



# The Orange County ENROLLED AGENT

The Tax Professionals

Editor: Dale Quelle, EA • • 714-899-2221 • 14340 Bolsa Chica Rd. #A • Westminster, CA 92683-4868

Volume 2008-2009 Issue 8 February 2009

## Welcome New Members

Changhoon Lee, EA  
Nadine Lord, EA CFP  
Kristine Quitariano  
Robert Zabroski, EA



Beef Stroganoff  
with Noodles  
Chef's Choice Fish  
Rice Pilaf  
Green Beans  
Three Assorted Salads  
Two Assorted  
Desserts

The Vision of OCEA is to serve, to represent the best interests of Enrolled Agents in Orange County, and to emphasize and enlighten the general public that an Enrolled Agent is the premier tax professional.

The Mission of OCEA is to encourage professionalism, personal growth, and educational growth, while providing member benefits and enhancing the role of Enrolled Agents among the local governmental agencies, other professionals, and the general public.

OCEA is 410 Members strong and proud to be the largest Chapter of CSEA.

February 17th Program  
1 Hr CPE Program

# CALIFORNIA UPDATE



*Presented by  
Lynn Freer, EA*

Lynn Freer, EA is the owner of Spidell Publishing, Inc. and a highly regarded member of OCEA. Freer's company is the leading authority of California tax issues. This one hour seminar highlights California's non-conformity issues in the Federal tax bills.



**Meetings are held at the Phoenix Club**  
1340 S Sanderson Ave, Anaheim, CA 92806

**Agenda February 17th**  
4:00 Board Meeting  
5:30 Social Time  
6:00 Dinner Hour  
7:00 1 Hr CPE Program

\$35 for Member pre-registration before 4:00 P.M. on the Friday prior to the dinner meeting; \$40 for on-site registration and for non-members for meetings with 1 hour of CPE credit. Meetings with 2 hours of CPE credit are \$40 and \$45 respectively. Telephone reservations to Dan Carlberg at 714.774.8129 or email reservation@eaoc.org (please include your EA number). If you wish to be added to or deleted from the Permanent List, please contact Dan.

## PRESIDENT'S MESSAGE

by Patti Kappen EA

This is going to be a brief letter as I know you are all too busy to read a lengthy message.

Last month I attended my first CSEA Board Meeting as OCEA President, I will tell you more about it next month. This month I want to remind you of scheduled up-coming events. In February, Lynn Freer from Spidell will be giving us a California Update and we will be hosting our Past Presidents.



This summer OCEA will be offering the Special Enrollment Exam Class for those interested in passing the SEE exam. And then in the fall of 2009 OCEA is planning to teach the Basic 60 Hour Tax Preparation Course for those interested in a career in tax preparation. Please keep these courses in mind when you are talking to people that you think would be interested in attending. Also, we are still looking for teachers for the Basic 60 Hour Tax Preparation Course and volunteers for both. Please call me at (949) 496-1174 if you have any questions on either of these events.

The Nominating Committee is looking for nominations for new Officers and Directors. (Elections – May 2009 Dinner Meeting). If you would like to get more involved, or know another member that would be a good candidate, contact Joe Guccione at gucci-one@msn.com.

It is always a pleasure to share good news and special accomplishments of one of our members.

Joni Terens, EA, Past President of our Chapter, has been appointed to the Internal Revenue Service Advisory Council (IRSAC) which provides an organized public forum for IRS officials and representatives of the public to discuss key tax administration issues. Congratulations Joni!

I hope you will allow yourselves the time to join us at our monthly meetings even though your schedule is so busy. It will give you a little time to unwind, learn a little and mix with fellow members who are working just as hard as you are and are looking forward to talking to someone who really understands! Look forward to seeing you soon.

*Patti*



### *The Tax Professionals*

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# Historical Highlights of the IRS

## An excerpt from IRS' e-News for Tax Professionals

1862 - President Lincoln signed into law a revenue-raising measure to help pay for Civil War expenses. The measure created a Commissioner of Internal Revenue and the nation's first income tax. It levied a 3 percent tax on incomes between \$600 and \$10,000 and a 5 percent tax on incomes of more than \$10,000.

