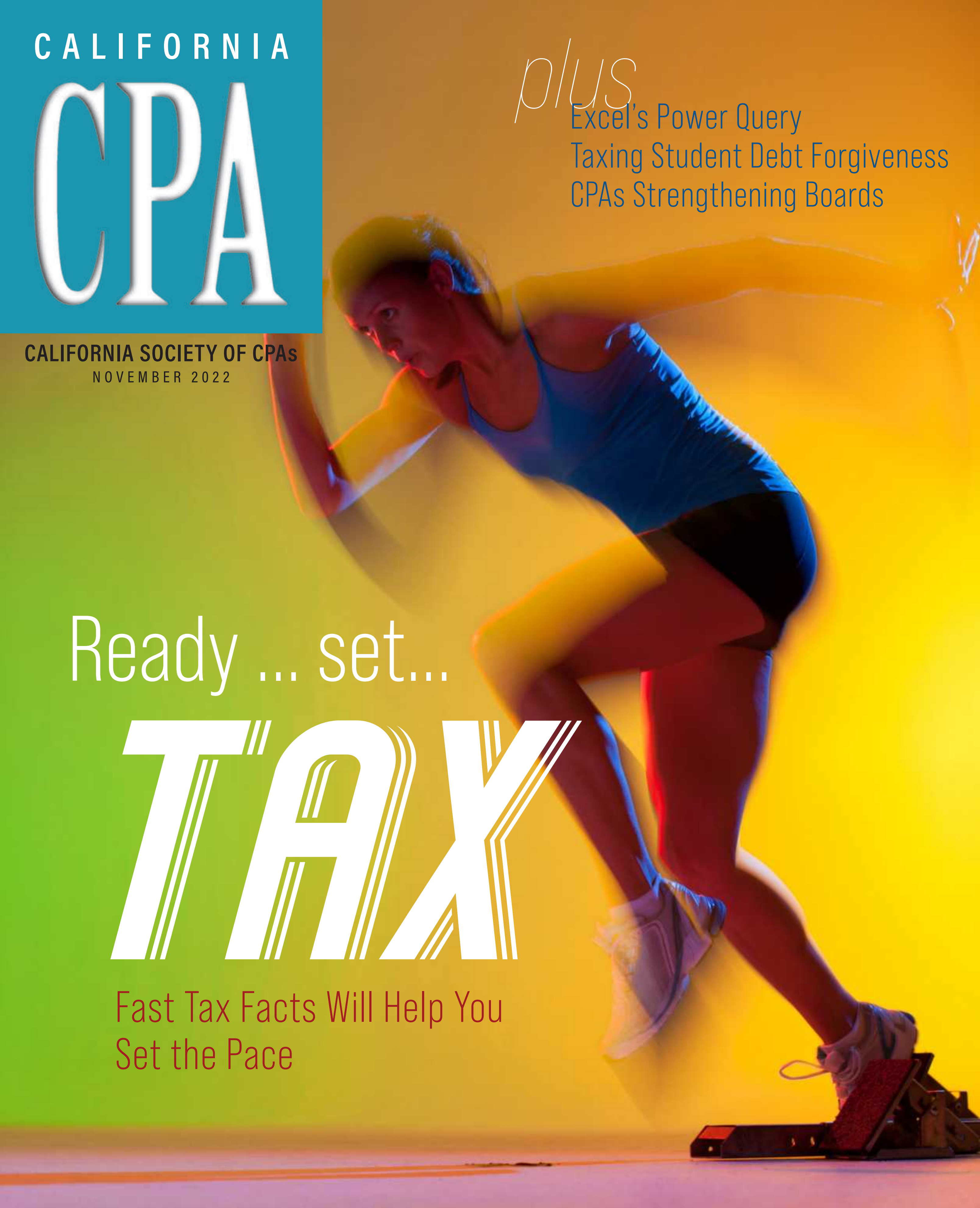
brainfood

FEED YOUR NEED TO KNOW MORE.

# LEARNING PLANNER

## See Upcoming Events

CalCPA



# CALIFORNIA CPA

CALIFORNIA SOCIETY OF CPAs
NOVEMBER 2022

plus
Excel's Power Query
Taxing Student Debt Forgiveness
CPAs Strengthening Boards

## Ready ... set... TAX

Fast Tax Facts Will Help You Set the Pace

CalCPA

# The CalCPA Career Center connects employers with premier CPAs and financial professionals


**Post your job** where the industry's most qualified CPAs and financial professionals go to advance their careers.

Have your open positions emailed directly to CalCPA job seekers via our exclusive **Job Flash™** email.

Find your next great hire. Search our **Resume Bank** using robust filters to narrow your candidate search.

For pricing and packages visit

**cpajobs.calcpa.org**


CPACHARGE
AN AFFINIPAY SOLUTION
+
CalCPA
Member Benefit Provider
"CPACharge has made it easy and inexpensive to accept payments via credit card. I'm getting paid faster, and clients are able to pay their bills with no hassles.
– Cantor Forensic Accounting, PLLC
Trusted by accounting industry professionals nationwide, CPACharge is a simple, web-based solution that allows you to securely accept client credit and eCheck payments from anywhere.
22% increase in cash flow with online payments
PAY
65% of consumers prefer to pay electronically
62% of bills sent online are paid in 24 hours
PAYMENT RECEIVED
ARCHITECT FIRM LOGO
Client Invoice #0123-A
Your Client
**** **** **** 9995
***
TOTAL: $3,000.00
VISA
AM EX
POWERED BY CPACHARGE
eCheck
DISCOVER
PAY CPA
Get started with CPACharge today
cpacharge.com/calcpa
866-327-0321
CPACharge is a registered agent of Synovus Bank, Columbus, GA., and Fifth Third Bank, N.A., Cincinnati, OH.
AffiniPay customers experienced 22% increase on average in revenue per firm using online billing solutions

# content




“And whether they’re doing the giving or providing financial expertise to help others give, CPAs play a large role.”

november




CALIFORNIA CPA

**californiacpa.calcpa.org**
Volume 91, No. 5, November 2022

**California Society of Certified Public Accountants**

**Vice President, Marketing & Communications**
Matthew Koontz
*matthew.koontz@calcpa.org*

**Associate Director, Communications**
Aldo Maragoni
*aldo.maragoni@calcpa.org*

**Managing Editor**
Damien B.M. English
*damien.english@calcpa.org*

**Marketing Designer**
Elizabeth Everson
*elizabeth.everson@calcpa.org*

**Art Direction & Design**
Lynn LaRocca-Low
*lynnlarocca@gmail.com*

**Offices**
**1710 Gilbreth Road; Burlingame, CA 94010, (800) 922-5272**
330 N. Brand, Suite 1170, Glendale CA 91203, (800) 922-5272
1201 K St., Suite 1000, Sacramento, CA 95814
Fax: (650) 522-3009 • www.calcpa.org

***California CPA*** (ISSN 1530-4035) is published monthly except for February and April by the California Society of Certified Public Accountants, 1710 Gilbreth Road, Burlingame, CA 94010. Periodicals Postage Paid at Burlingame, CA and at additional mailing offices. Members receive *California CPA* regularly. Nonmember subscription rate: $75 per year, or $8.50 per issue; foreign rate: $110 per year. Remit U.S. funds only.



All correspondence pertaining to advertising or nonmember subscriptions should be addressed to the Advertising Department;
POSTMASTER: Send address changes to: *California CPA*; Customer Services; California Society of CPAs; 1710 Gilbreth Road, Burlingame, CA 94010.

Publication of an advertisement in *California CPA* does not constitute endorsement of the product or service by *California CPA* or the California Society of Certified Public Accountants. Items published in *California CPA*, unless otherwise specified, represent the views of the authors and individuals quoted.

# It's Material

Denise LeDuc Froemming, CPA, CAE, MBA
President & CEO
CalCPA and CalCPA Education Foundation

## The Power of Giving

**As we enter** the holiday season many are thinking of family gatherings, festive tables full of food—and paying it forward. Whether it's the giving of gifts, time or money, this is a time when people often step up their generosity.

And whether they're doing the giving or providing financial expertise to help others give, CPAs play a large role.

For example, did you know CalCPA member donations annually fuel more than $300,000 toward scholarships for California college and university students interested in CPA careers? Or contributions to our CPA-PAC help support legislative and statewide candidates—regardless of political affiliation—based on their ability to make a difference for California CPAs and businesses and provide the means to protect the integrity of our profession and improve California's business climate? And let's not forget about contributions, both dollars and time, to CalCPA Institute, which directly fund programs aimed at supporting the future of the profession, financial literacy, student outreach and DE&I initiatives, among other aspects of the profession.

If you're interested in learning more about the above and other programs that we're calling Fund the Future with CalCPA or to donate, visit calcpa.org/fundthefuture.

The giving is not just financial, however, as our members often donate their time and expertise to provide financial literacy presentations, teach courses, serve on nonprofit boards, take on leadership positions within CalCPA or give back in their own ways to their respective communities.

There's no doubt our members take seriously the "Public" in the title, "Certified Public Accountant."

As we enter this season—and move closer to National Philanthropy Day (Nov. 15) and Giving Tuesday (Nov. 29)—CPAs will be tapped by their clients, firms or organizations as they plan year-end donations. Questions like what to donate, how to donate and what organizations qualify for charity donations are ones CPAs are prepared to answer.

