



Tax



Taxpayer



Business

# Do's and don'ts for a unique tax season

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Despite all its unimaginable events, taxable year 2020 has been no different in terms of how each taxpayer should prepare for tax season. Having faced diverse real-life situations with clients, our tax professionals have gathered a list of 10 do's and don'ts to prepare us for a smoother tax season next year.

## Do's:

1. **take advantage of technology:** think of how technology may ease the preparation of all documentation needed for tax returns preparation, which will translate into a more efficient process.
  - a. accounting systems may be set up to generate reports that comply with tax reporting and facilitate the reconciliations needed for income tax returns;
  - b. online meetings allow effective communication while maintaining social distancing;
  - c. secured file sharing apps allow your organization to keep information organized, secured and in one place;
2. **think of your taxes all year:** set reminders to assist you in complying with deposits and payments. Non-compliance during the year may lead to disallowance of deductions on the income tax return or imposition of interest and penalties. For example:
  - a. sales and use tax payments;
  - b. withholding deposits; and
  - c. estimated payments.
3. **plan for the unexpected:** taxable year 2020 is a great example of how things do not always go in the direction we expected. Implement internal due dates to get ready for tax season early on.
4. **plan** to provide your tax preparer with a reconciliation of informative returns, and an explanation of the items that cannot be reconciled.
5. **keep current with our tax alerts:** constant changes to the tax laws provide new challenges and opportunities that could potentially affect your tax bill. We strive to keep our clients informed and are available to assist with any tax issue during the tax year.

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### Don'ts:

1. **skip your initial meeting:** the initial meeting is the best time to organize and discuss with your tax preparer key information that will make the returns preparation process run smoothly. The sooner you schedule an appointment with your tax preparer the better.
  - a. this is the best opportunity to agree on the expected timeframe and key contacts;
  - b. initial meetings provide for identification of matters that may require further analysis or research.
2. **neglect your accounting:** a careful and timely analysis of the chart of accounts provides for proper classification of income and deductions. For example, it is important to properly categorize expenses in anticipation for deductions subject to the filing of informative returns and the Agreed Upon Procedures requirement, as applicable.
3. **underestimate the complexity of tax laws:** navigating the tax laws in Puerto Rico and applicable federal tax provisions can be a daunting undertaking. Discuss the topic you need assistance on with a knowledgeable tax professional.
4. **forget the tax effect of extraordinary items:** discussing significant transactions with a tax professional allows for tax planning opportunities that may have been missed if discussed after year end.
5. **miss the opportunity to implement changes in tax structure or pursuit of tax incentives or exemptions during the tax year:** some tax planning strategies are time sensitive, so make sure you don't miss an opportunity for a more tax efficient structure by talking with a tax professional.

We continue with our commitment to keep you up to date with these tax-related developments. Please contact our Tax Department should additional information is required regarding this or any other tax issue. We will be glad to assist you.



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