Digging Into Estate Planning Considerations
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AffiniPay customers experienced 22% increase on average in revenue per firm using online billing solutions.
3  Debut Column: ‘It’s Material’
CalCPA President and CEO Denise LeDuc Froemming, CPA, CAE, MBA debuts her monthly column, which will focus on relevant topics of the profession. This month, the column addresses CalCPA’s efforts to innovate, adapt and change to help better serve the membership.

10  Portability
Our estate tax expert takes you through the ins and outs of portability in the not-so-boring twenties. From Bypass and QTIP trusts, to the required forms and possible exemptions, learn what you need to know to help your clients.
MARY KAY FOSS, CPA

13  Estate Planning for Millenials
Millenials don’t follow a traditional path, creating certain challenges when helping them plan their financial future. COVID has made things even more complicated. Learn what to consider when advising these clients.
MARIORIE McPIKE, CPA

15  Cybersecurity in 2022
As technology marches on, one thing remains consistent: cybersecurity risks. To help you stay on top of the threats out there, our Education Foundation faculty member helps your understand the risks—and best practices to avoid falling victim.
THOMAS G. STEPHENS Jr., CPA, CITP, CGMA

19  Advocacy’s Productive Start
CalCPA’s government relations team reports a fast and furious start to the year in advocacy efforts, resulting in fruitful results for the public and the profession.
JASON FOX
It’s New Year, New CalCPA

Innovate. Adapt. Change. These oft-heard statements relate to the need of organizations to stay ahead of the curve to maintain relevance, deliver valued products and services, and grow their customer base. It often ties into new technologies or business models, but can include tweaks to current processes.

CPA firms—especially during the past two-plus years—have certainly been pushed to innovate as they deal with a war for talent, remote workforce, keeping client relationships strong in a virtual environment and introducing or enhancing technologies to keep processes running smoothly.

CalCPA, too, is embracing this push to innovate as we look at where we are as an organization, the issues facing the profession and determine how we can best serve you. This column, for one, is part of that effort. In each issue, I’ll discuss trends and issues relevant to CPAs and financial professionals, firms and CalCPA.

Related, I’m excited to begin hosting a podcast that will launch this year. I’ll be talking with leading industry experts on everything from leadership to firm management to CPA career paths. Keep an eye out for more details.

On the tech front we’ve been working on reimagining and redesigning our website, which we’ll also be debuting this year.

These efforts, and others, are part of our overarching customer experience initiative. Our focus here provides an opportunity to review and strengthen your connection with each interaction you have with CalCPA. Whether it’s visiting our website, registering for a course, contacting customer service, receiving one of our emails, attending a chapter event or speaking with a staff member—and everything in between—each member interaction is important in connecting you to what you need.

But wait, there’s more! CalCPA Institute will be the new home for our DE&I, CPA Evolution and the new CPA Exam initiatives and activities, as well as financial literacy and the CPA pipeline, since these priorities overlap in ways that are critical to the future of the profession and CalCPA.

And our education team is focusing on expanding our curriculum and instructor pool, equipping CPAs and their firms for the challenges of tomorrow; and providing relevant, complimentary content for the greater California CPA community that builds a pipeline for future membership. And we’re committed to providing learning where, when and how you need it, including microlearning and podcasts.

In this increasingly complex and uncertain world, our goal remains the same: Be your home for the news, information, relationship building or networking and education you need to thrive.
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“There is no way to sugarcoat the year 2021 in tax administration. The year 2021 provided no shortage of taxpayer problems.”
—National Taxpayer Advocate Erin M. Collins

21%
The number of remote workers who say they are aware of cyberthreats.
—Unisys

$600B+
The amount raised in global IPOs in 2021, besting the nearly $400B raised in 2020.
—Bloomberg

73%
The number of Americans who believe Social Security will run out of money before they retire.
—TransAmerica Center for Retirement Studies

$1.2T
The projected amount of social media shopping by 2025.
—Accenture

75%
The number of small-business owners who say accepting nontraditional payment is crucial to growth.
—Visa

2/3
The number of IT experts in professional services companies who believe their firms are facing a shortage of cybersecurity skills.
—Keeper

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Learn more at ftb.ca.gov/myftb/create-an-account.html.
CalCPA and Education Foundation Nomination Slates Released

The CalCPA Nominations Committee has submitted the following proposed nominated slate:

