Montgomery Accounting, P.C.

Montgomery Accounting, PC
Tax Division
15514 Summit Park Drive Suite 503
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January 13, 2025

Subject: 2024 Tax Return Organizers and Information

Greetings! It's time to start preparing your 2024 Tax Returns!

We are starting the new year with several new staff members who are experienced and ready to help support all of your tax, tax planning, tax resolution and bookkeeping needs. James Montgomery has returned as the Client Coordinator. Amber Maglitto is our new Tax/Tax Resolution Coordinator, Joni Connery is our Bookkeeping Manager and Erica Henderson is a project bookkeeper. We are all eagerly anticipating a great tax season this year for you!

Following is our tax return policies for the year as well as some other pertinent information.

1. **Organizers:** Enclosed are blank Tax Return Organizers for the four main types of tax returns. The 1040 Organizer is for individuals, while the 1065, 1120S and 1120 are for businesses. You are welcome to print the appropriate organizer(s) and complete them to make sure you are submitting all the documents required and are taking advantage of the deductions that you are authorized.

2. **Documents:** When you have gathered all of your tax documents, please either bring them to our office or load them to our shared Canopy Portal. If you bring your documents personally, please call ahead and make an appointment. If you would like to load them to our Canopy Portal and need access, please contact James or Amber and they can send you an invite.

3. **Retainer:** We will be charging a $250 retainer this year for tax returns. This amount will be applied to your final return total. Those with low-income returns, such as seniors with only Social Security income, will be charged a $100 retainer.

4. **Final Payment Required Before Filing:** We require that your tax return be paid in full before we file it with the IRS. We will send you an invoice when we email the final return for signature or present you an invoice when you come into the office to sign the return.

5. **Engagement Plans:** Once we receive your documents, we request that you sign an Engagement Plan, which is a contract for services.

6. **IRS Power of Attorney**: Due to the large number of letters that we expect the IRS to send out this year nationwide, we are gathering signatures from all individual and business clients on the IRS Form 2848, Power of Attorney to submit to the IRS. This will speed up our interactions on your behalf with the IRS if needed, and it should ensure that we also receive copies of any documents that the IRS sends to you so we can get ahead of any issues.

7. **Client Care Packages**: We will be offering Client Care Packages/Audit Protection which will cover your 2024 income tax return for IRS and/or State correspondence. This fee will be added to your tax return. The Package includes up to three hours of representation on compliance issues for a cost between $100-$250 per return, depending on your return's complexity. Time spent working your case above the three hours included in the package will be billed up to $300 per hour. You may opt out, however time spent working on any IRS correspondence will be billed up to $300 an hour. We know this seems like a lot – however we have had to spend an ever increasing amount of time on IRS correspondence, oftentimes on minor and even incorrect issues and reaching the IRS, even with our priority lines, can take hours and multiple calls. We've tried to absorb this cost ourselves, but it has become cost prohibitive. We'll work with you as best as we can on IRS issues – and will be upfront with you on potential costs when we evaluate with you the actions needed on any letters you receive.

8. **Driver's License or Identification:** We will need a copy of the unexpired driver's license or other authorized identification documents, for both the Taxpayer and the Spouse.

9. **Extensions**: We will automatically extend all personal 1040 returns that aren't complete by March 15, 2025. We will also automatically extend all business returns by February 15, 2025. Even if we complete a business return before that date, we will extend it before we file it. This gives your business extra protection if we need to make any unforeseen adjustments to the return between the filing date and the extension date.

10. **Estimated Tax Payments**: The IRS is coming down much harder on individuals and businesses that have balances due with their tax return filing, that did NOT make adequate estimated tax payments each quarter and they are imposing penalties and interest. **The next Estimated Tax Payment due date is 1/15/25.** This would be a good time to make a payment if you feel you will be owing this year. The final date to make a payment to reduce penalties and interest on individual returns is on the original tax return due date of **4/15/25.** Even if you have a valid extension to FILE a return by October 15, 2025, this doesn't mean you have an extension to PAY. The payments are still due by April 15, 2025. **The IRS has a Safe Harbor Rule that states you can avoid penalties if you pay 90% of your 2024 tax liability by the due date or 100% of 2023's tax liability, whichever is smaller.** If you would like us to advise you on your personal or business return situation in regards to estimated taxes, please give us a call to schedule an appointment.

11. **Mileage:** The IRS is increasing their correspondence audits on mileage, which means they could send a letter asking for your back up documentation on miles driven and vehicle expenses. The best course of action if you are using your vehicles in your business is to set up a program this year to track your mileage. We have mileage books in our office – but there are also great phone apps on the market too, such as MileIQ to help you with this. Keeping a calendar of your business trips helps too. At a minimum – please write down your starting mileage for January when you read this letter, so you have a starting point for 2025 forward as well as an ending point for 2024.

12. **Accountable Plan**: If you have an S Corp or C Corp (and in some cases a Partnership), you should be completing an Accountable Plan for reimbursable business expenses that were spent from your personal accounts. Please contact our office if you'd like more information on this plan for your state registered business.

13. **Beneficial Ownership Information (BOI) Report**: The BOI Report is a new federal reporting requirement for all businesses that are registered in a State. The purpose is to report who the owners of the businesses are, including filing a copy of their driver's licenses, to help identify anonymous shell companies that are participating in drug, weapons, human trafficking and other illegal activities. Noncompliance with filing the report can result in $591 a day fines, $10,000 in penalties and a felony charge. We are filing this report for our clients' businesses for $300. The BOI Report had an injunction filed against it late last year to stop it's enforcement. The injunction was lifted at the end of the year, requiring it to be filed by Jan 13, 2025. Then days later another injunction was issued meaning compliance is currently voluntary. The case is now being presented to possibly go in front of the Supreme Court soon. In the meantime, we advise all clients to file the report. If you file the report yourself for your registered business, please provide us a copy so we can ensure all of our clients are covered.

Once again, when you have your documents ready to start your tax return, please either bring them by our office or load them to our Canopy Portal. If you bring them to the office, please call to make an appointment, so we have time set aside to have you sign the Engagement Plan and the IRS Power of Attorney, make a copy of your driver's licenses and receive payment for the Retainer. We'll also do a preliminary review of your Organizer to ensure we have your updated personal information for you and your immediate family.

If you are a new client this year – welcome! Please also provide us with a copy of your last tax return that was filed.

If you have any questions, please feel free to contact me at (936) 828-4720 or at roxi.montgomery@cpa.com. We're looking forward to working with you this year!

Sincerely,

Rosanna "Roxi" Montgomery
CPA, MBA
President

Enclosures:
1. 1040 Personal Return Organizer
2. 1065 Partnership Return Organizer
3. 1120S S Corporation Return Organizer
4. 1120 C Corporation Return Organizer