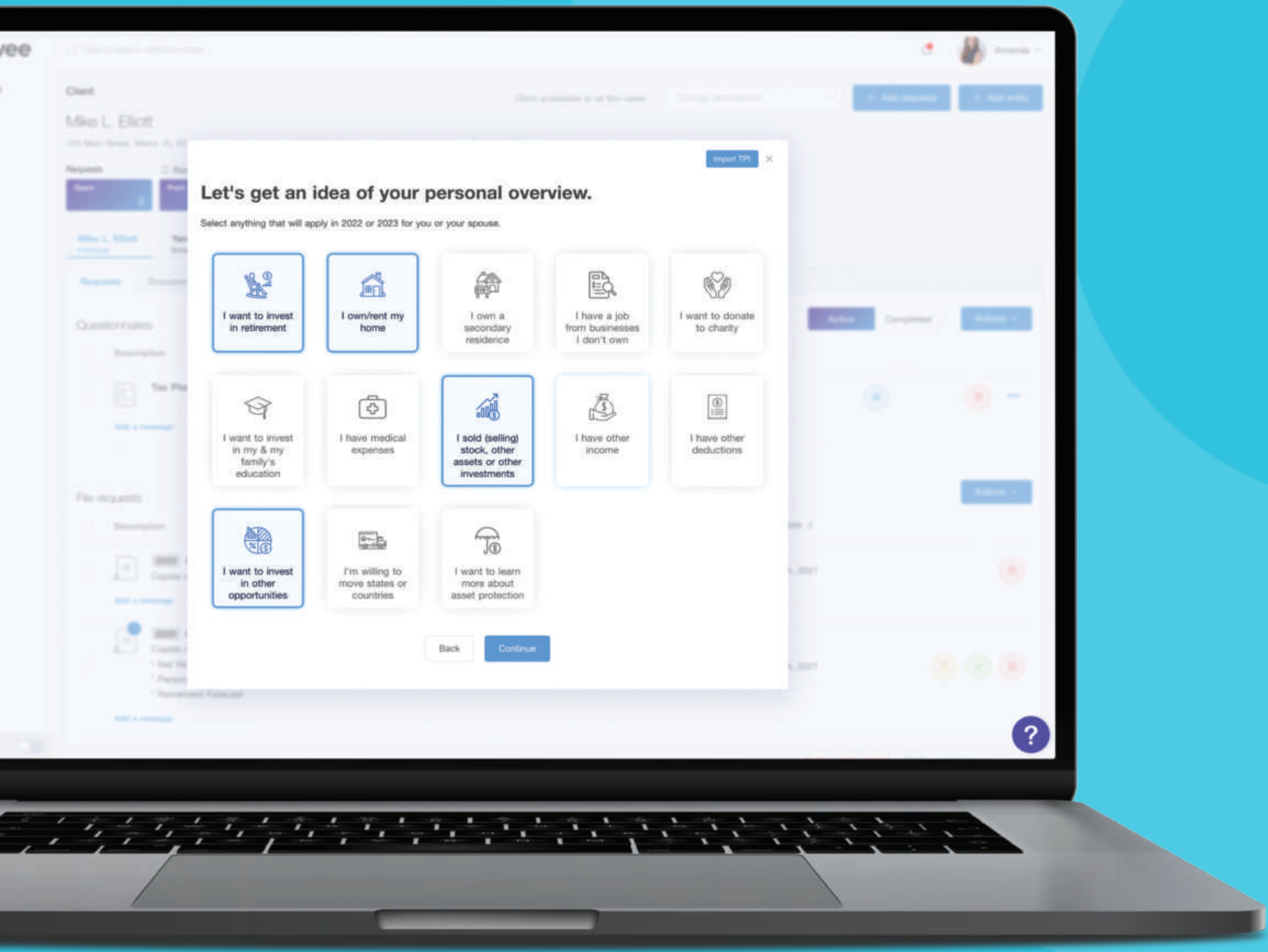
National Philanthropy Day and Giving Tuesday celebrate the importance of working together for the common good. And from the above, it's exciting to see our CalCPA community do just that—whether it's by helping a student pursue their dream of becoming a CPA or volunteering to teach people the importance of financial planning.

If you're interested in giving financial literacy presentations in your community (don't worry, we have all the materials for you), visit calcpa.org/public-resources/financial-literacy. Interested in teaching for the Education Foundation? You can find details at calcpa.org/education/teach-for-calcpa-education-foundation.

Thank you for all you do to showcase the importance of CalCPA and the profession—you truly make a difference!

# Save Clients Money on Taxes

## With Corvee Tax Planning Software




Request Your Demo at **corvee.com/CACPA**

corvee™

# nt

news&trends

> **Many** taxpayers have experienced difficulties with compliance requirements during the current tax season, and practitioners are struggling to help their clients meet these requirements. Guidance is critical to taxpayer compliance with filing requirements, and we are asking the IRS to provide this guidance quickly.
>
> *—AICPA Senior Manager for Tax Policy & Advocacy Arlene Schwartz*

## Growth Spurt ...

### with Some Challenges

When surveyed about their expectations for the next 12 months, CEOs reported:

- **50%** Have a "very strong" expectations about their organization's growth.
- **80%** Expect inflation to influence or disrupt their business strategy.
- **92%** Have built diversity, equity and includsion into their strategic priorities and goals.

*—Deloitte*

## the numbers

**$37K**
The average student load debt.
*—Wallet Hub*

**19M**
The number of Americans who asked the IRS for a tax extension.
*—Wall Street Journal*

**$2,500**
The amount of a training grant California is giving workers who lost jobs during pandemic.
*—CalMatters*

**$60K**
The amount the average American spent in 2021.
*—U.S. Bureau of Labor Statistics*

**31%**
The number of business leaders who described their organization's risk management oversight as "mature" or "robust."
*—ERM Initiative*

**$31 Trillion**
The amount of U.S. National Debt.
*—NY Times*

CANNABIS

# CORNER

## CANNABIS BANKING

One big misconception we often hear is that cannabis only deals in cash. While that used to be the case years ago, things have changed. Today cannabis entities have banking options, albeit limited and expensive.

National banks (also known as federally chartered banks) are approved by the Office of the Comptroller of the Currency (federal agency). Since cannabis is not legal on a federal level, banks with these charters cannot work with cannabis entities.

State banks in California are overseen by the Department of Financial Protection and Innovation (DFPI). These banks are benefiting from the California Cannabis Banking Bill which was signed into law in 2020 which stated that financial institutions are not acting criminally when engaging with a licensed cannabis entity. You can find a list of state-chartered banks at the DFPI's website (https://dfpi.ca.gov/).

Another option is licensed money transiters. In a nutshell, they're an intermediary that allows cannabis entities access to banking services offered by a national bank. Since they are not cannabis touching, they can bank with a national bank so they act as your custodian.

So, banking is an option and it does improve the safety of cannabis operations.

For more, check out the CalCPA Education Foundation's Cannabis Business Virtual Symposium: https://youtu.be/0aE44pxC4kE.

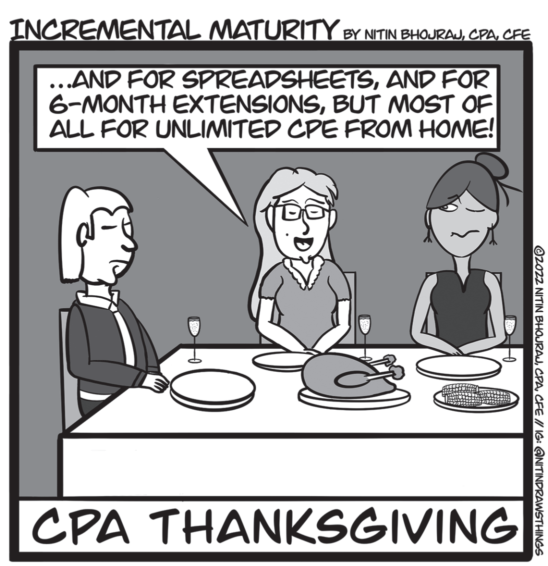
*—Margaret E. Schopp, CPA*

CANNABIS BUSINESS
*VIRTUAL SYMPOSIUM*
NOV. 8–9, 2022


DUE DEC. 31

## WANT TO SERVE ON A STATE COMMITTEE?

Share your expertise, passion and leadership by applying to serve on one of CalCPA's state committees at community.calcpa.org/s/application-forms-list. At-large committee members with expiring terms must re-apply. This does not apply to chapter representatives. Applications are due on Dec. 31 and appointments will be finalized in January/February, with terms beginning May 1.



mm
membermilestones

## ACCOMPLISHMENTS

The *San Fernando Valley Business Journal* named **Mara Garcia** among its CFO to Watch list … The *Los Angeles Business Journal* named **Donna Bateman** (KROST CPAs & Consultants) among its 2022 CFO Award finalists in the Medium Private Company category.

## MEMBERS IN THE NEWS

*CPA Practice Advisor* quoted **Annette Nellen** in a Sept. 15 article on making your firm a better workplace … *Financial Planning* quoted **Larry Pon** in a Sept. 20 article on employee retention credits … The *Journal of Accountancy* quoted **Dalton Sweaney** in a Sept. 21 article on email communication … CNBC quoted **John Schultz** in a Sept. 27 article on cutting tax bills. He was interviewed Sept. 29 by KGO-TV about preparations to take to minimize financial loss in case of a natural disaster and was interviewed by ABC 10 on Oct. 4 on tax extension deadlines.

# CALCPA NEWS

### *Rise & Stride: The Long Game*

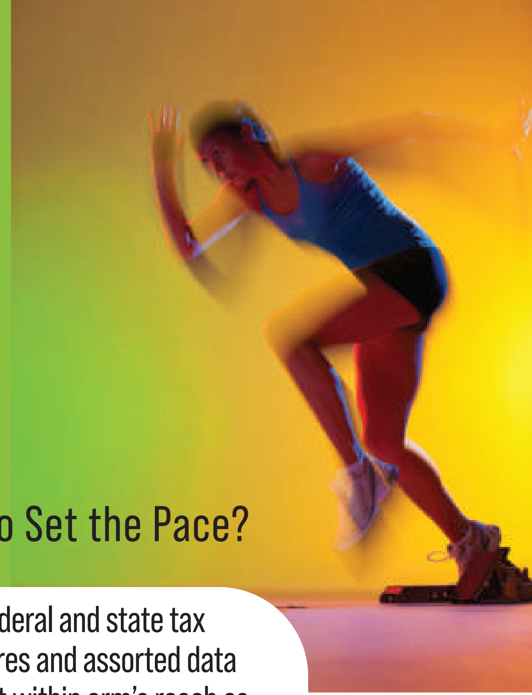
It's easy to get caught up in the here and now when it comes to investing, but CalPERS Managing Director James Andrus stresses it's a long game you want to play—whether as an institution or an individual. Check it out at calcpa.org/riseandsride or find the podcasts on Spotify or Amazon Music.

