New Chair Brings Tech Savvy & a Diversity Focus

MAKING AN IMPACT

CalCPA Chair Christie Simons, Audit & Assurance Partner, Deloitte & Touche LLP

Content is copyright protected and provided for personal use only - not for reproduction or retransmission. For reprints please contact the Publisher.
Visit the Knowledge Hub from the California Society of CPAs

Your library of free downloadable white papers, product guides, case studies, industry analysis and much more.

CALCPAHub.org

Content is copyright protected and provided for personal use only - not for reproduction or retransmission. For reprints please contact the Publisher.
If our clients are becoming more data driven, then we need to become more data driven.

10 A Road Less Traveled
Always up for an adventure, 2021-22 CalCPA Chair Christie Simons has launched herself into a career that navigated the peak of the dot-com era and has put her at the forefront of tech business.

3 Shared Responsibility
Fostering a more accessible and inclusive environment throughout the profession is a shared responsibility, and CalCPA aims to lead by example by following good practice with respect to diversity, equity and inclusion.

RICH SIMITIAN, CPA

17 PPP Loans & Ownership Changes
If you or your clients are considering gifting equity interests in a business, a key consideration is whether the business holds a Paycheck Protection Program (PPP) loan.

CHRISTINE S. LEGRAND, CPA

19 Estate Planning & Ed Costs
Many clients are concerned about upcoming estate tax changes and at the same time, there’s a desire to benefit grandchildren or children facing expensive higher education costs. Our expert explains why now is a good time to talk about solutions to these problems.

MARY KAY FOSS, CPA

22 Tech Tools for Remote Work
Whether your firm is staying fully remote or going hybrid, here are some applications and other tools that you can use to ensure your cohesiveness.

ADAM BLITZ, CPA

21 New Federal Reporting Relief

23 A Legislative Look Back & Forward

Content is copyright protected and provided for personal use only - not for reproduction or retransmission. For reprints please contact the Publisher.
The Three Rs of Business: Recruitment, Retention, Retirement

Help Clients Establish a Workplace Plan to Gain a Valuable Tool

Be proactive in helping clients realize the benefits of a retirement program. Introducing a highly desirable benefit attracts jobseekers, supports their employees and can satisfy the state mandate.

A Pooled Employer Plan Adds Value

- Simplified plan administration
- Reduced fiduciary liability
- Potentially, up to $5,500 in tax credits each year for three years

Paychex Retirement Services is a trusted partner to offer retirement plan support and guidance.

Learn How Simple Paychex Makes It - payx.me/retirement-calcpa

Contact us with questions: CalCPA@paychex.com
The DE&I Commitment
Research, Best Practices & Confronting the Diversity Gap

Fostering a more accessible and inclusive environment throughout the profession is a shared responsibility, and CalCPA aims to lead by example by following good practice with respect to diversity, equity and inclusion (DE&I), embedding them into our vision, mission, core values and strategic plan, and establishing metrics for success. We also plan to provide members and partners with guidance, programs, tools and resources to help them with their own journeys to good DE&I practices.

Recently, I shared how CalCPA’s DE&I Commission, led by former CalCPA Chair Kathy Johnson, CPA, CGMA, has made significant strides with plans to set measurable goals, deliverables and actionable solutions to help CalCPA achieve these desired outcomes.

When we announced the DE&I commitment nearly a year ago, we knew that meaningful progress would require a shared effort among CalCPA’s volunteer leadership, members, partners and firms. And that shared responsibility—some might even say obligation or duty—exists with our peer group of accountancy bodies in the larger ecosystem. This includes state CPA societies, as well as other professional accounting associations and standard setters. Individually, we can each have some impact, but together, a focused effort has the potential to change perspectives more broadly, drive meaningful actions and achieve positive results.

To that end, CalCPA has partnered with the Institute of Management Accountants (IMA), a global body serving management accountants in business and industry, along with IFAC, several state CPA societies, NABA and ALPFA, to deliver groundbreaking new research on DE&I practices across the U.S. accounting profession.

Our research results were released in March and point to a diversity gap at the senior leadership levels of our profession that needs to be closed through actionable solutions—solutions on which we are continuing to partner in the coming months. Later this year, we plan to issue a new report containing guidance, best practices, metrics and suggested solutions for the profession to use in forming DE&I strategies, practices and programs.

Our DE&I commitment doesn’t stop there. Outgoing CalCPA Chair Jolene Fraser has been a great supporter of these efforts focused on transforming our profession, and I would like to express my sincere gratitude to her for such measured leadership throughout a year of significant challenges and opportunities for us all.

As we look to the year ahead, I’m thrilled about CalCPA’s plans to support members and the profession with new leadership on the board of directors.

As we look to the year ahead, I’m thrilled about CalCPA’s plans to support members and the profession with new leadership on the board of directors. It’s no secret that CalCPA Chair Christie Simons is passionate about ensuring the resiliency of our profession, and CalCPA’s continued focus on DE&I efforts as a significant aspect of recruitment and retention of talent will remain a top priority. You can learn about Christie’s journey, experiences and leadership in DE&I on Page 10.

I’d like to highlight in particular her efforts to implement targeted strategies for attracting and retaining diverse candidates within the accounting profession—especially with respect to gender equity and opportunities for female CPAs.

Christie’s passion for expanding opportunities to a more diverse, inclusive profession seems perfectly timed for CalCPA’s continued progress in bringing more equitable access to our profession. Her experience in leading Deloitte’s Women’s Initiative in the Bay Area is a testament to putting her passion into action, which undoubtedly contributed to Deloitte’s recent commitment to its Making Accounting Diverse and Equitable (MADE) initiative.

MADE is intended to attract and retain racially and ethnically diverse candidates within the accounting profession and a large part of Christie’s strategic focus as CalCPA chair will be on expanding equitable access to opportunities for under-represented populations within the profession.

CalCPA looks forward to supporting these efforts—and our members—at such a critical time for the profession.

I hope you and your family are taking some time to enjoy a safe and happy summer season. Thank you for your membership.
CalCPA Members save 8% off Mercury’s already low rates!

Here are just a few reasons why CalCPA has partnered with Mercury

- CA drivers save an average of $670 with Mercury¹
- Rated as a top U.S. auto insurer by Insure.com from 2017-2020
- Bundle and save up to 15% off your homeowners policy, plus up to 14.5% on your auto policy²
- 24/7 claims reporting
- Repairs guaranteed for life³

Contact us today for a fast, free quote!

mercuryinsurance.com/calcpa | (866) 270-7388

¹Savings info based on 2020 CA Dept. of Insurance rate comparison 255B. Individual savings may vary. ²Discounts subject to qualification requirements. ³Repairs guaranteed for as long as you own your vehicle when repairs are completed at a Mercury authorized direct repair facility.
The CPA Evolution Model Curriculum is a valuable resource tool for the academic community by providing examples of how to address any gaps between what is currently taught by accounting programs today and the skills and competencies expected of CPAs by their clients in a technology-driven environment.

—NASBA Vice President of State Board Relations Dan Dustin, CPA

75%
The number of companies that said innovation is one of their top three priorities.

—Boston Consulting Group

$164B
The increase in California household income since April 2020.

—Bloomberg

1 in 5
The number of businesses using or planning to use apps and programs on employee devices to track their online activities.

—SurfShark

28%
The number of companies that provide immediate 100% employee ownership of company contributions to 401(k) accounts.

—XpertHR

$937M
The amount of whistleblower awards made by the SEC since the program being in 2012.

