



SOLANO-NAPA NEWS

CALIFORNIA SOCIETY OF ENROLLED AGENTS



"WE SPEAK TAX" - the taxpayers' tax experts

Volume I, Number 4

October, 2005

Solano-Napa Chapter, CSEA, is proud to announce the dinner meeting, scheduled for **October 25, 2005**, will have as its guest speaker, **Karen Brosi, EA**, presenting "**House Sale Myths**". This meeting will be held at the **Hilton Garden Inn**, Fairfield, and there is limited seating available! It's not too early to make your reservation with Louanna Grindle, EA, fax (707)451-4866 or taxhouse@sbcglobal.net. At this meeting, we will have a drawing for a bottle of Napa Valley's finest, donated by Norman Golden. Tickets will be \$1 each. The proceeds will be used to buy our A-Frame for the sign, "What is an EA?" So, buy a lot!! See you there!

Solano-Napa Chapter Breakfast & Dinner Programs

Solano-Napa EAs meet on the **second and fourth Tuesdays** of each month to share information with other EAs and tax professionals. The meetings are at Jack & Linda's Country Café, 2390 N Texas St., Fairfield, CA and as announced, at Jonesy's Famous Steak House, 2044 Airport Road, Napa, CA.

President's Message

October 15th deadline is upon us and there are still straggling clients out there who haven't gotten the rest of their information together. Do you have ideas to get them motivated? Pass it along!

At the September dinner meeting, we welcomed a new member to our chapter. Patty Evans, EA, has moved to Rio Vista. She was formerly a member of the Mission Chapter. She attended our Board meeting and has already volunteered to help. We need more members like Patty to step forward and volunteer.

The Board voted to order names tags for all members. Not only name tags but the new, improved, magnetic name tags. The only catch is you have to respond to an email. We will send out an email asking for your name as you want it on your name tag. You can also add designations after your name, i.e. EA, MBA, CFP. The deadline is October 25, 2005. That is the night of our dinner meeting. The chapter will be buying these name tags. **(See To Members, page 2 of insert.)**

Our summer education series is completed and it was a **SUCCESS!** Many thanks to all who helped put it together. We're planning on doing it again next summer, so if you have any ideas about a topic let me know or give Sherri Scarrott a call.

Mike Klobas has done a great job as our breakfast facilitator. Beginning in October the discussion will be on Offers in Compromise. Everyone is welcome. No registration, no CPE, just show up for a lively discussion.

We've changed some meetings dates for November and December so check out the calendar.

Anne T. Arms, EA
President, Solano-Napa Chapter, CSEA

Breakfast Meetings - 7:30 am - 9:00 am:

On the second Tuesday, we have Breakfast Meetings where a predetermined topic will be discussed. All attendees are encouraged to participate by sharing their knowledge and experience. Cost is Dutch.

Dinner Meetings:

| | |
|---------------------|----------------------------|
| 6:00 pm | Attitude adjustment |
| 6:30 pm | Dinner |
| After dinner | Education |

On the fourth Tuesday, we have Dinner Meetings where generally there will be a speaker on a topic for continuing education, practice management, legislative, or other issues pertinent to our profession. **Cost is \$30, Members and staff, \$35, non-members.** There is a **\$5** discount if your reservations are made timely. Reservations and meal choice are due to Louanna Grindle, EA, fax (707)451-4866 or email: taxhouse@sbcglobal.net by 5 pm on the third Tuesday of each month. **PLEASE NOTE: THIS IS A NEW DINNER POLICY!**

If you don't want to worry about timely reservations, this would be a perfect time to have your name added to the **Standing Reservation List**. (That way you only have to give notice when you are not going to be there!)

CSEA State Board Meeting

The Board of Directors of the California Society of Enrolled Agents met at a regularly scheduled meeting on September 10-11, 2005, at the Lion's Gate Hotel, Sacramento, California.

The Board approved a dues increase of five dollars in all categories for the fiscal year 2006-2007.

The board approved funding for the Bob Brinker Show for the fiscal year 2005-2006.

The board adopted ProfNet as an ongoing Member benefit.

A policy statement was approved regarding the Major Media Marketing Fund. CSEA will enter into a letter of intent with the IRS to assist the evacuees from Hurricane Katrina through our disaster services program. The letter will be signed by the CSEA president after the approval of the Executive Committee. An internet auction for the benefit of the Scholarship Fund was approved for the coming year.