### *CalCPA, CalCPA Education Foundation & AICPA Council Application Period*

The nominations period for the 2023-24 statewide CalCPA, CalCPA Education Foundation and AICPA Council leadership positions is open. Take advantage of this opportunity to develop critical leadership skills, and a platform to showcase them, at the local and state level. Application deadline is Dec. 2.Visit calcpa.org/leadership/be-a-leader-in-calcpa for more information.



# Ready ... Set... 2022 TAX



## Tax Season Is Here—Are You Ready to Set the Pace?

Welcome to our annual at-a-glance compilation of federal and state tax information. User-friendly tax rate schedules, facts, figures and assorted data make this time-saving section a handy companion. Keep it within arm's reach as you enter the upcoming busy season.

### 2022 TAX DATA SCHEDULE

| | 2022 Federal | 2022 California |
|---|---|---|
| **Standard Deductions** | | |
| Single | $ 12,950 | $5,202 |
| Married Filing Jointly, Surviving Spouse | 25,900 | 10,404 |
| Married Filing Separately | 12,950 | 5,202 |
| Head of Household | 19,400 | 10,404 |
| Additional for Age 65 and Older or Blind—Married | 1,400 | |
| Additional for Age 65 and Older or Blind—Unmarried | 1,750 | |
| (per individual for each situation, age or blind) | | |
| Taxpayer Claimed as a Dependent: | 1,150 | 1,150 |
| **Personal or Dependent Exemption** | Suspended for tax years 2018-2025 | |
| **Maximum Child Tax Credit (qualifying child under age 16)** | | |
| Single/Head of Household/Married Filing Separate | $2,000 | |
| AGI Phaseout: $200,000 - 240,000 | | |
| Married Filing Jointly | 2,000 | |
| AGI Phaseout: $400,000 - 440,000 | | |
| **Refundable Portion of Child Tax Credit** | 1,500 | |
| **"Kiddie Tax" Unearned Income Exemption** | 1,150 | |
| **California Exemption Credits** | | |
| Single, Married Filing Separately, Head of Household | | $140 |
| Married Filing Jointly, Surviving Spouse | | 280 |
| Dependent | | 433 |
| Blind or Age 65 and Older | | 280 |
| **Senior Head of Household Credit** | | |
| 2% of California taxable income, with maximum credit of | | $1,695 |
| California AGI threshold of $89,931 | | |
| **California Joint Custody Head of Household Credit and Dependent Parent Credit** | | |
| 30% of net tax with maximum credit of | | $556 |

| | 2022 Federal | 2022 California |
|---|---|---|
| **California Young Child Tax Credit** | | |
| For children younger than 6 years old on the last day of the tax year | | |
| AGI phaseout $25,000 - $30,000 with a max credit of | | $1,000 |
| **California Renter's Credit** | | |
| Married Filing Jointly, Head of Household, Surviving Spouse if AGI is below $98,440 | | $120 |
| Single or Married Filing Separately if AGI is below $49,220 | | $60 |
| **IRC Section 179 Deduction** | $1,080,000 | $25,000 |
| Sec. 179 Purchase Phaseout | $2,700,000 | $200,000 |
| **Beginning of Personal Exemption Phase-out Range—Based on Federal AGI** | | |
| Single | N/A | $229,908 |
| Married Filing Jointly, Surviving Spouse | N/A | 459,821 |
| Married Filing Separately | N/A | 229,908 |
| Head of Household | N/A | 344,867 |
| **Beginning of Itemized Deduction Phase-out Range—Based on Federal AGI** | | |
| Single | Limitation on federal itemized deductions is suspended for tax years 2018-2025 | $229,908 |
| Married Filing Jointly, Surviving Spouse | | 459,821 |
| Married Filing Separately | | 229,908 |
| Head of Household | | 344,867 |
| Rate Reduced over federal AGI limits | | 6% |
| **Schedule A Medical Deduction** | | |
| Based on federal AGI | 7.5% | 7.5% |
| **Schedule A State & Local Tax Deduction Max** | | |
| Married Filing Separately | $5,000 | N/A |
| All others | 10,000 | N/A |
| **Schedule A Mortgage Interest Cap** | Only ded. on debt up to $750,000* | Only ded. on debt up to $1,000,000 |

*loans entered into before 12/15/17 are not subject to this limitation.

# Fast Tax Facts

| | 2022 Federal | 2022 California |
|---|---|---|
| **Schedule A Miscellaneous Deduction** | Suspended for tax | |
| Based on federal AGI | years 2018-2025 | 2% |
| | | |
| **Alternative Minimum Tax (AMT) Rate** | | |
| AMTI Less Exemption up to $206,100 | 26% | |
| AMTI Less Exemption over $206,100 | | |
| ($103,050 if Married Filing Separately) | 28% | |
| AMTI Less Exemption | | 7% |
| | | |
| **AMT Exemption Amounts** | | |
| Married Filing Jointly, Surviving Spouse | $118,100 | $112,734 |
| Single, Head of Household | 75,900 | 84,550 |
| Married Filing Separately | 59,050 | 56,364 |
| Estate or Trust | 26,500 | 56,364 |
| | | |
| **AMT Exemption Phase-out** | | |
| Married Filing Jointly, Surviving Spouse | $1,079,800 | $422,750 |
| Single, Head of Household | 539,900 | 317,062 |
| Married Filing Separately | 539,900 | 211,371 |
| Estate or Trust | 88,300 | 211,371 |
| | | |
| **199A Overview** | 20% of Qualified | Federal Only |
| Maximum Deduction | Business Income* | |
| *subject to wage and property limitations if AGI is above: | | |
| Married Filing Jointly | $340,100 | |
| Married Filing Separately | 170,050 | |
| All Others | 170,050 | |
| | | |
| **Self-Employed Health Insurance Premiums** | | |
| Adjustment for AGI, percentage of total | | |
| qualifying health insurance premiums | 100% | 100% |
| | | |
| **Auto Standard Mileage Allowances** | | |
| ***(January 1 – June 30, 2022)*** | | |
| Business | .585 | .585 |
| Charity work—general | .14 | .14 |
| Medical or moving | .18 | .18 |
| ***(July 1 – December 31, 2022)*** | | |
| Business | .625 | .625 |
| Charity work—general | .14 | .14 |
| Medical or moving | .22 | .22 |
| | | |
| **U.S. Savings Bond Interest Exclusion Phase-out** | | |
| **Based on Modified AGI** | | |
| Joint Return, Surviving Spouse | $128,650 – 158,650 | |
| All Others | 85,800 - 100,800 | |
| | | |
| **California SDI** | | |
| Federal tax deduction* | | $145,600 |
| Rate | | 1.1% |
| Maximum Tax | | 1,601.60 |

*Amounts paid to a voluntary program in lieu of the state programs are not deductible, but may be a credit on California return.

## 2022 FEDERAL TAX RATE SCHEDULE

| Taxable Income Is Over | But Not Over | Pay | +% Over | Of The Amount |
|---|---|---|---|---|
| **Single** | | | | |
| $0 | $10,275 | $0 | 10% | $0 |
| 10,275 | 41,775 | 1,027.50 | 12% | 10,275 |
| 41,775 | 89,075 | 4,807.50 | 22% | 41,775 |
| 89,075 | 170,050 | 15,213.50 | 24% | 89,075 |
| 170,050 | 215,950 | 34,647.50 | 32% | 170,050 |
| 215,950 | 539,900 | 49,335.50 | 35% | 215,950 |
| 539,900 | and more | 162,718.00 | 37% | 539,900 |
| **Head of Household** | | | | |
| $0 | $14,650 | $0 | 10% | $0 |
| 14,650 | 55,900 | 1,465.00 | 12% | 14,650 |
| 55,900 | 89,050 | 6,415.00 | 22% | 55,900 |
| 89,050 | 170,050 | 13,708.00 | 24% | 89,050 |
| 170,050 | 215,950 | 33,148.00 | 32% | 170,050 |
| 215,950 | 539,900 | 47,836.00 | 35% | 215,950 |
| 539,900 | and more | 161,218.50 | 37% | 539,900 |
| **Married Filing Jointly or Surviving Spouse** | | | | |
| $0 | $20,550 | $0 | 10% | $0 |
| 20,550 | 83,550 | 2,055.00 | 12% | 20,550 |
| 83,550 | 178,150 | 9,615.00 | 22% | 83,550 |
| 178,150 | 340,100 | 30,427.00 | 24% | 178,150 |
| 340,100 | 431,900 | 69,295.00 | 32% | 340,100 |
| 431,900 | 647,850 | 98,671.00 | 35% | 431,900 |
| 647,850 | and more | 174,253.50 | 37% | 647,850 |
| **Married Filing Separately** | | | | |
| $0 | $10,275 | $0 | 10% | $0 |
| 10,275 | 41,775 | 1,027.50 | 12% | 10,275 |
| 41,775 | 89,075 | 4,807.50 | 22% | 41,775 |
| 89,075 | 170,050 | 15,213.50 | 24% | 89,075 |
| 170,050 | 215,950 | 34,647.50 | 32% | 170,050 |
| 215,950 | 323,925 | 49,335.50 | 35% | 215,950 |
| 323,925 | and more | 87,126.75 | 37% | 323,925 |
| **Estate or Nongrantor Trust** | | | | |
| $0 | $2,750 | $0 | 10% | $0 |
| 2,750 | 9,850 | 275.00 | 24% | 2,750 |
| 9,850 | 13,450 | 1,979.00 | 35% | 9,850 |
| 13,450 | and more | 3,239.00 | 37% | 13,450 |

## 2022 STATE TAX RATE SCHEDULE

| Taxable Income Is Over | But Not Over | Pay | +% | Of The Amount Over |
|---|---|---|---|---|
| **Single, Married Filing Separately, or Fiduciary Return** | | | | |
| $0 | $10,099 | $0 | 1.00% | $0 |
| 10,099 | 23,942 | 100.99 | 2.00% | 10,099 |
| 23,942 | 37,788 | 377.85 | 4.00% | 23,942 |
| 37,788 | 52,455 | 931.69 | 6.00% | 37,788 |
| 52,455 | 66,295 | 1,811.71 | 8.00% | 52,455 |
| 66,295 | 338,639 | 2,918.91 | 9.30% | 66,295 |

# Fast Tax Facts

| Taxable Income Is Over | But Not Over | Pay | +% | Of The Amount Over |
|---|---|---|---|---|
| 338,639 | 406,364 | 28,246.90 | 10.30% | 338,639 |
| 406,364 | 677,275 | 35,222.58 | 11.30% | 406,364 |
| 677,275 | and more | 65,835.52 | 12.30% | 677,275 |

An additional 1% surcharge applies to taxable income in excess of $1 million.

