



California Society of Tax Consultants
HIGH DESERT CHAPTER
15 CHAPTERS STATEWIDE
Volume 49 November 2009

President's Message

GREETINGS

We are well into fall, now, but the weather has been more spring. Hopefully the fires are over now. Member Linda Lee and husband did have to evacuate from Wrightwood for a time, but all turned out fine for them.

John Doran, attended the District meeting for me in September. Thank you. There is a district meeting 11/16 of which I will be attending. This will be an important meeting, since some by-laws will be changed. Hope to have the information by the Nov meeting – to get membership feedback.

Please read your newsletter this month, there have been some changes to the board. We welcome John Doran to the board. We will also have our chapter elections at this coming meeting. We also now have the split the Newsletter from the Secretaries job and have it designated separately.

The CSTC Tax bridge seminar will be presented in Dec. Have you signed up yet? We will not have a speaker in December but in January 2010 Karen Snyder will be presenting updates also with the Quickfinders.

The Cougar Kitchens will again provide our dinner on Wednesday November 11. So be sure to GET YOUR REVERSATIONS IN for the reduced price.

Michele' Maiwald
President

Speaker and Topic for November 11, 2009

Topic Leader:
TOPICS:

Steve Kurtz
Retirement Plans

This presentation has been designed to meet the requirements going back to of the Director of Practice of the Internal Revenue Service, the California State Board of Accountancy, and the California Tax Education Council, Business & Professions Code #22250-222859, including Code 31 of Federal Regulations 10.6(g), continuing education rule 88(c) covering maintenance of attendance records, retention of program outlines, qualifications of instructions of instructors and length of class hours. This does not constitute an endorsement by these groups.

REGISTRATION: 5:30 PM
DINNER: 6:00 PM

MEMBERS: \$ 30.00
MEMBERS/GUESTS: \$ 40.00

**Price when paying at registration*

LOCATION:
ST. JOHN EVANGELICAL
LUTHREN CHURCH
16700 GREEN TREE BLVD.
VICTORVILLE, CA

Name Scramble: JCWALRIPNDLAER

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CSTC SOCIETY www.cstcsociety.org

The latest Reporter is available online now!

Do not forget to log into the society web page for the latest news, you can also view and print the reporter, and be sure to check out the members' only page and bulletin boards. The log in is:

User ID: **CSTC1000** Password:

TAXSPECIALIST

Past editions of the newsletter for our Chapter are on line at www.cstcsociety.org/HIGHDESERT click on the Calendar/News link to view the education schedules and issues of the newsletter.

Anyone planning to attend a board meeting should contact any board members to confirm their attendance. This month the meeting will be held before the regular dinner meeting at 4:15 pm at the St. John Evangelical Church on October 14.

To assure timely delivery of your monthly newsletter please notify Linda Lee of any change of address, phone number or email address.

Come and Join Us at a Dinner meeting!!

We always look forward to seeing all our members. Take advantage of the opportunity to learn something new or just refresh your knowledge on some interesting topics.

REMINDER Wear your badge to be eligible for the drawing. If you do not have a badge, please tell Judie LaDow, so she can order one for you. If you have lost your badge, replacements are available at a cost of \$15.00, due at the time of ordering.

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FYI

New IRS Retirement Plan Navigator Aims to Help Small Businesses - [IR-2009-091](#) – October 13, 2009

WASHINGTON — The Internal Revenue Service has created a new Web-based tool to help small business owners determine which tax-favored pension plan best suits their needs and how to keep their plans in compliance.

The [IRS Retirement Plan Navigator](#) is intended to provide employers with an easy-to-use guide that focuses on three areas: choosing a plan, maintaining a plan and correcting a plan.

By using the navigator, employers may find that choosing and maintaining a pension plan is not as daunting as they thought. Some plan types are less costly and easier to establish than others.

The navigator does not suggest which plan may be best for a specific employer but it does lay out the options to allow them to choose one that best fits their situations. The navigator includes a side-by-side comparison of pension plans and their requirements.

The navigator provides a checklist and suggested resources for maintaining compliance. Pension laws change frequently. Employers can minimize problems by doing a once-a-year review to ensure they maintain compliance.

The IRS also recognizes that mistakes can be made unintentionally, and many errors can be corrected without notifying the agency. The navigator offers suggested options to employers seeking to correct errors and bring their plans back into compliance. Although the Retirement Plan Navigator is aimed at small business owners, it also can help mid-size businesses review their options as well. Individuals who want to better understand their employer's plan may also find it of use.

