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December 2021

Dear Best Clients of All Time:

Hello and welcome to the end of another very trying year! We hope nonetheless that this holiday season finds you and your family well. The past two years of extended tax deadlines have certainly taken their toll in our office – we began taking Mondays off after the 2020 tax season finally ended this year, and we plan to continue this into the new year for as long as we can, so please keep this in mind as you make your plans to bring or send in your documents. In addition, with no "end" to COVID in sight, and though we are all fully vaccinated in the office, please note that we are still masking up when people come in and ask that you do the same.

Enclosed are a few notes and important information regarding your 2021 taxes. It's been an interesting year with some important tax changes that are likely to impact everyone in some way. Here are some of the changes and issues you need to be aware of.

TAX RETURN DUE DATES FOR THE 2021 TAX YEAR

Filing As…	Filing Deadline (or Extension Request)	Filing Deadline w/Extension
Individual/Sole Proprietor Tax Returns	April 15, 2022	October 15, 2022
Partnerships & S-Corp Returns	March 15, 2022 if on calendar year	September 15, 2022
C-Corporation Returns	April 15, 2022 if on calendar year	October 15, 2022

STIMULUS PAYMENTS

We will need verification if you received a third round of stimulus payments (or economic impact payments), which would have been issued in Spring 2021. You should have been sent IRS Notice 1444-C, *Your Economic Impact Payment*, notifying you of the amount of the payment. The maximum was $1,400 per taxpayer, spouse, and dependent. The economic impact payments are treated as advance tax credits against your 2021 income taxes. As such, if they get mis-reported they can significantly impact and delay any expected refunds. **If you cannot locate your Notice 1444-C, please verify what you received another way (via bank records, etc.) so we can report it accurately.**

ADVANCED CHILD TAX CREDITS

Starting in July 2021, the IRS began sending Advanced Child Tax Credit payments to those who qualify. The credit we can claim on your 2021 taxes will be reduced by the amount of any advanced payments you received. The IRS will send Letter 6419 to taxpayers in January 2022 reminding them of that amount. Please provide us with a copy of this notice so we can properly calculate the Child Tax Credit you are eligible to receive on your 2021 income tax return. Requesting EIC or child tax credits will necessitate additional documentation in the form of a **Due Diligence Questionnaire**, which we will provide.

IRA CONTRIBUTIONS AND DISTRIBUTIONS

- **IRA Contributions:** the deadline is April 15th, 2022 to make contributions to an IRA for 2021. The maximum contribution is $6,000 (or $7,000 for those over 50).
- **IRA Distributions:** For those over 72 (or who turned 72 in 2021), please be advised that the requirement to take a minimum distribution from your IRA has been reinstated for the 2021 tax year.

UNEMPLOYMENT INCOME

If you received unemployment compensation (due to COVID or other reason), and had an additional income source in 2021, please be advised that you may owe taxes even if you had withholding.

VIRTUAL CURRENCY

Guidelines around virtual currency (e.g. bitcoin, etc.) are rapidly evolving, and the best advice we can give at this point is to ensure any buying or trading of virtual currency is being tracked and recorded meticulously. Every client must inform us whether they purchased or traded in virtual currency this year.

REMINDERS

If you have moved this year, please send us an email to let us know any changes to your address, phone number, and/or email.

If at any point your tax return is in the process of being prepared and you haven't heard from us, please call or email to inquire, or check to see if we have emailed you questions you may have missed.

Extensions: we can assist you with requesting an extension to file; **if you have requested an extension of your own, *please let us know* so we don't start to fret!** Please note: If you will owe a balance, that balance will need to be paid along with the extension request to avoid late payment penalties.

For 2021, **you can deduct up to $300 per filer in charitable cash donations** contributed by December 31st, 2021.

Health Insurance is still required in the state of California. There may be a penalty for each month of no insurance, based on your income. Penalty for the full year starts at $800 per adult and $400 per dependent.

CHECKLIST

- ☐ Signed copy of our **Engagement Letter** (included)
- ☐ **W-2 Form(s)** from your employer(s), if applicable
- ☐ **1099 Forms**
  - o **1099-INT** or **-DIV** (interest / dividend income)
  - o **1099-R** (retirement income, annuities, IRAs, etc.)
  - o **1099-B** (stocks sold through brokerage)
  - o **1099** for unemployment/family leave
  - o **1099-SA** for healthcare distributions
- ☐ **1095-A**, **B**, or **C** (or other health insurance info)
- ☐ **Form 1444-C** (confirmation of stimulus amounts)
- ☐ **Letter 6419** (advanced child tax credits received)
- ☐ **1098** (mortgage interest form), if you can itemize
- ☐ Property Tax Letter indicating prop tax paid this year
- ☐ Charitable contributions (an estimate if under $500)
  - o *Receipts are required for non-cash contributions, along with dates and descriptions of donated items*
- ☐ Business Income and Expenses, including:
  - o **1099-MISC** (or **NEC**)
  - o **1099-K** if applicable
  - o Business mileage and home office expenses
- ☐ Rental Income and Expenses, by property
- ☐ Real Estate bought or sold (with **closing statement**(s))
- ☐ **K-1 Forms** from Trusts, Partnerships, S-corps
  - o *Please note: these forms often come in late and necessitate an extension*
- ☐ Estimated tax payments made throughout the year
- ☐ **Due Diligence Questionnaire**, if applicable
- ☐ Copies of Social Security cards for any dependents, if these have not been previously provided.

Please collect all documents listed on the left in one of the following ways:

Physically: collect in a folder, large envelope, or box to bring to us at 1230 E. Wardlow.
Electronically: to send files electronically, please call or email and we can email you a secure ShareFile link.
By mail: please send **copies** of your files to us – keep the originals safely in your records for at least 4 years.

CONTACT INFO

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FINAL NOTE

You will find our **Engagement Letter** enclosed. Please review this letter, sign it, and bring it with you to your tax appointment, or send a signed copy with your info when you mail or email it. We appreciate your cooperation!

Please also be aware that we process over 600 individual tax returns each year, and we are simply not able to process them all at the same time, so please do not wait until the last moment if you can help it. If your need for an extension is beyond your control, of course we can accommodate those instances. But for those of you who just wish to put off the inevitable, we urge you to just bite the bullet – getting it done and finalized allows both you and us to relax! See the checklist above and call or email us to schedule an appointment or send everything over ASAP once you have everything. **If we receive your tax documents after April 1st, and you want the return done by April 15, a rush fee of $50 will be added to your invoice.** Furthermore, at that point we cannot absolutely guarantee your return will be done by the due date; in such cases, we will file an extension for you.

We look forward to seeing those of you who come in (as a continued precaution, please continue to wear your masks!), and to hearing from those who cannot (or do not wish to) physically come into the office.

We wish you a holiday full of joy, and a 2022 that is healthy and happy.

Warmest wishes,

Heather, Melody, Mike, Tracy, Carrie, and Lauren