How CPA Skills Help SpaceX Reach the Stars

Bret Johnsen
CFO & President of Strategic Acquisitions Group SpaceX

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CALCPAHub.org
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Get Set Up for Success During Tax Season

With the COVID-19 pandemic impacting the 2021 tax season — forms, filing, new legislation — make sure you have the resources and tools to make the process as smooth as possible.

- **AccountantHQ**: Manage client payroll and HR data from a single dashboard, plus access PPP reports to help with loan forgiveness applications. [payx.me/calcpa-ahq]
- **Accountant Knowledge Center**: Find up-to-date resources and tax information, the online 2021 U.S. Master Tax Guide®, and financial calculators. [payx.me/calcpa-akc]
- **Tax Facts**: Provide 2020 and 2021 federal and state-specific payroll and retirement tax rate information to clients with our free, customizable digital tool. [payx.me/calcpa-tax-facts]

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Paychex is proud to be the preferred provider of payroll, retirement, and HR services for the California Society of CPAs members.
As you may know, my role as president and CEO of CalCPA concludes later this month. Transitions are an excellent opportunity for reflection and growth—and as I look back on my years of service at CalCPA, I feel a tremendous amount of gratitude and pride. Gratitude for the opportunity to work with such a dedicated and resilient team of staff and volunteer leadership, and pride for what we’ve been able to accomplish together amidst unprecedented change.

At CalCPA we are driven by our mission of promoting the value and integrity of the CPA profession, while contributing to the individual success of our members. My role as president and CEO has been to ensure CalCPA’s mission is put into action for the betterment of CPAs across our state and beyond. And because we live in a dynamic world with an increasingly faster rate of change, the work is never complete. Needs change, challenges arise, and new opportunities abound to adapt, respond, and lead.

As a member-focused organization, so much of what we’ve been able to accomplish together recently has resulted from investing in people through meaningful relationships throughout the CalCPA community. State committee processes have been streamlined and we’ve worked to enhance communication and collaboration among state committees, chapters and their talented leadership. CalCPA’s Board of Directors and Board of Trustees are working together more collaboratively than ever for the benefit of the membership as a whole. CalCPA’s new Diversity, Equity and Inclusion initiative is the first of its kind within our organization, part of a considerable effort to ensure our profession will recruit and retain talent that reflects and respects the rich diversity of the organizations and communities where we work and live.

CalCPA’s organizational structure has also been streamlined with a focus on service, efficiency and value. Voting membership has expanded to include industry professionals who previously held a CPA license, and life member status was remodeled to promote affordability for qualifying members, while also ensuring sound financial best practices within the organization. CalCPA’s digital transformation is making considerable progress with the implementation of Salesforce and Intacct, which will allow us to deliver significantly improved member value, including our Connect platform. In the coming months, the focus will turn to updating CalCPA’s website for a much more intuitive and user-friendly experience.

Despite the challenges presented by a worldwide pandemic, we achieved our goal of stabilizing revenues for the Education Foundation due to re-engineering all of our products into a comprehensive learning portfolio based on member input. The exciting CPA Evolution project is well underway, reflecting a fundamental change to the CPA Exam that incorporates the pervasive way technology is changing our profession and will prepare future practitioners for an increasingly prominent role as their clients’ and employers’ most trusted business advisers.

Indeed, the state of CalCPA is stronger than ever, better positioned to adapt to change as it inevitably comes. I am especially proud of our team’s ability to respond quickly to the pandemic by shifting and expanding our service models to meet members’ needs within a virtual business environment. As a result, we were able to expand opportunities for collaboration between members, mentors and employers within the accounting profession. And we were able to retain all of CalCPA’s talented staff, while at the same time ensuring that the organization remains financially sound.

We live in such an exciting time for our organization and our profession—and CalCPA is well-positioned for continued growth and success in the years to come.

Thank you for your confidence and trust as we’ve journeyed this path together. It has truly been a privilege serving you, and I look forward to the continued success of CalCPA and our members in the years to come.
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"As the use of Blockchain increases, it’s likely that more service organizations will decide to use Blockchain. Auditors hired to perform their SOC engagements need a deeper understanding of the technology and the risks it presents to the service organization and those who use their services.”

—Amy Pawlicki, AICPA Vice President, Assurance and Advisory Innovation

Top of the Class

Which schools did best when it came to first-time Uniform CPA Examination pass rates? A survey found:

1. **University of Texas at Austin**
   (358 candidates, 89.5 percent pass rate)

2. **Brigham Young University**
   (273 candidates, 89.4 percent pass rate)

3. **Wake Forest University**
   (82 candidates, 88.8 percent pass rate)

4. **Boston College**
   (129 candidates, 88.3 percent pass rate)

5. **University of Michigan**
   (77 candidates, 88.2 percent pass rate)

—National Association of State Boards of Accountancy

the numbers

$737M
The amount of whistleblower payments made by the SEC since 2012.
—SEC

5.2M
The number of loans issued to small businesses under the Paycheck Protection Program.
—U.S. Treasury

$777.5M
Proposed amount in the 2021-22 California budget for the California Jobs Initiative to provide incentives at accelerating investment and job creation.
—State of California

70%
The number of workers who say they work over the weekend since transitioning to remote set ups.
—Robert Half
Business Owners Package and Workers' Compensation

Problem 1: A client stops by your office to drop off some forms. She trips over a box left in a hallway by a staff member who was moving offices and breaks her wrist. She sues your firm for medical expenses, loss of income, pain and suffering.

Problem 2: An office building fire damages your furniture, fixtures and equipment. Valuable papers and records are destroyed. Your business, cash flow and revenues come to a halt, and you must rent temporary space to continue operations.

Solution for Problems 1 & 2: The Business Owners Package (BOP) combines General Liability and Business Property coverage into one policy. BOP provides protection against lawsuits and losses resulting from broken equipment, fire and theft. It also protects you in the event your business is held liable for personal injury or property damage.

Problem 3: A staff member throws his back out while bending over a file drawer and opts for back surgery.

Solution for Problem 3: In California if employees are injured because of work, employers are required to pay for workers' compensation benefits (dir.ca.gov/dwc). As a business owner, you want a properly managed workers' compensation program that provides benefits to employees and insures that your bottom line is not adversely affected by employee injuries.

For more, visit camico.com.

SERVICE AWARDS NOMINATIONS

Recognize an outstanding member or firm for a CalCPA Service Award, which include:

- **Public Service Award (individual):** Given to a CPA who has been especially active in service to the profession and community.
- **Public Service Award (firms):** Recognizes firms for their public service contributions on the local, state or national level.
- **Distinguished Service Award:** Granted either on the basis of long and distinguished service or for some singular act resulting in extraordinary contribution to the profession, CalCPA and the community.