The Web-based guide will be kept up to date as pension laws and regulations change.

Inflation Having Little Effect on Tax Rates and Benefits in 2010 - [IR-2009-093](#) – October 15, 2009

WASHINGTON — Tax rate brackets and various tax benefits will remain unchanged or change only slightly in 2010 due to inflation, the Internal Revenue Service announced today.

By law, the dollar amounts for a variety of tax provisions must be revised each year to keep pace with inflation. As a result, more than three dozen tax benefits are subject to inflation adjustments each year, but because recent inflation factors have been minimal, many of these benefits will remain unchanged or change only slightly for 2010.

Key provisions affecting 2010 returns, filed by most taxpayers in early 2011, include the following:

- The value of each personal and dependency exemption available to most taxpayers is \$3,650, unchanged from 2009.
- The new standard deduction for heads of household is \$8,400, up from \$8,350 in 2009. For other taxpayers, the standard deduction remains unchanged at \$11,400 for married couples filing a joint return and \$5,700 for singles and married individuals filing separately. Nearly two out of three taxpayers take the standard deduction rather than itemizing deductions, such as mortgage interest, charitable contributions, and state and local taxes.
- Various tax bracket thresholds will see minor adjustments. For example, for a married couple filing a joint return the taxable income threshold separating the 15 percent bracket from the 25 percent bracket is \$68,000, up from \$67,900 in 2009.
- The annual gift tax exclusion remains unchanged at \$13,000.

IRS Announces Pension Plan Limitations for 2010 [IR-2009-094](#) – October 15, 2009

WASHINGTON — The Internal Revenue Service today announced cost-of-living adjustments applicable to dollar limitations for pension plans and other items for Tax Year 2010.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. Section 415(d) requires that the Commissioner annually adjust these limits for cost-of-living increases. Other limitations applicable to deferred compensation plans are also affected by these adjustments under Section 415. Under Section 415(d), the adjustments are to be made pursuant to adjustment procedures which are similar to those used to adjust benefit amounts under Section 215(i)(2)(A) of the Social Security Act.

The limitations that are adjusted by reference to Section 415(d) will remain unchanged for 2010. This is because

the cost-of-living index for the quarter ended September 30, 2009, is less than the cost-of-living index for the quarter ended September 30, 2008, and, following the procedures under the Social Security Act for adjusting benefit amounts, any decline in the applicable index cannot result in a reduced limitation. For example, the limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) will be \$16,500 for 2010, which is the same amount as for 2009. This limitation affects elective deferrals to Section 401(k) plans and to the Federal Government's Thrift Savings Plan, among other plans.

Effective January 1, 2010, the limitation on the annual benefit under a defined benefit plan under Section 415(b)(1)(A) remains unchanged at \$195,000. For participants who separated from service before January 1, 2010, the limitation for defined benefit plans under Section 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2009, by 1.0000.

The limitation for defined contribution plans under Section 415(c)(1)(A) remains unchanged for 2010 at \$49,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of Section 415(b)(1)(A). After taking into account the applicable rounding rules, the amounts for 2010 are as follows:

The limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) remains unchanged at \$16,500.

The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) remains unchanged at \$245,000.

The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employee in a top-heavy plan remains unchanged at \$160,000.

The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period remains unchanged at \$985,000, while the dollar amount used to determine the lengthening of the 5-year distribution period remains unchanged at \$195,000.

The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) remains unchanged at \$110,000.

The dollar limitation under Section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$5,500. The dollar limitation under Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$2,500.

The annual compensation limitation under Section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation under the plan under Section 401(a)(17) to be taken into account, remains unchanged at \$360,000.

The compensation amount under Section 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at \$550.

The limitation under Section 408(p)(2)(E) regarding SIMPLE retirement accounts remains unchanged at \$11,500.

The limitation on deferrals under Section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations remains unchanged at \$16,500.

The compensation amounts under Section 1.61-21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes remains unchanged at \$95,000. The compensation amount under Section 1.61-21(f)(5)(iii) remains unchanged at \$195,000.

The Code also provides that several pension-related amounts are to be adjusted using the cost-of-living adjustment under Section 1(f)(3). After taking the applicable rounding rules into account, the amounts for 2010 are as follows:

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for married taxpayers filing a joint return is increased from \$33,000 to \$33,500; the limitation under Section 25B(b)(1)(B) remains unchanged at \$36,000; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), remains unchanged at \$55,500.

