



February 1, 2022

As we wrap up 2021, it's important to take a closer look at your tax and financial plans. This year likely brought challenges and disruptions that significantly impacted your personal and financial situation -- a continued global pandemic, several significant natural disasters, new tax laws and political shifts. Now is the time to take a closer look at your current tax strategies to make sure they are still meeting your needs and take any last-minute steps that could save you money.

We're here to help you take a fresh look at the health of your tax and financial well-being. Please contact us at your earliest convenience to discuss your situation so we can develop a customized plan. In the meantime, here's a look at some issues to consider as we approach year-end.

Key tax considerations from recent tax legislation

Many tax provisions were implemented under the American Rescue Plan Act that was enacted in March 2021. This act aimed to help individuals and businesses deal with the COVID-19 pandemic and its ongoing economic disruption. Also, some tax provisions were passed late in December 2020 that will impact this filing season. Below is a summary of the highlights in recent tax law changes to help you plan.

Economic impact payments (EIPs)

The American Rescue Plan Act created a new round of EIPs that were sent to qualifying individuals. As with last year's stimulus payments, the EIPs were set up as advance payments of a recovery rebate tax credit. If you qualified for EIPs, you should have received these payments already. However, if the IRS owes you more, this additional amount will be captured and claimed on your 2021 income tax return and we can help you plan for any modification now.

If you received an EIP as an advance payment, you should receive a letter from the IRS. Keep this for record-keeping purposes to help us determine any potential adjustment.

Child tax credit

As part of the American Rescue Plan Act, there were many important changes to the child tax credit, such as the credit:

- Amount has increased for certain taxpayers
- Is fully refundable (meaning taxpayers will receive a refund of the credit even if they don't owe the IRS)
- May be partially received in monthly payments
- Is applicable to children age 17 and younger

The IRS began paying half of the credit in advance monthly payments beginning in July -- some taxpayers chose to opt out of the advance payments, and some may have complexities that require additional analysis. We'll be here to help you navigate any questions to make sure you get the best benefit for your family.

Charitable contribution deductions

Individuals who do not itemize their deductions can take a deduction of up to \$300 (\$600 for joint filers). Such contributions must be made in cash and made to qualified organizations. Taxpayers who itemize can continue to deduct



qualifying donations. In addition, taxpayers can claim a charitable deduction up to 100% of their adjusted gross income (AGI) in 2021 (up from 60%). There are many tax planning strategies we can discuss with you in this area.

Required minimum distributions (RMDs)

RMDs are the minimum amount you must annually withdraw from your retirement accounts (e.g., 401(k) or IRA) if you meet certain criteria. For 2021, you must take a distribution if you are age 72 by the end of the year (or age 70½ if you reach that age before Jan. 1, 2020). Planning ahead to determine the tax consequences of RMDs is important, especially for those who are in their first year of RMDs.

Unemployment compensation

Another thing to note that's different in 2021 is the treatment of unemployment compensation. There is no exclusion from income. The \$10,200 income tax exclusion that a taxpayer may have received in 2020 is no longer available in 2021. We can help you plan for any potential impacts of this change.

State tax obligations related to teleworking arrangements

The pandemic has spawned changes in how people work, and more people are permanently working from home (i.e., teleworking). Such remote working arrangements could potentially have tax implications that should be considered by you and your employer.

Fraudulent activity remains a significant threat

Our firm takes data security seriously and we think you should as well. Fraudsters continue to refine their techniques and tax identity theft remains a significant concern. Beware if you:

- Receive a notice or letter from the IRS regarding a tax return, tax bill or income that doesn't apply to you
- Get an unsolicited email or another form of communication asking for your bank account number, other financial details or personal information
- Receive a robocall insisting you must call back and settle your tax bill

Make sure you're taking steps to keep your personal financial information safe. Let us know if you have questions or concerns about how to go about this.

Virtual currency/cryptocurrency

Virtual currency transactions are becoming more common. There are many different types of virtual currencies, such as Bitcoin, Ethereum and non-fungible tokens (NFTs). The sale or exchange of virtual currencies, the use of such currencies to pay for goods or services, or holding such currencies as an investment, generally has tax impacts. We can help you understand those consequences.

Additional tax and retirement planning considerations

We recommend you review your retirement situation at least annually. That includes making the most of tax-advantaged retirement saving options, such as traditional IRAs, Roth IRAs and company retirement plans. It's also advisable to take advantage of health savings accounts (HSAs) that can help you reduce your taxes and save for your future. We can help you determine whether you're on target to reach your retirement goals.

Here are a few more tax and financial planning items to discuss with us:

- Let us know about any major changes in your life such as marriages or divorces, births or deaths in the family, job or employment changes, starting a business and significant expenditures (real estate purchases, college tuition payments, etc.).
- Consider tax benefits related to using capital losses to offset realized gains -- and move any gains to the lowest tax brackets, if possible.
- Make sure you're appropriately planning for estate and gift tax purposes. There is an annual exclusion for gifts (\$15,000 per donee, \$30,000 for married couples) to help save on potential future estate taxes.

- Consider Sec. 529 plans to help save for education; there can be income tax benefits to do so, and we can help you with any questions.
- Consider any updates needed to insurance policies or beneficiary designations.
- Discuss tax consequences of converting traditional IRAs to Roth IRAs.
- Let's review withholding and estimated tax payments and assess any liquidity needs.

