



Chapter IdEAs

"To Promote the Professionalism and the Growth of Our Members"

CSEA Inland Empire Chapter May 2011



FILING SEASON OVERVIEW AND EDUCATIONAL ISSUES

David DeKoekkoek, EA, Program Chair

For the coming year we are scheduling a number of interesting topics for our monthly meetings. Among them are: Bankruptcy and the IRS; the new Estate Tax Rules; Problems with Certain IRAs; Strategies for clients subject to AMT; Maximizing Passive Losses; Real Estate Valuation Issues; a report from the FTB Fraud unit; and the Perfect Opportunity for Family Limited Partnerships.

At press time we are waiting for confirmation of our May speaker. As soon as we get that, we will let you know via an email blast. So watch for that. In case you do not get it, email the Chapter at chapter@ietaxpro.com and we will update your contact information

If you have a topic or speaker to recommend, please contact me at dave@ddktax.com or contact any Board Member. We are looking forward to another year of helpful educational sessions.

PRESIDENT'S MESSAGE

Connie Bracher, EA, Inland Empire Chapter President

By working faithfully eight hours a day you may eventually get to be boss and work twelve hours a day.

Robert Frost

Welcome back! Coming off of tax season, it is my guess that every one of us can relate to Robert Frost's quote above. Hopefully, we've all had a successful season, not worked too many twelve hour days, and had "many happy returns!"

The extra three days that we were given created a few moments of excitement for my office. My receptionist was driving to work on the 14th and heard a radio announcement stating that the IRS was accepting returns on the 18th - but that all returns for California were due on the 15th. I thought I knew the 18th was for all agencies, but I did experience a streak of real panic until I verified the dates. I also spoke to a few clients on the 14th that were panicking and wondering why I wasn't panicking to get their returns finished! My additional excitement came about 4:30 on the 18th when I lost a major tax return from my computer. I had to get my computer guru to retrieve the tax return, and then more techs to make it readable and acceptable to electronically file!

In other years, I had my electrical power go out on April 15th; in another year, on the 15th, my internet went out due to a snow storm; and do you remember the year that we couldn't get tax returns e-filed on the 15th due to internet overload? It seems that I experience at least one unexpected such challenge every year, but somehow it always works out. These series of events always keep me guessing and keep me on my toes! I'm curious as to how many of you have similar experiences?

CSEA had some excellent press during the past few months. Our PIA Chair got our Chapter mentioned in the January, February, and April editions of the Inland Empire Magazine. It's always a good feeling when I have a client tell me they saw the magazine with my name in it.

My year as President is nearing its end. Next month, in June,

we will be celebrating our Chapter's Annual Meeting. At that meeting we will have the election of the new officers and board of directors – out with the old, in with the new! To assist with the planning of next year, we will be having our Annual "Summit" on May 17th. Our Board recently voted to change the name of our "Retreat" to a forward sounding motion and call it our Annual Summit instead. All members are invited to attend and participate in the planning of the direction of the Chapter.

Hope to see all of you at the May Chapter Meeting. I'm sure we'll have lots of experiences to share.

Update from the Board of Directors

Pat LaRue, EA, Secretary

At the December 8, 2010 Board Meeting reports were heard from various committees and the Treasurer's Report was given.

The Awards Committee had a nominee for Booster of the Year. Don Stacy, EA stated that the proposed slate of Officers and Directors would be announced at the general meeting.

The Board approved May 17, 2011 as the date of the planning retreat. A subsequent motion was made and seconded to change the name of this meeting from "retreat" to "summit". It was moved and seconded to adjust the current budget to amounts presented by the Budget committee. In a related motion, the Board approved the commitment of \$50 a month to cover the expenses of maintaining the email account of <ietaxpro.com> from January through June 2011.

The Board approved the adoption of a consent agenda for various sections of the Chapter Policies and Procedures Manual. These included approval of changing the term "job-alike workshop" to "webinar". Dissolution of the Scholarship and Ethics Committees was also approved. The responsibility of maintaining the email and mailing lists was added to those of Membership. It was approved that recipients of a particular award within the past 3 years would be ineligible for that same award. The two signature requirement for checks greater than \$1000 was retained in the Treasurer's job description.

The next meeting of the Board of Directors will be held on May 11, 2011 at the Hilton Hotel in San Bernardino.