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings

contribution credit for taxpayers filing as head of household is increased from \$24,750 to \$25,125; the limitation under Section 25B(b)(1)(B) remains unchanged at \$27,000; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), remains unchanged at \$41,625.

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for all other taxpayers is increased from \$16,500 to \$16,750; the limitation under Section 25B(b)(1)(B) remains unchanged at \$18,000; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), remains unchanged at \$27,750.

The deductible amount under § 219(b)(5)(A) for an individual making qualified retirement contributions remains unchanged at \$5,000.

The applicable dollar amount under Section 219(g)(3)(B)(i) for determining the deductible amount of an IRA contribution for taxpayers who are active participants filing a joint return or as a qualifying widow(er) remains unchanged at \$89,000. The applicable dollar amount under Section 219(g)(3)(B)(ii) for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$55,000 to \$56,000. The applicable dollar amount under Section 219(g)(7)(A) for a taxpayer who is not an active participant but whose spouse is an active participant is increased from \$166,000 to \$167,000.

The adjusted gross income limitation under Section 408A(c)(3)(C)(ii)(I) for determining the maximum Roth IRA contribution for married taxpayers filing a joint return or for taxpayers filing as a qualifying widow(er) is increased from \$166,000 to \$167,000. The adjusted gross income limitation under Section 408A(c)(3)(C)(ii)(II) for all other taxpayers (other than married taxpayers filing separate returns) remains unchanged at \$105,000.

New Form Aids Processing of Mortgage Applications, Makes Ordering Tax Transcripts Simpler - IR-2009-096 – October 21, 2009

WASHINGTON — The Internal Revenue Service today issued a new form to aid the processing of mortgage applications under the Home Affordable Modification Program (HAMP) as part of the Making Home Affordable Program. The new form will make it simpler for people, especially homeowners trying to modify or refinance their mortgages, to order copies of their tax return transcripts.

Taxpayers often need copies of their tax return information, especially when they are obtaining a new

mortgage or when they are refinancing or modifying an existing mortgage. Taxpayers can use [Form 4506T-EZ, Short Form Request for Individual Tax Return Transcript](#), to order a Form 1040 series tax return transcript free of charge.

A transcript is a computer print-out that includes most lines on the original return. A transcript often is an acceptable substitute for a copy of the original tax return for purposes of verifying income.

Form 4506T-EZ is a streamlined version of the Form 4506T, Request for Transcript of Tax Return. The Form 4506T-EZ is only for individuals who filed a Form 1040 series. Businesses, partnerships and individuals who need transcript information from other forms must still use the Form 4506T.

Transcripts ordered through the Form 4506T-EZ can be mailed to a third party, such as a financial institution. The IRS cautions taxpayers that they should complete all required fields, especially the requested years, before signing and dating the form.

Taxpayers can obtain Form 4506T-EZ at IRS.gov. It is a fillable form so people can complete the form online and print a copy. They can mail it or fax it to the addresses and numbers listed in the instructions. It generally takes 10 days to process the request.

The IRS also recommends that people retain copies of their original tax returns in a safe, secure place. Exact copies of tax returns are available by filing Form 4506, Request for Copy of Tax Return, but each copy costs \$57 and can take 60 days to process.

Cash for Refrigerators program might not be ready by Christmas

If the federal government has its way, they will soon roll out a program that is unofficially being dubbed "Cash for Refrigerators." It's kind of a redo of the Cash for Clunkers program, designed to boost the appliance manufacturing industry and increase the nation's energy efficiency. Originally it was hoped that the plan would roll out by November 30th, just in time for the naughty-and-nice list. But federal wheels grind slowly and since the details have been slow in coming out, many people who might have found the new washing machine or other appliance under the Christmas tree, complete with a big red bow, may instead find a box with a promise inside.

Unlike the Cash for Clunkers program which rolled out before the guidelines were in place, this time the federal government is being a bit more deliberative in setting the

standards. That may be partly due to the fact that, although it is a federal program, each state will have a say in the details. A key reason for having states take the lead is because they are in the best position to know what appliances are most needed, given the local climate. Obviously air conditioners aren't pumping overtime in Alaska and heating units get less use in Arizona than Indiana.

