

Volume 51 Issue 4
October 2009



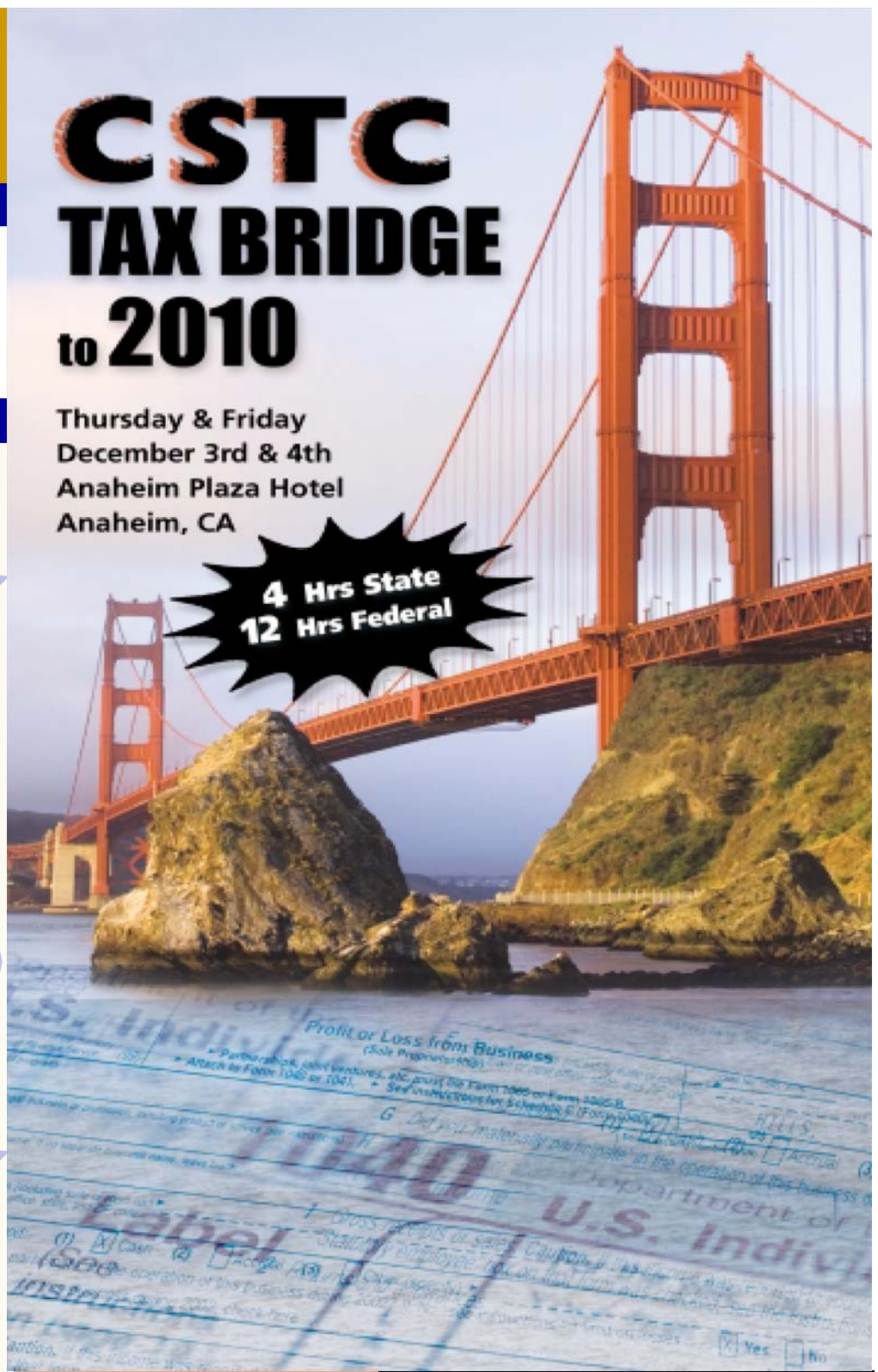
CALIFORNIA SOCIETY OF TAX CONSULTANTS

REPORTER

CSTC TAX BRIDGE to 2010

Thursday & Friday
December 3rd & 4th
Anaheim Plaza Hotel
Anaheim, CA

**4 Hrs State
12 Hrs Federal**



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For more information call the Society office at 714-750-CSTC (2782)		



