Volume 50 Issue 3
August 2009

REPORTER

CALIFORNIA SOCIETY OF TAX CONSULTANTS

CLASSROOM SERIES
Presents

SALE OF BUSINESS

THERE GOES MY HOUSE, AGAIN
&
FROM TRIAL BALANCE TO TAX RETURN

MARK YOUR CALENDARS!

SEE PAGE 4

RUTH GODFREY, EA, SHARON HARDY, EA
GARY MC KINSEY, EA, MORRIS MIYABARA, EA

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PRESIDENT'S MESSAGE

Dear Fellow CSTC Members,

A lot of things have happened since we last spoke!! CSTC held its first overnight Board of Directors meeting on May 1^{st} & 2^{nd} at the Anaheim Plaza Hotel. ***This was very well supported by 22 Society Board members and 20 Chapter Directors.*** Every Chapter was represented except one. Everyone worked very hard in our efforts to move CSTC in a new direction and I think you will see some new changes within our organization as this year gets underway.

The committees spent the entire first day on setting their goals in place for this year and each group gave changes for our Bylaws, P & P's and the Chapter Guide to the Bylaws Committee for review and implementation. The minutes from this meeting should be posted to the website by now so you can see what we did. ***A very special "Thank You" goes out to George Fahkouri, Ruth Godfrey & Beverly Switzer for the extra time and days they have put in to prepare and complete the "Bylaw" changes for the upcoming November ballot.*** There isn't room to list all 42 names here, but you know who you are and again, ***I want to say "Thank You" to each of you for volunteering, for your hard work, efforts and dedication to CSTC.*** **You are what make's us "The Tax Specialist's Choice"!!!**

The 23^{rd} Annual Summer Tax Symposium is now behind us and the finalization of the 2010 24^{th} Annual Summer Tax Symposium in now underway for the ***Silver Legacy in Reno, Nevada for June 6^{th} to the 9^{th}.*** It appears from the early reviews that this year's program was extremely timely, very well received and everyone seemed to have a really great time together. If you were unable to attend this year, please talk to someone who was there – I'm sure they will convince you that you should make this event part of your education!!!

One of the many highlights of this year's event was the Sunday Night Social where we enjoyed a delicious buffet, vendor highlights and lots of networking. We were given the immense pleasure of listening to wonderful entertainment provided by the fun-loving "Patsy DeCline" who graced us with her final vocal performances. Another high point was the ***"Chapter Bowling Competition"*** held on Monday night with many chapters participating. ***The 1^{st} place went to North County, 2^{nd} place to Inland Empire and 3^{rd} place went to Greater Long Beach.*** Congratulations to everyone who participated for their brave endeavors!!! ***For the first time, the excellent "Stump the Tax Experts" panel was stumped!!!*** This panel is always entertaining and informative and when we have both of the legal minds of Gary Quackenbush & Frank Acuna together – well let's just say that they are better than any comedians that come to my mind!!

Our ***"Leadership Workshop"*** was held on June 11^{th} and was well represented by the Chapters. My "Thank You's" to ***Morris Miyabara*** on "Team Leadership", ***Ruth Godfrey*** on "Motions & Parliamentary Procedures", ***Linda Beckett*** for "We Care Enough To Share" and ***Beverly Switzer*** for "The Quiz". These presentations were excellent and we now have a new workbook on Team Leadership to share with our Chapters.

Upcoming Society education includes the Classroom Series, Fundamentals and the Tax Bridge. Don't forget we also provide correspondence and our new on-line education sessions. In addition to our current 4 hour CA on-line class, we'll also be adding a 2 hour CA class and a 2 hour Ethics class before the end of the summer. Keep checking our website.

Our membership goal of "2012 by 2012" is still moving ahead. ***We need everyone to be part of this goal.*** When you bring in a new member PLEASE DO NOT FORGET to put ***your name as the "Referral"*** on their membership application if you want ***to receive your $25 education certificate from CSTC***. If your name is not on the application, you won't receive your certificate. In closing, let me remind you that any and all suggestions for improving and enhancing CSTC are contributions that I look forward to hearing about from you. Please forward these to my email address at **nlebrun@sbcglobal.net** or call me at 310-534-3492 so we can talk.

