



# The Bulletin



East Bay Association of Enrolled Agents  
*To Enhance and Protect the Professional, Economic, and  
Educational Interests of all Enrolled Agents*

March 2010

## NEXT MEETING Wed, March 17, 2010

Place: **DUBLIN Radisson Hotel**

(go to [http://www.radissondestinationguide.com/location/Map.process/OID\\_EB39EA2D/?hotelCode=CADUBLIN](http://www.radissondestinationguide.com/location/Map.process/OID_EB39EA2D/?hotelCode=CADUBLIN))

5:30 Board Meeting

6:15 Networking

6:45 Dinner Buffet

7:30 Program: **“IRS Tax Panel”**

Cost: \$35.00 with reservation by Friday March 12  
\$45.00 with reservation after deadline

Sign up online at:

<https://www.123signup.com/calendar?Org=ebaea>

(please print out your confirmation to ensure that you clicked all the right buttons to register) Questions: email [ebaean@ebaean.org](mailto:ebaean@ebaean.org) (preferred) or call 800-617-1040.

## March Topic: “IRS Panel”

**Speakers:** Joe Calderaro (IRS), Sharon Kreider, EA, CPA and Karen Brosi, EA, CFP®

*by Irene Moore, EA Program Chair*

This month we will have a panel discussion on Federal tax issues. We have our long-time friend Joe Calderaro, now-retired IRS Technical Coordinator for Northern CA District, blessing us with his considerable wisdom again. We also have Karen Brosi and Sharon Kreider, two of the best-known and highest-rated speakers on the educational circuit.

**It is crucial to e-mail your questions to Mike Power ([mike@PowerInvesting.Net](mailto:mike@PowerInvesting.Net)) by the afternoon of Monday, March 15<sup>th</sup>, if you want to have the best chance of having them answered.**

As in years past, the session will be transcribed and the questions and answers will be emailed to everyone on the Chapter NEWS mailing list, so if you're not on that, go to

<http://ebaean.org/cgi-bin/dada/mail.cgi>

and select the NEWS list from the pull-down menu and follow the simple instructions to subscribe to that list.

## PRESIDENT'S MESSAGE

*by Peggy Hall, EA*

Our February dinner meeting rocked; it was fun and productive! It is important for us to laugh during tax season. We are extremely fortunate to have Steve Sims, EA and Karen Brosi, EA, CFP available to us. Steve gave us his cell phone number in case of “emergency.” Karen reminded us there are two crucial bills in front of the State legislature (see below). To voice your opinion, go to [assembly.ca.gov](http://assembly.ca.gov). We presented Joe Calderaro with a gift certificate for an annual subscription to our dinner meetings. We were joined by James Ong, EA, President of EBAEA from 1980-1981; he and Joe are friends from “way back.” And we found out that we have a lot of people that prefer our dinner meetings be in the Oakland area.

I know some of you who are struggling to build your practice. I have a few suggestions. First, find out where your target clients meet and go there. Offer to speak at local social and service clubs; make your talk short and interesting. Give out gifts with your name on it, maybe an auto log or a Small Business Calendar from the IRS. Tell them about the EDD payroll seminars. Send your current clients a monthly newsletter (you can purchase one or write it yourself) and ask your clients to send it on to their friends. Some Enrolled Agents buy PAC raffle tickets from CSEA or NAEA and give them out for referrals. I offer a \$25 credit off of their tax prep, and with three paid referrals (meaning paying clients) I do their taxes at no charge. Pay attention to small details in serving your clients. Have compassion. Each person has a dream. What can you suggest that will move them towards their dream?

Here are the two bills that are of interest to EAs: **AB 347:** Asm Bass, many coauthors. Waiting for ASM concurrence to Senate changes. Allows individual and corporate taxpayers who make qualified charitable contributions in support of the Haiti earthquake relief be-

tween January 12, 2010, and March 1, 2010, the choice of deducting those contributions in either the 2009 or 2010 tax year. Allows a telephone bill showing name of the donee organization, date of the contribution, and amount of the contribution shall be treated as meeting the prescribed IRS recordkeeping requirements.

**AB 1179:** Introduced by ASM Niello on February 18. Hearing date March 22. Would provide further conformity with the federal Mortgage Forgiveness Debt Relief Act of 2007, extending the date to conform with The Emergency Economic Stabilization Act of 2008 extended the operation of those provisions to debt that is discharged before January 1, 2013.

Let me know if I can help you in any way.

## **NEXT YEAR'S BOARD SLATE ANNOUNCED**

*by Thomas Johnston, EA*

Per the requirements of the Bylaws, the Nominating Committee has proposed the following slate of candidates for our 2010-2011 fiscal year:

President:	Thomas Johnston EA
1 <sup>st</sup> Vice President:	Cherry Comstock EA
2 <sup>nd</sup> Vice President:	Patty Pringle EA
Treasurer:	Marjorie Williams-Jones EA
Secretary:	
Director 2010-2012:	Marjie Hines EA
Director 2010-2012:	Morris Miyabara EA
Director 2010-2012:	Andy Rogers EA
Director 2010-2011:	Eva Konigsberg EA
Director 2010-2011:	Irene Moore EA
Director 2010-2011:	Gail Nanbu EA

The election for these positions will be held at the May Annual Meeting. Per the Bylaws, eligible Members can run from the floor with no advance notice. However, as a courtesy to those planning the meeting (which is already under a very tight timetable), it is requested that any floor candidate provide advance notice to the Nominating Committee through its Chair, Thomas Johnston at (925) 828-4500.

