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TAX BOARD BULLETIN

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Hello From the New Chair ~Janis Salisbury~



Once a year we move the officiating duties of the Board and its committees around. This year I got the short straw and am functioning as the Chair of the Board. Just kidding, there were no straws. I am more than glad to serve in this position.

Serving on the Board during these recent years proves to be an exciting endeavor. The primary concern continues to be how we are dovetailing with the national registration program. Oregon's program is not going away. We have high standards for a reason. Licensed practitioners and the

Board have worked for over 38 years to achieve this level in Oregon, and plan for that to continue. Our high standards protecting you, the practitioner, as well as the public, requires constant vigilance by all of us. Based on the actions taken over the last several months by all of us, that vigilance is paying off. We all need to be more observant with these new registration laws and the ever-growing means of communication.

Above all I am committed to the progress we are making and know that we are making a difference.

NEWSLETTER SCHEDULE

Newsletters will be prepared and released on the following dates:

July 31st and November 15th

If you would like to see articles concerning certain topics or updates included within our newsletters, please contact the Board office at (503) 378-4034.

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Board of Tax Practitioners 3218 SE Pringle Road #120, Salem, Oregon 97302 2012/2013 Annual Calendar

All meetings are open to the public unless otherwise stated. The Tax Board encourages interested licensees to attend any public meeting. Your input is appreciated!

Meeting notices and agendas are located on the Board of Tax Practitioners Web site at www.oregon.gov/OBTP approximately two weeks prior to the scheduled meeting date. A map and directions to the Board of Tax Practitioners office, which is located in the Morrow Crane Building, is available via our Web site. If notices and agendas have not been posted, please e-mail the Board office at tax.bd@state.or.us to find out when they will be posted.

Pursuant to ORS 192.660(1), Executive Sessions are closed to members of the public.

Month / Time	Topic	Location	Comments
2012			
January 5 th 9:00 a.m.	Board Meeting	Salem Morrow Crane Building	Public Welcome
May 8 ^h & 9 th 9:00 a.m.	Exam Work Sessions	Salem Morrow Crane Building	Exam Work Sessions Executive Session
May 10 th 9:00 a.m.	Board Meeting	Salem Morrow Crane Building	Public Welcome
July 10 th & 11 th 9:00 a.m.	Exam Work Sessions	Salem Morrow Crane Building	Exam Work Sessions Executive Session
July 12 th 9:00 a.m.	Board Meeting	Salem Morrow Crane Building	Public Welcome
September 20 th OUTREACH MEETING	Board Meeting	Bend The Riverhouse Hotel www.riverhouse.com	Public Welcome
September 20 th OUTREACH MEETING	Licensee Luncheon	Bend The Riverhouse Hotel www.riverhouse.com	Licensee Luncheon
November 8 th 9:00 a.m.	Board Meeting	Salem Morrow Crane Building	Public Welcome
December 8 th 9:30 a.m.	Board Administered Examination	Winema Place NW Center Building 50 4061 Winema Place NE Salem, Oregon	Space availability is 275 candidates. Application deadline: November 10, 2011
2013			
January 10 th 9:00 a.m.	Board Meeting	Salem Morrow Crane Building	Public Welcome

- Meeting times and locations are subject to change. Please refer to the following URL for up-to-date information: http://www.oregon.gov/OBTP/public_meetings.shtml
- Committee meeting dates, times and locations will be scheduled as needed.

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The Only Constant is Change

~Ron Wagner~



Have you ever heard the phrase “the only thing we can count on to be constant in life is that life will constantly be changing”? Just as it is in all our lives, it is the same here at the Board. Let me summarize the changes that have occurred and will be occurring over the coming months.

A New Look to the Board’s Web Site

The State of Oregon contracted with a company called NICUSA, Inc. to provide Web services for all state agencies. You will notice some changes to the look of our home page. I hope this will make it easier for you to locate valuable information on our Web site. The same information that was posted on the old site is on the new site. And we still have our valuable tool, the Licensee Look-Up feature. This is a great tool that was added nearly 6 years ago to allow consumers to look up their tax practitioner to verify they are licensed and to if see if they are in good standing.

