



SOLANO-NAPA NEWS

CALIFORNIA SOCIETY OF ENROLLED AGENTS



"WE SPEAK TAX" - the Tax Professionals

Volume II, Number 8

October 2006

Chapter Board and Dinner Meeting

What do you mean, **"What's my basis?"** And why do you need to know anyway? Presented by Philip Fiegler, **EA** and Jerry Pusateri, **EA**.

The points to be covered will include:

- How do we determine basis for the different ways we acquire property? (Purchase, conversion, gift, inheritance)
- What effect does basis have on the potential gain upon sale of property?
- How do we determine basis when basis information does not exist?

Thursday, October 24, 2006. Jack & Linda's Country Café, 2390 N Texas St, Fairfield.

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 other locations in the Solano-Napa area.

Breakfast Meetings – 8:00 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 Tereza Avalos, **EA**, fax (707) 678-1144 or email: tereza@tabertax.com 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.

Napa Satellite Group Luncheons

Napa Satellite Group meets on the **third Thursday** of each month. These luncheons are at the Napa Elks Club, 2840 Soscol Ave., Napa. Meetings start at the 12:30 pm.

Lunch Meeting – 12:30 pm to 2:00 pm

Invitation is open. **Cost is \$14.** For reservations, contact Chuck Gravett's office at (707) 258-1030 and RSVP with his secretary. Make checks payable to Linda Luchsinger.

Jerry Pusateri, **EA** is available for car pool from Fairfield.

President's Message

September went out in a flurry of activity. IRS Townhall Meeting took place in Stockton on September 21 and the State Liaison Meeting was in Sacramento the next day. That weekend had several of us stay over and attend the CSEA State Committee and Board Meetings in Sacramento. At the CSEA Board Dinner on Saturday night, we were presented our **Chapter of the Year Banner!** Those who attended the September chapter meeting got to see it for the first time. We will be **proudly** displaying it at all our functions.

Do not forget about the Brass Tax Updates in November and December. The registration deadline is October 31. Fax, email or snail-mail me your registration information. I need your name, address, phone number, designation and designation number and, most important, the date and location you want to attend. See the **BRASS TAX GROUP PROGRAM** notice in this newsletter. If you are paying by credit card be sure to clearly write your number, expiration date and the name as it appears on the card. Checks should be made payable to Solano-Napa Chapter CSEA. Mail to 715 Tennessee St, Vallejo CA 94591, or Fax to 707-643-2222 or email me at almaea@pacbell.net.

Our next two dinner meetings will have two hours of CPE. The October meeting will be in Fairfield, with Phil Fiegler, **EA** and Jerry Pusateri, **EA** covering *Basis*. November meeting will be in Napa and the topic will be *Ethics* presented by Stewart Burch, **EA**. The December meeting will be our Holiday Party and will be on Tuesday December 12th. Mark your calendars for these dates, times and locations. We would hate for anyone to miss out because they arrived at the wrong place at the wrong time.

Alma Guenther, **EA**, President
Solano-Napa Chapter, CSEA

CSEA'S NEWEST CHAPTER
SOLANO-NAPA CHAPTER

INTRODUCES THE 2nd ANNUAL

Solano-Napa Special Summer Mini Seminars

October 20, 2006, 9:00 am to 1:00 pm

SCHEDULE A: RENEW NOT REVIEW

Tips & Tricks for Working Smarter not Harder,
Appearing More Knowledgeable & Generating Increased Fees.

Presented By Gerald Pusateri, EA

Registration Fee: \$85
Includes Continental Breakfast

All seminars at
Jack & Linda's Country Café, 2390 N Texas Street, Fairfield, CA 94533

Registration Form on Next Page

For more information contact: Anne Arms, 707-644-9016 or ArmsPnA@aol.com

Mini-Seminar Session
3 Still Available.
At regular prices.