## **CSEA DIRECTOR'S REPORT**

*by Thomas Johnston, EA*

The January 9, 2010 CSEA Board meeting began with President David Shaw, EA's remarks. He expressed gratitude for the work done by the Board, staff and committees and mentioned he had already visited all 19 chapters as president. He reported that the NAEA internal conflict had been resolved after CSEA sent the board a letter expressing our concerns.

CSEA has been working with NAEA and IRS National regarding the misleading advertising and exceeding the scope authorized in the VITA program. (A problem here in the Bay Area reported by Golden Gate Chapter, as well as nationwide.) IRS will exercise greater supervision and inspection of the program.

President Shaw said the IRS announcement of implementation of paid preparer registration, certification by examination, continuing education, and ethical standards was a victory for CSEA & NAEA as many of our suggestions were adopted. He suggested this was an opportunity for CSEA and the Chapters to embrace CTEC preparers as Associate Members and provide education to help them to pass the exams as well as CPE. He said there are 40,000 CTEC preparers in CA. There is strength in numbers if we can get some to join us. Later in the board meeting the board authorized staff to offer a reduced membership for new Associate Members during the 2010 calendar year.

President Shaw said the following are concerns:

- Education - the Super Seminars are in a rut - same tracks and instructors
- PIA - has been focused on state legislation. CSEA needs to send more help to the chapters and reach out to the taxpayers.
- Benefits - members want warm & fuzzies (they want tangibles)
- Technology - is at the axis of all we do; at the core of success or failure; members will get involved if we go to them.
- CSEA Customer Service is the key to a successful society.

Executive Vice President Cathy Apker, CAE reported that the staff had been trained to take care of members. She is looking for best response in a timely manner by the staff; also to provide service to the society office and members.

First Vice President Kim Kastl, EA conducted the strategic issues discussions on Leadership Training, Virtual Board Meetings, and Attracting Younger Members. Excellent discussions and ideas were presented by those present.

The Board approved the purchase of new computer equipment and software for the chapter office. The goal is to cut duplication of work and better integration at CSEA and with NAEA systems. The new system should enable the improvement and upgrade of the CSEA web site.

The Nominating Committee reported the slate for next year: Kim Kastl, EA President; Jean Nelsen, EA 1st VP; Raven Deerwater, EA 2nd VP; Alma Guenther, EA Secretary; Don Stacy, EA Treasurer.

Peggy Hall, EA accepted on behalf of East Bay Chapter the prizes for the membership drive winner: \$100 for our PIA fund and a bottle of wine from President Shaw's wine cellar.

CSEA has made an arrangement with BancCard processing for members so they can accept Visa and MasterCard payments at seasonal rates rather than monthly charges. It will also create a non-dues revenue stream for CSEA.

## **CPE RETENTION REQUIREMENTS**

*by Patty Pringle, EA*

On December 4, 2009 CSEA President David Shaw received a letter from Karen Hawkins, Director of the Office of Professional Responsibility (OPR). Ms. Hawkins expressed concern that EAs are not properly reporting, or are not properly verifying, their continuing education obligations.

OPR recently conducted a random audit of renewing Enrolled Agents' self-reporting of qualifying Continuing Professional Education (CPE) courses. Many of the EAs did not have, or were not issued, continuing education course completion certificates. OPR intends to continue its random audit approach for all future renewal cycles. EAs who are unable to verify completion of the requisite CPE courses during the required time period as prescribed by Circular 230 risk rejection or revocation of their renewal applications.

The Office of Professional Responsibility provides education and outreach to the tax professional community and administers the enrolled agent exam. To support the IRS' strategic priorities, OPR ensures the integrity and credibility of the American tax system by working through tax professionals and with IRS operating divisions and functions. Circular 230 changes have created a need to increase awareness among tax professionals regarding the consequences of non-compliance. This awareness, plus increased enforcement and additional legislation, should help deter non-compliance. So what are the requirements? Here are some basic rules:

To qualify for continuing professional education credit, a course of learning must be designed to enhance an Enrolled Agent's professional proficiency in federal taxation or federal tax related matters. This would include accounting courses, tax preparation software and/or ethics (2 hours of ethics are required each year). The fields of study should include subjects dealing with federal tax compliance and tax planning. Compliance covers tax return preparation and review and IRS examinations, ruling requests and protests. Tax planning focuses on applying federal tax rules to prospective transactions and understanding the tax implication of unusual or complex transactions.

CPE records should be retained for a period of three years. Sponsors must maintain records to verify the participants who attended and completed the program for a period of three years following completion of the program. Individuals applying for renewal of enrollment must retain CPE records for three years following the date of renewal. Such information should include:

1. The name of the sponsoring organization
2. The location of the program
3. The title of the program and description of its content

4. Written outlines, course syllabi, textbook, and/or electronic materials provided or required for the course
5. The dates attended
6. The credit hours claimed
7. The name(s) of the instructor(s), discussion leader(s), or speaker(s), if appropriate
8. The certificate of completion and/or signed statement of the hours of attendance obtained from the sponsor

For additional information please refer to Circular 230.

