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Please read this entire letter as it contains important dates and other information you need to know. Please complete my annual questionnaire and letter of arrangement which I will need from you to prepare your income tax returns. I cannot prepare your income tax returns without a completed questionnaire and signed letter of arrangement.

Completing my annual questionnaire will help to ensure I do not overlook anything that might impact your income tax returns. There may be instances where your tax returns require information I did not need to collect in prior years, therefore, please provide all information I request. If I asked for information, it is necessary.

Since most states did not automatically conform to many of the current federal laws, I need to apply two different sets of rules to prepare your federal and state income tax returns.

Although I no longer have a dedicated office, my address and suite location has not changed. I will meet with you in person upon your request, however, I have limited availability for in-person appointments, and I am no longer able to offer evening and weekend in-person appointments. If you need an evening or weekend appointment, see below for options. When you come to your appointment, please do not bring children or friends to your tax appointment. I do not have space for them in my office. If you feel sick or have a cough do not come to your appointment. Due to the size of my daily office space, I am not able to maintain 6 feet of social distance and COVID is still a concern.

I offer telephone and Video, such as Zoom/Teams/facetime, tax appointments daily, including evenings and weekends.

When you have all or substantially all your information, and would like to meet with me, call or email me to arrange an appointment. (925) 277-3424 or cynthia@cpacyndi.com

Please do not request appointments or send documents or questions through text message. I usually do not see texts while I am working, driving or in another appointment and most likely will not respond to a text. Emailing me is the quickest way to connect with me.

This personal Intuit link portal replaced the paper organizer packets I had mailed to you in prior years. In my continuing effort to maintain a paperless office, I do not prepare those types of paper packets.

You have the option to bring your documents to our appointment or mail your documents to my office or drop them off at my office. The office is open for drop-off and pick-up, Monday through Friday 8:30 AM to 5:00 PM.

If you request me to prepare you a “paper” organizer packet, I can do so via U.S. mail, however there will be a $75 handling fee to do this, send me an email or telephone me to request this option.

IMPORTANT DATES
The IRS start date for 2023 simple individual tax return filings is January 29, 2024.
As of the date of this writing, there are no postponement dates added for filing of your 2023 tax returns.

The last day I am available for an in-person office appointment to make the April 15 filing date is Wednesday March 20, 2024. (For nonextended tax filings) see dates below for extended tax returns.

March 31 is the last day I will finalize 2023 nonextended individual and C corporation income tax returns and submit them to you for review and signing.

March 8 is the last day I will finalize 2023 nonextended pass-through entity(Partnerships(LLC) and S corporations) tax returns to meet the March 15 filing deadlines. The extended due date for these tax returns is September 16, 2024. The last day to provide all of your entity tax information to me to meet the extended due date is August 15, 2024. After that date, I cannot guarantee I will meet the filing deadline.

NOTE: Pass-through Entity Elective Tax: S corporation shareholders, partnership partners, and LLC members who wish to make the 2024 California pass-through entity elective tax (PTE) also known as the SALT workaround, must make their required PTE prepayment by June 17, 2024, and **there are no exceptions**. The required PTE prepayment is 50% of the 2023 PTE paid or if you did not make the election for 2023 tax filings, the prepayment is $1,000 exactly. Again, there are no exceptions, if you miss this prepayment, you will not be able to make the election for 2024. If your 2023 tax returns are extended, you may miss this deadline, therefore please reach out to me in this situation to make sure I can make this calculation for you on time. Passthrough entity tax payments must be made separately from the entity’s other taxes using WebPay, Form 3893, or by electronic funds withdrawal. An owner’s estimated tax payments may not be applied to the entity's passthrough entity tax. Overpayments of the 2023 passthrough entity elective tax cannot be applied to the entity's June 17, 2024, prepayment for the 2024 tax year.

If you have not received your completed tax returns for electronic signing by March 31, I will automatically extend your tax returns regardless of the date you submitted your information to me. However, I do not automatically file extensions for tax returns not in process. Therefore, if you have not submitted any of your information to me and would like me to file an extension on your behalf, you must notify me directly via email or phone call to discuss.

April 12 is the last day I will transmit nonextended tax return e-files. Therefore, this is the last date for me to receive your signed e-file authorization and payment of fees to meet the April 15 filing date.