The AICPA also recognizes our winners, who automatically become eligible for the AICPA Public Service Award. Find nomination forms at calcpa.org/leadership/calcpa-service-awards. The nomination deadline is May 31.

FTB news

New Form: 1099-NEC, Nonemployee Compensation

Beginning in tax year 2020, payers must complete the new Form 1099-NEC, Nonemployee Compensation, to report any payment of $600 or more to a payee if the following conditions are met:

- You made the payment to someone who is not your employee.
- You made the payment, for services or fish purchases for cash, in the course of your trade or business (including government agencies and nonprofit organizations).
- You made the payment to an individual, partnership, estate or, in some cases, a corporation.

A paper or electronic copy of the form 1099-NEC must be filed with FTB directly, even if you filed it with the IRS. For 2020, the due date is March 31 for electronic submissions. Find more info at ftb.ca.gov/about-ftb/newsroom/tax-news/january-2021/new-form-1099-nec-nonemployee-compensation.html.
The CalCPA Nominations Committee has submitted the following proposed nomination slate:

CalCPA Board of Directors, CalCPA Council At-Large and AICPA Council Officers nominated to a one-year term (2021-22)

**Chair:** Christie Simons (San Francisco Chapter)
**First Vice Chair:** Tayiika M. Dennis (Los Angeles Chapter)
**Secretary/Treasurer:** Meredith A. Johnson (San Francisco Chapter)
**Past President:** Jolene N. Fraser (Sacramento Chapter)

Vice Chairs nominated to a two-year term (2021-23)

Jillian N. Phan (Los Angeles Chapter)
Mike A. Ray (San Francisco Chapter)

Council members at large nominated to a two-year term (2021-23)

Danielle Fontaine (Silicon Valley/San Jose Chapter)
Shannon K. Nash (Peninsula Silicon Valley Chapter)
TBA: Chair Recommended Appointment to Council for Approval

AICPA Council Members nominated to a three-year term (2022-25)

Tayiika M. Dennis (Los Angeles Chapter)
Laura L. Ross (San Francisco Chapter)
Lewis E. Sharpstone (Los Angeles Chapter)
Charlotte D. Wall (San Francisco Chapter)

The CalCPA Education Foundation Nominations Committee has submitted the following proposed nomination slate.

CalCPA Education Foundation Board of Trustees

Officers nominated to a one-year term (2021-22)

**President:** Scott D. Hoppe (San Francisco Chapter)
**First Vice President:** Adam Blitz (Fresno Chapter)
**Treasurer:** Andrea G. Cope (San Francisco Chapter)
**Vice President:** Charlotte D. Wall (San Francisco Chapter)
**Past President:** Chrislynn Freed (Los Angeles Chapter)

Trustees nominated to a two-year term (2021-23)

Katie Bunker (Out of State Member)
Kathy A. Johnson (Inland Empire Chapter)
Kristie Ledbetter (Silicon Valley/San Jose Chapter)
TBA: President Recommended Appointment with Trustee Approval
TBA: President Recommended Appointment with Trustee Approval

Continuing Trustees, second year of a two-year term (2020-22)

Violeta D. Cristobal (Los Angeles Chapter)
Ruben Davila (Los Angeles Chapter)
Scott Donnelly (Inland Empire Chapter)
Megan Thompson (Silicon Valley San Jose Chapter)

CalCPA Representative, a one-year term (2021-22)

Trustee by Designation: CalCPA Chair Christie Simons
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Deferred Payroll Taxes
Pursuant to an Aug. 8, 2020, memo issued by former President Trump, employers were allowed to defer their employee’s share of payroll taxes from Sept. 1 through Dec. 31, 2020, with ratable repayments from Jan. 1 through April 30.

The CAA extends the payback period to Dec. 31. Penalties, additions to tax and interest will start to accrue on these deferred taxes on Jan. 1, 2022,

Extenders
The CAA extends 34 taxpayer-favorable IRC provisions for individuals and businesses. These provisions, commonly called “extenders,” generally are extended every year or two years for one or two years; most were due to expire at the end of 2020.

However, unlike previous years, these new extensions are not uniform; some are extended only to 2021, others to 2025, and some are made permanent.

—By Stuart R. Josephs, CPA
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  14.5% on your auto policy²
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¹ Savings info based on 2020 CA Dept. of Insurance rate comparison 255B. Individual savings may vary. ² Discounts subject to qualification requirements. ³ Repairs guaranteed for as long as you own your vehicle when repairs are completed at a Mercury authorized direct repair facility.

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Bret Johnsen Uses His CPA Skills to Help SpaceX Reach the Stars
Taking Flight

Finding out CalCPA had a member serving as CFO to one of the hottest and most-talked about companies, SpaceX, was an opportunity we couldn’t pass up. We took the opportunity to talk to Johnsen about his career in high-tech industries, how being a CPA has served him over the years, what Elon Musk is like and what we can expect next from a privatized space industry.

I still lean on a number of areas that I learned through my CPA training and background on a regular basis as a CFO.

When did accounting become a part of your life?

Why did you decide to become a CPA?

I started off as a business major in college, but switched to accounting after taking my first accounting course. I was attracted to the strong job prospects that accounting majors garnered and felt that accounting represented the fundamental language of business that would benefit me the rest of my career.

Becoming a CPA was a natural progression for me as an accounting major in undergrad at USC. I remember being impressed by the quality of the industry representatives I met at the big “meet the firms” events, and I quickly decided to further pursue my accounting professional life in public accounting at one of the, at the time, big six firms.

Which route through the education/accounting profession pipeline did you take?

I went straight from undergrad into public accounting and was an auditor at Coopers and Lybrand where I was able to get my hours and pass the Uniform CPA Examination. I became a certified public accountant in California a few years after I started working.

How has the CPA license prepared you for the CFO role at SpaceX?

The knowledge I gained as an accounting major and as a CPA has been critical to me throughout my career and is definitely an expertise I utilize on a regular basis as a CFO.

Are there core professional areas you are now using in the wheelhouse of the CPA license that relate to your CFO role at SpaceX?

I still lean on a number of areas that I learned through my CPA training and background on a regular basis as a CFO. Whether it’s a technical accounting discussion with my financial reporting team and auditors, or a cost accounting review with my operational team, it’s a topic that is important to my daily activities.

How did your career arc so that your path landed at SpaceX?