The membership renewal form next year will include check off boxes for all funds in the amounts of \$10, \$20, \$30, \$40, \$50, and other.

Approval was given to a staff request for three additional windows for the Society office with the work to be accomplished as soon as possible.

The board accepted RAN-ONE as a new member benefit.

The next Board meeting will take place January 7 & 8, 2006, at the Lion's Gate Hotel, in Sacramento, California.

State Tax Liaison Meeting, 6/9/2005

Employment Development Department

New online services available or soon to be available: filing of DE542 Independent Contractor Reporting, DE34 new Employee Reporting, electronic funds transfer credit card payments, EZ registration for new employers, update existing account information, file reports ;and obtain account activity.

Couriers have been determined to be employees, not independent contractors. Current focuses of EDD's "Underground Strike Task Force" are: Auto Body/Services, Security, Light Manufacture, Garment Industry, Restaurants, Construction, Janitorial and Agricultural.

Board of Equalization

Credit card payments via internet and phone are available for sales tax reports. Credit cards that qualify are Discover, Master Card, VISA, and American Express. Only Ach Debit is allowed on e-filed BOE reports. E-filing is now available for single location accounts at no cost to the filer for those returns beginning April 1, 2005 and later. Preparers can receive authorization on a client by client basis to file on their clients behalf. Notices regarding this will appear with the 3rd quarter reports. Phase II of this project will qualify multi location accounts to e-file by January 2006. Phase III will include internet registration, file petition, claim for refunds, check account balances and ability to do online account maintenance.

(Continued in next column, see State Tax)

IRS Courier Accident Loses 1040ES Payments

According to an internal IRS memorandum forwarded to E@lert, NAEA, by a faithful Washington State EA, an IRS courier transporting Form 1040ES payments to a lockbox site had an accident on the San Mateo Bridge. As a result of this accident, approximately 30,000 pieces of mail fluttered into the San Francisco Bay. The mail was from Alaska, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Virginia, Washington, and Wyoming. IRS is evidently planning on providing procedures by the end of September. In the meanwhile, those of you with concerns should ask your clients to check with their banks to make sure their checks have cleared.

Some Good News from the Service

[Announcement 2005-41](#), advises taxpayers that the Internal Revenue Service is modifying Rev. Proc. 2004-64, 2004-49 I.R.B. 898, by revising the optional standard mileage rates for business, medical, and moving expenses. Effective September 1, 2005, the standard business mileage rate is 48.5 cents per mile and the standard mileage rate for medical and moving expenses is 22 cents per mile.

IRS Releases New Vehicle Contribution Form

IRS released [Form 1098-C](#), Contributions of Motor Vehicles, Boats, and Airplanes (and attendant [instructions](#)). According to the Service, the form is used by donee organizations to report to IRS the contribution of qualified vehicles under § 170(f)(12) (a new code section that became effective January 1, 2005, it limits a taxpayer's charitable deduction to the amount that a donated vehicle actually fetches at auction, rather than the vehicle's "Blue Book value"). Form 1098-C may also be used to provide the donor with a contemporaneous written acknowledgement of the contribution. Thankfully, the instructions also define contemporaneous (one definition is 30 days after the sale of the donated vehicle).

(State Tax continued)

Franchise Tax Board

Business E-File begins January 2006 with Corporation Form 100 including basic and commonly used forms and schedules. In 2007, Partnership, S Corporations, LLC and rest of Form100's will be implemented into Business E-File. Fiduciary returns will go online in 2009. There is no mandate for California business e-file.

Business E-File will go through third party software providers and the federal return must accompany the state return. The federal return does not have to be accepted first. Acknowledgement of returns will occur within 24 – 48 hours. Registration is automatic if you're already enrolled in FTB's PIT e-file program. Procedures will be available in October.

Solano-Napa Officers and Directors

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hEArD It Through The Grapevine

Super Seminar Schedules Set

May 15-17, 2006

Stardust Hotel and Casino, Las Vegas, NV
(Last annual Super Seminar at the historic Stardust!)

June 1-3, 2006

Reno Hilton Hotel and Casino, Reno, NV
(No smoking instituted in meeting area!)

June 15-17, 2006

Hilton Waikoloa Village, on the Kohala Coast of Hawaii's Big Island, (Last annual Super Seminar in Hawaii!)

