



# SOLANO-NAPA NEWS

CALIFORNIA SOCIETY OF ENROLLED AGENTS

“WE SPEAK TAX” - the taxpayers’ tax experts



Volume II, Number 2

February 2006

### Average Preparation Hours and Fees in Form 1040

**Instructions—follow up** (From E@lert January 13, 2006)

Within the past week, IRS has modified page 79 of the [online Form 1040 instructions](#) by including a hyperlink to a two page explanatory document (yes indeed, it does look like IRS has been doing a lot of clarifying and explaining recently!).

The money line, in E@lert's humble opinion, is the following:

"Because of the numerous variables, these nationwide averages should not be used by taxpayers or tax professionals as a guide for anticipating the cost or time involved with preparing an individual's tax return."

So, after all the brouhaha, IRS appears to be saying that the tables are not good for anything for which a taxpayer could reasonably want to use them. Very strange... Very strange indeed!

## President's Message

The W2's are finished, the software is loaded and tried out, new staff is in place and trained, update material is handy, organizers are mailed, clients are calling to make appointments, - it looks like a typical January.

Before you get too engrossed with clients get out your calendar and circle **Friday, May 12, 2006**. This is the Solano-Napa Chapter Planning Retreat. It's for everyone in the chapter! Its purpose is to set our goals for 2006-2007 and plan the action steps to accomplish those goals. The day will begin with breakfast at 8:00 and we start working at 9:00. Lunch is provided. The more participation we have the more our chapter can accomplish.

Two more dates to circle are **Feb 28 and March 28**. These are the Tax Panels with Joe Calderaro and chapter EAs. Bring your problems, your unanswered questions, your strange tax situations and hear some expert opinions. The last date to circle is **Tuesday, April 25, 2006**. This will be our annual “**Thank Goodness It's Over**” **Survivor's Luncheon**. This is just for fun, a time to share the good times and bad times of the current tax season.

Eat well, sleep a reasonable amount each night, stop and smell the flowers occasionally, and may your season be prosperous.

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

## 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:

<b>6:00 pm</b>	<b>Attitude adjustment</b>
<b>6:30 pm</b>	<b>Dinner</b>
<b>After dinner</b>	<b>Education</b>

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](mailto: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!) See driving directions insert.

## EDD Grants Extension for Employers Affected by Severe Rainstorms (From: "CSEA Staff")

Employers in 34 California counties directly affected by severe rainstorms in December, 2005 may request up to a 60 day extension of time from the Employment Development Department (EDD) to file their State payroll reports and deposit State payroll taxes without penalty or interest.

The affected counties are: Alameda, Alpine, Amador, Butte, Colusa, Contra Costa, Del Norte, El Dorado, Fresno, Humboldt, Kings, Lake, Lassen, Marin, Mendocino, **Napa**, Nevada, Placer, Plumas, Sacramento, San Joaquin, San Luis Obispo, San Mateo, Santa Cruz, Shasta, Sierra, Siskiyou, **Solano**, Sonoma, Sutter, Trinity, Tulare, Yolo, and Yuba.

This extension, applicable only to the fourth quarter of 2005 and first quarter of 2006, may be granted under Section 1111.5 of the California Unemployment Insurance Code (CUIC). Written requests for extension must be received with a postmark date of March 7, 2006, or earlier.

To request an extension, employers must send a letter along with any late payment or report. The letter must provide detailed information as to why the report or payment could not be submitted timely. The letter should specifically request an extension of time under Section 1111.5 of the CUIC.

Employers should mail the tax return or payment to the address specified on the filing form. If an employer has already been charged a late filing or payment penalty which they believe may qualify for an extension under Section 1111.5, they should send their written request to P.O. Box 826846, MIC 3A, Sacramento, CA 94246-0001.

Further information on this topic is available as follows: Website: [www.edd.ca.gov](http://www.edd.ca.gov) or call the EDD Taxpayer Assistance Center at 888/745-3886.

