The Bulletin

East Bay Association of Enrolled Agents
To Enhance and Protect the Professional, Economic, and Educational Interests of all Enrolled Agents
September 2009

NEXT MEETING Wed, September 16, 2009
Place: DUBLIN Radisson Hotel
(go to http://www.radissondestinationguide.com/locationMap.process/OID_EB39EA2D/?hotelCode=CADUBLIN)

Note special times and pricing:
4:00 Board Meeting
5:45 Networking
6:15 Dinner Buffet
7:00 Program: “Ethics” (2 hours CE)
Cost: $45.00 with reservation by Friday September 11
       $55.00 with reservation after deadline

Sign up online at: https://www.123signup.com/calendar?Org=ebaea
(please print out your confirmation to ensure that you clicked all the right buttons to register) Questions: email ebaear@ebaea.org (preferred) or call 800-617-1040.

September Topic: “Ethics and Expectations”
Speaker: Thomas Johnston EA

Our September presentation by Tom Johnston, EA is titled: “Ethics and Expectations, What's New, Old, and Troublesome? (with Real Life Scenarios)”. It will be a frank discussion of your client, your professional association, and the government's expectations in the areas of competence, professional conduct, and ethical considerations. The presentation will address California compliance issues in addition to IRS Circular 230 and IRC Regulations issues. Real life scenarios will be given with guidance on how to avoid the traps. CSEA approved sample disclosure and engagement documents will be included. This presentation will meet your annual two hour ethics CPE requirement.

Tom Johnston has been a tax preparer for 26 years, and an Enrolled Agent for 23 years. His practice in San Ramon specializes in individuals, estates and trusts, and representation for his clients. He is Past President of East Bay Chapter, currently is East Bay’s First Vice President, a SEE Class instructor, serves as CSEA Director, and has been a member of CSEA's Ethics and Professional Conduct Committee for several years. Tom is speaking on behalf of himself and not CSEA or the Ethics Committee.

Tom's novel approach is sure to make this a must-attend meeting for CTEC as well as Circular 230 tax professionals.

PRESIDENT’S MESSAGE
by Peggy Hall, EA

Last night I returned home from a 6 day backpacking trip with a CTEC tax practitioner and a fellow EA. We stayed up by firelight discussing client retention, tax questions, office systems, audits, software etc. Why, you ask, would we do this on our vacation; to be able to write off the trip, of course (all $50 in gas?) We had a great time, and the bonding as we put our lives in peril fording high mountains will serve us well as we risk our sanities during tax season. I suggest you get to know and have fun with other Members of our Chapter. This kind of bonding will add value to your Membership. One day last week a Chapter Member called me in to disbelief. She had called another Member, hoping to get a “quick answer,” but instead received a thorough answer. Another Member had spent an hour on the phone helping solve her problem. We are all in this together. The closer we get and the more we help each other, the more we will all prosper.

Our August dinner meeting was a great success; good company and great education. The evaluations showed that our Members were pleased. Remember, if you attended the meeting and would like the expanded handout, send an email to the Chapter Office. If you did not attend the meeting, the handout can be had for a sug-
gested donation of $20 to our PIA (Public Information Awareness) fund.

Speaking of PIA, the board voted to hire a public relations firm to roll out a PIA campaign. We will be using information obtained from the survey we sent all of you last year. Our strategy is to become known as Enrolled Agents by placing public interest stories in the media, and by sending timely, relevant tax articles. Another part of the plan is establishing a speakers bureau and also working on our website. If you would like more information about this contact a board member. We need involvement from you.

Make sure you take advantage of the education the chapter is offering. Each of the miniseminars has received rave reviews. The seminars are affordable and practical.

Thank you all for making this the best chapter of CSEA. Come to our meetings, have fun, network, get involved and be the best—we are THE BEST—WE ARE ENROLLED AGENTS!

IRS CHANGES SOME EFILE PROCEDURES
By Gerry Kelly-Brenner, IRS goddess-at-large

Yes, the rumors are true...the IRS is really moving into the 21st Century with the Form 1040 Modernized e-File program beginning in February 2010. The computer program schema are already developed, now it’s just up to the software vendors if they choose to offer the new XML format. For more information about the 1040 MeF program, visit:
http://www.irs.gov/efile/article/0,,id=204750,00.html

My MAIN reason for sending this message is to let you know that if you are an Electronic Return Originator (ERO), you will NOT have to update your e-File application to be allowed access to the new XML format. HOWEVER, if you are a Transmitter, and directly transmit your e-filed returns to the IRS, you WILL need to update your e-file application. If you are not sure what you are, contact your software vendor and they can let you know.

