



Chapter IdEAs

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

CSEA Inland Empire Chapter May 2010



Joni Terens, EA to Address Chapter

Joel Hedriks, EA, Education Chair

Joni Terens will be speaking to the Chapter on her activities as a member of the Internal Revenue Service Advisory Council. Her insights will be particularly helpful as tax professionals move into a different relationship with the IRS. She is a delightful and engaging speaker and one whom everyone should enjoy.

Consistent with the Restructuring and Reform Act of 1998, the Internal Revenue Service emphasized taxpayer rights and contemplated a new, refocused IRS, providing top quality taxpayer service. The Internal Revenue Service Advisory Council (IRSAC) conveys the public's perception of IRS' activities and, plays a significant role as external evaluator regarding the reorganization and its implementation.

The commentary and assistance provided by the IRSAC during the modernization effort were particularly helpful. As the IRS moves forward the Council will continue to advise the IRS regarding tax administration policy, programs, and initiatives, and it is contemplated that similar significance will add to the Advisory Council's advice in addressing new challenges.

Conveying the public's perception of IRS activities to the Commissioner, the IRSAC is comprised of individuals who bring substantial, disparate experience and diverse backgrounds on the Council's activities.

Membership is balanced to include representation from the taxpaying public, the tax professional community, small and large businesses, state tax administration, and the payroll community.

Joni is an active member of CSEA both on the State level and at her Orange County Chapter. She operates her own business in Tustin.

PRESIDENT'S MESSAGE

Don Stacy, EA, Inland Empire Chapter President

So when does tax season come to an end? April 15, October 15, or never? Everyone asks me "are we taking a few days off after April 15th?", and I just grin and bear it. We have been going strong filing extended (and some not-extended!) returns and catching up on our audit and collections work.

After being dark during tax season we are looking forward to finishing the last part of our Chapter year in a strong fashion. This month we welcome our Joni Terens as our dinner speaker. Joni is a past president of the Orange County Chapter and has served as the Treasurer for CSEA. She'll be bringing us a report on a national committee she has served on for the Internal Revenue Service called IRPAC. IRPAC draws its members from the tax professional community and supported by a staff of IRS employees.

As you may have noticed in your latest issue of the California Enrolled Agent magazine I have been nominated to serve as the Treasurer for CSEA for next year. I became aware of how much commitment this might require when I spent almost four hours yesterday on two CSEA committee calls in addition to doing a call the day before. I'm looking forward to serving CSEA next year as well as staying active with our local Chapter.

We are looking for speakers for next year, so if you have suggestions please give them to me or to Connie Bracher for scheduling. Our Board has decided to try and fill our schedule at least a year in advance so we might continue to get great speakers for our evening meeting.

Update from the Board of Directors

Pat LaRue, EA, Secretary

At the December 9 Board Meeting reports were heard from various committees and the Treasurer's Report was given.

Further discussion of the Standard Operating Procedures and Bylaws was deferred to the May 2010 planning session. Barbara Robertson EA announced that the complimentary Quickfinders would be distributed this evening to those members who attended a minimum number of meetings.

Don McAllister EA is still seeking nominees for the chapter's year end awards. Nominating forms were again placed at each table at the dinner meeting for the membership to use for submitting names for consideration. Any names submitted would also be forwarded to CSEA for consideration for those awards.

The nominations for next year's Board will be published in the May newsletter. Election and installation will take place at the June meeting.

In an effort to provide quality educational programs for the membership, President Stacy recommended that Past Presidents serve on a Program Committee.

The Board Meeting was kept short so CSEA President David Shaw EA could address the Board and answer questions.

The next meeting of the Board of Directors will be held on May 12, 2010 at the Hilton Hotel in San Bernardino.

2009-2010 Board of Directors

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CSEA Director's Musings

Paul Cheatham EA

Wow, where does the time go? On a personal level, I had a good tax season. Our office gross revenue is up a little compared to last year. Meanwhile, the "misery index" is way up for many of my clients. I find myself talking to a lot of clients about bankruptcy and loan modifications, and that is the good news!

At a Chapter-level it looks like we have several good speakers lined up. Joni Terens has a practice in Orange County and she will be talking to us about her participation on one of the IRS Advisory Councils. Her insights should be valuable. Also, Sherrill Gregory will be speaking to us about her activities preparing tax professionals to be admitted to practice before Tax Court. She has been active with NAEA for years and is on track to become President of that organization in the near future.