2010-2011 Board of Directors

President
Connie Bracher, EA
909/338-0041
connie@acorntax.com

1st Vice President
Pam Jipp, EA
760/955-6434
Anhy@aol.com

2nd Vice President
Norma Rae Hill, EA
760/360-0207
nrh_pdtax@yahoo.com

Secretary
Pat La Rue, EA
909/874-5664
bplaru@earthlink.net

Treasurer
Jackie Kincaid, EA
951/204-4882
jkincaidea@gmail.com

Past President
Don Stacy, EA
951/244-1513
dstacy@clpros.com

CSEA Director
Paul Cheatham, EA
909/944-0446
paul@rctaxhelp.com

CSEA Representative
Pam Jipp, EA
760/955-6434
Anhy@aol.com

Directors
Clara Barrett, EA
951/924-6450
clarabarrett@msn.com

David DeKoekkoek EA
909/467-5433
dave@ddktx.com

Joel Hendriks, EA
909/797-1366
joel@myfinancialprospect.com

Donald McAllister, EA
951/688-3263
dhmcall@pacbell.net

Ron Uehle, EA
909/590-3423
ruehlenhb@yahoo.com

Jerry Vine, EA
909/466-5387
jerry@msjetspro.com

Victor Morel EA
951/237-8728
victaxea@yahoo.com

CSEA Inland Empire Chapter Committee Chairs 2009-2010

AWARDS
Ron Uehle, EA
909/590-3423
ruehlenhb@yahoo.com

BUSINESS RETENTION
Ken Alvarado, EA
909/794-2901
alvaradotaxman@verizon.net

DISASTER SERVICE
Ken Alvarado, EA
909/794-2901
alvaradotaxman@verizon.net

EDUCATION
Jerry Vine, EA
909/466-5387
jerry@msjetspro.com

FINANCE & BUDGET
Ron Uehle, EA
909/590-3423
ruehlenhb@yahoo.com

FINANCIAL REVIEW
Don McAllister, EA
951/688-3263
dhmcall@pacbell.net

HISTORIAN
Janice Baker, EA
909/797-1366
bakertax@verizon.net

LEGISLATIVE
Joel Hendriks, EA
909/797-3140
joel@myfinancialprospect.com

MEMBERSHIP
Norma Rae Hill, EA
760/360-0207
nrh_pdtax@yahoo.com

NEWSLETTER
editor@ietaxpro.com

PROGRAM
David DeKoekkoek, EA
909/467-5433
dave@ddktx.com

PUBLIC INFO. & AWARENESS
Clara Barrett, EA
951/924-6450
clarabarrett@msn.com

SEMINARS
Paul Cheatham, EA
909/944-0446
paul@rctaxhelp.com

STRATEGIC PLANNING
Pam Jipp, EA
760/955-6434
Anhy@aol.com

WEB-SITE
Joe Ligor, EA
951/654-9955
joe@ligoritax.com

CSEA Director's Report

Paul Cheatham, EA

As I wrap up my four-year term as the Inland Empire Chapter Director to CSEA, it seems to be a good time to reflect back on what has transpired.

At my first Board meeting in 2007 I recall Connie Bracher taking me under her wing to show me "the ropes". I appreciated the help because the culture and politics of CSEA are unique. Thank you Connie for helping me to figure it out sooner instead of later. It turns out that most of the issues facing CSEA are resolved at the committee-level and presented as motions to the Board for their approval with minimal discussion. Accordingly, participation at the committee-level is crucial in understanding what motions are coming before the Board to be voted on. I participated in the Membership, Public Information Awareness, Finance & Budget and Audit Committees. I strongly recommend that my successors participate in a minimum of three committees in order to understand the motions that are to come before the Board. I also served on the Executive Committee twice! This is quite an honor because the Executive Committee is composed of the current officers and two Board members appointed by their fellow Board members. What an honor to be recognized by my fellow Board members twice! The Executive Committee acts to make decisions for CSEA on items which come up between scheduled Board meetings that cannot wait until the next scheduled Board meeting. Most recently I served on the Executive Search Committee (essentially the Executive Committee and a couple of CSEA Past Presidents) to interview candidates for and make a recommendation to the full Board for Cathy Apker's successor as our Executive Vice President. I am pleased to report that our unanimous choice, Scarlett Vanyi, has been capably performing her management duties and serving CSEA well during these difficult times.

I would also like to say that it has been an honor to represent our Chapter as your Director. When I started my term I had preconceived notions about "us" and "them" and how CSEA wasn't particularly responsive to the Chapters. After observing CSEA's actions for the past four years I can honestly tell you that CSEA does provide many benefits and support to the Chapters. Unfortunately, we don't communicate very well sometimes and then we have the problem (typical of all volunteer organizations) of Chapter members who are overwhelmed by their new responsibilities. I recommend that Chapter members take advantage of "job-alike" training offered by CSEA. Further, Chapter officers, Directors, Committee Chairs and members can benefit by being pro-active in contacting CSEA to make sure that they are aware of the CSEA resources that are available to them. I will be staying active at CSEA at the Committee-level, so any Chapter members who need some help understanding "what CSEA can do for them?" just ask me. At this point I probably "know the ropes" as well as anybody.