## Tell us your ethical dilemmas ...

NAEA is already planning the May/June 2006 issue of the EA Journal, which will focus on ethics. Do you have an ethical question that's been troubling you? Something that you weren't sure how to handle? Send us an email at [membership@naeahq.org](mailto:membership@naeahq.org) describing the situation or your question, and we'll try to address it within the Journal. Please don't include private information – we are looking for article ideas, versus offering advice for specific situations.

## Solano-Napa Chapter – Business Continuation Application

The deadline for applications has been extended to February 15, 2006. If you wish to participate, please fill out the application enclosed with this newsletter and mail to Michael Klobas at the address on the application.

## Online EITC Resources Ease Filing

It's easier than ever to determine whether your clients qualify for the Earned Income Tax Credit. Bookmark EITC [Information for Tax Preparers](#) on IRS.gov – your one-stop resource to determine [EITC eligibility](#), ensure your office meets [Due Diligence](#) requirements, market your [EITC services](#), and download [EITC Forms Publications, Brochures and more](#).

Also, Hurricanes Katrina, Wilma, and Rita victims eligible to compute their 2005 EITC based on their larger [2004 earned incomes](#) can immediately access their prior year incomes online. The [EITC Assistant](#) can help determine which year's income will provide the greatest benefit.

## Treasury and IRS Propose Rules Regarding Designated Roth Contributions

Today, the Treasury Department and the IRS issued proposed regulations under sections 402(g), 402A, 403(b), and 408A, regarding designated Roth contributions. Roth contributions were added to the Code by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and are effective for taxable years beginning after December 31, 2005. Designated Roth contributions allow for employees to designate all or a portion of their elective contributions under a section 401(k) plan of a section 403(b) annuity plan as Roth contributions. These contributions would receive tax treatment much like a Roth IRA contribution, meaning that they would be contributed from after-tax income but, later, "qualified distributions" of the contributions plus earnings would be completely tax-free.

# Solano-Napa Officers and Directors

<b>President</b>	<b>Anne Arms, EA</b> 707 644-9016 <a href="mailto:armspna@aol.com">armspna@aol.com</a>	<b>Directors</b>	<b>Phil Correia, EA</b> 707 426-0920 <a href="mailto:pcorreia@sbcglobal.net">pcorreia@sbcglobal.net</a> <b>Matt Jones, EA</b> 707 557-6868 <a href="mailto:mattjones@mattstax.com">mattjones@mattstax.com</a> <b>Mike Klobas, EA</b> 707 449-8146 <a href="mailto:mklobas@pacbell.net">mklobas@pacbell.net</a> <b>Lillian Meyers, EA</b> 707 935-1124 <a href="mailto:lilmeyers@aol.com">lilmeyers@aol.com</a> <b>Sherri Scarrott, EA</b> 707 426-9472 <a href="mailto:eataxldy@pacbell.net">eataxldy@pacbell.net</a> <b>Ken Spingola, EA</b> 707 553-2645 <a href="mailto:kspingola@sbcglobal.net">kspingola@sbcglobal.net</a>
<b>1st Vice President</b>	<b>Alma Guenther, EA</b> 707 643-2226 <a href="mailto:almaea@pacbell.net">almaea@pacbell.net</a>		
<b>Secretary</b>	<b>Louanna Grindle, EA</b> 707 451-7611 <a href="mailto:taxhouse@sbcglobal.net">taxhouse@sbcglobal.net</a>		
<b>Treasurer</b>	<b>Chris Raycraft, EA</b> 707 428-4741 <a href="mailto:craycraftea@sbcglobal.net">craycraftea@sbcglobal.net</a>		
<b>CSEA Director</b>	<b>Alma Guenther, EA</b> 707 643-2226 <a href="mailto:almaea@pacbell.net">almaea@pacbell.net</a>		