## **RESOURCES AVAILABLE AT CSEA**

*By Cherry Comstock, EA*

We all have had our issues navigating different websites. CSEA is no different in that sometimes I find jewels and then sometimes I can't remember where they were...

This month I'm going to tell you about CSEA's Media Room. CSEA works closely with all types of media to make information available to the public about the usefulness of using an Enrolled Agent. Likewise, CSEA also will regularly create press releases with pertinent tax related issues. The media room is not password protected. You can direct any interested party to the media room to access wonderful "media type" content.

You access the media page by clicking the "Media Room" words under Media Information on the Home page. Click on the links – you will be amazed by the work that has been done on our behalf by CSEA. In addition to the "Press" types of info there is also a fun, short YouTube video created by our own Communications Coordinator, Clifford Weimer, and available for your use regarding the unique qualifications only and enrolled agents possess. Get full value of all your CSEA membership offers you!

## **EBAEA EMAIL LISTS**

EBAEA sends news to Members via two one-way (send-only) email distribution lists. Subscription is free and completely voluntary, and you can subscribe or unsubscribe to either list any time you wish. For more information and to manage your subscription, visit:

<http://ebaean.org/cgi-bin/dada/mail.cgi>

## **JIM STERN LEGISLATIVE DAY**

*by Morris Miyabara, EA*

On January 8, 2010, I had the pleasure of attending the Jim Stern Legislative Day at the Capitol in Sacramento. After the welcome address by Gary McKinsey, (Chair of CSEA's Legislative Committee); CSEA President David A. Shaw's president remarks and Steve Baker

from Aaron Reed & Associates (CSEA's lobbyist in Sacramento), the morning progressed with remarks from Marty Keller of the Office of Small Business Advocate from the Governor's Office of Planning and Research.

We were welcomed by Rachel Pitts and given an overview of the day. Jennifer MacMillian, EA and former president of CSEA gave a testimony of CSEA. We were enlightened by comments on legislative perspectives from Walter Hughes, Chief of Staff for Assemblyman Ed Hernandez and Adam Gray, Legislative Director and from Senator Ron Calderson. It was very interesting and informative to hear from these people and get an insight into how state government operates (or not operates, depending on your view). Rachel Pitts gave the group a lesson on Lobby Day 101 expounding of Marketplace Communications. This tweaked my brain which was already racing at 100 miles a minute trying to grasp all that was going on around me up to that point. As it was my first time attending a Jim Stern Day I was taking it all in.

Meeting times had been set up by Sharon Stone Smith, (CSEA special projects director) with legislators from our respective districts. I was fortunate to have had the opportunity to visit the office of Assemblywoman Mary Hayashi and though she was not present I did speak with her legislative assistant. I thanked her for sponsoring a bill which is close to me and I expressed my appreciation for her doing that even though the bill eventually died in committee. I also visited with Senator Leland Yee's legislative assistant. I came away from each of these visits with the feeling that they want to hear from constituents, they want to know what the pulse of the people is out there away from their office. They welcome notes, messages, e-mails, etc.

We topped off the day with a debriefing at the office of Aaron Reed & Associates. We all had a chance to individually express our opinions and comment on how our day went. Then we heard from a representative of NAEA and were given a recap of the Tax Preparer Registration Act. Just as some of us had suspected, no one at the IRS knows as yet how this Act is going to be implemented. Right now it is all talk. Hopefully, before year-end we will have something substantial to hang our hats on.

At the end of the day, I came away thinking that all of us EAs as small business owners should be involved in legislation which affects us. Too many EAs are not involved at the state level. If you are not a member of CSEA I urge you to become a member and get involved and be vocal. All EAs in California should be members of CSEA. This is your organization! This is the organization that speaks on your behalf. Don't be just a card carrying member. Become involved. Take it upon yourself to act and not be reactive. Advance, don't retreat!

## **BULLETIN ADVERTISING POLICY**

*by Duncan Sandiland, Bulletin Editor*

To encourage more Members to use the Bulletin to fill their needs, we present the Bulletin advertising policy:

- 1) All Bulletin notices are run for a maximum of three months. If you wish to run a notice for a longer period, you must resubmit it.
- 2) Maximum notice size is 1.5 column inches. This equals a space one and one-half inches high by one column (3.5 inches) wide. The standard Bulletin font is Times New Roman 11 point.
- 3) The Bulletin Editor reserves the right to edit any notice for style, content and length.
- 4) All notices must be submitted (and payment received) by the 25<sup>th</sup> of the month prior to initial publication. Send the desired text to: [bulletin@ebaea.org](mailto:bulletin@ebaea.org)
- 5) Member notices seeking or offering employment, clients or EA-practice-related matters are run at no charge as a Member benefit. This includes an ad run by a firm which employs a Member. Member notices offering other services or products, and all non-Member notices are run at the standard fee of \$150 for the three-month insertion. The Bulletin Editor reserves the right to modify or reject any notice which, in the sole opinion of the Editor, violates any of the principles of EBAEA.

