2021 YEAR-END PERSONAL TAX PLANNING

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DMJ & Co., PLLC

INSIDE PUBLIC ACCOUNTING TOP 300 FIRMS 2021

The following is DMJ's annual year-end tax planning letter, focused on individual taxpayers and designed to serve as a road map to opportunities and changes in planning.

DMJ & Co., PLLC provides audit and accounting, tax planning, compliance, and preparation for corporate and individual clients across North Carolina and beyond.

2021 Year-End Personal Tax Planning

Dear Clients and Friends:

Greetings! As we approach the end of 2021, we trust that you join us in looking forward to the days to come. We do not take for granted the faith that you place in us as we continue to strive to be your most trusted financial advisor.

The following is our annual year-end tax planning letter, focused on individual taxpayers. Feel free to share this letter with others that may find it of interest. If this letter was shared with you, and you would like to receive your own copy in the future, please connect with us at contact@dmj.com to be receive future letters.

If you are a business owner, be sure that you also receive a copy of our year-end letter that focuses on business issues by emailing us at contact@dmj.com. The letter should be available by early December.

One policy note. Please sign and return your engagement letter when it arrives in the mail as part of your tax organizer. Our firm policy does not allow us to begin preparing your tax return until we have this signed document.

New Tax Legislation

Hot issue! As of this writing, there is talk of significant tax legislation at both the federal and North Carolina levels, but nothing has been enacted. If you are not already receiving our email updates, email us at contact@dmj.com if you would like to be included in future alerts.

Since the release of our 2020 year-end tax planning letter, the major piece of tax legislation that was passed was the American Rescue Plan Act ("ARPA"), signed on March 11, 2021.

We will begin with a summary of this Act. This discussion is necessarily a high-level generalization and focuses on the personal highlights of the Act. See our business year-end tax letter for discussion of those items. **Contact us if you would like to discuss how any of these potential changes could affect your situation.**

All changes are effective for the 2021 tax year unless otherwise noted.

Taxpayers received a third round of COVID economic stimulus payments of $1,400 per person. Eligibility was largely based on their 2019 or 2020 income level. With your year-end organizer, let us know how much you received, because if you are entitled to more based on 2021 income, then a credit can be claimed on your 2021 income tax return.

ARPA significantly increased the child tax credit (based on the number of child dependents under age 18) and the dependent care credit (based on certain payments for childcare while you work). Some of the increase was paid in advance monthly, beginning in July 2021.

<u>This is very important</u> – We must reconcile the payments you received with the payments for which you were entitled, and you may be required to repay excess amounts. The IRS will issue letter 6419 to you in January 2022, detailing the advance payments that were made to you. Please save this letter to assist us with your 2021 tax return preparation.

Carryover Issues from the 2020 CARES Act

The 2020 CARES Act, passed in March 2020, waived the requirement for those age 72 and over to take a "required minimum distribution" from their IRA or retirement plan. You should note that this waiver <u>does not</u> extend into 2021.

Let us know if you need assistance in complying with this rule by December 31 of this year.

If you deferred any 2020 FICA tax from self-employment or household employees, as allowed under CARES, one-half of that bill is due on December 31, 2021, and the balance is due on December 31, 2022. The ramifications of failing to make this payment are quite serious, so if this applies to you, do not forget to make this required payment.

The CARES Act allowed all taxpayers to deduct up to $300 of cash charitable contributions in 2020 only, regardless of whether they itemized. Subsequent legislation extended that into 2021, and allows those married-filing-jointly to deduct up to $600.

The CARES Act also provided that, for 2020 only, taxpayers can elect up to 100% of their adjusted gross income can be offset by cash charitable contributions, rather than the 60% default rule. Later last year, the Consolidated Appropriations Act extended the 100% option into 2021.

- This provision could be advantageous to taxpayers with large IRA balances that make substantial charitable contributions. For 2021, a taxpayer could withdraw a substantial amount from their IRA and then contribute the same amount to charity for a full deduction. Note that this may have some negative consequences by inflating adjusted gross income, so please discuss with us.

