



California Society of Enrolled Agents
Solano-Napa Chapter

Solano-Napa News

Enrolled Agents – The Tax Professionals

January 2012
Volume VII, Number 7

PRESIDENT'S MESSAGE

By the time you read this message, it will be 'the new year'. And just around the corner we get to have some fun again, meeting with old friends (clients) to help them put some figures on sheets of paper which will be submitted to two or more beloved tax agencies whom look forward to receiving them especially if money is to be received. Before that we get to help other friends (clients) submitting to other extremely pleasant tax agencies the fruits of their labors working for employers or working for themselves. Beginning January 1 the fun begins!

The Solano/Napa Chapter had great attendance at their Christmas party on December 13th and I believe all enjoyed it. The murder mystery, "Who Shot Don Santaclausio" was received by all as a lot of fun. We thank you Jerry Pusateri, the Producer. The happy hour was very enjoyable and the dinner was excellent. Those of you not in attendance missed a very good time.

On January 19th the Chapter is presenting a full day seminar 'Tax Law Update for CA Tax Professional'. It is a Federal/California tax update for the 2011 tax return filing season with speaker Vicki Mulak who is a well-known tax law seminar speaker. If you have not attended an update seminar, do not miss this one. Sign up through 123Signup.

The Internal Revenue Service is conducting a return preparer compliance campaign by mailing out 21,000 "reminder" letters to return preparers nationwide and there will be 2,100 in-person follow-up visits starting in November, 2011 through April 15, 2012. The letters were sent to a pool of paid preparers who completed a large volume of tax returns with Form 1040 Schedules A, C, and E. Preparers selected had a high percentage of attributes that typically indicate errors (inaccuracies and misinterpretations of tax law) on these schedules, which were filed during the last tax-filing season. Preparers may rely in good faith on information furnished by the client without verification, but must make reasonable inquiries if the information appears to be incorrect, inconsistent with an important fact or another factual assumption, or incomplete. The preparer must make appropriate inquiries to determine the existence of facts and circumstances

required as a condition for claiming a deduction or credit.

For the 2,100 visits, the IRS requests that the return preparer have available the tax forms that he/she prepared in 2011 and all relevant documents, including worksheets, interview notes, correspondence, and a copy of the returns prepared for clients. If the preparer is an Electronic Return Originator, e-file transmission documents should also be made available. The purpose of these visits is to confirm that preparers are complying with current preparer requirements, including maintenance of records and signing and furnishing of PTINs on the tax returns they prepare, and to provide information on new preparer requirements effective for the 2012 filing season. If violations are found, the revenue agent may, with managerial approval, propose appropriate penalties.

Have any of you received these letters? I am aware of two members of the Solano/Napa Chapter who have received a letter. Receiving a letter doesn't mean that you are in trouble with the IRS. The IRS admits that its computer filters for identifying problem returns could use some fine-tuning. Thus, many honest preparers ended up getting notices. The IRS hopes to be able to target the visits to true problem preparers.

Don Wulf, EA



**OUR NEXT NEWSLETTER
WILL BE IN APRIL...AFTER
TAX SEASON!**



NEWS FROM THE IRS

New FUTA Rates for California Employers



California was included on the Department of Labor's list of Credit-Reduction States, which means the FUTA rate will increase.

The standard FUTA (Federal Unemployment Tax Act) is 6.0% on the first \$7,000 of wages. Employers in most states receive a credit of 5.4% against that rate resulting in a rate of 0.6%. However, some states have outstanding FUTA loans, loans taken during periods of extended high unemployment. Consequently, these states have their FUTA credit reduced for 2011 as a way to recover the funds owed and start repaying the loans. That means a higher FUTA tax rate for 2011.

A total of 20 states, including California, will have their credit reduced for 2011. California's credit is reduced from 5.4% to 5.1%, making the new FUTA rate for California 0.9%. Employers in credit reduction states must use Schedule A of Form 940 to compute their FUTA tax.

The 0.2% FUTA surtax expired on 6/30/2011, resulting in split year rates. The IRS has not yet issued guidance on how the split year rates will affect the credit reduction calculations. They have created a page on their website for information about Form 940. Future developments, such as legislation, will

EITC Due Diligence Penalty Increasing

Starting January 1, 2012, the penalty increases to **\$500 per return** for failure to comply with due diligence requirements for the Earned Income Tax Credit (EITC). There are four due diligence requirements:

1. **Complete the eligibility checklist** (Form 8867)
2. **Keep the worksheet showing how the credit is computed.**
3. **Know the law** and use your knowledge of the law to ensure you are asking your clients the right questions to get all the relevant facts.
4. **Record retention** – Keep Form 8867, worksheets, records of questions you asked the taxpayer and other verification documents on file for three years.