## **HELP AVAILABLE: EA and SEE Trainer**

EA and Authorized Prometric SEE Trainer (*very comfortable with Individuals, P/S, LLC, and S Corporations, Trusts*). Completed over 300 returns in a Tax Season; Extensive experiences as in Tax Research and Analysis; Tax Manager. Assisted a client save \$6 M in Corporate Taxes, and performed and facilitated IRS Audits independently.

***Best Use of Time: Supervisor over tax returns for tax season, or an experienced Tax Preparer using Lacerte. Resume available upon request.*** Call (925) 473-1800 or email [tinab@thepearlsofwisdom.org](mailto:tinab@thepearlsofwisdom.org)

## **APPRAISAL SERVICES for EAs**

- *Real Estate Appraisals for Foreclosures*
- *Real Estate Appraisals for Estates and Trusts*
- *Real Estate Appraisals for Step-up in Basis*

Your clients need solid documentation that provides an accurate determination of property value. You can rely on **Appraisal and More** for the utmost in professionalism, credibility and expertise. Call for a free brochure and estimate of pricing. Chris Moore (510) 326-8155 or [Cmoore2323@gmail.com](mailto:Cmoore2323@gmail.com)

### Small Group Tax Meetings

**Antioch /Brentwood** Fridays 8:00am  
Brentwood Café, 8500 Brentwood Blvd, Brentwood  
**Ken Seamann EA** (925) 634-8297

**Danville Area** 4<sup>th</sup> Tue 9:30am  
Pascals French Oven, 155 Railroad Ave, Danville  
**Michael Power EA** (510) 366-8836

**Livermore Area** Fridays 8:45am  
Rock House Café on Portola Ave, Livermore  
**Richard Goudreau EA** (925) 606-6672

**Castro Valley** 3<sup>rd</sup> Tue 8:00am  
Carrow's, 2723 Castro Valley Blvd @ Lake Chabot, CV  
**Dagmar Bedard EA** (510) 537-3883

**South Alameda County** 1<sup>st</sup> Wed 9:30am  
Dino's, 1 block W of I-880 on Industrial Blvd, Hayward  
**Sal Romo EA or Walt Thomas EA** (510) 487-1691

**Email-only Group** as needed  
Send an email to [halloftaxes@hotmail.com](mailto:halloftaxes@hotmail.com)  
**Peggy Hall EA** (925) 388-1040

### CALENDAR OF EVENTS

#### March 2010

- 17 EBAEA Dinner Meeting: "IRS Tax Panel"  
w/ Joe Calderaro, Karen Brosi, Sharon Kreider  
@ Radisson Hotel, Regional St, Dublin

#### April 2010

No monthly dinner meeting

#### May 2010

- 10-12 CSEA SuperSeminar "A"  
@ Flamingo Hotel, Las Vegas
- 13-15 CSEA SuperSeminar "B"  
@ Flamingo Hotel, Las Vegas
- 19 EBAEA Dinner Meeting:  
@ Radisson Hotel, Regional St, Dublin

#### HUMOR

Please see the last page of this issue.

## 2009 - 2010 Board of Directors and Committee Chairs

Web Page <http://www.ebaea.org>

President: Peggy Hall EA 925-388-1040  
1st VP: Thomas Johnston EA 925-828-4500  
2nd VP: Cherry Comstock EA 925-778-0281  
Treasurer: Tim Hintzoglou EA 925-930-7737  
Secretary: Marjorie Williams-Jones EA 510-482-6204  
Immed Past Pres: Thomas Johnston EA 925-828-4500  
Director 2009-2010:  
Jerrilynn Krebs EA 925-980-6568  
Bob Olsen EA 925-837-8329  
Director 2009-2011:  
Margie Hines EA 510-247-9255  
Patty Pringle EA 510-912-1682  
Andy Rogers EA 510-522-2300  
CSEA Director: Thomas Johnston EA 925-828-4500

#### **Communication Committee, (2<sup>nd</sup> VP)**

**Chair:** Cherry Comstock EA 925-778-0281  
Membership: Clare Flores EA 510-785-8356  
Membership: Marjorie Wms-Jones EA 510-482-6204  
Outreach:  
Public Affairs: Lonnie Gary EA, USTCP 650-209-1818  
Social Affairs: Patricia Gilchrist EA 925-833-8822  
Practice Preservation: Linda Fox EA 925-846-5913  
Disaster Services: Janet Bridges EA 510-505-0818  
IRS Practitioner Panel: Phil Fiegler EA 510-530-1174

CTEC Panel: Walt Thomas EA 510-487-1691

#### **Education Committee, (1<sup>st</sup> VP)**

**Chair:** Thomas Johnston EA 925-828-4500  
Tax Talk: Patty Pringle EA 510-912-1682  
Program: Irene Moore EA 510-791-8962x16  
Continuing Ed: Joanne Anderson EA 925-938-9086  
Town Hall: Ravi Sundarraj EA 925-984-1219  
SEE Class: Thomas Johnston EA 925-828-4500  
Mini Seminar Team: Andy Rogers EA 510-522-2300  
VITA Team: Brian Pon EA, etc 510-849-4667