Best Regards,
Nikki LeBrun, EA
CSTC President

ABOUT THE REPORTER

2009 SOCIETY OFFICERS

PRESIDENT……………………...Nicole LeBrun
1ST VP…………………………..…...Linda Morlang
2ND VP…………………………......Shari Hardy
SECRETARY…………………..…...David Eastis
TREASURER………. … ....Barbara Marx Cleary
PAST PRESIDENT………...…...Anthony Bustos

The REPORTER is published by California Society of Tax Consultants, Inc. Telephone 714/750-2782. Subscription rates of $10.00 per year are included in membership dues. (This value is established for tax purposes only. No dues adjustment for refusal or non-publication.) Nonmember rates are $25.00 per year. We reserve the right to edit letters for length and clarity.

HOW TO CONTACT THE SOCIETY

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www.cstcsociety.org

ADD YOUR LINK TO CSTC'S WEB SITE
Call 714-750-2782

2009 CALENDAR OF EVENTS

8/20	My House, Lakewood, CA
8/22	How Do I Get Rid of My Business, San Mateo, CA
9/3	From Trial Balance to Tax Return, Chula Vista, CA
9/21	Society Board of Directors Meeting
11/16	Society Board Meeting
12/3-12/4	Tax Bridge
6/6-6/9/10	Reno Summer Symposium

DISASTER STRIKES
One of Our Own

It was 1:00 a.m., August 2 and Karen Devaney received a phone call that the alarm was going off at her office. She arrived at her office in time to watch it burn to the ground. Later to find out the fire was set by a serial arsonist.

Karen has been a loyal and integral member of the Modesto/Central Valley Chapter of CSTC since 1979. She is current Chair of the Classroom Series for the Society, Past Society President, and has always worked tirelessly for CSTC.

Now is the time for us to help her. She lost everything! If you can donate your time, talent or treasure please contact Karen at 209-524-4345. In particular she needs to rebuild her tax library.

PASS THE WORD
WE NOW HAVE 4 HOURS
CALIFORNIA CE ON LINE
Go to: www.cstcsociety.org and click on the Education Button

BASIC TAX COURSE

Where: South Coast College
2011 W. Chapman Ave
Orange, CA 92868

When? Monday & Thursday Evenings
6:00—9:00 pm
Begins September 10, 2009

Who? People who want to learn how to prepare tax returns or take a refresher course

How Much? $299

Need Continuing Education for CTEC? Want to train staff members? Like to brush up your preparation skills? Call 714-750-2782 to get more information or to register.

2009 CLASSROOM SERIES
ALL CLASSES: 8:30 AM—5:00 PM

There Goes My House

August 20 - Lakewood
Ruth Godfrey, EA & Sharon Hardy, EA
CTEC #1000-CE- 2797 6 Fed, 2 CA

*Form 1099-A & Form 1099-C
*Returned, Sold or Foreclosed Property
*Form 982
*Received My Property Back-Now What?
*Reverse Mortgages

Lakewood Country Club, 3101 E. Carson St. Lakewood, CA 90712

How Do I Get Rid of My Business?

August 22 – San Mateo
Gary McKinsey, EA
CTEC #1000-CE- 2798 6 Fed, 2 CA

*What Happens if I Sell My Business?
*Giving the Business to My Kids?
*What if I Die?
*Having a Business of Value

Howard Johnson, 2110 S. El Camino Real, San Mateo, CA 94403

From Trial Balance to Tax Return – September 3 – Chula Vista

Morris Miyabara, EA
CTEC #1000-CE- 2799 6 Fed, 2 CA

*Accounting & Tax Prep Go Hand-in-Hand
*Working Trial Balance Usage in Preparing Tax Returns

Mangia Italiano on Third, 248 Third Avenue, Chula Vista, CA 91910

Class	***Date***	***Location***
House	8/20	Lakewood
Business Sale	8/22	San Mateo
Trial Balance	9/3	Chula Vista

(Circle Class Selection)

Class will start promptly at **8:30 am** and stop by **5 pm.** Materials and refreshments included.

REGISTRATION FORM

Name:_______________________________

Address_____________________________

City____________________ Zip_________

Phone_______________________________

E-Mail Address __________________________

CRTP#____________EA#_____________
CPA#_____________OTHER___________

Member of ______________CSTC Chapter
Join for $155
For more information: 714-750-CSTC (2782)

CIRCLE FEE

PER SESSION:

Group A: Members	$ 95
Group C: Non-Members	$125
Group E: Member At Door	$115
Group F: Non-Member At Door	$145

No refunds within 2 weeks of the class.

Amount enclosed $________

MAIL CHECK TO:
CSTC
12419 Lewis St, #106
Garden Grove, CA 92840

This presentation has been designed to met the requirements of the Director of Practice of the Internal Revenue Service including code 31 Federal Regulations 10.6(g); the California State Board of Accountancy; and the California Tax Education Council. This does not constitute and endorsement by these groups. A listing of additional requirements to renew tax preparer registration may be obtained by contacting CTEC at PO BOX 2890, Sacramento, CA 95812-2890, or phone CTEC at 916-492-0457, or on the internet at www.ctec.org.

