California Society of Enrolled Agents
Inland Empire Chapter

Chapter IdEAs

"To Promote the Professionalism and the Growth of Our Members"
America's tax experts
CSEA Inland Empire Chapter September 2016

NAEA POWERING AMERICA'S TAX EXPERTS®
NATIONAL ASSOCIATION OF ENROLLED AGENTS

AFFORDABLE CARE ACT UPDATE 2016
BY RODNEY J. COUTS, EA

The Affordable Care Act (ACA) has dramatically altered the health care industry, not to mention the preparation of income tax returns. With nearly all ACA provisions now in effect, this session will take a closer look at various issues impacting individuals and business entities, including:

- Shared Responsibility Payment requirements for businesses and individuals
- Determining coverage affordability for employers and proving coverage unaffordability for individuals
- The math of shared policy allocations
- Understanding the effect of marriage on the Premium Tax Credit (PTC)
- Strategies for minimizing the repayment requirements of the PTC
- Applicable ACA rates for the 2016 tax year.

About the Speaker:

Rodney J. Couts, EA has been a tax professional since 1987, and was admitted to practice before the Internal Revenue Service as an Enrolled Agent in 2004. He founded Seaside Resources in 2005, a Carlsbad based tax preparation firm specializing in small businesses, real estate and individual taxation.

Rod is the 2015-2016 First Vice President of the California Society of Tax Consultants (CSTC), and the 2015-2016 president of CSTC's North San Diego County Chapter. As a writer and speaker, Rod has appeared on television and radio, including CNN's Moneyline, and has been published in a variety of newspapers and magazines, including Forbes. Rod was honored by Federal Reserve Board Chairman Alan Greenspan for his contributions to the Federal Reserve Board's Leasing Education Program team whose goals included educating consumers on automobile leasing.

Rod is a native of Ohio and graduated from Wright State University with a Bachelor of Science degree in Business Administration, majoring in accounting. He and his wife, Linda, a Nurse Practitioner, have been married for over 25 years.

PRESIDENT'S MESSAGE

Jackie Kincaid, EA, Inland Empire Chapter President

As I write this message to you this morning I am reminded by the weather man on the news that it is the first official day of Fall. We are busy in our office getting the returns done for the Clients on extension. This is the start of crunch time for most Tax preparers. It seems like once our extension returns are done it is time to start preparing for the next Tax Season.

I want to thank all those who attended our September Dinner Meeting. Our speaker Amy Smith gave us the updates of what is happening at the IRS for this upcoming year. For those of you who were not able to attend the meeting part of her presentation was about how the scammers are targeting Tax Professionals. She shared a story of one Professional who had a data breach in his office. Someone hacked into his computer and was able to steal all the data from his clients. It was truly a nightmare experience for him. It is important for us to take precautions to safeguard our Clients data. This would be a good time to check that your computer system is up to date and that your data is secure.

The speaker at our October 12 dinner meeting is Rodney Couts and he will be speaking on the Affordable Care Act. The November 9th Speaker is Mark Seid EA, USTCP, CPA. He will be giving us a presentation on Ethics Update and Review. This is a chance to get the Ethics CE you need each year for your EA Designation. Our Speaker for the December 14th meeting is Doug Pickford EA. Doug is the current President of the California Society of Enrolled Agents, His presentation will be on Schedules C and E. We also have the IRS Practitioner Seminar coming up on January 10, 2017 in Ontario.

Don't forget to check out IETAXPRO.COM to see what is happening in our Chapter. It is a great place to find out about upcoming Seminars happening in our area. Hope to see you all at our next Dinner Meeting on October 12.

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Brass Tax Seminars - 2016

TUNEUP/UPDATE

San Bernardino Doubletree, Wednesday 11/30/16
Ontario Radisson, Friday, 12/16/16

FEES

Early Bird $225 good to 10/31/16
8 Hrs CPE

Our chapter earns $25 for each member attending,
make sure when registering to put IEEA in "Referred by line".

Save this Date: 01/10/2017

2017 IRS/CSEA Practitioner Seminar – Ontario at the Azure Hotel & Suites 1945 East Holt Blvd. Ontario, CA 91761

Hear from IRS and CA FTB representatives about policies and procedures that impact you and your clients. Learn how to maximize resources to increase ***your*** value to ***your*** clients, and earn up to ***7 hours of CPE***. Cost includes continental breakfast, lunch and refreshments.

The trouble with the profession of tax collecting is that 90% of its members give the rest a bad name. - anonymous

Due Diligence Update: The New 8867

Changes to Form 8867 and Preparer Due Diligence

By Ronald Uehle, EA

We were all excited last December when Congress passed its annual tax bill, Protecting Americans From Tax Hikes Act of 2015 (PATH Act), because they extended some tax breaks, made some tax breaks permanent and revived several popular tax breaks for 5 more years (through 2019). There are three credits now that will be reported on Form 8867 because of the PATH Act making them permanent and requiring tax preparers to do more due diligence and documentation than just for the Earned Income Tax Credit (EITC) as in the past.