**Next Board Meeting: Thursday, January 19, 2006, 4:00 pm at Jack & Linda's Café, Fairfield**

**Solano-Napa Chapter CSEA**  
c/o Matt Jones, EA  
2437 Springs Rd.  
Vallejo, CA 94591-5610

**First Class Mail**

Return Service Requested



## Chapter Committee Chairs

<b>AUDIT</b> Phil Correia, EA 707 426-0920 <a href="mailto:pcorreia@sbcglobal.net">pcorreia@sbcglobal.net</a>	<b>SEMINAR/SITE</b> Sherri Scarrott, EA 707 426-9472 <a href="mailto:eataxldy@pacbell.net">eataxldy@pacbell.net</a>	<b>NOMINATING</b> Peggy Elliott, EA 707 421-8088 <a href="mailto:peggye@aol.com">peggye@aol.com</a>	<b>PUBLIC AWARENESS</b> Lillian Meyers, EA 707 935-1124 <a href="mailto:lilmeyers@aol.com">lilmeyers@aol.com</a>
<b>BYLAWS</b> Kerry Freeman, EA 707 678-4477 <a href="mailto:kerryfreeman@sbcglobal.net">kerryfreeman@sbcglobal.net</a>	<b>BREAKFAST FACILITATOR</b> Mike Klobas, EA 707 449-8146 <a href="mailto:mklobas@pacbell.net">mklobas@pacbell.net</a>	<b>MEMBERSHIP</b> Anne Arms, EA 707 644-9016 <a href="mailto:armspna@aol.com">armspna@aol.com</a>	<b>RESERVATIONS</b> Louanna Grindle, EA 707 451-7611 <a href="mailto:taxhouse@sbcglobal.net">taxhouse@sbcglobal.net</a>
<b>PRAC. DIASTER</b> Mike Klobas, EA 707 449-8146 <a href="mailto:mklobas@pacbell.net">mklobas@pacbell.net</a>	<b>FINANCE &amp; BUDGET</b> Doug Ellis, EA 707 448-1407 <a href="mailto:dellisea@aol.com">dellisea@aol.com</a>	<b>NEWSLETTER</b> Matt Jones, EA 707 557-6838 <a href="mailto:mattjones@mattstax.com">mattjones@mattstax.com</a>	<b>TELEPHONE TREE</b> Anne Arms, EA 707 644-9016 <a href="mailto:armspna@aol.com">armspna@aol.com</a>

### hEArD It Through The Grapevine

Some California Franchise Tax Board News...  
1. Changes in Store for Head of Household (HOH) Filers:  
Rules for using the head of household (HOH) filing status have changed for tax year 2005. **Some of your clients may discover that they are no longer eligible to claim the HOH filing status.**  
California Assembly Bill 115 (Stats. 2005, Ch. 691) conforms California law to Public Law 108-311, the Federal Working Families Tax Relief Act of 2004. The act provides a "uniform definition of a child," which applies to several areas of tax law including the requirements for filing as a head of household.

Newsletter Editor: Matthew J. Jones, EA  
Phone: (707) 557-6838  
Fax: (707) 557-7702  
Address: 2437 Springs Rd., Vallejo, CA 94591-5610  
E-mail: [mattjones@mattstax.com](mailto:mattjones@mattstax.com)

Co-Editor: Alma Guenther, EA  
Phone: (707) 643-2226  
Fax: (707) 643-2222  
Address: 715 Tennessee St., Vallejo, CA 94590-4506  
E-mail: [almaea@pacbell.net](mailto:almaea@pacbell.net)

