

CSTC Temecula Valley

PUBLISHED FROM MAY THRU JANUARY EACH YEAR FOR MEMBERS AND FRIENDS OF THE TEMECULA VALLEY CHAPTER OF THE CA SOCIETY OF TAX CONSULTANTS

Calendar of Meetings

The first Wednesday of each month at 5:30 pm at **Richies Real American Diner** at 40651 Murrieta Hot Springs Road Murrieta CA 92562 951-696-5504

October 6th — David Du Val EA — Ethics

November 3 — WILLIAM E. ROGERS, MBA, CFPTM, CLU, EA— “Overview of the HIRE Act, Tax Benefits of the Affordable Care Act, & Other Legislative Developments”

December 1st — David DuVal EA — Audit Representation

Events of the Interest

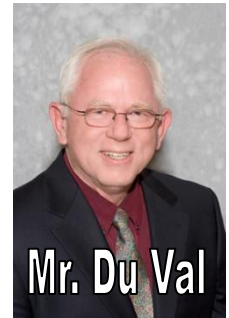
IRS Webinars: Indoor Tanning Excise Tax— *Oct. 6, 2010*
Demo of IRS PTIN Sign-Up System—*October 19, 2010*
Info: www.IRS.gov/webinars

Society Board Meetings:
11/15/2010 Board Meeting

12/1/10 Meeting IRS Stakeholder San Bernardino
Dec 2 & 3 Tax Bridge Anaheim

This Month’s Speaker:

An Enrolled Agent, David Du Val is currently Director of Tax Services and Tax Instructor for Tax Resources, Inc., which employees many CSTC members. He holds a master’s degree in education and has been teaching since 1972. With over thirty years of experience in the tax field, he has prepared thousands of tax returns, has trained, and mentored hundreds of students and aspiring tax professionals. He is a member of OCEA, NEA, and CSTC.



ABOUT TRI

TaxResources, Inc. is the oldest and largest income tax audit defense company in the country. In addition to federal and state audit defense, TRI’s services include professional tax return reviews, tax research and advice for individuals and businesses, and special programs to support tax professionals. TRI’s strategic partners include Intuit, General Electric Financial, the Medical Society of the State of New York, and numerous other professional associations and organizations. ☺

Two tax practitioners are discussing IRS publications. Tax Practitioner **A** says that as long as I follow what is written in the Publication, I am not subject to preparer penalties. Tax Practitioner **B** says relying on IRS Publications will not exonerate a tax preparer from any preparer penalties. Who is correct?

A. Practitioner A	C. Both Practitioner A and Practitioner B
B. Practitioner B	D. Neither Practitioner A or Practitioner B

Please remember to wear you name badge. If chosen, you will receive \$10 off your next CSTC meal meeting.

Other Chapter President's Message:

This is the 10th and the last in the series of commentary on the 10 Objectives of the California Society of Tax Consultants.

Hopefully you have learned a little more about what the Society's mission is and ways that you can be instrumental in promoting those objectives as a member of this organization.

The **10th Objective** is "To encourage others to seek a career in tax practice and become members of our society."

There are so many career opportunities in the field of tax. From **CPA, EA, CRTP** or **Tax Attorney**, we have designations galore! We can specialize in personal or business, in different entities, in representation or in estate tax planning. I

could go on and on. And it is very unlikely a career as a tax professional will disappear in the near future. It appears that we are looking forward to more complicated regulation and more information reporting in the years to come. We are living in a time that the career as a tax professional, bookkeeper or accountant is one that gives security when other professions are floundering.

There is more work to do in this profession than you can find ethical and trained professionals to do it. As a member of Society, we should do whatever we can to encourage those interested in the accounting field to get involved in "tax."

And, as we promote the career, we can easily promote Society. We can share the benefits of this organization in the way we share with one another, educate one another and net work with one another, which can only help one's career advance in a positive direction.

Be proud of your career. Be proud of your Society. Remember, "We Care to Share".



Linda

We are living in a time that a career as a tax professional, bookkeeper, or accountant is one that gives security when other professions are floundering.

Linda Beckett— No. San Diego Chapter

CSTC –Temecula Valley

Meeting Agenda Richies Real American Diner

40651 Murrieta Hot Springs Road Murrieta CA 62562 951-696-5504

4:30 PM Board Meeting

5:00 PM Networking & Registration

5:30 PM 1st Session:

6:30 PM Dinner Served

7:30 PM 2nd Session

Members \$20

Non Members \$30

Cost includes meal chosen from the menu not over \$11.00. Amount over limit paid by member.

Approved by CTEC for 2 hours of California Continuing Education Credit (1000-ce-_____)

Board Passes a Motion Postpones Another

Unlike previous years, all the CSTC chapters will not receive a dues split.



The CSTC Temecula Chapter board decided to require attendance at 5 meetings in order to receive the \$40 (\$20 per day) offset the cost of attending the Tax Bridge in December. A discussion ensued on increasing the meals from \$20 to \$25 (\$30 to \$35 for nonmembers). Those board members in attendance decided to again discuss the issue at the October and/or November board meetings. ☺

I have a 12 year old who made \$500 this summer mowing lawns. I have a 17 year old who made \$3,000 this year delivering the *Press Enterprise*.