PRESIDENT'S MESSAGE

Dear Fellow CSTC Members,

Another tax season is finally ending with another one lurking right around the corner!! I hope if you had any last minute tax questions, like I did, that you utilized our Yellow Pages to contact colleagues to help you find your answers. Our Yellow Pages have gotten me out of more than one tight spot when a deadline is looming!! I appreciate and thank our colleagues involved in CSTC's "We Care Enough To Share" for their thoughtful attitudes and willingness to take time to answer questions or point us in the right directions when we're in the middle of "brain freeze".

Our upcoming 16 hour Society education for the "Tax Bridge to 2010" is our next step to prepare us for the new tax season. You should have received all of the information, if not, go to our website. Get your registrations in now before the next price increase comes due. Don't forget, we also provide correspondence and our new on-line education sessions, which are up and running and reasonably priced!! We are offering a 4 hour CA on-line class and a 2 hour Ethics class. We'll also be adding a 2 hour CA class shortly. Keep checking our website to check for other sessions in other tax areas that should be added this fall. You might also want to ***mark your calendars now for the 2010 24th Annual Summer Tax Symposium at the Silver Legacy in Reno, Nevada for June 6th to the 9th.*** Our room rates have been reduced again to \$64 per night. We have another great program lined up, terrific speakers returning and surprises for this wonderful Society sponsored education event. Details will follow in December.

The major goal of our strategic planning for Society this year was to update our Bylaws, Policies & Procedures and the Chapter Guide that we all live by to make our Organization successful. ***This is just about near completion.*** The BOD will address the final changes to our P & P's at our November board meeting.

The **"Revision" changes** to the **Bylaws** were presented to the Society BOD in July. The majority of the revisions are grammatical changes. **The Society BOD has approved all the "Revisions" and a statement of Board support for approval by the membership will accompany these.** At the September BOD meeting at the bequest of our San Diego chapter and by an approved motion of the BOD, our Bylaw Revisions were submitted to an outside Non-Profit Attorney for review. The Bylaws Committee is reviewing his comments.

There are also 2 **"Bylaw Amendments"** that will be on the ballot along with the Revisions. **The Society BOD does NOT support the Bylaw Amendments and a statement to that effect will accompany those amendments.** The ***main reason*** the Society BOD does not support the 2 "Bylaw Amendments" is that they will ***take the financial control and decisions*** out of the hands of your ***elected officials, who are elected to make those decisions,*** and place it into the hands of the membership. The reason the BOD feels this would be extremely detrimental to the future and current operations of CSTC is the BOD would have to submit the CSTC financial data for the membership to vote on with the annual ballots and this can only be done once a year. ***Your elected BOD needs to be able to deal with financial issues at every single meeting, not just once a year.***

Our Bylaws can only be amended or revised by the ballot voting of the entire membership once a year. The 2 Bylaw Amendments deal with Article 3 for the Dues in 3.01 and 3.03. Here is the information on those.

Article 3.01, in its current language, states "Annual dues for all classes of Members shall be set forth by the Society BOD". If the Amendment for Article 3.01 passes, it would state the actual dollar amount of the annual dues in the Bylaws and no changes could be made without ***amending the bylaws.*** The decision for the amount of the annual dues is covered in our P & P's giving the ***elected BOD the discretion*** to increase or decrease our dues to meet our financial needs and obligations. As stated in the P & P under Section 4 Dues, Paragraph B, "The Society dues shall be reviewed annually by the BOD and adjusted as necessary". ***The membership dues make up 85% of Society's annual income.*** Continued on page 3.



Continued from page 2.