I feel very blessed to have had the opportunity to be a part of three of the most successful stories in the Southern California technology industry over the last few decades at Qualcomm, Broadcom and SpaceX; and all of them at the time while they were still led by their founders.

Once I decided to leave public accounting, I quickly gravitated toward the high-tech industry, as I enjoyed the fast-paced, intense culture that it brought. I spent much of my career in semiconductors and software before coming to SpaceX.

I was a public company CFO for a local semiconductor company when I received a call from a board member at SpaceX who talked me into visiting the rocket factory for an interview. I was thoroughly impressed by the technology and the team, and I quickly understood that SpaceX is a technology company that happens to be in aerospace. It felt like a natural fit and an opportunity I couldn’t pass up.

What don’t most people understand about the privatized space industry?

The privatization of space and the space industry is in the early stages and I believe will continue to be a very exciting industry and area of growth well beyond my lifetime. The space industry is like many other industries in that there are many players, but I think what people don’t understand is how closely U.S. space companies work with NASA, which is actually one of SpaceX’s biggest customers. This year we launched NASA astronauts to the International Space Station twice!

It’s been said SpaceX’s ventures develop a space economy that can have a profound impact on our economy (space tourism, high-tech jobs, material development, research, national security). What do you think that financial impact encompasses?

The financial impact in the local community and in the economy at large of space jobs and space activities is significant. It’s much more than just the jobs created by the company itself, but also the significant amount of ancillary benefit to the surrounding area derived through our customers, contract manufacturers and suppliers. It’s critical to maintain a leadership position in a vital, growing industry like space that has such an impact on our daily lives through a number of different aspects. People often forget the large number of touch points that space has with our daily lives through applications in internet connectivity, broadcast TV, GPS location services or imagery. The future also looks even brighter with significant impacts still to come in areas such as space tourism and space exploration.

SpaceX has a niche market model, with a specialized customer segment (public and private organizations that want to transport items to space). What’s your next, big market segment?

SpaceX is not only the No. 1 market share leader in the world in launch services for customers ranging from the U.S. government to the leading commercial satellite operators in the world, but also we’re now moving into an even larger market...
for satellite broadband communications with our Starlink business. Starlink enables us to help bridge the “digital divide” by delivering high-speed, low-latency broadband connectivity to customers all over the world through a constellation of low Earth orbit satellites. It has really expanded the mission of the company. SpaceX has always been a very mission-driven company with the goal of making mankind interplanetary. Now, Starlink has given us the opportunity to enhance that mission further right here on Earth, by enabling us to bring the three billion people on the planet that don’t have internet connectivity today into the digital age.

Reusable rockets aside, you must be a capex-intensive business. How much does SpaceX spend on insuring cargo for these expensive, time intensive, one-off events?

SpaceX is a very capital-intensive business. Reliability is always our first focus. Significant amounts of our capital expenditures each year are deployed in ways that maintain our product reliability and enhance our product offering.

In your opinion, does market regulation inhibit innovation?

I think there’s always a balance between regulation and innovation. It’s critical to maintain the right balance.

It’s no secret doing business in California is not cheap. Does California need to do more to encourage the development and success of scientific and technology companies?

I think it’s important for California to maintain its leadership position in innovation in many industries including technology and space.

What’s it like to work with Elon Musk? What were you first impressions of him before deciding to work there?

When I came in to meet Elon and the SpaceX team, I was so impressed that I remember calling my wife on the drive back home that night (we were living in San Diego at the time) and telling her that we were moving back to L.A. because I was sold on the opportunity and the team that Elon had assembled at SpaceX.

Working with Elon has been such an incredible opportunity for me. He definitely always keeps me on my toes, but I really enjoy the challenge. It’s rewarding to be a part of a mission you feel passionate about. Elon has done an incredible job of not only laying out the vision for the company, but also establishing a mission-driven culture that focuses on constant improvement and innovation. That really allows me to focus my attention on driving our execution and operational efficiencies.

What advice do you have for a newly minted CPA, or a student considering becoming a CPA? Why should they consider an accounting career and pursuing a CPA license?

I think going into accounting is a fantastic place to start, even if you’re just not sure where your career will end up in the longer term. You learn a ton at a very quick pace and get exposure to a lot of different companies by going into public accounting specifically, and earning your CPA.

That was certainly a great place for me to get exposure to different industries, unique experiences and different management teams at a young age. I really appreciate and look back fondly on those first few years of my career.

Any guidance for those who might be thinking of entering industry rather than the traditional tax or audit route?

I think going directly into industry is also a great path, which really wasn’t clear to me back when I graduated as an undergrad accounting major. It felt like the obvious path was to go straight into public accounting, audit or tax. I do think if you get the opportunity to go straight into a dynamic, growing company as your first stop, as long as you feel like you’re working with a team you can learn from and hone your skills, that certainly is another great path to start your career.

What are your biggest lessons learned during your accounting career?

I would say my public accounting career taught me very quickly that strong business communications skills were essential for success in my future endeavors. I appreciated the training and coaching I received in those early years, and even remember one of my managers joining me in the local Toastmasters group to work together on our public speaking skills.

Favorite space movie or book?

In my generation and certainly at SpaceX, there’s either the “Star Wars” camp or the “Star Trek” camp. I was always more of a “Star Wars” kid, myself.

Any interest in going up in space?

Absolutely! I think that’s the new frontier and I’m looking forward to the opportunity to go to space. I don’t know that I need to go to Mars, as that is a little too long of a trip for me, but I am excited about going into space. 😊
3 ... 2 ... 1 ...

LIFT OFF

CalCPA is Launching a New Member Type

We’re always exploring new frontiers to grow membership and strengthen our voice to help our members and the profession soar higher. With that, we’re excited to welcome a new Business Professional membership type to the mothership.

These new members are not alien. We work with them every day. In fact, if you have a friend or colleague that’s a California resident and once held a CPA license (from anywhere in the United States) that was not suspended, surrendered or revoked in connection with disciplinary reason—welcome them aboard. Tell them how CalCPA is out of this universe. And encourage them to join.

CALCPA.ORG/JOIN

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Diversity, equity and inclusion (DE&I) continue to rise in importance across society and business, including within the accounting profession. The greater social consciousness has expanded to understand that DE&I has real value and importance, and that each of us have the opportunity to ensure that we don’t just talk about it, but that we actually do something to drive positive change.

There have been decades of talk around DE&I and significant efforts pushing legacy solutions that don’t seem to have made much progress, as a recent joint research paper from CalCPA and the Institute of Management Accountants (IMA) illustrates.