This is also a reminder to sign up for QuickAlerts, which provide you with the most up-to-date information of what is going on in the individual and business e-file program, including e-form availability updates, delays, etc. If you do not already receive free QuickAlerts please go to the QuickAlerts signup page at: http://www.irs.gov/taxpros/providers/article/0,,id=97623,00.html

EBAEA EMAIL LISTS

EBAEA sends news to Members via two one-way (send-only) email distribution lists. Subscription is free and completely voluntary, and you can subscribe or unsubscribe to either list any time you wish. For more information and to manage your subscription, visit: http://ebaea.org/cgi-bin/dada/mail.cgi

SEPTEMBER MEETING START TIME

The September dinner meeting will feature a two hour presentation, so the meeting will start earlier and end later than normal. As listed on the front page, the Board meeting will start at 4pm, networking at 5:45pm, dinner at 6:15pm, and the Ethics program will start by 7pm. The meeting will finish before 9pm.

ANNUAL IRS TOWN HALL MEETING

Wednesday, September 23 should already be marked on your calendar for the annual IRS Town Hall meeting, right in our backyard at the Dublin Radisson. Joe Calderaro, the hardest working man at the IRS, will give an update on tax changes, plus see panels with FTB, IRS, EDD, BOE, plus get info on foreclosures and short sales, and so much more! 7 CPE plus breakfast and lunch, but the early discount expires on Tuesday 9/8. See the flyer in this issue, or sign up online today.

CSEA/STATE TAX AGENCIES LIAISON

Friday, September 25 is the annual State Tax Agencies Liaison Meeting in Sacramento at the Holiday Inn, Sacramento Capital Plaza. These meetings help facilitate contact between CSEA and the tax agencies in order to communicate concerns and problems of the members and taxpayers. You will also get up to date information that will be useful in your practice. Check out the CSEA website for registration information.

CSEA SEPTEMBER BOARD MEETING

The CSEA board and committee meetings will be held September 25-27 at the Holiday Inn, Sacramento Capital Plaza. Members are always welcome at the meetings. East Bay committee chairs are especially welcome at the committee meetings on Saturday. Contact Peggy Hall or Tom Johnston for more information.

SPECIAL ENROLLMENT EXAM CLASS

Once again, we are offering the SEE prep class for all prospective EAs. The class will be offered in three parts, corresponding with the three parts of the exam. Classes will continue through September 19th on Saturdays at the Chapter Office in Hayward. Instructors are Pat Golden, EA; Tom Johnston, EA; Peter Lingane, EA; Sal Romo, EA; and Bart Rugo, EA. The class qualifies for CTEC continuing education credit. Scholarships are available through CSEA and NAEA. More information is available on the web at ebaea.org or contact Tom Johnston at 925-828-4500 or taxtomea@comcast.net.

FRESNO CAMPUS TOUR

IRS recently held the first tour of the Fresno Campus since 9/11. Two EBAEA members were part of the very restricted group invited to attend. A lengthy but ever-so-fascinating writeup of the tour is attached to this Bulletin.
BULLETIN ADVERTISING POLICY
by Duncan Sandiland, Bulletin Editor
To encourage more Members to use the Bulletin to fill their needs, we present the Bulletin advertising policy:
1) All Bulletin notices are run for a maximum of three months. If you wish to run a notice for a longer period, you must resubmit it.
2) Maximum notice size is 1.5 column inches. This equals a space one and one-half inches high by one column (3.5 inches) wide. The standard Bulletin font is Times New Roman 11 point.
3) The Bulletin Editor reserves the right to edit any notice for style, content and length.
4) All notices must be submitted (and payment received) by the 25th of the month prior to initial publication. Send the desired text to: bulletin@ebaea.org
5) Member notices seeking or offering employment, clients or EA-practice-related matters are run at no charge as a Member benefit. This includes an ad run by a firm which employs a Member. Member notices offering other services or products, and all non-Member notices are run at the standard fee of $150 for the three-month insertion. The Bulletin Editor reserves the right to modify or reject any notice which, in the sole opinion of the Editor, violates any of the principles of EBAEA.

HELP WANTED: Tax Professional/Seasonal
Established tax office in the Hayward is seeking an EA with a minimum of 5 to 10 years current experience. Work is in a contemporary and pleasant office environment. Responsibilities include preparation of simple to complex tax returns for individuals and small businesses. 2+ yrs experience using Lacerte; assemble returns for signature, use of work papers & documentation management.
Successful candidate should have good communication skills and be computer literate. Please fax or email a copy of your resume including a cover letter and salary requirements to:
Attn: Patty Pringle, EA, Office Manager
Secure Taxes, Incorporated
FAX: (510) 537-9331
ppringle@yoursecuretaxes.com

YOUR CALENDAR - Tax Talk 2009
by Patty Pringle, EA
You don’t need to travel far to get top quality education. This year the East Bay Association of Enrolled Agents Annual Fall Seminar “Tax Talk” will be held on November 4th, 5th and 6th, at the Radisson Hotel in Dublin. Three days of continuing education and updates at an excellent value. This year there will not be an increase in the cost of the seminar from the 2008 price.

>>> VOLUNTEERS NEEDED – GET INVOLVED
We are looking for volunteers. If you would like to volunteer and lend a hand in any way your help is always needed and appreciated. Please contact Patty Pringle capattypringle@sbcglobal.net or 510-912-1682.