1867 - Heeding public opposition to the income tax, Congress cut the tax rate. From 1868 until 1913, 90 percent of all revenue came from taxes on liquor, beer, wine and tobacco.

1872 - Income tax repealed.

1894 - The Wilson Tariff Act revived the income tax and an income tax division within the Bureau of Internal Revenue was created.

1895 - Supreme Court ruled the new income tax unconstitutional on the grounds that it was a direct tax and not apportioned among the states on the basis of population. The income tax division was disbanded.

1909 - President Taft recommended Congress propose a constitutional amendment that would give the government the power to tax incomes without apportioning the burden among the states in line with population. Congress also levied a 1 percent tax on net corporate incomes of more than \$5,000.

1913 - As the threat of war loomed, Wyoming became the 36th and last state needed to ratify the 16th Amendment. The amendment stated, "Congress shall have the power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to any census or enumeration." Later, Congress adopted a 1 percent tax on net personal income of more than \$3,000 with a surtax of 6 percent on incomes of more than \$500,000. It also repealed the 1909 corporate income tax. The first Form 1040 was introduced.

1919 - The states ratified the 18th Amendment, barring the manufacture, sale or transport of intoxicating beverages. Congress passed the Volstead Act, which gave the Commissioner of Internal Revenue the primary responsibility for enforcement of Prohibition. Eleven years later, the Department of Justice assumed primary prohibition enforcement duties.

1933 - Prohibition repealed. IRS again assumed responsibility for alcohol taxation the following year and for administering the National Firearms Act. Later, tobacco tax enforcement was added.

1942 - The Revenue Act of 1942, hailed by President Roosevelt as "the greatest tax bill in American history," passed Congress. It increased taxes and the number of Americans subject to the income tax. It also created deductions for medical and investment expenses.

1943 - Congress passed the Current Tax Payment Act, which required employers to withhold taxes from employees' wages and remit them quarterly.

1944 - Congress passed the Individual Income Tax Act, which created the standard deductions on Form 1040.

1953 - President Eisenhower endorsed Truman's reorganization plan and changed the name of the agency from the Bureau of Internal Revenue to the Internal Revenue Service.

1954 - The filing deadline for individual tax returns changed from March 15 to April 15.

1961 - The Computer Age began at IRS with the dedication of the National Computer Center at Martinsburg, W.Va.

1972 - The Alcohol, Tobacco and Firearms Division separated from the IRS to become the independent Bureau of Alcohol, Tobacco and Firearms.

1974 - Congress passed the Employee Retirement and Income Security Act, which gave regulatory responsibilities for employee benefit plans to the IRS.

1986 - Limited electronic filing began. President Reagan signed the Tax Reform Act, the most significant piece of tax legislation in 30 years. It contained 300 provisions and took three years to implement. The Act codified the federal tax laws for the third time since the Revenue Act of 1918.

1992 - Taxpayers who owed money were allowed to file returns electronically.

1998 - Congress passed the IRS Restructuring and Reform Act, which expanded taxpayer rights and called for reorganizing the agency into four operating divisions aligned according to taxpayer needs.

2000 - IRS enacted reforms, ending its geographic-based structure and instituting four major operating divisions: Wage and Investment, Small Business/Self-Employed, Large and Mid-Size Business and Tax Exempt and Government Entities. It was the most sweeping change at the IRS since the 1953 reorganization.

2001 - IRS administered a mid-year tax refund program to provide advance payments of a tax rate reduction.

2003 - IRS administered another mid-year refund program, this time providing an advance payment of an increase in the Child Tax Credit. Electronic filing reached a new high - 52.9 million tax returns, more than 40 percent of all individual returns.

## TAX TEASER by Dale Larsen, EA

You sell products to the Sienna Company. To thank the company for its business, you gave the company three bottles of champagne. Each of the company's three executives took home a bottle for their families to share. You have no business relationship with any of the executives' family members. If you paid \$40 for each bottle, the total amount you can deduct for all three bottles is:

- A. \$25
- B. \$60
- C. \$75
- D. \$120

Answer: C

## Have Something To Say?

Readers are encouraged to submit letters to the editor on topics involving our tax profession. Readers can also voice their opinion on matters concerning our chapter. Please include your full name and phone number. Email your letters to:

Dale Quelle, EA at [4quelle@msn.com](mailto:4quelle@msn.com)  
or fax to (714) 899-2224.

