



December 2022

Dear Client,

2022 marked Diane's 48th tax season and my 18th tax season. We were both thankful that this year returned to just the normal high-stress tax season versus the heart-attack inducing tax seasons of 2021 and 2020. We look forward to a continued return to normalcy where we toast on (or about) April 15th and the President signs new tax laws at the 11th hour instead of 2 months into tax season.

Remote working continues to become increasingly common in the accounting industry and we are fortunate to have clients that have embraced our remote tax return process. We will provide additional details in our organizer letter sent the first week of January, but please be sure to read the second page of this letter as a reminder of our electronic process and options for in-person appointments and drop-off's.

RECENT TAX LAWS

The Build Back Better bill proposed by President Biden last year had us all in a frenzy, but ultimately fizzled. The most significant tax bill passed in 2022 was the Inflation Reduction Act, which included numerous green energy credit provisions. These provisions are detailed on a separate sheet.

Otherwise, it's been a relatively calm year for new tax laws as compared to 2020 and 2021. The IRS and FTB have provided clarification on some previously passed laws that were poorly thrown together the past couple years and we have included a review for several of these, including the complex Pass-through Entity Tax (PTE) election.

YEAR-END TAX PLANNING TIPS and TAX PROJECTIONS

We have prepared a separate sheet that includes some routine year-end suggestions and general information. Contact us to discuss your situation or for a personalized strategy. An income tax projection allows you to plan for tax liabilities, assists in deciding when your taxes need to be paid in order to avoid or reduce penalties, and what alternatives and options you have available to alter the result. This is something that can be prepared at any time during the year and can be updated as often as you desire. We use assumptions and estimates in preparing these projections, so there are no guarantees. However, it is a valuable tool to use when making an informed decision.

OTHER SERVICES

We are available for your entire professional advisory needs. We can often offer suggestions before you do something that may save you money. For example, we can assist you in deciding whether to exercise stock options, to purchase or sell a business or real estate and how to calculate the required minimum distributions from retirement plans.

2022 FILING DEADLINE

This year's tax filing deadline is Tuesday, April 18, 2023.

EXTENSION REQUESTS

We will efile extension requests for all individuals whose tax information is received after **Friday, March 10, 2023**. Please note that we must have your information in hand by this date; a postmark of the deadline only works for the government! Any income tax balance due amounts must be estimated and paid by April 18, 2023 to avoid interest and penalties. All information required for us to calculate extension payment amounts must be received by **Saturday April 1, 2023**. If you do not notify us otherwise or if we do not receive the necessary information for your extension calculation by April 1, 2023, we will automatically efile your extension request with "zero" balance due amounts. **Please understand that we are unable to make exceptions to these deadlines.**

In order to effectively manage our limited tax season time, we have developed a few **new extension policies** that will be in effect for the 2023 tax season. If you had any major tax events (i.e. 1031 exchanges, business sales or other extenuating circumstances), an extension of time will need to be filed and your returns will be prepared after April 18, 2023. Additionally, we will be limiting the number of complex tax returns completed before April 18, 2023, which generally consists of tax returns that take over 5 hours to complete. Your organizer package will indicate if you fall within this category and will include additional information regarding a potential necessary extension.

PENALTIES

You are required to have a minimum amount of withholding and/or estimated tax payments during the year in order to avoid any potential penalties for underpayment of your tax. As a result, it is important to review your withholding and estimated tax payments before the end of the year. If you do not meet the minimum amounts you should increase your withholding or make an estimated tax payment as soon as possible.

INTERVIEW AND DROP-OFF OPTIONS

We continue to offer tax interviews over the phone or via video conferencing. For 2023, we will offer a limited number of face-to-face appointments with Diane in Fremont during the week of February 20 to February 24. You can also schedule a 10-minute appointment slot to drop off your tax package during this week. Please contact Diane by phone or email no later than January 31 to reserve your spot. We continue to encourage all clients to provide tax documents and completed organizers electronically. Documents and organizers can be uploaded to your Sharefile account (preferred method), sent via secure email, or provided via flash drive. Again, electronic transmission is not required and we understand if it's easier for you to continue to provide paper documents. Paper documents and completed organizers can be sent via FedEx, UPS or USPS to our private mail box ("PMB") in Sisters, Oregon. Our Livermore PMB has been closed so please be sure to update your records (including your bill-pay checks) and use the address listed on the first page of this letter.

PAPERLESS ORGANIZERS AND TAX RETURNS CONTINUE

The following continue for the 2023 tax season:

- **Organizer packages** – Organizers will ALL be sent via email as PDF attachments. Engagement letters can be signed electronically, questionnaires can be filled out within Adobe, and your personal organizer can be completed in certain Adobe versions. Alternatively, all of these items can be printed at home, completed by hand and then scanned or mailed to us. ***Please remember, we are flexible! If you still want your package mailed to you, let us know either now or after you receive your personal organizer email in early January 2023.***
- **Completed tax returns** - We will no longer be providing paper tax return copies unless specifically requested. In addition to the environmental impact and many clients telling us that paper copies are no longer wanted, this decision was made as a way for us to streamline our tax season hours. Completed tax returns will be uploaded to Sharefile without your social security number (SSN). If you would like a digital copy with your SSN, we can mail you a flash drive with a saved copy for your reference. When your tax returns are complete, I will send you an email with your results, payment instructions and options. Any original documents you sent to us will be returned by FedEx.
- **Payment vouchers** – We are strongly encouraging all clients to discontinue sending paper checks and vouchers to the government agencies. All agencies recommend the same and the FTB continues to impose penalties for certain taxpayers that do not pay electronically. Electronic payments are the safer, more secure option. We will continue to provide electronic payment instructions in lieu of vouchers, unless you specifically request vouchers.

FEE INCREASE

Effective 1/1/23, the standard billing rate for Diane and I will increase from \$225 per hour to \$275 per hour. We believe this rate is commensurate with other qualified CPA's and with the level of service and expertise Diane and I offer. Our last billing rate increase was five years ago, 1/1/2018.

REFERRALS

We have always appreciated your confidence by referring your friends and family to our firm. However, in order to better service our existing long-term clients, we have currently decided not to take on new clients for the 2023 tax season. We will notify you when we are able to accept new clients again in the future.

HOLIDAY HOURS

We wish you and your families a very enjoyable holiday season and a prosperous new year. Diane and I will be available on a limited basis by phone or email during our firm's holiday break between Monday December 19, 2022 to Friday December 30, 2022. We encourage you to contact us with any year-end questions before December 19th in order to ensure a timely answer.

Sincerely,

Rebecca Perry Diane Perry

Friedman & Perry
Certified Public Accountants