Wednesday
Robert McKenzie, JD, EA,
• Representation Update
• Reducing IRS Penalties

Twila Slesnick, EA
• Retirement Update

Jennifer MacMillan, EA
• Ethics (two hours required)
Jennifer is a Past President of CSEA and current President of the CSEA Education Foundation

Joe Calderaro, IRS Technical Coordinator
• After hours “Questions and Answers”

Thursday
Vicki Mulak, EA
• Schedule C Acquisitions and Dispositions
• The S-Corp K-1
• Is It Time to Incorporate?
• Corporation Liquidations

Friday
Tom Daley, CPA, JD and Gary McBride, JD, CPA
• Federal and California Update

More information about the speakers and topics will be provided in future Bulletins.

CALENDAR OF EVENTS

September 2009
2 CSEA digiTAX: “Appreciated Real Estate”
@ csea.org (webinar)
12 EBAEA Miniseminar: “Schedule C”
@ 100 Lafayette Circle, Lafayette
15 EBAEA Miniseminar: “Tax Returns for Family Child Care Businesses”
@ 1100 San Leandro Blvd, San Leandro
16 EBAEA Dinner Meeting: “Ethics” (2 hours)
@ Radisson Hotel, Regional St, Dublin
23 Annual IRS Town Hall Meeting
@ Radisson Hotel, Regional St, Dublin
25 CSEA/FTB/EDD/BOE Liaison Meeting
@ Holiday Inn Capitol Plaza, Sacramento

Sunday, November 15th, 2009
1-9pm
Miniseminar: “Tax Returns for Family Child Care Businesses”
@ 1100 San Leandro Blvd, San Leandro

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The S-Corp K-1

Is It Time to Incorporate?

Corporation Liquidations

Ethics (two hours required)

Jennifer is a Past President of CSEA and current President of the CSEA Education Foundation

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25 CSEA/FTB/EDD/BOE Liaison Meeting
@ Holiday Inn Capitol Plaza, Sacramento
October 2009
7  CSEA digitAX: “Divorce and Taxes”  
   @ csea.org (webinar)  
21  EBAEA Dinner Meeting: “Military Issues”  
   @ Radisson Hotel, Regional St, Dublin

November 2009
4  CSEA digitAX: “Communication - ETHICS”  
   @ csea.org (webinar)  
4-6  EBAEA TaxTalk seminar 24 hrs CPE  
   @ Radisson Hotel, Regional St, Dublin  
18  EBAEA Dinner Meeting: “”  
   @ Radisson Hotel, Regional St, Dublin

December 2009
2  CSEA digitAX: “IRS Hot Topics”  
   @ csea.org (webinar)  
7  EBAEA Miniseminar: “Net Operating Losses”  
   @ Chapter Office, 30100 Mission, Hayward  
16  EBAEA Dinner Meeting: “”  
   @ Radisson Hotel, Regional St, Dublin

January 2010
6  CSEA digitAX: “California Tax Update”  
   @ csea.org (webinar)  
20  EBAEA Dinner Meeting: “”  
   @ Radisson Hotel, Regional St, Dublin

Small Group Tax Meetings
Antioch /Brentwood  
   Fridays 8:00am  
   Brentwood Café, 8500 Brentwood Blvd, Brentwood  
   Ken Seamann EA  
   (925) 634-8297

Danville Area  
   4th Tue 9:30am  
   Pascal's French Oven, 155 Railroad Ave, Danville  
   Michael Power EA  
   (510) 366-8836

Livermore Area  
   Fridays 8:45am  
   Rock House Café on Portola Ave, Livermore  
   Richard Goudreau EA  
   (925) 606-6672

Castro Valley  
   3rd Tue 8:00am  
   Carrow's, 2723 Castro Valley Blvd @ Lake Chabot, CV  
   Dagmar Bedard EA  
   (510) 537-3883

South Alameda County  
   1st Wed 9:30am  
   Dino’s, 1 block W of I-880 on Industrial Blvd, Hayward  
   Sal Romo EA or Walt Thomas EA  
   (510) 487-1691

Email-only Group  
   as needed  
   Send an email to halloftaxes@hotmail.com  
   Peggy Hall EA  
   (925) 388-1040

REIMBURSABLE TOOL PLAN ALLOWED
Reimbursable tool plans have often been used in the construction trades to reduce payroll taxes, but they usually get shot down by IRS. For a private letter ruling showing how to get one blessed by IRS, go here:  

HMMMM...  
4 of the 5 largest monthly deficits ever in the history of the US have occurred since February of this year, including July’s $181 billion deficit, which ranks #5 all-time. The government is projecting spending of $4.0 trillion for the fiscal year (10/1-9/30). During FY 2001 (the first GWBush year), total government spending was $1.9 trillion (including 9/11 costs). Tax receipts collected by the US government are down 17% on a year-over-year basis. Outlays paid are up 21% on a year-over-year basis.  (Treasury)

On 7/14/08, Rep Barney Frank (chair of the House Financial Services Committee) stated “Freddie Mac and Fannie Mae are fundamentally sound. I think they are in good shape going forward”. (BusinessWeek) Eight weeks later on 9/7/08, Treasury Secretary Paulson announced that the government was taking control of Freddie Mac and Fannie Mae. The Treasury acquired $1 billion of preferred stock in each company, warrants for 80% of their common stock and pledged up to $200 billion of financial support (since doubled to $400 billion).  (WSJ) Ed: So much for the vaunted supremacy of Congressional/government oversight.