Question #1: Who (if any of the children) has to file their own tax return?

Question #2: Whose income can I include on my tax return as the parent (they are both my dependents)? *D. Du Val has the answer.*

Health Care Reform: 13 Tax Changes on

the Way Here are 13 changes in the massive overhaul that could impact your tax bill, for better or worse.

Kiplinger

By Joan Pryde

The new health care reform law is chock-full of new taxes and tax increases that will affect many individuals and businesses, but it will be years before most of these hikes take a bite out of your -- or your company's -- wallet. The law also has tax breaks to help both individuals and small businesses pay for insurance.

- 1. A new 10% excise tax on indoor tanning services** on services provided after June 30, 2010.
- 2. The new law gives small firms tax credits as incentives to provide coverage**, starting this tax year. Employers with 10 or fewer workers and average annual wages of less than \$25,000 can receive a credit of up to 35% of their health premium costs each year through 2013. The credit is phased out for firms larger than that and disappears completely if a company has more than 25 employees or average annual wages of \$50,000 or more. Beginning in 2014, there are system changes. The law requires each state to establish a health insurance exchange -- a marketplace where individuals, the self-employed and small businesses can buy health insurance coverage. The government-regulated exchanges would offer insurance policies with different levels of coverage and price tags. Small firms that sign up with one of the health exchanges to be created can receive a credit of up to 50% of their costs -- with the same phaseouts for average income and size as the earlier program. The credit disappears after 2015.
- 3. A requirement that businesses include the value of the health care benefits they provide** to employees on W-2s, beginning with W-2s for 2011. The amount reported is not considered taxable income.
- 4. Elimination of a deduction employers now take for providing Medicare Part D prescription drug coverage** to their retirees to the extent that the federal government subsidizes the coverage. This will not take effect until 2013.
- 5. Doubling the penalty for nonqualified distributions from health savings accounts**, to 20%, beginning in 2011.
- 6. A limit on the amount that employees can contribute to health care flexible spending accounts** to \$2,500 a year, but the cap won't take

effect until 2013. This was previously left to the employer's discretion, with many firms choosing a limit of \$4,000 to \$5,000 or so

- 7. A ban on using funds from flexible spending accounts, health reimbursement arrangements or health savings accounts for the cost of over-the-counter medications**, starts in 2011.
- 8. Starting in 2013, a 0.9% Medicare surtax** will apply to wages in excess of \$200,000 for single taxpayers and over \$250,000 for married couples. Also, **for the first time ever, a Medicare tax will apply to investment income of high earners**. The 3.8% levy will hit the lesser of (1) their unearned income or (2) the amount by which their adjusted gross income exceeds the \$200,000 or \$250,000 threshold amounts. The new law defines unearned income as interest, dividends, capital gains, annuities, royalties, and rents. Tax-exempt interest won't be included, nor will income from retirement accounts.
- 9. A hike in the 7.5% floor on itemized deductions** for medical expenses increases to 10%, beginning in 2013. But taxpayers age 65 and over are exempt from the cutback through 2016.
- 10. A new 40% excise tax, beginning in 2018, on high-cost health plans**, levied on the portion that exceeds \$10,200 for individuals and \$27,500 for families. The provision is aimed mostly at gold-plated plans offered by employers, although it can affect individual policies
- 11. A new tax on individuals who don't obtain adequate health coverage by 2014 -- this is often referred to as the individual mandate..** The tax is to be phased in over three years, starting at the greater of \$95, or 1% of income, in 2014, and rising to the greater of \$695, or 2.5% of gross income, in 2016.
- 12. Providing a refundable tax credit, once the individual mandate takes effect in 2014, to help low-income folks purchase coverage.** To be eligible, a person's household income must be between 100% and 400% of the federal poverty level, generally around \$11,000 to \$44,000 for singles and \$22,000 to \$88,000 for families. The credit is a sliding scale, based on income. Low-income earners get a credit for all costs. Then, as income rises, the credit phases out.
- 13. A nondeductible fee charged to businesses with 50 or more employees** if the firms fail to offer adequate coverage. The fee will equal \$2,000 times the number of employees, though it won't count the first 30 workers in that calculation. **Y**

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Question: Betty is a single taxpayer who lives alone. Her mother lives in an assisted-living facility and receives social security income of \$15,000 per year as her only income. Betty pays \$30,000 towards her mother's support. Her mother pays the remaining \$15,000 of her own support. Can Betty claim her mother as a dependent on her tax return?

Answer: Yes. There are four tests that must be met for a person to be your qualifying relative for dependency purposes. They are: (1) not a qualifying child, (2) member of household, or relationship, (3) gross income, and (4) support. To meet the gross income test, a person's gross income for the year must be less than \$3,650. IRS Publications 17 and 501 define gross income for purposes of the gross income test as all income in the form of money, property, and services that is not exempt from tax.

Betty's mother received social security payments of \$15,000 which are below the base amount of \$25,000 for a single taxpayer, so none of her social security benefits will be taxable. She is considered to have zero gross income for the year and meets the tests for a qualifying relative [§ 152(a)(2)]. Thanks **NATP** —Ed.

c/o Dennis Martin
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