Article 3.03, in its current language, states “A percentage (split) of dues received shall be shared with each chapter as set forth by the Society BOD. Dues of inactive members will not be shared with the chapters.” If the Amendment for Article 3.03 passes, it would reduce the designated amount of the current dues split that goes directly to Society and no changes could be made to the dues splits without the approval by ballot voting of the membership. As stated previously in P & P Section 4 Dues, and in Section 1 BOD, under Section A Duties, Items 3), 11) and 12), the Society BOD is given the “control” of all assets & liabilities, has the “authority to make additions, deletions and/or changes to these P & P’s at any Board meeting by a 2/3rds vote of the Directors present & voting” and “Perform any other duties necessary to carry out the aims & purposes of the Society”, and that includes our financial well-being. Again, the decision for the amount of the dues splits are covered in our P & P’s giving the *elected* BOD the *discretion* to increase or decrease the dues splits based on our financial situation. Our membership has dropped for 2007, 2008 & 2009. It was necessary for the BOD to reduce the amount of the dues splits given to the Chapters for 2008 & 2009. ***The average dues split given to the Chapters until 2003 was 26%-31% of Society’s annual expenses. The average dues split expense was reduced to 20% to 25%.*** Meeting our membership goal of “2012 by 2012” would allow the BOD to give dues splits back to the chapters. No Chapter has faltered with the minimum amount of dues splits that they received for 2008. Our chapters are financially self-sustaining and have remained so during the membership downturn. ***However, there are provisions within our P & P’s to aid any chapter that has a financial need when requested and there are reserve funds set aside to deal with any request.***

You will receive the complete information for the Bylaw Revisions and Amendments, as well as the “Pro” and “Con” statements in early November with your ballot packet for this year. This year’s ballot will also include the nominees for the 1st & 2nd Vice Presidential offices. ***Please read your materials very carefully.*** This is a very important ballot for CSTC. I urge all of you to please take the time to read your materials and ***exercise your right and obligation as a member of CSTC to VOTE!!!***

You can still help with the final step for the Policies & Procedures that will be ready for the November 16th BOD meeting. ***Chapter Directors*** should review their sections of the P & P’s and the Chapter Guide for changes that need to be implemented, expanded or deleted. **Communicate in any way that works in order to send your changes and suggestions by October 30th to Ruth Godfrey at rhgodfrey@godfreyandhardy.com or fax them to 909-373-0776.**

Since this is the last issue of the Reporter until January, I wanted to take a moment to say “Thank You” to both the elected 2009 Society BOD and our Chapter Presidents for all of their hard work and efforts this past year to move CSTC forward. Your BOD has put in many hours to help us stay focused, on track and to develop new strategies to keep us competitive with the changing times and I thank you for your dedication to CSTC. We also have several volunteer members who have been working very diligently behind the scenes for us, without an elected position on our Board. CSTC also says our “Thank You’s” to Ruth Godfrey (INLD) & George Fahkouri (CV) for their work on our Bylaws and P & P’s; Karen DeVaney (CV) for our Classroom Series; Shannon Henry (TEMEC) for Finance & Budgets; Vicki Mulak (ORG) our EDD Rep; Jim Wright (NOCT) & Rose Carter (SDC) our past & current CTEC Reps; Cindy Price (ECSD) for Membership; Paul Hearst (CV), Ghana Bigsby (ECSD), Bill Herrington (SJ) & Mike Mergen (ORG) for our Website changes & additions; Augie Beanez (FOOT), Allison Beckett (NOCT) & Diane Kucera (GLB) for Member Benefits and Hal LeMaster (GLB) for Elections.

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 and we can talk.

Best Regards, Nikki LeBrun, EA, CSTC President

ECTY=East County * FOOT=Foothill * HI=Hi Desert * LA=Los Angeles * CV=Central Valley * NOCT=North County * ORG=Orange County SAC=Sacramento

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

MEMBER OF THE YEAR
*If you wish to nominate someone whose
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 ments are outstanding, call the Society
 office at 714-750-2782 and ask for a
 Member of the Year form. Each candi-
 date for the Member of the Year award
 must have been an active member in
 good standing for no less than one full
 year. No previous winner will be eligi-
 ble in any succeeding year.*

ABOUT THE REPORTER

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 1ST VP.....Linda Morlang
 2ND VP.....Shari Hardy
 SECRETARY.....David Eastis
 TREASURER.....Barbara Marx Cleary
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**CSTC
 ANNUAL MEETING
 Monday, December 3, 2009
 Anaheim Plaza Hotel
 1700 South Harbor Blvd
 Anaheim, CA 92802
 Lunch at 11:40 a.m.
 All Members Welcome
 Call for reservations**