WELCOME NEW MEMBERS

East County San Diego
Theresa Carrera, Calexico
Kathleen Elerding, Ramona
Debra M. Gomez, El Cajon
Helen Irene Hobbs, Spring Valley
Crystal M. Jakubczak, Lakeside
Teresa E. Mercado, Chula Vista
Angelica Miranda, Chula Vista
Ann Petta, Santee
Gabriel J. Pina, Santee

Foothill
Antonio M. Catalla, El Monte

Greater Long Beach
Rebecca Correa-Carrillo, Whittier
Kevin Cotton, Carson
John N. Ghaly, Cypress
Porfirio R. Jimeno, Sr., Carson
Gina Molina, South Gate
Lilian Rivera, Lynwood
Lucy Santiago, Lakewood
Irma A. Santos, Los Angeles
Francisco Urrea, South Gate
Eric Vanpraag, Fountain Valley
Ronzella Varnado, Long Beach

Hi Desert
Willard Capen, Jr., Apple Valley
Lori L. LaPlante, Victorville

Inland Empire
Barbara A. Hawkins, Riverside
Renee McClellan, San Dimas
Araceli Navarro-Salcido, Covina
Michael A. Olden, San Bernardino
Helen P. Young, Upland

Los Angeles
Ellen Komocar, West Hills

Member At Large
Robert B. Dudley, Mesquite
Sally R. Jacobson, San Diego

North County
Vicki L. Acri, Solana Beach
Ingrid Chamberlin, Solana Beach
Rachel T. Kupin, Carlsbad
Sabrina F. Light, Carlsbad
Betina Oliver, Oceanside
Dickson Courtney Silberberg Woodland Hills,
Lisel Sutter, Oceanside

Orange County
Flora Aguiar, San Clemente
Alejandro Dominguez, Mission Viejo
Denise Hunter, Yorba Linda
Gordon Jackson, Irvine
Susan L. Johnson, Dana Point
Stella Marten, Anaheim
Greg Norris, Mission Viejo
Vincent Sinohui, Fullerton
Anne Tahim, Anaheim

Sacramento
Diana Diem Truong, Sacramento
Gerald Waldman, Gold River
Annecia R. Wallace, Sacramento

San Diego
Judy Horowitz-Glenn, La Jolla
Allan Wayne Lewis, La Mesa

Deanna M. Potter, San Diego
Carmen Ramirez Lepe, San Diego
Carl L. Sheeler, San Diego

San Francisco Bay
Keith A. Erickson, Hayward
Jerry Pusateri, Fairfield

San Jose
Jeff Pesta, Gilroy
Leonardo E. Recinos, San Jose
Sandy Sanfilippo, Soquel

South Bay San Diego
Arina Anokhin, San Diego
Juan R. Gonzales, Chula Vista
Barbara Murphy, San Diego
Gustavo Ramirez, Chula Vista
Eva Ramos, Chula Vista
Maria Leticia Reyes, Poway
Harold Richards, Chula Vista

Temecula Valley
Jeffry Cole, Temecula
Leonard P. Cole, Temecula
Harold Hochberg, Hemet
Theressia Hollis, Riverside
Melodie J. Lynn, Perris

National Taxpayer Advocate's Mid-Year Report to Congress

On June 30, 2009, the National Taxpayer Advocate, Nina Olson, delivered the required mid-year report to Congress. The report outlined the Taxpayer Advocate Service's (TAS) objectives for the coming year fiscal year 2010. Four key areas were identified.

1. Taxpayer Services. It comes as no surprise to the American taxpayer that the level of service on IRS toll-free help line is less than satisfactory. In fact this past year, only **53%** of all the people who attempted to contact IRS via the help line actually maneuvered the maze to speak to a real person. Just a few years ago, this percentage was in the 80's. IRS set a target goal for the coming year to help 71.2% of callers. I know budget constraints requires IRS to do a juggling act between providing service and cost, but imagine what your practice would look like if you only accepted 71.2% of your client's calls…

2. Oversight of Tax Return Preparers. The report states that 62% of all returns are prepared by tax return preparers and that a high percentage of those returns are inaccurate. What the report has not documented is the percentage of inaccurate return by licensed versus unlicensed preparers. Ms. Olson, again recommends regulating unenrolled preparers, requiring initial testing and continuing education and stepped up enforcement against preparers who miss the mark. Couple this with our legislature's view of penalties as "revenue raisers," and I believe our industry, especially the unenrolled segment, can expect some drastic changes. One specific and seemingly simple proposal is to require all preparers to use a PTIN (Preparer Tax Identification Number) as part of our signature. While many of us have and use this number to guard against the risk of identity theft, the bureau also sees this as a way to gather statistical data on each preparer. The goal of such statistics is to identify and target preparers with a higher inaccuracy rate. While we all agree that ridding our trade of the unscrupulous is in all our best interests my paranoia runs to those preparers who are diligent, but their practice is focused on challenging industries where higher incidents of audits or error are part and parcel of the job.

