

# Colorado Society of Enrolled Agents

Volume 18 Issue 3  
May / June, 2006

## MEETINGS

Everyone welcome - Members, spouses, friends, non-members, subscribers, IRS & CDOR personnel, and any other interested individuals!!



Your Board wants to see you!!! This month and in future months at our regularly scheduled dinner meetings. They are one of the best places to meet new members, share your ideas, learn new resources, and actually have fun while earning CPE credits.

Reservations may be called to Jack Rogers at 303-708-8078 or e-mail to [taxprepJR@msn.com](mailto:taxprepJR@msn.com) no later than the Thursday before the meeting at 5:00 p.m. No shows will be billed for cost of the meal if a reservation is made.

## DINNER MEETINGS

### MAY 2006

#### Board Meeting

**Date:** Tuesday, May 23, 2006

**Time:** 5:30 PM Board Meeting  
6:00 PM Dinner  
7:00 PM Program

**Place:** Holiday Inn  
4849 Bannock St.  
at I-25 and I-70  
*Directions on page 7*

**Program:** Social Security Medicare Drug Plans

**Speaker:** Stephen Potter

### JUNE 2006

#### Board Meeting

**Date:** Tuesday, June 27, 2006

**Time:** 5:30 PM Board Meeting  
6:00 PM Dinner  
7:00 PM Program

**Place:** Holiday Inn  
4849 Bannock St.  
at I-25 and I-70  
*Directions on page 7*

**Program:** Estate Planning 101

**Speaker:** Philip V. Keenan, Esq.  
*Edward Jones*

#### Cost for Dinner & Program:

Members .....	\$20.00
Non-members .....	\$25.00
Program Only .....	\$10.00



## “Meet The New Directors”

### PRESIDENT’S MESSAGE

*Happy Spring everyone.*

I hope all of your tax seasons were as painless as mine! My computer decided to shut down a few days after April 17<sup>th</sup> and I just got it back yesterday. What a pain.

Things are starting to roll for the summer and I will be attending the Presidents round table in Washington DC, the 12<sup>th</sup> and 13<sup>th</sup> of May. I hope to bring back loads of information for you. If any of you have any specific issues you would like me to ask about just let me know.

I will also be attending a workshop to help write the new questions for the SEE test. I will be in Baltimore the last week in May for that. I am really excited about that opportunity.

We will be teaching the SEE course again this year and look forward to you sending any of your friends to the class. We always have a pretty good time at this class.

I hope you all enjoy your summer and have a great vacation if and when you get to take one.

Jo Ann Drago

- CoSEA meetings are held the fourth Tuesday of most months (unless otherwise announced) and include a dinner and an educational presentation. One (1) CEU is awarded for each attendance based on those presentation. Cost for the dinner/presentation for members is \$20; for non-members, it is \$25. We usually meet 10 months of the year; normally there is no meeting in March and our September meeting has been held in Fort Collins or Loveland for the past few year. We plan an annual Christmas get-together at the December meeting.
- If you are particularly qualified in a specific tax area and would like to be a presenter in that area at one of the meetings, please Indicate Yes  and list your particular area of expertise on the front of the application. A nominal honorarium is provided each presenter.
- Your name will be added to our bi-monthly newsletter distribution list.
- This page is for your information and should not be returned with your application for membership. Membership application can be found elsewhere in the newsletter.

## *Mike's Musings & Other Stuff*

I don't know how, but we survived Winter, the start of Spring, Passover, Easter and most of all TAX DAY. I know for many of us, this signals vacation time. I will miss the weekly Tuesday morning breakfast get togethers but will get use to the 2nd and 4th Tuesday again. I hope you all enjoy the break.

I know I don't begin to do as many returns as most of you out there, but I had enough to keep me busy this year. I e-filed about half of my clients. This is a good start for me. In the past I think I did about 2 returns on e-file. I really appreciated it at extension time. It was nice to e-file the extensions from my office and not have to run to the post office late on the 17th to get them in the mail.

It's time to also start thinking about your CPE credit hours. If you attend all of the COSEA Meetings, you can get 10 CPE hours. There are also many different ways to get your credits.

Your COSEA Board is working on plans for a summer No-Frills.