**Married Filing Jointly or Surviving Spouse**

| | | | | |
|---|---|---|---|---|
| $0 | $20,198 | $0 | 1.00% | $0 |
| 20,198 | 47,884 | 201.98 | 2.00% | 20,198 |
| 47,884 | 75,576 | 755.70 | 4.00% | 47,884 |
| 75,576 | 104,910 | 1,863.38 | 6.00% | 75,576 |
| 104,910 | 132,590 | 3,623.42 | 8.00% | 104,910 |
| 132,590 | 677,278 | 5,837.82 | 9.30% | 132,590 |
| 677,278 | 812,728 | 56,493.80 | 10.30% | 677,278 |
| 812,728 | 1,354,550 | 70,445.15 | 11.30% | 812,728 |
| 1,354,550 | and more | 131,671.04 | 12.30% | 1,354,550 |

An additional 1% surcharge applies to taxable income in excess of $1 million.

**Head of Household**

| | | | | |
|---|---|---|---|---|
| $0 | $20,212 | $0 | 1.00% | $0 |
| 20,212 | 47,887 | 202.12 | 2.00% | 20,212 |
| 47,887 | 61,730 | 755.62 | 4.00% | 47,887 |
| 61,730 | 76,397 | 1,309.34 | 6.00% | 61,730 |
| 76,397 | 90,240 | 2,189.36 | 8.00% | 76,397 |
| 90,240 | 460,547 | 3,296.80 | 9.30% | 90,240 |
| 460,547 | 552,658 | 37,735.35 | 10.30% | 460,547 |
| 552,658 | 921,095 | 47,222.78 | 11.30% | 552,658 |
| 921,095 | and more | 88,858.16 | 12.30% | 921,095 |

An additional 1% surcharge applies to taxable income in excess of $1 million.

## LUXURY AUTO LIMIT

Depreciation limitations for automobiles acquired after Sept. 27, 2017, and first placed in service during the 2022 calendar year, for which the section 168(k) additional first year depreciation deduction applies.

| Year | First | Second | Third | Thereafter |
|---|---|---|---|---|
| 2022 | $19,200 | 18,000 | 10,800 | 6,460 |

Depreciation limitations for automobiles first placed in service during the 2022 calendar year, for which the section 168(k) additional first year depreciation deduction does not apply.

| Year | First | Second | Third | Thereafter |
|---|---|---|---|---|
| 2022 | $11,200 | 18,000 | 10,800 | 6,460 |

## SOCIAL SECURITY AND MEDICARE TAXES

| | 2021 | 2022 |
|---|---|---|
| **Social Security Tax** | | |
| Maximum wage base | $142,800 | $147,000 |
| Social Security rate - employee | 6.2% | 6.2% |
| Social Security rate - employer | 6.2% | 6.2% |
| Social Security rate - self-employed | 12.4% | 12.4% |
| **Medicare Tax** | | |
| Maximum wage base | Unlimited | Unlimited |
| Medicare rate—employee/employer | 1.45% | 1.45% |
| Medicare rate—self-employed | 2.90% | 2.90% |
| Monthly Medicare Part B Premium | $148.50 | $170.10 |

**Additional Medicare Tax**

An additional 0.9% Medicare tax is imposed on an employee's wages received in excess of

| | | |
|---|---|---|
| Married Filing Jointly | $250,000 | $250,000 |
| Married Filing Separately | 125,000 | 125,000 |
| Qualifying Widower w/ Depend. | 200,000 | 200,000 |
| Single/Head of Household | 200,000 | 200,000 |

**Net Investment Income Tax (NIIT)**

An additional 3.8% tax may be imposed on net investment income if modified AGI is in excess of

| | | |
|---|---|---|
| Married Filing Jointly | $250,000 | $250,000 |
| Married Filing Separately | 125,000 | 125,000 |
| Qualifying Widower w/ Depend. | 250,000 | 250,000 |
| Single/Head of Household | 200,000 | 200,000 |

**Earned Income Ceilings for Social Security Benefits**

| | | |
|---|---|---|
| Under full retirement age | $18,690 | $19,560 |
| Full retirement age | Unlimited | Unlimited |

## RETIREMENT PLAN LIMITATIONS

| | 2021 | 2022 |
|---|---|---|
| Maximum 401(k) or 403(b) Deferral | $19,500 | $20,500 |
| Maximum Defined Contribution Plan or SEP Contribution | 58,000 | 61,000 |
| Maximum Annual Benefit for Defined Benefit Plans | 230,000 | 245,000 |
| Annual Compensation Limit for Computing Plan Benefits | 290,000 | 305,000 |
| Annual Compensation Limit for the Definition of Highly Compensated Employee IRC Section 414(q) | 130,000 | 135,000 |
| Compensation Minimum for SEP plan | 650 | 650 |
| Maximum Contribution for SIMPLE plan | 13,500 | 14,000 |
| Catch-up Contribution for 401(k) or 403(b) for taxpayers age 50 and older | 6,500 | 6,500 |
| Catch-up Contribution for SIMPLE for taxpayers age 50 and older | 3,000 | 3,000 |
| **Key Employee for Top Heavy Purposes:** | | |
| • Officers Earning Over | $185,000 | $200,000 |
| • A more-than-5-percent Owner | N/A | N/A |
| • A more-than-1-percent Owner Earning Over | 150,000 | 150,000 |

## TRADITIONAL & ROTH IRAs

| | 2021 | 2022 |
|---|---|---|
| Contribution Limit | $6,000 | $6,000 |
| Catch-up Contribution age 50 and older | 1,000 | 1,000 |
| **IRA Deduction Phase-out for Active Participants** | | |
| Single or Head of Household | $66,000 - 76,000 | $68,000 - 78,000 |
| Married Filing Jointly | 105,000–125,000 | 109,000–129,000 |
| Married Filing Separately | 0–10,000 | 0–10,000 |
| **IRA Deduction Phase-out for Spousal Contributions** | | |
| Married Filing Jointly | 198,000–208,000 | 204,000–214,000 |
| **Roth IRA Contribution Phase-out** | | |
| Single or Head of Household | $125,000–140,000 | 129,000–144,000 |
| Married Filing Jointly | 198,000–208,000 | 204,000–214,000 |
| Married Filing Separately | 0–10,000 | 0–10,000 |
| **Roth IRA Conversion Phase-out** | | |
| All filing statuses | no AGI Limit | no AGI Limit |

## IRA & PENSION CREDIT

**Saver's Credit Rate applied to maximum contribution of $2,000 and based on AGI**

| Joint Filers | Heads of Household | All Other Filers | Credit Rate |
|---|---|---|---|
| $0 - 41,000 | $0 – 30,750 | $0 - 20,500 | 50% |
| 41,000 - 44,000 | 30,750 – 33,000 | 20,500 – 22,000 | 20% |
| 44,000 - 68,000 | 33,000 – 51,000 | 22,000 – 34,000 | 10% |
| Over 68,000 | Over 51,000 | Over 34,000 | 0% |

## ESTATE & GIFT TAX

| Calendar Year | Estate/GST tax transfer exemption | Highest estate and gift tax rate |
|---|---|---|
| 2021 | $11,700,000 | 40% |
| 2022 | $12,060,000 | 40% |

**Gift tax:**
Annual Gift Limitation of $16,000 for 2022

## EDUCATION-RELATED TAX BENEFITS

**Coverdell Educational Savings Accounts**

| | |
|---|---|
| Annual Contribution Limit | $2,000 |
| Contribution phase-out based on modified AGI | |
| Married Filing Jointly | $190,000-220,000 |
| All Others | 95,000-110,000 |

**Student Loan Interest Deduction**

| | |
|---|---|
| Maximum interest deduction | $2,500 |
| Deduction phase-out based on modified AGI | |
| Married Filing Jointly | $145,000–175,000 |
| All Others | 70,000–85,000 |

**American Opportunity Tax Credit**

| | |
|---|---|
| Maximum Credit | $2,500 |
| Credit phase-out based on modified AGI | |
| Married Filing Jointly | $160,000–180,000 |
| All Others | 80,000–90,000 |

**Lifetime Learning Credit**

| | |
|---|---|
| Maximum Credit | $2,000 |
| Credit phase-out based on modified AGI | |
| Married Filing Jointly | $160,000–80,000 |
| All Others | 80,000-90,000 |

*Thanks to **Brooke Sigler, CPA**, and **Matthew Whipple, CPA** of Windes (windes.com), as well as the FTB (ftb.ca.gov) for compiling this information.*

## Important Phone Numbers

**Tax Practitioner Hotlines**

IRS Priority Service (866) 860-4259
FTB (916) 845-7057
FTB Fax (916) 845-9300
FTB e-file (916) 845-0353
EDD (888) 745-3886
CDTFA (800) 401-3661

**Application for Taxpayer ID Number**

Federal Form SS-4 Online: www.irs.gov/businesses *
Federal Form SS-4 Fax (855) 641-6935
EDD Form DE 1 Fax (916) 654-9211
EDD Form DE 1 Online:
edd.ca.gov/payroll_taxes/save_time_and_register_online.htm

*For Federal Form SS-4 Phone: IRS no longer issues EINs by telephone for domestic taxpayers. Only international applicants can receive an EIN by telephone.

