

# REPORTER

Vol. 44 No. 3 CALIFORNIA SOCIETY OF TAX CONSULTANTS

July 2006

## CLASSROOM SERIES

Presents

TECH WEEK

August 8-10, 2006

Flowers Didn't Work - Divorce  
September 22, 2006

Ouch! Pension Distribution  
Penalties  
October 6, 2006

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## CLASSROOM SERIES

Presents

### Tech Week

**Ghana Bigsby**

Tuesday, Wednesday, & Thursday

**August 8-10th**

All sessions:  
Member \$99

Non Member \$129

Per 3 hr session:  
Member \$25  
Non Member \$35

Ghana will show you how to make your tax life easier and how the IRS code plays a role in our emerging "tech" life.

- \*Hardware/Software
  - \*Security, Wireless?
  - \*Virtual Meetings
  - \*Online Records, Resources
  - \*Web I - Pages, Blogs, Searches
  - \*Web II - Virtual Assistants
- If possible bring laptop

**Flowers Didn't Work - Divorce**  
**Annette DiMattio & Cris Park**

**Friday, Sept 22nd**

Member \$99  
Non-Member \$129

Divorce, child custody, income splitting, and other family issues have come up almost daily in the speakers' over 40 years of experience.

Learn about real life situations that may cause difficulties, even audits.

- \*Together? Filing Status
- \*Who gets the kids?
- \*How the new definition of a child matters.
- \*He pays, she pays, Alimony/Support
- \*Yours, mine, ours Property Settlements
- \*Rest of the story + more

**Ouch! Pension Distribution Penalties**

R.J. Goodman

**Friday, Oct 6th**

Member \$99  
Non-Member \$129

R.J. will led you through the maze of increased definitions and rules about early withdrawal penalties. Some are for IRA, others exclude IRA etc. Learn how contribution ages and distribution ages differ. R.J. will share a chart she created for the "after death" required distributions. This chart will be worth the class just by itself!

- \*IRAs & Qualified plans differ
- \*Required minimum distributions
- \*After death distributions
- \*401 K Loans

Add \$10/class on walk-ins. All sessions are held at the Society office, 2050 W. Chapman #114, Orange, CA 92868. Class will start promptly at 9 am & stop by 4 p.m. Materials & refreshments included. Lunch will be available for purchase. No Refund within 2 weeks of class.

To Register or for more information call 714-634-0484

[www.cstcsociety.org](http://www.cstcsociety.org)

## ***Things to Consider About Insurance***

Why an article about insurance in a publication directed at tax preparers? Well, unless you are exempt from CTEC registration, you (or your employer) are required to carry (or post) a \$5,000 bond. If you are self-employed, you may also carry E&O insurance. The following is a brief overview of insurance lines that may be applicable to you, as a tax preparer, and to your clients.

Disclaimer, I am not (yet) an insurance solicitor, agent, or broker. This is general information on business insurance and should not be construed to be advice regarding appropriate insurance lines or coverages, nor as an endorsement of any particular product or insurance line. As always, consult with your insurance representative to determine how this information may apply to you. (If you need one, I know a great agent)

A couple of insurance terms with which you might not be familiar:

- Endorsements -- amendments to the insurance contract, usually those that extend coverage for additional premiums.
- Perils -- insurance jargon for the bad things that can ruin your day (or business) -- (fire, earthquake, etc)

Below are the various types of insurance that are relevant to those in our business.

Preparer's bond -- "**CRTPs** . . . Must maintain a \$5,000 Tax Preparer Bond. . . Violators . . . can be cited and fined as much as \$5,000 for each illegally prepared tax return." (Source: CTEC Tax Preparer Code of Conduct ) While the bonding company will pay damages up to \$5,000, they will then collect any additional amount paid out in claims from the preparer.

Errors & Omissions (Professional E&O) -- A type of professional liability insurance. Not only does it provide legal defense for lawsuits resulting from errors (incorrect advice) or omissions (failure to provide important advice) -- (or clients who mistakenly think you have committed an error or omission), but it will help protect your assets from any liability resulting from a claim. Preparer fraud and illegal acts are not covered.

Homeowner's -- If you work at home, your unendorsed homeowner's policy generally won't cover business structures, and business personal property is only covered up to \$2,500 (\$500 if it's not located on premises -- e.g. someone steals your laptop out of your car). You may want to consider additional coverage for your business assets.

Business owner's -- these are package policies, designed for small to mid-size businesses. A quick survey (see disclaimer above -- these are ballpark figures), revealed that a basic policy (about \$500 per year) includes:

- \$100,000 for business personal property (computers, printers, desks, etc) -- covers most perils; earthquakes and terrorism generally have to be added by endorsement
- \$1,000,000 in liability -- including bodily injury (like a slip and fall); property damage, personal injury liability (libel, slander, etc) and advertising injury liability (claims arising from your advertising)
- Business interruption -- covers continuing costs and loss of income resulting from a peril that prevents your business from continuing operations. An extra expenses policy also covers additional expenses needed to continue operations (If you have to invest in additional equipment, or lease additional space to keep your business going),
- Transportation (say your laptop is destroyed in a traffic accident)
- and other coverages -- standard deductible is \$250

These are designed as a one stop policy for small businesses that have neither the need nor desire to spend a lot more money for multiple commercial lines or a commercial package. Coverage for outdoor signs, employee dishonesty, burglary and robbery, money and securities can generally be added by endorsement.

Business Auto Policy -- generally, business use of your own car is covered under your personal auto policy, however you may need a business use endorsement. Also, check with your insurance agent/broker if you have company owned cars.

Employee fidelity bonds -- you may have heard of these (probably from someone talking about dramatic rises in employee fraud). Ideally, they protect you, as an employer, from employee theft, embezzlement and fraud by paying a claim for losses. If you are considering one of these, read the fine print. For many bonds, not only do you have to catch the employee in the act and/or get a written confession, but you have to prosecute as well before a claim will be paid.

I hope you know a little bit more about insurance than when you started reading. Wish me luck on the insurance exam!

**RJ Goodman, EA 1<sup>st</sup> V.P. Inland Empire Chapter, CSTC**

Sources: CTEC [www.ctec.org](http://www.ctec.org) - California Department of Insurance [www.insurance.ca.gov](http://www.insurance.ca.gov)  
Benchmark Education Corporation [California Fire and Casualty Insurance Manual](#)