I will be heading to Las Vegas mid May for the Super Seminar. I hope you get your plans made and do it soon so you don't have to worry about it later in the year.



*“Meetings,  
New Time,  
New Topics,  
New Faces”*



**Get ready for the meeting**

## IRS releases updated draft of Schedules M-3 instructions and Form 8916 for 2006

### IR 2006-71

IRS has released updated drafts of instructions for Schedules M-3 for various corporate and partnership returns for the 2006 tax year. In addition, it has released an updated draft of Form 8916 to be used by an insurance-related corporation to reconcile taxable income.

**Background.** Schedule M-3 is filed by corporations and partnerships that have \$10 million or more in assets, and certain other partnerships. Filers of Forms 1120-PC, 1120-L, 1120S and 1065 will begin filing Schedule M-3 with their 2006 tax returns. Form 1120 corporate filers started filing Schedule M-3 with their 2004 returns.

Form 8916, "Reconciliation of Schedule M-3 Taxable Income with Tax Return Taxable Income for Mixed Groups," is used by an insurance-related corporation to reconcile taxable income reported on its Schedule M-3 with taxable income reported on its tax return.

**Draft Schedules M-3 instructions.** The draft Schedules M-3 instructions are for:

- Form 1120 U.S. Corporation Income Tax Return,
- Form 1120-L, U.S. Life Insurance Company Income Tax Return,
- Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return,
- Form 1120S, U.S. Income Tax Return for an S Corporation, and
- Form 1065, U.S. Return of Partnership Income.

The drafts instructions incorporate suggestions and recommendations made by stakeholders. The first drafts of the 2006 forms were released last December (see, for example, Federal Taxes Weekly Alert 12/22/2005), and updated drafts were issued this April (see Federal Taxes Weekly Alert 04/13/2006).

IRS notes that an important instruction in the update focuses on the Form 1065 Schedule M-3 requirement to disclose "reportable entity partners." Partnerships must identify on the Schedule M-3 those partners that have themselves filed a Schedule M-3 that own or are deemed to own, directly or indirectly, a 50% or greater interest in the income, loss or capital of the partnership on any day of the partnership tax year on or after June 30, 2006. This reporting requirement is also imposed on the partners and is detailed in the Schedule M-3 instructions for Form 1065, 1120, 1120-L, 1120-PC and 1120S.

Another change relating to cost of goods sold is reflected in the draft instructions for Schedule M-3 for Forms 1065, 1120 and 1120S. At the suggestion of stakeholders, a new required attachment will be used for cost of goods sold.

**Updated draft of new Form 8916.** IRS says that the new Form 8916 expands upon the initial draft of this form to provide clearer reconciliation by certain corporate groups that include an insurance company.

**Upcoming changes.** IRS also says that it soon plans to introduce a new Form 1120-C, "U.S. Income Tax Return for Cooperative Associations," that will replace Form 990-C, "Farmer's Cooperative Association Income Tax Return," filed by cooperative associations. Form 1120-C will also be filed by subchapter T cooperatives that previously filed Form 1120. In turn, these taxpayers will be required to file Schedule M-3 for Form 1120 if total assets at year end are \$10 million or more.

**How to get the drafts.** The new draft Schedules M-3, Form 8916 and instructions can be found on IRS's web site by clicking the tab for "Businesses" and then clicking the link for "Corporations" or by clicking this link: <http://www.irs.gov/businesses/corporations/index.html>

**Comments sought.** IRS is seeking comments by June 1, 2006, regarding the draft Schedules M-3, Form 8916 and instructions. IRS prefers that comments be e-mailed to [SchM3@irs.gov](mailto:SchM3@irs.gov). However, they also can be sent to Judy McNamara, Internal Revenue Service, 860 E. Algonquin Road, Schaumburg, IL 60173. For telephone inquiries, call 312-566-2001, Ext. 9380.

**RIA Research References:** For required Schedule M-3 filings, see FTC 2d/FIN S-1902.1; United States Tax Reporter 60,114.02; TaxDesk 609,801; TG 5809.

