.
3. To provide educational opportunities and resources to assist our Members in their professional growth.
4. To provide effective communication with Members and the public.
5. To identify and meet the current and future needs of Members.
6. To Strengthen CSEA/NAEA/Chapter partnerships.
7. To manage the Society in an effective and efficient manner.
8. To ensure a stable and growing membership.

CSEA VISION STATEMENT

Core Purpose: To assist Members as they protect and serve taxpayers.

Core Values: Service with integrity, accepting challenges as opportunities and valuing relationships.

Big Audacious Goal: To dominate the tax profession.

Vivid Description:

- "Enrolled Agent" is a household word and the Enrolled Agent function is commonly understood. Enrolled Agents and other tax professionals actively seek out membership and affiliation in CSEA. More than 90% of all active Enrolled Agents in California are Members. CSEA is the expert in communication and collaborating regularly with state and federal tax agencies.
- CSEA membership and leadership are diverse and Member EAs are competent to serve a pluralistic society.
- All tax professionals are required to pass the Enrolled Agent examination.
- Public awareness and respect for Enrolled Agents are universal. EAs have become interwoven into the fabric of society and are an integral part of tax preparation and representation. Legislators, regulators, and the media call CSEA first when needing information about issues relating to tax or the impact on taxpayers. CSEA is the clear leader in legislation and public policy relating to tax and is seen as the source of cutting edge information for the public. Enrolled Agents now hold key decision making positions in government agencies and private industry because of their expertise. The bottom line on tax information will be "See your Enrolled Agent."

UPCOMING CHAPTER EVENTS

Date / Time	Event / Topic	Speaker(s)
09/08/2009 5:30 p.m.	Dinner Meeting S Corp Basics	David Woods, EA
10/13/2009 5:30 p.m.	Dinner Meeting Panel – Tax Season Problems	Fellow EA's – contact Elaine Smith to be part of the panel
11/10/2009 5:30 p.m.	Dinner Meeting Foreign Bank Accounts; Gifts; Hot IRS Enforcement Areas	Brian Lynn, JD, LLM
	Foreclosures, Bankruptcy Lien Stripping & other issues	Dave Britton, JD
12/08/2009 5:30 p.m.	Dinner Meeting Year End QuickBooks Issues	Steve Leibold, EA
	Entertainment	TBA
12/16/2009 8:00 a.m. National University	2009 Update Seminar Federal California (8) hours	Vicki Mulak, EA Lisa Ihm, EA
01/12/2010 5:30 p.m.	Dinner Meeting Ethics	Claudia Hill, EA

BREAKFAST MEETINGS

South Bay: 8:00 a.m. every Tuesday at Stella's, 365 Third Ave, Chula Vista.

Business Entities Tax Group: 7:30 a.m. on the first Thursday of each month (except April) at Coco's Restaurant, 5550 Lake Murray Blvd, La Mesa.

Fiduciary Tax Group: 7:30 a.m. on the 2nd and 4th Thursday of each month (except April) at Coco's Restaurant, 5550 Lake Murray Blvd, La Mesa.

Individual Tax Group: 7:30 a.m. on the 2nd and last Friday of each month (except April) at Coco's Restaurant, 5955 Balboa Ave, Clairemont Mesa.

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ITEMS OF INTEREST

An Ounce of Prevention: OPR requires EAs to notify its Detroit based Office of Practitioner Enrollment (OPE) of changes of address. Address changes on your tax return are NOT necessarily reflected on the EA database. If an EA misses a renewal deadline, OPR does not consider the fact it does not have the EAs latest address as a mitigating factor when he/she discovers that the license to practice has expired.

Excerpt from Rev. Rul. 2009-19

Issue: If a homeowner benefits from Pay-for-Performance Success Payments under the United States Government's Home Affordable Modification Program (HAMP), are those payments excludable from income?

Holding: The payments are excludable from income under the general welfare exclusion.

From The Kiplinger Tax Letter

Preparers: IRS will try a new approach with tax preparers suspected of hanky-panky. So called soft notices will be sent if IRS gets complaints about a preparer. The notice will say that the preparer is suspected of violating tax rules and that IRS will keep this information in its files for 10 years. The tax professional can send a rebuttal. In any case, IRS won't take further action unless more complaints surface. This way, IRS figures it can keep an eye on sub par preparers using a minimum of resources.

The likelihood of regulating unlicensed preparers continues to increase as the IRS seeks more input from the tax community. IRS will make its proposals by year-end, requiring unlicensed preparers to register and pass a competency test. Since the agency needs time to gear up, tax returns for 2009 will not be affected.

Enforcement: Claiming a refund on an amended return? You'll have to wait longer for it. The first time home buyer credit is the culprit. The IRS has been swamped with refund claims for tax year 2008 from folks who purchased a home this year but opted not to wait until they filed for 2009 to claim the credit. Not surprisingly, scammers have filed fraudulent refund claims for the credit, so the Service is giving additional scrutiny to claims for refund based on the home buyer credit. The Service says that the resulting backlog has increased the processing time for 1040X's to at least 12 to 16 weeks, compared with the usual 8 to 12 weeks. If you are filing an amended tax return for 2008 to claim the home buyer credit, you can avoid some of the delay by attaching a copy of the HUD-1 settlement sheet.

OIC Mills: IRS will soon crack down on offer in compromise mills...businesses that prey upon folks in financial difficulties who are facing a big tax debt. Firms file the paperwork for a fee, and some falsely imply they can always get the IRS to approve a much lower payback amount. IRS plans to lap big penalties on companies that make misleading claims and is eyeing criminal fraud charges, too.

Clergy audits: Ministers will start getting special attention from auditors. A new guide tells

examiners to be on the lookout for several potential trouble spots. Incorrectly figuring the tax free housing allowance and failing to pay SE tax on it. Wrongfully claiming to be exempt from SE tax. And deducting business expenses that are attributable to tax exempt income.

Losses: A win for filers owning interests in LLCs and limited liability partnerships. Losses from these firms aren't presumed to be passive, the Tax Court says. IRS argued that filers with interests in these entities were presumptively classified as limited partners, with limited options to prove that they materially participated in business operations. The Tax Court rejects that theory and will allow the owners to treat any losses as nonpassive if they can satisfy one of seven tests to show that they materially participated in the firm's activities (Garnet, 132 TC No. 19).

California Tax News

Audits: Publication, FTB 985, Audit/Protest/Appeals, can help you inform your clients about the audit process. This publication provides an overview of what the FTB does before, during, and after an audit. It outlines the steps your clients can take to protest and/or appeal an audit. In addition, it includes information about your client's rights as a California taxpayers and the role of the Taxpayers' Rights Advocate. To get the publication, go to ftb.ca.gov and search for FTB 988.

Nonresident Withholding: Beware that if your clients pay California source to nonresidents of California, they must withhold and send 7% of all payments that exceed \$1,500 in a calendar year (R&TC Section 18662).

If a withholding agent fails to withhold, underwithholds, or fails to send withholding, the agent becomes liable for the greater of:

- The amount actually withheld.
- The amount of taxes due from the nonresident, but not more than the amount required to be withheld (R&TC Section 18662).

Small business hiring credit: For taxable years beginning on or after 01/01/2009, a small business is allowed a credit of up to \$3,000 for each net increase in qualified full-time employees hired during the taxable year. (R&TC §§17053.80, 23623) A small employer is one who had fewer than 20 employees in the previous year. The credit is not subject to the 50% haircut like other business credits, but is subject to a \$400 million cap for all taxpayers.