The editor reserves the right to edit letters for publication.

## Shutterbugs wanted for our newsletter!

Are you the one always snapping group and candid shots at every gathering? Do you enjoy catching those special or unusual moments for posterity? If you answered "yes" to these questions, the OCEA newsletter NEEDS YOU! We welcome your fresh perspective in photos taken at any OCEA events, such as meetings, parties and seminars.

Send your digital photos to editor Dale Quelle, EA at: [4quelle@msn.com](mailto:4quelle@msn.com). Be sure to include information about the photos (names, event, date, etc).

The editor has sole discretion in choosing photos for publication.



## OCEA Recognizes Past Presidents

February is Past presidents Month. All past presidents of CSEA are invited to attend the February dinner meeting at the Phoenix Club of Anaheim as a guest of the chapter.

OCEA wants to say thank you to all past presidents whose contributions led to our chapter's growth and success.

D.J. Atkinson, EA	1973/74
Howard Sobelman, EA	1974/75
Peter Remeika, EA	1975/76
S. Robert Radus, EA	1976/77
Robert Pugh, EA	1977/78
Lester Starbard, EA	1978/79
Derral Wilson, EA	1979/80
Squire Burke Sr., EA (Desd.)	1980/81
Harold Shafer, EA (Desd.)	1981/82
Del Schmidt, EA	1982/83
Leona Flansberg, EA	1984
Arthur Koehler, EA	1985
Bill Kirkendall, EA	1986/87
Yvonne Kirkendall, EA	1987/88
Donna Nance, EA	1988/89
Clay Ball, EA	1989/90
Frank Nathan, EA	1990/91
Marcia Davis, EA	1991/92
Doug Pryor, EA	1992/93
Joni Goff-Terens, EA	1993/94
R. Michael Reedy, EA	1994/95
Yvonne Kirkendall, EA	1995/97
Dale Quelle, EA	1997/98
Bill Geideman, EA	1998/99
Al Shifberg-Mencher, EA	1999/00
Rich Quarterman, EA	2000/02
Bill Williams, EA	2002/03
Curt Harrington, EA	2003/04
Bill Geideman, EA	2004/05
Lisa Newton, EA	2005/06
Peggy Ligor, EA	2006/07
Cathy Patel, EA	2007/08

# JUST for FUN!

The Tax System - Explained With Beer  
Submitted By Art Husami, EA

Suppose that every day, ten men go out for beer and the bill for all ten comes to \$100. If they paid their bill the way we pay our taxes, it would go something like this:

The first four men (the poorest) would pay nothing.  
The fifth would pay \$1.  
The sixth would pay \$3.  
The seventh would pay \$7.  
The eighth would pay \$12.  
The ninth would pay \$18.  
The tenth man (the richest) would pay \$59.

So, that's what they decided to do.

The ten men drank in the bar every day and seemed quite happy with the arrangement, until one day, the owner threw them a curve. "Since you are all such good customers," he said, "I'm going to reduce the cost of your daily beer by \$20." Drinks for the ten now cost just \$80.

The group still wanted to pay their bill the way we pay our taxes so the first four men were unaffected. They would still drink for free. But what about the other six men - the paying customers? How could they divide the \$20 windfall so that everyone would get his 'fair share'?

They realized that \$20 divided by six is \$3.33. But if they subtracted that from everybody's share, then the fifth man and the sixth man would each end up being paid to drink his beer. So, the bar owner suggested that it would be fair to reduce each man's bill by roughly the same amount, and he proceeded to work out the amounts each should pay.

And so:

The fifth man, like the first four, now paid nothing (100% savings).  
The sixth now paid \$2 instead of \$3 (33% savings).  
The seventh now pay \$5 instead of \$7 (28% savings).  
The eighth now paid \$9 instead of \$12 (25% savings).  
The ninth now paid \$14 instead of \$18 (22% savings).