Officers nominated to a one-year term (2022-23):
- **Chair:** Tayiika M. Dennis (Los Angeles Chapter)
- **First Vice Chair:** Meredith A. Johnson (San Francisco Chapter)
- **Secretary/Treasurer:** Matthew Martin (Los Angeles Chapter)
- **Immediate Past Chair:** Christie Simons (San Francisco Chapter)

Vice Chairs nominated to a two-year term (2022-24):
- **David J. Neighbors** (Silicon Valley San Jose Chapter)
- **Miklos Ringbauer** (Los Angeles Chapter)

AICPA Council Members nominated to a three-year term (2023-26):
- **Grace S. Clark** (Inland Empire Chapter)
- **Nadeesha Hapuarachchi** (Los Angeles Chapter)
- **Katie Vander Veen** (Inland Empire Chapter)

The CalCPA Education Foundation Nominations Committee has submitted the following proposed nominated slate:

Officers nominated to a one-year term (2022-23):
- **President:** Adam Blitz (Fresno Chapter)
- **First Vice President:** Andrea G. Cope (San Francisco Chapter)
- **Treasurer:** Charlotte D. Wall (San Francisco Chapter)
- **Vice President:** Rubin Davila (Los Angeles Chapter)
- **Immediate Past President:** Scott D. Hoppe (San Francisco Chapter)

Trustees nominated to a two-year term (2022-24):
- **Erin Dailer** (San Diego Chapter)
- **Scott J. Donnelly** (Los Angeles Chapter)
- **Megan Thompson** (Silicon Valley/San Jose Chapter)
- **Jennifer Ziegler** (Los Angeles Chapter)

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National Taxpayer Advocate Delivers Annual Report to Congress
National Taxpayer Advocate Erin M. Collins released her 2021 Annual Report to Congress, calling calendar year 2021 “the most challenging year taxpayers and tax professionals have ever experienced.” The report says tens of millions of taxpayers experienced delays in the processing of their returns, and with 77 percent of individual taxpayers receiving refunds, “processing delays translated directly into refund delays.”

The report makes numerous recommendations to address taxpayer problems, including:
• Utilize scanning technology and reduce barriers to e-filing.
• Deploy “customer callback” technology on all telephone lines, so taxpayers and tax professionals don’t have to wait on hold and can receive a return call when the next CSR is available.
• Improve online taxpayer accounts and allow taxpayers to communicate with the IRS routinely by secure email.
• Create and update a weekly “dashboard” on IRS.gov to provide the public with specific information about delays.

Read more at taxpayeradvocate.irs.gov/reports/2021-annual-report-to-congress/.

IRS Providing Assistance to Taxpayers in the Current Environment
As part of an ongoing effort and balancing the importance of protecting the interests of tax administration, the IRS has taken steps to modify its operations and provide additional taxpayer relief. These efforts include suspending issuance of certain automated notices and related actions. The IRS is looking at the suggestions that have come in and will continue to modify and adjust efforts going forward to help taxpayers and the tax community.

For example, the IRS has decided to suspend notices in situations where it has credited taxpayers for payments, but has no record of the tax return being filed. In many situations, the tax return may be part of its current paper tax inventory and hasn’t been processed. Stopping these letters—which could have otherwise been sent to thousands of taxpayers—will help avoid confusion.

Cyber Best Practices for Remote Work

In response to the pandemic, many CPA firms established or updated their policies and security protocols to address remote work by employees, given the security challenges not present in traditional office environments. As more firms opt to offer staff permanent remote work arrangements, firms should revisit their written policies and security protocols to assess their specific threats, risks, and vulnerabilities to ensure that appropriate safeguards are in place to address the new paradigm.

When evaluating the propriety of a firm’s policies and security protocols, first assume that threats will occur. This can be a difficult pill to swallow, especially for firms that do a good job of securing their on-premises infrastructure. However, potential vulnerabilities exist within the infrastructure and applications that employees use to work remotely.

Although not meant to be all-inclusive, the following basic best practice measures for firms continue to be extremely critical:

- Ensure all software has the latest security options/patches to help protect against malware, viruses, and hacker attacks.
- Frequently back up all important data and information and verify your backups to reduce the likelihood that critical data is lost in the event of a cyberattack. Protect the backups in all remote and external locations, outside of your network, where they are safe from ransomware that targets backup copies. Periodically verify that your data backup process is working properly to assure that your data will be recoverable.
- Require employees to change and strengthen passwords frequently. Systems are only as secure as the passwords used to access them.
- Use multi-factor authentication to add an extra level of security and to help prevent an account hack.

Claim trends show that employees are both the weakest link and the first line of defense against most cybersecurity attacks. Firms should prioritize appropriate firm-wide cybersecurity awareness training. Although not meant to be all-inclusive, firms should enforce the following basic best practice measures for remote employees:

- Maintain strong work-from-home cyber hygiene. Adhere to the firm's policies and cyber protocols (e.g., machine use restrictions, strong WiFi passwords, VPN, firewalls, properly secured router) The wireless router should be no more than five years old and frequently updated with latest firmware updates.
- Slow down to avoid being yet another "phishing scam" victim. Validate suspicious or unexpected email. Do not click a link, pop-up or attachment without first hovering the cursor over the link to display the URL to assess its legitimacy. If there is an urgent call to action,
rather than clicking a link, consider a different way to validate the request, such as calling to get verbal confirmation, or going directly to the purported sender’s URL.

• Power down computers when not in use, whether in the office or working remotely. Computers are not accessible to attacks or intrusions when powered off.

• In the event of a potential cybersecurity “incident,” immediately inform the appropriate parties within your firm. Examples include, but are not limited to, unauthorized use, malicious code, compromise of confidential client information, unauthorized disclosure or loss of information, information security breach.

Firms will be better positioned to mitigate the risks of remote work by adhering to basic best practices and proactively refining their policies and security protocols.

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AMNOUNCMENTS
Windes named Thomas Liu tax partner … LevitZacks named Anju Agrawal, Bryan Carpenter and Nick Palmer shareholders … Gilbert CPAs named Bobbie Hales its new president & CEO … Gursey | Schneider LLP promoted Anastasia Atamanchuk to partner … Seiler LLP promoted Luanna Tang to partner … Hood & Strong promoted Winona Chen to tax director, Samantha Re and Margaret Hui Ke to senior tax manager and Lauren Tung Cook to audit manager … Julie West, partner at BPM LLP, has been appointed to lead the firm’s tax practice … Lindquist, von Husen & Joyce LLP announced the retirement of partners S. Scott Seamands, CPA and Stanley Woo, who will remain as consultants.

FIRM NEWS
San Francisco Bay Area-based Sensiba San Filippo will merge with Bend, Oregon-based SGA CPAs & Consultants LLP … Damitz, Brooks, Nightingale, Turner & Morrisset merged with Hutchinson and Bloodgood LLP.

MEMBERS IN THE NEWS
AccountingToday quoted Rob Seltzer and Mike Ueltzen in a Dec. 17 article on tax pros returning to the office … AccountingToday quoted Dan Herron and Sheryl Rowling in a Jan. 12 article on tax season challenges … AARP quoted Harlan Levinson in a Jan. 18 article on preparing for the 2021 tax season … CBN News quoted Dan Morris in a Jan. 24 article about the IRS requiring taxpayers to submit a selfie to access their tax records online … Financial Advisor quoted Annette Nellen and John P. Schultz in a Jan. 24 article about signs your client needs a new tax preparer … Yahoo Finance quoted Greg Kling in a Jan. 27 article about what Americans should know about accounting the Child Tax Credit.

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

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Estate Tax Tinkering

The year 2010 started out to be the “year without an estate tax,” but Congress began tinkering with the it before the year was over. Portability was added for estates of those dying in 2011 or later. At first it was a short-term provision, but the 2012 Tax Act made it permanent.

Portability is just for surviving spouses. If the estate of the first spouse to die is unable to use all of the available exemption amount, the unused amount is “ported” to the surviving spouse. This amount is called the Deceased Spouse Unused Exemption (DSUE) Amount.

When portability was first effective, the exemption amount was $5 million as adjusted for inflation; that amount was $5.12 million for 2012. In 2017, before the next major change, the exemption amount had grown to $5.49 million. The Tax Cuts and Jobs Act of 2017 made two major changes:

- It doubled the exemption amount to $10 million increased by inflation for 2018-25
- A different methodology was used to determine the inflation amount, which made the inflation calculation grow a little slower. But even at the gradual pace, the 2022 amount is $12.06 million.

To elect portability Form 706 must be filed by the “executor” of the estate.

Pluses & Minuses

Estate planners soon discovered benefits and problems with portability. Some possible problems relate to the willingness to file Form 706—if not required—and the identity of the executor.