I was recently asked to serve on CSEA's Nominating Committee and I said "yes". Also, I was recently asked to serve on NAEA's Nominating Committee and I said "yes" to that as well. So, as you can see, I will continue to be a good Chapter liaison with both CSEA and NAEA for the foreseeable future.

I have put a lot of effort into my CSEA activities and I have received a great deal of professional satisfaction in return. Thank you again for providing me with the opportunity to serve our Chapter and CSEA.

CHAPTER NOTES

Nominating Committee

Don Stacy, EA, Treasurer

The Nominating Committee completed its work of nominating Chapter officers and directors for next year. Other members of the Committee included: Paul Cheatham, EA; Dave DeKoekkoek, EA; and Joel Hendricks, EA. The election will be held at the Chapter Annual Meeting in June at the San Bernardino Hilton.

The following names are hereby placed into nomination for officers and directors for the 2011/2012 fiscal year:

President: Pam Jipp, EA.

1st Vice President: Norma Rae Hill, EA.

2nd Vice President: Victor Morrell, EA.

Secretary: Joel Hendricks, EA.

Treasurer: Jackie Kincaid, EA.
Past President: Connie Bracher, EA.
CSEA Director: Glenn Duncan, EA (Two year term).
CSEA Representative: Norma Rae Hill, EA.
Directors:

Kenneth Alvarado, EA;
Clara Barrett, EA;
Paul Cheatham, EA;
David DeKoekkoek, EA;
Peggy Ligori, EA;
Donald McAllister, EA;
Barbara Robertston, EA;
Ron Uhle, EA.

Strategic Planning Committee

Pam Jipp, EA, Chair

Greetings fellow tax season survivors!!!! It is time to focus on what is ahead for our Chapter. In looking ahead in the Strategic Plan for our Chapter, I want to focus on the Chapter's purpose: "To Promote the Professionalism and the Growth of our Members." Keeping this in mind helps me to focus on our vision for the Chapter. Our Chapter must continue to offer quality education to draw members and guests to our dinner meetings as well as seminars that we offer. In order to have quality education we need to invite quality speakers that will be speaking on relevant topics that are important to our members. This will be especially challenging next year as we struggle with the Office of Professional Responsibility's requirements for speakers and courses. However, we have a Chapter full of members that have great suggestions and ideas which I hope to enlist.

Our Chapter also has a tremendous opportunity this next year to attract new members. With the new requirements being placed on tax preparers, our Chapter should be actively recruiting these preparers to become Professional Associates of CSEA and attend our Chapter meetings. As Professional Associates of CSEA, they will benefit by receiving quality education as well as the support of CSEA members to help them with their changing role in the tax community. We all believe that taxpayers deserve knowledgeable and professional tax preparation. Our Chapter also needs to be proactive in guiding the Professional Associates towards becoming EA's. In order to do this I believe that we need to develop a SEE Review Course that will help the Professional Associates down the EA path.

I look forward to next year and am grateful to all the Board Members, Committee Chairs and members of the Inland Empire Chapter that work so hard to make our Chapter successful. The Chapter's Planning Summit will be on May 17, 2011 from 11 A.M. – 3 P.M. at the Hilton Garden Inn, 1755 S. Waterman Ave, San Bernardino, CA 92408. Lunch is included.

I welcome any comments and offers of support in developing these ideas. I can be reached at 760 887-5935 or by e-mail anhy@aol.com and look for a great turnout on the 17th.

Tax Court Reviews

Paul Cheatham, EA

In **T.C. Memo 2010-129** the issue for decision is whether petitioners are entitled to deductions claimed on their Schedule C, Profit or Loss From Business; to the extent they exceed their gross income from those activities for 2005 and 2006. More specifically, the issue is whether petitioner husband (Mr. Lowe) was engaged in his bass fishing activity for profit. See sec. 183.

During the years at issue petitioner wife (Mrs. Lowe) worked full time as a "controller" for Fry Steel Co., with offices in Santa Fe Springs, CA. She earned \$177,219 and \$184,181 in 2005 & 2006 respectively. From 1986 Mr. Lowe's only occupation was improving the petitioner's home, for which he received no income. His gross income from bass fishing was \$4,241 in 2005 and \$10,932 in 2006. The net losses on his Schedule C for these years were \$44,826 and \$37,676. The Court of Appeals for the Ninth circuit, to which an appeal in this case would lie absent stipulation, to the contrary, has held that an activity is engaged in for profit if the taxpayer's "predominant, primary or principal objective" in engaging in the activity was to realize an economic profit independent of tax savings.

Ten non-exclusive factors drawn from Regulation Section 1.183-2(b) were evaluated for favoring, for neutrality or against petitioner's contention that his bass fishing was an activity engaged in for profit within the meaning of sec. 183. In ruling for the respondent, the judge found that Mr. Lowe's fishing activity was not engaged in for profit. Nevertheless, citing the petitioner's, "reasonable and good faith error in applying the law to the facts of this case", he found them not liable for the section 6662(a) accuracy-related penalty for the years at issue.

