



SOLANO-NAPA NEWS

CALIFORNIA SOCIETY OF ENROLLED AGENTS

“WE SPEAK TAX” - the taxpayers’ tax experts



Volume II, Number 1

January 2006

CPE AUDITS

The Office of Professional Responsibility has initiated an extensive program to audit Enrolled Agents' CPE credits. If you have been audited and would like to share the experience with your fellow CSEA Members, please email cweimer@csea.org or call 800/777-2732, ext. 20. Thank you.

President’s Message

This past month has flown by. The chapter Holiday party was great fun and many thanks to Jerry Pusateri for making the arrangements.

That same week Alma, Jerry, Peggy, Matt and I had lunch in Napa with a group of tax professionals. They meet once a month for lunch and their parent organization has disbanded. We had the opportunity to meet and discuss with them the advantages of CSEA and the Solano-Napa Chapter. More information will be coming about the Napa group.

Is your calendar marked for the Lacerte Users Workshop? Saturday, January 14, 2006 at Jack and Linda’s Country Café. By then, you should have 2005 installed on your computer and have questions for the group. For several years, I attended updates put on by Lacerte; but, this workshop is so much better and it’s free. Come and exchange information.

Having had two children, I thought I knew what a child was. That was before the IRS got involved. On Thursday, January 19, 2006, attorney, Gary McBride will help us understand the new tax definition of a child. **Note that this is a change of day for our dinner meeting.**

It’s January, a busy time with your bookkeeping (See Message on Page 2)

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.

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.

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!)

(Message, continued from page 1)
clients, new software to install and learn, tax updates to attend, your office staff to train. This is our month to get organized so the rest of the season will go smoothly.

The New Year has arrived. May it be happy and prosperous for you and yours!

Remember this is ***our chapter***, which means each of us must do ***our part*** to make it great.

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

Six-Month Automatic Extensions Available to Most Taxpayers in 2006

The IRS recently announced that most taxpayers will be able to request an automatic, six-month tax-filing extension for most common individual and business returns.

Beginning January 1, 2006, most individuals and businesses will be able to request a full six-month tax-filing extension, without a reason or even a signature. The new streamlined and simplified procedures are expected to save taxpayers between \$73 million and \$94 million annually, by eliminating or consolidating several existing IRS forms.

A tax-filing extension does not extend the tax-payment deadline. Further information is in the [News Release](#) available on IRS.gov.

SCHOLARSHIP AUCTION - CSEA

Once again this spring, we'll be sponsoring an online auction for the benefit of our Scholarship Fund. Please don't wait until the last minute - we need donations before you head into the black hole of oblivion (a/k/a "Tax Season"). See page 10 of the November issue of California Enrolled Agent magazine for a donation form, or call CSEA at 800/777-2732 or email cweimer@csea.org. Thank you!

SEE 2005 Results Available

Candidates for the 2005 SEE can now check (Continued in next column)

their exam results on IRS' site by [clicking here](#). Candidates will need to have the identification number and PIN provided on the SEE acknowledgement letter sent by IRS in early fall. If the candidate does not have this information, he/she must wait for the letters that are being sent out to all candidates.

IRS Warns of e-Mail Scam about Tax Refunds

The Internal Revenue Service recently issued a consumer alert about an Internet scam in which consumers receive an e-mail informing them of a tax refund. The e-mail, which claims to be from the IRS, directs the consumer to a link that requests personal information, such as Social Security number and credit card information.

The IRS does not ask for personal identifying or financial information via unsolicited e-mail. Additionally, taxpayers do not have to complete a special form to obtain a refund.

E-Filing Documents

Tax Year 2005 Form 8453, U.S. Individual Income Tax Declaration for an IRS e-file Return, and Tax Year 2005 Form 8453-OL, U.S. Individual Income Tax Declaration for an IRS e-file Online Return, will be processed by the Andover Submission Processing Center or the Austin Submission Processing Center. Do not mail Forms 8453 or 8453-OL for Tax Year 2005 to any other Center. Please note that some states have been realigned for Processing Year 2006. Additional information will be included in Publication 1345A for Tax Year 2005.

English and Spanish versions of Form 8453 and Form 8453-OL are now available on www.irs.gov. When a PIN signature method is used and accepted by Internal Revenue Service, Form 8453 or Form 8453-OL is not required.