## 2006 CALENDAR OF EVENTS

	<b>FEBRUARY</b>		<b>JUN</b>
16	<b>Napa Satellite Group, Lunch Meeting</b> Noon to 1:30 pm Topic: discussion of 2005 Tax Issues Elks Lodge, Napa		1-3 <b>Reno Super Seminar, Reno Hilton</b>
28	<b>Solano-Napa Dinner</b> (4 <sup>th</sup> Tue.) 6:00 pm Jonesy's Famous Steak House, Napa IRS Panel, Joe Calderaro		13 <b>Solano-Napa Breakfast</b> (2 <sup>nd</sup> Tue.) 7:30 am Topic: TBA Jack & Linda's Country Café, Fairfield
28	<b>Solano-Napa Dinner</b> (4 <sup>th</sup> Tue.) 6:00 pm Jack & Linda's Country Café, Fairfield IRS Panel, Joe Calderaro		15-17 <b>Hawaii Super Seminar, Hilton Waikoloa</b>
25	Solano-Napa Annual "Thank Goodness It's Over" Luncheon, Noon Jack & Linda's Country Café, Fairfield		27 <b>Solano-Napa Dinner</b> (4 <sup>th</sup> Tue.) 6:00 pm Topic: TBA Jack & Linda's Country Café, Fairfield
12	<b>Solano-Napa Planning Retreat</b> 8:00 am Breakfast, 9:00 am Planning Jack & Linda's Country Café, Fairfield		30 <b>CSEA Presidents Workshop &amp; Leadership Training, Radisson Hotel Sacramento</b>
15-17	<b>Las Vegas Super Seminar, Stardust</b>		<b>JUL</b>
28-30	CSEA Board Meetings in Reno		1-2 CSEA Board Meetings in Sacramento
31	CSEA Annual Meeting in Reno		11 <b>Solano-Napa Breakfast</b> (2 <sup>nd</sup> Tue.) 7:30 am Topic: TBA Jack & Linda's Country Café, Fairfield

**SUMMER MINI SEMINARS - MARK YOUR CALENDARS NOW**  
**FRIDAY 07-21-06 IN FAIRFIELD**  
**FRIDAY 08-18-06 IN FAIRFIELD**  
**SATURDAY 09-16-06 IN NAPA**  
**MORE INFORMATION AFTER TAX SEASON**

## **CSEA State Directors Report January 7 thru 9, 2006**

CSEA is considering that many of the smaller seminar and workshops are better suited for the local level. Chapters wishing to present a CTEC Basic Class, New EA Workshop, Tax Practice Management or Buy/Sell/Merge Your Practice Seminar should contact CSEA for input and guidance.

Action plans for the 2006-2007 year were presented and passed by the Board. The audited financials of 2004-2005 were approved by the Board, as well as the new 5 year contract with the auditing firm, John Waddell and Company.

At the annual meeting in Reno in June of 2006, there will be a By-Laws amendment to be voted on by the membership. Old sections 3.10 to 3.16 have been renumbered and the new section inserted.

**Section 3.10 Honorary Member.** The Board of Directors may confer Honorary Membership on any person by a 75% vote of the Directors. Honorary Members shall have all rights of membership except voting and holding office. Honorary members must abide by all rules in these bylaws except the dual membership requirement in the NAEA bylaws, the dues requirement and the continuing professional education requirement. Nominations for Honorary membership must be made by a minimum of three members from three different Chapters. Nominations shall be presented to the Membership Committee who shall review the nomination for correctness. The chair of the Membership Committee shall present the nomination to the Board of Directors. Section

**Section 13.01 Indemnification:** "To the fullest extent permitted by law, the Society shall" has been replaced with "The Society may, to the extent it deems appropriate and consistent with law"

The June 2007 Annual Meeting will be hosted by Channel Islands Chapter within that chapters boundaries. Channel Islands provide magnificent scenery from the shores of Santa Barbara and Ventura Counties and has a national park that can be visited by boat or plane. Wineries and Golf courses are also in the area. All CSEA members are invited to come and enjoy the Channel Islands area while attending the Annual meeting. Dates are tentatively scheduled for June 20 thru 24, 2007. Golf tournament, workshops and annual meetings are on the 20<sup>th</sup> thru 22<sup>nd</sup> and the Board Meetings on 23<sup>rd</sup> and 24<sup>th</sup>.

Membership Committee received Board approval to present CSEA Membership Pins to each new member upon joining CSEA.

The Nominating Committee has completed their task and chosen the officers elect for fiscal year 2006-2007:

President: Irene Lawrence, Mission  
1<sup>st</sup> VP: Jennifer MacMillan, Channel Islands  
2<sup>nd</sup> VP: William Reilly, Far Northern  
Treasurer: Connie Ferrell, Big Valley  
Secretary: Penny van der Meer, Big Valley

The next meeting of the Napa Satellite Group (formerly CSATP):

DATE: February 16, 2006

TIME: 12Noon to 1:30PM

PLACE: Elks Lodge,  
2840 Soscol Ave.,  
Napa, CA 94558

**SUBJECT: Round Table Discussion of 2005 Tax Issues**

COST: \$12.00

Please make your reservations with Chuck Gravett at 707-258-1030, by February 13<sup>th</sup>, 2006.

