

February 5, 2021

Dear Client:

This year's letter is going to be a little shorter than previous years. For one thing, I just sent out a long e-blast on Social Security and the IRS. If you missed this, please let me know. For another, I feel like I'm a month behind and still finishing the 2019 tax season. If the IRS were to ask me, I'd advise them to delay the start of tax season again. If I feel this way, the IRS must be many months behind since they could not take work home. But they probably won't listen to me, so get ready for April 15<sup>th</sup>, 2021!

### [New Office, New Procedures for Safety](#)

In November 2020, we moved to a new suite in the same building- Suite #211. It's smaller since we now work remotely about half time. If you are coming by, please email or call the office ahead of time. We keep the front door locked, so please knock. The staff will be in on alternate days to limit the # of people in the office. We will be masked, and ask anyone who visits to do the same. We will take your temperature, and have gloves for the extra sensitive. We added a HEPA approved air purifier for extra safety. If you are dropping off materials, I encourage you to use the super wide mail slot in the front door and call us to let us know you are dropping off materials.

### [Tax Appointments:](#)

This year it is especially important to come in early. I estimate that even less complicated returns will take 25% more time to prepare due to COVID restrictions. In person appointments continue to be a challenge. We will limit in-person meetings to 15 minutes or less. We suggest using Sharefile, Intuit Link, mail, fax and drop offs. We can talk by phone or a video call in place of our in-person appointment. Let me know if you'd like to try a video call this year.

The staff and I have joined the remote generation, and continue to work most of the time at home. There's nothing better than waking up early and sitting down at your desk with no commute! My in-office time in Northbrook will be limited to Tuesdays, Thursday and Saturdays, weather permitting. But, like last year, the vast majority of meetings will be on phone or video. We will pick up documents put through the mail slot daily. Please put your documents into a closed envelope so papers do not fall out. We will do everything we can to accommodate.

### [The Secure ACT](#)

Since its launch in 2020, we've all had a chance to become more familiar with the Secure Act which focused primarily on retirement savings and distributions. Here are a few of its highlights:

- The “**Stretch IRA**” was eliminated. This estate planning tool allowed non-spousal IRAs to pass from one generation to the next - taking advantage of tax-free investment growth. Now, **non-spousal beneficiaries are required to take the all of the money out of an inherited IRA within ten years**. IRAs inherited before Dec 31, 2019 can maintain their stretch status;
- People who **turned 70 ½ in 2020 do not have to begin taking Required Minimum Distributions (RMDs) until they turn 72;**
- **Those who work after age 70 ½ can continue to contribute to their IRAs;**
- You can take up to **\$5,000 from an IRA penalty-free with birth or adoption of a child;**
- **529 plan assets up to \$10,000 can be used to pay for student loans.**

### The CARES ACT

Congress responded with incredible speed to help workers and businesses survive COVID by passing the CARES ACT on March 27,2020. This provided many with direct stimulus payments, extended unemployment benefits, and access to retirement funds penalty-free. The act pumped over two trillion dollars into the economy. This was positioned as the “stopgap” we needed until COVID was under control and the economy picked up. But now, eleven months later, and after another smaller stimulus package /payment in January, Congress is calling for 3<sup>rd</sup> large relief bill. Do you remember when millions seemed like an impossibly large number? Then it was billions? Now, we hardly get excited when we hear “trillions”. If you owned a small business, you could get a grant from the Payroll Protection Program (PPP), or a low cost emergency loan from the Economic Injury Disaster Loan (EIDL) program run by the Small Business Administration. **It looks like any future stimulus packages will focus on specific areas of the economy that are still lagging- think the entertainment and travel, plus some help to municipalities whose tax revenues were savaged by the downturn. Best of all, there will be money supporting vaccine distribution.**

### Unemployment Scams

**A river of fraudulent Unemployment claims has been sweeping the nation,** involving at least a dozen of my clients. The Illinois Department of Unemployment Security (IDES) has been overwhelmed by the number of people filing unemployment claims, and now is stretched ever thinner with fraudulent claims. **If you receive an unexpected notice that you have a pending unemployment claim** (either as an employer or employee) that you did not file, **please contact the police** and file a report. They are experienced in taking fraudulent unemployment claim reports and are the best place to start. The police have a checklist of things you need to do. **This is also a good time to remind you that you should be in a program like Lifelock,** in case there is more serious identity theft. IDES and the Illinois Office of the Comptroller have been working to address instances where a 1099-G was issued for a fraudulent

unemployment insurance claim. There is a dedicated webpage at the IDES website ([ides.illinois.gov/1099G](https://ides.illinois.gov/1099G)) providing answers to frequently asked questions. As always, please be patient with everyone you speak with.

