

Capital of Texas Enrolled Agents

Where Keeping You Informed is Our #1 Goal

January, 2010

Welcome, members and visitors, to our CTEA newsletter. Our goal is to have members share their expertise in various tax subjects and to keep you informed of the latest tax law changes. So please, if you have any information you would like to share, contact our editor at: retaxlady@aol.com

GET THE MESSAGE OUT!

Do you have a blog or a web site that primarily covers timely tax topics? If you do, please let us know so that we can spotlight them in our newsletter for other tax professionals to see. In this day of computer technology, you should be reaching out to your clients with as much information as you can. Start a blog, make them friends on Facebook ® or even send them a Twitter ® post on a daily basis. Having a Web page allows the clients, and new potential customers, to see exactly what services you have to offer. If you've not yet checked out our web site, please visit us at: www.captxea.org

CTEA, or *Capital of Texas Enrolled Agents*, is an organization whose mission is to foster the professional growth of its members through Continuing Professional Education (CPE) and facilitate communications with the Internal Revenue Service and state taxation agencies.

Our group is comprised of more than one hundred Austin and central Texas area tax professionals, the majority of whom are enrolled agents (EAs). Rounding out the membership are CPAs, attorneys and other tax practitioners.

Next CTEA Meeting: Monday, Jan. 25th
Reservations required. Speaker: Sherry Saucerman with Filing Season Update

2010 Board of Directors

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Electronic Filing News

Late in December, the Internal Revenue Service sent out Notice 1383 to *e-file* Providers. It opens with the phrase, "You Must Use Form W-2, W-2G or 1099-R Information When Submitting Electronic Returns." It continues on with the explanation that mainly they are reminding *e-file* providers not to transmit electronically until the taxpayer is sure they have received all of the above mentioned sources of income. The IRS has, in the past, and will continue to visit and monitor *e-file* providers to ensure compliance.

So what happens to the tax services that advertise that they will prepare and submit your return without that W-2 – you only need provide a pay stub? These types of services were advertised on the news by car dealerships, bulk tax preparation firms and more last filing season. There are several levels of infractions depending on the seriousness and their sanctions could be in the form of written reprimand, to suspension or expulsion from the *e-file* program. Be sure to check your compliance with Rev. Proc 2007-40 and other *e-file* rules and requirements before you file returns for your clients this season. If you don't have it on hand, order Pub's 1345 and 3112 at www.IRS.gov.



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IRS Releases Return Preparer Review

On Jan. 4, 2010, the IRS released its long awaited Return Preparer Review. The purpose of this document is to set out details for the transition that will allow the IRS to set up a path for massive changes to the return preparer fields. For full text review of this document and other items of current interest and changes, visit: www.irs.gov/taxpros/ This location will be a good source to visit frequently in the coming months as the IRS will be publishing much guidance on the new requirements and assisting return preparers in compliance with the new requirements.

Although the changes will not affect the current year or filing season, there will be no 'grandfathering' around the new regulations. In summary, some of the upcoming changes include:

- All preparers that sign a return must register and obtain a PTIN;
- New registrations will be good for a three year period;
- A massive public awareness program is being launched to educate both taxpayers and paid preparers;
- EAs, CPAs and attorneys are the only persons who do not need to pass the new competency exam and meet the 15 hours of Continuing Education [CE]; all other return preparers are required to do so;
- Transition rules will be put in place to prevent disruption of service to taxpayers;
- Ethical standards will be set and provided for all signing and non-signing preparers;
- Office of Professional Responsibility [OPR] will increase staffing to allow for enforcement.

Focus on Audits

The IRS has developed and published guidelines for Auditors to follow when developing and implementing an audit of taxpayer – individual and business – returns. A good idea for all representatives is to find and read the guidelines that may pertain to your client as soon as you are aware that an audit may be pending.

Under the 'Businesses' section tab of www.irs.gov you can find the Audit Technique guides [ATGs]. These ATGs focus on developing highly trained examiners for a particular market segment. These Guides contain examination techniques, common and unique industry issues, business practices, industry terminology and other information to assist examiners in performing examinations.

An example of a particularly helpful ATG is the one for IRC § 183: **Activities Not Engaged In for Profit**, also known as the Hobby Loss Rules. The purpose of this particular guide includes:

- Assist in distinguishing between a business activity, a non-business "for profit" activity, an activity not engaged in for profit and a personal activity.
- Provide examination techniques
- Supply applicable law, and
- Provide written guidance in report writing.

Check out the ATG listing before you begin collecting data from your client.