In **T.C. Memo. 2010-125** the issue for decision is whether the petitioner's preparer (Mr. Madzima) had authority to electronically file petitioner's return for 2007. Mr. Madzima filed petitioner's tax returns for 2004, 2005 and 2006. Petitioner gave Mr. Madzima his W-2s each year for this purpose. Each return claimed deductions and credits that petitioner was not entitled to and requested that a refund be directly deposited into a Santa Barbara, California, bank account that did not belong to petitioner. Petitioner did not review the returns prepared by Mr. Madzima as he had done with his previous preparer. Petitioner never received a refund directly from the IRS. Mr. Madzima gave petitioner up to \$900 in cash each year and told petitioner that was his refund amount. Petitioner never questioned Mr. Madzima about the refund amount.

On April 3, 2008, Mr. Madzima electronically filed petitioner's 2007 Federal income tax return. Petitioner did not sign or review the return. Petitioner also did not file any other return for 2007. The petitioner's return reflected a refund of \$4,774. Petitioner never received any cash from Mr. Madzima for this year. Section 6061(b) (1) provides that, in general, the Secretary shall develop procedures for the acceptance of signatures in digital or other electronic form. Until such times as such procedures are in place, the Secretary may waive the requirement of a signature or provide for alternative methods of signing or subscribing a return. Thus the strict requirements for the filing of a paper return by an agent do not apply with full force to electronically filed returns.

In finding that Mr. Madzima had authority to electronically file petitioner's return the Court reasoned that the "... authority to do an act can be created by written or spoken words or other conduct of the principal which, reasonably interpreted, causes the agent to believe that the principal desires him so to act on the principal's account."

Mark Your Calendars!!

Wednesday, May 11, 2011

Chapter Meeting — *FILING SEASON OVERVIEW AND EDUCATION ISSUES*, Dave DeKoekkoek, EA, Program Chair

4:00 Board Meeting; 5:30 Social; 6:00 Dinner; 7:00 Program

Dinner choice of Vegetarian Plate or Chicken Cordon Bleu with Rice Pilaf, Bouquet of Fresh Vegetables, Rolls and Butter, and Dessert

Chapter Meeting location: Hilton Hotel, 285 E. Hospitality Lane, San Bernardino, CA.

Wednesday, May 11, 2011

Chapter Meeting: Dave DeKoekkoek, EA, Program Chair

May 10-12, 2011

CSEA Super Seminar, Bally's, Las Vegas, NV

Tuesday, May 17, 2011

Chapter Strategic Planning

June 2-4, 2011

CSEA Super Seminar, Grand Sierra Resort & Casino, Reno, NV

Wednesday, June 8, 2011

Chapter Meeting:

June 21-24, 2011

CSEA Annual Meeting, hosted by San Gabriel Chapter, Southern California

Due to Hotel Policy dinners will not be provided without prior reservations. Chapter Program cost is \$40 for members (\$45 for non-members and guests) for reservations made by 4 pm on Friday preceding the program. Late reservations are \$10 additional and can be made until 12 noon Wednesday of the day of the program. Walk-ins to the Seminar are \$55. RSVP to jkincaidea@gmail.com or 951-204-4882.

The Inland Empire Chapter of CSEA accepts all VISA, Master Card, Discover, and American Express credit cards for payment of continuing education credits. Sorry, no debit cards. To pay by credit card, go to www.ietaxpro.com, on left hand bar click "payment by credit card" and then download "IE Chapter Credit Card Form". After you have completed and signed the Form, fax to Fax 951-687-1872 or attach to an email and send to: jkincaidea@gmail.com. All information must be received by 4 pm Friday preceding the monthly meeting to receive the lower rate.

*Maximize the Chapter Budget
—save on postage.
Opt Out of snail mail.*

*Opt out of receiving the mailed
issue of Chapter IdEAs*

Become a member of the Business Retention Committee. Contact Ken Alvarado EA at 909-794-2901 or alvaradotaxman@verizon.net

*Receive the emailed issue only by
notifying: editor@ietaxpro.com.*

Chapter IdEA's is published May-January by the Inland Empire Chapter, CSEA. Classified ads are free to members up to 35 words; for non-members the cost is \$25. The Newsletter subscription is \$15 per year. It is distributed free to members of the Chapter. Checks payable to CSEA; include your name, address, email, and phone number; send to Jackie Kincaid, EA; 5924 Mt View Avenue; Riverside, CA 92504. Editorial Board: Connie Bracher, EA; Deborah St Martin, EA; Clara Barrett, EA.



Return Service Requested

Hemet, CA 92544

PO Box 5460

editor@ietaxpro.com

www.ietaxpro.com

Inland Empire Chapter CSEA

First Class Mail

Chapter IdEAs