The tenth now paid \$49 instead of \$59 (16% savings).

Each of the six was better off than before. And the first four continued to drink for free. But once outside the restaurant, the men began to compare their savings.

"I only got a dollar out of the \$20," declared the sixth man. He pointed to the tenth man," but he got \$10!"

"Yeah, that's right," exclaimed the fifth man. "I only saved a dollar, too. It's unfair that he got ten times more than I!"

"That's true!!" shouted the seventh man. "Why should he get \$10 back when I got only two? The wealthy get all the breaks!"

"Wait a minute," yelled the first four men in unison. "We didn't get anything at all. The system exploits the poor!"

The nine men surrounded the tenth and beat him up.

The next night the tenth man didn't show up for drinks, so the nine sat down and had beers without him. But when it came time to pay the bill, they discovered something important. They didn't have enough money between all of them for even half of the bill!

And that, boys and girls, journalists and college professors, is how our tax system works. The people who pay the highest taxes get the most benefit from a tax reduction. Tax them too much, attack them for being wealthy, and they just may not show up anymore. In fact, they might start drinking overseas where the atmosphere is somewhat friendlier.

Cheers!

## CLASSIFIEDS

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# CSEA Director's Report

Meeting in Sacramento on January 10-11, 2009



First I would like to wish everyone a Happy, Healthy, and Prosperous New Year. After all the holiday hustle and bustle it was time to get back to work. I attended the practitioner's seminar on the 8th of January and on that evening boarded a plane for Sacramento. Beginning on Friday the 9th I attended the biennial Jim Stearn Legislative Day. For those of you who do not know, this is where CSEA arranges for all Members, who would like to participate, to visit the Capitol and speak with our Senators and House Representa-

tives and/or their staff about issues affecting our profession along with educating them about Enrolled Agents. This year there was probably 60 of us converging on the Capital. I highly recommend attending this event if you have not already done so. I found it very rewarding and educational. The key pieces of legislation we took to them were the "Licensing of Professional Fiduciaries in California" and the "Confidentiality & Taxpayer Communications."

The next day Saturday the 10th was our Board Meeting along with committee meetings. I am the Chair of the Bylaws committee so we reviewed the bylaws for changes and verified the status of all the chapters affiliation agreements have been completed and turned in. I also participate in the Membership committee where we reviewed the findings from our December membership survey that was e-mailed to all Members. Hopefully you took part in the survey. The final results will be reviewed at next meeting. The next committee meeting was PEPCO aka Education. We discussed Super Seminars, and other educational opportunities for our Members for the next year. Many ideas were discussed.

On Sunday the 11th during the Board meeting, discussions were held regarding changing the mission statement for CSEA to reflect what our mission is but in simplified terminology. This proved to be a very lengthy conversation, with many good ideas, which will be continued at the next meeting. Also discussed was how CSEA could help support the Members through these very difficult economic times. As professionals we need to make sure we take care of ourselves first before we can take care of our clients. When the Board meeting reconvened a vote was taken & passed to allow "out of state" Attorney's and CPA's to become professional Affiliates. This will be a Bylaw change and will be voted on at the annual meeting. This has been an issue mainly for the Super Seminars for these affiliates. Also the Nomination Committee announced the new slate of officer nominations for the 2009-2010 Board.

They are: President – Dave Shaw, 1st VP – Kim Kastl, 2nd VP – Jean Nelson, Secretary – Greg Cash, and Treasurer – Alma Guenther.

Respectfully Submitted  
Debbie Harris EA, CPA  
CSEA Director



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**We Are OCEA**

## **UPCOMING PROGRAMS & EVENTS**

<u>DATE</u>	<u>PROGRAM / EVENT</u>	<u>CPE</u>	<u>SUBJECT</u>	<u>LOCATION</u>
February 17, 2009	Dinner Meeting	1	Spidell Tax Update	Phoenix Club
March 17, 2009	Dinner Meeting	1	TBD	Phoenix Club
April 2009	No Meetings			
May 19, 2009	Dinner Meeting		TBD	Phoenix Club
Jun 16, 2009	Dinner Meeting		TBD	Phoenix Club