In calendar year 2007, the top 1% of taxpayers had AGI of at least $410,100, earned 22.8% of all AGI nationwide and paid 40.4% of all federal income tax in the country, up from 39.9% of tax in 2006. The top 5% had AGI of at least $160,000, 37.4% of AGI and 60.6% of tax. The top 10% had AGI of at least $113,000, 48% of AGI and 71.2% of tax. The bottom 50% of taxpayers paid only 2.9% of all tax (due to EIC, etc).  (IRS)

HUMOR
“I don’t make jokes. I just watch the government and report the facts.”  – Will Rogers

The question is: What can we, as citizens, do to reform our tax system? As you know, under our three-branch system of government, the tax laws are created by: Satan. But he works through the Congress, so that’s where we must focus our efforts. - Dave Barry

Getting a letter from the Internal Revenue Service is often like your dentist saying that you’re facing expensive and painful dental work. It’s never welcome, but it shouldn’t always be a surprise. - John F. Wasik, author of “The Merchant of Power”
2009 - 2010 Board of Directors and Committee Chairs
Web Page http://www.ebaea.org

President: Peggy Hall EA 925-388-1040
1st VP: Thomas Johnston EA 925-828-4500
2nd VP: Cherry Comstock EA 925-778-0281
Treasurer: Tim Hintzoglou EA 925-930-7737
Secretary: Marjorie Williams-Jones EA 510-482-6204
Immed Past Pres: Thomas Johnston EA 925-828-4500

IRS Practitioner Panel: Phil Fiegler EA 510-530-1174
CTEC Panel: Walt Thomas EA 510-487-1691

Education Committee, (1st VP)
Chair: Thomas Johnston EA 925-828-4500
Tax Talk: Patty Pringle EA 510-912-1682
Program: Bob Olsen EA 925-837-8329
Continuing Ed: Joanne Anderson EA 925-938-9086
Town Hall: Ravi Sundarraj EA 925-984-1219
SEE Class: Thomas Johnston EA 925-828-4500
Mini Seminar Team: Andy Rogers EA 510-522-2300
VITA Team: Brian Pon EA, etc 510-849-4667

Administration Committee (IPP)
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Financial Review: Dick Goudreau EA 925-606-6672
Bylaws/SOP: Sal Romo EA 510-487-1691
Budget & Finance: Walt Thomas EA 510-487-1691
Chapter Office: Dagmar Bedard EA 510-537-3883
Legislative: Chris Christopherson EA 925-786-7660
Nominating: Thomas Johnston EA 925-828-4500
Strategic Advisory:
Bulletin: Duncan Sandiland EA, etc 925-691-1040
Tax Agency Liaison:
Volunteer Coordinator: Patty Pringle EA 510-912-1682

Communication Committee, (2nd VP)
Chair: Cherry Comstock EA 925-778-0281
Membership: Clare Flores EA 510-785-8356
Membership: Marjorie Wms-Jones EA 510-482-6204
Outreach:
Public Affairs: Lonnie Gary EA, USTCP 650-559-5124
Social Affairs: Patricia Gilchrist EA 925-833-8822
Practice Preservation: Linda Fox EA 925-846-5913
Disaster Services: Janet Bridges EA 510-505-0818

EAST BAY ASSOCIATION OF ENROLLED AGENTS
30100 Mission Blvd, Suite 6, Hayward CA 94544
(800) 617-1040 or (510) 487-2063  fax (510) 487-1501  email: ebaea@ebaea.org

2009 Continuing Tax Education for Enrolled Agents and CTEC’s

Saturday, September 12, 10 am – 1 pm Schedule C
3 hours $50

Tuesday, September 15, 9 am – 12 pm Tax Returns for Family Child Care Businesses 3 hours $25

To sign up: www.123signup.com/calendar?Org=ebaea
Some class sizes are limited – sign up early to reserve your spot

Sponsored by East Bay Association of Enrolled Agents
Find Details and look for future CPE classes at http://www.ebaea.org/Bulletin/current.pd
2009 SPECIAL ENROLLMENT EXAM PREPARATION CLASSES

Presented By
EAST BAY ASSOCIATION OF ENROLLED AGENTS

Part 3 -- Representation, Practice, Procedures  Dates: Sep 12, 19
CPE 12 hrs*  You must attend all classes in part for credit  *See pg 2 for CPE

Time: Saturdays 9:00 AM to 4:00 PM (Lunch is on your own)

Location: Peach Tree Plaza, 30100 Mission Blvd, Hayward CA 94544
Conference room near Suite 6

Instructors: Pat Golden, EA; Tom Johnston, EA; Peter Lingane, EA; Sal Romo, EA; and Bart Rugo, EA

Prerequisite: Basic knowledge in tax preparation of Form 1040

Class Fees:
Part 3 $210

Text Books are included in class fee

Register online at: www.123signup.com/calendar?Org=ebaea

Information: Tom Johnston at 925-828-4500 or taxtomea@comcast.net

Scholarships: See CSEA and NAEA Websites for information.