General Tax Updates

Many of our clients report significant delays in IRS processing times, including cashing of payment checks. We are aware of this situation, and it is reported by other taxpayers nationwide. The IRS has been hard hit by COVID-19 with large-scale shutdowns of their service centers. As a result, the processing of paper documents is seriously behind schedule, with a backlog, as of this writing, of several million unopened envelopes. We advise you to remain patient as they work through these documents.

Many of our clients have inquired about online payment of federal estimated taxes, based on IRS issues of handling paper payments. If you are interested, go to https://www.irs.gov/payments/.

We would encourage you to set up an online IRS account at https://www.irs.gov/payments/view-your-tax-account. There are many benefits as outlined on the web site.

The IRS continues to send out computer-generated notices based on computer-based document-matching processes. Since IRS notices generated in this way are sometimes incorrect, you should consult with us about the appropriate response. Never ignore an IRS notice – it will not go away. Deal with it promptly to reduce any penalties and interest that may accrue.

Consider intra-family loans. Interest rates are at historic lows. Assets that one expects to substantially increase in value could be sold to family members on the installment basis, utilizing current interest rates. Any gain could be deferred as principal is received. This plan can work well for assets with little or no gain as yet, but are expected to appreciate in the future. Talk with us before utilizing this concept about the loan requirements.

Cryptocurrency and Digital Assets

An increasing number of clients are choosing to invest in cryptocurrencies and other digital assets. If this includes you, there are a few tax issues of which you need to be aware.

Under IRS regulations, crypto and digital investments are capital assets; therefore, the sale of these are a short-term or long-term capital gain or loss. You cannot exchange one currency for another and avoid this result. Careful records must be maintained here for every acquisition and every sale. Trading platforms are not issuing detailed summaries for you to report on your tax return, so it is up to you to track this.

If you are engaged in mining cryptocurrencies, you should discuss this activity with us because this brings a whole different set of compliance issues. If you receive staking income, this is ordinary income. Staking income from digital currency is the equivalent of interest income on a cash bank account.

In any case, the IRS is receiving details of cryptocurrency trades from the exchanges, and they are scaling up enforcement on those who do not report this activity on their tax return.

Finally, note that if your cryptocurrency is offshore, and your total holdings are valued at more than $10,000, you may also have a Foreign Bank Account Report due. This is a required report to the Treasury Department, separate from your tax return. The penalty for failure to file this report, when required, is significant. <u>You must engage us in writing to prepare this form if you are required to comply.</u>

IRS Adjusts Tax Amounts for Inflation

The estate tax exemption was doubled as part of the Tax Cuts and Jobs Act of 2017. For 2021, the estate tax exemption is now $11.70 million (compared to $11.58 million in 2020). This doubling is currently scheduled to expire on December 31, 2025. The exemption is estimated to increase in 2022 to about $12.04 million. Together, a married couple can pass a 2021 estate valued at $23.40 million to their heirs without paying federal estate tax because of the portability provision. It is estimated that more than 99% of all estates will not owe the estate tax, but the need for proper planning is still present to make sure that this works as intended for you. This transfer amount is reduced during your lifetime by taxable gift tax transactions, so your total estate tax exemption could be less if taxable gifts have occurred in the past.

The annual gift tax exclusion remains at $15,000 per recipient in 2021. By maximizing the use of these gifts annually, taxpayers can transfer significant wealth out of their estate without using any of their lifetime estate exemption.

Taxpayers who have a health savings account ("HSA") under a high-deductible health plan ("HDHP") have a contribution limit this year of $7,200 for a family, an increase of $100 from 2020. The single taxpayer contribution limit is increased to $3,600, compared to $3,550 in 2020. Taxpayers are allowed an additional $1,000 contribution if you are age 55 or older. If both married taxpayers are age 55 and over, there must be separate HSA policies for each to get two additional $1,000 contributions. To participate in an HSA, you must use a qualifying high-deductible health insurance plan. See us if you have any questions about whether your policy qualifies.

