



Calhoon & Calhoon, Enrolled Agents

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Committed to personal service, integrity, and a high level of mastery and proficiency.

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Hello all,

Welcome back to another challenging tax season! We expect the double whammy of COVID-19 and a seemingly never-ending onslaught of new tax law and regulations will continue well into 2021. You may have heard that the start of tax filing season has been delayed to February 12. **THIS DOES NOT DELAY THE DEADLINE FOR FILING.** It does mean that our tax season has been compressed this year.

Thus far we and our staff have avoided contracting COVID-19. We are still modifying our appointments to keep safe. We like to meet face to face when possible, but we still must limit the number of people in our office, so scheduling appointments will be a challenge. We can work remotely where it works best. You can deliver your documents to us through our secure online portal, through the mail, or dropped off at our office. If you drop documents off, please call and arrange a time. **Please do not show up at our office unannounced.**

In addition to the two major new tax laws in 2019 (The SECURE Act and the Taxpayers First Act) in 2020 Congress passed three new major tax laws, the CARES Act, the Families First Coronavirus Relief Act, and the Consolidated Appropriations Act of 2021 (signed Dec 27, 2020). Much of this legislation was written in haste without a great deal of deliberation. The IRS is still writing the regulations and creating the tax forms to guide us in preparing tax returns.

IRS staff is still struggling with the COVID-19 impact. Many staff are working from home. The backlog of unopened mail is gigantic. The onslaught of new tax law requiring interpretation, regulation writing, and forms revision is soaking up considerable IRS staff time. This year the IRS has targeted additional focus on high-wealth taxpayers and non-filers. Congress has raised various penalties, most recently for claiming unsubstantiated charitable contributions.

If you have a business, we suggest that you plan to extend your tax return, if possible. The IRS has not had time to write final regulations for much of the new legislation. You may face having to amend your tax return if the regulations differ from expectations. If you receive a business or trust K-1 you should not be surprised if it comes later than usual.

If we have not started your tax return comfortably before the deadline, we may not have time to avoid an extension to file. **This year we expect you to be started by February 19 for business returns (Partnerships and S Corps), and by March 25 for personal tax returns, C Corps, trusts, and (many) estates.** If you do extend, you are still obligated to make a good-faith estimate and pay the estimated tax due when the extension request is filed. Do not put off starting your tax return with us. We need time to make those estimates.

Here are just a few of the new topics we may be discussing with you:

- We could write pages about the Economic Impact Payments (stimulus checks). In short, the payments were an advance on a credit available on your 2020 tax return, and that is where everything will be sorted out. If you received a payment you also received IRS Form 1444, which gives us the dollar amount we need to

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complete your tax return. If you threw it out because it looked like a letter from President Trump rather than an official IRS document and if you don't have bank records or other records then you may need to call the IRS to get the amount from your IRS transcript.

- Congress made a new provision for a charitable deduction for those of you who are using the Standard Deduction. This is limited to \$300 in cash donations for the tax return. You must have documentation to take this deduction. Congress also made a major increase in the penalty for undocumented charitable deductions.
- All taxpayers can now request an Identity Protection PIN (IP PIN). This is a PIN number the IRS provides annually. This helps to prevent identity thieves from using your identity to file a fraudulent tax return. You might be able to log in online and quickly receive an IP PIN for this year. If you must receive your IP PIN by mail you might want to wait and request it after we file your tax return. You can request an IP Pin at <https://www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin>
- There is a new 1099 form for those of you who have income as an Independent Contractor. This year that income will be reported on Form 1099 NEC rather than on Form 1099 MISC. NEC stands for Non-Employee Compensation.
- Many of you are employees (receive a W-2) and have been working from home while your workplace is shut down. There is no deduction for a home office for employees due to the Tax Cuts and Jobs Act of 2017.

We are very aware of our obligation to protect your personal information. More and more hackers are targeting the computers in tax preparers' offices. We monitor intrusion attempts into our own system and see this increased pressure ourselves. We continue to adopt best practices as they evolve. We continue making major investments in time and funds towards improving our computer security and efficiency. We are continuing to work to improve our systems and remove inefficiencies so that our time is focused on you and your tax return. In 2020, Carol will bill at \$175/hr and Roger at \$150/hr. Our minimum fee for the simplest of tax returns will be \$300. If your situation is similar to last year you should expect an increase of roughly 10%.

Some of you already have appointments set. If so, we look forward to seeing you at your scheduled time. If you have not yet set an appointment, please give us a call so we can set a time that suits you best. If you have questions you want discuss before your in-office meeting, please call.

We have enclosed our annual Engagement Letter and Tax Checklist. The checklist can help remind you of any needed documents and will help us focus our time on your personal tax situation. Please fill out and sign these two documents and bring them to your appointment. **We cannot start working on your tax return without the signed Engagement Letter and Checklist.**

Some of you like to work with a personalized tax organizer showing accounts and other information from last year. If you would like this and we haven't already sent it to you, please let us know.

We both enjoy working with you all and we enjoy learning and working with the tax system. We look forward to seeing you again and working with you in this challenging year.

Sincerely yours,

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