SOLANO-NAPA CHAPTER

PRESENTS
2nd Annual
**SPECIAL SUMMER
MINI SEMINARS**

9:00 am to 1:00 pm

Jack & Linda's Country Cafe
2390 N Texas Street
Fairfield, CA 94533
(707) 425-1442

Continental Breakfast
Included

Deadline: Friday prior to event

Special price for all three sessions!

1 Session **\$80**

2 Sessions **\$140**

3 Sessions **\$199**

**After deadline
price will be \$85 per session**

Special Pricing Deadline is
August 11, 2006

Registration Form

Name: _____

Address: _____

Tel: _____

Fax: _____

Email: _____

Circle number of sessions

1	2	3
\$80	\$140	\$199

Circle session(s) of choice

A B C

Credit Card: MC Visa Am Express

Card #: _____

Exp. Date: _____

Signature: _____

Mail or fax form to:

Alma Guenther, EA
Fax: (707) 643-2222
715 Tennessee Street
Vallejo, CA 94590

Questions:

Contact Anne Arms, EA
Ph: (707) 644-9016
Email: ArmsPnA@aol.com
Alma Guenther, EA
Ph: (707) 643-2226
Email: almaea@pacbell.net

BRASS TAX GROUP PROGRAM

Education for you and **\$\$\$CASH\$\$\$** for our Chapter!

This program provides an opportunity for the Chapter to raise funds while its members obtain quality CPE credits presented by renowned instructors, David Gorsich, **EA** and Michael Karll, **EA** of Brass Tax PresentationsTM. Here's how it works. We get 10 or more members to register for either of the presentations, Brass Tax will give back to the Chapter \$25 for each registered member. Wow, that's a great way for us to get some cash into the treasury and get quality education at the same time!! What's even better, we do not have to register for or attend at the same location. We just need 10 or more to commit to register. The following details the official rules to qualify:

Our Chapter will charge \$150 per attendee, the regular early bird registration fee. The Chapter would then send to Brass Tax only \$125 per attendee and keep \$25 per attendee as a referral fee. Again, we must have 10 or more registered attendees. All attendees must be listed on one roster with name, address, phone number and certificate or registration number and location; however, all do not have to attend at the same location.

Early Bird Registration is October 31 for the Update Program in November/December. Make your check payable to the Chapter. You can find the dates and locations at the following link, [Brass Tax--Education for the Tax Professional](#).

If you have attended presentations given by David and Michael before, then you know the show; however, if you have not, then you will be in for a real treat while obtaining quality CPE. So, let's all get together and go. What a deal. Eight (8) hours of quality CPE at an affordable price made even more affordable because we get to keep some cash for our Chapter. Let's Go!!

From CSEA e-mail Alert:

Senator Figueroa's office heard CSEA, "the voice for all EAs in California", loud and clear and on August 24, 2006, **SB 1550** (Figueroa) was amended to exempt Enrolled Agents from the professional fiduciary licensing provisions outlined in **SB 1550**.

SB 1550 is part of a four-bill package intended to address deficiencies in California's conservatorship system. The bill, if signed into law, would create the Professional Fiduciaries Bureau and would require the Bureau to license and regulate professional fiduciaries. **SB 1550** would require a person acting or holding himself or herself out as a professional fiduciary (as defined in Article 1 of the bill) to be licensed as a professional fiduciary and would require a licensee to meet certain other requirements, including: filing an application for licensure signed under penalty of perjury, passing a licensing examination, payment of licensing fees set by the Bureau, submission of fingerprints for a criminal background check, and annually filing a statement containing specified information under penalty of perjury.

Thanks to the hard work and diligence of your CSEA Legislative Committee, Advocate, and staff, **EAs** are exempted from the professional fiduciary licensing requirements outlined in **SB 1550**. (CPAs, and Attorneys are also exempted from the requirements). CSEA is the strongest voice **EAs** have in the California Legislature. Advocacy is the cornerstone to protecting your rights to practice in California and it does not happen without the support of Members. The CSEA's Legislative Action Fund (LAF) needs your help!