The IRS has proposed changes to the due diligence requirements that will affect all EITC claims filed after **Dec. 31, 2011**.

Take advantage of **IRS tools** to assist you in complying with the EITC due diligence requirements, including a [Due Diligence brochure](#), online [Tax Preparer Toolkit](#), and [EITC Due Diligence Training Module](#).



IRS Announces 2012 Mileage Rates

The Internal Revenue Service issued the 2012 optional standard mileage rates used to calculate the deductible costs of operating and automobile for business, charitable, medical or moving purposes.

Beginning on January 1, 2012, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 55.5 cents per mile for business miles driven
- 23 cents per mile for driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations
- 23 cents per mile for depreciation of a vehicle owned by the taxpayer for which the standard business rate was used

Taxpayers using the standard mileage rates must comply with [Rev. Proc. 2010-51](#).

[Notice 2012-01](#) contains the standard mileage rates, the amount a taxpayer must use in calculating reductions to basis for depreciation taken under the business standard mileage rate and the maximum standard automobile cost that a taxpayer may use in computing the allowance under a fixed and variable rate plan.

Filing Deadline Extended for Some Tax-Exempt Organizations

The Internal Revenue Service [announced](#) that tax-exempt organizations with January and February filing due dates will have until March 30, 2012, to file their annual returns.

Revised Publication 557 Now Available

An updated edition of the popular IRS Publication 557, [Tax-Exempt Status for Your Organization](#) is now available on [IRS.gov](#). Be sure to check out What's New and Reminder sections. Publication 557 provides an overview of the rules and procedures that apply to organizations that seek recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code.

Chapter News...



Don Wulf, EA (President), Pat Zimmerman and Patti Evans, EA. Great job in the skit!



Jerry Pusateri, EA (Vice-President) Thank you for hosting the skit!

Many thanks to all who came out and participated in our Annual Chapter Christmas Party!



Matt Jones, EA and wife Joan looking festive in their holiday attire.

Speakers Sought for Annual Meeting

Are you an experienced tax professional who would like an opportunity to share your ideas and best practices with your peers? If so, the 36th Annual Meeting could be the ideal venue for your presentation. CSEA is seeking speakers who are experienced and comfortable in front of small to medium sized groups, and who desire to partner with CSEA to deliver practical, helpful, real-world information to attendees. Click here for more information or to download the Speaker Proposal Form. Forms must be returned by January 9, 2012.



SAVE THE DATE.....

Annual Chapter Planning Retreat

May 18, 2012 9 to 2pm
Location to be announced

Continuing Education for Tax Professionals

IRS oversees continuing education requirements and the approval of CE providers for three categories of tax professionals:

- **Enrolled Agents**
 - 72 hours every three years
 - A minimum of 16 hours and 2 hours of ethics per year
- **Enrolled Retirement Plan Agents**
 - 72 hours every three years
 - A minimum of 16 hours and 2 hours of ethics per year
- **Registered Tax Return Preparers (coming soon)**
 - 15 hours per year
 - 2 hours of ethics
 - 3 hours of federal tax law updates
 - 10 hours general federal tax law

All courses must be obtained from IRS-approved CE Providers. For more information, go to:
<http://www.irs.gov/taxpros/article/0,,id=245499,00.html>

Chapter Meetings & Programs

Solano-Napa EAs generally meet on the second and fourth Tuesdays of each month to share information with other EAs and tax professionals. Check the Calendar of Events and the front page of the newsletter each month for changes in dates, locations and details, and for special program announcements.

Breakfast Meetings (7:30 am – 8:30 am)

On the second Tuesday of each month we meet for breakfast. The purpose of this meeting is to share information on a tough tax situation you may have and to share knowledge and experience with each other. All attendees are encouraged to participate. You pay for your breakfast and no registration is required. These meetings are currently held at Jack & Linda's Café, 2390 N. Texas, Fairfield.