—SEC

2 in 5
The number of Americans who say online shopping busted their budget.

—AICPA

The CPA Evolution Model Curriculum is a valuable resource tool for the academic community by providing examples of how to address any gaps between what is currently taught by accounting programs today and the skills and competencies expected of CPAs by their clients in a technology-driven environment.

—NASBA Vice President of State Board Relations Dan Dustin, CPA

75%
The number of companies that said innovation is one of their top three priorities.

—Boston Consulting Group

$164B
The increase in California household income since April 2020.

—Bloomberg

1 in 5
The number of businesses using or planning to use apps and programs on employee devices to track their online activities.

—SurfShark

28%
The number of companies that provide immediate 100% employee ownership of company contributions to 401(k) accounts.

—XpertHR

$937M
The amount of whistleblower awards made by the SEC since the program being in 2012.

—SEC

2 in 5
The number of Americans who say online shopping busted their budget.

—AICPA

As cryptocurrencies go mainstream and several big brands accept it as a valid form of payment, how interested and cautious are Americans of this trend?

31% are not familiar with cryptocurrencies

33% own one or more types of cryptocurrencies

42% believe cryptocurrencies will replace traditional currencies in the future

47% are keen to purchase services or products using cryptocurrencies

53% say cryptocurrency is “very risky”
The Dirty Dozen

Economic Impact Payment theft, phishing and fake charities are among the scams the IRS is warning taxpayers and tax professionals to be aware of in its annual Dirty Dozen tax scam list.

The 2021 list is separated into four categories:

• Pandemic-related scams, like Economic Impact Payment theft;
• Personal information cons, including phishing, ransomware and phone “vishing;”
• Ruses focusing on unsuspecting victims, like fake charities and senior/immigrant fraud; and
• Schemes that persuade taxpayers into unscrupulous actions, such as Offer In Compromise mills and syndicated conservation easements.

The IRS compiled the list based on who perpetrates the schemes and who they impact. Read more at irs.gov/newsroom/dirty-dozen.

IRS news

Study Reveals Lack of Standardization in Sustainability Assurance

Global practices for sustainability reporting and assurance over that information—including the prevalence of assurance, level of assurance and standard and practitioner used—varies widely by jurisdiction, according to a new study from the International Federation of Accountants, the AICPA & CIMA.

The new study provides a comprehensive global picture of the status of sustainability reporting and related assurance.

As the drive toward a global system for sustainability-related reporting continues, investors, regulators and policymakers are turning their attention to the important role of assurance in promoting high-quality reporting. With the growing importance of—and reliance on—sustainability information, low-quality assurance is an emerging investor protection and financial stability risk.

See the survey at calcpa.org/AICPASustainability.

Summer Hours, Anyone?

Every single Friday from Memorial Day to Labor Day our colleagues leave work by 3:30 p.m. Call it “work-life balance” — call it whatever you want. We call it doing right by our people.

To learn more about our creative benefits for colleagues, visit bpmcpa.com/careers

Content is copyright protected and provided for personal use only - not for reproduction or retransmission. For reprints please contact the Publisher.
Accountants Expect Strong Economic Recovery This Year

Accountants are anticipating the global economy will return to pre-pandemic levels in the second half of this year, despite worries about inflation, according to a new survey. The quarterly Global Economic Conditions Survey, released by the Association of Chartered Certified Accountants and the Institute of Management Accountants, indicated a swift and strong recovery in global confidence in the second quarter among the more than 1,000 senior accountants and finance professionals polled. There was a slight dip in global confidence in Q2, but it came after the biggest jump in confidence in the 10-year history of the survey during Q1.

Other survey findings include:

• Global activity recovered to pre-pandemic level of late 2019, driven primarily by rapid growth in the United States and China;
• Rapid progress on vaccinations in advanced economies has led to a return to more normal conditions in those countries; and
• The two “fear” indices—measured by concern that customers and suppliers may go out of business—both declined in the Q2 survey, confirming that the extreme uncertainty created by the COVID-19 crisis has fallen back towards more normal levels.


It’s Back! CalCPA Leadership Institute

Let’s talk leadership development. Do you know your leadership style? Can you identify different forms of leadership? What are the best ways to manage people and navigate change? That’s just a sampling of what you’ll learn as a CalCPA Leadership Institute participant. This five-day program is open to all CalCPA members looking to grow as business and volunteer leaders and enhance their leadership and management skills.

Applications—accepted through Aug. 31—and details are available at calcpa.org/leadership/be-a-leader-in-calcpa/calcpa-leadership-institute.

Visit our website for more information
www.actuariesunlimited.com
or
Give us a call (818) 325 - 8800

LOYALTY, RESOURCEFULNESS, & CONSISTENT QUALITY

A full service team with over fifty years experience. AUI is the go-to retirement planning experts! With seven in-house Enrolled Actuaries, our staff includes thirty highly-qualified Pension Administrators and a knowledgeable support team to serve you. With Actuaries Unlimited, Inc. you’re never far from the answers you need.

• Retirement Plan Design
• Administration Services
• Distribution Services, & much more!

Content is copyright protected and provided for personal use only - not for reproduction or retransmission. For reprints please contact the Publisher.
E-signatures Accepted Through Dec. 31

The FTB recently updated its COVID-19 FAQ webpage (ftb.ca.gov/about-ftb/newsroom/covid-19/help-with-covid-19.html) to state that for paper returns and other documents that must be signed with an original signature by a taxpayer or tax representative, it will not require an original signature through Dec. 31, except for Power of Attorney (POA) forms. POA forms will still require an original signature. Follow the instructions online (ftb.ca.gov/tax-pros/power-of-attorney/submit-a-power-of-attorney.html) if you need to submit a POA.

2021 Filing Season Update

Now that the initial filing deadline has passed, the FTB has provided an update on some key statistics for the first part of the 2021 filing season. Both the IRS and FTB had an extended filing season this year with the initial due date for returns and payments postponed to May 17. While the processing and validation of all returns and payments continues, as of mid-June 2021, the year-to-date filing season highlights are as follows:

- Personal Income Tax (PIT) returns filed totaled 17.8 million, with 16.5 million e-filed (93 percent).
- The volume of PIT refunds issued totaled $13.0 million, with an average refund of $1,031.
- Total PIT and BE payments processed totaled $56.2 billion, with 56 percent of payments being made electronically.
- Level of access in the FTB Contact Center was 59 percent for the week of the May 17 due date, and is at 58 percent for the year, serving more than 660,000 customers.
- Not surprisingly, the two most visited webpages were the Golden State Stimulus and Check Your Refund, with more than 8.2 million visits combined.

Congratulations to the following members who were named winners of our service awards:

Outstanding Accounting Educator Award
Ming-Chun Lu, CPA, (Los Angeles Chapter) Santa Monica College

Public Service Awards
Gina A. Ballard, CPA, (Los Angeles Chapter) Holthouse Carlin & Van Trigt LLP

Distinguished Service Award
Marc G. Parkinson, CPA, (Silicon Valley/San Jose Chapter) Petrinovich Pugh & Co. LLP; 2002-03 CalCPA Education Foundation President; 2006-07 CalCPA Chair

SALES TAX AUDITS
FORMER SALES TAX AUDITORS WILL REPRESENT YOUR CLIENTS

SPECIALISTS IN
Audit Defense - Refunds - Taxability - Nexus
Training - Sales Tax Return Preparation & Filing

714.377.2600
CONTACT GRAHAM HOAD: graham@salestaxresource.com

Content is copyright protected and provided for personal use only - not for reproduction or retransmission.
For reprints please contact the Publisher.
ANNOUNCEMENTS
The Emergency Food Bank Stockton/San Joaquin named Steve Dougherty a board member … The AICPA has named Janella Andrews, tax manager at Lund & Guttry LLP, and Mary Maxion, CPA, senior manager at Eadie and Payne, LLP, to its 2021 AICPA Leadership Academy.

FIRM NEWS
BPM acquired Gumbiner Savett, effective July 1 … Armanino LLP opened a New York City office.

ACCOMPLISHMENTS
The AICPA named Erin Roche one of the winners of its 2021 Outstanding Young CPA Award … BPM celebrated its 35th anniversary in July … Lorraine Aho, partner in Sonoma’s Aho Financial Forensics, is a winner of North Bay Business Journal’s 2021 Women in Business Awards.

MEMBERS IN THE NEWS
A June 21 Journal of Accounting podcast on mental health support featured an interview with Amber Setter … The Silicon Valley Business Journal quoted John Sensiba in a June 21 article about balancing the risks and rewards of digital transformation … MarketWatch quoted Rob Seltzer in a June 22 article on how much income tax Biden and Harris would pay under their proposed hikes … Yahoo Finance quoted David Flamer in a June 23 article on child tax credit payments … MarketWatch quoted Bob Caplan in a June 30 article on family finances … A July 6 AccountingToday article on practitioners returning to face-to-face meetings with clients quoted Dan Morris and Larry Pon … CNN quoted John Schultz in a July 9 article on Roth IRAs … Financial Advisor quoted Cameron Hess in a July 12 article on special needs trusts.
New CalCPA Chair
CalCPA Chair Christie Simons’ journey ventures from Oklahoma’s capital and Wyoming’s oil fields to Denver and the San Francisco Bay Area—and reaches as far as Taiwan. With her adventurous spirit, Simons launched herself into a career that encountered the peak of the dot-com era and has put her at the forefront of technology and its potential in transforming the profession. And now she intends to contribute to the profession’s transformation by building upon the diverse skills and experiences she has acquired through multiple leadership roles.

“Transformation and growth come from where interests, opportunities and innovation intersect,” says Simons. “The future of our profession is very bright, and we need to be thoughtful and purposeful in planning for it. CalCPA is well-positioned for its mission of supporting the success of the next generation of CPAs, and I am looking forward to working closely with volunteer leadership, members and staff in the year ahead.”

A Journey from the Backroads
Simons learned to embrace challenges and opportunities at a young age. The oldest of three children, Simons, with her two younger brothers, grew up in Oklahoma City and embarked on her first adventure when she was in the ninth grade.

“My family moved to Gillette, Wyoming—quite a different environment and culture,” she says. “I swam competitively from the time I was eight until I was 18. We had a big swim team in Oklahoma and a big junior high and high school, living in the city as I knew it at the time. And then we moved to Gillette, which had a small high school in a small rural town of about 17,000 people.”

While Simons’ father was a doctor and moved the family to Gillette to help build and grow a regional hospital, Simons found herself surrounded by kids who grew up in a community of ranches, oil fields and coal mines.

“It was a very different life and a change that came at a very impressionable age for me,” she says. “I remember going to school the first day in Gillette in the middle of ninth grade. I was from the city and now in a small-town rural environment. I stood out like a sore thumb and it was obvious that I was the new kid in town.”

Simons says her high school years helped her develop an appreciation for growing from new environments and the experiences that come with them.

Because of the level of the girls swim team in Gillette and her skill level, Simons was asked to swim with the boys high school swim team.

“I was given my own lane to practice, but had the same workouts as the boys team. It kept me competitive, and I was able to train the way I needed to,” she says. Once again, Simons adjusted to a new environment while also contributing positively to it.

Simons continued competing through her senior year in high school, when she decided it was time for something different—especially when it came time to follow her expected path to college.

“I was always very good in school as far as grades, but I was now in this very different culture. Going to college was not a common destination for kids in Gillette after high school. The economy there at the time was very good for high school graduates to get a well-paying job in the local oil field or the coal mines,” she says.

The expectation for Simons, though, was different. Her parents went to college and she was to follow in their footsteps. “I earned a scholarship to the University of Denver for half of my tuition. My father was very proud,” she recalls.

But after a year there she recognized she didn’t know what she wanted to do, so she took a break from her studies. After spending a few years working in various management and customer-facing jobs, Simons was ready to return to school. This time was different. “When I went back to college, I had a mission. I knew what I wanted to do,” she says.

Her dad said she would have to pay her own way this time—which she did, attending the University of Colorado and majoring in finance and international business.

Finding Focus While Expanding Boundaries
“International business really interested me,” she says, pointing out how it lined up with the idea of adventure and traveling the world. “It was about 1986 and China was opening up to the rest of the world. The culture really intrigued me and the idea of traveling the world with my work was exciting for me.”

Simons graduated with an international finance major in 1990, which unfortunately was the lowest year of on-campus recruiting at the University of Colorado. The United States was gearing up for the Gulf War and it was a challenging year to be a college graduate looking for a job.

“I interviewed for jobs and had not yet considered accounting as a career choice. Although I received an offer with the consulting business of Arthur Andersen, I ended up turning it down because it just wasn’t the right fit,” she says.

www.calcpa.org

Content is copyright protected and provided for personal use only - not for reproduction or redistribution. For reprints please contact the Publisher.
Reopening our Profession &

A large percentage of the **GEN Z COHORT** is in high school, starting to enter college or entering the workforce.

Prime the Pipeline

One key area that I will focus on this next year is growing the CPA pipeline in California. We can accomplish this through actions we all can take regarding CPA Evolution; integrating technology in our work; and diversity, equity and inclusion (DE&I).

There were fewer accountants and auditors employed in the U.S. in 2020 than during the last economic slowdown in 2012 (Statista, 2021). In California, an early indicator for any type of trend in the profession and the CPA pipeline is the number of students and professionals who sit for the Uniform CPA Exam. Based on information from the California State Board of Accountancy, we’ve seen a decline in students sitting for the exam over the past few years by as much as 17 percent.

Certain media outlets also have expressed concerns that accounting will be automated with the technological advances of artificial intelligence, machine learning and robotics, and therefore would require fewer accountants in the future. In fact, the opposite is true.

With these technological advances, there is a need for more advanced skills and competencies in accounting. Skills and competencies that can examine and interpret complex data, understand business trends and irregularities, and skills and competencies that allow accountants to become trusted advisers to clients and companies.

The National Association of State Boards of Accountancy (NASBA) and the AICPA have recognized that these skills will be important for a future CPA and have partnered to support advancing the CPA Evolution initiative.

The initiative is exploring ways to evolve CPA licensure by integrating expertise in technology and analytics, as well as other business competencies, into the core competencies of accounting, auditing and tax. As a result, NASBA and the AICPA are moving forward with implementing a new Core + Disciplines CPA licensure model that will become the new Uniform CPA Exam in 2024. CalCPA has an opportunity to be proactive and get out in front of these changes by working with educators, students and our non-licensed members to assist in preparation for the new exam in 2024.

Identifying ways to provide support to students to address these changes will promote successful licensure and increase the number of CPAs in California and ultimately lead to CalCPA membership.

Appealing to the Next Gen of CPAs

The growth of our CalCPA membership will not only come from the existing population of CPAs, but also by growing the next generation of accountants. Much has been written in the past decade about the Millennial (ages 25-40 in 2021) and Gen Z (under 24 years of age in 2021) generations as to their views, values and behaviors. The U.S. Labor of Statistics in 2020 notes that approximately 53 percent of the accountant population are between the ages of 20 and 44 years old. While we don’t have the specific ages of our CalCPA members, we can interpret from historical surveys that approximately 43 percent of non-student CalCPA members are between the ages of 18 and 38. If we add our student membership which represented approximately 13 percent of CalCPA membership as of March 31, we can assume that more than 50 percent of our current CalCPA membership ascribes to one of these two generations.

The millennial generation is unlike any generation in that it is the first truly digital, online generation. The oldest were born about the time online access to the internet began reaching the masses; the youngest when that access graduated to cell phones. They were shaped by 9/11. The median-aged millennial was 20 during the global financial crisis of 2007-08, meaning more than half of that generation entered a very difficult job market. Once there, they encountered a workplace being transformed by technology and the fourth industrial revolution, and eventually, a global pandemic.

This generation and the ones after it, are “digital natives,” meaning that technology is embedded in everything they do. They are the most adaptable to technological advances and are even on the cutting edge of ideas on how to use technology in their
work and personal lives. This generation’s ability to connect, convene and create disruption via their keyboards and smartphones has had, and will continue to have, a significant impact in our society. Attracting this generation to become CPAs requires the professions to be more innovative in nature by integrating advanced technologies into the work we do.

A large percentage of the Gen Z cohort is in high school, or starting to enter college, or has graduated college and entering the workforce. According to NPR, almost 59 percent of this cohort will pursue college and they are more likely than the generation before them to live with a college-educated parent, which means this cohort is on its way to becoming the best educated generation yet (“Generation Z Is The Most Racially And Ethnically Diverse Yet,” NPR, 2018).

The CPA Journal noted in its December 2019 publication that the accounting profession is in a unique position to capture Gen Zs as accounting and auditor jobs will experience a higher-than-average growth rate of 10 percent, or 139,900 jobs, from 2016 to 2026 (“How Can the Accounting Profession Attract a Diverse Generation Z?” The CPA Journal, 2020.).

Attracting this generation to major in accounting in college will require greater outreach to high schools and sharing the many benefits of a career as a CPA which, as we know, is a lifetime of opportunities across all businesses, industries and geographies providing high income potential and greater stability than many other professions.

The Face of the Profession
According to the Brookings Institution, millennials and their juniors (Gen Z and younger) in the U.S. are more racially diverse than the generations before them, with nearly half identifying as a racial or ethnic minority. A recent study by CalCPA and IMA predicts that by 2045, persons who identify as non-Hispanic white are projected to become the minority of the U.S. population (Diversifying U.S. Accounting Talent: A Critical Imperative to Achieve Transformational Outcomes, Institute of Management Accountants and CalCPA, 2021). The study goes on to point out that the accounting workforce and its leadership do not reflect the current demographic makeup of the population and highlights that the source of future professionals is the younger generation. Accordingly, the source of future accounting professionals and CPAs are students currently in high schools and colleges, as this population is not only the largest generation in our society, but also the most educated, tech-savvy and most diverse generation, which will ultimately change the demographic makeup of our profession.

I’m pleased to see and encouraged by the increased dialogue in our communities and workplaces on DE&I. No single act will help create the inclusiveness of all accountants that is essential to our profession, business and society at large. We have a unique opportunity with our 40,000-plus membership to make a difference.

There’s also an opportunity for CalCPA to collaborate with firms and other organizations to accelerate its DE&I initiatives and increase the CPA pipeline. Identifying organizations like Deloitte that are committed to making the accounting profession more diverse and equitable will also create synergies in pursuing our common goals (see Deloitte’s “MADE Commits $75 Million to Fuel Greater Racial Diversity in Tax and Accounting,” Press Release, Deloitte US).

We live in an incredible time and I believe the events of this past year have brought to the forefront the needs to become more active in growing our profession and CalCPA membership. This is a historical and pivotal period for CalCPA and our profession.

As a call to action to each of you, let’s take the opportunity to activate our membership and engage with the student population to evangelize the amazing career of being a CPA. We can, at the same time, elevate CalCPA as a crucial resource to students as they navigate their way through the pipeline and ultimately to a career in tax and accounting.

CalCPA also has the ability to activate its membership to foster diversity, equity and inclusion in future generations of accounting professionals and ensure those from all backgrounds thrive in this profession we care so deeply about.

Over the coming year, I will work with chapter leaders and other members to identify ways for you to get involved in your local area to move these initiatives forward so that together, we can create the profession of the future that will sustain the test of time. Please join me in this call to action to make an Impact That Matters to CalCPA and the accounting profession.

This is a HISTORICAL AND PIVOTAL period for CalCPA and our profession.

By Christie Simons, CPA
Continued from page 11

With student loans coming due later that summer, Simons took on some temp work as a secretary for a law firm for a couple of months before moving to the Bay Area for new opportunities.

“I ended up finding a job within two weeks,” she says. “It was amazing, and I quickly realized that Silicon Valley’s fast-growing technology companies formed an economy that was isolated from much of the rest of the country at the time. I found the Bay Area full of energy and very exciting.”

While Simons did not initially consider a career in accounting, she found that her skills and interest in emerging technologies were an excellent fit for her new job in the accounting department at a Bay Area tech startup.

“After three years the company ended up being acquired and I was looking for another job. I noticed many jobs asked for CPAs and I didn’t have my CPA license,” she says.

This point was driven home while she was interviewing for a job at Ask Computer, a big player in the then-emerging tech scene.

“The job was for a consolidations accountant, and it came down to one other person and me. I thought for sure I had the job, but they picked the other person because he had Big Four public accounting experience and a CPA license,” she says.

That is when Simons knew having a CPA license was a valuable asset. She started studying for the Uniform CPA Exam and knew she needed public accounting experience as well. It just so happened Deloitte was the audit firm of the start-up company where she was working. “So, I contacted the Deloitte engagement partner serving my employer and inquired of opportunities at Deloitte,” she says.

Long story short, she interviewed and started as a new hire at Deloitte & Touche LLP the following year, with the expectation that she would stay for two years, get her CPA license and then leave.

**Famous Last Words**

“After two years I found I was having a wonderful experience in public accounting,” she recalls. “I really enjoyed going to clients—meeting people, developing relationships and learning about the technology these companies were developing. I was amazed at how much I learned about a client’s business by being their financial statement auditor.”

Simons started with Deloitte in 1994, when there was a lot of growth and activity in Silicon Valley, and as a staff associate, she worked on a couple of engagements whose clients were undergoing IPOs, which she found to be a very fast-learning environment.

After two years, she decided to stay another year, and another year after that.

“I had my second child in 1998 and when I came back from maternity leave, Deloitte asked if I was interested in being promoted early to manager. I knew it would be a challenge with two children at home, but I also knew Deloitte was supportive of working mothers, so I chose to take the early promotion.”

Two years later Deloitte asked if Simons would be interested in being promoted to senior manager, which she also accepted, making her two years ahead of the usual promotion schedule.

**A ‘Y’ in the Road**

Simons started her public accounting career in the dot-com era and served a number of fast-growing tech companies with many doing mergers and acquisitions and IPOs. And then came the dot-com bust in 2000 and the aftermath of failed companies, along with our nation’s experience of 9/11. These events coaxed Simons to think about her career and whether she wanted to remain in public accounting.