2009 – 2010 CALENDAR OF EVENTS

11/16	Board Meeting, Orange
12/3	Annual Meeting
12/3-4	Tax Bridge to 2010
6/6-9	Symposium, Reno, NV
6/10	Leadership Workshop, Reno, NV



FIRST-TIME HOMEBUYER CREDIT NEW AND IMPROVED

Under HERA: Do you have a client who purchased a home in 2008? One of the provisions of the Housing and Economic Recovery Act of 2008 (HERA, P.L. 110-289) introduced a home buyer credit for “first-time” home buyers. For purposes of the credit, a “first-time” home buyer is someone who has not owned a principal residence in the past three years from the date of purchase. The credit under HERA is available for homes purchased after April 9, 2008 and before December 1, 2009. The first-time home buyer credit is phased out for taxpayer’s with modified adjusted gross income between \$75,000 and \$95,000 (between \$150,000 and \$170,000 for married filing joint). The property must qualify as a personal residence under IRC §121 and be located in the United States.

The HERA credit is a refundable credit for 10% of the purchase price, limited to \$7,500 (\$3,750 for married filing separate) under IRC §36(b)(1). As a refundable credit, a qualified taxpayer benefits from the credit even if the taxpayer has no tax liability to be offset by the credit. The credit is to be paid back ratably over 15 years. This is accomplished on the taxpayer’s federal income tax return by adding an amount equal to 6 2/3% of the credit to the taxpayer’s tax liability on Form 1040. This is like having an interest-free loan. The recapture provision is accelerated if the home ceases to be the principal residence before the recapture period ends.

The date of the home purchase is critical in determining whether the personal residence qualifies for the first-time home buyer credit. If the home is purchased, the date is when title transfers. If the home is constructed, the date is when the taxpayer first occupies the residence.

The credit *is not available* to nonresident aliens [IRC§36(d)(1)] or if the residence is disposed of or ceases to be the principal residence of taxpayer and spouse before the close of the tax year[IRC§36(d)(2)]. The credit is only available for the purchase of a residence from an unrelated party. Property acquired through gift or inheritance does not qualify.

There are some other interesting features of this credit. The first-time home buyer credit will not be denied if the home owner rents out a portion of the home as long as the home buyer also occupies the home.

The home buyer in this circumstance would report the rental income on Schedule E of Form 1040. The credit is valid even if someone other than the home buyer pays the mortgage.

Under ARRA: The American Recovery and Reinvestment Act of 2009 (ARRA, P. L. 111-5) expanded the credit so it is more advantageous for the taxpayer. The first-time home buyer credit under ARRA is available for principal residence purchased from January 1, 2009 through November 30, 2009 as a principal residence for a “first-time” home buyer. The criterion and phase-outs for the first-time home buyer credit are the same as the HERA definitions. The credit under ARRA is 10% of the purchase price up to \$8,000 or \$4,000 for married filing separate per IRC §36(b)(1)(B). The best part of the credit is that it is refundable and does not have to be repaid if the home remains the home buyer’s personal residence for 3 years following the purchase.

The credit is recaptured in full if the property ceases to be the principal residence for three years with very few exceptions. A tax return will be required to be filed if the taxpayer is subject to recapture of the credit even if the taxpayer might otherwise not be required to file a tax return, such as being below the gross income threshold for being required to file a tax return.

Parting Comments: A taxpayer can use only one of the first-time home buyer credits. Some home purchases will qualify for either credit so it is important for the tax professional to use the credit that is most advantageous to the taxpayer. A taxpayer purchasing a home after December 31, 2008 and before December 1, 2009 can elect to treat to the purchase as though it occurred on December 31, 2008 under IRC §36(g). The tax professional will be instrumental in helping the taxpayer determine which credit is most advantageous. There is a short window remaining in 2009 for purchasing a home to take advantage of the new and improved first-time home buyer credit. Now is the time to help qualified clients take advantage of this credit.

Submitted by **Terri Amerio-Bell, EA, CFP®** - Central Valley Chapter CSTC.