Select findings from “Diversifying U.S. Accounting Talent: A Critical Imperative to Achieve Transformational Outcomes” are presented here and the full report is available at imanet.org/diversifying-accounting-talent.

The report finds a significant diversity gap exists between senior leaders and the broader accounting profession. Of 10 leaders in accounting, nine are white, eight are male and a small number openly identify as LGBTQIA. After decades of talking about DE&I practices and solutions such as scholarship programs, these stats have not changed much among those who lead us.

A lack of diverse role models and sponsors in senior positions, poor DE&I practices and a lack of a supportive DE&I cultures are among the reasons why underrepresented groups are leaving their employers or the profession altogether. Lack of diverse role models at leadership levels also negatively impacts the ability to attract underrepresented students into the accounting pipeline. And it also undermines the ability of organizations to retain diverse accountants to groom them for senior positions.

This presents an opportunity for our profession to make a real difference—the time for change is now. The CalCPA Diversity Equity and Inclusion Commission (CDEIC) was recently formed as a means to do something, not just say something, so that we can be part of this change, part of something bigger than us, bigger than California, to improve DE&I across the profession and around the world. We like to think big!

As the saying goes, there’s strength in numbers. We believe there’s also strength in diversity of ideas, experiences and perspectives—the mix. There’s strength in a safe, inclusive environment on which those ideas can be shared and collaborated—how well the mix works together. There’s strength in ensuring everyone has equitable access to the sharing and collaboration—belonging to the mix.

So what does this mean? We’re calling on you to be part of the mix and work with us on real solutions that improve DE&I across the profession. In the coming months, the CDEIC will add a recurring column to this magazine that will focus on the doing, the actions of you and others in our inclusive community to affect change. If you know about efforts that are making real progress to close the diversity gap, to improve DE&I for a long-term sustainable profession, we’re all ears! Send us the details to inclusion@calcpa.org. We’ll keep the light on for ya!

Kathy Johnson, CPA, CGMA
Chair, CalCPA Diversity, Equity and Inclusion Commission

Key Focus Areas for DE&I Action

- **Raise Awareness** by identifying and mitigating unconscious bias so people of all backgrounds are recognized and valued
- **Attract Diverse Talent** by promoting the profession as a desirable career path for people regardless of gender, ethnicity, race or LGBTQIA identification
- **Drive Career Choices** by taking specific steps to ensure that people of diverse backgrounds have equitable access to the factors that enable career advancement
- **Increase Accountability for Progress** by defining, transparently reporting, and linking performance to DE&I metrics
Only half of the respondents of all backgrounds view the profession as equitable or inclusive, and an even smaller proportion of demographically diverse respondents share this view.

<table>
<thead>
<tr>
<th>Nonwhite, Hispanic, or Latino Respondents</th>
<th>Female Respondents</th>
<th>LGBTQIA Respondents</th>
</tr>
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<tbody>
<tr>
<td>A lack of equitable treatment</td>
<td>49%</td>
<td>43%</td>
</tr>
<tr>
<td>A lack of inclusion</td>
<td>38%</td>
<td>30%</td>
</tr>
<tr>
<td>A lack of diversity</td>
<td>28%</td>
<td>18%</td>
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### Key Statistics: U.S. Population, Accounting Workforce & Accounting Leadership

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<tbody>
<tr>
<td>Females</td>
<td>50.8%</td>
<td>61.7%</td>
<td>13.9%</td>
<td>23%</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td>18.5%</td>
<td>8.9%</td>
<td>1.6%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>13.4%</td>
<td>8.5%</td>
<td>1.4%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Asian</td>
<td>5.9%</td>
<td>12.0%</td>
<td>4.9%</td>
<td>4.0%</td>
</tr>
<tr>
<td>American Indian and Alaska Native, alone</td>
<td>1.3%</td>
<td>Data not available</td>
<td>Data not available</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Of the nearly 3,200 survey respondents and interviewees, 47% identified as female, 68% identified

### Defining Diversity, Equity and Inclusion

**DIVERSITY:** Any dimension that can be used to differentiate groups and people from one another. These dimensions, such as age, ethnicity and gender can be visible or tangible; or they may be invisible or intangible, such as thoughts, perspective, experiences, belief systems, faith, culture, sexual orientation.

**EQUITY:** The promotion of justice, impartiality and fairness within the procedures, processes and distribution of resources.

**INCLUSION:** A state of being valued, respected and supported.
Respondents Who View the Profession as Inclusive or Equitable

<table>
<thead>
<tr>
<th></th>
<th>I believe the profession is equitable</th>
<th>I believe the profession is inclusive</th>
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CalCPA DE&I Commission Roster

- Rachelle Castro (BFBA, LLP)
- Heather Collins (CalCPA Staff Liaison)
- Kristen Contreras (LevelUp Financial Partners)
- Kim Drumbo (Anthem, Inc.)
- Abimbola Famuyiwa (Abimbola A. Famuyiwa, CPA)
- Osvaldo Gutierrez (Price, Paige & Company)
- Kamari Hooks (Grad. Student at California Baptist University)
- Kathy Johnson (J.S. Held LLC)
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- Cheryl Smith (CalCPA)
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A Helping Hand

The Forensic Accountant’s Role in Bankruptcy & Distressed Situations

The COVID-19 pandemic has caused an unprecedented disruption to the global economy, negatively impacting a large number of industries, and changing the way that companies operate—perhaps forever.

As a result, revenues collapsed, operations were suspended and access to capital disappeared. Nearly 22,000 companies filed for bankruptcy protection in 2020, and the U.S. courts expect a rise in business bankruptcies over the next two to three years. And while certain industries that were better prepared for the pandemic succeeded (e.g., e-commerce, technology, data security), other industries (e.g., hospitality, retail, restaurants) hemorrhaged from the sudden shock to their business models.

In 2021, we welcomed vaccines, which have created hope that the economy will demonstrate meaningful recovery—to varying degrees, of course—by year-end. Over the next 12 to 24 months, corporate stakeholders such as lenders, creditors and investors that were negatively affected by COVID-19 will question the extent to which their investments were impacted and whether they can protect their interests moving forward. Answering such questions will undoubtedly require the skills and tools offered by forensic accountants.

The forensic accounting skills needed in a distressed situation require a deep understanding of accounting and financial concepts, a strong grasp of the bankruptcy code, experience in addressing fast-changing and complicated problems, and the ability to effectively explain and communicate complex issues. What follows are some areas where forensic accountants may be called upon to assist with in the coming months.