Online registration will be available at www.csea.org on Nov. 15, 2005, and the catalog is mailing Dec. 1, 2005.

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2005-2006 CALENDAR OF EVENTS

OCTOBER

- 11 Solano-Napa Breakfast (2nd Tue.) 7:30 am
Topic: OIC – Initial Considerations
Jack & Linda’s Country Café, Fairfield
- 25 Solano-Napa Dinner (4th Tue.) 6:00 pm
Topic: House Sale Myths, Karen Brosi, EA
Jack & Linda’s Country Café, Fairfield

NOVEMBER

- 8 Solano-Napa Breakfast (2nd Tue.) 7:30 am
Topic: OIC - Process ability
Jack & Linda’s Country Café, Fairfield
- 15 Solano-Napa Dinner (4th Tue.) 6:00 pm
Topic: BOE, Tax Auditor
Jack & Linda’s Country Café, Fairfield

DECEMBER

- 13 Solano-Napa Holiday Party, 6:00 pm
Jack & Linda’s Country Café, Fairfield

JANUARY

- 7-8 CSEA Board Meeting, Lion’s Gate Resort,
Sacramento, CA
- 10 Solano-Napa Breakfast (2nd Tue.) 7:30 am

Topic: TBA

- 24 Jack & Linda’s Country Café, Fairfield
Solano-Napa Dinner (4th Tue.) 6:00 pm
Topic: TBA
Jack & Linda’s Country Café, Fairfield

FEBRUARY

- 28 Solano-Napa Dinner (4th Tue.) 6:00 pm
Fairfield or Napa (TBA)
IRS Panel

MARCH

- 28 Solano-Napa Dinner (4th Tue.) 6:00 pm
Fairfield or Napa (TBA)

**The Document Retention Policy Fallacy
40 Year Old Insurance Policies
Could Be Worth Millions**

Bret A. Stone, Esq.* and John R. Till, Esq., Senior
Partners, Paladin Law Group, LLP**

I. INTRODUCTION

DO NOT throw away old insurance policies. Now days, many accountants are advising their clients to destroy records after a certain number of years. But this advice could cost your clients millions in lost insurance coverage. Instead, accountants should qualify any advice with respect to destruction of records so that their clients understand to retain all evidence of historical insurance coverage. While there may be good reasons to destroy old documents, an exception to this rule for historical insurance policies is crucial – especially when it comes to responding to environmental claims.

Today, issues of soil and groundwater contamination and other long tail liabilities are becoming commonplace. Businesses are suing and being sued by regulators and private parties alike. Whether or not your clients are currently dealing with environmental issues, there are economical steps that they can and should take now to protect themselves and their businesses and save millions of dollars on attorneys and environmental consultants.

II. INSURANCE BASICS

Generally, liability insurance policies obligate insurance companies to two important duties. If your clients are sued for a potentially covered claim, their general liability insurance company has a duty to defend that suit – *i.e.*, it must pay for the defense of the case. In addition, their insurance company has a duty to indemnify the business for liability up to specified limits for covered claims. Although insurance policies written today typically exclude coverage caused by pollution, that was not always the case. In the 1960s, liability insurance policies did not contain pollution exclusions. In the 1970s, however, the insurance industry started writing policies that contained exclusion for pollution coverage, but the exclusion contained a glaring exception – the so called “sudden and accidental” exception. Under these policies, the insurance companies contractually agreed to provide coverage if the pollution was the result of a sudden and accidental event. After years of paying out claims, the insurance industry changed again in the mid-1980s and put in place what is commonly referenced as an “absolute pollution exclusion.” (Some courts have found that even this exclusion did not apply).

The change in liability insurance policies is particularly important because the old policies are typically “occurrence-based” policies, which never expire. They continue to provide coverage today for events that took place decades ago! Thus, an accident causing a spill of hazardous materials that occurred in 1970 continues to provide coverage today if allegations are made against your clients. Moreover, a “sudden and accidental” spill may trigger the insurance for every subsequent year of coverage where the property damage exists. Accordingly, the general liability insurance policies your client had in 1971, 1972, and

so on may each have an independent obligation to defend and indemnify the client against long tail exposures.