IRS Fresno Service Center Lays Out the Welcome Mat

Last month over 50 tax preparers from California and Nevada were treated to a very interesting tour of the IRS Service Center in Fresno California. We were the first group of preparers allowed back in the main building since the 9/11 attacks. And yours truly was in the “first group” of the “first group.” It was a great “show and tell” opportunity for the section chiefs in the cavernous service center building. We, the tax preparer community, are very fortunate to have such a dedicated group of professionals making sure our client’s tax returns are processed through the IRS “pipeline” smoothly. Did you know that the Fresno “campus” comprises 13 buildings on 47 acres of land? And that during the busy season “bubble” they have two shifts and over 500 “Tingle tables” in action to sort all the mail. The Tingle tables are a sort of mail sorting “station”. IRS employees stand or sit at their table for the entire shift sorting mail: individual returns with money, returns without money, correspondence regarding IRS letters, amended returns and so on. And when a taxpayer has sent in some cold cash (coins or bills) there’s a process set in motion to ensure that absolutely no money goes astray. An attendant comes quickly to take possession of the cash, to give credit to the taxpayer’s account, and to make sure that the cash is handed over to the next IRS employee who makes sure the cash gets put in the IRS’ bank.

This time of year there is a unit in the service center furiously working to process all of those amended returns that our clients have sent in to claim a refund for the first time home buyer credit. Our section chief host was very proud to rattle off statistics about how quickly they can get the “regular” amended returns worked. She had to admit, though, that the amended returns with more complex tax issues have to be shipped out to other campuses and there is a delay in getting them done. Some times as much as 9 months!

A repeating message that the section chiefs had for us was to please be sure to write the social security number, form number and tax year on any checks mailed to ANY of the IRS addresses. And to make sure the tax returns are signed by the taxpayers. They also recommend mailing ANYTHING (especially mail-in tax returns) a couple days before the April 15 deadline. The volume of mail they have to process from April 15 and on is hard for all of us to imagine. So, if your client wants to speed up getting a mail-in return processed the client should send it just a couple days before April 15. When you send in an amended return you don’t need to send in a copy of the original return. The IRS said they don’t NEED it so don’t bother to send it. When you are sending a response to a letter (i.e. a CP2000 letter) go ahead and staple a copy of the IRS letter to the FRONT of your letter. If you are sending in an original return with your correspondence it is especially important to put a copy of the IRS letter on the FRONT. It helps those guys working the Tingle tables route the letter to the correct person or processing unit. The IRS also suggested that we use the envelopes that they mail with the correspondence or tape the “window portion” to a larger envelope if you need to.

The IRS was pleased with the level of interest in the Fresno service center tours and will probably offer more opportunities for tax preparers in the future. So keep your eyes open for the next OPEN HOUSE. I highly encourage any of you to make the trip to Fresno and have a look around.

Donna Miller, Greater Long Beach Chapter



TAX BRIDGE TO 2010 REGISTRATION

Name _____
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 City/State _____ Zip _____
 Phone (____) _____ Email _____
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 Charge my: (circle one) VISA MC
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 Signature _____
 Security Code _ _ _ _ Check enclosed
 Please check here if you require special accommodations.

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Staff.....	@ \$335 /	\$345 /	\$395.....	— x=\$ _____
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Dues (\$130) & Initiation Fee (\$25) = \$155				— x=\$ _____
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Day 2 12:50 pm - 1 or 2 2:50 pm - 3 or 4

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- NO SMOKING IN MEETING ROOMS

For more information visit us at www.cstcsociety.org

Mail Completed Registration Form To:

CALIFORNIA SOCIETY OF TAX CONSULTANTS
 12419 Lewis Street, #106, Garden Grove, California 92840
 (714) 750-2782 FAX (714) 750-2722

CHANGES ARE A COMIN'

Three new policies regarding CRTP education and registration requirements are set to take effect over the next two years.

Starting January 1, 2010, education providers that teach "contact" qualifying education (QE) courses will have to require students pass a test before they can receive CTEC credit. To be clear, the QE provider, not CTEC, will administer the test.

Starting the 2010/2011 registration cyle, all CRTPs will have to complete two hours of ethics as part of the 20 hour continuing education requirement (12 hours federal, 4 hours state, 2 hours of federal or state, and 2 hours of ethics).

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.

