



SOLANO-NAPA NEWS

CALIFORNIA SOCIETY OF ENROLLED AGENTS



Volume V, Number 8

The Tax Professionals

February 2010

President's Message

As we head into another tax season, I just wanted to wish everyone well. I know this will be another challenging year for us as tax professionals. I'm already hearing advertisements for \$39 1040 2EZs, but those are generally not the EAs' focus.

With new preparer regulations having been announced at the beginning of January 2010, I hope to see a new taxpayer awareness awakening, and our phones will be ringing with questions asking about credentials, education, etc. CSEA is hoping that the new regulations will see an increase in Professional Associate memberships and, to that end, is offering a special introductory membership fee of \$95 for this year! As you talk to California Tax Education Council registered preparers, be sure to let them know that, as EAs, we are committed to help them meet the requirements of the new registration (whatever they will be whenever they are announced) and we would love for them to become EAs.

And so it begins many happy returns to you and yours!

Sherri Scarrott, EA

Two BrEAKfast Meetings this Month

Tue, Feb 9 and Feb 16 at 7:30 am

at Jack & Linda's Country Café, Fairfield

Napa Satellite Group Lunch Meeting

Thursday, February 18 at 12:30 pm

at Napa Elks Club, 2840 Soscol Ave, Napa

CSEA Scholarships

Help spread the word about the CSEA Scholarship Fund. One of our Chapter members, Tracy Camera, was awarded a CSEA Scholarship in December to study for the EA exam. We wish her well and hope her membership will be upgraded to the EA status soon. EAs and non-EAs are eligible to apply: [CSEA Foundation Scholarships](#)

WHAT'S UP THIS MONTH?

Tuesday, February 23

Tax Season Problems

Roundtable with Moderator

Jerry Pusateri, EA

(1 Hr CPE)

Please submit questions/problems in writing to Jerry Pusateri at untaxit@pacbell.net as much ahead of time as you possibly can, but definitely no later than the evening before the meeting. (We cannot get CPE credit without written questions.) Jot down your challenging tax problems as they come up. Remember, even if you do know the answer, someone else might benefit hearing about it. That is what the evening is all about – sharing experience and knowledge.

6:00 pm social gathering – 6:30 pm dinner

Napa Elks Club

2840 Soscol Ave, Napa

Please make your reservations online at:

<https://www.123signup.com/calendar?Org=SCC>

**A second Tax Season Roundtable
is scheduled for
March 23 in Fairfield
at Jack & Linda's Country Café**

Guiding Thought for the Tax Season:

Are those difficult clients really worth risking my health? Maybe it's better to discontinue the business relationship NOW.

Items from the Tax “Goodie” Bag:

Assisting Clients with Economic Recovery Payment Issues

The [Economic Recovery Payment](#) reduces any [Making Work Pay Tax Credit](#) for which a taxpayer may qualify. The problem is that some clients may not remember whether or not they received the payment. The following agencies should be able to help:

- [Social Security Administration](#) - 800-772-1213
- [Veterans Administration](#) - 800-827-1000
- [Railroad Retirement Board](#)

These agencies generally will not provide the verification to a return preparer who calls the agency independently. Their policies are similar to IRS. Information is available to a third party representative only if that individual is formally authorized to represent the taxpayer with the agency.

The Homebuyer Credit

The IRS has released the new [Form 5405](#) and [instructions](#) that eligible homebuyers need to claim the first-time homebuyer credit this tax season, and announced that processing of those tax returns will begin in mid-February. The new form requires attachment of the Settlement Statement and related documents to the tax return.

Nurse Wins Tuition Deduction Battle against IRS

A recent [ruling](#) in tax court has allowed for Lori Singleton-Clarke’s M.B.A tuition deduction from her 2005 tax return to stand. Her individual income return showed just over \$50,000 of income, several smaller deductions, and one large one—for \$14,787 of expenses for an M.B.A. from the University of Phoenix. Ms. Singleton-Clarke deducted the tuition because her tax preparer told her she met the law’s narrow definitions. However, in late 2006 the IRS audited her return. She conceded the other deductions but in her interpretation of IRS [Publication 970](#) she believed she qualified. She eventually represented herself, and the judge complimented her on her record-keeping during the hour-long trial. A year later, she found out that her interpretation had been the correct one. More information on her ordeal can be found [here](#).

Reminder: Employment Audits to Begin this Month

In [Headliner Volume 280](#) (November 9, 2009) the IRS announced the first Employment Tax National Research Project (NRP) in 25 years. The IRS will randomly select 2,000 taxpayers each year for the next 3 years.

Examinations will be conducted to collect data that will allow the IRS to understand the compliance characteristics of employment tax filers. When completed, this information will help the IRS select and audit future employment tax returns with the greatest compliance risk.

The IRS will:

- Review employment tax filings,
- Review business records for improperly classified independent contractors,
- Review S corporation owner wages for reasonableness, and
- Review [accountable plan](#) compliance for travel and auto reimbursements.

To conduct its audit, the IRS is probably going to request the QuickBooks file for the business. The IRS reportedly purchased 800 licenses from QuickBooks for training its auditors. If the client provides his or her QuickBooks file to the IRS auditor, he or she also will give the examiner access to more than 1 year’s information.

The New Tax Preparer Requirements

Whether you are an EA or prepare any kind of tax returns, including payroll tax returns, under any other licensing provision, you may want to review the FAQ document the IRS released a few days ago regarding the new tax preparer regulations at: <http://www.irs.gov/taxpros/article/0,,id=218611,00.html>

The IRS is Watching You

To step up oversight of tax preparers, the IRS has started to contact tax preparers [by sending out more than 10,000 letters to preparers](#) who have filed large volumes of specific tax returns where the IRS typically sees frequent errors. The letters remind these tax return preparers of their obligation to prepare accurate tax returns. Later this month IRS agents will visit thousands of the preparers who received the letters. Click for [Complete information](#).