**Source:** Federal Taxes Weekly Alert (preview) 05/04/2006, Volume 52, No. 18

**Colorado Society of Enrolled Agents**

P.O. Box 2707  
Edwards, CO 81632

**APPLICATION FOR MEMBERSHIP**

Name \_\_\_\_\_ Mr/Mrs/Ms

Business Name \_\_\_\_\_

Address \_\_\_\_\_

Business \_\_\_\_\_ Residence \_\_\_\_\_

Enrolled Agent? Yes\_\_\_ No\_\_\_ Registration Card No. \_\_\_\_\_

Business/Home Phone Number (      ) \_\_\_\_\_

Business/Home email address \_\_\_\_\_

Do you want to be added to the CoSea e-mail alert list? Yes \_\_\_\_\_ No \_\_\_\_\_

NAEA membership is not required for CoSEA membership, however, if you are an NAEA member, the dues for CoSEA may have been paid at the time you paid your NAEA dues. If so, those dues and your EA data were automatically forwarded to CoSEA; a separate membership application is not required.

Annual membership dues for CoSEA are \$35, the first of which is payable with the application.

Signature \_\_\_\_\_ Date \_\_\_\_\_

## **MARK YOUR CALENDARS**

### **Summer No Frills Seminar**

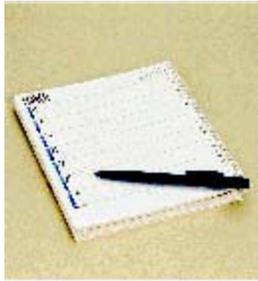
**Watch for upcoming details in the newsletter**

**IT'S NOT TOO EARLY TO  
PLAN FOR THE CoSEA HOLIDAY PARTY!**

**Good Time  
Good Friends  
Good Food**

**Check the future newsletter for more details**

## Coming Events



**“Get  
Ready  
To  
Learn”**

<b>May 23, 2006</b>	<b>Stephen Potter,</b> Social Security <i>Medicare Drug Plans</i>
<b>June 27, 2006</b>	<b>Philip V. Keenan, Esq.</b> Edward Jones <i>Estate Planning 101</i>
<b>July 25, 2006</b>	<b>Rick Harrison</b> <i>Buying &amp; Selling Accounting Practices</i>
<b>August 22, 2006</b>	<b>Jay Hammond</b> Edward Jones <i>Owner 401(k)</i>
<b>September 26, 2006</b>	<b>Meeting in Longmont Area</b> <i>Ethics - 2 hours CPE</i>
<b>October 24, 2006</b>	<b>TBA</b>
<b>November 14, 2006</b>	<b>Deanna Hoffman</b> <i>Colorado Update</i>
<b>December, 2006</b>	<b>Holiday Party</b>

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We normally print approximately 300 issues bimonthly, with some additional mailings to 400 or more. The newsletter is sent bimonthly to all members of the Colorado Society of Enrolled Agents, nonmember subscribers, selected members of the National Association of Enrolled Agents, government officials, and others. Additional mailings are targeted to other Enrolled Agents and/or other tax professionals.

Deadline is the 15th of the month prior to cover date (i.e. June 15 for July-August issue). Submit copy to L. Michael Lipnick, EA, CoSEA Editor, 1009 S. Newark St., Aurora, CO 80012. Submit contracts and/or payments to L. Michael Lipnick, EA, 1009 S. Newark St., Aurora, CO 80012. Make checks payable to CoSEA.

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Affiliate of National Association of Enrolled Agents

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

### MEETING LOCATION

by Mildred A. Cassai, EA

Our meeting site is at the Holiday Inn at the Mousetrap. The address is 4849 Bannock Street, located northwest of the intersection of I-25 and I-70. Here's how to get there:

*Going east on I-70:* exit onto Pecos, go left (north) over the freeway to 48th Ave. Go right (east) to Bannock, turn left to 4849 Bannock.

*Going west on I-70:* exit onto Pecos, turn right (north) to 48th, turn right (east) to Bannock, go left.

*From I-25:* exit at 58th Ave., go west to 2nd light west of freeway, at Bannock, turn left (south).

## COLORADO SOCIETY OF ENROLLED AGENTS

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Enrolled Agents  
Federally Recognized Tax Professionals



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