At the State-level I am looking forward to representing our Chapter at CSEA for another year. It looks like the big issues will be exploring ways of delivering increased benefits to members, increasing organization revenues, cutting costs, providing good-quality educational opportunities, practice management and protecting our practice and representation privileges. Please contact me if you have any ideas that should be presented to CSEA or just want an update on my activities at CSEA.

"If We Don't Represent Our Profession, Who Will?"

Connie Bracher, EA

This was the question asked of CSEA members during our recent visit to the California State Capitol by Assembly Member Ed Hernandez. And that question says it all!

CSEA members met for our Biennial Legislative Day in Sacramento the past January. We began our Day by meeting in the Capital with Marty Keller, Office of Small Business Advocate for Governor Arnold Schwarzenegger, CSEA's lobbyist Steve Baker and Rachel Pitts of Aaron Read & Associates, CSEA officers and members, and Assembly Member Ed Hernandez. Mr. Hernandez represents the 57th Assembly District. He addressed our group and relayed his own story. He is a dentist by profession, and became involved in politics due to his own sense of duty for representing his profession. His address to CSEA asked the same questions of us.

Our Chapter Legislative Affairs Chair, Jackie Kincaid, EA, and I attended the 2010 Legislative Day on January 8, 2010, in Sacramento. After meeting with the above speakers in the morning, Jackie and I met with Kelly Shaw, Legislative Aide for Assembly Member Anthony Adams, 59th District, and Larry Venus, Press Secretary & Legislative Aide for Senator Bob Dutton, 31st District. Our meeting time was primarily spent educating the Aides as to what an Enrolled Agent is and in offering both CSEA's and our personal assistance to the Legislators regarding taxation issues. In the past years, this offer has been accepted by various Legislators in the form of meetings, news articles, television interviews, and testimony by Enrolled Agents.

Meetings continued throughout the day with CSEA members attempting to lobby each and every legislator's office. It is important to meet with our legislators, to explain who we are, and what we are. Actually the only people that can represent our profession are those of us in it. We know what it takes to be an EA and we know what our strengths are.

So, if we don't represent our profession, who will?

Jim Stern Legislative Day

Jackie Kincaid, EA

The purpose of attending Jim Stern Legislative day was to promote the standing of Enrolled Agent with the California Legislature. After a meeting to help prepare us for our visits, we left to meet with staff members of our local representatives and gave them literature about who Enrolled Agents are. There were about 40 Enrolled Agents walking the halls of the Capital that day. It was a very positive experience for me. I would encourage all of our Chapter members to attend next time.

I was able to attend the CSEA Board of Directors and committee meetings that were held the same weekend as Jim Stern Day. I had no idea what happened at those meetings prior to attending. I had never really thought much about how decisions were made that affected the members of CSEA. I paid my membership dues and that was it. I now realize that this organization is truly effective because of those dedicated member serving on the Board and different committees. I see how important it is to get involved in this organization. We have members of our Chapter that are involved at the State level to make sure our Chapter is well represented. I would encourage our members to attend these meetings, then you can really understand how the process works

Tax Court Cases Reviews

Paul Cheatham, EA

T.C. Memo. 2009-173 the respondent determined a deficiency of \$8,389 in petitioner's Federal income tax for 2006. The issue for decision is whether petitioner is entitled to deduct \$46,173 in relation to a travel services activity. Petitioner has a college degree in accounting. During 2006, petitioner worked as an auditor for the firm of McGladrey & Pullen, L.L.P., reviewing financial statements and reconciling balance sheets. Petitioner also attended evening classes at Keller Graduate School of Management for the purpose of obtaining a master's degree in business.

In December 2005, petitioner attended a marketing session for YTB Travel Network (YTB). YTB operated as an online multilevel marketing company and hosted a Web portal for "referring travel agents" to complete travel sales to clients. YTB paid a commission for any such completed sales. YTB charged fees of \$49.95 per month for use of its Web site. On petitioner's Form 1040, for 2006, petitioner reported wage income of \$74,766 and claimed \$72,062 on Schedule A, Itemized Deductions. On the Schedule A "Other expenses" line she deducted \$46,173 described as office expenses of \$173 and office rent expense of \$46,000. Subsequently, on Form 1040X, petitioner reduced the itemized deductions claimed on Schedule A and claimed \$46,100 on Schedule C, Profit or Loss From Business. No gross receipts were reported on this Schedule C.