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**, we have Breakfast meetings, generally with a discussion on a predetermined topic. All attendees are encouraged to participate by sharing their knowledge and experience. You pay for your breakfast. No registration required. One hour of CPE with certain programs.

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

Usually on the **fourth Tuesday**, 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.

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.

Cost is \$17. For **reservations** contact Gay McGreal at Chuck Gravett's office (mcgreal320@comcast.net or 707-258-1030). Make checks payable to *Linda Luchsinger*.

2010 CALENDAR OF EVENTS

FEBRUARY

- 9 Solano-Napa Breakfast Meeting - 7:30 am
Jack & Linda's Country Café, Fairfield
- 16 Solano-Napa Breakfast Meeting - 7:30 am
Jack & Linda's Country Café, Fairfield
- 18 Napa Satellite Group Lunch Meeting - 12:30 pm
Napa Elks Club, 2840 Soscol Ave., Napa
- 23 Dinner Meeting at 6:30 pm – **Tax Season Problems**
– Roundtable with Moderator Jerry Pusateri, EA
Napa Elks Club, 2840 Soscol Ave., Napa

MARCH

- 9 Solano-Napa Breakfast Meeting - 7:30 am
Jack & Linda's Country Café, Fairfield
- 16 Solano-Napa Breakfast Meeting - 7:30 am
Jack & Linda's Country Café, Fairfield
- 18 Napa Satellite Group Lunch Meeting - 12:30 pm
Napa Elks Club, 2840 Soscol Ave., Napa

- 23 Dinner Meeting at 6:30 pm – **Tax Season Problems**
– Roundtable with Moderator Jerry Pusateri, EA
Jack & Linda's Country Café, Fairfield

APRIL

- 27 Dinner Meeting at 6:30 pm – It's the annual TGIO
“**Thank Goodness It's Over**” celebration (no CPE)
New Location: CHEVY'S, 1730 Travis Blvd,
Fairfield

MAY

- 11 Solano-Napa Breakfast Meeting - 7:30 am
Jack & Linda's Country Café, Fairfield
- 20 Napa Satellite Group Lunch Meeting - 12:30 pm
Napa Elks Club, 2840 Soscol Ave., Napa
- 25 Solano-Napa committees meet at 4 pm,
Board Meeting at 5 pm, Dinner Meeting at 6:30 pm
Topic: TBA (Sec 105 Plans and more);
Speaker: Kate Stephens
Hilton Garden Inn, 2200 Gateway Court, Fairfield
- 27 Chapter Retreat – Details to be announced

Check our web site: www.solanonapa-ea.org

For reservations to our dinner meetings and special events, go to <https://www.123signup.com/calendar?Org=SCC>

Solano-Napa Officers and Directors

President	Sherri Scarrott, EA (707) 426-9472 eataxldy@pacbell.net	Directors	Tereza Avalos, EA (707) 678-4477 tereza@tabertax.com
1st Vice President	Donald Wulf, EA (707) 252-0442 dwulf@calltpac.net		Phil Correia, EA (707) 426-0920 pcorreia@sbcglobal.net
2nd Vice President	Jerry Pusateri, EA (707) 426-4396 untaxit@pacbell.net		Patricia Evans, EA (707) 374-3742 pattye422@yahoo.com
Secretary	Lea Garrity, EA (707) 386-3390 leagarrity@wavecable.com		Judith Lewis, EA (707) 257-7960 jlw97@aol.com
Treasurer	Janine Weber, EA (707) 421-8391 janineweber@sbcglobal.net		Chris Raycraft, EA (707) 428-4741 craycraftea@sbcglobal.net
CSEA Director	Sherri Scarrott, EA (707) 426-9472 eataxldy@pacbell.net		Dina Smith, EA (415) 640-7214 ds@dinasmithea.com
Immediate Past President	Ken Spingola, EA (707) 553-2645 kennethspingola@comcast.net		

Chapter Committee Chairs

CHAPTER EXAMINATION Michael Klobas, EA (707) 449-8146 mklobas@pacbell.net	EDUCATION Dina Smith, EA (415) 640-7214 ds@dinasmithea.com	FINANCE & BUDGET Alma Guenther, EA (707) 643-2226 almaea@pacbell.net	MEMBERSHIP Patricia Evans, EA (707) 374-3742 pattye422@yahoo.com
NOMINATING Ken Spingola, EA (707) 553-2645 kennethspingola@comcast.net	PUBLIC AWARENESS Jerry Pusateri, EA, Acting Chair (707) 426-4396 untaxit@pacbell.net	WEBSITE Phil Correia, EA (707) 426-0920 pcorreia@sbcglobal.net	

Other Contacts	
BREAKFAST FACILITATOR	Jerry Pusateri, EA (707) 426-4396 untaxit@pacbell.net
DINNER/SEMINAR RESERVATIONS	Tereza Avalos, EA (707) 678-4477 tereza@tabertax.com

Newsletter Co-Editors:	
Alma Guenther, EA Phone: (707) 643-2226 Fax: (707) 643-2222 715 Tennessee St., Vallejo, CA 94590-4506 almaea@pacbell.net	Dina Smith, EA Phone: (415) 640-7214 P.O. Box 337 Boyes Hot Springs, CA 95416-0337 ds@dinasmithea.com