Dinner Meetings (6:00pm attitude adjustment; 6:30pm dinner followed by an education presentation)

On the fourth Tuesday of each month we have dinner meetings with a speaker on a topic for continuing education, including practice management, legislative or other issues pertinent to our profession. Cost is \$35 for members and their staff, \$40 for non-members, who attend any portion of the meeting. There is a \$5 discount if your reservations are made timely by midnight the preceding Tuesday. Reservations are to be made through the 123signup online service. The deadline to sign up through 123 is midnight Monday before the meeting. There is a \$5 surcharge for anyone not signed up but showing up and paying at the door. Meetings held at The Rockville Inn, 4163 Suisun Valley Rd., Fairfield.

Napa Satellite Group Luncheons (12:30 pm to 2:00 pm)

The Napa Satellite Group meets on the third Thursday of each month. These informal luncheons are at the Napa Elks Club, 2840 Soscol Ave., Napa. The cost is \$18. For reservations contact Gay McGreal at Chuck Gravett's office (mcgreal320@comcast.net or 707-258-1030). Make checks payable to Linda Luchsinger.

2012 Calendar of Events

January

- 10 - Solano-Napa Breakfast Meeting – Jack & Linda's Country Café
- 19 - Napa Satellite Group Lunch Meeting – Napa Elks Club
- 19 – "Federal and California Update" Seminar with Vicki Mulak, Rockville Inn, 4163 Suisun Valley Rd., Fairfield
- 24 – Board Meeting – Rockville Inn
- 24 – Dinner Meeting *California Update and News with Steve Sims, Ca Taxpayer Advocate*, Rockville Inn

February

- 14 - Solano-Napa Breakfast Meeting – Jack & Linda's Country Café
- 16 - Napa Satellite Group Lunch Meeting – Napa Elks Club
- 28 - NO BOARD MEETING
- 28 - Dinner Meeting: *Tax Season Problems Tax Panel Part 1 of 2 - No CPE.* Rockville Inn

March

- 13 -Solano-Napa Breakfast Meeting – Jack & Linda's Country Café
- 15 -Napa Satellite Group Lunch Meeting – Napa Elks Club
- 27 -NO BOARD MEETING
- 27 -Dinner Meeting: *Tax Season Problems Tax Panel Part 2 of 2*

April

- 10 -Solano-Napa Breakfast Meeting – Jack & Linda's Country Café
- 19 -Napa Satellite Group Lunch Meeting – Napa Elks Club
- 24 -Board Meeting, Location TBA
- 24 -Dinner Meeting: "TGIO Party", Location TBA

Solano-Napa Officers and Directors

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***The Tax
Professionals***

We're on the Web!

See us at:

www.solanonapa-ea.org

Tax Law Update for the CA Tax Professional

**Thursday, January 19, 2012 8:00am – 5:00 pm. Registration begins @ 7:30 am
Rockville Inn, 4163 Suisun Valley Road, Fairfield. 8 Hours of CPE**



Vicki Mulak, EA, CFP® is a well-known tax law update and business entity presenter for NAEA, CSEA, CSTC and Best of the West. She is an editor of PPC's Accounting QuickFinder. In 2011, she was recipient of CSEA's "Distinguished Service Award" and in 2006, the "Thomas P Hess Award". In 1996 she was named SBA's "Accountant Advocate of the Year". She serves on California's FTB and EDD advisory committees and testifies on California legislation. Since 1986, her Tustin, CA practice, American Financial and Tax, has specialized in both individual and small business tax preparation and planning.

This session will contrast and compare various aspects of federal and California tax law, as it highlights the most important changes for 2011. The comprehensive coverage of federal and California legislation, including conformity and nonconformity issues is information you will find essential for the upcoming filing season.

The Learning Objectives of this course will be:

1. To refresh the California tax professional on new and existing federal and state tax law in readiness for the 2012 filing season.
2. To update the tax professional and other items of interest affecting interaction with tax agencies.
3. To contrast and compare important tax law affecting the preparation of accurate federal and California tax returns.

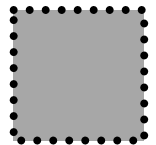
To register, [CLICK HERE](#).

QuickBooks Accountant 2012

Good News for those who use QuickBooks 2012 Accountant Edition – there is now a new feature that allows those using the Accountant 2012 and Enterprise Accountant 2012 versions to make a period copy of data. We can now make a period copy of the data between any date range chosen. For example, if you are being audited for 2011 you can now do a period copy of Jan 1, 2011 thru Dec 31, 2011 and it will get rid of all data before and after this date range – giving the agency only information pertaining to the audit period. There are also a bunch of other great new features in these editions of QuickBooks.



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TO: