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issue in the next five years.

Mike D'Avolio • Dec. 07, 2021



Hopefully, tax professionals won't have to face the same challenges they have experienced the last two tax seasons, such as COVID-19 virus surges, extended tax seasons and extra work (e.g. Paycheck Protection Plan loans). However, we expect practitioners to be quite busy given the number of tax changes. The following article discusses some of the issues and opportunities for accountants heading into tax season.

Tax law changes

The following is a list of some of the higher impact tax law changes for tax year 2021.

The third round of Economic Impact Payments arrived last spring and these

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December 2021 and the advance payments are reconciled on the 2021 tax return.

- The Child and Dependent Care Credit is also more generous than in the past.
 - The expense limit is \$8,000 for one child (instead of \$3,000) and \$16,000 for two children (instead of \$6,000).
 - The credit percentage is 50% (instead of 35%).
 - There are higher income phase-out amounts.
 - The credit is now refundable.
- The rules for the Earned Income Credit are more relaxed.
 - The credit is more generous for taxpayers without children.
 - There is a look back provision where you can use earned income from 2019 if it's more beneficial.
- The Tuition and Fees Deduction for college education has been repealed.
 - However, you can still claim the American opportunity credit and the lifetime learning credit instead.
- You can deduct 100% of Business Meal Expenses (instead of 50%).

Staffing concerns

According to a survey, finding qualified staff was the top issue for every firm-size segment except sole practitioners, and most expect staffing to continue being a top issue in the next five years.

And why is that?

- Significant regulatory changes increase the need for constant training.
- Historically, firms supplement staffing with short-term seasonal hiring. But, as technology becomes more crucial in our workflow, onboarding and training seasonal hires can be difficult.

- Not all clients embrace technology and will submit their documentation in

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significantly.

Adopting advisory services

We're seeing a shift in the tax profession from leading with compliance services to leading with advisory services, such as offering tax planning strategies and business consulting. Offering advisory services provides an opportunity to showcase and differentiate your expertise while helping clients reach their financial goals.

Professionals are leveraging technology and automation in tax, accounting, and payroll compliance to create capacity to offer advisory services. Increased efficiency in a practice can free up time to devote to higher value services.

Advisory services can also improve a practitioner's work / life balance and can have a more significant impact on your clients' financial well-being. It is important for firm managers to:

- Learn how to value and price advisory services,
- Easily navigate and build advisory service plans for a range of clients, and
- Identify the tools you need to add and grow advisory services.

Embracing technology

It's so important to embrace technology to streamline compliance work and give you and your firm more time to meet with clients, provide advisory services and more.

There are technologies out there that can help you with flexibility, remote work and more.

- A hosted solution for your desktop applications provides better security and automatic backups and updates. Plus, an online solution provides for flexibility of the cloud with nothing to download.

- Electronic signatures are more efficient by allowing you to get your client

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Continue to work in a safe environment for yourself, your staff and clients.

Everyone's comfort levels are different, and the climate is continually changing with new variants, surges and more. Keep these things in mind when working to build a safe space:

- For in-person meetings, consider social distancing, facemasks, vaccinations, testing, and safety equipment.
- Think about using a remote environment for staff and clients by leveraging technology, such as cloud-based solutions, electronic signatures and client portals.

Best practices

As is with every tax year, don't forget the basic best practices. It's been a busy few years, but there are always ways you can make it easier by being prepared and remembering some of the basics.

- Educate yourself on the upcoming tax law and tax form changes early on. The more educated and prepared you are, the better advisor you'll be for clients and the easier the season will be.
- Adequately train your staff about tax changes and office systems and processes. It's not only important that you're prepared, but that everyone on your staff is as well.
- Be sure to account for the tax changes when sending out client organizers, meeting with clients and preparing tax returns.
- Think about posting some of the tax changes at the right level in newsletters or on your firm's website to educate clients and bring in new business.
- Send out your client organizers early on and remind your clients to retain their source documents.
- Challenge your firm to become more efficient by going paperless, streamlining operations and trying out new software or applications.

As I've said, it's been a difficult time for tax professionals the last few years, but with

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