

Who's in the News Now at Scott & Cronin

Tiffany and her husband, Eric, welcomed a son into their family on April 13, 2005—Luke William Hornsten. Although still considered part of the Scott & Cronin family, in October, Tiffany made the decision to be a full-time, stay-at-home mom. So, for the time being, her days revolve around naptimes and playgroups rather than tax deadlines. Here is a picture of the Hornstens celebrating Luke's first Christmas.



The baby report doesn't end with Tiffany.

Congratulations to Selima and her husband Karim, they are expecting their first baby this June. Rumor has it the nursery will be pink.

Babies, pregnancies and even a wedding.

Scott & Cronin's Office Manager Tracy and her fiancé, Richard exchanged vows on Christmas Eve in Lake Tahoe, NV. A big round of applause and congratulations to Mr. and Mrs. Richard McGraw.

And the new arrivals keep coming.

A warm welcome to Mary, a very recent addition to our Tax & Accounting Department. Watch for the posting of her biography on www.thinkcpa.com.

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News You Can Use

A Periodic Collection of Tips, Trends & Tactics from Scott & Cronin LLP, Certified Public Accountants



SCOTT & CRONIN GIVES BACK

"What we have done for ourselves alone dies with us, what we have done for others and the world remains and is immortal." Albert Pike

Donnie Edwards and After-School All-Stars Kick-Off The "Jump for Life" Program by Casey Gauntt

After-School All-Stars ("ASAS") and its Executive Commissioner, San Diego Charger Donnie Edwards, in partnership with the San Diego County Office of Education, County Supervisor Ron Roberts, and the Children's Initiative have created a fitness and nutrition education program called "Jump for Life" ("JFL"). The mission of JFL is to encourage children and their families to make healthy choices through fitness and nutrition while increasing participation in San Diego County's after school programs. Twenty San Diego schools have been selected to participate in the JFL pilot program. On January 17, 2006, Donnie Edwards kicked off the JFL Program by hosting student assemblies at El Toyon Elementary School in National City, and Chula Vista Middle School and Mar Vista Middle School in Imperial Beach. El Toyon Elementary and Chula Vista Middle School both hold sentimental value to Donnie because he attended both schools as a child. Donnie will host assemblies at the other schools throughout January and February. Each week, students enrolled in the JFL Program must participate in one hour of nutrition education and two hours of organized physical fitness activities. Students will maintain a goal setting chart where they will track their physical activities, as well as the nutritious food they are eating. Free program materials include an interactive DVD focusing on nutrition and exercise, and three academically approved nutrition education curriculums specifically designed for various grade levels. Students may participate in the Jump For Life Club as part of the after school program at their school or "on-line" through the Jump For Life website, www.jumpforlifefoundation.com.

coordinating and overseeing JFL. Student volunteers are being recruited from local universities including UCSD, San Diego State and Cal State San Marcos to assist with the physical activity components of the program.

ASAS is recruiting corporate sponsors to adopt each of the schools participating in the Jump For Life Program. At its seventh annual golf tournament held in October at the Grand Golf Club (formerly known as The Meadows), six school sponsorships were sold at the live auction. Donnie Edwards was the successful bidder for El Toyon, and Scott & Cronin generously adopted two schools in the program, Jefferson Elementary in Carlsbad and Jefferson Middle School in Oceanside. Corporate sponsorships remain available for other JFL schools (\$2,000-\$2,500 depending on the size of the school). Funds are used to offset the costs of program materials, sports and fitness equipment, rewards and other program costs. For further information regarding the Jump for Life Program, please contact Ms. Robyn Blackburn at rblackburn@afterschoolallstars.org.



Donnie Edwards at Jump For Life Assembly

Media, as well as provide the after-school sports and fitness programs at National City's ten elementary schools.

After-School All-Stars salutes and applauds the support and valuable leadership of Scott & Cronin. Larry continues to ably serve the organization as its Chief Financial Officer and as one of the four original founding directors. In addition to maintaining the books, records and financial statements of ASAS and supervising its annual audits, Scott & Cronin have been extraordinarily generous financial supporters of ASAS. We are extremely grateful for their support.

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Scott & Cronin LLP

A Year in Review: The Challenged Athletes Foundation

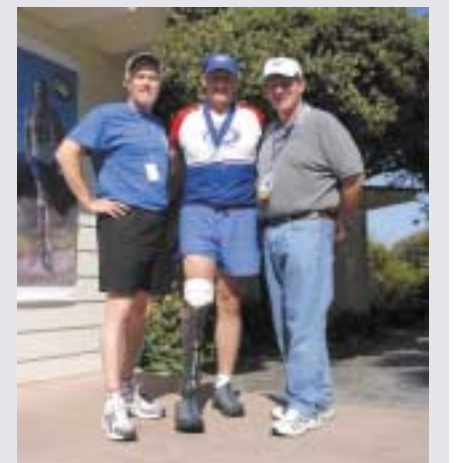
by Lauren Henne

The Challenged Athletes Foundation (CAF) raises money to help people with physical disabilities pursue an active lifestyle through physical fitness and competitive athletics. Through this mission, CAF and the San Diego Triathlon Challenge have funded over 1,700 physically challenged athletes over the past 12 years. Thanks to the continued support like that of Tammy & Larry Scott, CAF set new records in 2005. CAF gave out more grants, helped more challenged athletes, raised more money and received more national attention than ever before.

