

2022 has been a year of minimal changes to tax laws. However, enforcement efforts by the IRS are increasing and we are particularly aware of audit activity involving ERTC (Employee Retention Tax Credits) and employees misclassified as subcontractors. These two areas deserve more attention on your part. For individuals that you treat as subcontractors make sure your relationship does not have your company essentially providing all of their work, income, and work hours. Please feel free to discuss this with us.

Regarding the ERTC, if you have used a third party to obtain this credit, you are required to amend prior year tax returns and with the rampant fraud and misleading claims by third parties we would also suggest you contact us immediately if you have obtained such a credit. Bluntly, unless your sales revenues dropped substantially (50% in 2020 or 20% in 2021) there is a good chance you did not qualify for ERTC, no matter what you have heard or been told. Again, the fraud is rampant so be prepared.

Another area of increased tax exposure comes from an unexpected source: the internet. If you are selling goods or services out of state over the internet, or if you have employees working out of state you may need to file sales tax and/or income tax returns in those states. This is not something we normally prepare unless you tell us about out-of-state activity, so if this is going on in your business please speak with us about out of state activity.

Finally, please let us remind you of these annual payroll reporting requirements:

- Employee personal use of company vehicles,
- Employer paid health insurance for employees for W-2 purposes,
- Employer paid health savings account deposits for W-2 purposes

- Employer paid childcare expenses for W-2 purposes,
- Employer paid education plans and term life insurance for W-2 purposes,
- Employer contributions to employee pension plans.

Special File Update Information:

1. ___ Has there been a change in ownership this year? If so, please provide new owner identification information, dates and percentages.
2. ___ Have you opened or closed any locations this year-please provide that information as to physical address.
3. ___ Please provide us a list with information of your owners email addresses and cell phone numbers.
4. ___ Please provide us with your website address:

Additionally, make sure you have considered sales and income tax registration, collection and filing requirements in other states.

Normal year end information needed for 2022:

1. ___ **Copies** of any new bank **loans** obtained during the year,
2. ___ **Copies** of any new **leases** signed during the year,
3. ___ List by date, amount and individual of any new investments made into the company this year by the owners,
4. ___ **Copies** of any federal or state **tax correspondence received** during the year,
5. ___ **Copies** of any **equipment purchase** invoices over \$500,
6. ___ Loan payoffs, by loan number, of all business loans at December 31, 2022
7. ___ Copies of your year-end bank reconciliation(s) and bank statements,
8. ___ 12/31/22 Year End Balances of:
 - o Accounts Receivable \$ _____,
 - o Cost of Inventory on Hand \$ _____,
 - o Accounts Payable \$ _____,
 - o Unpaid 941 Deposit for December \$ _____,
 - o Unpaid State(s) Withholding deposits for December \$ _____,
 - o Unpaid Sales tax for December \$ _____,
 - o Unpaid wages earned through 12/31/22 \$ _____
9. ___ The enclosed engagement letter needs to be signed and returned,

10. ___ Year-end summary of business activity-back up, online access or hard copy (Accounting software back-up, trial balance, etc.),
11. ___ Sales breakdown by state and city if applicable (Call us to determine),
12. ___ **Copies** of all 4 quarters **Form 941**, and **2021 W-2's** issued to employees.
13. ___ All Forms 1099-K received

The amounts included above and attached represent my company's amounts as requested.

Signature