For example, if someone passed away in 2021 with their net share of assets totaling $6 million, by filing an estate tax return, their spouse could have a total exemption amount of between $5.7 million and $11.7 million in addition to the current year’s exemption amount if they pass away in 2025 or earlier.

The DSUE amount cannot exceed the exemption amount in the year of the survivor’s death, so the scheduled decrease from more than $12 million to about half of that is a big drop. However, the surviving spouse can use the DSUE amount during life to make gifts. That’s a great solution for high-net-worth families, but for someone with only $6 million or so in 2021, gifts may not be a priority.

The DSUE amount is the difference between the current year exemption and the taxable estate. If the decedent’s net assets of $6 million were all going to a Bypass Trust, the portability amount would be $5.7 million. However, if the executor was able to make a QTIP election for that Bypass Trust, the taxable estate could be zero and the DSUE amount could be $11.7 million.

To “QTIP the Bypass,” the Bypass Trust would need to have similar provisions to a QTIP Trust—the main one being that the surviving spouse would be required to receive all of the trust income each year. The attraction of making a QTIP election for the Bypass Trust hasn’t been to increase the DSUE amount; it’s been to maximize a potential step up in basis.

Bypass Trust assets are increased to date of death value when the first spouse dies, but the survivor’s death does not cause another revaluation. Assets in a QTIP trust, though, are included in the survivor’s gross estate and are revalued at the second death. To maximize basis and decrease capital gains taxes, the executor may want to QTIP the Bypass Trust. This strategy is not as attractive for estates that exceed the unified credit.

Questions & Answers

With the $6 million example, would the executor want to go the expense of preparing Form 706 if they expected the...
survivor to pass away before 2026? If the decedent’s assets were $3 million, they may come to a different conclusion. The practitioner should err on the side of recommending the portability election by filing Form 706.

In addition, the QTIP election also requires that Form 706 be filed. Malpractice insurers (such as CAMICO) generally recommend that a decision by an executor not to elect portability be documented in writing.

What if the executor of the deceased were a child from the first marriage? The portability election would benefit the surviving spouse, who may have differing heirs. Can an executor withhold the portability election to stymie a second spouse? Apparently, that can be done.

Many clients may not have an executor because their assets are going to a trust, a joint tenant, a named beneficiary of life insurance or a retirement plan. In that case, the IRS will treat those receiving estate assets as executor in the absence of an appointed executor.

If a child trustee from a prior marriage, a surviving spouse as IRA beneficiary and a sister joint tenant of real estate are all eligible to make a portability election, which one will the IRS recognize? The rule is that the last Form 706 received before the due date controls the portability election.

Form 706 is due nine months after the date of death. An automatic six-month extension is available, making the extended due date 15 months after the date of death.

When a Form 706 is not required (because the gross estate is less than the prevailing exemption amount in the year of death), Rev. Proc. 2017-34 allows a Form 706 to be filed 24 months (two years) after the date of death. No additional extensions are allowed.

As a trusted adviser, the CPA should familiarize themselves with the decedent’s documents (will, trust, beneficiary forms), assets and their ownership and parties involved. The family members may have differing opinions on the need for portability or the desire for a step-up in basis.

Mary Kay Foss, CPA is a faculty member for the CalCPA Education Foundation. You can reach her at marykay@marykayfoss CPA.com.
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**Tax Facts payx.me/ca-tax-facts**  
Create customized listings of federal and state payroll and retirement rate information for specific states and territories in a PDF format, with the option to add your firm name and address.

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Adapting to Change

Preparation for the Future

COVID-19 was a time that caused many changes. We saw many people pass away unexpectedly—people who thought they had time to plan. I heard a lot of people talk about generational wealth. Many people decided they no longer wanted to work for a company or even in the United States.

Contrary to previous generations and the more traditional approach—go to college, get married, get a job, have children, work the job for 40 years, retire—millennials are more apt to work for themselves and create their own opportunities.

Millennials also have digital assets that were not common with baby boomers. Facebook, Twitter, Instagram and YouTube have their social component—and many of these are monetized and have been used to create businesses that are sole providers for some households.

This creates different challenges when it comes to estate planning for these types of clients. Previously, estate planning was not considered until later in life. Considering the above changes, however, it’s important to begin thinking about these things sooner.

Below are steps your millennial clients can take to be prepared for an emergency and ultimately help with their estate plan.