#### **Administration Committee (IPP)**

**Chair:** Thomas Johnston EA 925-828-4500  
Financial Review: Shelagh Gallagher EA 510-614-1834  
Bylaws/SOP: Sal Romo EA 510-487-1691  
Budget & Finance: Walt Thomas EA 510-487-1691  
Chapter Office: Dagmar Bedard EA 510-537-3883  
Legislative:  
Nominating: Thomas Johnston EA 925-828-4500  
Strategic Advisory:  
Bulletin: Duncan Sandiland EA, etc 925-691-1040  
Tax Agency Liaison:  
Volunteer Coordinator: Patty Pringle EA 510-912-1682

## EAST BAY ASSOCIATION OF ENROLLED AGENTS

30100 Mission Blvd, Suite 6, Hayward CA 94544

(800) 617-1040 or (510) 487-2063 fax (510) 487-1501 email: [ebaea@ebaea.org](mailto:ebaea@ebaea.org)

# 2010 SPECIAL ENROLLMENT EXAM PREPARATION CLASSES

Presented By  
**EAST BAY ASSOCIATION OF ENROLLED AGENTS**

**Part 1** – Individuals **Dates: May 8, 15, 22** CPE 18 hrs\*

**Part 2** – Businesses **Dates: July 10, 17, 24, 31, Aug 7** CPE 30 hrs\*

**Part 3** -- Representation, Practice, Procedures **Dates: Sep 11, 18**  
CPE 12 hrs\* *You must attend all hours in part for credit \*See pg 2 for CPE*

Time: **Saturdays 9:00 AM to 4:00 PM** (Lunch is on your own)

Location: **Radisson / Holiday Inn Hotel**, 6680 Regional St, Dublin CA 94568

Instructors: Pat Golden, EA; Tom Johnston, EA; Peter Lingane, EA; Sal Romo, EA; and Bart Rugo, EA

Prerequisite: Basic knowledge in tax preparation of Form 1040

## Class Fees:

All three parts - \$835

Early bird discount by April 28 - \$785

Separately - Part 1 \$285, Part 2 \$485, Part 3 \$210

**Text Books are included in class fee**

**Register online at:** [www.123signup.com/calendar?Org=ebaea](http://www.123signup.com/calendar?Org=ebaea)

**Information:** Tom Johnston at 925-828-4500 or [taxtomea@comcast.net](mailto:taxtomea@comcast.net)

**Scholarships:** See CSEA and NAEA Websites for information.

**To apply for Enrollment:** [www.irs.gov/taxpros/agents](http://www.irs.gov/taxpros/agents)

**To schedule exam:** [www.prometric.com/irs](http://www.prometric.com/irs)

# **SPECIAL ENROLLMENT EXAM PREPARATION CLASSES**

## **CPE INFORMATION**

**\* Partial credit is not given. You must attend all hours per part to receive credit.**

### **CTEC**

All classes qualify for CTEC Federal Tax credit in the fiscal year of the final class per Part. Hence, Parts 1, 2, & 3 classes qualify for the current fiscal year which ends October 31st.

### **IRS Circular 230**

If you were not an EA, CPA or Attorney when you take the classes, if you also take the Special Enrollment Exam and become an EA, you can count the classes as part of the IRS CPE requirement. However, the classes may not be used as part of the 16 hours minimum requirement in the final year of the three year enrollment cycle. The IRS currently calculates continuing education received in a calendar year (Jan 1 to Dec 31).

If you are already an EA, CPA or Attorney when you take the classes, the classes do not qualify for IRS CPE because the classes are considered basic courses on subjects with which you should already be familiar. However, the classes will qualify for the additional CPE requirement for members of CSEA and NAEA.

### **IRS Circular 230 Rules for renewed enrollment effective after April 1, 2007:**

Your renewal cycle is assigned according to the last digit of your social security number. See IRS website for specific information on renewal cycle.

You must complete 72 CPE credit hours over the three year period specified. Each year you must have a minimum of 16 CPE credit hours of which 2 hours must be in Ethics.

An individual who receives initial enrollment during an enrollment cycle must complete two (2) hours of qualifying continuing education credit for each month enrolled during the enrollment cycle. Enrollment for any part of a month is considered enrollment for the entire month.

### *References:*

*Circular 230 Sec 10.6(e)*

*www.irs.gov/taxpros Enrolled Agents CPE*

### **Members of CSEA & NAEA:**

Including the IRS requirements above you must complete a total of 90 (IRS 72 + 18) CPE credit hours over a three year cycle or 30 (IRS 24 + 6) CPE credit hours per year.

New members are pro-rated CPE through the first year 2 hours CPE per month.

## SEE CLASS INSTRUCTOR BIOGRAPHIES

**Pat Golden, EA, MBA Tax** Trained as a Psychiatric Technician in the Navy. For a number of years he was a community mental health worker in San Francisco (Haight, Fillmore, Western Addition). Because of his Crisis Clinic work he was hired by IRS for office audits. Mr. Golden has a BA from the University of California Berkeley and MBA Tax from Golden Gate University. Pat worked in CPA firms for several years. He has been a sole practitioner since 1983 preparing 400 returns a year, specializing in business returns.