NAEA Elections

An email regarding the election process for the 2006-2007 NAEA Board was sent to all eligible NAEA members on December 5th. The email outlined the election process and provided your validation number. Members not having email addresses received a letter providing the same information. Since you're receiving e@lert, you should have received the email - if you didn't (check your spam filter!) or have questions regarding the voting process, please contact NAEA's Technology Manager [Sarah Downey](#).

Solano-Napa Officers and Directors

President	Anne Arms, EA 707 644-9016 armspna@aol.com	Directors	Phil Correia, EA 707 426-0920 pcorreia@sbcglobal.net Matt Jones, EA 707 557-6868 mattjones@mattstax.com Mike Klobas, EA 707 449-8146 mklobas@pacbell.net Lillian Meyers, EA 707 935-1124 lilmeyers@aol.com Sherri Scarrott, EA 707 426-9472 eataxldy@pacbell.net Ken Spingola, EA 707 553-2645 kspingola@sbcglobal.net
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Next Board Meeting: Thursday, January 19, 2006, 4:00 pm at Jack & Linda's Café, Fairfield

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hEArD It Through The Grapevine

Mechele Hibbs and Diana Marquez have completed 60 hours of tax instruction, have received their CTEC income tax preparer license and have become Associate members of CSEA. They are two more members for Solano-Napa and two more future EAs. ***Congratulations Mechele and Diana, and welcome aboard!!***

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Solano-Napa Chapter CSEA

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2006 CALENDAR OF EVENTS

JANUARY

- 7-8 CSEA Board Meeting, Lion's Gate Resort, Sacramento, CA
- 10 Solano-Napa Breakfast (2nd Tue.) 7:30 am
Topic: Offer In Compromise, continued
Jack & Linda's Country Café, Fairfield
- 14 Solano-Napa Host Lacerte Users Workshop
8:00 am Breakfast, 9-12 Workshop
Jack & Linda's Country Café, Fairfield
- 19 Solano-Napa Dinner (3rd Thu.) 6:00 pm
Topic: **New IRS Definition of Qualifying Child**, Gary McBride, EA
Jack & Linda's Country Café, Fairfield
- 20 CSEA/IRS Tax Practitioner Seminar
Topic: Examination Reengineering, Collections, Compliance, Electronic Tax Admin., Appeals, Taxpayer Advocate

FEBRUARY

- 28 Solano-Napa Dinner (4th Tue.) 6:00 pm
Jonesy's Famous Steak House, Napa
IRS Panel, Joe Calderaro

MARCH

- 28 Solano-Napa Dinner (4th Tue.) 6:00 pm
Jack & Linda's Country Café, Fairfield
IRS Panel, Joe Calderaro

Two replacement files were just posted on IRS.gov to the Pub 1345A Web page. The calendar was corrected to reflect a 5-day period for re-transmitting corrected returns, previously rejected on the due date, April 17, 2006.

Remember, Pub 1345A will **NOT** be in print and is only available online - www.irs.gov .

Filing Season Supplement for Authorized *e-file* Providers, This Document is a supplement to Publication 1345 intended for Authorized IRS *e-file* providers already in the IRS *e-file* program.

The individual IRS e-file program begins on Friday, January 13, 2006!!!

IRS Warns of Questionable Deductions for Donated Vehicles

IR-2005-145, Dec. 20, 2005

WASHINGTON — Internal Revenue Service officials announced today that the IRS will not recognize certain deductions that taxpayers may be claiming relating to donated vehicles sold at auction.

IRS officials took this step after becoming aware of questionable practices that have surfaced recently. Some charities have sold donated vehicles at auction and claimed that the sales are to needy individuals at prices significantly below fair market value. By doing so, these charities have claimed that the sales trigger an exception to the general rule that the deduction allowed to the donor is limited to the proceeds from the charity's sale.

The IRS' position is that vehicles sold at auction are not sold at prices significantly below fair market value. Therefore, the IRS will not treat vehicles sold at auction as qualifying for the exception for sales to needy individuals at prices below fair market value.