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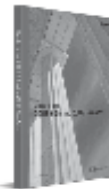
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CD Discount: 20% off each CD when purchased with the print version (e.g., 20% off three 1040 CDs when purchased at the same time as three print 1040 Handbooks).

SBH and Sales Tax: Applicable state and local sales tax and shipping and handling charges will be added at time of order.



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THOMSON REUTERS



Sideways in Fresno

Part One of Four

By Linda Beckett, North County Chapter

It was an honor and a great pleasure to represent our North County Chapter in touring the Fresno Campus July 30 and 31, 2009. We attended an all-day orientation on Thursday and toured the campus on Friday morning.

You may remember an email blast asking if any members were interested in touring the Fresno campus because at that time IRS was gathering data to determine if there was enough interest. Their response was adequate to move forward in planning the event. Their goal was to, once again, open the campus for touring so tax professionals could share the experience with their organizations. We were notified in mid-June that we would be allowed two representatives from our chapter to attend.

The atmosphere was that of great curiosity and hunger for knowledge for both the attendees and the IRS personnel.

The first of many things we want to share is that we were treated royally. IRS was as interested in what we had to say as representatives of the tax practitioner community as we were interested to hear the details of their operation at the campus.

The first day was orientation where we were given an overview of all the different departments by their department heads. We heard from eleven department managers, two field directors, and one area director along with several stakeholder liaison personnel.

We were welcomed by James C. Gaither, Field Director of Submission Processing, who has been with the Service 42 years. He told us the Fresno campus opened in 1972. He also told us, since then, with all the technology from main-frame to electronic filing there has been no increase in productivity or quality of processing. He gave us an overview of statistics of returns processed (both paper and electronically filed returns). Here's a highlight of some of the information Mr. Gaither reviewed:

1. They project that for tax year 2009 60 million individual returns will be electronically filed by practitioners. This represents 43% of all electronically-filed individual returns. Additionally, 61% of all individual returns (paper and electronic) are projected to be prepared by professionals. Possible explanations for the growing use of practitioners include:
 - a. Complexity of the tax code,
 - b. Taxpayers find IRS tax forms and documents too complicated,
 - c. Taxpayers do not have time to prepare their own returns, or
 - d. Taxpayers may think preparers can get them a larger refund.
2. Reporting of retirement income sources is expected to grow at a faster rate than other income sources except capital gains/losses.
3. The number of returns with deductions for net medical and dental expenses is expected to increase 90% between tax years 2002 and 2009, from 2.6 million returns to nearly 6 million returns. From 1999 to 2009 the total dollars deducted for these expenses will go from \$19.2 billion to \$42.7 billion.
4. By 2010, the Fresno campus will process paper returns for 24 states. The campuses at Brookhaven, Memphis, and Philadelphia have already been closed with Andover scheduled to close in 2009 and Atlanta in 2012. Eventually Fresno, Kansas City, and Austin will be the only remaining service centers.

Continued on page 10.



REPORTER

Continued from page 9.

He presented to us a diagram of the “Pipeline” which we will have available for you. They make reference to locations in the “Pipeline” as a method to determine where a document is located. Keep in mind Fresno processes only paper returns and electronically filed returns that require hands-on review due to abnormalities that are not resolvable by computer processing.