New Oregon Administrative Rules on Advertising

The new rules went into effect on July 1, 2012. It is important that you know what the new rules are so that you can ensure you are in compliance with all advertising rules. You may think these new rules do not affect you because you do not “advertise”. But if you print business cards or have your business name on your window or the door into your office, you are advertising and need to know how the new rules affect you. See the article from the compliance desk for a complete summary of these important changes. A summary of the changes is also on the Board’s

Web site at: http://www.oregon.gov/OBTP/docs/pdfs/advertising_rules.pdf

New Board Chair, Vice-Chair, and a New Board Member

At the May 28th Board meeting the Board members unanimously voted Janis Salisbury in as the new Board Chair and Jess Gutierrez as the Vice-Chair. Janis is now in her second term as a Board member. Janis has been licensed as a consultant since 1989, and has been a regular teacher of tax law as well as practitioner ethics. Jess is also serving in his second full 3-year term on the Board. Jess has been licensed as a consultant since 1995. The Board continues in good hands with Janis and Jess as our new Chair and Vice-Chair.

We have added a new member to the Board of Directors, Joe Lovato. Joe will serve out the remainder of the term vacated by Margaret Atchison. Although this term will end early in 2013, we expect Joe to be confirmed to serve a full 3 year term at the end of this short term. Joe has been a licensed tax consultant since 2007. While most Board members have been LTCs for a number of years, Joe brings his perspective as a more recently licensed tax consultant, someone newer to the tax preparation industry. To read Joe’s full biography, see the Board’s Web site at: http://www.oregon.gov/OBTP/Pages/meet_board_members.aspx

I wish to offer a big shout out thanking Dorothy Hudson for the two years she served as the Board Chair. I appreciated Dorothy’s leadership over the last two years as we waded through many issues including mobile licensure, increasing the number of hours of experience required to qualify to take the LTC exam, and new advertising rules. She certainly had her hands full. The good news is that Dorothy is still serving on the Board. So we will continue to benefit from Dorothy’s wisdom and years of experience as an LTC and business owner.

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Change *Continued from page 3*

New Look at Online Registration

One of the first observations I made when I came to the Board four years ago was the need to move us further into the electronic age using some type of online registration and payment systems. A couple of issues have prevented us from making the leap, the most notable being the price tag associated with the project. I am now having conversations with representatives from NICUSA, Inc. the company that secured the contract with the state to provide Web services. We may be able to eliminate the funding issue

and pay for online registration on a per use basis. By eliminating the cost of printing and mailing of your annual renewal forms we can use the savings to offset a portion of the costs of online registration. The most exciting part is that we may be able to take advantage

of online registration without any additional cost being passed on to you! It is a bit early to provide too much detail at this time but it looks to be a very exciting and worthwhile project. I will share information with you as we move forward.

Do You Have New Comments for the Board Survey?

The Board has a survey that can be taken online where you can provide feedback on the services we provide to you. If it has been a while since you have provided feedback to the Board through this survey, I ask that you take a few minutes to complete the survey. You will rate the Board on how well we are providing services and you can provide comments. This is the best way for the Board to hear from you and to improve how well we serve you. *So don't delay, take the survey today!*



Licensee Look-Up Addresses

~Marika Dwyer~

From time to time during the year a licensee contacts the Board to express concern over having their name and address displayed in our online Licensee Look-Up for all the world to see. The concerns range from fear for personal safety to reluctance to the possibilities of more junk mail. These concerns are understandable.

But the Board of Tax Practitioners is subject to Oregon public records disclosure law. This means that names and addresses of our licensees generally cannot be withheld from the public. If you have a recognized concern (for example, having to obtain a temporary restraining order to protect yourself from physical harm), there are provisions for nondisclosure, but the burden of evidence in these cases will fall on the licensee.

That being said, you can control what is revealed online. Our applications ask for a mailing address, a residence address, and a business address for business owners. The address displayed on the Licensee Look-Up is always the mailing address provided by the licensee, not the home address. While the Board understands that for some licensees, their mailing address and home address are the same, you do have the option of listing a post office box as the mailing address.

To learn more about rules and statutes regarding public records, disclosure, and the documentation required for exclusion from public record see <http://www.leg.state.or.us/ors/192.html> and http://arcweb.sos.state.or.us/pages/rules/oars_100/oar_137/137_004.html.



Message from the Compliance Specialist/ Investigator

~Monica J. Walker~

Another tax season has passed - Whew! Hope you all had a good one and that you have had a chance to relax and breathe again. Complaint statistics from the 2012 tax season are as follows:

Unlicensed/Unregistered Activity

At forty-one (41), unlicensed/unregistered activity continues to be at the top of the list of complaints received.

Other Entities

Thirteen (13) – These are complaints involving areas in which the Board does not have jurisdiction (e.g., business, payroll, corporations, partnerships, estates, trusts, etc.).

Advertising

Twelve (12) – Complaints such as newspaper articles, coupons, “free” returns, possible “bait and switch” practices.