Looming potential tax legislation

With potential tax changes looming as Congress debates proposals in President Biden's "Build Back Better" agenda, there remains uncertainty in how this will impact taxpayers. As legislation continues to evolve, and if it passes, we'll contact you to discuss how changes impact your tax and financial plan.

We value the trust and confidence you have in us, and we will continue to strive to provide you the best service with the continued commitment to providing these services with a high level of integrity. Our website is active and we have posted a generic tax organizer that will help you gather the tax information that you will need for this tax preparation year. As always, if you need a tax organizer geared to you individually, please call our office and we can provide one to you.

When you drop your information off, if you don't have a current driver's license, we will require presentation of this documentation at time of pick-up. Electronic filings are not being accepted without this.

We are attaching our annual checklist to use as a guide and an aid for you in collecting your tax information. Please remember that if you have received any IRS required tax documents, we will require these as well. While you may place them in a list format for our convenience, which we appreciate, we will need the actual documents received by you for our files in case of audit. If we know you should have received a tax document, we will ask for it prior to completing the return.

As a way of helping you get your refund check quicker we are able to file your tax return electronically free of charge. The benefit of filing your return electronically is a receipt of a confirmation within 24 hours that the government has received your return and a refund check within 15 business days. Earned income credit tax returns will be delayed based on the extra review by the Internal Revenue Service. The first day the government started accepting e-filed returns is January 24, 2022. If you are receiving a refund, we can deduct your fee from your refund for an additional pass-through bank fee charged to you by the transfer bank associated with our tax preparation software.

Before we realize it, April 15th will be here, so please bring in your information as soon as possible. If you would like a secure upload link so that you can deliver your documents remotely, please call the office and request this so that we can send it to you via e-mail.

We look forward to working with you this tax season to maximize your tax savings. Thank you for your past and future referrals. I hope this information is helpful in helping you get ready for the preparation of your tax return. Please call us if you have any questions.

Sincerely,

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Documentation Gathering Aid – Personal Tax

- 1) Your 2021 W-2 forms, various 1099's and K-1's received for yourself and your spouse.
- 2) Dividend and interest you have received, even if you received no 1099's.
- 3) Income and expenses from your sole proprietorship.
- 4) A record of any gains or losses on the sale of securities and mutual funds. Brokerage statements and 1099-B.
- 5) Year-end brokerage statement.
- 6) Real estate closing statements for any sales or acquisitions. Original purchase statement, if available
- 7) Rental income and expenses
- 8) 1099-A and/or 1099-C for cancellation of debt reporting. If you have declared bankruptcy, please provide the bankruptcy documentation detailing the debt that has been discharged.
- 9) Any other income received during 2021, such as royalties, alimony, prizes, state tax refunds, scholarships, unemployment compensation, pensions, annuities, social security benefits, etc. These can change from year to year, so be sure to confirm the amount at time of drop off.
- 10) W-2G forms and/or a list of Gambling winnings and losses – don't forget to get a players club statement from your casino! If you itemize, your losses can be offset against your gains.
- 11) Details of transportation and away-from-home expenses for self-employed individuals. Commuting expenses between your home and office are not deductible, no matter how far from home you travel, with the exception of self-employed Schedule C filers.
- 12) Form 5498, which you should receive from the trustee or insurance company showing IRA and annuity contributions, distributions, and other information. If you have not received this document yet, please provide amount contributed and the appropriate taxpayer account it was credited to.
- 13) Health Care documents:
 - a) 1095-A
 - b) 1095-B
 - c) 1095-C
- 14) IRS Letter 6419 if you received the Child tax credit.
- 15) IRS Letter 6475 if you received the stimulus payments.
- 16) A list of your charitable contributions, Contributions of \$250 or more require written acknowledgment from the recipient and/or cancelled checks.
- 17) The amount and details of deductible interest you paid, and penalties on early withdrawal of savings. Designate whether such interest is investment, home mortgage, or business interest. Please note that personal interest is not deductible. If you refinanced, you will be asked how much was for improvements and how much was for personal needs. Please be prepared to answer this, we will not complete the return without the breakdown.
- 18) **Closing statement on home purchase loans or loans refinanced. If refinancing, we will need breakout of amount used for house mortgage payoff, home improvements and personal consolidation debt.**
- 19) The amount and dates of real estate taxes paid, if these are not included with your mortgage statement.
- 20) The amount of payment made to your childcare provider. If you have changed childcare providers, please provide us with the tax identification number and address.
- 21) IRS Form 8332 designating the divorce decree and/or custody designation outlining child tax exemption responsibility and alimony agreement.
- 22) A schedule of dates and amounts of estimated federal and/or state income taxes paid for 2021.
- 23) Social Security card and dates(s) of birth for new dependents.
- 24) Driver's License of all taxpayers if your driver's license has expired since your tax return filing date in 2021.
- 25) Amount of interest paid on qualified education loans (student loans).

- 26) Form 1098T, Tuition Payments Statement and associated student tuition statement for all tuition and fees paid. For students living solely on student loan proceeds, gather that information as well. Proof of living expenses and funding to support those living and education expenses are beginning to be asked for after the filing of the return to provide support of higher education credits and deductions. Many colleges are posting these online and you will need to log in to the schools website to obtain.
- 27) An electronic filing pin given by the Internal Revenue Service for Victims of fraud and/or identity theft who have requested the pin. You will receive a new pin every year, we cannot use the pin from prior years.
- 28) A list of questions you might have.

*If you need an organizer, please do not hesitate to call the office and request one from the front desk.
Please provide your e-mail and we will send it to you in a secure format*