# BE SEEN

**Get out and enjoy CalCPA events!** It's time to catch up with former connections and make new ones. Make sure you're seen at these fantastic events.

Don't see the event you want to attend? Looking for something closer to home? Check out our ever-updating list of programs at **calcpa.org/chapterevents**

### EB Emerging Professionals: Backyard Game Night

**NOV. 3**

The East Bay Chapter will host its 2nd Emerging Professionals networking event at Nido's Backyard! This is the perfect opportunity to network and meet other young emerging professionals like yourself. If you have a competitive spirit and love to play games, come on out and join us for an evening of fun accompanied by food and drinks! The capacity for this event is limited, so register as soon as you can!.

**Calcpa.org/EBBackyard**

### IE Chapter Holiday Party 2022: Mix and Mingle

**NOV. 30**

It's time to Mix and Mingle holiday style! It will be a night of bowling, foosball, and of course, networking and schmoozing. Join fellow Inland Empire chapter members for the second annual Chapter Holiday Party! Remember the year that has passed, and strategize for the year(s) to come!

**Calcpa.org/IEMixNMingle**

CalCPA

BY CATHLEEN A. BUCHOLTZ, CPA, STEVEN SWAIGENBAUM, CPA
& MATTHEW B. CHENOWTH, JD LLM

# A Golden Opportunity

## California's Unclaimed Property Voluntary Compliance Program

When it comes to unclaimed property compliance and enforcement risk, few states are as worrisome as California. Statutory interest assessments of 12 percent per annum, coupled with intra-agency cooperation, present holders with real and immediate problems should they possess past-due, California unclaimed property.

However, that may soon change.

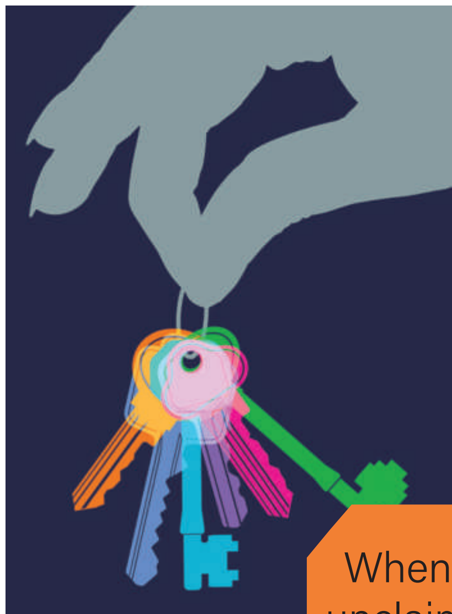
On Sept. 13, Gov. Gavin Newsom signed California Assembly Bill 2280 (AB 2280) into law, clearing the path for the State Controller to create a voluntary compliance program. This would allow companies with past-due unclaimed property to become compliant with the state's laws without the mandatory interest assessment at 12 percent per annum.

AB 2280 would authorize the Controller to establish a voluntary compliance program to report past-due unclaimed property by replacing the existing Sec. 1577.5 from the Code of Civil Procedure with a revised Sec. 1577.5 to be known as the California Voluntary Compliance Program (VCP).

### Why Should Holders Be Encouraged About the Potential VCP?

Every company has the potential to generate unclaimed property, which is typically defined as any intangible property held by a company that has been owed to an unrelated party for a statutorily mandated period—formally known as the dormancy period (three years for most California property)—without an indication of interest by the owner. Once the dormancy period has passed, it becomes reportable to the appropriate state.

One reason for the excitement in a potential VCP is that while most states have processes that provide for a waiver of interest and penalties when reporting past-due property, Cal Code Civ Proc Sec. 1577 provides that unless failure to timely remit is due to "reasonable cause," the interest assessment of 12 percent per annum is



mandatory. Unfortunately, the reasonable cause standard to qualify for abatement is fairly difficult for holders to achieve, meaning that many holders likely face potential interest assessments that are larger than the underlying past-due unclaimed property.

The intra-agency cooperation among the FTB and the Controller's Office is another reason why companies are eager for a VCP. The FTB is now authorized to provide the Controller's Office information from a company's tax returns, including responses to whether the taxpayer has previously filed unclaimed property reports, the date of the most recent report and the amount remitted to the state.

Many companies are concerned information gathered from California forms 100, 100S, 100W, 565 and 568 will be used to identify enforcement actions by the Controller's Office, including audits or "invitations" for companies to apply for the VCP, with the risk of an audit notice for failing to enroll in the VCP.

The combination of hefty interest assessments on past-due unclaimed property, the stringent standards for abatement and the information provided by the FTB make it easy to understand why companies would support AB 2280.

### Why Is the Controller's Office Supporting AB 2280?

In a statement of support for AB 2280, the Controller's Office estimates that less than 2 percent of businesses are compliant with the state's unclaimed property law. Further, it is estimated that such non-compliance could be valued in excess of $17.6 billion in unclaimed property. The Controller's Office also noted that the VCP should increase the number of holders in compliance, annual revenues from unclaimed property reported to the state (i.e., property never reunited), number of properties returned to rightful owners, as well as increase public awareness of the state's unclaimed property laws. In addition, the California Budget Act of 2019 tasked the Controller's Office with exploring options to increase unclaimed property compliance and the VCP may be the Controller's response to that directive.

> When it comes to unclaimed property compliance and enforcement risk, few states are as **worrisome as California.**

### Who Is Eligible?

AB 2280 established parameters for the Controller regarding which companies can participate in the VCP. In general, companies that have received an unclaimed property audit notice, are undergoing civil or criminal prosecution involving unclaimed property compliance or companies that have an outstanding (i.e., unpaid) interest assessment from the SCO are ineligible. In addition, companies cannot participate in the VCP if the Controller has waived interest assessed under the VCP within the previous five years. There's an exception however to allow companies to enroll in the program again within the five-year window to resolve unclaimed property acquired due to acquisitions or mergers.

### What's Required to Participate?

Companies accepted by the Controller's Office into the VCP would be required to participate in an unclaimed property educational training program, provided by the Controller, within three months of enrollment. In addition, companies must review their records for at least the previous 10 years for potential unclaimed property owed to the state and make reasonable efforts to reunited owners with their property (i.e., due diligence). Once completed, a company must file the initial report to the Controller within six months of enrollment in the program and submit its final report and payment seven months after the Controller received the initial report. Upon written request, an extension of up to 18 months from enrollment may be granted by the SCO to complete the VCP.

If companies complete these tasks within the prescribed timelines, AB 2280 provides that the Controller shall waive interest that would otherwise be assessed under Sec. 1577, with the caveat that the Controller can assess interest for companies that do not pay all unclaimed property specified in the reports within the specified timeframes.

### Things to Note

AB 2280 only authorizes the Controller's Office to *create* the VCP, and the program must be established before holders can apply to the program. Furthermore, as beneficial as a VCP may be, some concerns and questions linger ahead of the details being established.

There are no provisions for the indemnification against audit for periods covered under the VCP. In its current form, companies could still face the potential risk of an audit for the same periods, even after the VCP is complete. In addition, what standards will be adopted by the Controller's Office to review a company's VCP submission, including source records and remediation support? Will the Controller's Office conduct these reviews, or will they be "outsourced" to a third-party service provider? What are the expectations for ongoing compliance for companies who have participated in the program and what are the penalties for failure to do so? Finally, will the information shared between the FTB and the Controller's Office be used to target companies for audits or send them invitations to apply for the VCP?

### Conclusion

AB 2280 provides an opportunity for change. Keep in mind, Controller Betty Yee will not be in office when the new law takes effect in 2023. Companies should keep track of developments and the prioritization of a VCP from the newly elected Controller. Once the details have been worked out, the hope is that the VCP will provide companies, and the Controller's Office, mutually beneficial opportunities for increased unclaimed property compliance in the Golden State.

---

**Cathleen A. Bucholtz, CPA** and **Steven Swaigenbaum, CPA** are partners and **Matthew B. Chenowth, JD LLM** is a director at Baker Tilly. You can reach them at cathleen.bucholtz@bakertilly.com, steven.swaigenbaum@bakertilly.com and matthew.chenowth@bakertilly.com.

# CORE STRENGTH

## A CPA's Value: Strengthening Boards

BY MARK H. FOWLER, CPA (INACTIVE)

> **Trusted advisers** are influencers and resources for the business. It's desired that a board has independent board members as well as those that are leaders/managers and owners.

Over the last several years, every aspect has changed in our businesses, careers, personal and public lives As businesses adapt and course-correct, an important activity is to search for new and more effective resources to advise, forecast, plan and implement the most appropriate actions.

CPAs are one of the most valuable service providers helping clients find resources they need. A powerful component in business is the board of directors; CPAs can help bring a stronger board structure for all stakeholders. This article is based on a panel discussion I moderated on behalf of the CalCPA's LA Chapter Management of an Accounting Practice (MAP) Committee that discussed how CPAs can be more valuable to clients by helping with their boards. Along with myself (**MHF**), panelists included:

- **Gaurav Malhotra, CPA** (**GM**): audit partner at Lucas, Horsfall, Murphy & Pindroh, LLP
- **Jeffrey Munson** (**JM**): regional vice president of American Business Bank & board member of Private Directors Association
- **Jennifer Post, J.D.** (**JP**): managing partner of Thomson, Coburn, LLP, Los Angeles
- **Dipak Shah** (**DS**): Investment Banker & Board Member of Private Directors Association

### Boards, Board Members & Future Needs

**JM**: "Private companies fall into a few buckets, tightly family owned and controlled. The lifestyle business supports the needs of the family; other businesses may have bigger aspirations to grow to scale organically or through acquisition, including other growth initiatives, like seeking to go international and more oriented to future planning. There is a third kind: those with professional boards and generally backed by private equity, positioned to scale rapidly and with professional investors looking to safeguard the growth of their investments. There is a lot of discipline, rigor and very distinct functionality.