Twenty-five states already have some sort of appliance rebate, often through utility providers. You may have seen commercials offering \$75 cash when you buy a new refrigerator. These rebates themselves have not spurred a great deal of new demand, but the government hopes the new plan in some combination with the old plan and the arrival at holiday time will build a fire under consumers.

Where will the money come from to fund this plan?

The funding for Cash for Refrigerators is already scheduled as part of the American Recovery and Reinvestment Act and totals \$300 million. States had until October 15 to submit their plans to the Department of Energy. Once approved, each state should get \$1 in rebate money for every state resident. So, the most populous states will get a bigger chunk than those with smaller populations. If history is any yardstick, 10 to 25 percent of the funds will be spent on administrative tasks.

Though most sectors of the economy have suffered recently, the appliance manufacturing industry took a serious double hit. First, as the new home market tanked, so did the demand for new appliances to fill those homes. Then the general economic slowdown caused a drop in appliance replacement as consumers opted to make do with or repair their old models. That translated to serious job losses among manufacturers.

The Obama Administration may have learned a few lessons from the Cash for Clunkers program. It was reasonably successful but poorly run. If you remember, there was a lot of confusion because the credits for new car purchases were made available before the rules for getting and using the credits were even conceived. In the end, the Clunkers program did help boost the auto manufacturing industry, at least in the short term, and the Cash for Refrigerators plan is expected to do the same

How much is the rebate worth?

The estimated amount you may be able to get is between \$50 and \$200, though with the combination of existing state plans with federal incentives, it could be much more. As states worked out their own programs to meet the

October 15th deadline, they had to decide which appliances would qualify, the size of the rebates, and whether or not old appliances must be surrendered.

Critics point out that since there is no overarching requirement that old appliances be surrendered, the desired effect of improving energy use may not happen. Old appliances - which tend to use 10 percent to 30 percent more power -- may still be used as backups, like garage refrigerators, or sold second hand.

"If you buy a new refrigerator, where does the old one go? In the garage, for the beer," Eric Burch told reporters. Burch is the spokesman for the Indiana Office of Energy and Defense Development. "You have not reduced anyone's energy efficiency. The old appliance is still on the grid."

Another criticism of the program is fueled by the question of how many appliances would have been purchased anyway. Case in point, one New York newspaper publicized the state's upcoming Cash for Refrigerators program with this line: "If you need a new appliance for your home, try and hold off until next month."

Here's a quick look at some of the plans that have been proposed.

New York will limit its appliance rebates to washers, refrigerators, freezers, coolers, and dishwashers. Old appliances need not be turned in to receive the rebate. You obtain your rebate by sending the receipt and application to New York State Energy Research and Development Authority. For New York the program will run for one week in February 2010.

\$75 rebate for refrigerators
\$75 for clothes washers
\$50 for freezers
\$500 for a three-appliance package, which includes dishwashers as eligible appliances

It is Now Possible to e-file a Return with an ITIN/SSN Mismatch

Tax returns filed with an Individual Taxpayer Identification Number reporting wages paid are required to show the Social Security Number under which the wages were earned. This creates an identification number (ITIN/SSN) mismatch. In the past, returns with this mismatch could only be filed on paper. Due to programming changes the IRS' e-file system can now accept these returns.

The taxpayer's correct ITIN should be used as the

identifying number at the top of Form 1040. When inputting W-2 information, the SSN should be entered exactly as shown on the Form W-2 issued by the employer. It is now possible to e-file a return with an ITIN/SSN mismatch.

This programming change will help ensure that the correct tax information is being captured in the most efficient manner possible. It will reduce the burden on taxpayers filing this type of return.

Form 540 Gets a Mini-Makeover

October 2009 - Each year our forms section revises the previous year forms and publications to reflect the new tax year, new information, and law changes. As we get ready for the 2010 filing season, California needs even more lines on the California Form 540 to accommodate recent legislation. As a result, the Form 540 must grow beyond its standard two pages to fit all the lines necessary. As a practitioner, the biggest change you'll see is that the Form 540 is three pages instead of two.

First of all, you'll probably notice that the signature box is now on page one of the computer-generated (scannable) 540. Line numbers also changed for many items. Lines added to the return include information for reporting the New Jobs Credit and Voluntary Contributions.

The forms for the 2009 tax year are still in review and are not finalized. Certain legislation is still pending and, of course, there is always the possibility that late federal legislation could impact our forms. Do you have suggestions for improving our forms, such as ideas for making them simpler or easier to understand? Go to ftb.ca.gov and search for draft forms.