The Napa Satellite Group Monthly Meetings are open to all CTEC preparers, EAs, CPAs, Lawyers, Bookkeepers, Payroll Processors and any other interested parties.

For more information contact Don Wulf, EA, at 707-252-0442

**Need help during tax season? Call CSEA and they can direct you to just the right person.**

Catherine A. Apker, CAE  
Executive Vice President  
[capker@csea.org](mailto:capker@csea.org)

Barbara Lund  
Administrative Manager  
[blund@csea.org](mailto:blund@csea.org)

Bronwyn Hughes  
Projects Manager  
[bhughes@csea.org](mailto:bhughes@csea.org)

Karen Clifford  
Finance Coordinator  
[kclifford@csea.org](mailto:kclifford@csea.org)

Michael Bielski  
IT Coordinator  
[mbielski@csea.org](mailto:mbielski@csea.org)

Laurie Cole  
Membership Coordinator  
[lcole@csea.org](mailto:lcole@csea.org)

Clifford Weimer  
Communications Coordinator  
[cweimer@csea.org](mailto:cweimer@csea.org)

Sharry Thao  
Office Assistant  
[sthao@csea.org](mailto:sthao@csea.org)

Michael Luc  
IT Assistant  
[mluc@csea.org](mailto:mluc@csea.org)

Karen Smith  
Administrative Assistant  
[ksmith@csea.org](mailto:ksmith@csea.org)

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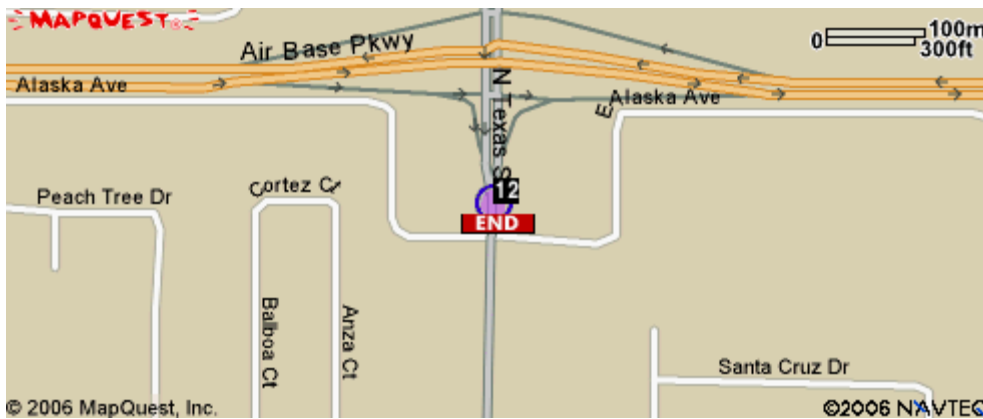
California Society of Enrolled Agents  
3200 Ramos Circle - Sacramento, CA 95827-2513  
800/777-CSEA (2732)  
Ph: 916/366-6646  
Fax: 916/366-6674  
email: [info@csea.org](mailto:info@csea.org)



Sossol Ave becomes Napa Vallejo Hwy/CA-221, travel south. Turn left onto CA-12, travel east (Jameson Canyon Rd.). Merge onto I-80 East.



Travel I-80 East, then merge onto Air Base Pkwy.



Take Air Base Pkwy to North Texas St. ramp toward Business District. Turn right onto North Texas, and then make the next left into a U-turn. Look for Jack & Linda's Markey on right hand side of North Texas, 2390 N. Texas St.

