



**California Society of Tax Consultants
HIGH DESERT CHAPTER
15 CHAPTERS STATEWIDE
October 2011**



We look forward to seeing you at the September meeting.

**Speaker & Topic for October 12, 2011:
#1000-CE-3399**

Amy Smith—Sr. Stakeholder Liason for the Internal Revenue Service will be speaking on:

Ethics

Credit: 2 Hrs Federal

This presentation has been designed to meet the requirements going back to of the Director of Practice of the Internal Revenue Service, the California State Board of Accountancy, and the California Tax Education Council, Business & Professions Code #22250-222859, including Code 31 of Federal Regulations 10.6(g), continuing education rule 88(c) covering maintenance of attendance records, retention of program outlines, qualifications of instructions of instructors and length of class hours. This does not constitute an endorsement by these groups.

REGISTRATION:

DINNER:

5:00 PM Check-In

5:30 PM Dinner

MEMBERS:

MEMBERS/GUESTS:

\$ 25.00

\$ 35.00

1st time visitors – Free!

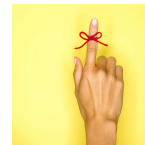
(If you join CSTC the same night)

LOCATION:

Lil' Bit of Country

14335 Hesperia Road

Victorville, CA



As a reminder this meeting will be your last chance to order Quickfinders at a discount for 2012, please come prepared to fill out an order form and pay for your order.

If you cannot make it to the meeting please contact Lori Grubb at 760/243-9740 by October 15th.

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What are the benefits of joining your local chapter of CSTC?

Keep abreast of tax laws with our professional education monthly meetings, seminars, workshops or a basic 60-hour tax course. We also offer tune-up workshops just prior to tax season. Education is discounted for members and is offered in locations throughout California. Members also receive a monthly newsletter from their chapter.

Receive assistance from other tax professionals with:
researching tax laws, dealing with IRS, FTB, SBOE and EDD issues, practice management techniques to expand your business, professional assistance in selecting library, software & hardware products.

Get to know other professionals in your community.

CSTC SOCIETY www.cstcsociety.org

The latest Reporter is available online now!

Don't forget to log into the society web page for the latest news, you can also view and print the reporter, and be sure to check out the members' only page and bulletin boards.

Past editions of the newsletter for our Chapter are on-line at www.cstcsociety.org/HIGHDESERT click on the Calendar/News link to view the education schedules and issues of the newsletter.

Anyone planning to attend a board meeting should contact any board members to confirm their attendance.

****The next board meeting will be held:
Thursday, October 27th, 12:30pm
at Lil' Bit O' Country.**

To assure timely delivery of your monthly newsletter please notify Lori Grubb of any change of address, phone number or email address.

We always look forward to seeing all our members. Take advantage of the opportunity to learn something new or just refresh your knowledge on some interesting topics.

REMINDER Wear your badge to be eligible for the drawing. If you do not have a badge, please tell T.C. Markowitz, so she can order one for you. If you have lost your badge, replacements are available at a cost of \$15.00, due at the time of ordering.

IRS Issues Proposed Regulations That Would Require Tax Preparers to File Due Diligence Checklist with All EITC Claims Submitted in 2012 - IR-2011-98, Oct. 6, 2011

WASHINGTON —The Internal Revenue Service announced today that it is issuing proposed regulations that would require paid tax return preparers, beginning in 2012, to file a due diligence checklist, Form 8867, with any federal return claiming the Earned Income Tax Credit (EITC). It is the same form that is currently required to be completed and retained in a preparer's records.

The [due diligence](#) requirement, enacted by Congress over a decade ago, was designed to reduce errors on returns claiming the EITC, most of which are prepared by tax professionals. The IRS created [Form 8867](#), Paid Preparer's Earned Income Credit Checklist, to help preparers meet the requirement by obtaining eligibility information from their clients. Preparers have been required to keep copies of the form, or comparable documentation, which is subject to review by the IRS. To help ensure compliance with the law and that eligible taxpayers receive the right credit amount, the proposed regulations would require preparers, effective Jan. 1, 2012, to file the Form 8867 with each return claiming the EITC.

Further details can be found in REG-140280-09. Comments on the proposed regulations are due by Nov. 10, 2011, and a public hearing on the proposed regulations is scheduled for Nov. 7, 2011. The EITC benefits low-and moderate-income workers and working families and the tax benefit varies by income, family size and filing status. Unlike most deductions and credits, the EITC is refundable — taxpayers can get it even if they owe no tax. For 2011 tax returns, the maximum credit will be \$5,751. Although as many as one in five eligible taxpayers fail to claim the EITC, some of those who do claim it either compute it incorrectly or are ineligible. The IRS is proposing this step as part of its efforts to ensure that the credit is afforded to taxpayers who qualify. For 2009, over 26 million people received nearly \$59 billion through the EITC. Tax professionals prepare close to 66 percent of these claims.

In our [February 2011 Tax News](#) edition, we announced an effort to assess public compliance with the reporting of Cancellation of Debt Income (COD Income). We thought it would be good to give you an update on what we found and some useful information on how to report COD income. We determined that most taxpayers were recognizing the correct amount of COD income. However, during our audit contacts we found some recurring errors that most likely would have prevented the selection of the return for review. These were:

- **Inaccurate Form 1099-C or 1099-A.** More than 50 percent of the taxpayers had received an inaccurate Form 1099-C. If you think the lender has incorrectly calculated COD income, you should request a revised 1099-C prior to filing a tax return.
- **Not Making Proper Election.** Several taxpayers did not attach federal [Form 982](#), *Reduction of Tax Attributes Due to Discharge of Indebtedness*. Other taxpayers disclosed COD exclusions on various other statements within the return rather than completing federal Form 982.
- **Insolvency.** Taxpayers claiming insolvency did not include Form 982. When you attach this form, its supporting worksheet(s), and the tax attribute reduction schedule to the tax return, we can more easily identify the valid COD income exclusion. Those who claim Insolvency also should reduce tax attributes as required by IRC Sections 108 and 1017 due potential impact of basis in remaining real property holdings.
- **No Disclosures.** Taxpayers did not report COD income, gain, or loss from foreclosed property on the return. You must include a copy of your federal return, including Form 982 and Section 1082 Basis Adjustment with your original California tax return. There is no similar California form.