List of Passwords
It’s important your clients have a list of all their passwords saved so someone can access them if necessary.

There are also applications that can be used to store passwords with a master password to gain access.

Guardianship Paperwork
It’s important to outline who will be the caregivers for children in the event the biological parent passes away.

In a common household where there is both the biological mother and father, usually it’s the surviving parent who would become the guardian. In a blended family, that may not be the case. There may be instances where the other parent is not the recommended caregiver for the children. This should be outlined in guardianship paperwork so the desires of the custodial parent are carried out.

Know the Financial Inventory
It’s important to start thinking about estate planning early. A great way to do this is to create a page with information outlining accounts, insurance policies with beneficiaries and contact information, retirement and pension information. I have heard this called a “life on a page” or “financial overview.” You want to have a document that lists, at a minimum:

- Bank accounts with account numbers
- Credit card account numbers
- Mortgage company(s)
- Safe deposit information
- Health Insurance information
- Life insurance policy company names and account numbers
- Beneficiary information
- Retirement plan policy information
- Brokerage account
- Car insurance
- Student loan

Your client also will want to review this document periodically to ensure the information is current.

Legally Documenting Desires
We don’t like to think about not being able to speak on our own behalf, but a client should document what their wishes are if that should ever happen. A medical care directive will outline a client’s wishes for medical care. One also can set up a medical power of attorney. Clients also may want to consider a Medical Advanced Directive, which would outline desires for end-of-life care. A power of attorney is required to handle a client’s financial matters and a durable power of attorney will cover a client if they are medically unable to make decisions.

Prepare Trusts and Wills Sooner
In 2020 and 2021, a common theme on social media was creating generational wealth. Although this may have been common for baby boomers and Gen Xers, 2020 and 2021 created many millionaires who were in their 20s and 30s. Many of these individuals were first-generation business owners, first-generation millionaires or first-generation homeowners.

A trust will eliminate probate and allow your client to designate how the assets are distributed. In the case of generational wealth, your client can determine what assets will go to their children, and how and when those assets will be distributed.

A will states your client’s final wishes and allows your client to say in advance what they want to happen when they die.

Marjorie McPike, CPA is the owner of MarjorieLMcPike-CPA. You can reach her at cpalady42@gmail.com.
The Knowledge Hub consists of vendor-sponsored content designed to be helpful in your practice.

CALCPAHub.org
Technologies come and go, but there’s one constant: cybersecurity risks. For decades, business professionals have battled to keep sensitive and confidential information protected. At times, it may feel like the bad actors are winning. However, if you understand the risks you face, you can create an environment that mitigates your cybersecurity exposure. Read on, and you will learn about 2022’s most significant risks and best solutions.

Credential Compromise
One of the most pervasive issues that we must address is credential compromise. Stated simply, if we can keep bad actors from accessing our devices, software, databases and various online accounts, the chances that we become victims of a cybersecurity attack diminish greatly. Historically, a combination of a username and password guarded these accounts. However, today’s risky environment demands greater security.

The best way of reducing unauthorized access is to enable multi-factor authentication (MFA) where available. With MFA, we log in using at least two of the following:

• Something we know, such as username and password;
• Something we are, such as a fingerprint, facial recognition or retina scan; or
• Something we have in our possession, such as a cellphone.

To illustrate, suppose we enable MFA for access to our bank accounts. In that case, we might enter a username and password. Then the bank sends a six-digit code to our cellphone, and we enter the code to complete the authenticating to the website. In this scenario, for a bad actor to log in to our account, they would need our username and password and have our cellphone in their physical possession to receive the six-digit confirmation code. Although that’s not impossible, it is highly improbable. Accordingly, MFA represents a best practice to minimize the risk of credential compromise.

Ransomware & Malware Attacks
Ransomware and other forms of malware attacks continue to plague businesses of all sizes. These attacks often occur when end-users click on malicious links or attachments embedded in inbound email messages. Unfortunately, studies indicate that as many as 30 percent of end users continue to click on links and attachments, confirming a clear need to continually train and re-train team members on the importance of sound security practices.