The PATH Act expanded the due diligence requirements under Code Section 6695 to now include the Child Tax Credit/Additional Child Tax Credit (CTC/ACTC) and the American Opportunity Education Credit (AOTC) for the filing of the 2016 tax returns. It also increased the preparer penalty under Code Section 6695 for failure to meet your due diligence for one or more of the credits to $510 for Tax Year 2016 tax returns and will be adjusted for inflation annually. The preparer penalty is also per credit, so if you failed to do your Due Diligence on the CTC and the AOTC you will be facing a total penalty of $1,020.

The following changes from the PATH Act will affect individuals who claim EITC, CTC/ACTC and AOTC beginning with Tax Year 2016 tax returns:

- The IRS can bar an individual from claiming EITC for 10 years if they find that the taxpayer has fraudulently claimed the credit.
- The EITC is now subject to the penalty for erroneous claim for refunds and credits.
- Incorrectly claimed refundable credits will now be taken into account when determining the underpayment penalty.
- Individuals cannot file an amended return to claim the EITC for prior years that a qualifying child did not have a social security number (This took affect December 18, 2015 when the PATH Act became law).
- Taxpayers will be required to present to tax preparer Form 1098-T.
- The EIN of the educational institution will be required to be reported on Form 8863, returns will be rejected if it is missing.
- The amounts reported on Form 1098-T must reflect the amounts paid, rather than the amount billed (some educational institutions have been given a grace period in which to conform to this reporting requirement).
- The IRS can bar an individual from claiming the CTC/ACTC and/or AOTC for 2 years if they find that the individual has disregarded the rules for claiming either or both of the credits.
- Individuals cannot file an amended return to claim the CTC/ACTC or the AOTC for prior years that a qualifying child did not have an ITIN or SSN.

Now that we know how it will affect taxpayers, how will it affect the tax preparer. The good news is that on the draft of Form 8867 it has been reduced from 4 pages to 2 pages. And the number of questions on Form 8867 the need to be answered has gone from 27 to 12. The bad news is that they are trying to fit all three credits on one Due Diligence checklist. Since Congress has not increased the budget of the IRS to allow for more hiring, we the tax preparer community, have to do the work of the IRS and sometimes are clients don't understand why we need to document and ask questions. It might be wise to review the draft Form 8867 and review your client questionnaire to see if there may be additional questions the need to be added so that you can document and make reasonable inquiries of your clients when doing your Due Diligence.

One last item of importance that comes from the PATH Act is that beginning January 1, 2017 the IRS required to hold refunds for returns claiming the Earned Income Tax Credit and/or the Additional Child Tax Credit until February 15, 2017.

PIA Committee News

Gloria J Williams, EA Chair

The PIA Committee is once again using the **Inland Empire Magazine** February 2017 issue to promote the "Enrolled Agent" designation to the public. You may participate and have your company identified in the ad. The ***participation form*** is included in this Newsletter for your use. The cost to participate is just **$45.00** (same as in 2014). The deadline for participation is the **December meeting of the 14th**. Ad space will be limited, so don't delay. Any questions, just call me at 951-928-6283 or email: gloriawilliams@gloriawilliamsea.com.

What's the difference between a tax auditor and a Rottweiler? A Rottweiler eventually lets go. - anonymous

Practice Management Tip

9 Tips For Growing A Successful Business

By Chris Seabury

To succeed in business today, you need to be flexible and have good planning and organizational skills. Many people start a business thinking that they'll turn on their computers or open their doors and start making money, only to find that making money in a business is much more difficult than they thought. You can avoid this in your business ventures by taking your time and planning out all the necessary steps you need to reach to achieve success.

1. Get Organized
To be successful in business you need to be organized. Organization will help you complete tasks and stay on top of things to be done. A good way to do this is to create a to-do list each day. As you complete each item, check it off your list. This will ensure that you're not forgetting anything and you're completing all the tasks that are essential to the survival of your business.

2. Keep Detailed Records
All successful businesses keep detailed records. By keeping detailed records, you'll know where the business stands financially and what potential challenges you could be facing. Just knowing this gives you time to create strategies to overcome those challenges.

3. Analyze Your Competition
Competition breeds the best results. To be successful, you can't be afraid to study and learn from your competitors. After all, they may be doing something right that you can implement in your business to make more money.

4. Understand the Risks and Rewards
The key to being successful is taking calculated risks to help your business grow. A good question to ask is "What's the downside?" If you can answer this question, then you know what the worst-case scenario is. This knowledge will allow you to take the kinds of calculated risks that can generate tremendous rewards.

