

January 10, 2022

Dear Circle Tax Family,

Happy Tax Season! It has been another crazy year but things for tax season are getting back to normal. This letter may be a little longer than normal because there are still a lot of changes for the 2021 tax filing.

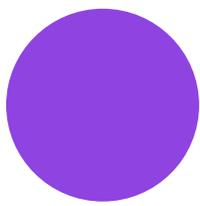
The IRS has said they will not be accepting 2021 returns until January 31, 2022. If you have all your documents ready, please send them to us as early as possible. Even though they are not accepting returns we can get them ready to send. We will send them as soon as we are allowed. We anticipate that most filers will see their refunds in 2-3 weeks as usual. As with previous years those with EIC will take slightly longer to verify information. As with last year, we anticipate refunds may be slower if the numbers for the stimulus payments or the advance child tax credit are not reported correctly. We also saw more refund delays as they increased requests for people to verify their identity. Please make sure you open any correspondence you get from the IRS as soon as it is received. If you do receive a request to verify your identity you will have to go online or call yourself (we are not able to do that).

Once again, this year we will also have some information we will need to balance out numbers on the 2021 tax return. See below for all the information about the third stimulus check received last spring and the advanced child tax credit payment.

As in previous years, our base fee will include federal, MO, KS and KCMO returns (if applicable). This also includes e-filing. KCMO is now allowing us to e-file the returns, however we found there to be problems with the system for married couples. So, we will not e-file the KCMO returns if you file jointly; you will need to mail those returns in separately this year. If you are unmarried and have a refund or a zero balance, we will automatically set it to e-file unless you tell us you prefer to mail. If you have a balance due to KCMO then we will **only** e-file if you want to direct debit the payment. Otherwise, you will need to mail the return with the payment.

We will be using engagement letters again this year. When you have submitted all your documents, please send us an email or call us to let us know you are done loading documents. We will review what you have submitted and let you know if we are missing anything. Then we will send you an engagement letter telling you what we will be filing and the cost. Once that is signed, we will process the return. The earlier you submit documents the faster it will be completed. Please allow 2-4 weeks for your return to be completed. If you would like a paper copy of the return, we will be charging a \$15 fee (there will be a place to indicate you want that paper copy on the engagement letter). This fee is for printing and mailing the documents. If you mail us documents, **PLEASE send copies**, so if they get lost in the mail, they can be re-sent. If you do provide us with originals, we will be happy to return those through regular first-class mail. If you would like documents returned, but do not need a copy of the tax return please let us know. All copied documents are properly shredded and disposed of for security.

The best way to get us documents this year is by uploading them to Sharefile. You can also mail or fax copies of your documents. **We have removed our drop box from Doggie Style Bowtique.** We are thankful we have been able to use her space for drop off for the last 5 years but we are no longer able to pick up documents. And please note the mailing address we use is a UPS store box. You can NOT drop off documents at that location. They must be sent via delivery service (USPS, FedEx, or UPS).



Circle Tax & Accounting

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The best way to contact us during tax season is by calling our main number at 816-753-1700 or by sending an email to questions@circletax.com. Please use this email address as it is monitored by me and my staff members. Please call or email if you have any questions or concerns. We are unable to respond to text messages during tax season. *Also note I still have one child doing virtual school this year. My employees are working hard to take information and get back to you with answers. Please provide them with detailed information or send an email if you think it is too complex. My child has zoom meetings throughout the day and it makes it hard for me to be on phone calls during school hours. However, I do my best to get back to people when I can, so please leave as much information as possible with my staff.*

Also note that this year you may hear a new voice on the end of the phones. After 9 years of working with Circle Tax & Accounting Sandy has announced she is ready to retire again. Laura will be working during tax season to learn the ropes and to take over after Sandy leaves. Laura worked for me a few years ago when I had the office open in Westport. So, she's not completely new but will be learning through all our processes.

This year our deadline to receive documents, if you want them completed by the due date will be March 25th. PLEASE NOTE: The due date for this year is **April 18th** (due to Emancipation Day being observed on April 15th). If for some reason you believe that you will not have all your documents by then, please provide us with what you do have as early as possible and let us know you are still waiting. It is much easier to add one more document than to go through a dozen. If you need to file an extension, we do charge a \$25 fee before filing the extension. This fee is then taken off the final bill. An extension only gives you additional time to file your return. If you owe money it is due by April 18th otherwise you will pay additional penalties and interest until your bill is paid in full.

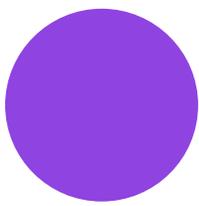
Finally, we appreciate you telling your friends about us, we will take on a limited number of new clients this year if you would like to refer a friend to us. If someone is looking for a new accountant we would prefer they contact us during off season so we can determine if it is a good fit outside of our busy time.