Generally, the taxpayer has the burden of proving that the claimed expenses were ordinary and necessary business expenses rather than nondeductible personal expenses. In ruling that the expenses claimed were personal, non-deductible expenses (IRC Sec. 262), the judge dismissed petitioner's claims of business purpose as improbable and implausible. Further, that there were simply too many gaps in the scenario presented by petitioner and her friends for

the Court to accept her claims.

Comment: I guess this person wasn't as smart as they thought.

T.C. Summary Opinion 2009-190 the respondent determined a \$6,230 income tax deficiency and a \$1,246 accuracy-related penalty under section 6662(a). The issue is whether the petitioner is entitled to a casualty loss deduction for 2005.

On August 12, 2005, the petitioner purchased a 2006 Ford F-350 for \$40,211. On October 28, 2005 he rolled and severely damaged the truck on his way home from a party. Because his blood-alcohol level was 0.09 percent, he was cited and arrested for driving under the influence of alcohol. His claim for reimbursement was denied by his insurance carrier because of his DUI citation and arrest. Accordingly, he claimed a substantial casualty loss on his 2005 tax return for this unreimbursed loss. The IRS disallowed the loss on the grounds that the petitioner's drunk driving rose to the level of gross or willful negligence and is therefore not allowable under Regulation Section 1.165-7(a) (3). Alternatively, the IRS argued, that the loss should not be allowed because to do so would frustrate public policy. In other words, allowing a tax benefit for the loss subsidizes drinking and driving.

The judge allowed the casualty loss by reasoning that the petitioner's decision to drive after drinking was negligent, but that alone does not automatically rise to the level of gross negligence. Further, allowing the casualty loss deduction would not in any way alleviate the "sting" of any punishment imposed by the State of California for the criminal aspect of his actions. Furthermore, the Court is not empowered to judge petitioner's actions from a criminal perspective or to punish him for his actions. Finally, the accuracy-related penalty is moot because the casualty loss was allowed.

Comment: This case may come in handy for some of our clients, but hopefully not our members! The IRS tends to "over-reach" sometimes.

Nominating Committee Report

David Dekoekkoek, EA, Chair

Nominations for Chapter Officers and Directors 2010-2011

President	Connie Bracher, EA
1st Vice President	Pam Jipp, EA
2nd Vice President	Norma Rae Hill, EA
Secretary	Pat LaRue, EA
Treasurer	Jackie Kincaid, EA
Chapter Director	Leroy Beeken, EA
Chapter Director	Don McAllister, EA
Chapter Director	Jerry Vine, EA
Chapter Director	Michael Dominguez, EA
Chapter Director	Joel Hendricks, EA
Chapter Director	Ron Uhle, EA
Chapter Director	Clara Barrett, EA
CSEA Representative	Pam Jipp, EA

Mark Your Calendars!!

Wednesday, May 12, 2010

Chapter Meeting — *IRS Advisory Committee Report, Joni Terens, EA*

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

Dinner choice of Vegetarian Plate or London Broil Bordelaise, Green Salad, Roasted Red Potatoes, Vegetables, Sourdough Rolls, and Dessert

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

May 10-12, 2010

CSEA Super Seminar, Las Vegas A

Wednesday, August 11, 2010

Chapter Meeting:

May 13-15, 2010

CSEA Super Seminar, Las Vegas B

Wednesday, September 8, 2010

Chapter Meeting:

Wednesday, May 19, 2010

Chapter Planning Retreat, Crestline

Wednesday, October 13, 2010

Chapter Meeting:

Wednesday, June 9, 2010

Chapter Meeting: Election & Installation

Wednesday, November 10, 2010

Chapter Meeting:

Exit Strategies, David Smith

Wednesday, December 8, 2010

Chapter Meeting: *Legal Issues for EA's*, Sherrill Gregory

Wednesday, July 14, 2010

Chapter Meeting:

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 kathy@ctbpro.com or 909-466-6900.

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 909-533-2159 or attach to an email and send to: kathy@ctbpro.com.

Make your reservations for the Chapter Planning in Crestline May 19th. Call Connie 909-338-0041

Get your own Ad in the Chapter's Inland Empire Magazine Enrolled Agent spread. Form posted on the Chapter Website at www.ietaxpro.com

*IF THE IRS WENT
BANKRUPT
WHERE WOULD YOUR
BUSINESS BE?*

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