It's Official! California Backup Withholding Begins January 1, 2010

October 2009 - Beginning January 1, 2010, with certain limited exceptions, payers that are required to withhold and remit backup withholding to the Internal Revenue Service (IRS) are also required to withhold and remit seven percent of the payment to FTB.

Assembly Bill X4 18 requires California backup withholding when federal backup withholding is required. If a payer issues a payment to a payee that is subject to federal backup withholding, and the payee is a resident of California, or if the payee is a nonresident of California and the payment is sourced to California, California backup withholding is required, except for:

- Payments of interest and dividends.
- Any release of loan funds made by a financial

institution in the normal course of business.

California Man Sentenced for Tax Evasion

On September 9, 2009, in Sacramento, Calif., Bill Wilson of Discovery Bay, California, was sentenced to one year and one day in prison and ordered to pay more than \$307,000 in restitution for tax evasion. According to court documents, Wilson pleaded guilty on October 27, 2008 to three counts of filing false tax returns. Wilson, president of DLM Plastering Company, Inc., began paying employees from two accounts. Payments made from the first account were reported to the IRS, but payments made from the second account were not properly reported to avoid paying the California's worker's compensation fund. Wilson made a total of 16 false statements to the IRS, resulting in a loss to the government of more than \$300,000. Wilson also created a Nevada corporation entitled Duck Lands Management Company Inc. and opened a bank account in that name. He deposited the checks for work done by DLM into the Ducks Lands Management Company Inc. account and transferred some of the funds to a hidden bank account to pay unreported wages to his employees. **Man**

Sentenced to 100 Years for Ponzi Scheme that Cost Victims \$39 Million

On September 29, 2009 in Riverside, Calif., Richard Harkless was sentenced to 100 years in prison and ordered to repay more than \$35,400 in restitution to approximately 600 victims. According to court documents, Harkless was the mastermind of a Ponzi scheme that collected more than \$60 million through his company, MX Factors. Harkless was convicted on three counts of mail fraud, three counts of wire fraud and one count of money laundering. Harkless and a team of salespeople at MX Factors raised funds by telling potential investors that MX Factors provided short-term loans to commercial construction companies that had guaranteed government-backed contracts. Harkless created the company, controlled its bank accounts, hired and paid agents to solicit investors and created MX Factors promotional literature. Investors were promised returns of up to 14 percent every two or three months, at which time investors could either receive their investments back or roll over their investments into the next investment period. The vast majority of MX Factors investors were "reloaded," meaning that they were convinced to invest money more than once. As the scheme began to collapse, Harkless diverted millions of dollars to Belize and Mexico. Once Harkless knew he was under investigation by various state regulators, he accelerated his fundraising and accelerated the transfer of funds to his accounts in Belize. During the scheme, the bulk of the money raised from investors was

used to pay off earlier investors, to pay agent commissions, to fund Harkless' crabbing business in Ensenada, Mexico and to pay for various personal expenses. Harkless fled to Mexico shortly after the Ponzi scheme collapsed and federal authorities executed search warrants in February 2004. Harkless was arrested by special agents with IRS-Criminal Investigation two years ago when he traveled to Phoenix. Three of Harkless' sales agents – Daniel Berardi, Thomas Hawkesworth and Randall Harding – pleaded guilty and received sentences of up to six years in federal prison.

California Ponzi Scheme Operator Sentenced to Nearly 20 Years

On September 15, 2009, in Sacramento, Calif., Stefan Wilson of Folsom, California was sentenced to 236 months in prison, three years of supervised release and ordered to pay more than \$12 million in restitution for running a Ponzi scheme that financially devastated 80 families. According to court documents, Wilson solicited money from investors with the promise of an 18–24 percent return on their money. Most investors were not wealthy and could not come up with the \$100,000 minimum investment required to invest in the “Christians in Crisis” (CIC) Investment Fund. Wilson encouraged investors to refinance their homes, draw upon their life savings, or dip into a 401(k) to come up with the investment money. To lure prospective investors, Wilson represented to investors that his CIC Investment Fund was extremely profitable, and the return on investment was more than sufficient to pay the promised rates of return. He also told investors that he had a reserve fund that would continue to pay investors the promised return even if the fund sustained losses. Wilson collected approximately \$13 million from investors, and placed approximately \$6.5 million of these funds into a brokerage account, which he used to buy and sell stock. Virtually all of that money was lost, suffering a 99.42 percent decline. Despite the losses, Wilson continued to represent to investors that the fund was doing well and sent monthly statements and checks to investors showing that they were receiving the promised return. The \$6.5 million not deposited in the brokerage account was left in a bank account Wilson used to make lulling payments to investors and to pay for a lavish lifestyle. Wilson failed to file any of this income on his 2006 tax return.