Retirement Plan Rules

A good tax strategy is to participate in your employer's 401(k) plan. You may elect to contribute up to $19,500 for 2021 before taxes, and the additional catch-up contribution for employees who are age 50 and above is $6,500. Refer to your employer's plan to confirm whether catch-up contributions are permitted. These increased contribution limits also apply to 403(b) plans and most 457 plans.

Some 401(k) plans allow you to make an after-tax Roth contribution, which will not reduce your current taxable income. However, you generally will not owe tax on qualified distributions when these funds are withdrawn in retirement. Note that if you make the maximum retirement deferral possible, you are actually deferring more with a Roth 401(k) because, economically, you are actually contributing both the deferral and the tax on the deferral.

The IRA contribution limit remains $6,000 in 2021, with an additional $1,000 catch-up contribution allowed for people 50 years of age or older.

For those with a SIMPLE plan, the deferral for 2021 remains at $13,500, with an additional $3,000 catch-up contribution.

You or your spouse must have earned income to contribute to either a traditional or a Roth IRA. In 2021, only taxpayers with modified AGI below $208,000 joint and $140,000 single are permitted to contribute to a Roth IRA. If a workplace retirement plan covers you or your spouse, modified AGI also controls your ability to deduct your contribution to a traditional IRA, which ends at $208,000 joint.

There is no AGI limit on your or your spouse's deduction if neither of you are covered by an employer plan. But if either of you are covered by an employer plan, and your modified AGI falls within the phase-out range, a partial contribution/deduction could still be allowed.

If you would like to contribute to a Roth IRA, but your income exceeds the threshold, consider making a non-deductible contribution to a traditional IRA for 2021 by April 15, 2022, and then later convert the regular IRA to a Roth IRA. Consult with your DMJ professional about the tax consequences of the conversion, especially if you have funds in other traditional IRAs, as this could dramatically change the tax impact.

Please do not forget that you may make only one IRA-to-IRA indirect rollover per year, which must be re-deposited within 60 days. This does not limit direct rollovers from trustee to trustee. Any attempted rollover after the first one will be treated as a withdrawal and taxed at regular rates – with a potential 10 percent early withdrawal penalty. This attempted rollover re-contribution will be subject to regular IRA contribution limits, meaning that, if the amount of funds in the account exceeds your contribution limit, it will be subject to a 6 percent excise tax.

For a "Coronavirus-Related Distribution" in 2020, a special three-year rollover period remains open. Let us know if you decided in 2021 to repay this special 2020 distribution.

You may find that 2021 is an "off year" for your taxable income, and that you believe that higher tax rates are in the future. These facts would suggest that perhaps this is great time to convert some or all of your regular IRA account to a Roth IRA. Remember, this means that you pay ordinary income tax on the balance upon conversion, but the Roth IRA is exempt from tax in the future if you follow the basic Roth rules. Also, remember, this means that you must come up with the tax on the conversion from non-retirement funds.

When you reach age 72, you are required to begin taking required minimum distributions ("RMD") from your IRAs and other retirement accounts. Roth IRAs are not subject to this rule. We can assist with the computation of the minimum amount needed to withdraw. For the first year only in 2021 (if you turn age 72 in 2020 or 2021), you have a grace period to take the initial 2021 year withdrawal until April 1, 2022. Often this is not a good idea, because a second withdrawal for 2022 would still need to be done by December 31, 2022. This results in two taxable retirement withdrawals subject to income tax in one year, potentially at higher tax rates. These rules also mandate the minimum to withdraw annually after age 72 – there is no maximum distribution for these taxpayers.

For RMDs from retirement accounts that are inherited (including Roth IRAs), a completely different set of rules apply, and most taxpayers cannot wait until age 72. Consult with us if you are unsure of what action is required.