Extensions:
Beginning on April 1 and through April 15, 2024, I will only be preparing and electronically filing 2023 federal and state extensions and preparing 2024 estimated tax calculations for extended tax returns.

Since the extension to October 15 is for filing and not paying, I will be working up your tax liability figures to be sure you have sufficient income tax withholding and or estimated taxes paid in to cover it.

If you do not have enough taxes paid in, I will email you a voucher to use to pay for any balance due, unless you have previously requested to pay by direct debit.

If you have not previously requested and now you prefer to pay your extension balances due as a direct debit from your bank, you must notify me before I have submitted the electronic extension. You cannot use this option once I have submitted your electronic extension file.

If you generally file estimated taxes, I will email you the estimated tax vouchers for 2024. If you have requested to pay with direct debit, I can only apply this to California estimated tax payments. The IRS does not allow direct debit of estimated tax payments with an extension filing. This option is only available with filing of the completed tax return itself. However, I can increase the balance due amount for 2023 to include the first, second, or third 2024 estimate. Let me know if you would like to use this option.

I file all extension forms electronically and I mail if needed and there is no signing or other action required of you for filing of this form.

The extension is valid until October 15, and I will begin working on extended tax returns once I return from my break on May 28, 2024.

Extending your tax returns allows me more time to thoroughly review your documents and better prepare complete and accurate tax returns on your behalf. There is no penalty for filing an extension. There is no additional risk of an audit. This simply allows us more time to meet the next filing deadline.

Extended tax returns important dates:
The last day to provide ALL of your 2023 information to me to meet the extended deadline of October 15, is Friday September 13, after that date, I cannot guarantee, I will meet the filing deadline and you may be subject to penalties and interest. If you are unsure of what to provide, refer to my questionnaire or send me an email.

Note: I will be out of town during the following dates and thus unavailable: Tuesday April 16, through Monday May 27, Saturday July 6 through Saturday July 13, Thursday September 5 through Friday September 20. Please plan accordingly.

Erroneous IRS and FTB notices
The IRS has confirmed that they sent out numerous erroneous notices to California taxpayers who qualified for November 16,2023, disaster-related payment and filing postponements. If you receive a notice and you have confirmed your payments and filing was made correctly, the IRS states no further action is required. They are aware and will automatically correct your account. However, the FTB has not made the same promise and you may need to contact the California FTB directly to make sure your account is corrected if you receive an erroneous notification. In addition, if your address is outside of California and you receive an erroneous notification from the IRS or California FTB, you will need to call to get your account corrected. The IRS and California FTB previously set-up designated numbers for taxpayers residing outside the disaster area but have a tax preparer or business located in the designated area.
IRS (866-562-5227), FTB (916)845-7057. The IRS is imposing interest and penalties for late payments only from November 17, 2023, onward for taxpayers who were eligible for the November 16, 2023, filing and payment postponements but did not make the payment by November 16. Interest and penalties will not be charged going back to the original payment due date. Because California conforms

to federal law in this area, California will also charge interest and penalties commencing November 17, 2023, for payments made after November 16, 2023.

NOTE: The IRS will never email or call you. They will send you a letter.

I encourage you to create an online IRS and CA FTB account. An online account will allow you to lookup your information, estimated tax payment information, account transcripts and other types of information.

Other tax topics:

Charitable contribution substantiation: One of the conditions for deducting a charitable donation is that you, the donor, must meet the substantiation requirements. These requirements vary depending on the size of the contribution, but for all contributions of $250 or more, the requirement is that the donor receive a "Contemporaneous Written Acknowledgement" from the recipient organization. This must include: 1. the amount of cash and a description (but not the value) of any property other than cash. Cash includes checks and credit card transactions. 2. Whether the recipient organization provided any goods or services for the contribution. 3. A description and good faith estimate of the value of any goods or services provided, or if such goods or services consist solely of tangible religious benefits. In addition, you MUST receive this written acknowledgement before the earlier of 1.The date the tax return claiming the charitable deduction is filed or 2. The due date of filing that tax return. The substantiation rules also apply to direct transfers from retirement account to charity.

Backdoor Roth-IRA conversions. The "backdoor" Roth conversion strategy allows high-income individuals to make a nondeductible contribution to a traditional IRA and then convert the traditional IRA to a Roth IRA. However, because of the IRA aggregation rules, the value of ALL existing IRA accounts(including SEP and SIMPLE IRAs) is added to the value of the nondeductible IRA conversion in computing the taxable amount of the conversion. If you have significant values in IRA rollovers from previous employers and/or inherited IRAs, and SEP IRAs, most of the rollover will be taxable. This strategy works best for individuals with no or limited current IRA accounts.

