

Powers & Company

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January 16, 2021

To our loyal clients;

First, I want to wish you a healthy and safe New Year. Most Americans have seen their lives upended as a result of Covid-19 which has contributed to nearly 100 million infections and more than 2 million deaths worldwide. Let us pray that the new vaccine turns the tide.

On the heels of the 2017 U.S. tax act, that brought vast changes and much confusion, last year brought a whirlwind of changes including the automatic extension of both the tax filing deadlines as well as tax payment deadlines. This year the due dates are back to normal even though the COVID statistics are far worse. My advice is to gather your information as soon as possible and file early. IRS manpower is still tight, but the computers are working overtime, making adjustments and sending out penalty notices. Many late filers, even those who don't owe tax, will now see new minimum penalties. Also I have seen and heard of several situations where IRS is sending out collection notices stating that prior notices were not responded to, although they were never received. Be diligent in your documentation and take nothing for granted.

Taxpayer penalties for unsubstantiated credits and deductions and tax preparer "Due Diligence" rules and penalties are more stringent than ever. Refundable and non refundable dollar for dollar tax credits have replaced many old deductions. These include credits for child and other dependent care; higher education, adoption, low earned income, the new Saver's Credit, residential energy. This means that I must now see receipts and other documentation substantiating entitlement to these credits and special tax filing statuses (I.E. Head of Household). Unmarried head of household status requires the tax filer to substantiate that a qualifying person resides in the home that the taxpayer pays more than half of the cost of maintaining. Please provide me with this documentation along with your other tax documents.

This being said, in an attempt to simplify to collection of information with which to prepare your 2020 tax returns, I ask that you provide us with the same information and documents that you usually provide. Visit our website at www.tax-power.com to access the 2020 organizer as a checklist should you need a reminder of the information that may apply to you. If you are an American residing and working outside the united states, use the Expatriate Supplement as well.

Also don't forget that we need from you a copy (front and back) of each spouse's driver's license, the full names, social security (or ITIN) for each taxpayer, spouse and dependents as well as whether or not each family member had health insurance (if you receive any forms from your medical insurance carrier please send this as well.

Again, if you claim credits for child or other dependent care, regardless of whether or not they are qualified dependents, please provide us with a letter from their school or health care provider or some other documentation that is addressed to you at your address that includes the names of the children for whom you claim a child care or earned income credit. **The IRS is very strict that if we do not receive evidence from you that the children live with you and that you provide support, we are NOT permitted to claim the credit.**

If you have any foreign financial accounts, including bank, stocks or other investments retirement savings plans, etc., we will need a list that includes the name and address of the foreign financial institution, the account number, the highest balance or value during the year, if the account was either opened or closed during the year and if the account is jointly owned, we need the name, address and if available, a U.S. tax ID number (SS or ITIN).

Be sure that we have the banking information (routing and account numbers) where you wish either your refund to be deposited or any balance owed to be draws from. Unless you advise us of the date that you want any tax owed to be drawn from, we will use April 15 (or June 15 if you reside outside the U.S.

Finally, please sign and date a statement that all information that you provide is accurate and complete. Provide your contact information, including email address and telephone.

If you have any questions, please contact me either by telephone or email.

Kind regards,

A handwritten signature in black ink, appearing to read 'Andy Powers', with a long, sweeping flourish extending to the right.

Andy Powers

P.S. IF SENDING DOCUMENTS AND CONFIDENTIAL INFORMATION ELECTRONICALLY, BE SURE TO USE PASSWORD PROTECTION-THE BEST BEING THE LAST 4 DIGITS OF YOUR SOCIAL SECURITY NUMBER. Drop Box provides free electronically secure storage for this as well.