“The kind of problem we see is those companies that have neither thought about the board, nor given any reflective idea about who should be on the board or what should be done.”

**JM**: “How advisory is your CPA? If you are getting your CPA financials for November in December, it’s a purely transactional relationship; then that’s one thing. If your CPA is a true ‘trusted adviser’ with the company, then that’s a different relationship. I think what the board should be doing is knowingly bringing wisdom to the board. That wisdom can include a financial base from a CPA, for instance. More importantly, the CPA can bring value in a situation a vast number of times, if seen in an applicable scenario. For instance, the CPA can bring all risks and rewards of a merger to a merger discussion; the CPA can bring a risk and reward discussion to expanding in a new market. That’s what I see boards need: the wisdom, a pool of wisdom that owners can tap into, that they might not have access to normally from an audit partner or tax partner or being part of the company in some way through a board.”

> ***I think that having a CPA on the board can*** *provide a perspective about recruiting the right outside advisers and the right outside support.* — **JP**

**JP**: “I think that having a CPA on the board can provide a perspective about recruiting the right outside advisers and the right outside support. It’s critical to have the correct level of accounting advice and tax strategy—all needed if you’re heading into a fairly significant transaction of any type.

“From a board perspective, showing up to the meetings prepared is the minimum daily requirement. You have got to show up, you must be prepared. Hopefully, outside of that, you’re doing a lot of work surrounding the company’s needs and the industry. That’s all really important. You also should be prepared to go on record.”

**MHF**: “Maybe, you have been asked by a bank to be on a board and you declined. Maybe, you should have said ‘Yes’.”

**DS**: “I started early, in college, with organizations and running boards. For those of you who have sons and daughters in college, I highly recommend starting them early, helping them to become involved in boards. This also might be an idea for younger CPA firm team members, even with nonprofits.”

### CPAs in Accounting, Adding Value to Their Clients' Boards

**DS**: "Your first question to yourself needs to be: 'Am I an effective board member?' You have to look at what kind of value you do bring."

**MHF**: "For several decades, I've worked in alliance with CPA firms to assist their clients in some form, with challenges or transformations. Why work with CPAs? They have the institutional memory, the trust, the comfort of communicating for years with clients. They also have a wealth of ideas and knowledge about what needs to change. The next step would be to introduce the CPA as a board member. It surely answers others' comments about the board member goal to add value. Of course, you can."

**JM**: "One of my customers, a large manufacturing firm, has a retired audit partner on the board. He's independent and offers a different perspective. They get tremendous value out of his being on their board. Every time we negotiate terms on a loan document, he's involved in that negotiation because he speaks entrepreneur and he speaks banker."

**JP**: "I had a very complicated merger situation where we were not able to get ahead of the due diligence concerning some integrity issues in the financials. If a CPA had been on the board, as part of the pre-M&A ramp up, these issues would have been spotted; a good deal of education and changes in the accounting presentation would have helped greatly in getting the transaction done sooner and more effectively."

*"I think that one of the defining characteristics of a trusted adviser is that you can say no and feel okay about it and be heard by management. That's more important for a Board member than a trusted adviser" —* **GM**

**JM**: "I think CPAs, the best CPAs out there, that I work with, aren't just doing last year's information into a format that I can read; they're thinking about where the company needs to be and how to help them get there."

**GM**: "Well, you're a CPA, an accountant, you can read financial statements. As mentioned, it's looking at the past—who cares about it? It's good information to have, but how does it inform us of the future? I'm most interested in what's going to happen in the future."

### Trusted Advisors & Board Membership

Trusted advisers are influencers and resources for the business. It's desired that a board has independent board members as well as those that are leaders/managers and owners.

**GM**: "If we were to talk more with our clients and ask, 'What can we do better?,' I think most of them will say, 'I want to have a better conversation with my CPA.' We CPAs are the financial hub of their life, if I think about it. Being the hub naturally creates the tendency for us to be able to take the next step and start with questions—while demonstrating care. Where are you now? Whereare you going in the future? Can you let me help you?"

**DS**: "If I were in the CPA's shoes right now, I would take the top five to 10, 15 to 20 clients. In Jeff's case as a banker, he mentioned he has 2,000 clients for his bank. Basically, take a sizable number of clients, divide the buckets into 3 groups (A, B, C) then start having one-hour meetings with them over the next four to six weeks. In those meetings, focus the first 10 to 15 minutes about the state of the health of the firm, deliverables with that particular client and making sure everything is going smoothly."

**GM**: "Mark touched on being a trusted adviser and the importance of having clients who understand what you're doing for them. Once they feel their needs are being met, nobody has ever questioned me and said, 'Hey, your bill is too high!' I never have those conversations. Again, the importance of adding value, having trust, being independent all make the CPA more than just a candidate for becoming a board member or helping them build a better board."

> **That's what I see boards** *need: the wisdom, a pool of wisdom that owners can tap into, that they might not have access to normally from an audit partner or tax partner or being part of the company in some way through a boar* -JM

**MF**: "I know from working with CPAs and their clients that there is easily five to 15 times more work than is currently being addressed by the CPA firms—and its work that needs to be done."

**GM:** "Regarding Mark's question about the transition between an adviser and a board member and the conflicts that may arise: Many times, I have been asked to serve on boards of companies where I had been engaged with ongoing work. It's a no brainer; we give up the audit work in an instant."

**MHF**: "Gaurav, thank you. We need to address that, while you are being a trusted adviser, you also can have influence with the client to help them boost their board and be there to help make some decisions about who board members need to be."

**DS**: "Once you're the trusted adviser, it's key to keep on working with that CEO and chair of the business, to continue to provide advice and value. You're already in communication with them. Growth now comes into play. If not, you should be talking about that, because, as a board member, that matters: your growth-oriented value."

**GM**: "I think that one of the defining characteristics of a trusted adviser is that you can say no and feel OK about it and be heard by management. That's more important for a board member than a trusted adviser. If you see something bad coming down the pipe, it is your job, at a minimum, to be able to voice it on the record.

"I care for my clients, and I care for my colleagues. I want to create that environment where they are being of service and going into the world, doing good things and feeling fulfilled.

"After all of these years, I've realized there's no core relationship between how much money I'm going to make and how much work I'm going to do. I'm just going to leave it at that. Doing the right thing always generates more money than trying to do the work."

> **For those of you who have sons and daughters** *in college, I highly recommend starting them early, helping them to become involved in boards. This also might be an idea for younger CPA firm team members, even with nonprofits* -**DS**

### What Do Stakeholders Need?

Stakeholders are an individual or group that has an interest in any decision or activity of an organization, as defined by American Society of Quality. This can be anyone: former owners, team members, vendors, bankers, customers, etc.—anyone who could be impacted by changes in the business' well-being, up or down.

**JP**: "It's very important to have an outside perspective of someone who is either not a key equity owner or operator—someone who can look out for the entity overall. It would certainly benefit these boards to have financial experts and CPAs in their community."

**JM**: "When you bring on a new customer, when that client begins to expand, understand the advice they're currently being given. The CPAs should know the bankers and vice versa; the attorneys should know the bankers and vice versa. We should understand the big picture of advice being given. That is a bare minimum."

In conclusion, the single most important message: CPAs can help their clients to add value and one of the most important areas is the board. As Shah said, "The single most important responsibility is to help create value when you are on the board." CPA

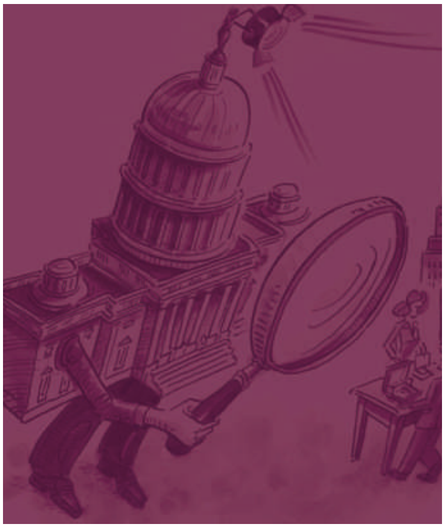
---

**Mark H. Fowler** is chair of the CalCPA LA Chapter's MAP Committee and president of Stowe Management Corporation. You can reach him at estowemanagement@aol.com.

by Jason Fox

# Advocacy Win

## CalCPA Critical in Resolving PTET Issue



Gov. Newsom recently signed SB 851, which clarified a provision of California's elective pass-through entity tax (PTET) framework and how it works with the existing other state tax credit (OSTC).

Late in the legislative session, an issue with the interplay of the two credits arose. If not addressed, the issue would have likely lead to double taxation and lost tax credits for most multistate partnerships that opted into the PTET. To address this, CalCPA was one of the lead advocates that spurred the introduction and adoption of a legislative solution.

Specifically, SB 851 clarified the interplay of credits derived from the PTET with existing taxpayer credits resulting from the OSTC. When the PTET framework was first established in AB 150, the ordering of tax credits listed PTET credits as applying before the OSTC. Since the OSTC cannot be refunded or carried over in the same manner as the PTET, this credit ordering would have led to stranded OSTC—effectively resulting in double taxation for certain taxpayers that elected into the PTET.

CalCPA advocated for a solution to this issue, along with other adjustments to the PTET framework. In response, the Legislature passed SB 113 earlier this year to address these PTET issues.