The answer was right in front of her; Deloitte had acquired the Taiwan member firm of Arthur Andersen in 2002, which was a member firm with various tech clients. One of the audit leaders asked if she would be interested in moving to Taiwan to work with the engagement teams serving these technology companies and also help the local Deloitte member firm with the acquisition.

Simons was now married, with two kids, and owned an in-process fixer-upper house. But the adventurous side of her called and the dream of working internationally became a real opportunity. She said yes, and within two months, the family moved to Taiwan.

“I look back now and think how crazy it was, but it was one of the best decisions of my career,” she says. “I really enjoy taking on new challenges. While it was a big decision both personally and professionally, I had a gut feel that it would be a great opportunity for me and my family that might not present itself again.”

Simons was somewhat familiar with the culture and language of Taiwan, as she had completed a semester there while a junior in college, which brought her physically closer to China, where her interest lied. That experience also exposed her to learn a chosen
language, Mandarin, which was required for her international business major.

“It was a wonderful experience. The culture was a little bit of a shock factor for me and my family,” she says. “It was a member firm of approximately 2,200 professionals and I was the only white professional and had limited local language skills. It was pretty intense and reminded me of when I had been a new student in a new high school and sticking out like a sore thumb.”

Simons says it was another formative experience for her—learning how to operate in a very different culture; experiencing a different business environment; and learning how to communicate, influence and teach the local engagement teams effectively so as to implement Deloitte policies.

**A Passion for Technology**
The family was in Taiwan for more than three years, where Simons gained a copious amount of tech experience and says it’s where she obtained much of her semiconductor experience. She eventually moved back to the Bay Area, first landing in Deloitte’s Silicon Valley office and then moving to Deloitte’s San Francisco office to lead their emerging growth company practice.

“We were seeing technology companies start up in San Francisco and increased venture capital investments into new technology companies in the city,” she says. It was yet another adventure for Simons and an opportunity to be at the forefront of a new age of technology.

Simons remained in this arena until 2019, and in 2020 took on an internal role in succession planning to plan for the deployment of audit and assurance partners on Deloitte’s audit clients. It has been a very gratifying role, she says, and came at a time when Deloitte has been very intentional about equitable opportunities for female and ethnically and racially diverse professionals.

“Being in a role that can influence how our partners are deployed on our clients and other opportunities was a way for me to make an impact that matters, especially as we consider the importance of diversity, equity and inclusion at Deloitte.”

She’ll soon transition back to her passion for tech as the National audit industry leader for Technology, Media and Telecommunications, where she plans to identify opportunities to increase diversity, equity and inclusion in the practice.

**Making an Impact & CalCPA**
Getting to this point in her career has been quite the adventure for Simons, and through it all she has maintained a passion for volunteering and giving back.

“I find volunteering gratifying,” she says. “But spend time thinking about what impact you want to make with your skills and experiences. I am purposeful about where I want to spend my time. I have been asked to take on some roles where I didn’t feel I was contributing or didn’t fit with my values. It is very important to me to feel that the time I am contributing is making a difference.”

“Making an Impact that Matters” is a Deloitte principle that Simons strongly believes in. “It’s one thing to do your work well and serve your clients, but it’s another to make a difference in your community, to help someone grow and develop their skills.”

This attitude toward volunteering played into Simons’ decision to get involved with CalCPA when Deloitte asked her to join the board.

“I wanted a meaningful way to give back to a profession that has provided me with so many great opportunities and experiences,” she says. “As the largest state society of accountants in the U.S. serving more than 45,000 members, CalCPA’s direction and impact was really exciting to me. In thinking about how Deloitte can help grow the profession with CalCPA, having a board seat was a way for me to influence the direction of our profession.”

**Diversity & the Profession**
In her early years as an Audit & Assurance partner, Simons served as a leader for Deloitte’s Women’s Initiative in the Bay Area, and while she believes progress has been made related to women in the accounting profession, more can be done, she says, to provide women with experiences and roles where they can learn, develop, lead and be visible.

“Deloitte has been on this path before I started in 1994, which was in the early years of the women’s initiative. Our CEO believed that it was a business imperative to recruit and retain women and initiated programs to create more work-life balance for all professionals. While there is still more work to be done in this area, there has been progress where women now represent 28 percent of the partners, principals and managing directors at Deloitte, which was only 5 percent in 1991”


As the United States is facing an important time about race, diversity, equity and inclusion, a new dialogue is emerging that is far greater than the women’s initiative of the past. “A new dialogue can be the platform for change to improve diversity, equity and inclusion in our profession in California.”

In her role as CalCPA chair, Simons notes that she plans to encourage CalCPA members to participate in growing the next generation of accountants—and is fully aware of the challenges and opportunities ahead.

“Given the increasing integration of technology within our profession, the ongoing CPA Evolution initiative and a sincere focus on DE&I to recruit and retain top talent, the course we chart now will have long-term implications on the future of accounting,” she says. “This is an exciting time to be in practice, and I am honored to have earned the trust of my fellow CPAs to lead CalCPA as we continue the work of transforming our profession together.”

Contributing work done by Damien B.M. English, CalCPA's managing editor. You can reach him at damien.english@calcpa.org.

About Deloitte:
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (DTTL), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms. Copyright © 2021 Deloitte Development LLC. All rights reserved.
THE WAY CPAs GET PAID

CPACharge is specifically designed to help CPAs, enrolled agents, and accountants accept credit, debit, and eCheck payments from their clients.

As the ability to accept payments digitally becomes a critical piece of your practice, CPACharge provides the most proven solution for your firm. We are trusted by over 150,000 professionals and a vetted member benefit program through 30+ CPA societies.

Affordable and easy-to-use, CPACharge exceeds standards for internet security and PCI Level 1 compliance. In addition, there are no long-term contracts or setup fees to get started. Your firm benefits from simplified reporting and reconciliation created specifically for how financial professionals run their offices. CPACharge has the right features and functionality needed to help ensure your firm’s success.

CalCPA MEMBERS CAN VISIT:

cpacharge.com/sign-up
866-206-0624

CPACharge is a registered agent of Wells Fargo Bank, N.A., Concord, CA and Citizens Bank, N.A., Providence, RI.

Content is copyright protected and provided for personal use only - not for reproduction or retransmission. For reprints please contact the Publisher.
Think Again

The COVID-19 pandemic has caused many family business owners to consider gifting equity interests in their businesses due to the current low interest rates, the $11.58 million estate tax exemption and the somewhat depressed valuations for these businesses.

If the long-term growth prospects of a business remain favorable and if an owner’s estate value is close to the current exemption amount, a gift of equity in the business can provide an opportunity to transfer a significant amount of future appreciation at low gift tax valuations.

However, a key consideration is whether the business holds a Paycheck Protection Program (PPP) loan, which may limit or prevent an equity transfer or negatively affect the forgiveness of the PPP loan by the Small Business Administration. Many small-business owners either still hold these loans or have recently applied for one.

The SBA uses the following thresholds to determine if there has been an ownership change in the PPP borrower’s company (all transfers are considered from the date the borrower took out the PPP loan):

- At least 20 percent of the common stock or ownership is sold or transferred, including gifting, either in one or multiple transactions;
- Transfers of at least 50 percent of assets, measured at fair market value, either in one or multiple transactions, have occurred; and
- The business merges into or with another business.