Remember, the provision that allowed an individual who is at least 70½ years old to make a qualified charitable distribution ("QCD") of up to $100,000 from an IRA directly to a charity has been made permanent. The QCD can satisfy all or part of your RMD requirement. This is generally a good idea for taxpayers who (1) are subject to the RMD rules and (2) have charitable commitments to satisfy. It is also a good plan where the taxpayers cannot itemize deductions, or receive little benefit from doing so, due to high standard deductions, no mortgage interest, etc. It is arguably a better idea to first use long-term significantly appreciated stock for your charitable giving if you can itemize (discussed later in this letter), but a QCD is also a good idea.

Self-employed individuals can have a Simplified Employee Pension (SEP) plan. They may contribute as much as 20 percent of their net earnings from self-employment, not including contributions to themselves. The contribution limit is $58,000 in 2021. Self-employed individuals may set up a SEP plan as late as the due date, including extensions, of their 2021 income tax return.

Note that the SECURE Act, enacted in December 2019, moved the RMD starting age to age 72. However, the ability to make QCDs remains at age 70½. These ages are no longer connected.

An individual, or solo, 401(k) is another option for the self-employed. For 2021, a self-employed individual, as an employee, may defer up to $19,500 ($26,000 for age 50 or older) of annual compensation (unchanged from 2020). Acting as the employer, the individual may contribute 25 percent of net profits, including the deferred $19,500, up to a maximum contribution of $58,000.

Note that if total 401(k) assets are $250,000 or more, you may need to file a Form 5500.

Summary of 2020 Versus 2021 Amounts

	2020	2021
Standard Deduction		
Single or married filing separately	$12,400	$12,550
Married filing jointly or surviving spouse	$24,800	$25,100
Head of household	$18,650	$18,800
Health Savings Account Limitation		
Single	$3,550	$3,600
Family	$7,100	$7,200
Plus, catch-up contribution for age 55 and over	$1,000	$1,000
401(k) Limitation	$19,500	$19,500
Plus, catch-up contribution for age 50 and over, if permitted by employer plan	$6,500	$6,500
SIMPLE Plan Limitation	$13,500	$13,500
Plus, catch-up contribution for age 50 and over, if permitted by employer plan	$3,000	$3,000
Estate Tax Exemption	$11,580,000	$11,700,000
Foreign Earned Income Exclusion	$107,600	$108,700

Make the Most of Long-Term Capital Gains

- While avoiding or deferring tax may be your primary goal, to the extent there is income to report, the income of choice is long-term capital gain (more than one-year holding period) thanks to the favorable tax rates available. Short-term capital gain is taxed at your ordinary income tax rate.
- If you hold a capital asset for more than one year before selling it, your capital gain is long-term. For many taxpayers, long-term capital gain is taxed at rates of 15 percent, plus state tax.
    - But taxpayers with income below certain limits have a long-term capital gains tax rate of 0 percent – see the chart below. <u>This is a significant benefit for taxpayers of lower income.</u> Children may fall into this category, but there are special rules for taxes on unearned income for dependent children.
    - Taxpayers, whose income exceeds the thresholds set for the now-repealed 39.6 percent ordinary tax rate, are subject to a 20 percent rate on capital gain. See the chart below.
    - If the long-term capital gains rates of 0, 15, or 20 percent are not complicated enough, keep in mind that special rates of 25 percent can apply to certain real estate, and 28 percent to certain collectibles. Also, gains on the sale of certain C corporations held for more than five years can qualify for a 0 percent rate if certain tests are met (see later bullet). Talk to your tax advisor before you assume which long-term capital gains rate would apply. In any event, the 3.8% tax on Net Investment Income could also apply in addition to these capital gains rates.
- Remember, you can use capital losses, including worthless securities and bad debts, to offset capital gains. If capital losses exceed capital gains during the year, you can offset ordinary income by up to $3,000 of your losses. Then you can carry forward any capital losses in excess of a net of $3,000 into the next tax year.
- If you are expecting a significant capital gain in 2021, this is an excellent year to consider deferring some or all of those gains with a Qualified Opportunity Zone investment. The gain is deferred until December 31, 2026, and payable at that time, but QOZ investments that have been in place for five years on that date are eligible for a permanent exclusion of 10 percent of the gain. So, 10 percent of the deferred gain forever escapes tax if the investment is made this year. (Note that the gain deferral does not work for NC state income tax.)
- You should be careful not to violate the “wash sale” rule by buying an asset nearly identical to the one you sold at a loss within 30 days before or after the sale. Otherwise, the wash sale rule will prevent you from claiming the loss immediately. While wash sale losses are deferred, wash sale gains are fully taxable. It is important to discuss the meaning of “nearly” or “substantially” identical assets with your tax advisor.
- The sale of certain stock could produce a gain that can be partially or entirely excluded from federal income by rule. This is known as Section 1202 stock, or qualified small business (“QSB”) stock. Talk to us if you think you have this type of gain.
    - The tests to qualify include –
        - The corporation must be a domestic C-corporation, and the stock must be issued after 8/9/1993 and held for at least five years.
        - All times from 8/9/1993 and through the date of issuance of stock, the gross assets of the corporation must not have exceeded $50 million. Also, immediately after issuance, aggregate gross assets must not exceed $50 million.

