



December 2020

Dear Client,

For many of us, 2020 has been one of the most difficult years of our lives. Unemployment, business closures, personal isolation and enormous uncertainty of the future has made 2020 feel like the year that will never end. However, 2021 is just on the horizon and it's time to discuss steps that can be taken to reduce your 2020 tax bill.

### RECENT TAX LAWS

We saw some major tax reform signed into law these past 12 months. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law in March. In addition, the Taxpayer Certainty and Disaster Tax Relief Act (Disaster Act) and the Setting Every Community Up for Retirement Enhancement (SECURE) Act were passed in December 2019. And let's not forget the Tax Cuts and Jobs Act (TCJA). We're moving into the 3<sup>rd</sup> tax year of the TCJA, but are still getting used to its significant impact. We've highlighted the most relevant points of these Acts in our enclosed information sheets.

On top of all this, a new President taking office next January will most likely lead to additional last minute tax reform (with potentially higher tax rates). It's also possible we'll see additional Covid-19 legislation, especially as we enter yet another wave of business shut-down's and shelters-in-place. We'll keep you informed as these potential new laws take shape.

### YEAR-END TAX PLANNING TIPS and TAX PROJECTIONS

We have prepared a separate sheet that includes some routine year-end suggestions and general information. Please check our website regularly for any additional details or updates. 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. Many times we can 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.

### 2020 FILING DEADLINE

This year the filing deadline will be Thursday, April 15, 2021 (at least we hope!).

### EXTENSION REQUESTS

We will efile extension requests for all individuals whose tax information is received after **Thursday, March 11, 2021**. 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 15, 2021 to avoid interest and penalties. All information required for us to calculate extension payment amounts must be received by **Thursday April 1, 2021**. If you do not notify us otherwise or if we do not receive the necessary information for your extension calculation by April 1, 2021, we will automatically efile your extension request with "zero" balance due amounts. Please understand that we are unable to make exceptions to these deadlines.

### **SPECIAL EXCEPTIONS REGARDING STIMULUS CHECKS & PPP LOAN RECIPIENTS**

We cannot file your tax return without the exact amount of your 2020 stimulus check received (if any). Please take some time now to locate your refund amount in order to avoid tax filing delays. Additionally, if you were a recipient of a PPP loan, your tax returns will not be completed by April 15 due to the complexity and ongoing pending legislation.

## 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 for both federal and state income taxes 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

In light of Covid, we will only be conducting tax interviews over the phone or via video conferencing. Additionally, we are encouraging all clients to provide tax documents and completed organizers electronically. These can be uploaded to your Sharefile account (preferred method), sent via secure email, or provided via flash drive. We are happy to assist you individually as we strive to move one-step closer to a completely paperless firm. However, 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 Livermore or they can be a contactless drop off to Diane in Fremont (address to be provided upon request).

## \*NEW\* PAPERLESS CHANGES TO OUR FIRM

As mentioned, we are working hard to become completely paperless. The following changes are underway for the 2021 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 2021.***
- **Completed tax returns** - We will no longer be providing paper tax return copies or payment vouchers 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, Becky will send you an email with your results, payment instructions and options. Any original documents you sent to us will be returned by FedEx.

## COVID-19 IMPACT ON OUR FIRM

Like many of you, we've been faced with tough choices this year. Our administrative assistant resigned due to homeschooling demands and we worked around the clock during the longest tax season in history! Additionally, the new tax Act thrown at us mid-March required poorly timed continuing education. Unfortunately, while we'd like to remain optimistic, our expectations of the 2021 tax season remain grim. Becky is still homeschooling and we assume another round of major tax reform is in the works due to a new President and recurring Covid tax legislation. Furthermore, we anticipate many of our clients will have more complex tax situations due to employment changes, business downturns, economic assistance, housing changes and other major life events. ***In light of these circumstances and other factors outside our control, we cannot make any promises regarding turn-around time this next tax season.*** We appreciate your understanding and continued flexibility as we all continue to navigate through these ongoing uncertainties.

## 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 2021 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. Our office will be closed beginning Monday December 21, 2020 to Friday January 1, 2021. However, Diane or Becky will be reachable intermittently during this period, so please feel free to email or call us if you have any urgent matters.

Sincerely,



Friedman & Perry  
Certified Public Accountants