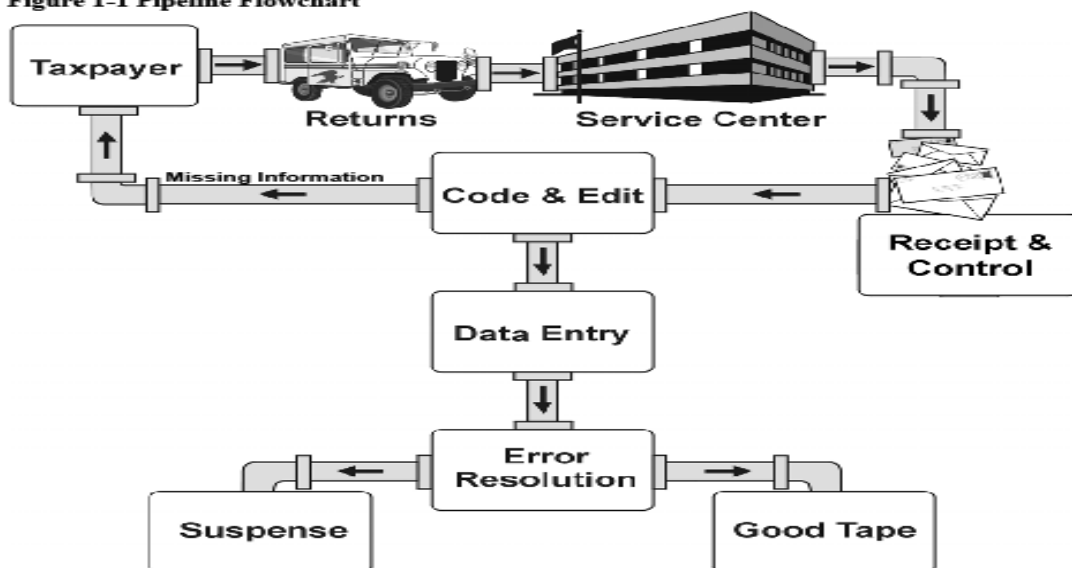
The first area in the “Pipeline” is Receipt and Control. To follow is the process:

1. In the Automated Mail Processing Room the machines are able to sort mail by bar code and zip codes to IRS. Specific codes are used for response to correspondence from IRS so it is advisable to use the IRS-provided return envelopes or voucher to expedite processing. If using a larger envelope is necessary, cutting and pasting the address and/or bar code on to the larger envelope would be acceptable and expedite processing. When there is no extended zip code or bar code it slows processing.
2. The machines are capable of reading MICR codes used on checks and, therefore, direct these envelopes for immediate processing. Mail is physically sorted to remove items that are of unusual shape or size.
3. IRS only retains the postmarked envelopes of returns filed AFTER the due date. Certified, return receipt requested mail is the last mail to be delivered by the post office thereby slowing down the processing. We were surprised that the Post Office removes the green receipt cards prior to delivery to the IRS and delivers those cards to IRS to be stamped as received. To prevent any argument of receipt it is suggested by IRS to use the following method of proof of receipt:
 - a. Request an “acknowledgement” by including a self-addressed, postage-paid envelope along with a copy of the document you want acknowledged as received with your correspondence to IRS and they will stamp the copy as “received” and return that document copy in the envelope you provide.

PIPELINE

The pipeline is the process beginning when the return enters the Submission Processing Center and continues until it goes to “good tape.”

Figure 1-1 Pipeline Flowchart





Continued from page 10.

IRS Service Center

Submission Processing sites and Account Management sites are the two kinds of sites the Internal Revenue Service (IRS) uses to help the taxpayer file his taxes and get help accurately processing those taxes. Submission Processing sites process tax returns, issue refunds, collect monies, assess penalties and resolve complaints. The IMF forms are received at four processing sites, Atlanta, Austin, Fresno, and Kansas City.

Receipt and Control

Receipt and Control receives the tax returns from the mailroom and then sorts them into the different forms, batches each type of IMF return together, and numbers them using the Document Locator Number (DLN) system.

Code and Edit

Code and Edit Tax Examiners:

- Clarify illegible entries and correct misplaced entries.
- Identify certain conditions that require special codes.
- Arrange schedules or attachments in the proper sequence.
- Route documents to other Submission Processing center areas when action is required from these areas.
- Correspond with taxpayers when additional information is needed.
- Each return containing information that is accepted by the computer is recorded on computer tape ("good tape").
- A transcript of each return containing information that is not accepted by the computer is sent to Error Resolution along with the tax return.

Error Resolution System

ERS is a computer system used to correct errors and inconsistencies detected by the computer during processing of tax return information.

ERS employees will resolve any processing and taxpayer error conditions.

Suspense

Suspended tax returns are temporarily taken out of the pipeline process. ERS has the capability to "hold" these returns in a suspense status file for a limited time.

There are several reasons why returns are suspended. The main reason for suspending a document is to "hold" it while waiting for a response from the taxpayer regarding a missing form or schedule.

Good Tape

A record goes to "good tape" after passing all computer validity checks. Many returns without errors go to "good tape" and without entering the ERS inventory



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