When Is SBA or Lender Approval Required?
The SBA’s Notice 5000-20057, issued in October 2020, provides guidance about requesting approval for ownership changes of an entity that has received PPP funds.

The Notice does not specifically address gift transfers or trust distributions of an ownership interest, but discusses equity and asset sales, merger transactions and “other transfers.”

The procedures outlined in the Notice include the requirement for the PPP borrower to submit a written request to the SBA describing the details of the planned transfer, along with a statement of why PPP loan funds cannot be repaid prior to the equity transfer. Additional procedures include submitting details on the proposed transaction, disclosure of whether the transferee also holds a PPP loan and a list of any 20 percent owners of the transferee’s business.

Following the receipt of a written request, the SBA has 60 days to inform the applicant of its decision on whether to allow the equity or asset transfer. Given this waiting period, those considering an equity transfer that requires SBA approval may want to include a conditional clause into any transfer agreement to disclose SBA approval is required for the transfer to occur.

For aggregate equity transfers of less than 20 percent, there is no requirement to obtain SBA or lender approval. Also, if the PPP borrower has fully satisfied the loan requirements—either repaying the loan or completing the loan forgiveness process—prior to completing the equity transfer, prior approval is not required by the SBA or PPP lender.

For total transfers between 20 percent and 50 percent, the PPP lender must be given advance notice of the transaction, including copies of any proposed transfer agreements. The PPP lender can approve the equity transfer without obtaining SBA consent, but must notify the SBA of the transaction within five business days of the transaction’s closing, providing details of the ownership transfer.

For transfers of more than 50 percent in equity or assets, a PPP lender can approve the transfer without prior SBA consent if the PPP borrower has fully repaid the PPP loan or has completed the loan forgiveness process. Otherwise, the SBA must provide consent prior to the transaction.

Non-compliance with SBA Approval
Notice 5000-20057 does not specifically discuss the consequences of not meeting the SBA’s approval requirements. However, a likely outcome could be that the PPP loan proceeds would have to be repaid immediately or a request for loan forgiveness could be denied.

Advising Your Clients
When advising business owner clients planning to transfer a 20 percent or greater equity or asset ownership in these businesses, a key question is whether the business holds a PPP loan and if so, where the owner is in the SBA’s forgiveness process. If the PPP loan has not been repaid or if the forgiveness has not been finalized, the owner may want to consider delaying the equity transfer until then.

Christine S. LeGrand, CPA, MST is a senior tax consultant. You can reach her at legrandchristine@hotmail.com.
CalCPA Advertising and Sponsorship Opportunities

Get in front of more than 45,000 CPAs and finance professionals who are the brain trust behind the world’s fifth-largest economy. Let CalCPA help you create you a customized advertising package that includes:

- **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.org 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 thought leadership content to California’s leading accounting and finance professionals and decision-makers.
- **Sponsored Webcast:** Showcase your Products & Solutions to a Captive Audience. CalCPA offers sponsored one-hour webcast opportunities designed to help top companies reach California’s CPAs and finance professionals.
- **E-Newsletter Advertising:** Aimed at specific interest groups you’ll want to reach!
- **Virtual 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 with us with your targeted content.
- **CalCPA Knowledge Hub:** CalCPA’s new Knowledge Hub syndicates content to a highly-engaged audience who become the source of high-quality, intent-based, 100% exclusive leads.
- **CalCPA Custom Media Solutions:** From video vignettes to virtual roundtables and executive interviews, we’ll help you build a custom media platform to generate quality leads, increase revenue, and bring visibility to your brand story.
- **CPA Job Board:** The ultimate resource to find your next hire.

Email us at advertising@calcpa.org or visit calcpa.org/advertise for more information.

Content is copyright protected and provided for personal use only - not for reproduction or retransmission.

For reprints please contact the Publisher.
Taxing Decisions

Many clients are concerned about upcoming estate tax changes. Now is the time to use planning to avoid shrinkage in assets due to estate taxes. At the same time, there’s a desire to benefit grandchildren or children facing expensive higher education costs. Another desire is to control assets as long as possible. It’s a good time to talk about solutions to these problems.

Consider Sec. 529 Plans
Qualified Tuition Programs (known as Sec. 529 plans based on the IRC Sec.) have been around since 1997. The plans allow amounts to be put away for higher education, the funds grow tax-free within the fund and are not subject to income tax if they’re used for a qualifying purpose. For many years, funds had to be used only for higher education including books, equipment and lodging. In 2017 they were expanded to allow withdrawals of $10,000 per year for private school primary or secondary education.

The SECURE Act (passed in December 2019) took the plans a few steps further. Now they can be used for a qualified apprenticeship program, including fees, supplies, textbooks, equipment and required tools. The apprenticeship program must be registered and certified by the Department of Labor, which provides a search tool to determine whether an apprenticeship program is eligible.

SECURE also allowed $10,000 of the 529 funds to be used for the repayment of student loans—to be applied against principal and interest. The $10,000 is not an annual amount, it is only available to the beneficiary of the Sec. 529 plan and any siblings.

Establishing a 529 plan requires a gift to the beneficiary of the account (the 529 account has only one beneficiary), but there’s a benefit there. Each individual establishing a plan can use five years annual exclusions in one year to make the gift nontaxable. The current exclusion is $15,000 per donee so that $75,000 can be put into the plan in one year without dipping into the lifetime exemption amount of the taxpayer. For a couple, that’s $150,000 in the year the plan is established. The maximum amount that can be used to fund a plan is established by each plan but it’s at least $200,000 per beneficiary for all plans—generally more than $300,000. If a couple were to put $200,000 into a 529 plan for a granddaughter for example, they would each dip into their lifetime exemption for only $25,000. Reducing your estate without being hurt significantly by the gift or estate tax is a good deal.

But there’s more. The individual creating the fund can change the beneficiary to give them control over who will benefit. If one beneficiary decides not to go to college or join an apprenticeship program, the beneficiary can be changed to another relative. It’s also possible for the client starting the program to just take the funds back, although that would entail some income taxes. Because of the possibility of changing the beneficiary, the $10,000 per sibling for student loans could be used again and again.

Funds within the Sec. 529 plan are invested in a way similar to a retirement plan. The plan will likely invest them in a combination of mutual funds and ETFs. The donor can change plans once a year if they’re unhappy with investments or fees. Normally the funds are invested for growth when the beneficiary is younger and switched to more fixed income as the education need is near.

Potential downsides include that the existence of the 529 plan will have an effect on the income used for FAFSA forms if the student applies for financial aid. The estate tax downside is that if the donor passes away before the five years used for annual exclusions, $15,000 could be added to their estate for each of those years. The actual valuation of the fund is not an issue, just the amount of the annual exclusions.

Consider Paying or Prepaying Tuition
Higher education these days is very expensive. Some clients may not want to turn education funds over to the management of the 529 plan (or directly to the college-bound children themselves). The tax law allows the direct payment of tuition and other education costs as an exception to the imposition of gift tax.

The direct payment is the most important thing; reimbursement of education costs may reduce the donor’s estate, but it would require gift tax reporting. Many institutions will allow the prepayment of tuition for a few quarters, semesters or years. This would be a nonrefundable arrangement, but I’ve had
clients make “deathbed transfers” to universities for all of the presently enrolled grandchildren. The plan to pay or prepay tuition leaves the control with the grandparent or parent with a desire to reduce their estate. The downside is trying to treat all beneficiaries the same without a formal structure.