But this information is literally disappearing! Every time someone moves their office, files get discarded in the process. If these files contain your clients’ old insurance policies, they may be throwing away millions of dollars in insurance coverage. Accordingly, an exception to any document retention policy should be carved out in order to preserve valuable historical insurance assets. Accountants should advise their clients to retain — indefinitely — all of their insurance policies and proof of insurance where they are named insureds (*e.g.*, landlords are named insureds under tenants’ policies; contractors and manufacturers are named insureds under subcontractors’ insurance policies). Any other advice could cost your client millions in lost insurance coverage.

**III. STEPS FOR PROACTIVE
BUSINESSES AND PROPERTY
OWNERS**

In order to ensure that these valuable insurance assets are not lost and are available should the need ever arise, clients should take proactive steps to identify and understand their historical insurance programs. All too often, clients wait until they actually have a problem before consulting with an environmental attorney. Due to the long tail nature of these liabilities and the rapidly disappearing information related to historical insurance assets, this may be too little too late. For as little as a few thousand dollars, your clients could hire an attorney knowledgeable on issues of insurance coverage issues in environmental cases to analyze and report on their existing coverages, how they might be used to address past, current and future environmental problems, understand where they are missing insurance information, and be able to respond quickly and effectively in the event of a future claim.

The time to act is now, before those files are discarded. The people with the information about your clients’ insurance program are getting up in age. Even if your clients are not able to readily put their fingers on their old insurance policies, the people who handled insurance matters 20, 30, or 40 years ago may be a great help in identifying and securing information regarding these valuable assets. But don’t stop there. Once the client has found their old insurance, make sure that they understand their coverages and exclusions, have them scanned and backed up onto a disc for safekeeping, and begin the process of filling in any gaps in their historical insurance coverage programs.

Reprinted by permission Bret A. Stone, a senior partner in Santa Barbara, CA office of Paladin Law Group, LLP.

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Verify Social Security Numbers Online

The Social Security Number Verification Service (SSNVS) allows employers to use the Internet to match their record of employee names and Social Security numbers with Social Security records before preparing and submitting Forms W-2. Making sure names and Social Security numbers on the W-2 match our records is important because unmatched records can result in additional processing costs for you and uncredited earnings for your employees. Uncredited earnings can affect future eligibility to (and amounts paid under) Social Security's retirement, disability and survivors program.

You have two options for using SSNVS:

1. Direct keying of up to 10 names/Social Security numbers at a time onto Social Security's website with immediate results, and
2. Upload a file with up to 250,000 names/Social Security numbers with next business day results.

Employers can verify the names and Social Security numbers of employees only after they are hired. It cannot be used as part of the pre-hiring process.

If you are a tax preparer, accountant, payroll agent, payroll service or you process Forms W-2 on another company's Employer Identification Number, you can verify names and Social Security numbers on behalf of your client(s), but only for wage reporting purposes. You only need one PIN (even if you represent more than one company).

For more information about SSNVS, including registration and step-by-step instructions visit <http://www.socialsecurity.gov/employer/ssnv.htm>

Reconstructing Information to Prepare Disaster Victims Income Tax Returns:

THE WASHINGTON POST

Sunday, September 11, 2005; Page F01

In Crisis Mode, Turn To Your Tax Return

By Michelle Singletary

After Hurricane Katrina, we're all being told to do some disaster planning. Create an evacuation box that contains your key personal documents, experts say.

Yet Connie Bracher, a California tax professional, learned from experience that even the well prepared can't plan for the unexpected. When Bracher's Crestline, Calif., neighborhood was being threatened by wildfires last year, she wasn't allowed to return to her home.

"If you have a disaster box with your important papers, what happens if you can't get back into your home to retrieve it?" asked Bracher, who knows all too well that in the wake of a disaster such as a fire, hurricane or earthquake, records may have to be reconstructed in order to prove a loss. After all, what happens if the bank where you rented a safe-deposit box for all your vital records is destroyed?

The best way to protect your documents is to put them on a computer disk or flash drive and give them to a friend or trusted family member who doesn't live near you, says Bracher, who is an enrolled agent and chairman of the disaster committee of the California Society of Enrolled Agents. (Enrolled agents are individuals licensed by the federal government to represent taxpayers before the **Internal Revenue Service**.) However, if you don't take her advice and your documents are destroyed, there is one good place to start your reconstruction -- your tax return.

You can find some details about -- or at least construct a listing of -- bank and investment accounts because you have to declare interest and dividend income. If you own property, information about that is included on your return, and there's employment information found on the W-2 form you submitted.