Sincerely,

Aimee L Sanita

Aimee L Sanita, EA

Please check out our website www.circletax.com for all the up-to-date information. You can also follow us on Facebook @CircleTaxAccounting (<https://www.facebook.com/CircleTaxAccounting>).



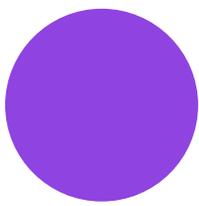
Here are a few things you may have questions about this year with changes due to COVID:

Income

- 1. Unemployment**—A lot of people still received unemployment into 2021. If you did collect unemployment for even a week or two you will receive a 1099. They may not mail those documents out. You may have to log into your online account. For those that received unemployment payments you will receive a 1099 showing the amount paid and any withholding. Please realize that you had the option to withhold federal taxes but not state. So, you will most likely have to pay some state taxes if you collected unemployment. The unemployment is reported to the state you earned it from even if you live in a different state. Please note that for the 2020 tax year, there was a special law that allowed you to exclude up to \$10,200. **This is NOT the case in 2021.** You will need to report all unemployment income to both federal and state this year. Also note we've seen a lot of Unemployment fraud in the last 2 years. If you receive any kind of tax document, PLEASE open it. If it's not correct you will want to contact the issuer and let them know.
- 2. Retirement Distributions**—In 2020 there was a special rule that allowed you to spread your 401k/IRA distributions over 3 years. That was a special rule just for 2020. You also have the option to put money back into the account by the end of the third year (based on when you took the distribution). If you made the election to have the money taxed over 3 years, we will automatically report 1/3 of that amount on the 2021 tax return, unless you tell us you've repaid some amount. Please realize that all the taxes you had withheld were included on the 2020 tax return, so you will have to pay tax on that amount this year. If you did return any money to the account, please let us know so we can properly report it. And remember you have three years from the time of distribution to put the money back into the account if you are planning on returning the funds.

Deductions

- 3. Working from home as an employee**—Unfortunately with the Tax Cuts and Jobs Act unreimbursed employee expenses were discontinued. Thus, the deduction for home office was removed along with any other expenses you incur as an employee. So even if you are still working from home there is no deduction for that.
- 4. Working from home for Self-Employed**—If you are a contractor or business owner (**not an S-Corp owners/employee**) you may already be deducting your home office. However, if you have not taken it in the past, we can still consider those this year.
- 5. Charitable Contributions**—You will once again be able to deduct up to \$300 (\$600 Married filing joint) for Charitable Contributions even if you do not itemize deductions. These are for CASH contributions not donated goods.



Other things that might impact your refund

6. **Working from home KCMO earnings**—Generally employees that work in KCMO are required to have KCMO earnings withholding from their pay. For those who do not live in KCMO you are able to apply for a refund based on the number of days work outside the city. So, if you live outside KCMO and have been working from home please figure out the number of workdays you have worked from home. Also have contact information for a manager or HR person (name, phone, and email) available so we can file for a refund if we are able.

Also, if your employer is going to continue to have you work from home you should check with your payroll/HR department to have them stop withholding KCMO if you live outside the city. Companies are required to withhold KCMO taxes for those working in the city. If you are not working in the city, they are not required to withhold it. If you do live in KCMO then they should continue to withhold it even if you're working from home.

PLEASE READ THIS IS VERY IMPORTANT AND COULD SLOW DOWN YOUR REFUND

7. **Stimulus Payments**—Over the last 2 years the government has issued three stimulus checks to most taxpayers. In 2021, most people received two stimulus payments. The first one was \$600 per person and came in early January. This was reconciled on the 2020 tax return. Then in the spring another one was issued (this was the third stimulus payment) which was \$1400 per person (including ALL dependents). Some people may have received it in two parts if there were additional dependents on the 2020 tax return.

If you did not receive the \$1400 per person stimulus check or did not receive the full amount you may qualify for more now. For example, if your 2020 income was above the limits but your 2021 income is below you will qualify for more money. Or if you have a new dependent in 2021 you will receive additional money. PLEASE NOTE: The Stimulus money is NOT taxable! You also will not have to repay the stimulus money if your situation changed for the better in 2021 (note that is different for the advanced child tax credit). For example, in 2020 you received \$1400 for claiming a child on your return yet when you file your 2021 you do not have that dependent on your return, you do NOT have to repay the money.

****Please provide us with how much you received with the 3rd Stimulus payment so we can properly reconcile it on your 2021 tax return.**

8. **Advance Child Tax Credit**—The second thing that we will need to reconcile on your tax return is the Advance Child Tax Credit that many people with children received in the last 6 months. This amount was \$250 per child (or \$300 for children 5 and under). Most people received \$1500 per child (\$1800 for 5 and under). **This amount was an advance on what you will claim on your 2021 tax return** (up to \$3000 per child or \$3600 for 5 and under). If the amount you received exceeds what you are allowed, then you may have to repay some of that amount. I won't go into all the rules but please know we **NEED** this amount to properly prepare your return.