The 14-day rental of primary residence tax free provision: There is a tax provision which allows homeowners to rent out their primary residence for up to 14 days each year without paying any federal or California income tax on the rental income they receive. The rental days do not need to be consecutive. Primary resident can be condo, apartment, or mobile home. The tax-free benefit is not limited to a certain amount of income, so no matter how much you receive, it does not need to be reported. Special rules apply if you rent to your employer.

The TCJA provisions enacted by the Trump administration back in 2017 are set to expire at the end of 2025 unless congress does something about it.
One of the major provisions of TCJA was limiting interest deduction on home mortgages to $750,000 of acquisition debt and this is scheduled to expire at the end of 2025, which means interest on indebtedness of up to $1.1 million will be allowed beginning with the 2026 year. Remember that California follows the pre-TCJA home mortgage interest limitation rules, meaning that mortgage on indebtedness of up to $1.1 million is deductible on your California tax return. .

Estimated tax payments. The "required annual payment" is 90% of the tax shown on the return for the taxable year or 100% of the tax shown on the return for the preceding taxable year; and the 100% prior-year tax is increased to 110%, if the taxpayer's prior-year adjusted gross income (AGI) exceeds $150,000(MFJ) or $75,000 for married filing separate. However, California does not allow the prior-year safe harbor for individuals with AGI of $1 million ($500,000 for married filing separate) or more, which means these individuals must pay 90% of their current-year tax to avoid an estimated tax underpayment penalty.

Virtual/digital/Coin/crypto currency: The sale, exchange, or use for a purchase of a digital coin is a reportable taxable transaction. Mining of virtual currency is a taxable event as well. Even though crypto currency is publicly traded, the sale or exchange is considered a property sale and not securities sale. Therefore, the wash sale rules do not apply. Be sure to provide me with your cost basis and sales information if this is applicable to you. In addition, virtual currency held in a foreign exchange is subject to the FBAR and FATCA reporting requirements.

Many tax provisions expired at the end of 2022, however, today as I am writing this letter, congressional tax leaders announced they have reached a deal that includes long-awaited business tax relief, expansion of the refundable Child tax credit, and expanded disaster relief. While this bipartisan agreement is a big step forward, there is still no actual bill, nor any guarantee that these provisions will be enacted in a highly divided Congress. I will keep you abreast as it progresses.

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An important item this agreement includes is a retroactive change in bonus depreciation for business. Currently bonus depreciation is reduced from 100% to 80% effect 1-1-23. If this change is enacted after your 2023 tax return is filed, we will need to amend it to get the tax benefit.

The 100% deduction for business meals provided by a restaurant has reverted to the prior year's 50% limitation.

In addition to expiring tax provisions, the provisions of the Inflation Reduction Act are effective 1-1-23.
Energy Efficient Home improvement credit maximum $1200 annually for property placed in service in 2023. .
The Residential Clean Energy credit was increased back up to 30%(home solar) for property placed in service in 2023.
Clean Vehicle Credit for , you could claim a credit of up to $3,750 for meeting mineral requirements and another $3,750 for meeting battery requirements for electric vehicles assembled in the U.S. However, no credit is available for those whose modified adjusted gross income for the year of the purchase exceeds or if lower for the preceding tax year, $300,000 for MFJ, $225,000 for HOH and $150,000 for single. In addition, no credit is allowed for cars with a manufacturer's suggested retail price over $55,000 or over $80,000 for vans, sports utility vehicles and pickup trucks.

Starting in 2024, certain eligible taxpayers can also transfer certain eligible credit such as the clean vehicle credit to the dealer or elect to be treated as making a payment against their income tax equal to the amount of the credit,(Advance credit) instead of waiting to file their tax returns.

New credit for previously owned vehicles: The ACT added a new credit for previously owned (used) vehicles purchased after 2022 from a qualified buyer(dealer). The credit is the lessor of $4,000 or 30% of the vehicle's purchase price. The vehicles purchase price cannot be over $25,000 and your adjusted gross income cannot be over $150,000 for MFJ , $112,500 HOH and $75,000 single filers.