    - The stock must have been acquired directly from the issuer (not from another stockholder). Stock acquired from the original owner through gifts maintain their character as Section 1202 Stock.
    - At least 80% of the corporation's assets must have been used in the active conduct of a trade or business, during substantially all of the shareholder's holding period.
    - At least 80% of the assets of the corporation must be used in one or more qualified businesses, which excludes banking/finance, farming, mining/oil, hotels and restaurants, and professional services or similar businesses where the principal asset is the reputation or skill of one or more employees.
  - If these tests are met, the gain on sale of the stock can be excluded as follows, depending on when the stock is acquired –
    - If acquired after 8/9/1993 and before 2/18/2009, the exclusion is 50%.
    - If acquired after 2/17/2009 and before 9/28/2010, the exclusion is 75%.
    - If acquired after 9/27/2010, the exclusion is 100%.
  - The gain available for exclusion is limited to the greater of –
    - $10 million (reduced by eligible gain taken in prior years) and
    - 10 times the basis of the QSB stock sold during that year.

Long-Term Capital Gains Rate Brackets				
	Single	Joint	Head of Household	Trusts
0% bracket	**$0 – $40,400**	**$0 - $80,800**	**$0 - $54,100**	**$0 - $2,700**
15% bracket begins	**$40,401**	**$80,801**	**$54,101**	**$2,701**
20% bracket begins	**$445,851**	**$501,601**	**$473,751**	**$13,251**

Note that the 3.8% tax on Net Investment Income may apply also. In addition, consider state income tax.

Charitable Deductions

As most taxpayers are aware, federal tax law allows a deduction for contributions made to qualified IRS tax-exempt organizations. Before making such contributions, however, you should become familiar with some of the laws and limitations on contributions, so you can maximize the tax benefit of the deduction.

The contribution must be made to a qualified IRS tax-exempt organization. The IRS maintains an online tool **(http://tinyurl.com/a72f74x)** that simplifies the search for organizations that meet the criteria.

It should be noted that churches are generally not on this list as they are automatically exempt. In addition, note that nonprofit status is granted by the state when the organization applies for its corporate charter as a nonprofit organization. Tax-exempt status is granted by the IRS upon application, after formative approval by the state.

The donor cannot exercise undue control over the contribution. For example, you cannot make a contribution to a church, specifying that the funds be used to pay the medical bills of a good friend. A contribution may be made to the church benevolent fund with an expressed preference that the funds be used to help your friend, but the request may not be a condition of the gift.

