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Dear Client:

We hope that you and your family are enjoying the holiday season. It's been an interesting year with important tax changes that may impact you. Here are some of the changes and issues you need to know about.

Build Back Better (BBB) Bill: The Build Back Better (BBB) bill currently making its way through Congress contains many provisions, two of the most notable which may require action prior to year end if passed, are as follows;

State and Local Tax Deductions (SALT): Legislation currently under discussion include fully restoring the SALT deduction or increasing the cap from \$10,000 to \$80,000. *If passed*, taxpayers may want to accelerate payments on state estimates and property tax payments by December 31st to maximize federal tax savings in 2021.

Roth Conversions: The BBB bill proposes, starting in 2022, to end so called non-deductible backdoor and mega backdoor Roth conversions. Regardless of income level, conversions of after-tax contributions made to 401(k) or traditional IRA to a Roth IRA will no longer be allowed. Conversions are currently allowable through Dec 31st.

Stimulus payments: The American Rescue Plan Act, which was passed into law in March 2021, authorized a third round of stimulus payments (also referred to as economic impact payments) that were issued to many taxpayers. People who received an economic impact payment should be receiving IRS Notice 1444-C, Your Economic Impact Payment. The maximum payment was \$1,400 per taxpayer, spouse, and dependent. The economic impact payments are treated as advance tax credits against your 2021 income taxes. As such, you will need to include a copy of Notice 1444-C when you provide us with your other tax documents.

Advanced child tax credits: Starting in July 2021, the IRS began sending Advanced Child Tax Credit payments to those who qualify to claim the Child Tax Credit on their 2021 income tax returns. The Child Tax Credit we are able to claim on your 2021 income tax return will be reduced by the amount of any advanced payments you received. The IRS will send Letter 6419 to taxpayers in January 2022 reminding them of the amount of advanced payments received. You will need to provide us with a copy of the notice so that we can properly calculate the Child Tax Credit you are eligible to receive on your 2021 income tax return.

Online IRS account: If you haven't already, we recommend that each of our clients set up their own IRS online account. With an online IRS account, you can view your account status, make payments (including balances due and estimate, among others), view past payments, confirm economic impact payments received, pull IRS transcripts, and view new IRS notices and letters you received, among other activities. Accounts can be set up in as little as 10 minutes at www.irs.gov. If you are married, then each spouse should set up their own separate account.

Identity theft measures: Starting in 2021, all taxpayers can register for an Identity Protection PIN (IP PIN), which is a six-digit number assigned by the IRS that prevents others from filing fraudulent returns using your Social Security Number or Individual Taxpayer Identification Number (ITIN). Previously, the IRS only made this program available to identity theft victims.

You can register for an IP PIN at www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin. Once you are registered, the IRS will send you a new six-digit PIN in the mail each January. Any income tax returns filed on your behalf, whether by paper or electronically, will be rejected by the IRS unless the correct six-digit PIN is reported on your income tax return.

We hope that you find this information useful. Please call us if you'd like to discuss further.

Sincerely,

Franzen & Franzen LLP