Neither of these vehicle credits will apply to leased vehicles. There is also a new clean vehicle credit for qualified commercial vehicles. Be aware that if you receive an advanced credit from the dealership for your purchased clean vehicle and don't qualify based on your adjusted gross income on your tax return, you will be required to repay the credit with the filing of your tax return.

Short-term rental owners must now file personal property form BOE 571-STR. Short Term Rental Property Statement, to report business personal property. Unlike real property, business personal property generally is reappraised annually. Business owners must file a business property statement each year detailing costs of all supplies, equipment, and fixtures at each location. Failing to do so could result in large penalties if the county were to cross-check their filings against listings on platforms like Airbnb or VRBO. Penalties range from 10% for failing to timely file up to 75% for fraud or deliberate omission. The tax rate is usually a little more than 1% of the assessed value. Form BOE-571-STR is sent to taxpayers by the county the property is located in and must be submitted by May 7 to avoid penalties. https://www.caltax.com/files/cat/BOE-571-str.pdf

Beneficial ownership reporting for certain business owners. Be prepared to file these new reporting beginning in 2024. Starting January 1, 2024, the new beneficial ownership requirements will kick in for new entities. This new mandate requires most entities to provide specified information concerning their individual beneficial owners. Beneficial owners are defined as those who have a 25% ownership interest in the entity or those who exercise substantial control over the entity (including key employees). Noncompliant entities and their beneficial owners can face penalties of up to $500 per day. The report will be filed electronically on the FinCEN. This filing is not part of your tax return I prepare. There are exemptions for this filing requirement. See website. FinCEN website at https://fincen.gov/boi.

Retirement contributions
2023 Maximum solo 401(k) limits are $66,000 generally and $73,500 for participants aged 50 and older and includes both the employee deferral portion and the employer contribution portion. Increases to 69,000 plus $7,500 for participants age 50+ for 2024.
2023 IRA maximum $6,500 + $1,000 for age 50+. 2024 IRA maximum $7,000 + $1,000 for age 50+.

Annual gift tax exclusion for 2024 $18,000

The Consolidated Appropriations Act made changes for retirement accounts.
The mandatory age to begin RMD for 2023 is 73 years old.
For the years 2023 through 2032, the mandatory age is 73 years old.
After years 2032 the mandatory age will be 75 years old.

Penalty-free withdrawals prior to reaching age 59.5 for the following circumstances:
Qualified long-term care.
Substantially equal periodic payments
Domestic abuse

Terminal illness
Qualified public safety employees, requirements apply.
Presidentially declared disasters with principal residence, limitations apply.
Emergency savings account distribution for unforeseeable or immediate financial needs up to $1,000.
Correction distributions of excess contributions
529 Plan Rollovers to Roth accounts with limitations.
SIMPLE and SEP allowed to have ROTH contributions beginning in 2023.

California's state disability insurance (SDI) program has eliminated the wage cap(tax rate currently 1.1% for 2024) on deducting SDI from your wages beginning January 1, 2024. This means you will see a decrease in your net take home pay if your wages are above the prior year cap of $153,164. If you are an employer, you may want to consider establishing a voluntary disability plan. A voluntary plan could be beneficial if you have lots of highly compensated employees. If you are a corporate shareholder, you have two options to minimize the impact of this tax increase. 1. Consider increasing shareholders distribution rather than increasing wages. Or 2. if you are a sole shareholder, you can opt out of paying into the California SDI program for your wages. This is done using form DE 459.

These are merely a few items that may impact your tax situation. If you have specific questions, please reach out to me.

Unless the law allows me otherwise (in very limited circumstances),I cannot disclose, without your signed permission, your tax return information to third parties for purposes other than for the purposes of preparing your tax return.(See my annual letter of arrangement).

I am required to provide written notice of my privacy policy and the following sets forth my privacy policy.

I gather nonpublic personal information about you from information I receive from your tax preparation organizer applications both electronically and other documentation sources, which I will use in tax preparation and related services. I may also receive information about your transactions from outside sources such as your investment advisor, financial planner, or broker. I may from time-to-time need to access public records to clarify a figure provided or missing from the documentation you provided.

I do not disclose personal information about you to anyone except as required by law or instructed by you in writing. I restrict access to your personal information to my administrative personnel who need to handle your documents in the tax return preparation of photocopying, scanning, organizing and data entry functions. I maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your personal $$information.

Regards,
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