If you have any questions or concerns, please contact Bronwyn Hughes, CSEA Staff, 800/777-2732, or bhughes@csea.org.

IRS Townhall Meeting Notes:

IRS Townhall Meeting covered examinations, collection due process, money laundering prevention, proper use of ITINs and Taxpayer Advocate dealt with most litigated tax issues. Audit focus will be high income taxpayers, tax gap and ongoing projects: S Corporations, Abusive Transactions, High Income Non-Fileers, High Income Taxpayer Strategy and Unreported Income. IRS has hired 300 additional auditors and 75 Tax Compliance Offices in fiscal year 2006.

The 10 most litigated issues are: 1) Collection Due Process, 2) Gross Income, 3) Failure to File Penalty, 4) Trade or Business, 5) Frivolous Penalty, 6) Negligence Penalty, 7) Family Status, 8) Relief from Joint & Several Liability, 9) Summons Enforcement and 10) Trust Fund Recovery. More audits will mean more enforcement and more litigation. IRS Taxpayer Advocate Joe Benton wants to know of any systemic problems. These can be reported at the IRS website www.irs.gov/advocate or email him at Joe.Benton@irs.gov. Be sure to put in the subject box, Important-Help!

IRS has a very detailed publication 1915 that has all you will need to understand about ITINs. For those who want to become IRS Acceptance Agents, Form 13551 is available. If you deal with undocumented aliens, it is important to be familiar with W-7s and the ITIN process.

If you have any clients that are in the check cashing business or if they cash checks for their customers, then you need to know about the required registration of Money Services business. There are heavy penalties for non-compliance (\$5000 per day). These businesses must also file Suspicious Activity Reports (SAR). If you have questions on this go to the IRS website or contact Teri Malone who is our area Bank Secrecy Act Specialist, terri.malone@irs.gov.

State Liaison Meeting Notes:

We now have a joint offer and compromise form that is accepted by EDD, FTB and BOE. One must still negotiate with each department, but at least there is one uniform application.

The annual report on the Underground Strike Task Force is online at EDD's website. They also have a brochure regarding the underground economy. The industries affected are: Agricultural, Construction, Janitorial, Car Wash and Restaurants.

The FTB reviews approximately 5000 S Corporations each year and the audit staff is currently reviewing 2003 and 2004 returns. The systemic problems or trends that practitioners need to be aware of are: Built in gains tax, Abusive tax schemes, layering of entities to avoid tax, Installment sales, Shareholder basis, Tax Gap, K1 flow thru and Research credit.

Effective January 1, 2006, check cashing businesses have a requirement to complete an annual information return, but the form is not yet available. Information is flowing

between the IRS and FTB. IRS is looking at issues of checks and money orders and FTB is looking at cashing checks. The state is looking for individuals who cash checks to avoid reporting all their income.

The legislature has been busy and there are several enrolled and chaptered bills that are of interest. A complete listing is available at www.ftb.ca.gov under Law and Legislation. **AB2341** eliminates the tax clearance certificate requirement for all business entities other than partnerships and limited partnership. The new process provided that the minimum franchise tax or annual tax will not be assessed for a taxable year if certain conditions are met. **AB2962** will reduce over-withholding on real property sales by allowing a seller of California real estate to elect to withhold 3 1/3% of the sales price or the maximum tax rate of the gain on the sale. The FTB website has a calculation available. **SB1827** requires registered domestic partners to file personal income tax returns as either married filing joint or married filing separate. **AB2439** requires FTB to allow taxpayers the option of splitting a tax refund made by direct deposit into more than one account.