To apply for Enrollment: www.irs.gov/taxpros/agents

To schedule exam: www.prometric.com/irs
2009 TAX TALK

Presented By
EAST BAY ASSOCIATION OF ENROLLED AGENTS

Nov 4: Robert McKenzie - Representation - 4 hrs
       Twila Slesnick - Retirement Plans Update - 2 hrs
       Jennifer MacMillan - Ethics - 2hrs
       6:00 PM Tax Talk After Hours with Joe Calderaro

Nov 5: Vicki Mulak - Business Entities and Dissolutions - 8 hrs

Nov 6: Gary McBride & Tom Daley - Federal/CA Update - 8 hrs

FEES
All 3 days
NAEA/CSEA Members $499 by 10/16/09, $529 after
Non-Members $529 by 10/16/09, $559 after
Lunch included

Any One Day
NAEA/CSEA Members $199 by 10/16/09, $229 after
Non-Members $229 by 10/16/09, $259 after
Lunch included

Nov 4, 5 & 6
8:00 AM - 5:00 Pm

Radisson Hotel
6680 Regional Street
Dublin CA 94568

Contact: Patty Pringle 510-912-1682
e-mail: eapattypringle@sbcglobal.net

Register online at: www.123signup.com/calendar?Org=ebaea
How to Prepare the 1120S Part 1: Getting In and Staying In

After this “flashlight with batteries” session, you should be able to quickly solve the most common problems encountered with “S” Corporation returns and accurately file a Form 1120S, even if your client has made a mess of things. You should also know what to tell your clients now to get them to make your life easier next year and reduce the likelihood of future problems.

A seminar for Enrolled Agents

We’ll cover:
- Solving Basis Issues including The Golden Rule
- Section 351 Tax Free Conversions
- Reasonable Wages and Possibilities for Correcting after the Fact
- Auto Expenses & Health Insurance: reporting the correct way, and fixing them
- Excess Distribution Solutions
- What Treasury Decision from 2008 should make you happy

The class level is intermediate.
This is not a ‘how to fill out the form’ class. Bring your questions!
It would be helpful if you’ve done an 1120S or two before, but not required.

CLASS LIMITED TO 5 PARTICIPANTS

Choose from two dates:
Saturday September 5: 9 am – 1 pm.
Monday October 5: 9 am – 1 pm.

Class Location:
Law Office Conference Room, 1516 Oak Street, Suite 109, Alameda CA 94501

Fee Schedule:
NAEA/CSEA Members paid one month in advance $160
Non-Members or paid “late” $195
Check, MC, Visa, AmEx

Contact:
Andrew S Rogers, E.A.
Tax Buddha
1442 A Walnut St #365, Berkeley CA 94709 P(510) 522-2300, F(510) 522-2307
Day of Seminar Only: Cell (510) 332-0401

“We have entered into an agreement with the Office of Professional Responsibility, Internal Revenue Service, to meet the requirements of 31 Code of Federal Regulations, Section 10.6(g), covering maintenance of attendance records, retention of program outlines, qualifications of instructors and length of class hours. This agreement does not constitute an endorsement by the Office of Professional Responsibility as to the quality of the program or its contribution to the professional competence of the enrolled individual.” Sponsor Number 797 Refund Policy: Request for refund must be postmarked ten days before scheduled class. All refunds subject to a service charge of $15
During the 1990s, IRS Fresno Service Center offered open house tours every few years, giving practitioners the chance to peek “behind the curtain” and gain a better understanding of the various Service Center functions. After the 9/11 attacks, the Campus was closed to all visitors. At the request of various practitioner groups (including EBAEA), IRS Fresno agreed to hold the first limited tour of the new century. Given the lack of recent tour experience, and the huge pent-up demand for tours, IRS placed a limit on tour participants. Each practitioner organization was granted space for two representatives to attend, with the proviso that these representatives would report back to their organizations and thereby help spread the knowledge gained from the tour. The EBAEA representatives were Patty Pringle, EA, and Duncan Sandiland, EA. Altogether, there were 59 practitioners attending, representing almost 50,000 practitioners throughout the western US. IRS staff at all levels devoted substantial resources to this effort, which was considered extremely worthwhile by all participants. Especial thanks and gratitude belong to Vickie Strohl, EA (Central CA Chapter), who was the primary organizer and implementer of the entire project. Without her tireless efforts, this event would not have enjoyed anywhere near the success it did.