Evaluating Cash Sources & Uses

Stakeholders often will retain a forensic accountant to investigate and analyze a distressed company’s cash uses—before, during and after bankruptcy proceedings. Investors, lenders and creditors alike will want comfort that the equity committed, loans funded and credit extended were used for reasonable and bona fide purposes. Accordingly, stakeholders may retain forensic accountants to assess financial projections, cash flow projections, bank statement activity and other cash-centric information. Having a full grasp of the company’s cash position (which may or may not directly correlate with financial reporting) is key for stakeholders to understand and assess options available during workout and insolvency proceedings.

Assessing Compliance with Financing Agreements

Loan agreements often include a variety of covenants that require a company to use loan proceeds for specific purposes (e.g., to fund a capital project, support ongoing operations, or to provide short-term working capital, etc.). Moreover, many debt instruments require that a debtor complete a borrowing base certificate (BBC) that will assist the lender in quickly assessing the borrower’s compliance in meeting certain financial and operational metrics. When a debtor is unable to repay amounts owed, a lender will often request a forensic accountant to investigate whether loan proceeds were used for legitimate company purposes, as permitted by the covenants included in the debt agreements, and that interim financial reports (through the BBC) were reasonable and accurate.

Investigating Insider & Pre-bankruptcy Transactions

As a company is experiencing financial distress, executives (who are often also equity holders) may attempt to divert corporate assets to related parties (individuals or entities). In such situations, the bankruptcy estate will seek to “claw back” any improperly diverted assets, and any recoveries will be used to:

• Pay for the ongoing administration of the company; or
• Pay creditors’ claims.

To identify and recover monies that were improperly siphoned from the estate, a bankruptcy trustee or receiver will often elect to retain a forensic accountant to conduct an asset tracing of cash transfers that occurred prior to the bankruptcy filing.

Assisting with Bankruptcy-related Litigation

As mentioned above, a bankruptcy estate will attempt to claw back improperly divested assets that otherwise should have been maintained by the company. Corporate recoveries are most frequently conducted through the commencement of avoidance proceedings...
actions where the bankruptcy estate asserts claims of preferential transfers and fraudulent conveyances.

A preferential transfer is a disbursement made by the company within the 90 days leading up to the bankruptcy (with certain qualifications and defining elements). A bankruptcy estate will seek to claw back disbursements made during this period so that all creditors can be treated equally. In other words, no creditor will receive preference over another.

A fraudulent conveyance is the disbursement of corporate assets within the two years preceding the bankruptcy, where the debtor was insolvent (or deemed to be insolvent), and where:

- The transaction intended to harm or defraud other creditors; or
- The debtor did not receive reasonably equivalent value for the transaction.

As a primary objective of a bankruptcy trustee or receiver is to maximize recoveries for the benefit of creditors (e.g., by commencing avoidance actions), the forensic accountant can assist by analyzing the facts and underlying transactions that form the basis for such claims and the defenses that a defendant might have in such proceedings. For a preferential transfer, a transferee can assert new value and ordinary course defenses. And in fraudulent conveyance actions, a transferee may raise defenses that reasonably equivalent value was exchanged or that the debtor was not insolvent at the time of the transaction.

Investigating Allegations of Fraud, Waste & Abuse
Although not unique to bankruptcy settings, distressed situations often allow for executives and management to engage in fraudulent activities. The COVID-19 environment has added undue stress and access to government relief that may have exacerbated this type of behavior. Although many companies seek bankruptcy protection for legitimate purposes, other companies are pushed into bankruptcy due to unethical behavior.

In such situations, a forensic accountant may be called upon to conduct investigations of improprieties and will often find evidence that corporate assets were used to reimburse personal expenses, to subsidize lavish lifestyles or to line the pockets of related parties and insiders. And while an investigation may start with a review of management’s actions, stakeholders may also request that the debtor’s board of directors also be investigated for lack of oversight and/or complicit behavior.

Conclusion
Undoubtedly, the need for forensic accounting skills will most certainly grow throughout 2021 and into 2022 as the fallout from the pandemic is carefully, deliberately and fully examined. Debtors, creditors, lenders and investors will all need the assistance of reliable and skilled forensic accountants to support their positions for settlement negotiations and to advance positions in court proceedings.

Accordingly, a forensic accountant must be aware of the complicated accounting issues that accompany distressed situations; have an understanding of the analyses and procedures that are required to assess such situations; and be able to effectively communicate conclusions and express opinions that may be requested by the parties.

John Tira, CPA/CFF, CFE is a director and Maryellen Sebold, CPA/CFF, CIRA is a partner at RSM US LLP. You can reach them at john.tira@rsmus.com and maryellen.sebold@rsmus.com.
Life Planning

Long-term life planning that encompasses estate and tax planning is a challenging concept. It touches on multiple areas, many of which we choose to routinely ignore. While we can plan for incapacity and eventual death, the goal of keeping that planning current is often not a high priority. Life planning is putting parameters in place to protect our estates and families down the road, as ever-evolving realities present new challenges. The ongoing battles in Washington, D.C., only increase the complexities and at times threaten to make past planning obsolete.

Prior state and tax planning optimize what happens after you die. Estate planning assists in where assets go and how they may influence future generations. Tax planning can minimize the taxable value of the estate, while also ensuring excesses taxes are not paid in the years prior.

Estate Planning Documents

For estate planning purposes, everyone in California should have the following documents drafted and executed by a competent attorney: will, trust, power of attorney for health, power of attorney for property, general transfer of assets to trust (a backstop and not the ultimate solution) and HIPPA.

A will can cover what happens just after you die, including burial and short-term bill payment. An original will must be filed with the court and is public record. A lost or contested will can be problematic.

A trust governs your assets and wishes long term, when it has been established and properly funded. It also avoids probate on the assets held in trust. If no trust is in place, anyone with assets of at least $150,000 in California must go through probate, with a court determining how your assets are handled. Avoiding probate through the use of a trust is advantageous because it ensures your assets are treated in accordance with your wishes while also protecting your privacy.

Powers of attorney are important and should be in place to cover your health care choices and property decisions. A power of attorney for health care covers your decisions should you become personally incapacitated and need medical care. It appoints someone to make your health care decisions when you no longer can and spells out your desires for resuscitation, organ donation and when to cease life-sustaining efforts.

Like a power of attorney for health care, a power of attorney for property gives a designated person the right to make property-related decisions while you are still alive but unable to make those decisions for yourself. This includes paying bills, filing taxes and, if you have a business, fulfilling obligations needed to run the business.

