

January 29, 2023

Wishing you a Safe, Healthy and Happy New Year.

Dear Friend,

We got tested in many ways in 2022. I feel a look back is in order, to understand that we do not expect to ever see another year like it. On the Federal side, IRS only answers about 10% of its calls any longer. You cannot get through. At the same time, they are making more processing administrative mistakes than ever before, due to staff shortages, at their processing centers. We have had to write more letters for things last year that should not normally need a letter, like proving you filed your return on time. North Carolina Department of Revenue also had problems. For example, the State decided in 2022 (a year and one half too late) to make Business PPP Grant money not taxable. Instead of sending out refunds to all those taxpayers who overpaid, they required amended returns to be filed, to get their funds back.

Another issue from last year that took us off preparing returns included helping our business clients get refunds (some over \$100,000) of over paid, payroll tax due to a program labeled ERC Credits. It took a lot of work learning the rules on how this program could help business owners who kept employees on payroll during the peak months of Covid in 2020 and 2021. We finally decided to partner with a tax credit firm from Raleigh to help us help those of you who qualified for this refund.

2022 also included NC allowing for the first time, flow through corporations and other flow through entities to pay taxes. However, they took until December to put out the details in a way that could be understood to allow us to recommend the tax savings strategy caused by this change. This allowed us to create significant savings for clients who pay a lot of State taxes but cannot deduct them due to prior law limitations. We spent the summer learning about the issues but only could put it to work for you beginning with the December legislative update.

Congress contributed to last year's perfect storm by passing a tax bill in December again. We will most likely see some delays in IRS & NC being able to process this year's tax returns. This is because they changed the law after all the 2022 tax year Forms have been printed which now need to be changed. Last year due to similar issues they were not able to accept returns until the mid to end of February. This shortens the time we have, to file everyone's return timely.

By now, you get the point of some of the extra issues that occurred last year but not the biggest for why last year was so hard for Kim and I. We caught a bad case of Covid in early February and both missed over three weeks of work, during our busiest time.

Between being so sick, staff changes discussed later, the Federal and State service problems, multiple tax law changes, and the special projects that occurred last year, we are so glad to begin a new year. To help us get ahead of the work for the 2022 tax returns, we have added Kim's daughter Jill to help Micki upfront and with all the extra procedures that electronic filing creates. This change opens up Leslie to help us full time on tax preparation and extensions.

By dividing our tax returns between the three of us (Howard, Kim, and Leslie) we expect to get into each of your files sooner than in the past. I still review all of Leslie and Kim's work before it gets processed

and goes out the door. This improvement allows us to always have at least two people working every day on tax returns, except at extension time in late March and early April. Please note that we have also balanced, the work assignments on the business service side by allowing for some remoting this year by Sandra and Debbie for the first time ever. These changes should keep us lean and mean. We are excited to roll out the 2022 version of "Refunds Are Us".

For those whose returns got caught up in all the disfunctions of last year or whose return got finished later than you would have liked, we hope you understand how much we care not only about the technical tax issues of tax preparation or the accounting issues of financial statement preparation, but we care about the quality of service. We believe the past several Covid years, and all their difficulties, were a deviation from many years of exceptional service and value. If we disappointed you last year, do not expect to be disappointed again. We are more prepared and better suited to serve you than ever before.

To keep this letter short, Howard's usual summation of new tax legislation details and what it means for you, will be posted on our website, and not included as part of this letter. Please note that there were two big tax bills in 2022. The first was part of the Inflation Reduction Act. The majority of the tax changes deal with a variety of renewable energy incentives from larger credits for the contractor who builds an energy efficient home to incentives for purchasing an electric car. The second bill passed just one month ago, (12/29/2022) and is called the Secure Act 2. It deals with retirement issues adding many favorable changes to existing pension rules. Most of these changes will allow you to save more annually for retirement. It also tends to lengthen the period before you must take your funds out, so that your nest egg can grow larger, by being tax deferred longer.

For 2023 and maybe several more years until things get better with regards to the government administration of your return, we are telling you to mail any tax correspondence and returns to IRS and NC Dept. of Revenue with a "Proof of mailing" form that you must save. This is a safeguard in case the IRS or NC ever questions not receiving your returns and a need to submit proof of filing occurs.

TAX SEASON HOURS:

Tax Season Expanded Office Hours beginning February 1st - April 18th will be as follows:

Monday – Friday: 9:00 am - 5:30 pm

Saturday: 10:30 am – 2:30 pm (Starting February 18th)

After tax season, we are open Monday through Friday from 9:00 am – 5:00 pm.

We have decided to mail the Holiday Letter and questionnaire again to each of you this year. After the welcome feedback from clients, most prefer a paper copy mailed rather than viewing it on our website, Gartmancpa.com.

Due to some key changes for this year, the questionnaire has been changed a bit. Although it is similar, please take a minute to complete it, because as you know, each tax year stands alone. Please sign the bottom and return it to us with your tax information. We *cannot* finish your return without this form being completed.

STAFF NEWS:

We would like to welcome the following additions to our office team. Micki Ford is our new Office Manager and overall, Director of Wonderful. She has many years of experience in corporate settings as an administrative professional.

Jill McIlwain (Kim's daughter) as mentioned previously is our new Administrative Assistant and will be handling the scanning of tax documents and uploading/downloading information into our client portal. She is currently attending Sandhills Community College.

Samantha (Sam) Bloss and Bianca (Bee) Ellerbee have joined our accounting team coming from the field of banking. Interestingly, both Sam and Bee wanted to use their degrees in accounting more than they were able to at the banks where they worked. The bank's combined loss of these two young superstars is our gain.

In December, Josue completed his four-year accounting degree and has since relocated to Charlotte to pursue a career in auditing (which we do not do) with a larger firm. We wish him the best in his new position. He will be missed by us all.

Jackie McLeod, who has been with our firm for 13 years retired from public accounting on January 26th. Her excellence in detail and client service over the years is unmatched, and she also will be very missed by all of us who knew and worked with her.

THE LIGHTER SIDE:

A tax joke:

Have you seen IRS's new motto: We are not happy until you are not happy!

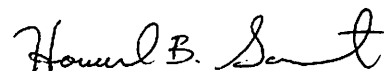
An accounting joke:

What did the asset say to the liability? I don't want to die "a loan".

Thank you for selecting our Firm for your tax and accounting needs and we look forward to seeing you soon.

Sincerely,

HOWARD GARTMAN CPA, PA.

A handwritten signature in black ink that reads "Howard B. Gartman". The signature is fluid and cursive, with the first name "Howard" and last name "Gartman" being more prominent than the middle initial "B.".

Howard B. Gartman