**Thomas W Johnston, EA** began preparing tax returns in 1983 at the urging of a friend. He was accepted into practice as an Enrolled Agent in 1986. Mr. Johnston is Chairman of the SEE Class Committee and a Past President of EBAEA. He also serves as a member of the Ethics and Professional Conduct Committee for CSEA. Mr. Johnston is a graduate of San Francisco State University with BA and MA degrees in Drama. He taught for a number of years at the college level. He has also had a career as a building manager. Mr. Johnston has taken courses in the Master of Tax program at Golden Gate University and is a Fellow of the National Tax Practice Institute. Mr. Johnston's tax practice is in San Ramon where he specializes in tax returns for individuals, estates and trusts and does representation for his clients.

**Peter James Lingane, EA, CFP®, PhD** has a practice in Lafayette specializing in planning and compliance for mature individuals, trusts and estates. He has volunteered with low income assistance programs since 1994. In addition to being a VITA instructor, Peter was a SEE class instructor for East Bay previously. Peter is a graduate of Harvard University, has a PhD in chemistry from the California Institute of Technology, and is a Fellow of NTPI. Peter taught on the college level for several years prior to entering a career in industry. He is a published author and is a technical reviewer for the *Journal of Financial Planning*. Peter has served as a Director of EBAEA and NAEA and is a past editor of the chapter newsletter.

**Sal Romo, Jr, EA** is Past President of EBAEA and CSEA and is a member of CSEA's ByLaws Committee. Sal has taught VITA and SEE classes for a number of years. Sal is a recipient of the Distinguished Service Award of CSEA. A retired Coast Guard officer, Sal is now associated with AdTech Tax & Payroll in Hayward specializing in tax returns for Estates and Trusts.

**Bart Rugo, EA** retired from the IRS in 2007 after 30 years of service. He began as a Taxpayer Service Representative answering questions on the IRS toll free number and at several local offices. After gaining experience, Bart became an instructor of individual, military and small business taxes. Later he served as a Revenue Officer for 2 years after which he became the manager of the IRS Walk In office at the San Francisco federal building. During his last six years Bart worked with the IRS partnering with community organizations to train people to prepare basic tax returns in their local communities. Bart currently lives on Treasure Island where he enjoys the view and tries to enjoy the wind.

# **EBAEA FTB Panel Feb 17, 2010**

## **Steve Sims & Karen Brosi**

Notes transcribed by Michael Power, EA

**Extreme thanks to Karen and Steve for their time, expertise, and ability to banter good naturedly with us. We will get a darker mic next time Steve. ;-)**

KB - CA notes for us to pay attention to:

- AB1779 has not passed, but would make CA conform retroactively back to 2007 to federal law concerning mortgage interest relief
- AB347 - CA conforming to Haiti relief in the works, but not yet passed either.
- USE TAX and BOE - If Gross Business Income is > 100k, clients should be registered. If not registered, recommend you wait till 3/15 as BOE is sending out paperwork. If not received by 3/15, then register them. The BOE form 401 is due 4/15, no extensions.
- JOBS CREDIT - \$400 million credit, but when it is gone it is gone. If you extend your clients and wait to file, they might lose out, so file and amend later if need be. Jobs Credit is for those businesses that hired full time new employees. Also applies to 540 Schedule C filers!

### **1) NON RESIDENT S CORP TRANSFER**

**Taxpayer was sole shareholder of a Ca S-Corp and dies suddenly. Corp product is a software, that is geared only to CA and delivered only on line. Decedent's family members (successor-interest) are non US residents, non citizens. How can the Business be transferred to the successors so that they can continue to run it in CA from a foreign country (possibly with nominated officer who is a resident). How will this work in connection with Ca taxes. What kind of entity should they become? (or should they stay a CA entity, possibly converting to a C-Corp)**

A: S Corp automatically loses S status and becomes C when you have a Disqualifying Shareholder. Currently held in trust, apparently. To avoid two tax returns intra year, close out S corp. on 12/31/10, file 1120S, then next year will be a straight 1120. Keep as CA C corp. - no value to be in another state as all sales are here. Besides, liquidating corp. to reincorporate elsewhere could cause double taxation.

### **2) FTB REPRESENTATION MUST DO'S**

**My question: what are the five basic things a tax pro should do when representing a CA taxpayer with late filing and collection issues? Do IRS procedures apply for the most part?**

A: Power of Attorney

Use Web Site [www.ftb.ca.gov](http://www.ftb.ca.gov)

Tax Practitioner Hotline (916) 845-7057

TaxPayer Advocate - Steve Sims 916.845.7565 (w), 916.838.5694 (c)

[Steve.sims@ftb.ca.gov](mailto:Steve.sims@ftb.ca.gov)

### **3) 1099A OR C RECEIVED AFTER SALE ALREADY REPORTED.**

**My client rented out their principal residence in GA in 2008. The tenants paid them a deposit and then refused to pay anymore. As a result my clients had to get them evicted and ended up letting the house go. They had two mortgages on the house. They received a 1099A from the first lender in 2009 for tax year 2008. It was purchase money (non recourse) and the Fair Market value was higher than the loan amount. The second lender was still pursuing them and did not cancel the loan/debt. Therefore, I set the property up and placed it into service and a rental property and reported the sale. This year the second lender has given up hope of collecting and canceled the debt. They received a 1099C for the second mortgage.**

**My question is, how do I report the canceled debt for the second mortgage if I already disposed of the asset in a prior year? My clients swear it is purchase money only and never refinanced.**

A: CAUTION - GA law - needs to be looked into. Will be discussed in terms of CA law.  
1099C on rental does not qualify for mortgage interest forgiveness.  
Cancellation of Debt (COD) income might be excludable under sect 108. Most common are: insolvency and bankruptcy. Look at solvency just prior to 1099 transaction to make determination. To the extent of insolvency just before 1099C transaction, there is no income. Excess above insolvency is reportable income.