A HIPPA is a California specific requirement that authorizes health care providers to disclose your medical information to those designated to make your health care decisions.

Other documents that you also should have include:

- An updated list of assets
- Updated retirement account and insurance policy beneficiaries
- List of digital assets, accounts and passwords
- Letter of instructions (optional)

Tax Planning

To ensure the maximum value of the assets is passed on to your heirs, it is highly advisable that you work with your tax professional in advance to arrange your affairs to minimize taxes.

Exemption Planning

With the exemptions from gift, estate, and generation-skipping transfer tax currently at $11.58 million in 2021 (indexed for inflation), but dropping down to about $6.5 million in 2026, many Californians are currently excluded from owing estate tax.

These exemption amounts ignore the practical realities inherent in our highly polarized political system. The current political change could lead to new tax laws that may significantly reduce exemption amounts. Indeed, President Biden includes in his tax plan a drop to $3.5 million for the amount exempt from estate tax, and $1 million for the amount exempt from gift tax. He also has stated that he wants to get rid of the step up in basis at death. What’s unclear is how high a priority these proposed changes will be for the new administration.

Luckily, U.S. Treasury and IRS guidance clarifies that amounts gifted today will not be clawed back (and thus subject to tax) when and if the exemption amount drops to lower levels.
In California, for the past few years, we have seen aggressive efforts to add a California estate tax for estates valued at $3.5 million and above. So far, such measures have not made it on the ballot, but they also have not disappeared from the discourse. We also have seen a wealth tax suggestion.

Planning based on the current exemption amount is an annual analysis. Those who can afford to gift away anything up to and including the exemption amount should do so; however, it’s important to avoid aggressive tax decisions that can lead to unintended consequences. Too often, these aggressive tax decisions lead to dependency upon those to whom you have been overly generous. The right planning structure maintains independence and control while finding ways to optimize tax implications.

Portability

One underutilized tool is portability—a surviving spouse’s ability to use the unused portion of the gift, estate and generation-skipping exemption amounts of the first spouse to die. Given that most estates are not taxed at the first spouse’s death, this ability to use the extra exemption amount is valuable. An estate tax return (IRS Form 706) must be filed on time to elect portability, even if no estate tax is due.

With enough time and proper planning, income and estate tax can be dramatically minimized. The options on how best to affect this strategy are extensive and personal to individual circumstances. They are worth addressing with sophisticated tax advisors.

Personal Matters

You also shouldn’t overlook the need to organize personal finances and other private business matters when conducting life planning.

Joint Accounts

Accounts can be held jointly, with the right of survivorship. These accounts go to the surviving account holder. These assets can be immediately available after the first death and can be used to pay short-term obligations; however, these accounts can be subject to gift tax when established (or otherwise taxable at death).

Specific Bequests

Creating a list of specific bequests will ensure that certain, highly prized or sentimental items go to the right person. Unfortunately, this area is often more fraught with emotions than practicality.

We know of one instance where a mother trusted her executor son to give her only daughter the family heirloom necklace the daughter wore at her wedding. Instead, he quickly sold it at auction within the first weeks following his mother’s death.

Additionally, items in a safe deposit box should be identified and allocated in advance and someone needs to be aware of the location of valuables. This includes banks and less official “hiding places.”

Life Insurance

Life Insurance can cover estate taxes, debts owed or provide a lifeline to support a family who has lost their means of support. Life insurance can be either term or whole life. Term insurance covers an amount to be paid at your death within a specified time, while whole life builds up a cash value. Life insurance planning should be discussed as part of the overall estate planning. Life insurance trusts can be established to allow for current deductions while also supporting those causes important to you.

List of Ongoing Expenses & Obligations

When someone dies, another person must step in to meet ongoing obligations. This responsibility covers the daily ongoing commitments of life, along with any estate planning obligations such as filing a will with the court or notifying beneficiaries of an estate or trust. Stay organized so when someone else must step in for you, they can do so. Consider the following:

- Utilities;
- Family-related obligations;
- Friends and family, with contact information;
- Loans or other borrowings. Include car loans, mortgages, credit cards and any other debts along with contact information;
- Advisers such as attorneys, accountants and consultants, including contact information;
- Charities to which you want to be involved and contribute long term;
- Estate planning documents and their location. Notify successor trustees and executors; and
- Accounts and consider consolidating or closing accounts no longer used or necessary.

Investment Policy

Having an investment policy statement in place ensures that your long-term wishes are met and that successor trustees and other obligors are protected in doing so. Should you not establish an investment policy, the Prudent Investors Act will apply. This may lead to diversification of assets, including the sale of family or long-term assets.

Children or Other Dependents

The care of dependents such as children, parents or other vulnerable family members should not be left to fate. One of the authors of this article had a mentally impaired uncle. Planning for his long-term care was stressful for his mother, who could not rely on her other child to care for him when she passed. Planning for a vulnerable family member should be detailed and well-funded. Minor children are likewise vulnerable. Tragedy might not strike often, but it can be merciless when it does. Establishing a guardian for the child and a trustee for whatever assets they might inherit is crucial. Those individuals who might be the best persons to raise a minor child might not be ideal for managing assets. Guardians and trustees need not be the same person. You also should consider what should happen if the couple divorces.

A child’s trust often states an age at which the child gets access to the trust or can be named the trustee. As a general rule, the older the child gets, the later their parents want to push out the age of inheritance, but any such transfers of wealth and responsibility should
be determined and articulated. The risks inherent in life, such as a bad marriage or substance abuse, also should be contemplated in planning documents.

Pets
Pets create a unique planning challenge. They are perhaps the most vulnerable of those you leave behind. Pet trusts are one option, establishing clear directives for their care and how you will fund it. Ultimately finding someone you trust to care for your pets is the most practical option. Long-living pets such as parrots or horses can be a real commitment in time and expense for the new caregiver. Establish clear directions and a commitment from the new caregiver.

Business Succession Planning
For those operating a business, planning for what happens when you retire or pass away very often takes a back seat to the short-term realities of running the business. Addressing succession planning when you have real operating challenges seems like a distraction, despite its importance. Yet, dying without such succession planning can mean that payroll is not met, products are not delivered and the business ultimately fails. Take time to determine who you want to take control when you leave. It may be family members or other investors, and if you’re unable to find successors, selling may be an option.