However, the FTB noted that because the revised credit ordering failed to also make corresponding changes to the tax code governing the calculation of the OSTC, the PTET could not be factored into its calculation. Consequently, certain taxpayers that opted into the PTET would have still faced the dilemma of stranded OSTC and double taxation. SB 851 resolves this issue by ensuring that the PTET credits are considered in the calculation of the OSTC.

Since the inception of the PTET, CalCPA has been actively engaged with the Legislature, administration and tax agencies to establish an effective and administrable framework that can provide meaningful relief for California taxpayers. CalCPA advocacy has been critical in outlining the importance of this policy, getting it fast-tracked through the legislative process and making key improvements. While CalCPA continues to work on opportunities to incorporate additional improvements, our work has directly translated into significant savings for many eligible taxpayers, including most CPA firms.

### CalCPA Submits Comments on Uniform CPA Exam Practice Analysis

CalCPA provide comments to the AICPA's exposure draft, *Maintaining the Relevance of the Uniform CPA Examination–Aligning the Exam with the CPA Evolution Licensure Model.* Overall, the comments supported the proposed changes to the Uniform CPA Examination Blueprint outlined in the exposure draft.

The comments noted that the new exam blueprint was appropriately reflective of the necessary knowledge and skills of newly licensed CPAs working in an evolving accounting profession. Additionally, comments noted that the blueprint is properly grounded and informed by a comprehensive practice analysis. Most importantly, the comments agreed that the blueprint is sufficiently rigorous in its assessment of the baseline professional competencies necessary to uphold the professions' role in protecting the public interest.

The AICPA expects to review all the submmitted comments and issue a final exam blueprint in early 2023. The new Uniform CPA Exam that incorporates the CPA Evolution framework is still on track to launch Jan. 1, 2024.

### Free Post-election Recap

In October CalCPA hosted a free pre-election webinar to give CalCPA members a deep dive on ballot questions before California voters. CalCPA's advocacy team discussed the seven initiatives; legislative, constitutional and congressional races; and the political implications at stake.

Once the dust from the election settles, CalCPA's advocacy team will be back on Nov. 21 for another free webinar breaking down the election results and what they mean going forward.

Register for this free member benefit at calcpa.org/capitolbeat.

### Are These Advocacy Efforts of Value to You?

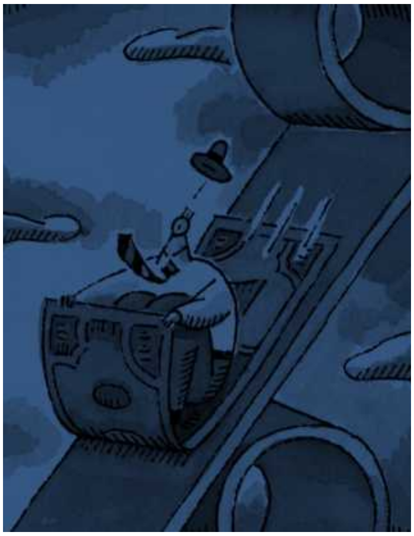
At the heart of these successful advocacy efforts is CalCPA's ability to leverage the collective voice of our members to positively influence legislative and regulatory proposals. We cannot be successful without engaged members.

If you and your firm are a member, thank you. Please stay engaged and help us stay on top of what matters most to you by emailing us at CalCPAGR@CalCPA.org.

If you, your firm or a colleague are not CalCPA members, we ask you to share this with them and ask if they believe CalCPA engagement in Sacramento has benefited them. Tell them that the only way to help build and amplify on these efforts is for them to join calcpa.org/join, renew and get engaged!

**Jason Fox** is CalCPA's vice president of government relations. You can reach him at jason.fox@calcpa.org.

By Jennifer Bogart, CPA & Janette Brooks, CPA



# Forgiveness

## Tax Impact of Student Debt Cancellation

On Aug. 24, the White House announced a new three-part plan to provide student debt relief for qualifying borrowers. Qualifying borrowers include individual taxpayers with income under $125,000 and households with income under $250,000 with outstanding federal student loans.

Qualifying borrowers who received at least one Pell Grant may receive up to $20,000 in student debt cancellation; those who did not may receive up to $10,000 in student debt cancellation. The cancellation is limited to the outstanding balance remaining on the qualifying borrower's federal loan at the time forgiveness is sought, if that amount is less than the $20,000/$10,000 maximum.

As a general rule, cancellation of indebtedness is taxable income for federal tax purposes. In 2021, however, Congress passed, and the President signed, the American Rescue Plan Act (ARAP). Sec. 9675 of this legislation provides that student loan forgiveness occurring between 2021 and 2025 is not taxable for federal purposes. Therefore, loans cancelled under the President's recent plan would not be subject to federal tax.

### Conformity Issues

It's important to understand if your state is conforming to the most recent IRC. Those that do would include the new ARPA provisions from 2021, making cancellation of student loan debt non-taxable for state purposes as well as federal purposes. States that do not conform to the current IRC, may have separately passed ARPA provisions or similar legislation, also making student loan cancellation non-taxable for state income tax purposes.

In contrast, a handful of states, including California, do not conform to the current IRC and have not otherwise passed legislation to make student loan debt cancellation non-taxable. In these states, the loans forgiven under President's recent plan would be subject to state income tax.

Considering that the upper income limits for both single individuals and households fall squarely in California's 9.3 percent tax bracket, this means that a taxpayer who receives the maximum $20,000 loan forgiveness may owe an additional $1,860 in California state tax as a result of the loan forgiveness plan.

In California, relief may come before the 2022 tax filing deadline arrives. At least two members of the California Legislature have taken to Twitter to declare that the state government will take legislative action before the 2022 tax filing deadline, to provide a tax exemption for cancellation of student loan debt.

The default tax laws currently applicable, in California, for canceled student debt income is the cause of the taxability of student debt forgiveness, rather than a reflection of the state government's desire to tax forgiven student loans. Hence why it would not a be surprising to see a law change in response to the President's new plan.

### More Confusion to Unsettled Matters

Amongst other issues with student debt forgiveness, confusion around tax forms reporting debt forgiveness has surfaced, as well as refinanced loans being disqualified. In California tax practitioners are challenged by the Department of Education stating that it will not issue 1099-Cs for debt forgiveness in order not to confuse taxpayers about the needs to report the cancellation of debt for federal tax purposes. However, without a tax form reporting the cancellation of debt the FTB and tax practitioners will rely on the word of taxpayers to determine if and how much cancellation of student loan debt they received and are paying tax on.

On Sept. 29, the Biden administration reversed the qualification of debt forgiveness for Perkins Loans and Federal Family Education Loans issued by private lenders. Perking Loans, FFEL loans and loans refinanced by private lenders were also disqualified from debt forgiveness.

Another possibly significant issue is the President's authority to cancel student loan debt in the first place. The three-part plan announced in August was apparently based on the Higher Education Relief Opportunities for Students Act of 2003, which grants the Education Secretary the power to take action to "alleviate hardship" in a time of national emergency.

Some critics of the plan have questioned whether this is either targeted enough to be considered a method of "alleviat[ing] hardship" or whether there is sufficient justification to consider the second half of 2022 a "time of national emergency".

Challenges against the legal authority of the loan forgiveness plan would likely have to be litigated and could potentially cause issues well after the filing deadline for 2022 tax returns. For loan cancellation that was not taxed at either the federal or state level, a reversal of the plan would cause few tax reporting problems, however, if California taxes the cancellation of debt income, then the debt is subsequently reinstated, additional complications with tax refunds would ensue.

Considering all of this, California tax practitioners should prepare themselves and their clients for the cancellation of student loan debt to be taxable—as well as remain vigilant for possible late-breaking changes to state tax law making the cancelled debt tax-free. CPA

**Jennifer Bogart**, CPA is a shareholder at Bogart Certified Accounting. **Jannette Brooks,** CPA is founder and fiduciary at D4 Fiduciary and Business Advisory Services and D4 Family Office Services. You can reach them at janette@d4fiduciary.com and jbogart@bogartcpas.com, respectively.

By Jeff Lenning, CPA

# Excel Rules

## Instant Reconciliations with Power Query

When you have two different lists that you need to compare, how do you do it? For example, you want to identify which items on one list (e.g., a check register) appear on the other (e.g. bank activity)? I used to print both lists, grab a ruler and go down row by row ticking items with my pencil. The good news is that we have some updated tools that can help us automate this type of task.

I'll illustrate these tools using a classic bank reconciliation because most readers are familiar with it. However, the techniques presented here will apply to just about any list comparison. Specifically, we'll discover that Excel's Power Query is an incredible tool for reconciliations. If you've never explored Power Query, it can do much more than automate reconciliations, so be sure to check it out.

### Objective

For the purposes of this walkthrough, I'll use a simplified bank reconciliation as seen in Figure 1.

Our objective is to have Excel automatically create a list of checks that have cleared the bank as well as the outstanding check total needed in Figure 1.

FIGURE 1

| | |
|---|---|
| Balance per bank | 100,000 |
| Less: outstanding checks | |
| Adjusted bank balance | 100,000 |
| Balance per books | 67,352 |
| Diff | 32,648 |

We will accomplish our objective with the following steps:

1. Export lists to Excel
2. Import data to Power Query
3. Create list of cleared checks
4. Create the outstanding check list
5. Update bank reconciliation

### Step 1: Export Lists to Excel

We begin by exporting our check register from our accounting system and pasting it into Excel, as seen in Figure 2.

FIGURE 2

| Check | Amount |
|---|---|
| 1001 | 1686 |
| 1002 | 7088 |
| 1003 | 7340 |
| 1004 | 6374 |
| 1005 | 2544 |
| 1006 | 9218 |
| 1007 | 6791 |

Next, we download the checking activity from our bank and save it in the same Excel workbook so it looks like what you see in Figure 3.