Moreover, we should carefully look at our anti-malware tools and likely use a combination of tools to minimize risk. Specifically, we recommend using one anti-malware tool that relies on malware definitions. Additionally, we recommend using a second tool that relies on scanning your devices for unusual patterns of behavior. This tandem of tools is generally much more effective than using a single anti-malware tool. Further, newer technologies such as the built-in AppLocker (docs.microsoft.com/en-us/windows/security/threat-protection/windows-defender-application-control/applocker/applocker-overview) and Controlled Folder Access (docs.microsoft.com/en-us/microsoft-365/security/defender-endpoint/controlled-folders) features available in the Windows operating system provide fresh, modern approaches toward minimizing risk.

Phishing
The last of the three significant risks to examine is phishing. Phishing attacks are an essential consideration because they can lead to other forms of data compromise. When a phishing attack occurs, the bad actor attempts to gain information about an individual and use that information to aid in committing their crime.

For example, a cybercriminal could place a phone call to a team member and attempt to convince the team member that they work for the company’s information technology group. If successful in doing so, they might tell the team member that they need the team member’s password to a specific application to “solve a problem” they’ve noted in the application. If the team member takes the bait, the cybercriminal can log in to that application and commit their crime. Of course, the prospect of this type of phishing attack points to the need for continued reinforcement of the mantra, “Never share passwords with anyone!” Further, even if passwords are shared, using MFA would mitigate the threat of this type of attack.

Unfortunately, in many cases, a team member’s social media account can provide a treasure trove of information that would be useful in phishing attacks. For example, information such as high school mascots, pet’s names and favorite activities can make it easier for cybercriminals to focus on their target and “phish” for the information needed to commit their crimes.

Conclusion
It’s easy to feel overwhelmed with cybersecurity risks. However, reducing that risk to acceptable levels can be relatively easy. We don’t have to be security experts to protect our personal and corporate information at the end-user level. Instead, taking a few simple measures, such as those discussed in this article, can go a long way toward reducing the cybersecurity risks we face today. Best of luck as you attempt to manage your cybersecurity risk.

Thomas G. Stephens Jr. CPA, CITP, CGMA is a CalCPA Education Foundation faculty member. You can reach him at tommy@k2e.com.

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Private IRS Rulings
New Pilot Program for Fast-tracking Ruling Requests

Rev. Proc. 2022-10 establishes an 18-month pilot program for fast-tracking processing of certain requests for letter rulings solely or primarily under the jurisdiction of the Associate Chief Counsel (Corporate).

This new program applies to requests postmarked or received (if not mailed) by the IRS after Jan. 14, 2022. It expires on July 14, 2023, or, if earlier, when a superseding rev. proc. is released. Before that date, the Treasury Department and the IRS will evaluate the pilot program’s effectiveness and sustainability to determine whether the program should be extended. If extended, the IRS intends to publish permanent procedures before July 14, 2023.

Background
The IRS publishes an annual rev. proc. explaining how the IRS provides advice to taxpayers on issues under each Associate Office’s jurisdiction. For example, Rev. Proc. 2022-1 explains the forms of advice and the manner in which advice is requested by taxpayers and provided by the IRS.

There are seven Associate Chief Counsel Offices covering the following jurisdictions: Corporate; Employee Benefits, Exempt Organizations and Employment Taxes; Financial Institutions and Products; Income Tax and Accounting; International; Passthroughs and Special Industries; and Procedure and Administration.

 Expedited Handling of Requests
The IRS ordinarily processes requests in order of the date received. However, a written request for expedited handling can be made—explaining in detail the need for such handling. But, this request is granted only in rare and unusual cases, out of fairness to other taxpayers and because the IRS seeks to process all ruling requests as expeditiously as possible and to give appropriate deference to normal business exigencies in all cases.

Nevertheless, the IRS may grant an expedited handling request when a factor outside a taxpayer’s control creates a real business need to obtain a ruling before a certain date to avoid serious business consequences.

Fast-track Processing
A taxpayer requesting a letter ruling solely or primarily under the jurisdiction of the Associate Chief Counsel (Corporate) may request fast-track processing, but not expedited handling. However, this process is not available for requests for extensions of time to make elections or other applications for relief underRegs. Sec. 301.9100(b), but expected handling is available.

A fast-track request generally will be granted if the letter ruling request is solely under the jurisdiction of the Associate Chief Counsel (Corporate) and the requirements described below are met.

However, if the letter ruling is primarily under the Associate Chief Counsel (Corporate), but also includes a ruling request on an issue under another Associate office’s jurisdiction, fast-track will be granted only if that other Associate office agrees to process that request in accordance with Rev. Proc. 2022-10. If no ruling is requested from the other Associate office, fast-track will be granted only if no other Associate office objects.