The event was structured in three parts. Thursday found us in a classroom setting. The morning program featured presentations on the various steps involved in return processing. The afternoon session saw presentations from the more familiar compliance functions. On Friday morning, we broke into small groups and were given a 1.5 hour guided tour of the entire 13-acre facility, and then left. When we arrived at the IRS facility on Friday it was evident that we were about to tour a very high security area. Our identification was checked out before we were allowed to enter the gates. While waiting to enter you could see numerous semi trucks that were waiting to drop off mail. There were bomb sniffing dogs that were inspecting each truck for explosives. Notes from the tour portion have been integrated into the presentation sections below where applicable. The PowerPoint handouts for all sections are available on the CSEA website at [http://www.csea.org/irskm/Permanent%20Files/CampusSubmission.pdf](http://www.csea.org/irskm/Permanent%20Files/CampusSubmission.pdf) and [http://www.csea.org/irskm/Permanent%20Files/CampusCompliance.pdf](http://www.csea.org/irskm/Permanent%20Files/CampusCompliance.pdf)

The first speaker on Thursday morning was the big cheese himself, Director James Gaither. Mr Gaither spoke of the history of the campus. When it was built in 1971, it was a 47-acre site surrounded by farmland. Today, the city has grown up to, around and well beyond the campus site. IRS operations in Fresno have spread to 13 other buildings throughout the city. The campus building itself contains 536,000 square feet in one story, with extra-large ceilings. It houses @2500 year-round employees, surging to @7000 during tax season. The average utility bill is over $200,000 per month. During peak season, processing staff works two 11-hour shifts, with a one-hour break for maintenance and turnover. In 1991, there was some extra excitement. An unknown individual planted 11 pipe bombs in the then-vacant field next door and launched them at the building. No injuries or damage occurred, but all IRS facilities in Fresno have no identifying markings.

Originally, the Fresno Service Center only served Hawaii and California. Currently it handles 24 states, and will gain a few more when the Atlanta campus stops processing 1040s in 2012. Of the 10 service centers active when RRA98 passed, by 2012 only Fresno and Austin will be processing 1040 (IMF) returns, with Kansas City maintaining capability as a backup site. Mr Gaither commented that, even with all the automation and related advancements since the 1970s, the productivity and accuracy rates for Fresno-processed returns had remained the same. He shared some IRS analysis of projected trends for the near future. With the increase in boomers retiring, and the resulting increase in medical expenses, IRS foresees an increase in the number and percentage of paid-preparer vs self-prepared returns (currently 60% paid).
Mr. Gaither repeatedly referred to “the pipeline”. This term is used to describe the system by which data documents (returns and correspondence) flow through the campus. Any correspondence, information or payments that are received without appropriate identification or missing information will clog “the pipeline” and cause a delay in receiving a refund or a response from correspondence received. The end of this section has some helpful ideas regarding how practitioners can reduce clogs in the pipeline.

The next speaker was Darren James, “Receipt and Control” manager. Put bluntly, Mr. James’ very large job is to run the mailroom and attendant sorting functions, which together employ some 1500 staff during tax season. During the peak, the campus will receive over 1 million pieces of mail in a day, and they all need to be sorted and processed without any delays. Ninety-four employees run two large sorting machines that can process over 50,000 pieces of mail per hour IF they are properly addressed with zip+4 or IRS barcodes. Less than half the mail received is so marked, so the rest must be hand-sorted. Delays in depositing checks cost lost float, and delayed refunds increase interest costs, so accuracy and speed of processing is very important. This department also handles all the “undes” – the boxes of mail that are returned to IRS every day due to bad addresses.

After the mailroom, the sorted bins go to the Extracting section. This area has severely restricted access, and most of the IRS employees in the building are prohibited from entering. Here the mail is opened at the famous “Tingle tables” and rough-sorted by type of return or correspondence. Cash received is converted to a money order and sent back to the taxpayer – cash is not accepted for payment at Fresno! 600 employees work here, each opening and sorting 140 envelopes per hour. Runners circulate among the tables, refilling the inboxes and taking the sorted documents to the next step on their journey. This department has received some extremely imaginative payments, including one “check” written on soiled underwear. No fear, they just run those items through the laminating machine and send the information off to the bank for payment. Somewhere in here the DLN (Document Locator Number – the unique ID number attached to each submission IRS receives) is manually placed on every document.

All payments are removed in Extracting and sent to Payment Processing. Here, 86 employees code 5 data items to each and every payment: tax ID#, matching name, tax type, tax period and receipt date. Also, any payments made at a local IRS office are batched together and sent here to be processed.

The next step for payments is Remittance Processing, which sorts all payments into Perfect and Imperfect (not fully identifiable) remittances. These folks code all payments into the IRS system. They can handle more than ½ a Billion dollars during peak season, and they must balance to the penny every night before they can go home, as all payments must be deposited within 24 hours. Imperfect remittances go into a suspense account for later application when more identifying data is received.