If insolvent, reduce: NOL, Other General Business credit, AMT credit, Cap loss, basis of property. (Might be two more.) These are the ordering rules.

Tax attributes are reduced (Form 982). In this case, 1099A and "sale" occurred in previous year 2008. Taxpayer may not have any attributes to reduce because COD was in year after foreclosure, but you still must look for them.

#### **4) 1099A - INCORRECT DATA**

**If the taxpayer receives a 1099A only and the 1099A says the box that says they are personally responsible for the debt is not checked do they have to report the foreclosure or short sale and what if the box is checked?**

A: Not having that box checked means that the transaction is probably not causing COD. So fed, and thus state, think this is nonrecourse. Yah. Woot woot!

The issuance of the 1099A is a reportable transaction however. A forced sale if you will as it is a foreclosure. To report, for non recourse debt, if:

Non Recourse Financing > FMV, then sale proceeds = amount of debt . Calculate gain loss.

In a global sense, if the 1099 is incorrect, TP should always request corrected 1099 from issuer. The case we usually worry about is when "the little box" IS checked, and we know the debt is nonrecourse. To deal with this situation, report the COD (to prevent doc mismatch problems), then back it out of the return.

If you have read the note, and it is clearly non recourse KB would not attach a disclosure to the return. Some EA's as well as Steve indicated they prefer to highlight the incorrect status with a disclosure.

See KN notes at beginning re this issue. If 2009 tax issue, be aware that as of our meeting AB1779 had not passed and CA does not yet conform to Fed mortgage forgiveness in 2009, so file an extension and wait for bill passage.

#### **5) REAL ESTATE LOSSES, 25K, AND BONUS DEPRECIATION**

**Taxpayer has a \$25,000 loss on rentals (assume qualifications have been met). Or another similar scenario is no \$25,000 loss is allowed income is over \$150,000. Part of the write-offs include bonus depreciation taken. Last year my California program added back to California AGI income the difference between regular and bonus depreciation, Is this correct or should the depreciation difference affect only the carryover amounts (the actual loss was higher than the \$25,000 so the bonus depreciation does not affect the current year loss?**

A: Key here is to note that CA does not allow bonus depreciation, so the add back is correct. If the add back of bonus depreciation does not reduce the current loss below the allowed \$25,000, the adjustment should only affect the CA carryover PAL, not the current CA return. (Ed. - Always best to review your Fed and state depreciation schedules. I've had input screens look fine, but clearly are erroneous when the schedules are reviewed.)

#### **6) WEIGHT FEE DEDUCTION?**

**Owners of trucks often pay a "weight fee" in addition to all the other things in their DMV registration. Is it safe to assume it is not deductible as a personal property tax like VLF? If truck is used for business, would it be considered an additional part of the "registration fee?"**

A: Held over till IRS meeting next month.

## **7) 1099A 1099C - PREPARER'S DELIGHT THIS YEAR**

**Do you report sale when you get the 1099A or wait for a 1099C. I know it is a controversy so I was wondering what the panelists think.**

A: Covered in previous questions, but to reiterate, 1099A received you must report transaction. If/when 1099C received, then you deal with COD issues. They can be distinct issues. One is reporting asset sale (or foreclosure or abandonment) other is dealing with potential Cancellation of Debt income. (FYI - 1099C can function as an A and a C both, in case you were wondering.)

## **8) More 1099 fun**

**Where does the info from a 1099A go on the 1040?**

A: Held over till IRS meeting next month.

## **9) Love Cruise, deadbeat and crime**

**A client reunited with an old high school boyfriend at a high school reunion. She had been divorced and he, while thinner on top and thicker around the middle, was also divorced and available. A whirlwind romance ensued, Reno marriage, and a "Love Boat" cruise to Mexico. However, when they returned to the east bay, evidently his substance abuse problem had reoccurred and he was arrested for "borrowing" client funds and getting back to them. He has been in jail all of 2009 (until 2012), but he owes both child support and victim restitution. My love struck client filed Injured Spouse for Federal as she earned the only income for the year. IF she filed MFJ for CA, she would receive \$900 refund, but CA will take the refund due to Prince Charming. What should we do?**

A: Fed filing status must match state, that we know. If she filed MFJ, you are correct \$900 will go to the state. MFS will be advantageous therefore. (Ed note -If they have a separation agreement [Need not be a court order, but must be contemporaneously signed and thus legal], and they lived apart all year [he was in jail as per question] I believe she has the right to be "considered unmarried" and thus might be able to file as Single or HOH. SEE IRC sect 2(b) or 2009 Quick Finders pg 4-8)

**10) When we have lots of stock sales is there any way around inputting each one separately? Whether efilng or paper filing?**

A: CA cares not about the line items if you have the data.

Fed allows 8453 filing to the infamous shipping and receiving address that we discuss each year in TX, where you can send the data in proper format.