DC/RC Requirements & Supervision

Ten (10) – Mostly involving consultant in residence requirements, specifically being in residence 50% of the time the business is open to the public.

Competency/Services

Eight (8) – Examples can include errors on returns, fees charged, etc.

Fraudulent Activity

Return of Records

Six (6) – We received the same amount of complaints for each subject area.

CE Audit Requirements

Failure to Notify of Changes to Information

Two (2) – These types of complaints are generally ‘internal’ complaints.

Signature Requirements

Failure to File a Return

Confidentiality

One (1) – Complaint received for each of these subject areas.

Posting of a Basic Fee Schedule

Zero (0) – We received no complaints this year regarding the posting of fee schedules.

With consultant renewals having just passed, and preparer renewals due by September 30th, I encourage all business owners to take a proactive approach with their licensed staff members. Notify and check with each of your practitioners to ensure that everyone has renewed or renews their license in a timely manner. As all licenses show an expiration date, make sure all licenses posted are current and in public view. Use the Licensee Look-Up tool on the Board’s Web site to verify whether or not an individual is appropriately licensed, as well as in active status.

TAX BOARD BULLETIN

Compliance *Continued from page 5*

National Entities Offering “Live Assistance” with Personal Income Tax Preparation

This tax season, several licensees contacted me concerned about the national companies who advertise that their software product includes “live assistance,” i.e., consumers can speak to a “live person” for assistance on their personal income tax return. Because the Board is committed to ensuring that Oregon’s licensing requirements are adhered to, we contacted these national companies to inquire about the live assistance service offered. In our discussions with these entities and in consultation with counsel it was found that access to specific tax advice was not connected to the purchase of the software product. In essence, any individual can receive the tax preparation assistance without having to actually purchase the software product. Furthermore the pool of staff that answered questions were either licensed by the Board or registered/licensed as an EA or CPA.

Recently Changed Oregon Administrative Rules

Changes to the Board’s Oregon Administrative Rules were permanently filed in February 2012. Here is a recap of those changes:

OAR 800-015-0010 – Continuing Education
Requires licensees to maintain a record of all continuing education courses for a total of four (4) years. [*Previous requirement was to maintain a record for two (2) years.*]

OAR 800-015-0020 – Continuing Education Program Requirements

- 1) Adds “Tax representation: exam, collection or appeals” to list of acceptable subject matter.
- 2) Clarifies that licensees taking repeat

courses by the same instructor within the same reporting period will not be accepted.

OAR 800-015-0030 – Continuing Education and Basic Sponsor Requirements

- 1) Requires that sponsors maintain course/attendance records for a period of four (4) years.
- 2) Requires a photocopy of an official transcript be submitted as verification for courses taken via an accredited college or university.

OAR 800-020-0015 – Application for Examination

Requires examination applicants to submit a photocopy of an official transcript as verification for courses taken via an accredited college or university.

OAR 800-020-0022 – Examination Conduct; Disqualification

Expands on and clarifies the requirements of applicants who have previously been disqualified from taking the examination. Requires disqualified applicants to request Board approval, in writing, to retake the examination.

OAR 800-020-0025 – Fees

Changes fee for combination tax preparer’s initial license and tax preparation business registration to \$110.

OAR 800-025-0020 – Tax Preparation Business Registration

Adds requirement that all tax preparation businesses, located within a residence, follow the State Fire Marshall’s Address Identification requirements, which include having an identifying house number visible from the street.

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Compliance *Continued from page 6*

OARs Effective July 1, 2012

OAR 800-010-0050 – Advertising & Solicitation

- 1) Business advertising – must include the Board issued business registration number, written as – OBTP# Bxxxxx **OR** the license number of the business' designated consultant, written as – LTC# xxxx-C.
- 2) Individual advertising – must include the licensee's Board issued license number, written as – LTC# xxxx-C or LTP# xxxx-P.

OAR 800-020-0015 – Application for Examination

- 1) Increases the work experience hours required to qualify to take the consultant examination from 780 hours to 1100 hours.
- 2) Increases the maximum hours of qualifying credit allowed for volunteering from 150 hours to 212 hours.
- 3) Increases the continuing education hours

allowed in place of work experience hours from 260 hours to 365 hours.

In closing, I would like to, once again, extend a sincere thank you to those of you who notified the Board office of any possible unlicensed/unregistered activity taking place during the 2012 tax season. As you know, the Board is dedicated to concentrating its resources on stopping unlicensed activities. Without supportive licensees who notify us when they see or hear suspicious activity taking place, we could never accomplish what we do. Your willingness to step forward and contact us is admirable and very much appreciated.