The contribution must be made by December 31 of that year. A check mailed with a December 31 postmark is acceptable. A credit card charge is deductible when charged, not when the credit card bill is paid. The organization cannot "hold the books open" for a few days after the end of the year and credit those contributions to the year just ended. Be sure to keep a receipt of all contributions of $250 or more. For contributions over $250, you must have a written statement from the charity that no goods or services were received. This receipt must be received prior to filing your tax return.

There are limitations on the number of charitable contributions that you may deduct. For individuals, the limit was 60 percent of AGI or 30 percent of AGI if the donation is capital gain property. Any excess may be carried over for up to five future years. For 2020 and 2021 only, this limit can be 100% for cash charitable contributions, at the taxpayer's option. Contributions may also be limited if the qualified organization is not considered by the IRS to be a 60 percent limit organization. This includes contributions to veterans' organizations, fraternal societies, nonprofit cemeteries, and certain private nonoperating foundations. Contributions made to these organizations are subject to a limit of 30 percent of AGI or 20 percent of AGI if the donation is capital gain. At the website listed above, the IRS indicates whether or not contributions to certain organizations are subject to these additional limitations.

It is a good strategy to keep a running list of your charitable contributions so you can be prepared to speed up or delay any contributions to maximize your deductions. Along this same line, keeping tabs on your total income for the year in case you will be subject to the phase-out provisions, will enable you to plan properly.

If you plan to contribute appreciated capital gain property, you will achieve the maximum benefit if the property is long-term – property held for more than 12 months.

- You can normally deduct the fair market value of the contribution rather than the cost basis. If held for 12 months or less, the deduction is limited to the basis in the property.
- Even if you want to keep the investment, consider gifting the qualifying property and using your charitable cash to purchase a replacement investment. You would be made whole, with a new 12-month long-term holding period to meet, but you have increased your investment basis in the meantime.

Do not give securities that have depreciated, as your deduction is limited to the lower fair market value. You would be better off to sell the security, take your loss, and contribute the net cash to charity.

While those over age 70½ can direct IRA withdrawals up to $100,000 to charity, which can work well, arguably the gift of appreciated stock is an even better idea since you get a full deduction without reporting the appreciation as income. But with the expanded standard deduction in place, remember, you must be able to itemize for this plan to work.

Before making such a contribution, you should ascertain that the property does qualify for deduction of the fair market value and is, in fact, appreciated property.

This overview provides some of the laws and strategies for deriving the maximum tax benefit from charitable contributions. Before making significant contributions, you would be wise to consult with us to assure that you are maximizing the benefit.

Timing Income and Expenses Can Be An Important Tax Reduction Strategy

The marginal tax rates are the same in 2021 versus 2020 and 2019, with modest bracket adjustments for inflation. So deferring income and accelerating deductions benefits you primarily by delaying the time when the tax is due. Thus, generally it does not significantly change the amount of tax unless your net taxable income is dramatically different in one of these years.

A good general approach is to try to focus the deductions on the higher income year(s), and to trigger the income in the lower income year(s). Thus, defer income into next year and accelerate deductions into this year if you expect to be in a lower tax bracket through 2025 under current law. But if the reverse is your expectation, consider accelerating the income into 2021 and deferring deductions into the future.

Income that you could delay into 2022 include:

- Collecting rents
- Receiving payments for services
- Accepting a year-end bonus
- Collecting business debts

But be careful of constructive receipt rules, which say that the amount is income when you could have received it but chose not to.

And if you itemize deductions, consider prepaying some of your 2022 tax-deductible expenses in 2021. With the increased standard deduction, it may be beneficial to bunch itemized deductions (taxes, contributions, medical expenses) into one year and then take the standard deduction the following year.

Individuals usually account for taxes using the cash method. As a cash method taxpayer, you can deduct expenses when you pay them or charge them to your credit card. Expenses paid by credit card are considered paid in the year they are incurred, so this may be a way to accelerate deductions if you do not have the cash to do so.