FIGURE 3

| Memo | Amount |
|---|---|
| 1001 | -1686 |
| 1008 | -9656 |
| 1005 | -2544 |
| 1003 | -7340 |
| 1011 | -3346 |
| 1006 | -9218 |
| 1004 | -6374 |

Now we need to compare these two lists. We need to find out which items appear in both lists (i.e., checks that have cleared the bank) and which items appear on the check register but not on the bank download (i.e., outstanding checks). To do this, we will import both lists into Power Query.

Note: In this article, I assumed we pasted the data into Excel. However, Power Query can also retrieve data outside of Excel, for example, from a csv file.

### Step 2: Import Data to Power Query

Let's start with the check register (Figure 2). We select any cell in the check register table and select Data > From Table/Range. If the data is already stored in a Table, it will be shown in the Power Query window. Otherwise, you'll be prompted to create the Table first. In the Power Query window, we can clean up the data if needed. Our check data looks clean, so we select the bottom half of the Close & Load button and select Close & Load To. In the resulting Import Data dialog, we click Only Create Connection and click OK.

Next, let's get the bank activity (Figure 3) into Power Query. We essentially perform the same steps we used to import the check register.

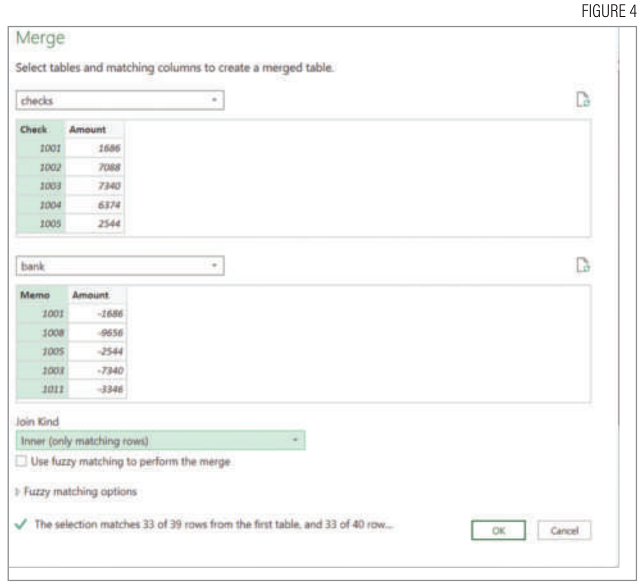
With both data tables successfully loaded into Power Query, we can move to the first comparison and generate the list of cleared checks.

### Step 3: Create List of Cleared Checks

First, let's have Power Query generate our list of cleared checks. This represents checks that appear on both lists.

In Excel, Data > Get Data > Combine Queries > Merge. In the resulting Merge dialog (Figure 4), pick the check register table from the top drop down and the bank data table from the bottom drop down. To tell

FIGURE 4



Power Query which columns are expected to match, select the two check number columns by clicking the column headers. In the Join Kind drop down, select Inner (only matching rows). This means that we only want to see those checks that are found in both lists (i.e., checks that have cleared the bank).

When you click OK, you'll see a list of the checks found in both lists. Send the results to Excel by selecting Close & Load To … and then select Table. The results flow into Excel (Figure 5).

FIGURE 5

| Check | Amount |
|---|---|
| 1001 | 1686 |
| 1008 | 9656 |
| 1003 | 7340 |
| 1005 | 2544 |
| 1004 | 6374 |
| 1011 | 3346 |
| 1006 | 9218 |

Now we'll do something similar and create the outstanding check list.

**Bonus**: if you'd like to ensure that the amounts from the check register match the bank download, check out youtube.com/watch?v=fxm8AY8sUdU.

### Step 4: Outstanding Check List

The outstanding check list represents checks that appear on the check register but not the bank activity. We use the same steps that we did to create the list of cleared checks, except we select the Left Anti (rows only in first) join kind. We click Ok, and Power Query has created our list of outstanding checks. We Close & Load To, Table and OK. Once the outstanding check table has loaded into our Excel worksheet, we can select any cell in the Table and click the Table > Total Row checkbox to get the total of outstanding checks (Figure 6).

FIGURE 6

| Check | Amount |
|---|---|
| 1002 | 7,088 |
| 1007 | 6,791 |
| 1009 | 5,020 |
| 1010 | 9,197 |
| 1034 | 3,264 |
| 1073 | 1,288 |
| **Total** | **32,648** |

### Step 5: Update bank reconciliation

The final step is to pull the total of the outstanding checks into our reconciliation by typing = and then clicking the total cell in the outstanding checks table. We get Figure 7.

FIGURE 7

| | |
|---|---|
| Balance per bank | 100,000 |
| Less: outstanding checks | 32,648 |
| Adjusted bank balance | 67,352 |
| Balance per books | 67,352 |
| Diff | 0 |

We confirm that the Diff = 0, which makes our heart pitter patter with joy. Life is good.

### Conclusion

The good news is that now that the queries are set up, we don't need to set them up again next month. We can simply paste the new check register, paste the new bank activity, and click Data > Refresh All. Power Query will create a new list of cleared checks and a new outstanding check list. While this may not eliminate every manual step, it can certainly provide a great start to an otherwise tedious monthly reconciliation process.

Also, even if you don't do bank recs, these same techniques apply to other types of lists you may want to compare. For example, comparing sales from an ecommerce export to sales in a QuickBooks export. Or, invoice detail to invoice summary. Or, clients in our tax system to clients in our billing system. And, well, you get the idea: this works with just about any two lists you want to compare.

And remember, Excel rules. CPA

**Jeff Lenning, CPA** is a Microsoft Certified Training and president of Excel University. You can reach him at jeff@excelu.com.

# adindex

For more information about products and services catered to the CPA community, visit calcpa.org/members-exclusive/benefits.

# brainfood

FEED YOUR NEED TO KNOW MORE.

**NOVEMBER/DECEMBER 2022**

CalCPA

**Check out the hottest courses and conferences** that CalCPA has to offer in the coming months. We cover a diverse array of topics with new developments and updates to help you stay on the cutting edge. Below are some of our most popular events, ranging from accounting and auditing to ethics, fraud, tax and more!

## Accounting and Financial Statements

| Date | Title | Prod. # | Credits |
|---|---|---|---|
| 11/17 | Preparing Financial Statements for Clients | 108543 | CPE 4 |
| 11/28 | GAAP Update | 107610 | CPE 8 |
| 11/29 | Leases: Topic 842 in Depth | 110239 | CPE 8 |
| 12/1 | U.S. GAAP Disclosures for Non-Public Entities | 107622 | CPE 8 |
| 12/12 | SSARS Codification: Preparation, Compilation and Review of Financial Information | 107617 | CPE 8 |

## Auditing

| Date | Title | Prod. # | Credits |
|---|---|---|---|
| 11/30 | Recent Compilation and Review Issues | 111703 | CPE 2 |
| 12/9 | Audit Standards Update: Clarifying Risk Assessment | 109543 | CPE 8 |

## Ethics

| Date | Title | Prod. # | Credits |
|---|---|---|---|
| 11/18 | California Ethics and Fraud Case Studies | 110496 | CPE 8 |
| 12/1 | Ethical Responsibilities for CPAs: Ethics | 107652 | CPE 4 |

## Fraud

| Date | Title | Prod. # | Credits |
|---|---|---|---|
| 12/13 | Case Studies in Accounting Fraud | 109546 | CPE 4 |

## Tax

| Date | Title | Prod. # | Credits |
|---|---|---|---|
| 11/28 | Federal Tax Update: Comprehensive Individual Tax—Form 1040 | 109508 | CPE 8 |
| 11/29 | Federal Tax Update: Comprehensive Business Tax—Forms 1065, 1120S and 1120 | 109502 | CPE 8 |
| 11/30 | Real Estate Taxation | 107664 | CPE 8 |
| 12/1 | Federal and California Tax Update for Individuals \| Titans of Tax Tour | 110548 | CPE 8 |
| 12/2 | Federal and California Tax Update for Businesses and Estates \| Titans of Tax Tour | 110603 | CPE 8 |
| 12/5 | Pass-Through Owners Basis & Distribution Rules: Comprehensive—Forms 1065 & 1120S | 109498 | CPE 8 |
| 12/8 | Federal and California Tax Update for Individuals \| Titans of Tax Tour | 110550 | CPE 8 |

## Financial Planning and Wealth Management

| Date | Title | Prod. # | Credits |
|---|---|---|---|
| 11/16 | Social Security Basics and Strategies for Maximizing Benefits | 110233 | CPE 8 |
| 12/8 | Retirement Distributions: Planning Options | 109475 | CPE 8 |
| 12/13 | Everything You Need to Know About Trusts | 110294 | CPE 8 |

For a complete list of upcoming courses and conferences, visit **calcpa.org/brainfood**.



*Dates subject to change*

# CalCPA AMERICA'S LARGEST STATE CPA SOCIETY


## CalCPA can help you reach your target audience through print, digital and event advertising.


**Event Sponsorships:** Support a CalCPA conference, webcast or chapter event to position your brand and engage with highly qualified registrants—or create your own event using your targeted content.

***California CPA*** (print and digital): Read regularly by 90% of our members, *California CPA* is the only professional news magazine published for financial professionals and CPAs in the state.

**CalCPA Website**: CalCPA.org is full of news, links and information CPAs need and want.

**Dedicated Emails** and **Sponsored Content**: Grab the attention of CPAs and distribute your content to California's leading accounting and finance professionals and decision-makers.

**E-Newsletters**: Aimed at targeted interest groups you'll want to reach.

**CalCPA Knowledge Hub**: Use your content to reach accounting professionals and build business leads.

**CalCPA Custom Media Solutions**: From video vignettes to virtual roundtables to executive interviews, we'll help you build a custom media platform to generate quality leads, increase revenue and bring visibility to your brand.

**CPA Job Board**: The ultimate resource to find your next hire.

### For more information:

**Visit: advertising.calcpa.org** **Email: advertising@calcpa.org**