If a charity sells a donated vehicle at auction, the IRS will not accept as substantiation an acknowledgment from the charity stating that the vehicle is to be transferred to a needy individual for significantly below fair market value (Box 5b on IRS Form 1098-C). In such cases, the donor may claim a deduction of more than \$500 only to the extent that the gross proceeds from the sale exceed that amount and the donor substantiates the contribution with an acknowledgment from the charity that indicates the gross proceeds from the sale (Box 4c on IRS Form 1098-C).

The rules for determining the amount that a donor may deduct for a charitable contribution of a qualified vehicle, including an automobile, with a claimed value of more than \$500 changed at the beginning of 2005 as a result of the American Jobs Creation Act of 2004. In general, that Act limits a donor's deduction to the amount of the gross proceeds from the charity's sale of the vehicle.

Under an exception to this general rule, a donor may be eligible to claim a fair market value deduction if the vehicle is sold at a price significantly below fair market value to a needy individual, in direct furtherance of a charitable purpose of the recipient organization of relieving the poor and distressed or the underprivileged who are in need of a means of transportation. In this case, the charity provides to the donor an acknowledgment indicating that the donor may claim a fair market value deduction for the vehicle.

Because this exception does not apply to sales at auction, a charity may be subject to penalties under sections 6701 and 6720 of the Internal Revenue Code if the charity sells a donated vehicle at auction and provides to the donor an acknowledgment that indicates anything other than the deduction may not exceed the gross proceeds from the sale.

Links:

- IR-2005-149: [IRS Reminds Taxpayers About Requirement of Written Acknowledgement for Donated Cars](#)
- IR-2004-142: [IRS Officials Urge Care for Those Making a Car Donation; New Law Changes Rules at End of the Year](#)

IRS Issues Proposed Regulations to Safeguard Taxpayer Information

IR-2005-139, Dec. 7, 2005

WASHINGTON — The Internal Revenue Service today issued proposed guidance on the disclosure or use of tax return information by tax return preparers. A key principle underlying the proposed guidance is that tax return preparers may not disclose or use tax return information for purposes other than tax return preparation without the knowing, informed and voluntary consent of the taxpayer.

The pre-existing regulations under Internal Revenue Code section 7216 were drafted in the early 1970s, prior to the advent of many of the business practices and technology uses that define the electronic preparation and transmission of tax returns by preparers.

The proposed regulations broaden the definitions of tax return preparer and tax return information, revise the manner and form of obtaining taxpayer consent to use or disclose tax return information and add a requirement to obtain taxpayer consent before preparers send tax return information offshore.

“Safeguarding of tax return information is critical,” said IRS Commissioner Mark W. Everson. “It’s vital we update the preparation rules for the 21st century. Americans ought to know when their tax returns are being outsourced and prepared abroad. In particular, I want to thank Massachusetts Rep. Ed Markey and others for drawing our attention to this important issue.”

The new regulations also take into account the presence and wide-spread use of computers in tax preparation. If a tax return preparer hires contractors who will need access to tax return information to repair computers or data files, the tax return preparer must notify those contractors that they will also be subject to restrictions on their use or disclosure of tax return information.

The proposed regulations are open to public comment for 90 days after their date of publication. A public hearing on the proposed regulations has been scheduled for April 4, 2006 at 10 a.m.

Links:

- [Notice 2005-93](#)
- [Proposed Regulations](#)
- [Statement of Rep. Markey](#)

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e-Payments	e-Communications
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Tax Year 2005 IRS *e-file* Calendar

For Tax Period January 1 – December 31, 2005

Transmitting of live IRS Individual Income Tax Returns begins January 13, 2006

Last date for...

Transmitting timely filed returns April 17, 2006

Transmitting timely filed Forms 4868 April 17, 2006

Retransmitting rejected timely filed returns April 22, 2006

Retransmitting rejected timely filed Forms 4868 April 22, 2006

Transmitting timely filed Forms 4868 or 2350 to meet overseas exception June 15, 2006

Retransmitting rejected timely filed Forms 4868 or 2350 to meet overseas exception June 20, 2006

Transmitting returns on extension from Forms 4868 October 16, 2006

Retransmitting rejected late returns or returns on extension from Forms 4868 October 20, 2006

Transmitting test transmissions No cut off date

Submitting IRS *e-file* applications No cut off date