Use the Uniform Transfers to Minors Act
Transfers to these accounts are an irrevocable gift to the minor named. Any income is taxed to the minor during minority. As long as the donor isn’t named as the custodian, it will not be included in the donor’s estate. Since it’s an irrevocable gift, the beneficiary need not use the funds for education and could readily dissipate the entire account when majority is attained. At one time this was a popular choice, but that time has passed.

Rely on Roth
Contributions to Roth IRAs are fairly modest and require earned income, but creating Roth IRAs by retirement plan conversions is an estate planning strategy. The client will pay tax on the amounts transferred into the Roth, reducing their potential estate by the taxes paid and the assets transferred.

Funds within the Roth grow tax-free; any contributions or conversion values can be withdrawn without incurring income tax, but earnings are only tax-free once the client’s first Roth is five or more years old. Attaining age 59.5 is also required for those who start early. The education benefit would occur by naming grandchildren or children as Roth beneficiaries. The SECURE Act reduces the distribution period for a Roth beneficiary to 10 years in most cases. When the Roth is fully distributed, it contains tax-free income.

The downside is that naming an individual as a Roth beneficiary (just like with an UTMA) does not require that the funds be used for education. To ensure the funds are used as desired, the Roth owner could name a trust as the Roth beneficiary. The trustee of the trust would be required to distribute trust earnings only for approved purposes. Even though the Roth may terminate after 10 years, the trust would not. The Roth proceeds would be reinvested and generate future taxable income but the original owner would achieve the desired result.

Other Trusts
Naming a trust as an IRA beneficiary is not the only way a trust can be used for education purposes. The IRC [Sec. 2503(c)] provides for Minor’s Trusts that are often used for education. With this trust, funds are contributed to the trust and accumulated. The gift to the trust qualifies for the annual exclusion if all of the income is distributed annually once the beneficiary is no longer a minor. These trusts generally terminate when the child reaches age 25.

Another trust used for education that qualifies for the annual exclusion is defined in Sec. 2503(b). This type of trust allows no accumulation at all, so the income must be paid out annually but the principal remains intact for education purposes.

It is possible to name a trust as the successor to the owner of a 529 plan, but it may put a lot of pressure on the trustee. However, a trust can own a 529 plan and contribute to a 529 plan.

This article may help start a discussion with clients about reducing estate tax with education planning.

Mary Kay Foss is a faculty member of CalCPA Education Foundation and a member of the CalCPA Estate Planning Committee and Committee on Taxation. You can reach her at marykay@marykayfoss@cpa.com.

For more information about products and services catered to the CPA community, visit calcpa.org/members-exclusive/benefits.
IRS Notice 2021-39 [IRB 2021-27, July 6, 2021] announced transition relief for tax years beginning in 2021 regarding new Schedules K-2 and K-3 required for the following returns:

- Form 1065, U.S. Return of Partnership Income;
- Form 1120-S, U.S. Income Tax Return for S corps; and
- Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships.

Background
IRC Sec. 6031 generally requires a partnership to:

- File an annual return reporting its gross income and allowable deductions, plus any other information prescribed by forms and instructions to carry out IRC provisions; and
- Furnish to its partners statements containing each partner’s share of the partnership’s items of income, gain, loss, deductions or credit, plus any additional information required to apply particular IRC provisions to the partner concerning partnership items as prescribed by forms or accompanying instructions.

Sec. 6037 provides similar requirements for an S corp.
Sec. 6038 generally requires a U.S. person controlling a foreign partnership or holding at least a 10 percent interest in a foreign partnership controlled by U.S. persons holding at least 10 percent interests (a U.S. partner) to furnish information relating to the controlled foreign partnership (CFP), including information relating to the U.S. partner’s ownership interests in the partnership and allocation of partnership items to the partner.

A U.S. partner controlling a CFP also may need to provide information relating to another U.S. partner’s ownership interest in the partnership and allocation of partnership items to that partner.

Pursuant to secs. 6031, 6037 and 6038, the IRS has required, in forms and instructions, that partnerships, S corps or U.S. partners in CFPs report information of international tax relevance.

New Schedules K-2 and K-3
For tax years beginning in 2021, the following Form 1065 schedules are new:

- K-2: Partners’ Distributive Share Items—International; and
- K-3: Partner’s Share of Income, Deductions, Credits, etc.—International.

These schedules replace, supplement and clarify the reporting of certain amounts previously reported on the following Form 1065 schedules:

- K: Partners’ Distributive Share Items, Line 16, Foreign Transactions and Line 20c, Other Items and Amounts; and
- K-1, Part III: Partner’s Share of Current Year Income Deductions, Credits, and Other Items, Line 16, Foreign Transactions and Line 20, Other Information.

Also, for tax years beginning in 2021, similar Schedules K-2 and K-3 also are required for Forms 1120-S and 8865.

Penalties
Partnerships
Sec. 6698 imposes a partnership penalty for failure to show information required under Sec. 6031, including Schedules K-1, K-2 and K-3, absent reasonable cause.

S Corps
Sec. 6699 imposes a corporate penalty for failing to show information required under Sec. 6037, including Schedules K-1, K-2 and K-3, absent reasonable cause.

Information Returns
Sec. 6721 imposes a penalty for failing to include all required information or including incorrect information.

Payee Statements
Sec. 6722 imposes a partnership or S corp penalty for failing to include all required information on payee statements, including Schedules K-1 and K-3, or including incorrect information.

Sec. 6038 Information
Sec. 6038 generally imposes penalties on U.S. partners for failing to furnish information required by Sec. 6038, including Form 8865 and each Schedule K-1, K-2 and K-3—absent reasonable cause.

Transition Relief
Relief maybe available for tax years beginning in 2021, for Schedules K-2 and K-3 to Forms 1065, 1120-S and 8865. During this transition period, partnerships, S corps and U.S. partners required to file Forms 1065, 1120-S or 8865, respectively, (Schedules K-2/K-3 filers) will not be subject to the penalties described above for any incorrect or incomplete K-2 and K-3 reporting if the filer establishes to the IRS commissioner’s satisfaction that it made a good faith effort to comply with the Schedules K-2 and K-3 furnishing requirements, and the Schedule K-3 furnishing requirements, in accordance with the criteria set forth in Notice 2021-39, Sec. 3.
**Welcome Back?**

**Tech Tools & Strategies for Those Remaining Remote**

**Welcome back to** the office, everyone! OK, maybe I’m being facetious. It seems like for some the need to go back to the office is very high. But for a large majority there’s a dread hanging over the summer knowing that come fall, the expectation is commutes are back and being in the office full time is going to be standard.

Personally, I’ve decided going to the office full time will not happen anytime in the near future. I’m not going to say never, but not for now. Every firm is going to have to make those decisions themselves and those that decide to stick with remote are going to need to build systems that retain high-quality work together with a cohesive remote team.

As my firm moved toward a fully remote environment with no plans of returning to the office, I wanted to provide some of the non-accounting applications and technology that we will be using to ensure our cohesiveness.

**Phone System**

What is an accounting firm (or any office) without a phone system for our clients to call? Because we realize that our employees don’t have a ton of office space in their homes, we went with a full digital phone service: Grasshopper. The calls go through our office manager’s workstation, who is then able to easily route the call to any team member. This service can be used if you are in an office or not. Personally, I like its flexibility to meet our firm’s needs.