3. Offers in Compromise (OIC). According to the Advocate, the IRS rate of acceptance declined by 72% over the past seven years. (Is anyone still offering these services?) Again, none of us want the government playing fast and loose with our money by forgiving the "undeserving" while the rest of us tighten our belts, live responsibly and pick up the tab. (Oh, the temptation to wax political on our government's spending habits…) However, we all know cases where bad things happen to good people. Sometimes it really is in everyone's best interest to ask for and receive mercy. The report emphasizes that IRS requires taxpayers to provide too much information with the initial application, thereby deterring even legitimate candidates from applying. An OIC Project Team has formed which includes a representative from the Advocate's office. IRS has also hired outside consultants to improve the program.

4. Refundable Tax Credits. The growing trend to provide citizens with government funds via the tax system presents an increased risk of fraud. Over the years, the government has been bilked out billions of dollars. This year, the increased Earned Income Tax Credit, Making Work Pay Credit, American Opportunity Credit (now 40% refundable) and the First-Time Homebuyer Credit are enticing carrots for the predators out there. At present, TAS has not formulated a plan to effectively balance the needs of deserving taxpayers against burdens of fraud detection, but they are studying the issue.

Submitted by Claudia Stanley, CPA, EA

THE NORTH COUNTY DINGERS
A good time was had by all at the chapter bowling competition at the Summer Symposium in Las Vegas

Members of the North County Dingers were - left to right: Kathy DeMonte, Carol Archibald, Linda Beckett, Allison Beckett and Mark Koss.

Third Place Team was from the Greater Long Beach Chapter: Porfirio Jimeno, Joey Jimeno, Sharon K., Tom Jenkins and guest Jennifer.

East County's "Hi Expectations" came in last. Genesis Radford, Phylis McCarthy, Teri Bajema, Sylvia Lang and Cindy Price really tried their best while enjoying the competition and the camaraderie.

Linda Beckett, past Society President and current North County President, challenged all chapters to donate money to support our Chapter Assistance Fund. Linda donated $500 for the support of Hi Desert, Sacramento, Los Angeles, San Jose, and South Bay Chapters.

The East County San Diego Chapter donated $100 toward development of a Calexico, San Diego Chapter.

Ten teams participated in the chapter competition. 1st Place Team was from the North County Chapter with Karen Gleason, Greg Gleason, Alexx Chesney, Rod Chesney and Stevan Kemp. In the individual category Stevan Kemp had the highest score. Priscilla Lerma (Inland Empire Chapter) and Hernan Catalan (San Francisco Bay Chapter) were part of the 2nd Place Team. (see photo to the left) Hernan who had never bowled before was asked to "fill in" at the last moment and ended up doing great! Good job Hernan! Other members of the 2nd Place Team were: Jessica Vasquez, Vincent Vasquez and Clint Young.

Bonus Discussion Material

Two big changes took place this spring which give us opportunities to better serve our clients.

One affects anyone who gets a paycheck: The Federal withholding tax tables went down dramatically. For one client, the change in withholding from April 1 to December 31 will be nearly $600. She's married, so the family's exposure is probably $1200.

Call me "bird-in-the-hand" Brady, but I doubt Federal taxes will be going down that much. The President can change the tax tables, but it also takes Congress and the Senate to change taxes themselves.

This client told me she could handle it. I'm planning to cover my "tail feathers" by writing to her again, reminding her that any refund she might have planned before has shrunk by both her own $600, and any withholding reduction her husband may have.

I am also planning to write to my other W-2 clients, inviting them to review their year-to-date withholding to see if it meets the targets advised earlier.

(I set dollar targets for withholding, and advise clients to work with their payroll clerks to meet those targets.)

The other change affects employees of the State of California who are not represented by unions -- in other words, supervisory employees. They received a "furlough", a 10% cut in gross salary, which will continue for at least 18 months, and may deepen to a 20% cut next year.

These folks need help to keep making their house payments.