5. Be Creative
Always be looking for ways to improve your business and to make it stand out from the competition. Recognize that you don't know everything and be open to new ideas and new approaches to your business.

6. Stay Focused
The old saying that "Rome was not built in a day" applies here. Just because you open a business doesn't mean that you're going to immediately start making money. It takes time to let people know who you are, so stay focused on achieving your short-term goals.

7. Prepare to Make Sacrifices
The lead-up to starting a business is hard work, but after you open your doors, your work has just begun. In many cases, you have to put in more time than you would if you were working for someone else. In turn, you have to make sacrifices, such as spending less time with family and friends in order to be successful.

8. Provide Great Service
There are many successful businesses that forget that providing great customer service is important. If you provide better service for your customers, they'll be more inclined to come to you the next time they need something instead of going to your competition.

9. Be Consistent
Consistency is key component to making money in business. You have to consistently keep doing the things necessary to be successful day in and day out. This will create long-term positive habits that will help you make money over the long term.

Court Case Reviews

Submitted by Paul Cheatham

In T.C. Summary Opinion 2016-42 the respondent determined a deficiency of $5,114 in petitioner's Federal income tax for 2010. The issue for decision is whether petitioner is entitled to a deduction of $13,295 for a loss she sustained in connection with an aviation activity and claimed on Schedule C, Profit or Loss from Business.

The petitioner is a veteran of the U.S. Air Force (USAF) and an accomplished pilot. She graduated from Baylor University in 1977 with a degree in computer science. In her twelve years of active duty with the USAF she was assigned to various positions of increasing responsibility including instructor pilot, flight commander, commander of a KC-10 in-flight refueling aircraft, and wing flying safety officer. Since 1990 she has been flying full-time as a commercial airline pilot for United Airlines. Under current FAA rules she will be obliged to retire as a commercial airline pilot in a few years, when she becomes 65.

In anticipation of retiring she researched ways that she might continue to earn income after her retirement. She decided to purchase a military training aircraft and start an aviation business in Arizona. She purchase a Slingsby T-67C "Firefly" military training aircraft that would allow her to provide a variety of aviation services. Unfortunately, she was unable to generate any income from these activities in 2010. Further, she only put a few hours on the aircraft. The respondent argued that the claimed expenses are not allowable under IRC Sec. 162 because she was not "carrying on" a trade or business within the meaning of that code section and that the expenses incurred were, at best, nondeductible startup expenditures (IRC Sec 195).

While the Court found petitioner's testimony to be credible and forthright, they were unable to rule in her favor. Instead they found that, "…we cannot say that petitioner's activities had ripened into an active trade or business in 2010." The fact that she did nothing in 2010 to formally advertise to the general public, had no clients, no contracts for aviation services, and no gross receipts weighed against her.

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INLAND EMPIRE MAGAZINE

P I A Campaign for February 2017 Issue

From Gloria J Williams, EA for the PIA Committee

Please use this form to participate in the February 2017 ad campaign.

Deadline for your reservation and payment is **December 14 2016**. The cost is **$45.00**.

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Mark Your Calendars!!

Wednesday, October 12, 2016

Chapter Meeting — *Affordable Care Act by Rodney Couts*
4:00 Board Meeting; 5:30 Social; 6:00 Dinner; 7:00 Program
Chapter Meeting location: The Hotel San Bernardion (formerly The Hilton)
285 E. Hospitality Lane, San Bernardino, CA (at Waterman & 10 Fwy)

October 12, 2016	**Chapter Dinner Meeting - Rodney Couts - Affordable Care Act**
November 4, 2016	**Client Whys-Ontario Airport Double Tree Hotel**
November 9, 2016	**Chapter Dinner Meeting - Mark Seid EA, CPA, USTCP - Ethics Update & Review**
December 14, 2016	**Chapter Dinner Meeting - Doug Pickford - Schedule C & E — A Refreshing Look**

Due to Hotel Policy dinners will not be provided without prior reservations. Chapter Program cost is $42 for members ($47 for non-members and guests) for reservations made by 4 p.m. on Friday preceding the program.
Late reservations are $50 for members; $55 for non-members and can be made until 12 noon Wednesday of the day of the program. Walk-ins to the Chapter dinner is $55.
RSVP to Sharon Elgersma, sharon@ddktax.com or 909-460-6120.

We have a new secure credit card payment and online registration for events through 123signup. We accept Visa, MasterCard and Discover. We have opted out of American Express due to the higher cost for processing. You will receive a confirmation by email that you are registered. You can still pay by check or cash at the door and this option is available through the online registration at www.ietaxpro.com

To receive Chapter IdEA's Newsletter by print Call Dave at 909-467-5433 or email dave@ddktax.com

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