Choice of Fiduciary
A fiduciary is someone who has an elevated responsibility of care to another, such as a beneficiary. This vital choice determines who’s in charge of ongoing trust management and the related obligations. These obligations are often not discussed with those chosen to handle them, and they are not updated when that person becomes undesirable or dies. Being an executor of an estate is a lot of work. The ongoing responsibilities of a trustee who must administer the trust for an unknown amount of time requires dedication. Choosing the right person and discussing the obligations, along with your wishes, ensures that the process goes smoothly.

Letter of Instructions
A letter of instructions provides detailed thoughts regarding your wishes and also your personal feelings. While looking at the practical side of death is crucial, it’s also important to share your deeper thoughts and emotions. A letter of instructions can be a bare bones list of what must be done upon your death, or it also can provide proper guidance on a deep, emotional level. To those surviving us, these letters can even be more valuable than material possessions.

Conclusion
Any list which encompasses the extensive planning necessary for death is overwhelming, but taking these steps does have its rewards. Even if you have completed many of the items on this list, you should consider revisiting them periodically to determine if they should be updated. A simple checklist and outreach to someone you trust ensures that when something happens to you, your loved ones and your wishes are protected. And, just as important, you minimize the tax liability and the financial burdens that could fall on your next generations.

Michael B. Allmon, CPA, MBT and Michael DiBernardo, CPA are partners at Allmon, DiBernardo & Associates CPAs & Wealth Strategists, LLP. Megan Lisa Jones, JD, LLM is an attorney with Withers Bergman, LLP. They can be reached at mikea@mbamdcpas.com, miked@mbamdcpas.com and Megan.Jones@withersworldwide.com, respectively.

For more information about products and services catered to the CPA community, visit calcpa.org/members-exclusive/benefits.
New COVID-19 Relief
Recent Legislation Affects Business Meals & More

As discussed in the August 2020 the position taken in Notice 2020-32 and years ending after March 27, 2020, was that these expenses are deductible. However, unlike the previous disaster-by-disaster approach, this new relief generally applies to all declared disasters beginning Jan. 1, 2020, and ending Feb. 25, 2021.

Educator Expenses
The CAA requires the U.S. Treasury Department issue regulations providing that personal protective equipment and other supplies used to prevent the spread of COVID-19 qualify for the educator expense deduction towards AGI under Sec. 62(a)(2)(D).

Also see Rev. Proc. 2021-15.

Tax Credits
The employer credit for paid sick and family leave was due to expire on Dec. 31, 2020. The CAA extends the credit to March 31. See Form 7202.

The CAA also extends the employee retention credit to apply to compensation paid to a covered employee through June 30. This credit was due to expire for compensation paid after Dec. 31, 2020.

Further, the CAA makes a temporary change in computing the earned income and child credits. Under the CAA, lower-income taxpayers can compute these credits for 2020 by, instead, using 2019 income information. The computation of both credits can result in lower credits for a year with reduced income. Therefore, the CAA allows lower-income taxpayers, whose 2020 wages may have been reduced due to the pandemic, to use their 2019 income, if higher, to compute these credits for 2020.

Disaster Tax Relief
The CAA provides tax relief for federally declared disaster areas, including:
- Forgiveness of early withdrawal penalties under Sec. 72(t) for qualified disaster distributions;
- The retribution of amounts withdrawn for home purchases;
- An increase in the amount of loans from qualified plans;
- An employee retention credit for employers in affected areas; and
- Special casualty loss rules for affected individuals.

This is similar to disaster tax relief historically provided for major disasters.

Business Meals Deduction
Existing IRC Sec. 274(n)(1) generally limits the deduction for business-related food or beverages expenses to 50 percent of the amount otherwise deductible.

For only 2021 and 2022, the CAA allows a 100 percent deduction for business-related meals and beverages provided at a restaurant.

Forgiven PPP Loans & Business Expenses
The amount of a Paycheck Protection Program (PPP) loan that is subsequently forgiven is excluded from income, even though a forgiven loan generally produces taxable debt cancellation income.

The IRS previously determined in Notice 2020-32 that any business expenses paid with a forgiven PPP loan were not deductible because the IRC and relevant regulations prohibit deducting business expenses allocable to tax-exempt income.

However, the CAA expressly provides that the intent of the original PPP legislation was that these expenses are deductible.

Rev. Rul. 2021-2, effective for tax years ending after March 27, 2020, reverses the position taken in Notice 2020-32 and conforms to the CAA.

Charitable Contribution Extensions
As discussed in the August 2020 California CPA, Page 19, the CARES Act (enacted March 27, 2020) permitted an individual for 2020, who does not elect to itemize deductions to claim a deduction up to $300, for a tax filing unit, toward adjusted gross income (AGI) for qualified charitable contributions. A qualified contribution is a cash payment to a charitable organization described in Sec. 170(b)(1)(A), except:
- A supporting organization described in Sec. 509(a); and
- For establishing a new, or maintaining an existing, donor advised fund.

Contributions of noncash property, such as securities, are not qualified contributions.

Percentage Limitations
For individuals, the deduction for qualified contributions for 2020 is allowed up to the amount by which the taxpayer’s contribution base (AGI without any NOL carryback) exceeds the deduction for other charitable contributions.

For corporations, the deduction for qualified contributions is allowed up to 25 percent of its taxable income for 2020.

For charitable contributions of food inventory qualifying for the enhanced deduction under Sec. 170(c)(3), the deduction is allowed up to 25 percent of taxable income for 2020.

The CAA extends these provisions to 2021.


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Paycheck Protection Program
PPP loans provided a lifeline to countless California businesses and helped many stay employed during economic uncertainty. Among the provisions of the PPP, Congress specified that the acceptance and forgiveness of a PPP loan should not adversely affect the recipient’s tax liability.

Specifically, Congress excluded forgiven PPP loan dollars from taxable gross income, and most recently, superseded IRS guidance to clarify that the forgiveness of a PPP loan does not affect the deductibility of business expenses paid with PPP dollars. However, the most recent Congressional action to clarify the deductibility rules rendered California out of conformity.

On Feb. 17, Gov. Newsom and legislative leaders announced that they had reached an agreement on a legislative package to provide relief to businesses and individuals facing economic hardship from the COVID-19 recession.

This package included an agreement to partially conform California’s tax law to the new federal tax treatment for loans provided through the PPP. More than 750,000 PPP loans were taken out by California small businesses.

The agreement allows companies to deduct up to $150,000 in expenses covered by the PPP loan. All businesses that took out loans of $150,000 or less would be able to maximize their deduction for state purposes. Larger firms that took out higher loans would still be subject to the same ceiling of $150,000 in deductibility. This tax treatment would also extend to the Economic Injury Disaster Loans. The legislative language included in AB 80, is expected to be part of an early budget action that is quickly passed and signed by the governor. Similar proposals have emerged in the Legislature, namely AB 281 (Burke), but with the announcement of this deal, it is likely that state PPP tax rules will be addressed through the budget process.