If you know of any unlicensed/unregistered activity in your area, please contact the Board office as soon as possible. Until then, I wish you all a relaxing summer and fall. Don't hesitate to contact me if you have questions, concerns, or need clarification on compliance information. You may reach me by phone at (503)378-4860; by e-mail at monica.j.walker@state.or.us, or by fax at (503) 585-5797.



Outreach Meeting and Licensee Luncheon at The Riverhouse Hotel & Convention Center Bend, Oregon

Register now to attend the Board's Licensee Luncheon by clicking here:
http://cms.oregon.gov/OBTP/docs/Form/2012_licensee_luncheon_registration.pdf



The Importance of Being Earnest

The Necessity of Maintaining Complete Continuing Education Records

~Jane Billings~

Are your continuing education records complete? Do you understand the importance of maintaining complete and accurate continuing education records? Do you know what is required of you if you are audited for your continuing education? Are you aware of the consequences you face if you do not respond to the continuing education audit? If you answer “no” to any of these questions then this article is a must read!

Every year the Board of Tax Practitioners conducts an audit of 10% of tax consultants and tax preparers to verify their compliance of its continuing education requirements. Licensees chosen for audit are selected at random so there is always the possibility that your name may be selected subsequent years. Keep in mind that just because your name was selected one year does not ensure that it will not be selected again the following year. You attest to the number of hours you have completed when you sign and submit your renewal notice to the Board for re-licensure.

Licensees receive notification of audit by mail requesting that they submit to the Board within 30 calendar days satisfactory evidence of participation in continuing education. The minimum number of continuing education hours required annually is 30. Documentation verifying that the licensee has complied with the continuing education requirements and to satisfy the audit must include complete and thorough documentation. This documentation should include a photocopy of the actual certificate or letter of completion. It is not necessary to send the original. A receipt of payment for a course is not appropriate documentation; it only shows payment for the course not actual attendance. All documentation submitted is reviewed for appropriate subject matter as well as verification that the course was taken during the appropriate time period. Documentation, certificates of completion, must include the name of the licensee, sponsor’s name and address, instructor or presenter’s name, location of the program, title of the program, the dates attended, and the number of hours of instruction received. For documentation of completion of a college or university course, a licensee must submit a photocopy of an official transcript, diploma, certificate, statement or affidavit.

NOT complying with the continuing education audit can have serious consequences. If documentation of continuing education is invalid or incomplete, the licensee

will be notified and allowed 30 additional days to correct the deficiency. Failure to correct the deficiency within the prescribed time shall constitute grounds for disciplinary action. If a licensee attests to hours at the time of renewal and is audited and misrepresents or fails to meet continuing education requirements or documentation they face disciplinary action, which may include an assessment of a civil penalty and suspension or revocation of the license. One example of Board action taken against a licensee who failed to comply with the continuing education audit resulted in that individual being assessed a civil penalty in the amount of \$1,200 along with an additional \$150.70 for costs of action and more seriously revocation of their license. Compliance to the continuing education audit is important. Here are some helpful hints to prepare for the possibility of a continuing education audit.

1. Keep a folder of all continuing education certificates taken within the past four years. It is the responsibility of the licensee to keep proof of attendance for at least four (4) years following each continuing education cycle and renewal of the tax practitioner license.
2. For each course taken, be sure to get a certificate of completion immediately. You never know where the organization or continuing provider may be in the future. If you get audited you want to be sure you have easy access to your records.
3. It is a good idea to keep the course outline or brochure with the copy of the certificate of attendance.
4. Keep a list of providers you have used with their phone numbers, websites or e-mail addresses should you need to contact them in the future.
5. When recording the number of hours of continuing education completed during a renewal period, staple or paperclip those certificates together.
6. When you take courses keep track of them by date so when you submit certificates you ensure only those courses that fall within the acceptable time frame are included.

It is your responsibility to keep complete records of your continuing education. If you are relying on your employer to maintain records for you, reconsider, get copies now. Don’t leave the responsibility up to anyone other than yourself.

TAX BOARD BULLETIN



Do You Have Clients Who Are Passionate About Your Work?

~Toni Ellsworth~

Every accounting or tax office has a few clients that do an excellent job of maintaining their records throughout the year so that they are ready to make a timely appointment with you during tax season plus have a list of questions about how they might be affected by new tax laws.

A person who shows an avid interest for the quality of work that you perform as their Licensed Tax Preparer or Licensed Tax Consultant currently has a rare opportunity to contribute to the overall industry by serving as the Public Member on the Oregon Board of Tax Practitioners. The position is now available for an interested person who is not licensed by this Board or the Board of Accountancy (i.e., CPAs); other restrictions may apply.