(Ed. - In my opinion, if you have it in excel in the right format anyway, import the file into software. I know Lacerte does this just fine. Have TP or custodian deliver the XL email to your desktop.)

**11) What is a good source for (about) learning how to read tax treaties?**

A: Held over till IRS meeting next month.

**12) I have 2 clients in which he made an extension payment for the years 1999 and 2000. He filed the returns for those years in 2009. In February 2010, he paid liabilities for those years. However FTB lost the extension payments and did not give him credit for such payments. At this time he is trying to have the bank come up with a copy of the checks that were posted.**

**Why can the FTB lose touch of those checks?**

A: You KNOW the FTB did not lose them. You KNOW they cashed them! <grin>

Upon discussion, it was hypothesized that a putative SFR caused ext payments to be applied. Potentially we have a mismatch with SFR and TP filed 2009 tax return for those years. Ideal situation to call Steve and let him ferret out the application of the taxes and penalties to the proper return.

Further discussion detailed the Incentive Stock Option (ISO) nature of the nonfiler. Not having out excellent tax council, he/she probably thought exercised in Nov or Dec was smart. The following year the market crash produced a monster ISO AMT bill and that he/she was unable to pay fully, so what do TP's do? Yes, the ostrich. (Find sand, insert head.) Karen reminds us of the 2008 October Bailout Bill

that at least at the fed level ABATES the fed tax for the ISO AMT issue. Once again, those of us who file and pay are getting .... Let's be polite and say the short end of the stick on this one. But your client should be very, very happy. [I still think I might open a bank.....Is it too late yet?]

**13) CA resident moves to another state. She has a manager for the residential rental. (It's in a single member LLC.) Does manager have to w/h on distributions of income once she becomes nonresident? If so, can the expense of operating the rental be deducted from the gross receipts to determine the amount withheld?**

A: First, realize single member LLC does require a 568 and \$800 to state. Other than that, data all flows to 1040 as a disregarded entity.

Nonresident withholding does not occur for individual income, only distributions from C or S corps, LLC (taxed as C or S or partnership), partnerships, trusts, estates, etc. Individual, such as described in this example, will not have withholding required of them. Also it was mentioned that w/h can be waived upon approval if requested. Fairly common.

**Label**  
Use this form if there are any pets in your household.

L A B E L  H E R E	Your first name and initial	Last name
	Pet's first name and initial	Pet's pet name
	Home address	
	City, town or post office, state, and ZIP code	

**Pet Election Campaign** ▶ Check here if you want \$1 to go to a fund to elect a dog or cat president. ▶

**Income**

Your Pet's Contribution to Your Household

1	How cute is your pet, on a scale of 1 to 10? ▶ <input type="checkbox"/> Multiply by 100 and enter here . . . . .	1	
2	Number of times a day you pet, play with, or talk to your pet . . . . .	2	
3	Number of times a child has claimed your pet ate his/her homework . . . . .	3	
4	Number of times your pet has protected you or your home (from a real or imagined threat) . . . . .	4	
5	Number of times your pet has eaten food someone didn't want . . . . .	5	
6	Snookums Tax: Total number of nicknames for your pet . . . . .	6	
7	Add up the numbers in lines 1–6 and multiply by \$10,000. <b>This is your total Pet Tax</b> . . . . . ▶	7	

**Adjustments**

Expenses You Can Deduct

8	Food: Estimated yearly cost of meals, snacks, and scraps eaten by your pet	8	
9	Grooming: Number of hours you spend grooming or thinking about grooming your pet, or cleaning its cage or tank. Multiply by \$10 . . . . .	9	
10	Number of squeaky toys, scratching posts, and hamster wheels in your home. Multiply by \$5. . . . .	10	
11	Hours a week spent exercising the animal. Multiply by \$10 (or \$20 for walks when the temperature is 32°F or below) . . . . .	11	
12	Total amount spent on obedience training, veterinarians, therapists, and gifts for angry neighbors . . . . .	12	
13	Add up the numbers in lines 8–12. <b>These are your total Pet Expenses</b> . . . . . ▶	13	

**Damages Incurred by Pet**

14	How many times did your pet throw up or have an "accident" in your house? . . . . .	14	
15	How many pieces of furniture or clothing has your pet destroyed? . . . . .	15	
16	Piranha Credit: Number of other household pets destroyed by this pet . . . . .	16	
17	Add up the numbers in lines 14–16 and multiply by \$100. <b>This is your total Damages Credit</b> ▶	17	

**Calculate Your Pet Tax**

18	Add up the numbers in lines 13 and 17. . . . .	18	
19	If line 18 is more than line 7, subtract line 7 from line 18. <b>This is the amount of your refund</b> ▶ Choose form of payment: <input type="checkbox"/> cash <input type="checkbox"/> equivalent in pet food <input type="checkbox"/> a new pet	19	
20	If line 18 is less than line 7, subtract line 18 from line 7. <b>This is the amount you owe</b> . . . . . ▶	20	

**Sign Here**

For details on how to pay, see publication K9-433228873VZ9998TP.

Your signature	Date	
Your pet's signature (or paw print, nose print, or piece of dander, feather, or scale)	Date	

**WARNING:** The penalty for falsifying information is cleaning up poop at the local pound for 300 hours a week.