CalCPA has been actively engaged on this topic and has urged legislative leaders and the governor’s administration to address the state tax treatment of PPP loans and provide clarity as soon as possible.

Virtual Advocacy
With the lingering COVID-19 pandemic, our traditional CPA Day and in-person meetings with legislators transitioned to a virtual format. While the video meetings with legislators and their staff were different, the core objectives remained the same: facilitate relationships with policy leaders to advance the public policy objectives of the profession. We want legislators to know that CalCPA members are the CPAs invested in their local community and the future of our state.

As the 2021-22 legislative session ramps up, these efforts are the foundation to CalCPA’s advocacy efforts and set the tone for the year ahead.

In addition to urging clarity on PPP loan tax rules, CalCPA members focused on a handful of the key issues we are working on in early 2021.

The Realities of Taxing Services
Many in Sacramento continue to entertain a tax on services that would exacerbate a growing affordability crisis across the state. The reality is that a tax on services does not address the challenges of the current tax system. Rather, it needlessly compounds an already complicated tax code and adds significant new tax burdens on Californians. CalCPA members continued to state their opposition to efforts to tax services and the misguided claim that it is the anecdote to the challenges of California’s current tax system.

Flexibility in CPA Licensing Process
CalCPA members discussed efforts to work with the California Board of Accountancy on legislation that would permit an applicant for CPA licensure to meet the current licensure requirements more efficiently. CalCPA supports AB 298 (Irwin), recently introduced legislation that provides applicants for CPA licensure more flexibility in scheduling and sitting for the CPA Examination.

California Business Climate
COVID has heightened an already challenging business climate and the growing number of regulatory requirements has forced business of all sizes to re-evaluate their entire operations. This often involves a conversation with their CPA, which are more frequently focused on whether a business should minimize their investment into California operations, reduce their footprint or even leave the state entirely.

For CalCPA members, this is a troubling trend and they shared with legislators their real-world perspective on the state’s business climate.

Outreach with CalCPA
Finally, CalCPA members offered their expertise to help constituents and local small businesses make sense of the economic relief options available to them.

The offer to help legislators with their outreach efforts and provide meaningful assistance to their constituents goes a long way in helping solidify relationships.

Thank you to all the CalCPA member leaders who participated in meetings. Your work is the heart of CalCPA advocacy.

As the legislative session rolls on and issues arise, please keep an eye out for additional grassroots opportunities to help promote the voice of the profession.

Jason Fox is CalCPA’s vice president of government relations. You can reach him at jason.fox@calcpa.org.
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Embrace the Future
How to Make Financial Forecasting Essential

If you love forecasting, this article is not for you. If, on the other hand, being asked to create a financial forecast fills you with feelings ranging from discomfort to existential dread, keep on reading!

The good news is there are a handful of tried-and-true best practices and tech tools that can help accountants forecast more accurately. Here are four best practices and tech tools to help you forecast faster and more accurately.

1. Start with Your Goals, Not Last Year’s Actuals
Let’s start with a conversation about goals. Thinking about goals can be a lot harder than just projecting revenue and expenses, which is why a lot of companies skip this step. But it’s important not to.

You may already have a set of common goals. If not, a brainstorming session can help figure out what they should be. Here’s a list of categories to ponder: revenue, growth rate, cash on hand, expansion to new locations, adding new products and increasing headcount.

2. Combine Financial and Non-financial Metrics in a Model
The next step is to work backwards from our goals and build a financial model that shows us how to achieve those goals by achieving specific metrics, which we call key performance indicators (KPIs).

By combining these KPIs in a financial model, we can forecast financial performance based on projected business activity, not on only what has happened in the past. That allows us to tweak the business model—or perhaps even reinvent it—to achieve our objectives.

While finance professionals have used spreadsheets to build models for decades, accountants on the cutting edge of technology are leveraging purpose-built financial modeling software.

Until recently, these solutions were too expensive for small businesses, but companies such as Jirav (where I work) are democratizing technology-enabled planning by building financial modeling software that small- and medium-sized businesses can afford.

3. Connect Your Forecast to Your Budgeting Process
It’s important to involve key stakeholders in the forecasting process so that they agree with the output, and connecting it to your budgeting process. Involving department heads, executives and even investors in the annual goal-setting process is a good starting point.

But building consensus doesn’t stop there. Once you’ve built a financial forecast, seek input from your stakeholders on key assumptions in your model.

Ask department managers what they’re planning. Ensure that the revenue model is using the latest targets from the sales team. Ask your head of marketing to validate the lead funnel metrics. Does your operations manager intend to hire in the next twelve months and by when?

Incorporating your departmental managers’ plans into the forecast means you can convert your forecast into a budget without added trouble, saving time because you’ve combined two processes into one.

4. Convert Your Annual Forecast into a Monthly Rolling Forecast
To ensure that your forecast (and your budget) stay accurate, it’s essential that you switch from annual planning to a more agile process.

Convert your calendar year projections into a rolling, 12-month forecast. Each month, replace last month’s forecast with your actuals and add a month on to the end. If your forecast has materially changed, copy the new forecast over to the budget, which is now much more flexible.

The beauty of a rolling forecast is that managers, executives and shareholders are no longer surprised when actuals don’t match what was predicted.

The challenge is that updating forecasts and budgets frequently can be extremely difficult and time-consuming using spreadsheets, which is why until recently most small businesses have skipped forecasting on a monthly basis.

Fortunately, there are now many financial planning and analysis (FP&A) tools available that streamline this process so any business can update their forecasts and budgets in minutes. If you’re still using trusty old Microsoft Excel for your financial forecast, it’s time to look into financial planning and analysis software.

Here are a handful of my top FP&A apps to get you started:

- Fathom (fathomhq.com): This is easy-to-use and affordable, making it a strong choice for small-business owners.
- Jirav (jirav.com): All-in-one FP&A that is ideal for businesses up to 100 employees. Jirav offers an accountant partner program with CPA.com.
- Planful (planful.com): Formerly Host Analytics, Planful is a leader among mid-market companies.
- Workday Adaptive Planning (adaptiveplanning.com): For larger businesses (typically on ERP systems), Adaptive Planning is the leader.

Not only will modernizing your planning tech make your job easier, but it will significantly increase your value to the organization as budgeting and forecasting becomes core to setting and achieving goals throughout the year, not just annually.

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