



Calhoon & Calhoon, Enrolled Agents

7901 168th Ave. NE, Suite 107

Redmond, WA 98052

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

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Hello all,

We look forward to working with you again this year. Once again, we are expecting another challenging tax season! We and our staff are fortunate and have avoided contracting COVID-19. We are still modifying our appointments to keep all of us as safe as possible. We like to meet face to face when we can, but we still must limit the number of people in our office. 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.**

IRS staff is still struggling with the COVID-19 impact. Simple replies or corrections usually now take many months, potentially holding up a refund. Even worse, the IRS computers have been generating letters demanding a response where the response was made weeks or even months earlier, but no IRS person had logged the response. **It is more important than ever to include all information completely and correctly. We want your tax return to sail through the IRS systems. IRS documents imply that the IRS expects to finally catch up in the fall of 2025!**

Even with the lack of resources, there are some areas where the IRS is focusing its attention:

- The IRS now receives reports from PayPal, Venmo, and the like when transactions exceed \$600 for the year. This is to help uncover income from the gig economy and areas where a high percentage of income is not reported. You may receive a Form 1099-K that we will have to report on your tax return.
- The IRS is putting a lot of resources into finding unreported cryptocurrency income. It turns out that the dream of untraceable crypto transactions is not a reality.
- Congress has raised various penalties, most recently for claiming unsubstantiated charitable contributions.

There are some areas where Congress and the IRS are giving folks a break, particularly those impacted by Covid-19 (pretty much everyone). Here are two:

- Self-employed taxpayers may now be eligible for a Sick and Family Leave tax credit.
- New businesses started in 2021 may be eligible for a tax break.

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

- If you received the third stimulus payment in March 2021 you will be receiving a letter from the IRS stating the amount of payment (**Letter 6475, Your Third Economic Impact Payment**). Some people received a second small adjustment payment. *Review this letter carefully and let us know if you believe the amount is incorrect. Be sure to bring this letter with your other tax documents.*
- If you received one or more Advance Child Tax Credit payments you should have already received a letter from the IRS (**Letter 6419, 2021 advance CTC**). *Review this letter carefully and let us know if you believe the amount is incorrect. Be sure to bring this letter with your other tax documents.*
- Congress adjusted the **charitable deduction** for those of you who are using the Standard Deduction. This is limited to \$300 in cash donations for each taxpayer on the tax return (\$300 single, \$600 joint). To avoid the new major increase in the penalty you must have documentation to take this deduction.

Carol E. Calhoon, EA

(425) 885-3215

Carol@CalhoonTax.com

Roger Calhoon, EA

(425) 885-4357

Roger@CalhoonTax.com

www.CalhoonTax.com

- The **credit to educators** for unreimbursed classroom expenses has been raised to \$300. This credit now includes Covid-19 protective items.
- 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 can log in online and quickly receive an IP PIN for this year. You can request an IP Pin at <https://www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin>.

If we have not started your tax return early enough before the deadline, we may not have time to avoid an extension to file. **This year we expect you to be started by February 18 for business returns (Partnerships and S Corps), and by March 20 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.

We are very aware of our obligation to protect your personal information. Tax preparers' computers are perceived as rich sources of often poorly protected personal information. We monitor intrusion attempts into our own system and see this increased pressure ourselves. We continue to adopt best practices as they evolve and continue spend significant amounts of time and money to protect your information.

We see increasing numbers of tax professionals retiring from tax preparation. They are no longer willing to keep up with the increasing complexity of the tax law each year and frequent changes make every year. We are committed to dedicating the time necessary to keeping current on the changes that affect you and your tax return.

In 2020, Carol will bill at \$195/hr and Roger at \$175/hr. Our minimum fee for the simplest of tax returns will be \$350. 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 our 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,


Carol & Roger Calhoon



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