This agency is self-funded (not a tax supported agency) and under the watchful eye of the Oregon Legislature. The position requires an application, routine screening and a brief interview by a legislative committee as well as an appointment by the Governor. Six of the seven Board members are Licensed Tax Consultants (often IRS Enrolled Agents as well), so the Public Member is embraced as the “voice of the people” to manage an agency focused on consumer protection. Changes in the administration of the industry, enforcing current Oregon Revised Statutes (ORS) and Oregon Administrative Rules (OAR) as well as making decisions on handling complaints and investigations are a normal part of managing the Oregon Board of Tax Practitioners.

The position requires someone who can commit approximately ten days a year to volunteer as a member of the Board; three days in each May

and July, plus one day each September, November and January. The outreach event in the fall season may require a travel day, and the Board members participate in the Instructors Workshop every other year in August. A daily per diem and mileage/lodging expenses are paid by the agency.

I have served on the Board as the Public Member for the past two terms; my six years ended June 30, 2012. I have enjoyed making many long lasting friendships, observing how the state governs through administrative agencies and, most of all, I have been honored to be associated with everyone participating in the management of the Board of Tax Practitioners.

Starting on the very first day that I arrived at the agency’s office to begin my new role, I quickly understood that every member of this Board and the agency staff were 100% committed to protecting the consumer from harm when hiring a tax professional. What was even more astonishing was the combined commitment to provide the best testing process possible for new-to-the-industry preparers as well as experienced preparers trained and ready to become licensed as consultants. For the past six years I have witnessed and participated in giving the highest level of attention to every detail in creating test questions, proctoring test sites and reviewing results of test takers as well as instructors’ pass rates, which can only be described as passionate.

If you know someone who is passionate about the tax preparation process, but not in the industry, please encourage them to contact the Board office for more details on this unique opportunity to experience personal growth and develop leadership skills while serving the greater good for all here in Oregon.



Canceled Debt

~Jess Gutierrez~

One area of tax law we have seen change during the last few years is the

way the cancellation of debt can be handled. If you borrowed money and the debt was canceled, you must generally report the amount of canceled debt as income on your tax return. IRS Publication 4681 Canceled Debts, Foreclosures, Repossessions and Abandonment provides detailed instructions on various types of canceled debt. I will give a brief overview on the cancellation of debt exclusions from income, including the debt on a principal residence.

The Mortgage Forgiveness Debt Relief Act of 2007 allows individuals to exclude from gross income a discharge of qualified principal residence indebtedness. The exclusion originally applied to debt discharged after 2006 and before 2010. The Emergency Economic Stabilization Act of 2008 extended the exclusion by an additional 3 years. The exclusion now applies to debt discharges made in the years 2007 through 2012. The maximum amount you can treat as qualified principal residence indebtedness is \$2 million (\$1 million if married filing separately). In addition, the basis of the principal residence must be reduced (not below zero) by the amount of debt that was excluded from gross income. To claim the exclusion you must file Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness and Section 1082 Basis adjustment with your tax return.

To be qualified indebtedness, the mortgage must have been used to buy, build, or substantially improve your principal residence and be

secured by your principal residence. In addition, a refinance of qualified principal residence indebtedness is treated as qualified principal residence indebtedness, but only up to the amount of the old mortgage principal just before the refinancing. Also, any additional debt you used to substantially improve your principal residence qualifies you for the Debt Relief Act.

Even if you do not qualify for relief from taxation on discharged indebtedness under the Mortgage Forgiveness Debt Relief Act of 2007, you may still qualify to exclude forgiven debt from your income if any of the following apply:

- **Bankruptcy:** Debts discharged through bankruptcy are generally not considered taxable income.
- **Insolvency:** If you are insolvent when the debt was canceled, some or all of the canceled debt may not be taxable to you. You are insolvent when your total debts are more than the fair market value of your total assets.
- **Certain Farm Debts:** If you incurred the debt directly in operation of a farm, more than half your income from the prior three years was from farming and the loan was owed to a person or agency regularly engaged in lending, your canceled debt is generally not considered taxable income.
- **Non-recourse Loans:** A non-recourse loan is a loan for which the lender's only remedy in case of default is to repossess the property being financed or used as collateral. The lender cannot pursue you personally in case of default. The foreclosure does not result in cancellation of debt; it may result in

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Canceled Debt *Continued from page 10*

- other tax consequences.
- Gift: If a debt was canceled and was intended as a gift or bequest, you will not have income from the canceled debt.
- Qualified Real Property Debt: If you incurred debt secured by real property in connection with a trade or business as described in Pub. 334, your canceled

debt is generally not considered taxable income.