Almost all IMF efiled returns are handled by Austin, so the following steps at Fresno apply to paper returns. After Extracting, paper returns go to the Code & Edit section. These are the first people to actually look at the return. In another rough-sort step, they check for all forms that should be there, plus obvious fraud and other problems. They can use up to 76 different codes per return. After June, they can look up W-2 info on current returns to aid in processing. Staff here processes about 80 1040’s per hour.

Data Conversion is where the return is first logged into the IRS system. About 1400 transcribers input about 13.5 million returns this year, at a rate of about 23 1040s per hour. 90% of their workload is 10key data entry, transcribing the paper return line-by-line into the system.

Naturally, some errors will occur in this process, so Input Correction steps in. About 800 staff process up to 80,000 errors daily during peak season. The Error Resolution System handles missing forms, math errors, ES payments and the like. Notice Review is an ERS sub-unit that acts as a quality
control check. Also, ERS is the only place in Fresno that deals with efiled returns – or more precisely, with efile fallout (errors). It takes a minimum of 30 days to go through this process if there are any errors. This section also handles about 500,000 Unpostables each year – SSA/name mismatches, unknown payments, duplicate returns and the like. Another section here handles Rejects from ERS and Unpostables. These are the hard-core problems that require additional research, such as confirming 1040X or duplicate returns, review for CID, Form 1040 line 21 income subject to SE tax, etc. They recommend attaching a statement to the return explaining the type of Line 21 income and why it is or is not subject to SE Tax. The Correspondence sub-unit performs quality control checks before sending letter to taxpayers, and can also make phone calls to taxpayers using the phone numbers supplied on the return.

The final step is Accounting, government-style. This unit reconciles all the payments and receipts and reports same to the Treasury. Until Accounting balances and reports, Treasury can’t spend any of the money received! Through June of this fiscal year, Treasury received $91.7 billion from Fresno receipts. This unit can also issue manual refund checks to taxpayers when hardship is an issue. Two other services are housed here. RAIVS (Return And Income Verification Service) processes all the 4506 and 4506T forms within 60 days of your request, provided you pay the $57 fee for the one-time request. For high-volume, fast turnaround, electronically submitted and answered needs, IVES (Income Verification Express Service) is available to third party lenders and those with similar needs who have applied for and received acceptance into this program. IVES provides 48-hour turnaround on requests, and costs $4.50 per taxpayer year requested.

Along the way, some correspondence goes straight from Extracting to Entity Control. In IRS-speak, “entity” has nothing to do with the organization filing the return, but everything to do with making sure the name, SSN and address on the return is correct. More to the point, this unit is the first eyeball step for all 1040Xs received at Fresno. Almost 50% of the 1040Xs are processed here within 12 days, and the problem cases that take longer than that are sent to Accounts Management. Fresno sometimes gets them completely through in 30 days, but the normal turnaround time is 12 weeks. However, all the recent law changes and rebates (and especially the home buyer credit) have pushed the cycle time to about 16 weeks. To illustrate the problem, in 2005 Fresno processed 350,000 1040Xs. During the 2009 season, they processed 1.1 million! In 2009 they had 156 employees, and they are hiring to 220 for 2010. Meanwhile, they can’t work much faster, as each employee already processes 20 per hour. These folks also process all the 8822 address changes, and it takes 3 days for those changes to reflect on the system.

Handy tips to ensure faster processing of your submission:
1. If your response to IRS will not fit into the barcoded envelope provided, you can cut out the address and tape it to your own envelope, and the machines will sort and route it faster. The sorting machines can accept mail up to ½ inch thick.

2. All those Return Receipt Requested cards are NOT filled out by IRS, but by the USPS employee onsite, so don’t blame the IRS if it’s not filled out or sent back to you. However, you CAN prove receipt by including a duplicate copy of your submission with a SASE and a request for “Acknowledgement” – if you include this magic word, Fresno will stamp the duplicate and return it to you in your SASE. You can also track Certified Mail delivery on the usps.com website for free!

3. Put payments on top of all other pages in your submission. This will ensure fastest possible processing and the least chance for accidental separation of payment from submission.

4. Checks are fantastic payments, money orders are a very distant second, and cash and stamps are no longer accepted. If your client insists on sending a money order, please make sure his name, SSN and tax form/year are clearly legible on the MO. Every day, IRS gets stacks of MOs with
only a scrawled signature to identify them to a particular taxpayer or case. Cash payments were covered above. Some seniors still remember when IRS accepted stamps as payment, but those days are long gone. IRS returns all stamps received, and interest continues to accrue. If information such as taxpayer name, SSN and the year to which payment should be applied are not included with the payment the IRS will apply the payment to the tax year that is most advantageous to the IRS (not the taxpayer).

5. Even on computer-generated paper returns, using the IRS-provided label helps reduce errors in Data Conversion.

6. Amended returns do NOT need a copy of the original return, as Fresno staff can look that up on their computer. Further, attaching a copy can lead to confusion regarding duplicate returns, etc. If you really want to send a copy of the original return, please mark it “DO NOT PROCESS” in large red letters at the top of the 1040. It also helps to submit a “Return as it SHOULD have been filed” copy, if labeled appropriately.