Starting with the success from 2004, CAF began 2005 by distributing 312 grants, making even more challenged athletes' dreams come true. These grants included: 42-basketball chairs, 36-handcycles, 9-Mono and Sit Skis, 11-sports prosthetics, and much more. They were distributed over 43-states and 9-countries in 27-different sports. The fundraising efforts of 2005 will be used to provide even more grants in 2006.

CAF's main fundraiser, the 12th Annual San Diego Triathlon Challenge (SDTC), also proved to be a record-breaker. The event featured 11 injured soldiers as part of CAF's new Operation Rebound program — a program designed to aid

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Larry Scott, Captain David Rozelle and Bill Lowery

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Tax Update

by Larry Scott



Bedside Reading

Are you familiar with the "Blue Book"? The Joint Committee publishes a Blue Book, which is an explanation of

tax legislation passed after Congress completes its entire two year term. In May of 2005 the Joint Committee released the "General Explanation of Tax Legislation Enacted in the 108th Congress" and is available from the Joint Committee or on the Joint Committee's Web site. In addition to reading an explanation of the big tax bills such as the American Jobs Creation Act or the Working Families Act you can read about the 21 separate acts that amend over 270 provisions.

If you can read and understand the application of all the new laws and the amendments to existing law, please contact us immediately.

State Taxation of Nonresident Employees' Salaries/Telecommuter Tax Fairness Act of 2005

Thomas Huckaby v. New York State Division of Tax Appeals. Thomas Huckaby lived in Tennessee while working for a firm based in New York City. The nature of his work, computer software consultant, allowed him to telecommute therefore he spend 75% of his time in Tennessee and 25% of his time in New York City. Since Mr. Huckaby lived in Tennessee naturally he filed his individual income tax return as a Tennessee resident but the State of New York took the position that Mr. Huckaby was subject to New York income tax 100% of his salary. The state argued that Huckaby chose to absent from New York, that his employer did not care where he

lived and that New York had a constitutional right to tax all of his income from the New York employer. Basically, Huckaby worked in New York and commuted electronically. The New York State Court of Appeals upheld the position of the New York tax authorities that 100% of Mr. Huckaby's income was subject to New York State income tax. The U.S. Supreme Court has refused to hear the case.

The implications of this case are significant. More and more employers allow or encourage telecommuting both for the convenience of the employees and due to lack of space to accommodate employees. The real dimensions of the problem are not clear to us at this time.

In response to this case on May 23, 2005 Senators Dodd and Lieberman introduced the "Telecommuter Tax Fairness Act of 2005". The bill prohibits the double taxation of telecommuters and others who work at home. The bill provides that no state may deem a nonresident individual to be present in a state for period of time greater than the time physically spent in the state. Applied to the Huckaby case, since Mr. Huckaby was physically present in New York State 25% of the time, 25% of his wages would be subject to New York state income tax. This bill is currently in committee and has not passed at this time.

On a more positive note:

The Treasury has issued temporary regulations on Qualified Amended Returns. Now you're probably saying to yourself "why would temporary regulations on qualified amended returns be exciting to me, my CPA has a strange idea of fun". Well, it's true we probably do, however this provision, if it ever applies to you, would be

exciting. This provision is intended to encourage voluntary compliance by permitting taxpayers to avoid accuracy penalties by filing amended returns before the IRS begins an investigation of the taxpayer. The accuracy related penalty is 20% of the additional tax due as the result of an audit (not paid with the original tax return). Recently we prepared an amended individual tax return for a new client reflecting an increase in the federal tax of approximately \$50,000. Shortly after filing the amended tax return and paying the tax the taxpayer received an audit notice from the IRS questioning the very item changed in the amended tax return. Because the taxpayer had filed the amended return they avoided an accuracy penalty in excess of \$10,000.

And lastly, in a number of cases in 2005, the Courts awarded taxpayers' reimbursement from the U.S. Government for administrative and litigation costs under IRC Section 7430. In the Estate of John L. Baird, the Court of Appeals concluded the Tax Court "abused its discretion by accepting the IRS's argument" and that "the IRS had locked into its story and was sticking to it" even when the IRS had in its possession all of the evidence proving this position was not justified. Delightful decision.