IRS NEWS (From NAEA)

IRS Proposes Increasing EA User Fees... Treasury on Monday issued a [proposed regulation](#) increasing the user fees IRS charges on the Special Enrollment Examination, the application to become an enrolled agent, and the application for renewal of enrollment. The proposed SEE user fee is \$11/exam section and applies in addition to the \$86/section fee Thomson Prometric is charging prospective **EAs**. The proposed application and renewal fees are \$125, up from \$80. NAEA is reviewing the proposal and will be providing comments to IRS. Should you be interested in providing comments, you may do so [here](#). The proposed increases will not take effect until after IRS and Treasury issue final regulations.

...and Installment Agreement (AI) User Fees, Too

On Tuesday Treasury issued [proposed regs](#) to increase installment agreement user fees. The fees, which have not been changed since IA fees were instituted in 1995, are to move from the current \$43 to \$105 for entering into an installment and from the current \$24 to \$45 for restructuring or reinstating an IA. Interestingly, IRS is proposing to roughly halve the fee for those who use direct debit when entering into a new IA. Those taxpayers will be charged \$52 rather than \$105. The proposed reg states that IRS obtained a waiver to charge taxpayers less than the required full cost recovery. The new fees will be effective 30 days after the final regs are published.

IRS Announces Standard Amounts for Telephone Tax Refunds

IR-2006-137, Aug. 31, 2006

WASHINGTON — The Internal Revenue Service today announced the standard amounts that most long-distance customers can use to figure their telephone tax refund. These amounts, which range from \$30 to \$60, will enable millions of individual taxpayers to request the telephone tax refund without having to dig through old phone bills. In general, anyone who paid the long-distance telephone tax will get the refund on their 2006 federal income tax return. This includes individuals, businesses and nonprofit organizations. The 2006 return is usually filed during 2007.

The standard amounts are based on the total number of exemptions claimed on the 2006 federal income tax return. The standard amounts are \$30 for a person filing a return with one exemption, \$40 for two exemptions, \$50 for three exemptions and \$60 for four or more exemptions. For example, a married couple filing a joint return with two dependent children (for a total of four exemptions) will be eligible for the maximum standard amount of \$60.

"The easiest way for eligible taxpayers to get their money back is to use the standard amounts," said IRS Commissioner Mark W. Everson. "These amounts save taxpayers from locating 41 months of old phone bills and analyzing these bills to determine the taxes paid. We believe the standard amounts are both reasonable and fair."

To get the standard amount, eligible taxpayers only need to fill out one additional line on their regular 2006 return. The IRS is creating a special short form (Form 1040EZ-T) for those who don't need to file a regular return. The standard amounts are based on actual telephone usage data, and the standard amount applicable to a family or other household reflects the long-distance phone tax paid by similarly sized families or households. Those who paid the long-distance tax on service billed after Feb. 28, 2003 and before Aug. 1, 2006 are eligible for a refund.

Only individuals can use the standard amounts. Alternatively, individual taxpayers can choose to figure their refund using the actual amount of tax paid.

Details on requesting the telephone tax refund will be included in all 2006 tax return materials and on irs.gov. Though businesses and nonprofits must base their telephone tax refund on the actual amount of tax paid, the IRS is looking for ways to make the refund process easier for these taxpayers. The IRS is considering an estimation method businesses and nonprofits may use for figuring the tax paid.

"Businesses and nonprofits generally have more varied usage patterns than individuals do," Everson said. "We've met with a number of business and nonprofit groups to understand their concerns, and we plan to continue to work with them to come up with a reasonable method for estimating telephone excise tax refund amounts."

NAEA Political Action Committee —a primer

Did you know NAEA has a PAC? Do you know what a PAC is? If the answer to either of these questions is no, then you're not alone and you've come to the right place to find out.

Earlier this year, NAEA started a Political Action Committee (PAC) in order to contribute to federal election campaigns. Because federal law prohibits member organizations (like NAEA) from making direct contributions, PACs were created for association members to pool financial resources and collectively support candidates who share their positions on critical issues.