### [Electronic Signatures](#)

As our data collection and tax return submissions become more electronic, (Sharefile, Intuit Link, estimated payments, tax filings, and extensions to name a few) **the IRS is finally allowing electronic signatures on many forms.** **The most important to submit your tax return is the efile form - Form 8879 for the IRS and Form 8453 for Illinois.** Last year we added **“e –signature”** to help our clients **sign tax forms electronically.** The e-signature process validates your identity by asking you questions that can be gleaned from public data sources. Don't ask me how they do it, they just do! Once you answer a number of questions, your signature is electronically added to the form. This works well. For those of you who saved your signature in an electronic form (a “picture” of your signature) the IRS will not accept this because anyone could use it – it cannot be validated. So, for this filing season, **you'll either have to manually sign the forms, or use IRS accepted e-signature.** Sorry, but those are the rules.

### [Due Diligence Requirements](#)

Every year the IRS adds responsibilities for the tax preparer, (also known as “the unpaid IRS employee.”) This year, I will ask more questions about the existence of **Crypto currency** transactions. The IRS is so concerned about Crypto currency underreporting that they've moved a question on them to the front page of the return. The IRS also wants to know more about how you run your **Schedule C business**, to detect poor recordkeeping and underreporting of income. Of course, there are large tax preparer penalties if I don't document that I asked and obtained proof of the answers. So as always, please just bear with me.

### [Unclaimed Property In Illinois](#)

**I highly recommend you go to the Illinois Treasurer's website (<https://icash.illinoistreasurer.gov/>) and search for any unclaimed property listed under your name.** You can find un-cashed paychecks, stock dividends, utility deposits, forgotten bank accounts, refund checks, and so much more. This year I found a \$400 refund that I forgot to follow up on with Amazon! There are also sites for unclaimed pension benefits (<https://www.pbgc.gov>) and life insurance benefits (<https://eapps.naic.org/life-policy-locator/#/welcome>.) It's your money, waiting for you to claim it.

### [Identity Protection PINs](#)

Fraudulent unemployment claims. Tax Scams. Identity Theft. With all there is to worry about, the last thing you need is to be a victim of a fraudulently filed federal tax return. We reported on this program

last year, and wanted to follow up with some details on how to protect yourself. In the IRS.Gov website (www.IRS.gov), type in "IP PIN" in the search bar, read the directions to apply for a PIN. **The IP PIN helps protect you from identity theft. It prevents others from filing a tax return using your Social Security number.** It is only valid for one year, so you have to renew it annually. This is different from the PIN you might have received if were the victim of identity theft and filed a Form 14039. **I encourage you to use a PIN to file your return.**

### Online Estimated Payments

One of my favorite topics is use of electronic payments for estimated payments and balance due amounts. I've talked about IRS EFTPS.gov (<https://www.eftps.gov/eftps/>) and My Tax Illinois payments. These are excellent tools for people who make estimated payments or owe money every year. But what about people who only need to make extra interim payments? **If you use the postal mail, always send anything to the IRS or states by certified mail.** And the mail hasn't been very consistent or trustworthy lately. After you enroll and are accepted, you can make any tax due payment to the the IRS with this link. **On-line payments are by far the best way to send the IRS money.**

### IRS Direct Pay

If you need to make a payment (**Form 1040 series, estimated taxes etc**) to the IRS, you can use IRS Direct Pay located in the IRS website for free. This is the step required **to set up your bank account to deduct money directly, pay your tax bill, and get a receipt at the end of the transaction.** You can use the address below to set this up or go to the search bar in the IRS website and type "IRS Direct Pay". ([www.IRS.gov/payments/direct-pay](http://www.IRS.gov/payments/direct-pay)).

### My Tax Illinois

Illinois has a similar function in its **My Tax Illinois** website. Go to the Quick Links area when you open the site, and you will see a prompt to **"Make an Individual Income Tax Payment"**. You don't need to open an account, although we recommend you do so, to login. The Web address is <https://mytax.illinois.gov/>.

### Preparation: Organizers, Engagement letters, & More:

#### Three ways to Assist You:

1. We can send you an **organizer, an engagement letter, and instructions** electronically. I encourage you to use my **e-organizer** -a simple way to help you organize. All that's needed is a basic knowledge of computers. One sore spot - the system does not work for Apple users.
2. A great newer option is **Intuit Link**. Several clients have told me that it is easy to use. It contains a Questionnaire, and engagement letter, **and an option to upload documents securely.**

3. We can **mail** you a **paper organizer, an engagement letter, and instructions** to help you prepare. Organizers are expensive to mail, so we only send them to people who have used them in the past or personally request a paper copy. If you haven't used a paper organizer in the past, you'll receive our engagement letter and this letter. If you are a new client and want a paper or electronic organizer, **please let us know**. The more we do electronically, the better and faster we can prepare your return.

### Engagement Letter

**Please sign and return the engagement letter prior to your appointment; this is a requirement of the Illinois Accreditation Board.** The engagement letter is a legal letter to protect us both. The letter is an agreement that identifies what you need to provide me and what services I will perform. If you are mailing your information, please include the signed engagement letter.

### Staying in Touch

**Do you have a new address or new e-mail address?** Let us know so we can update our files. Throughout 2020, we have had sent several emails to keep you informed.

### Payment

Please note that **payment is due when you receive your return**. It adds a lot of work to send our reminder invoices. Please help me by paying promptly. Your payment for 2019 is due before we start working on 2020.