## The latest news on Schedule D transactions for tax season 2005

**This is an update regarding Schedule D-1.** Individual e-file will be issuing a QuickAlert and web updates providing further guidance on e-filing with Schedule D-1 or acceptable substitutes to Form 8453. Basically, these filers will be following the current policy that when a required attachment needs to be submitted with the return, Form 8453 will be the signature document and a PIN signature can NOT be used. A Paper Document Indicator (PDI) for Schedule D-1 or acceptable substitutes will be added to the Summary Record and the ERC 684 will be updated and both items implemented on March 1, 2006.

The Austin Submission Processing Center that receives Forms 8453 with attachments related to e-filed returns was only just recently notified of this change in procedure. They will now accept brokers statements attached to the Forms 8453 in lieu of itemizing transactions on e-filed Schedules D and D-1.

**VERY IMPORTANT NOTE:** The clarification specifies that **ALL transaction information as required on Schedule D must be included either on the Schedules D and D-1 or on an attached statement containing all the same information for each sale in a similar format. These statements must be attached to paper filed returns or to the Form 8453 for e-filed returns.**

This clarification reflects consistency in the filing of both paper filed and e-filed returns beginning with TY 2005.

## Debut of Electronic IRS!!

A new web page is available on [irs.gov](http://irs.gov) that includes all IRS electronic services now branded as "**Electronic IRS**." Visit the [irs.gov](http://irs.gov) Home Page, click on the **Electronic IRS** image, and a page will appear that centralizes all IRS online services. The **Electronic IRS** is a gateway to the many electronic options IRS offers to its customers. This new web page benefits taxpayers and tax professionals and makes it simple to locate the online services and transact electronically with the IRS. With more of our customers filing and paying electronically, it's important that they know how to conduct other online business with the IRS.

Check out the new **Electronic IRS** web page at  
[www.irs.gov/efile/article/0,,id=151880,00.html?portlet=2](http://www.irs.gov/efile/article/0,,id=151880,00.html?portlet=2)

**BUSINESS CONTINUATION SUPPORT GROUP**

I wish to become a member of the Business Continuation Support Group for Solano-Napa Chapter of CSEA. I understand the purpose of this group is to provide short term coverage and an advisory panel in the event of a member's sudden incapacity or death, particularly during a filing season.

**Participating Members Commitment:**

**A. Time:**

A commitment of time for the benefit of a member in need.

**B. Period of Service:**

One month maximum.

**C. Chairman & Committee to coordinate efforts, assess**

and advise member or family or other designated representative.

**D. Compensation:**

Approx. 50% of fee's charged or other agreed upon arrangement.

If processing and packaging provided additional fees may be incurred.

**E. Scope of Services to be provided to Members Clients:**

1) Tax Prep, 2) Correspondence, 3) Extension Workups.

**F. Audit Representation and Collection Case Work @ 100% to Provider of Service.**

**G. Information sheets to be provided containing contact person for family, responsible staff member and tax software package used. Information to be updated annually by January 15<sup>th</sup>, or as necessary due to changes.**

**H. Participation limited to all Members Solano-Napa Chapter of CSEA and CSEA Members within the geographical area of Solano Napa Chapter.**

**I. Payment for services to be made within 15 days of client pick up.**

**Applicants Signature: \_\_\_\_\_ Date \_\_\_\_\_**

**PRINT NAME: \_\_\_\_\_**

**For questions or a need of services contact any of the following:**

**Michael Klobas, EA**  
190 S Orchard Ave, Ste A-205  
Vacaville, CA 95688  
707-449-8146  
[mklobas@pacbell.net](mailto:mklobas@pacbell.net)

**Jerry Pusateri, EA**  
1225 Travis Blvd., Ste C  
Fairfield, CA 94533  
707-426-4396  
[untaxit@pacbell.net](mailto:untaxit@pacbell.net)

**Peggy Elliott, EA**  
1319 Travis Blvd., Ste F  
Fairfield, CA 94533  
707-421-8088  
[peggye@aol.com](mailto:peggye@aol.com)

**Jane Ferdon**  
Fairfield, CA  
707-342-0245  
[jferdon@aol.com](mailto:jferdon@aol.com)