Taxpayers have two options for getting copies of their federal returns -- tax return transcripts and tax account transcripts -- and either can be ordered by phone or by mail. A tax return transcript shows most line items from your return as it was originally filed, including any accompanying forms and schedules. A tax account transcript shows any later adjustments either you or the **IRS** made after the return was filed. This transcript also will have basic data, including marital status, type of return filed, adjusted gross income and taxable income. The transcript can be ordered by completing a Form 4506-T or calling 800-829-1040. There is no charge for the transcript, and you should receive it in about two weeks from the time the **IRS** receives your request. Return transcripts are generally available for the current and past three years.

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If you need a photocopy of a previously processed tax return and attachments, complete Form 4506, "Request for Copy of Tax Return." Copies are generally available for the current year and past six years. You can download the forms at <http://www.irs.gov/>, or you can order them by calling the **IRS** at 800-TAX-FORM (800-829-3676).

Typically, the **IRS** charges \$39 for each return photocopy. But the fee is waived if you are the victim of a declared disaster. The **IRS** also expedites requests from disaster victims. For example, victims of the recent catastrophe on the Gulf Coast just need to write "Hurricane Katrina" in red at the top of Form 4506 or Form 4506-T, an **IRS** spokesman said.

Bracher said if you are the victim of a fire or some other disaster, you should always make a notation in red on the top of the **IRS** form. That way, your form can be expedited, and the fee is usually waived.

Here are some other examples from the California Society of Enrolled Agents concerning the documents you should have and how to reconstruct the information should it be destroyed:

- Copies of final escrow and settlement papers for your home purchase. If they're lost or destroyed, contact the title company, Escrow Company or the lending institution that handled your purchase to obtain copies of the paperwork.
- Information about home improvements. You'll want to know how much you spent on your principal residence in order to add the amount to your "cost basis" and calculate your profit when you sell. If you used a contractor, see if the company kept any records. If that doesn't work, obtain a written statement verifying the work and cost. Get accounts from friends and relatives who saw the house before and after the improvements. Perhaps they have photos taken at get-togethers. If you obtained a home improvement loan to do the work, get that paperwork from the bank. The amount of the loan may help establish the cost of the improvements.
- Copies of birth and marriage certificates, citizenship papers, Social Security cards, green cards, and driver's licenses. Contact the appropriate agencies to get copies. If, for example, you need to get Social Security benefits and you don't have identification, you will be asked a series of questions to confirm the information that is maintained in your Social Security files, said Dorothy Clark, a spokeswoman for the Social Security Administration.
- A list of investment account numbers, bank accounts and credit card numbers.
- Some document -- a utility bill? -- that shows your street address. During the Hurricane Katrina crisis, the displaced who have been staying in motels and hotels have only to show some proof that they are residents of one of the affected Zip codes and the hotels know to pass the unpaid room bills on to the Red Cross, which will pay them.

Generally, many companies and government agencies have methods in place to help disaster victims access their accounts, obtain payments or re-create lost documents. For instance, Sarah Bulgatz, a spokeswoman for the Charles Schwab brokerage, said the company has a variety of ways to authenticate someone's identity so that the person can access his or her money.

For more information on document reconstruction, call the California Society of Enrolled Agents toll-free at 800-777-2732 or go online at <http://www.csea.org/>. Click on the link for "Taxpayer Help" and then "Disaster Recovery."

To the Members (and Prospective Members) of Solano-Napa Chapter:

Your Board of Directors voted on September 27, 2005, to provide members with magnetic name tags. The deadline to order your **free** name tag is 9 pm, October 25, 2005, which is at the conclusion of our next dinner meeting. After that date, there will be a nominal charge for current members ordering a name tag. Anyone who has joined or will join the Solano-Napa Chapter in this fiscal year will have "Charter Member" on their name tag!

The name tags will be in gold with the CSEA logo on the right side of the name tag. There will be three lines:

Sally Smith, EA, CPA, etc. (This line is for you to customize!)

Solano-Napa Chapter

Charter Member

Since many of us are known by our nicknames, I need to know how you want the first line of your name tag to read. Please email me back or fax (707)426-9478. If you have any questions, please don't hesitate to call or email me! Thanks, Sherri Scarrott, EA, eataxldy@pacbell.net.