Effect of Fast-track Processing
If a fast-track request is granted, the IRS will endeavor to complete processing the letter ruling request and, if appropriate, issue the letter ruling within the time specified by the branch reviewer (specified period), which will be 12 weeks—unless a shorter or longer time is requested and granted pursuant to Rev. Proc. 2022-10.

Requirements
1. The taxpayer must request a pre-submission conference, which should address both the substantive issues and the fast-track request.
2. Before this conference, the taxpayer must provide the information required by Rev. Proc. 2022-1, Sec. 10.07(3). A statement also must be provided setting forth the reasons for the fast-track request, the specified period requested (if other than 12 weeks), any matters that could affect the feasibility of fast-track processing, and any issues under the jurisdiction of an Associate office other than Corporate relevant to the transaction(s)—including whether a ruling will be requested as to each such issue.
3. The letter ruling request must satisfy all applicable requirements of Rev. Proc. 2022-1 and any other applicable rev. procs. and also must include:
   a. “Fast-Track Processing is Requested under Revenue Procedure 2022-10” at the top of the first page.
   b. This ruling request must include the information required under “2” above.
   c. The ruling request must state that the taxpayer agrees to provide any additional information requested by the branch representative within seven business days.

See Rev. Proc. 2022-10, Sec. 4 for additional requirements.

Stuart R. Josephs, CPA
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Year Starts with Considerable Legislative Inroads

As the IRS struggles with a processing backlog, these efforts, spearheaded by Rep. Linda Sánchez (D-CA), facilitated a large bipartisan coalition to sign a letter to the Treasury requesting immediate action ahead of the upcoming tax season. As a result, the IRS announced that it would be taking steps to implement some of the relief provisions advocated by the profession and Congress (irs.gov/newsroom/irs-statement-providing-meaningful-assistance-to-taxpayers-in-the-current-environment).

Tax-related Legislation Signed
SB 113 (leginfo.lagil Eye. Ce CA.gov/ faces/billNavClient.xhtml?bill_id=202120220SB113) has been signed by Gov. Newsom and enacts several tax-related changes that impact the 2021 tax year and current filing season:

Expansion of the Pass-through Entity Tax (PTE) for Additional Relief from State & Local Tax (SALT) Deduction Limits
In 2021, California established an elective PTE tax framework to allow certain California taxpayers to structure their tax compliance in a manner that provides relief from the current $10,000 limit on individual SALT deductions. As the new tax framework was being implemented, it became clear there were limitations that would prevent taxpayers from realizing the full intended benefit of the PTE tax and subsequent credit. SB 113 address some of these issues:

- For taxable years on or after Jan. 1, 2021:
  - Clarification that the PTE credit can be used to reduce tax owed below a taxpayer’s tentative minimum tax (TMT) so a taxpayer can apply the full PTE credit against their California tax liability as intended.
  - Expansion of eligible taxpayers to include tiered partnerships and those that own their share of a business through a disregarded entity, such as a single-member LLC, a common structure for small businesses.
  - Clarify that PTE tax provisions can apply to guaranteed payments as part of the distributive share of net income from an entity.

Conformity to Federal Tax Treatment for Relief Grants
Grants from the Shuttered Venue Operator Grant (SVOG) and the Restaurant Revitalization Fund (RRF) are exempt from federal income taxes, but under California law, they are considered taxable for state purposes.

For taxable years on or after Jan. 1, 2021, SB 113 address this issue by aligning California tax rules to current federal rules for the SVOG and the RRF. The bill also addresses California tax rules for a bill credit received by a customer from certain water and utility providers.

Restoration of Net Operating Loss (NOL) Deduction & Business Incentive Tax Credits
To address an anticipated budget deficit, the 2020 state budget package limited the ability of businesses to use NOLs and certain tax credits for tax years 2020, 2021 and 2022. SB 113 would restore the NOL and business incentive tax credits for 2022 tax year so taxpayers can realize the full value of these tax benefits.

Advocacy in Action
The timely advancement of these favorable tax policies is the product of CalCPA’s robust advocacy program and the strong relationship with key policy leaders across the state.

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

They say the 2022 tax season may be one of the most complex and challenging in recent history. We recognize those that sacrifice leisure, sleep and time with loved ones to ensure that businesses and families across the state can continue to prosper.

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