NAEA started a PAC to help elect to the U.S. House and U.S. Senate candidates who support policies that are favorable toward enrolled agents. With a completely non-partisan approach, NAEA PAC will work with both Democrats *and* Republicans, giving enrolled agents another voice in Washington, DC.

The PAC is administered by NAEA staff and its operations are overseen by a PAC Steering Committee, made up of five NAEA members. Disbursements to candidates are made based on a stringent set of criteria and must be approved by the Steering Committee. In a nutshell, NAEA PAC intends to support incumbent members of Congress who sit on the tax-writing committees.

Since March, NAEA PAC has raised over \$13,000 from over 120 NAEA members. The Steering Committee has approved the first two disbursements, which will be made prior to this November's elections. For more information about NAEA PAC, please visit www.naea.org

Solano-Napa Officers and Directors

President	Alma Guenther, EA 707 643-2226 almaea@pacbell.net	Directors	Phil Correia, EA 707 426-0920 pcorreia@sbcglobal.net
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hEArD It Through The Grapevine

Solano County CPA firm seeks experienced **EA** for seasonal individual tax preparation and review work. Lacerte experience a must. Annual recurring engagement opportunity for the right person. Excellent compensation program. Send resume or summary of qualifications to:

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First Class Mail

Return Service Requested



2006-2007 CALENDAR OF EVENTS

OCT

- 04 CSEA Audio Tax – Trusts and Estates Series
Register at www.csea.org/events, 11am
- 10 Solano-Napa Breakfast (2nd Tue.) 8:00 am
Jack & Linda's Country Café, Fairfield
Topic: **Divorce**
- 18 CSEA Audio Tax – Trusts and Estates Series
Register at www.csea.org/events, 11am
- 19 Napa Satellite Group, Lunch Meeting, Napa
Elks Club, 2840 Soscol Ave, Napa, 12:30 pm
- 20 **Solano-Napa Special Summer Mini Seminar**
Topic: Schedule A: Renew Not Review,
9:00am – 1:00pm, Jack & Linda's Country
Café, Fairfield
- 20 CSEA New EA Workshop, Laguna Niguel, CA
Register at www.csea.org/events
- 24 Solano-Napa Board Meeting, 4:00 pm
Jack & Linda's Country Café, Fairfield
- 24 Solano-Napa Dinner (4th Tue.) 6:00 pm Topic:
What do you mean, **"What's my basis?"**
Jack & Linda's Country Café, Fairfield
- 27 CSEA New EA Workshop, San Francisco, 9:00
am-4:00pm, Register at www.csea.org/events

NOV

- 01 CSEA Audio Tax – Trusts and Estates Series
Register at www.csea.org/events, 11am

- 14 Solano-Napa Breakfast (2nd Tue.) 8:00 am
Jack & Linda's Country Café, Fairfield
Topic: **What do you do when client does not**
report all income?
- 16 Napa Satellite Group, Lunch Meeting, Napa Elks
Club, 2840 Soscol Ave, Napa, 12:30 pm
- 28 Solano-Napa Board Meeting, **2:00 pm**
Napa Elks Club, 2840 Soscol Ave., Napa
- 28 Solano-Napa Dinner (4th Tue.) 4:00 pm Topic:
Ethics
Napa Elks Club, 2840 Soscol Ave., Napa
- DEC**
- 12 Solano-Napa Breakfast (2nd Tue.) 8:00 am
Jack & Linda's Country Café, Fairfield
Topic: **What do you do when client**
improperly classifies independent contractor?
- 12 Solano-Napa Board Meeting, 4:00 pm
Jack & Linda's Country Café, Fairfield
- 12 Solano-Napa **Holiday Party and Special**
Meeting
6:00 pm, Jack & Linda's Country Café, Fairfield
- JAN**
- 09 Solano-Napa Breakfast (2nd Tue.) 8:00 am
Jack & Linda's Country Café, Fairfield
Topic: **What do you do when client is audited?**
- 23 Solano-Napa Board Meeting, 4:00pm