The focus of the second half of Thursday shifted from paper return processing to Compliance functions. Compliance Director Jim Grimes gave a nice overview, then stuck around while his staff gave their presentations. Throughout these presentations, IRS staff fielded many questions from the practitioners. Some of those questions were tough, and neither IRS nor practitioners liked all the answers, but IRS gets a lot of credit for giving us the straight truth, even if that was to say that they didn’t know the answer. IRS brought out plenty of big guns and technical staff, and they shot as straight as they could the whole day. It was very refreshing to see IRS taking serious notes and actively working to understand our concerns. Because of the nature of the interaction, more time was spent providing feedback to IRS, so fewer items of broad interest will be recounted below (more information is in the PowerPoint presentations listed above on the CSEA website).

Mr Grimes discussed the changing IRS workloads. All W&I accounts are handled from 5 campuses: Fresno, Andover, Atlanta, Austin and Kansas City. IRS has adopted a corporate inventory management system, which allows audits and calls to be handled from any campus. This allows them to better manage systemic workload, and there are no plans to change it. Nationwide, W&I worked @600,000 total cases during 2008, of which about 60% were EIC cases. Fresno Compliance has two main programs: Correspondence Examination and AUR (Automated Underreporter).

Correspondence Exam is headed by Steve Barnes. Exam has a new toll-free number that’s good across the entire IRS system: 866-897-0177. Mr Barnes stressed the importance of including the first page of the IRS notice with any correspondence we send to IRS so our response will be routed to the correct unit.

AUR is headed by Leticia Avila, who laid several gems on us. First, she asked us to make sure NOT to net any information returns, especially K-1s, as IRS is matching individual data from third parties, not just the totals for that line. Effective 7/08, AUR has a special shortcut within the PPS system – just tell the PPS staff this is an AUR case and you’ll skip the queue on the AUR phone tree, going directly to AUR staff. Effective 5/09, AUR has activated Efax, which allows the AUR staff to receive faxes as electronic documents, greatly speeding the processing time.

Naturally, after exam comes Collections. Manager Theresa DelaCruz said that Austin and Fresno deal with nonfilers, while Andover, Atlanta and Kansas City work balance due accounts. All W&I ASFR (Automated Substitute For Return) cases are worked in Fresno. ASFR Reconsideration has a special phone line: 866-897-3370. Use this number whenever you need a fresh look at a case.
ACS (Automated Collection System) had two speakers. Manager Mike Atwell’s group handles all the phone calls, while Support Manager Susan Meredith’s group handles all the paper. All W&I ACS work is done out of Fresno and Kansas City, while SB/SE is worked in Cincinnati and Philadelphia. For faster processing speed, ACS Support will often call taxpayers directly instead of writing letters. ACS deals with a lot of CDP cases so their first priority here is to resolve them before Appeals, or if that doesn’t work out, to build the case for Appeals. ACS asks that any delinquent returns submitted should use the taxpayer’s current address, not the address as of the original due date of that return.

Bringing up the rear was Area 7 Taxpayer Advocate John Tam. Area 7 includes CA, NV, HI and AK, and is headquartered in Oakland. The TAS-only (no other IRS access here) phone number is 877-275-8271 (ASK TAS1). TAS may be able to get cases moved to other areas with lower inventory if the move will result in faster processing, but otherwise you’re probably out of luck. John’s rule of thumb on when to call TAS is to wait at least 30 days, but in any case, give the normal IRS channels a decent chance to fix the problem before calling TAS. John specifically discussed Cancellation of Debt, cautioning that you must also file Form 982 (Reduction of Tax Attributes) to get relief – Pub 4681 has a useful worksheet for this. Identity theft cases have had a dramatic upswing, and the IRS hotline (800-908-4490) goes to a central unit that can direct you to the proper places for your client’s needs. John also requested that, in light of the current decline in housing values and possible family income reductions, it might be time to review some of our client situations to see if an OIC might make sense now. That suggestion generated a ringing denouncement of the OIC system, particularly the complete lack of flexibility regarding National Standards, but John’s point is valid and some of our clients might now be eligible for OIC consideration.

All in all, IRS went to significant effort to provide a high-caliber set of presenters covering most aspects of the Fresno campus operations. So often, IRS functions are designed to force-feed us what IRS thinks we need to know, regardless of whether we already know it or whether we really do need it. Some of the Fresno tour seemed like that at first, but on reflection, that wasn’t really the case. Instead, this was a serious, honest attempt to present what really goes on at the Fresno campus. In all, about 30 IRS division managers and their key support staff were there to throw back the curtain and show us how the magic happens. They probably learned as much from our questions as we did from their answers. Gerry Kelly-Brenner and the other Stakeholder Liaisons worked overtime to get our feedback to see how the next tour could be made better. Some of the presentations could have been shortened, and others needed to be expanded, but after nearly a decade of almost no mutual information exchanges, this was a very positive first step towards building better long-term rapport. Heartfelt thanks to all involved in putting this on, and please, pretty please, let there be more!
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