### Extensions

I cannot stress this enough, **we cannot prepare an extension for you if you do not contact me before April 1st**. Extensions require a payment of an estimated tax of what you may owe. In other words, **an extension to file is not an extension to pay**. Remember, penalties on unpaid taxes can be significant. We need to have a good idea of your tax position to prepare an accurate tax estimate.

### Client Portal: "ShareFile"

**My Client Portal system called "ShareFile" is a secure way for us to safely transfer sensitive financial or personal documents electronically.** The files are password protected, and can only be accessed by you and me. **It is much more secure than e-mail**. My Portal meets the IRS requirement that accountants provide a **"secure method of electronic communications."** Please do not send sensitive information by e-mail. It is inherently insecure. If you want to access my portal, please let me know and I will send you an e-mail with an account name, password, and simple instructions. The last three years of tax returns are in your portal. Some of my clients use the portal to simplify loan

applications or mortgage refinancing. Instead of giving the lender paper copies of returns (or asking me to send them), we give loan agents a temporary password to the documents for one week. This allows them to download what they need and reduce the amount of paperwork that can potentially get lost. After a week, remind me to remove their access and they can no longer get into your portal. I strongly encourage you to utilize [ShareFile](#) instead of email. It is more secure and thus safer for you.

### [Tips for Potential Pitfalls: How to avoid Problems](#)

**Pay Estimated Taxes online:** Estimated tax payments are a continuing headache. Payments are missed, lost in the mail, abducted by aliens or misapplied. You can lose the benefit of your prior year's tax carry-forwards, which can be reduced or eliminated by penalties and interest. **The best prevention is to make your payments online** at [www.EFTPS.gov](http://www.EFTPS.gov), the IRS tax payment website and your estimated state payments online using **MyTax Illinois**; Once your payment is set-up, you can make your payments online & avoid writing checks all together. This is the most secure way to pay your taxes. (See above.) **If you use a paper check, only use one that you get back from the bank.** Keep a copy for your records. Very important! Use the estimated payment envelopes I provide with your tax return. If you must use paper checks that you don't get back, **be sure to make copies before mailing.** Write your social security number, the year, and the form number on the front of the check.

**Send us all Tax Notices:** **Please send all tax notices you receive.** Make a copy of the letter(s) and send them to us as soon as possible. Normally a simple letter can clear up what may seem at first to be a problem. Very few of our clients actually end up owing the penalties and interest that the IRS/IDOR requests. But even a trained professional can't get some penalties on late or missed payments/forms abated. It takes a lot of time to resolve/respond to tax notices, so I charge a nominal fee based on the effort involved. **Many people are getting tax notices for work or money already received.** It's a continuing saga – there are not enough people at the IRS to manage all of the tax issues we face in this COVID world. Patience is required.

**Disclosure Changes:** If you ask me to forward any documents to a third party, **you** (and your spouse if you are filing jointly) **will need to sign a release prior to sending them out.** This is a part of the **HIPPA Privacy Act**, just like at the doctor's office. **Another perfect opportunity to use the Client Portal!**

**Automatic Deposit of Refund or Electronic Payment:** Please check and verify your direct deposit/electronic payment information for electronic estimated payments. **If your bank account has changed, your refund or payment will not be made in a timely manner.** A bank merger or takeover may have changed your routing and/or account number. Double check this please.

**Eyeglass Collection Center:** We'd like to remind you that our office is a **collection point for eyeglasses for** Lions International. If you have old eyeglasses, Lions International can refurbish them and distribute them to needy people throughout the world. Lions International is the largest service organization in the world. If you are looking for a place to make a difference, please contact me about our local organization.

### **Our Thanks**

We want to thank you for all your previous support and business. We look forward to renewing our relationship and serving your 2020 tax needs. Also, we want to personally thank you for your many client referrals. I appreciate the referrals you have given me as they are the highest form of compliment. Thank you!

Finally, for those of you who've gotten to the end and thought, "Mark really didn't make this shorter, did he"? You're right. I just can't stop talking about taxes! My hope is that once we've reached "herd immunity", our world can go back to normal. We just don't know when that will be. Please remember to check back for website updates. Please don't hesitate to email or call me with any questions.

***All the best to you and your family for a safe, productive and healthy 2021.***

Sincerely,

Mark R. Villano and staff

**Our Privacy & Document Retention Policy**

We collect nonpublic personal information about you from the following sources:

- Information we receive from you on applications, tax preparation worksheets, other documents we use in preparing your tax return, or other forms;
- Information about your transactions with us or others; and
- We do not disclose any nonpublic personal information about you to anyone, except as requested by you or permitted by law.

If you decide to discontinue our services or become an inactive customer, we will adhere to the privacy policies and practices as described in this notice. Our policy is to store discontinued or inactive files for three years and then shred the physical documents.

We restrict access to your personal and account information to those employees who need to know that information to provide services to you. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

Your confidence in us is important and we want you to know your personal and account information is safe. If you have questions or concerns, please do not hesitate to contact us.

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