These are just a few examples of the complex area of forgiven debt. When we, as practitioners, encounter cancellation of debt, we must research diligently to ensure we provide the best possible service to our clients in their time of need.

Oregon E-File Mandate

~Megan Denison~

Oregon Department of Revenue

You may not be aware of a law change that affects how you submit your client's Oregon tax returns to the department.

During the 2011 Legislative Session, lawmakers passed House Bill 2071, which extended the federal electronic filing mandate to Oregon personal income tax returns starting with filing year 2012. Federal law requires tax return preparers to file electronically if they plan to file eleven (11) or more returns during the year. If you are required to file your client's federal returns electronically, you must file their Oregon return electronically as well.

If you receive a waiver from the IRS and you are not required to file electronically, Oregon will accept this waiver. Attach federal Form 8948, Preparer Explanation for Not Filing Electronically, to your clients' Oregon returns. Also attach this form if your client chooses not to file electronically. If you need a waiver for Oregon only, send us federal Form 8944, Preparer E-File Hardship Waiver Request.

Write "Oregon only" at the top and include your Oregon license number. Send Oregon only waiver requests to:

Attention: E-File Coordinator
955 Center St NE
Salem, OR 97301-2555

If your client chooses not to e-file, you need to keep a signed statement of each client's choice to file in paper format. We have suggested wording available on our Web site in our frequently asked questions. <http://www.oregon.gov/dor/TAXPRO/Pages/efile-faq.aspx>

In order to make sure that everyone is aware of the mandate, we will be sending letters to practitioners that do not appear to be following the mandate for filing year 2012.

Please feel free to contact us if you have any further questions regarding electronic filing. Thank you for your cooperation.

TAX BOARD BULLETIN



I Am Not Done Yet!

~Dorothy Hudson~

Even though I will no longer be serving as the Board Chair (I have turned that position over to the very capable Jan

Salisbury), I will still be serving as a member of the Board. The past two years have been pretty “smooth sailing” due mostly to the efforts of Ron Wagner and the office staff. They are doing an outstanding job, and I really appreciate them.

Serving as Chair of the Board has been an interesting (and educational) experience. There have been good changes made, in testing, fees, advertising, and with the advent of national licensing, I look forward to major changes in both the testing and licensing process. For the last two years I have emphasized the importance of your input in establishing policies and making changes. As I leave the Chair position, I will say it again, the Board needs your input. Please read the newsletter,

read the minutes of the Board meetings, keep yourself informed, and let your opinions be heard.

I believe that during the next two years the changes made by the Board will have a great impact on our profession. As we move forward to coordinate Oregon licensing with the national plan your input becomes invaluable. Let your voice be heard, send us an e-mail, write or call. We will listen, respond, and take your opinions seriously. Remember, the Board members are representing you in important matters relating to your license, so let us know what you think. The more we work together on this the better the outcome will be for everyone.

My mother used to give me a bad time about being stubborn and bull-headed—she would be proud of the things I have learned about taking advice from others. It only took one tax season for me to learn that I did not “know it all,” and that “two heads are definitely better than one.” I look forward to working with all licensees as we move forward on this new adventure together!

Don't Miss Out on the Opportunity Provided by Tax Law Changes

~Karen Butler LTC# 71689-C~

In 2010, federal tax law changed the Adoption Credit to a refundable credit. You may have had a client who adopted a child in 2005 or later, and did not get to take advantage of the credit due to a small or zero tax liability. It is possible you may not have calculated or carried forward the credit if your client's tax return did not show a tax liability. The client may now carry forward the federal credit.

In light of the change you will want to amend the prior years' returns for your client to calculate and carry forward any available credit in order to claim it on an amended 2010 return.

Be sure that your clients have all their documentation attached to the amended return. You will want to attach the final adoption decree and a statement of special needs from the case worker who handled the child before the adoption was finalized. This is a very important step to ensure your clients receive the credit for a special needs child, even though they may have had no out-of-pocket expenses during the adoption.

Please note, due to an overwhelming number of amended returns prepared in the calendar year 2011, IRS may take up to 6 months or more before amended returns are approved.

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Education Credits & Assistance Programs Opportunity or Mistake?

