



January 4, 2021

Re: Consolidated Appropriation Act of 2021

Dear Client:

Happy New Year! 2020 was a difficult year for all of us. I want to commend you for weathering through the storm. With the vaccines becoming widely available, we hope to see the returning to normalcy by the early summer.

On December 21, 2020, the House passed amendment to the Senate Amendment to H.R. 133, Consolidated Appropriation Act of 2021 (CAA21).

<https://rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-116HR133SA-RCP-116-68.pdf>

On December 27, 2020, the President signed into law H.R. 133, CAA21.

<https://www.whitehouse.gov/briefings-statements/bill-announcement-122720/>

Although the House amendment to increase individual recovery rebate to \$2,000 from \$600 is stalled in the Senate, the CAA21 is now law and most eligible taxpayers or social security recipients, not required to file tax returns, will begin receiving \$600 recovery rebate.

Key provisions of CAA21 are:

1. COVID-related Tax Relief Act of 2020, Division N, Title II, Subtitle B of CAA21, (“COVIDTRA”), and
2. Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, Division N, Title III of CAA21, (“Relief Act”).

Summaries of COVIDTRA can be found at:

1. **Tax Foundation**, <https://taxfoundation.org/covid-19-relief-package-faq-covid-relief/>,
2. **Journal of Accountancy**, <https://www.journalofaccountancy.com/news/2020/dec/tax-provisions-in-covid-19-relief-bill-ppp-and-business-meal-deductibility.html>, and
3. Crowe, our affiliate firm of CPAConnect, <https://www.crowe.com/insights/tax-news-highlights/massive-year-end-stimulus-bill-contains-numerous-tax-provisions>

The two significant provisions of COVIDTRA are:

1. Deductibility of PPP related expenses, which supersedes IRS position of denying deduction on business expenses cover by forgiven PPP loan. However, California continues to prohibit taxpayers from claiming any deductions or credits for expenses that are paid with forgiven PPP loan amounts, AB1577 (Ch. 20-39). Other states similarly deny deduction of expense paid by forgiven PPP loan. Please check with the state that you reside in on this issue, and
2. Business meal expenses are now 100% deductible instead of previously allowed 50% until end of 2022, as long as restaurants provide such meals.

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Under the Relief Act, the second PPP loan program will be starting soon. The differences from the first PPP program are as follow:

1. A decrease of 25% in gross receipts, during any quarters in 2020 compared to the same quarter 2019, must be demonstrated to be eligible,
2. Must employ less than 300 employees,
3. Loan limited to \$2 million, and
4. For NAICS 72 (Accommodation and Food Services) businesses, the maximum amount of loan is 3.5 times, instead of 2.5 applicable to all other eligible borrowers, of the average total monthly payments for payroll costs.

In addition, the Relief Act has increased the government participation of SBA loans and lowered the fees on such loans. This assistance is making the SBA loans more appealing for the financial institutions to give out to struggling businesses due to COVID-19. I have been told that as long as a business can demonstrated that it was a strong business before COVID-19, the financial institutions will lend to struggling businesses. Since the definition of strong business will vary from banks to banks, understanding the federal government's assistance to financial institutions will help in your negotiation of the SBA loans with them. <https://www.uschamber.com/report/guide-small-business-covid-19-emergency-loans>

With the resurgence of COVID-19, we will be practicing contactless tax interviews as much as possible.

In-person interview and tax returns processing:

If you must come into our office, we ask that you follow our building requirements:

1. Wear mask,
2. Stay six feet apart as much as possible,
3. Sign in when you come to our office for contact tracing purposes,
4. If you have a fever, please stay home and use our contactless tax interview and tax return processing,
5. Call us at 562-865-2727 x10 when you arrive and stay in your car until we call you on your cellphone (all chairs will be taken out in the lobby),
6. Only one person per interview could come in,
7. Mail in or drop off your information in our receiving box in the lobby with your email or phone number. We will acknowledge receiving your information receiving via email or phone call,
8. Pick up your tax returns but leave our office, as soon as you do so, or we could mail your tax returns package to you, please let us know which you prefer,
9. You have following options in returning signed documents and our fee payment:
 - a. Sign and mail or drop off your efile authorization forms and two (2) admin forms, along with our fee payment,
 - b. Fax at 562-865-2760 your signed efile authorization forms and two (2) admin forms, with mailing us our fee payment,
 - c. Upload your signed efile authorization forms and two (2) admin forms and credit card authorization form for our fee,



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Contactless tax interview and tax returns processing:

1. If you drop off your information, we will call or do Zoom Meeting to ask for additional information and/or to go over your tax returns,
2. If you wish to share your information via internet, please use our secured web portal (ShareFile or another portal to replace ShareFile),
3. A set time will be scheduled to go over the information that you provide between you and tax preparer,
4. Upload signed documents and credit card information to our secured web portal or mail in your signed documents with a check for our fee payment,
5. You could also digitally sign your tax returns (even on your smartphone) and call us with your credit card information for your fees, and
6. We can set up your tax payments for the current year and 2021 estimated tax payments so that they are directly taken out of your bank account, as long as you provide us with your bank account information. Such instructions to us must be in writing and must be provided to us at least five days prior to completing your tax returns.

Use of organizer for individual clients and accounting records for business entity tax returns

During January 2021, we will be mailing and also emailing your 2020 individual tax organizer. The organizer will show what you have provided to us for 2019 tax returns as a reference, to help you enter your 2020 information next to them. There are certain documents that you still need to provide us in addition to the organizer, such as W-2s, 1099s and 1098, but the organizer will be a good place for you to start on your information gathering. If you are unsure of what to put down for 2020 information, simply provide us the documents for us to review.

For business entity tax return clients, we will need information which reconciles to your bank, merchant and credit card accounts, your assigned accountants will be able to help you on this.

We urge you not to provide us with piecemeal information. It takes time for us to get into your file and understand where we stopped and start the work again. This will increase your fee, not to mention frustrations on the part of your tax preparers. Please try to provide us with complete set of information so that we can finish your tax returns in one sitting.

Two weeks prior to March 15th and April 15th

On business entity returns, unless complete information is received at least two weeks prior to March 15th, your business entity tax returns will most likely be put on extension. If your completed information is received during the two weeks prior to March 15th and you want us to finish your tax returns by March 15th, your fees will increase.



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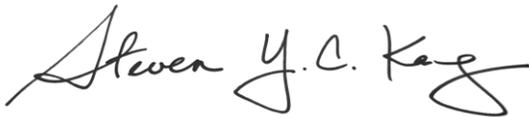
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On individual, trust and C corporate tax returns due on April 15th, unless complete information is received at least two weeks prior to April 15th, your tax returns will most likely be put on extension. If you need to pay your extension payments, we can do so directly from our tax software. We will need your bank information and we can set up auto pay when filing the extensions for you. If complete information is received during the two weeks prior to April 15th and you want us to finish your tax returns by April 15th, your fees will increase.

When you provide us with information, we will try to do a quick review, to let you know on timely basis of missing information.

So, stay healthy, do social distancing and let's flatten the curve.

Sincerely,



Steven Y.C. Kang, CPA
Managing Partner
KSGA, LLP

Proverbs 15:23, To make an apt answer is a joy to a man and a word in season, how good it is!



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