Former California Huntington Park Police Officer Sentenced to 15 Years in Prison

On September 21, 2009, in Los Angeles, Calif., Alvero Murillo, a former Huntington Park Police Officer was sentenced to 180 months in prison for stealing from narcotics dealers and then selling the drugs for personal

profit. Murillo was convicted in May 2009 by a trial jury on charges of drug conspiracies, extortion and submitting a false tax return. The evidence at trial showed that Murillo orchestrated six thefts, which yielded him nearly 700 pounds of marijuana, four pounds of methamphetamine and well over 10 pounds of cocaine. According to trial evidence, from late 2002 through the fall of 2006, Murillo worked with informants to identify drug dealers from whom they could steal narcotics. Testimony at trial showed that Murillo typically demanded to receive the sale of drug proceeds in cash. The cash was not reported on his tax returns.

Richmond Businessman Arrested for State Income Tax Evasion

October 2009 - A Richmond businessman was arrested on three felony charges of state income tax evasion, we announced on September 1, 2009.

Philip Leech, 46, is the chief executive officer, secretary and chief financial officer of In & Out Designs, Inc. located in Pleasant Hill. According to our special agents, In & Out Designs allegedly earned more than \$1.3 million in taxable income in 2001–2003, but Leech failed to file the corporation's state income tax returns for any of these years. The corporation owes the state more than \$122,000 in tax. As chief executive officer and chief financial officer, it is Leech's responsibility to ensure the corporation's taxes are filed. Leech allegedly ignored our notices to file the delinquent returns.

Penalties, interest, and the cost of the investigation will be added to this figure. Each tax count carries a maximum term of three years in state prison.

The failure to file tax returns is part of the \$6.5 billion tax gap California faces each year. The tax gap is defined as the difference between the tax that is owed and the tax that is paid.

In & Out Designs, Inc. is owned by Rick Alvin Powers, 55, who, along with his wife, Cathy Powers, 55, pleaded no contest earlier this year to felony charges of diversion of construction funds and state income tax evasion. Their sentencing is still pending.

Leech was booked into the Contra Costa County Main Jail. His bail is set at \$20,000 and his arraignment is still pending.

California Society of Tax Consultants
High Desert Chapter
2010 Board of Directors Ballot

President: Michele' Maiwald
Seconded Year
Of Term

1st Vice President: Lynda Cook

2nd Vice President: Judie LaDow

Secretary: Lori LaPlante

Treasurer: Teri Dingman

Directors:
(Vote for 2) Bob Brumpton
John Doran

Holiday Dinner Menu (To be at the Cougar Kitchen at Granite Hills High School watch for the formal invitation in the mail with a map to location)

Dinner Choices:

Roasted Beef Tenderloin - Served with side salad, Vegetable and Garlic or Rice Pilaf

Chicken Picata - Served with Side Salad, Vegetable, and Garlic Mashed potatoes

Veggie Lasagna - Served with side salad and garlic bread

Desserts: PIES Cherry, apple and pumpkin

Coffee and tea included.





DINNER RESERVATION

**The dinner this month will be catered by
The Granite Hills High Kitchen**

Please reserve _____ place(s) for the dinner meeting of the High Desert Chapter of the California Society of Tax Consultants on Friday, November 6, 2009.

All reservations must be received by Noon Friday, November 6, 2009.

Enclosed is my check payable to CSTC for \$ _____.

Advance Registration is \$25.00 for members and \$35.00 for non-members.

There will be an additional charge of \$5.00 for those who do not make advance reservations.

Name: _____

Address: _____

City, St, Zip: _____

Mail to:

Lynda Cook
18930 Hwy 18 # 107
Apple Valley, CA 92307

Reservations can also be emailed to Lynda Cook at taxmam707@aol.com
by November 6, 2009, payment can be made at the meeting.

Meeting Place:

St. John Evangelical Lutheran Church
16700 Green Tree Blvd.
Victorville, CA 92395