~Dea Williams~

College assistance programs were first authorized under Title IV of the Higher Education Act of 1965. The first round of college assistance (what we know as financial aid) included Pell Grants, Stafford Loans and Plus Loans. In 1990 new programs aimed at aiding families to pay for college were implemented through the tax code. Presently the tax code offers many options for eligible filers to assist in paying for post-secondary education, including deductions, exemptions, exclusions and credits. As one would assume, the number of taxpayers using these education-related tax preferences has been increasing since their beginning. More taxpayers are being assisted with the cost of education through these tax preferences than through Title IV aid. All of these choices lay the groundwork for taxpayers to make costly mistakes.

The complexity of education-related tax

preferences cause many taxpayers to either fail to claim any tax preference or not to claim the preference that gives them the greatest advantage. In 2005 the Government Accounting Office determined that 28% of the 2.15 million filers eligible for education-related tax preferences failed to maximize the benefit to which they were entitled, while 19% of filers eligible for either a credit or deduction did not take the credit or deduction at all. A further statistic from 2005 that is disturbing – 50% of the returns failing to minimize tax liability using education-related tax provisions were prepared by paid tax preparers. This is an indicator of the complexity of education-related tax provisions.

The three most significant education preferences presently are the American Opportunity Credit (AOTC), the Lifetime Learning Credit (LLC) and the Tuition and Fees Deduction (TFD).

	AOTC	LLC	TFD
Taxpayer Benefit	Partially Refundable Tax Credit	Nonrefundable Tax Credit	Deduction
Annual Limit	\$2,500 Credit Per Student	\$2,000 Credit Per Return	\$4,000 Deduction
Qualifying Expenses Besides Tuition & Required Enrollment Fees	Course Related Books, Supplies and Equipment	None	None
Education that Qualifies	First 4 Years of Undergraduate (post-secondary)	Undergraduate and graduate, as well as courses to acquire or improve job skills	Undergraduate and graduate
Other Conditions	Cannot claim if claiming a LLC or TFD for same student in same year; must be enrolled at least half-time degree program; no felony drug convictions	Cannot claim if claiming a AOTC or TFD for same student in same year	Cannot claim if claiming an AOTC or LLC for same student in same year
Phaseout: Single	\$80,000 to \$90,000	\$50,000 to \$60,000	\$65,000 to \$80,000
Phaseout: Married Filing Jointly	\$160,000 to \$180,000	\$100,000 to \$120,000	\$130,000 to \$160,000

AOTC = American Opportunity Tax Credit; LLC= Lifetime Learning Credit; TFD= Tuition and Fees Deduction

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Education Credits *Continued from page 13*

The taxpayer may be able to claim an education credit if he or his spouse or a dependent claimed on the tax return was a student enrolled at or attending an eligible educational institution. The credits are based on the amount of qualified education expenses paid for the student for academic periods beginning in 2011 and in the first three months of 2012. If a student is claimed as a dependent on another person's tax return, only the person who can claim the dependency is entitled to a credit for the student's qualified education expenses.

Qualified education expenses are amounts paid for tuition and certain related expenses required for the student's enrollment or attendance at an eligible educational institution. See the table above. However, if those qualified expenses are paid with certain tax-free funds, the qualified education expenses must be reduced by the amount of any tax-free educational assistance and/or refunds received.

Taxpayers are not allowed to receive a double tax benefit from the same expenses. There are strict restrictions on how the AOTC, LLC, and the TFD may be combined on a single return.

Taxpayers are not allowed to use more than one of these provisions for a single student in a single year. Further, they are prohibited from double-dipping with the use of a Coverdell Education Savings Account or the Qualified Tuition Programs (529 Plans). A taxpayer may not calculate the AOTC, LLC, or TFD with the same expenses paid for with the tax free portion of a distribution from either of these programs.

Ask the questions needed to uncover the total education credit scenario for each client, and assist clients that qualify for these credits to determine the best use of the credits, deductions, and savings plans for their tax situation. Tax preferences for education are not simple and the rules are ever changing. Further, there are expiration dates on several tax credits looming. Be aware of the window of opportunity that is open to taxpayers qualified to take advantage of these laws. Good information gathering and guidance will make the proper use of these credits and give them the proper reporting to which they are entitled. A review of Publication 970 is in order for all practitioners and should be added to the summer reading list.

Exam Review

~Jan Salisbury~

Where does one begin??? Taking any exam can be an intimidating experience, especially if you make it so. Being prepared is the best way to be ready to walk in that door. Assuming one knows tax law without review is nearly a step towards failure. The answer is study and review, whether it is done by you, using flash cards, in a group session, or taking a class. In any case, focus; don't just give everything a cursory thought because you have heard about it before because there is often that "however" in the next line.

Federal exam review programs are popping up all over. What a great tool to get ready to take the exam, even for the Oregon Board exam. Just remember that you will then need to study Oregon tax law and licensing law extra carefully.