Granted, it is unlikely most taxpayers will be in the unpleasant situation of litigating for cost recovery as a result of an audit but is comforting to know the Courts are holding the IRS accountable. Most taxpayers feel quite helpless when battling with the IRS.

Political Watch-Campaign 2005

by Nancy Haley



With four statewide elections in four years, it won't come as a surprise to you that not only do California voters suffer from election fatigue but so does the columnist for Political Watch. Therefore, I will be leaving with you a few things to ponder as we approach the 2006 elections and will report back later this year.

Go Jerry Go:

Did you realize that San Diego voters went to the polls three times in the last year to elect a mayor? It is with that, we congratulate our client, Mayor Jerry Sanders on his victory in November over Councilmember Donna Frye. By electing Sanders, the city can now begin a path that will lead to financial stability, transparent decision making and a restoration of public trust in city government. Can the national spotlight that has turned the image of "America's Finest City" on its ear be restored?

The Biggest Loser in 2005:

California voters pretty much handed Gov. Arnold his head in November,

defeating all eight initiatives on the ballot, including four at the heart of his reform package in addition to absorbing the \$50 million dollar price tag for the special election. Whether he'll recover from this blunder by the November 2006 election remains to be seen. Will voters give The Terminator a second chance?

Political Story of 2006 — Culture of Corruption:

With Congressman Randy "Duke" Cunningham admitting to bribery and tax evasion charges, voters in the 50th congressional district will go back to the polls in April to fill the unexpired term of the embattled decorated war hero. The Duke's guilty plea, as it turns, out was just the tip of the political corruption iceberg we are witnessing in our nations capital. It's no wonder that most Americans (88%) think that political corruption is a deeply rooted problem. Will voters send House GOP members packing in the midterm election?



San Diego's new Mayor, Jerry Sanders with wife Rana and daughters, Lisa and Jamie

A Year in Review: continued from page 1

soldiers permanently injured in recent conflicts resume an active lifestyle. Plus, over one hundred challenged athletes attended and participated in the day's events, while fundraisers and sponsors brought in an astounding \$1.12 million for CAF. Tammy & Larry played a huge part in this success, as Larry's Team Obsolete raised a whopping \$18,835 and Tammy took charge in her customary role as Hospitality Coordinator. Helping her make sure CAF's sponsors, celebrity participants and media personnel were properly cared for was Scott & Cronin's Jason Brustkern, his wife Traci and sister Shelia as well as client's Bill Lowery, Diane Nau, Allard Jansen and Hannah Devine.

Another event, CAF's 2005 Ironman Revisited, featured three challenged athletes — Rudy Garcia-Tolson, Blake Doyle and Evan Strong. Rudy participated as the swimmer of a relay team and inspired Blake and Evan, recently injured amputee teenagers, that anything was possible. CAF presented Evan, a local Hawaiian skateboarder and below-knee amputee, with a new prosthetic Ossur foot at the event's closing banquet. Altogether, the event raised \$59,900.

With the Emmanuel's Gift documentary hitting the theaters, CAF and its athletes received the most extensive national media coverage in the history of the foundation. First, Emmanuel's Gift stars, Emmanuel Ofosu Yeboah and

Jim MacLaren, were selected as co-recipients of ESPN's Arthur Ashe Courage Award at the ESPYs. Following this great honor, both men were featured on The Oprah Winfrey Show on September 29th. Concurrently, CAF spoke person, Sarah Reinertsen, was highlighted in "Unfinished Business" segments on Nightline before and after her second attempt at the Ironman World Championship, while also being featured on NBC's Ironman broadcast. Most recently, CAF was chosen by Citi, the Presenting Sponsor of the Rose Bowl, to be recognized during the National Championship Game and was given national exposure through a 30-second spot that aired on ABC during halftime. An incredible game, and an incredible year!

CAF would like to toast this New Year off by saying, "Thank you Tammy & Larry for your unyielding support!" CAF wouldn't have found success in 2005 if it weren't for the help we get from our community and people like you. All these things are made possible by your belief in making a difference in others lives.



Robin with Iraq War soilder participants

For CAF to continue to give more grants to those in need, give opportunity and resources to injured veterans, and support the newly disabled, we need your help. Help make challenged athletes' dreams come true in 2006! You can start, by purchasing the award-winning documentary Emmanuel's Gift, available for \$25 from CAF starting March 1st, call for details: (858) 793-9293. All proceeds benefit CAF! For others ways you can make a difference, visit: www.challenged-athletes.org.

Annual Crawfish Boil

Jason & Traci Brustkern kicked-off Scott & Cronin's annual post tax season Crawfish Boil by flying in 150 pounds of fresh Louisiana crawfish. Under the guidance of New Orleans' natives, Dennis & Lisa Cronin, the Brustkerns hosted an authentic boil for 50 of the firm's staff, clients and friends.



Crawfish Grub and Brew