



WIECHEC & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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Dear valued clients,

We hope this letter finds you and your family well and we hope you've had a great and safe holiday season this year. We are writing because we wanted to take the time to provide you with a few updates regarding our tax return preparation process as we begin preparing for the 2021 tax season. We would also like to provide you with a few updates regarding important tax law changes that may affect your 2021 taxes. We truly value and appreciate each one of you and look forward to the opportunity to serve you once again this year. Please browse these updates at your convenience and call our office should you wish to discuss any of them.

CHANGES TO TAX RETURN PREPARATION PROCESS

As with many things in 2021, COVID-19 is still impacting the way we will be working. We are still limiting both the number of people in the office and the amount of time people spend in the office while we complete your tax returns. However, guidance from healthcare authorities has relaxed from last year, and we now feel we can safely meet with you in-person on a limited basis. We are therefore implementing the following changes to our process to complete your tax returns.

- We are now scheduling 15-to-30-minute appointments to meet with you in-person when you drop your information off if you prefer to speak with us before we prepare your taxes. During your appointment, we will review the tax information you provide and ask necessary questions to complete your return. We will not complete your return during your appointment to limit the amount time that you spend in the office. Please call our office at your convenience should you wish to schedule an appointment with us.
- For those that do not prefer an appointment, you may still drop off your tax information or electronically send it to us using our secured drop box (We included a questionnaire at the end of this letter to help you gather your information).
- Finally, this year, our office is striving towards a paperless environment. We will therefore be providing you with a copy of your return on a USB thumb drive should you pick your return in-person. We can still provide you with a paper copy of your return. However, we kindly ask that you inform us of your preference when you drop your tax information off should you wish to receive a paper copy of your return.

To limit everyone's time in the office, we will still prepare your return after your appointment or after you have dropped your tax information off to us. We may contact you if we have any questions about the information you provided.

We will still also call you once your return is complete. If you prefer, you may schedule a meeting with us to review it and answer any questions that you may have. This meeting can be in-person, telephonic or through a Zoom or Teams meeting.

Please know that we will continue to revise our processes as we receive additional guidance from our healthcare authorities.

IMPORTANT TAX LAW CHANGES

From a tax perspective, 2021 was a relatively busy year as there were numerous significant changes in the tax laws for individuals. Provided below is a key summary of the tax law changes that may affect your individual tax return. We hope you find these updates useful.

Stimulus Payments

During the year, a single stimulus payment was made to taxpayers based upon either their 2019 or 2020 filed tax returns. The stimulus payment will be given to you as a refund on your 2021 tax return if you haven't received it and are eligible for it. The IRS will continue to review returns to ensure the amount claimed is consistent with amounts paid, as they did with the first two stimulus payments. The IRS will make adjustments to tax returns based upon this comparison if amounts reported are different from their records.

In early 2022, the IRS will send a letter, Letter 6475, to you confirming the payment amount that they have on file for you. Please keep this letter and give it to us when you bring your tax information in since we will need it to file your return.

Child Tax Credit

For 2021, the maximum child tax credit has been increased to \$3,600 for a qualifying child under age six, and \$3,000 for a qualifying child under age 18. The credit is also now fully refundable for most taxpayers.

For 2021, the IRS has also estimated and advanced half of the amount of the child tax credit that you may be entitled to claim on your 2021 tax return, based on either your 2019 or 2020 tax return or information that you provided to them. You should have received these advanced payments from July through December if you did not opt-out of receiving them. Please know that you may have to repay some or all of these advanced payments back if you received more than what you were entitled to claim on your 2021 tax return. We will discuss any repayment requirements with you, if applicable, when we meet to do your taxes.

In early 2022, the IRS will send a letter, Letter 6419, to you confirming the advance payment amounts that they have on file for you. Please keep this letter and give it to us when you bring your tax information in since we will need it to file your return.

Child and Dependent Care Credit

For 2021, the maximum child and dependent care credit has been increased to \$4,000 for one child and \$8,000 for two or more children. The credit is also now fully refundable for most taxpayers.

Charitable Donations Deduction

Taxpayers can now claim a \$300 deduction per individual for cash donations to qualifying charities when they take the standard deduction. This means a married couple filing jointly may now deduct up to \$600 in charitable donations.

Virtual/ Electronic Currency

The IRS is continuing to consider how electronic currencies are being used and are going to be taxed. Please let us know if you bought or sold any digital currency, or used digital currency to purchase any goods or services, in 2021. We may need to account for those transactions on your return.

Earned Income Credit

The eligible age range for the Earned Income Credit has been expanded and the amount of the credit is increased. The calculations for the earned income credit are complex so we will discuss this credit with you if the changes affect your return.

Taxable Rates

The income tax rates haven't changed but the income tax brackets have been adjusted for an inflation factor.

Standard Deduction

The standard deduction has been adjusted for inflation. The standard deduction for a single person went from \$12,400 to \$12,550 and for married filing jointly the standard deduction went from \$24,800 to \$25,100.

Michigan Pass-Through Entity Taxes

On 12/20/21, Michigan passed a law that retroactively allows (1) pass-through entities (S corporations and partnerships) to pay their 2021 Michigan taxes at the entity level, and (2) their members/shareholders to take a refundable credit for their portion of taxes paid by the entity. This new law creates an opportunity for pass-through entity owners to bypass the current \$10,000 federal individual itemized deduction limitation for state and local taxes by allowing the passthrough entities to deduct the Michigan taxes paid on their federal tax returns without any limitation. If you own a pass-through entity, we will discuss your options regarding this new law with you when we meet to do your taxes.

Sincerely yours,

Daniel A. Wiechec

Christopher A. Wiechec