One way to have a "heads-up" is to be aware of the areas of the exam where most of the questions are missed, or even what looks like an easy concept is missed. This could be due to carelessness at exam time because we tell ourselves that we know the

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Exam Review *Continued from page 14*

answer without reading the question carefully, or that it is actually an area we know little about. But by reading the question carefully you are much more likely to answer the question correctly.

In reviewing the prior year's exams we found several areas that appear to need more studying and understanding by test takers. The list may look long but it reflects the areas where errors are made and is, at least in part, why the pass rate is so low. So take a look at the list below and start studying.

- Alternative minimum tax – qualifiers, preferences, and adjustments
- Home mortgage interest – especially new loans, whether refinance loans or acquisition loans, and the reporting of their parts
- Basis – purchase, exchange, gift, inheritance, additions, decreases
- Office in home - qualifiers, who can deduct and where, mortgage interest and taxes vs. other home expenses
- Non-dividend distributions – return of capital, nontaxable distributions, when they become taxable
- Patronage dividends – what, when taxable, when not taxable
- Employee benefits – what, when taxable, when not taxable, how they are reported
- Education deductions and credits – American Opportunity Credit, Lifetime Learning Credit, Coverdell Contributions, tuition deduction, contributions to 529 Plan, reporting of all, when taxable, and how they are affected on the Oregon return
- Charitable contributions – limitations, “cash” donations vs. non-cash or goods donated
- Credits – the uncommon as well as the very common, especially Child Tax Credit, Child and Dependent Care Credit, Earned Income Credit, Retirement Contribution Credit, and others
- Sales of property – Form 4797 instructions, Schedule D instructions, and Form 8949 instructions are the best ones to review
- Related party rules and what those rules affect
- Like-kind exchanges – nontaxable exchanges, resulting basis adjustments, 179 expense issues, depreciation
- Head of Household – Who qualifies, factors in the qualifiers
- Canceled debt – when taxable, when not taxable, exclusions, where to report, when to report
- Retirement contributions/deductions – qualifiers, limitations, tax penalties, required distributions
- Exemptions – qualifying child, and qualifying relative
- Dependent filing requirements
- Capital assets – defined

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- Oregon credits – there are so-o many, but focus on several of the most common
- Special Oregon Medical deduction – who qualifies, how to calculate
- Oregon subtractions – what they are and limitations
- Review situations where there can be an adjustment to the federal AGI, whether an addition, a subtraction, a credit, or a combination thereof

Overall, the best study tool is the reference material, not your computer program. Read it, underline it, highlight it, outline it, create problems from the examples and work them out on the forms. All of your study material can be found at irs.gov and at the Oregon Department of Revenue Web site.

The very best to you! Challenge yourself!
Succeed!!!

TAX BOARD BULLETIN



Licensee Luncheon/ Outreach Board Meeting

~Alan Twombly~

Nestled along the banks of the beautiful Deschutes River in Bend, Oregon, The Riverhouse offers some of the finest lodging amenities in Central Oregon. And what luck that this is the location of this year's Outreach Board Meeting, which will be held on September 20th. Here is your chance to ask the Board members and staff questions, and to visit some fellow practitioners in a beautiful setting. Last year we had a large group from a local tax class in Newport and the feedback from the students I talked with was very positive.

If you are having tax classes in the area, have them take a field trip to the Licensee Luncheon. This gives them another level of understanding of what goes on with the Board and what our purpose is.

If you're in the neighborhood, please come and join us. We have these outreach meetings so those of you that can't come and attend a Board meeting in Salem have a chance to attend in your area and see what we do. This is the one time of year you can ask Board members questions directly. See you all there!

Register now to attend the Board's Licensee Luncheon by clicking here:
http://cms.oregon.gov/OBTP/docs/Form/2012_licensee_luncheon_registration.pdf

The Board Thanks Public Member Toni Ellsworth



On June 30, 2012, our public member, Toni Ellsworth, completed her last term with the Board. Dorothy Hudson presented her with a plaque on behalf of the Board, thanking Ellsworth for her years of enthusiastic involvement and dedicated service. Going forward Ellsworth will be a member of the O.A.I.A. Executive Committee, position of "Member At-Large," effective 07/27/12

per Ken Kindig, an LTC from John Day. Ellsworth will attend 5 or more Board meetings each year, plus have the option to participate on any of the committees as a volunteer. She is looking forward to learning more about O.A.I.A. management and working with other members on committee tasks, as well as assisting members who commit to future O.A.I.A. Board positions.