**Working Hours**

Maybe this is not tech focused, but it’s important in the work from home environment. We expect routines in our office and therefore, when we are not physically in the office, we retain similar routines. So, each member selects their normal business day and posts it on the firm’s shared calendar. If you ever want to see whether somebody is available, click over to the calendar and you have your answer. We hold our team accountable to those hours and expect minimal interruption to those hours. Having a cloud-based Google calendar that the entire team can see removes all the, “When will xxx be available?” questions.

**Recruiting**

Since we’re now fully virtual and our staff is not required to be local, we have stopped searching locally for talent and are on the search for people anywhere and everywhere in the country. I have found success with Flexjobs.com. I found that going to a place where like minds meet—I want somebody remote, and the person looking wants to be remote—is a better place to start than the traditional methods of the past.

**Relationship Development**

OK, I stuck this in the middle of the app list because I believe relationships are best developed in person. That being said, our office will be coming together quarterly (if the employees are local) to meet in person for a meal or a social activity. While some employees are not available locally, they will receive a delivered lunch and connect via video conference call to our team building.

**Supply Needs**

Remember when your office manager would order supplies for everyone and that would be that? Well, now supplies have to be shipped out to multiple locations. Just like my wife tells me, “Go buy it from Amazon,” that’s what we tell the staff. We have an Amazon for Business account that allows our office manager to easily approve purchases. In addition, Amazon knows our preferred supplies, so it makes it easy for the employee to find what they need and route the request to the office manager. Is there a delay in getting the supply? Yes, but if your team can’t identify supply issues ahead of time you have a bigger problem.

**Office Snacks**

What would we do without office snacks? To keep the office light and engaged we use snacknation.com. They can customize boxes for your employees and keep it within your budget. Just because we’re at home doesn’t mean that the office should not support our staff with healthy, simple snacks to keep them focused and engaged.

My team and I have learned a lot about ourselves, the business and our clients over the last year and a half. Understanding what’s most important to our clients and providing that service is of utmost importance. The last year has provided further clarity on how we can best provide that service. Our understanding is that the client doesn’t care where we work, they care most about the work being completed correctly and in a timely fashion. They care about our team being accessible. And as the management of our team, we care that our employees feel comfortable in their environment as that will propel us to meet our clients’ needs.

I wish you the best this fall and hope you and your firm can take some of the lessons you learned since March 2020 and continue with the “new” way of doing business.
guidance, and tax deadline pressures created confusion and stress for many PPP recipients and the CPAs that advise them.

CalCPA was able to shake out some state action related to PPP loans after meetings with key decision makers and advocating for clear guidance for CPAs and their clients.

While the final rules (AB 80) aren’t perfect and damage from delayed state action may take some time to clean up, CalCPA advocacy was able to facilitate some direction and clarity on an issue that has been a priority for many CalCPA members and their clients.

Following legislative action, CalCPA connected with the FTB to get additional guidance and direction on implementation of the new rules.

Licensing Flexibility
The California Board of Accountancy (CBA) is sponsoring AB 298 (Irwin), which makes two adjustments to the existing licensure process to provide increased flexibility and efficiency for applicants as they work toward their license.

The first change fast-tracks the process for a candidate to sit for the Uniform CPA Exam. The second updates the current ethics education requirements for licensure to add flexibility so a candidate can meet the requirements. CalCPA supports these small, but significant, changes.

The real advocacy success is CalCPA’s coordinated effort with the CBA and other stakeholders to shepherd this policy change through the legislative process. To date, this bill has been on “consent” and on the fast track through the legislative process, which is a rarity in the legislative process. This is the product of educating legislative staff of the proposed changes, how they impact the profession and how they maintain robust consumer protections.

PTE & SALT
As part of the state budget package, legislators included AB 150 to establish an elective pass-through entity (PTE) tax as part of a framework for California taxpayers to structure their state income tax compliance in a manner that provides some relief from the current federal limits on individual state and local tax (SALT) deductions. Not only does this tax change create a new opportunity for CPAs to assist eligible clients, but also, since most CPA firms are structured as a PTE, many CPA firms and their owners are likely to be able to take advantage of this tax strategy.

As the new PTE tax strategy was pieced together, CalCPA worked with key decision makers to make sure the final product was workable and effective. The technical input helped shape the final product and gave CalCPA members a unique understanding of the mechanics of a complex new tax strategy.

School Audits
Early in the legislative process, CalCPA engaged AB 1316, which would have placed additional regulatory burdens on CPAs who provide audit services to schools. The policy sought to increase financial oversight and audit requirements for local education agencies, namely charter schools, after some recent high-profile instances of fraud. As part of the response, additional CPE and peer review requirements would have been placed on CPAs that serve this industry.

CalCPA worked with stakeholders to explain how the additional requirements were inconsistent with the licensing framework and were unlikely to achieve the desired outcome. This helped pause the legislation and allowed CalCPA to be part of a discussion on how we can help implement a solution that increased oversight and auditing of California schools without placing added burdens on the profession.

Keeping the Momentum Going
These positive results are the product of hard work of CalCPA members engaging in the advocacy process. To keep the momentum going, we will continue to stay connected with decision makers in Sacramento and encourage CalCPA members to be part of the process.

Jason Fox is CalCPA’s vice president of government relations. You can reach him at jason.fox@calcpa.org.
CalCPA Offers live and virtual courses, discussions, networking sessions and more, all around the state. Take advantage of events in your own chapter, or consider attending an event in a neighboring chapter. Where will you be seen?

**FEATURED EVENTS**

**Aug. 18** (4–7 p.m.)
**In Person**
Channel Counties Chapter
**Channel Counties ABC Mixer**
Join us for our annual ABC (Attorneys, Bankers & CPAs) Mixer at the Santa Barbara Zoo! Network with local professionals, introduce your co-workers to your peers and colleagues, and meet new ones along the way. Registrants will receive early access to the Zoo before the event begins. This event has been a sell-out in the past, so don’t miss it!

calcpa.org/CHCABC

**Aug. 19** (Noon–1 p.m.)
**Virtual**
San Joaquin Chapter
**San Joaquin Discussion Forum: California Residency Issues—Navigating FTB Audits**
This panel will discuss California tax residency rules, and how they are applied in Franchise Tax Board audits and administrative protests. The panel will also address recent Office of Tax Appeals opinions, and how to resolve residency cases administratively.

calcpa.org/residencySQ

Keep checking calcpa.org/chapterevents for all of our chapter events.
Connecting Top Employers with Premier Accounting Professionals.

CPAJOBS.CALCPA.ORG

EMPLOYERS:
Target Candidates with Ease

- **PLACE** your job in front of CalCPA’s highly qualified members and opportunity seekers.
- **SEARCH** our resume database of qualified candidates.
- **MANAGE** jobs and applicant activity right on our site.
- **LIMIT** applicants only to those who are qualified.
- **FILL** your jobs more quickly with great talent.

PROFESSIONALS:
Take Your Career to the Next Level

- **LEVERAGE** social connections by posting your resume or anonymous career profile that leads employers to you.
- **SEARCH** and apply to accounting jobs on the spot by using robust filters.
- **SET UP** efficient job alerts to deliver the latest jobs right to your inbox.
- **SEEK** expert advice on career topics.
- **GAIN** insights and detailed data within the accounting profession including salary, job outlook videos, education, and more!

For more information on recruitment options, contact Customer Service at clientserv@communitybrands.com or (727) 497-6565.

Content is copyright protected and provided for personal use only - not for reproduction or retransmission. For reprints please contact the Publisher.