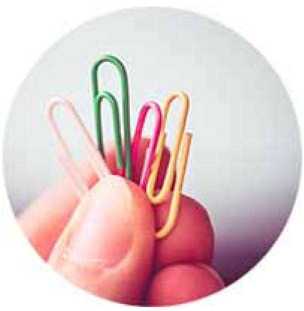
These lower tax rates remain through 2025 under current law. If you believe that rates will revert to the old system in 2026, or a tax increase will be enacted for 2022, consider Roth 401(k)s and Roth IRAs while rates are lower, and the benefits of the lost deduction are lower.

In addition to charitable contributions discussed earlier, you should decide whether it would be beneficial for you to prepay the following expenses:

- **State and local income taxes** – You may prepay any state and local income taxes normally due on January 15, 2022, if you do not expect to be subject to the AMT in 2021, or limited by the $10,000 cap on tax deductions. If either of these limitations apply, the long-standing strategy of prepaying your state taxes simply no longer works.
- **Real estate taxes** – In 2021, you can prepay any real estate tax due early in 2022, but the same limitations apply as in the prior point.

- **Mortgage interest** – Your ability to deduct prepaid interest has limits. To the extent your January mortgage payment reflects interest accrued, as of December 31, 2021, a payment before year end will secure the interest deduction in 2021. However, note that this technique really only works once. Deducting a 13th monthly payment in 2021 leaves you only 11 payments to deduct in 2022, thus you are forced to continue to prepay the next January payment just to keep 12 months of deductions in future years.
- **Margin interest** – If you bought securities on margin, any interest accrued, as of December 31, 2021, will be deductible in 2021 only if you actually pay the interest by December 31 (subject to the investment interest limitation rules).

Stay on Top of Your Tax Payments



If you expect to be subject to an underpayment penalty for failure to pay your 2021 tax liability on a timely basis, consider increasing your withholding between now and the end of the year to reduce or eliminate the penalty. Increasing your final estimated tax deposit due January 15, 2022, may reduce the amount of the penalty, but unlikely to eliminate it entirely.

Withholding, even if done on the last day of the tax year, is deemed withheld ratably throughout the tax year. For federal taxes, underpayment penalties can be avoided when total withholdings and estimated tax payments exceed the 2020 tax liability, or in the case of higher-income taxpayers, 110 percent of 2020 tax. Ask us which rule applies to you. For NC tax, the rule is the same except you can replace “110 percent of 2020 tax” with “100 percent.”

North Carolina Taxes

For North Carolina residents, your personal income tax rate will be 5.25% in 2021, unchanged from recent years. The basic mechanics of the computation of taxable income will be similar to 2020. But please watch for expected tax developments from Raleigh, not available as of this writing.

Conclusion

The U.S. Tax Code is incredibly complex and can change rapidly, even though it may sometimes seem to be moving along at a snail’s pace. This complexity has given rise to more calls for simplification, such as the Tax Cuts and Jobs Act of 2017. This Act made the Code simpler in some ways, but more complicated in others.

With such complexity in the tax code, a CPA is better able to keep abreast of the changes and can prepare taxes in a manner that determines a taxpayer’s minimum legal tax liability. However, minimizing tax liability started last week, last month, or even last year. Tax planning is a constant in today’s complex world.

Serving Clients Throughout North Carolina and Beyond

CPAmerica Member Crowe Global

While our offices are physically located in North Carolina, we assist clients with tax reporting matters in practically every jurisdiction in the country, as well as many foreign countries. Where we do not have the first-hand contacts and experience, we rely on associate firms through our CPAmerica association, both nationwide and worldwide. We bring you the access, knowledge, and experience of much larger firms while providing you with the customized service and familiar faces you know and trust.

In closing, DMJ & Co., PLLC is committed to improving our connection with each client. We encourage you to stay in contact and learn more about our services and relevant news by following us at:

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Receive monthly email updates and relevant tax news by joining our mailing list.

Sincerely,

DMJ & Co., PLLC

Certified Public Accountants