I already reviewed one client's estimate to set new withholding targets which will lead to a smaller refund, but still avoid a balance due.

Teresa Brady, Sacramento Chapter

EXCLUSION FOR LONG TERM OR MEDICAL INSURANCE PREMIUMS PAID BY RETIRED PUBLIC SAFETY OFFICERS

$3,000 Tax Exclusion for Eligible Public Safety Officer Retirees

If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain or member of a rescue squad or ambulance crew), you can elect to exclude from income distributions made from your eligible retirement plan that are used to pay the accident or health insurance or long-term care insurance.

The premiums can be for coverage for you, your spouse or dependents. The premium must be paid from the retirement account to the insurance provider. You can exclude from income the smaller of the amount of the insurance premiums or $3,000.

The 1099-R will not show or report any eligible premiums paid and will not reflect any exclusion from taxable income you may qualify for.

For Best Results Research: Call retirement department if you have any questions or review the end of the year stub from retirement income statement. The premiums have to be paid by the retirement department from income that would have been taxable. The premiums would be paid with after tax dollars by the retirement department.

You can only make this election for amounts that would have been included in your income.

If you make this election, reduce the otherwise taxable amount (Box 1 on 1099-R) of your pension by the amount excluded. The amount shown in Box 2a of Form 1099-R does not reflect the exclusion. Report your total distributions on line 16a and the taxable amount after the exclusion line 16b. Enter “PSO” next to line 16b.

My software shows the PSO Exclusion on the same input page as the 1099-R income.

Barbara Moore, East County San Diego Chapter

2012 BY 2012

CSTC members in good standing that bring in a new member will receive a $25 Society Education Voucher for each new member they bring into CTEC

The Senior Taxpayer – And Tax Challenges

It is without doubt that our clients, as we are, are aging. The population of the United States has the 'baby-boomer' generation turning 65 in great numbers. As tax professionals, many of our clients look to us for answers to financial questions that are technically outside of the realm of 'tax'. But most financial decisions have a tax implication.

The IRS has a number of publications specifically targeting tax questions for new retirees or seniors. *Publication 4190, Tax Guide for the Retiree* (part of the Life Cycle series) is an informative, short publication that answers basic questions. Such as determining how much of an individual's social security benefits may be taxable. Or how to calculate quarterly estimated tax payments. *Publication 554, Tax Guide for Seniors*, is more comprehensive and deals with taxable and non-taxable income, adjustments to income, deductions and credits.

What are some of the questions or situations we may hear about with our senior clients?

An individual is receiving social security benefits. But his wages are still subject to income tax, social security tax and Medicare taxes.

A surviving spouse, while not being required to file when married-filing-jointly, may have a requirement to file due to the lower income limits for single individuals.

Most income is taxable. Seniors, who are receiving compensation for babysitting, house sitting, or selling items on the Internet, must report that income on their personal tax returns.

As many seniors do not have significant mortgage interest expense, it may be difficult for them to justify itemizing expenses. 'Bunching' deductions may provide seniors with a larger deduction. Bunching would include strategies such as scheduling medical procedures in years where there are already significant medical expenses. Or paying the fourth quarter estimated state income tax in December rather than January. If the individual is close to the threshold between standard and itemized deductions, we, as tax professionals, can educate them on how best to structure their deductions.

Many seniors are now looking at 'gifting' to minimize potential estate tax situations. The ability to 'gift' to members of their families can also provide a sense of comfort to the seniors, seeing how the current economic situation may be affecting their offspring.

Our clients depend on us to help them calculate their quarterly estimated tax payments. If they do not make sufficient and timely federal tax payments, they can incur estimated tax penalties.

What can we do as tax advisors to help our senior clients? We can watch for sudden and/or significant investment expense, high risk investments, or churning within broker accounts.

Our clients, especially our senior clients, trust us with their financial and tax well-being. It is up to us to educate them as to how their financial decisions affect their tax situation.

Cheryl Kerber, EA, North County Chapter

Did you know that starting October 31, 2012 CRTPs can no longer renew late? CRTPs that fail to meet the October 31st deadline will be required to start over, retake the 60-hour qualifying education course and register as a new CRTP. Email: info@ctec.org - Tele1-877-850-2832 - Mailing address: P.O.Box 2890, Sacramento 95812

California Society of Tax Consultants

12419 Lewis Street, #106
Garden Grove, CA 92840

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To:

CSTC MISSION STATEMENT

To promote professionalism by providing quality educational events for tax professionals, creating and encouraging networking opportunities for members, and advocating professional standards and positions within the tax industry.