Marnell | FINANCIAL SERVICES, LTD.

2021 Tax Preparation – Our Process (Please retain for your records)

As we mentioned in our Welcome to Tax Season letter, we have implemented ways to improve our tax preparation procedures. As a result of the ongoing tax law changes and lack of guidance, this creates an unstable tax season for all of us. These changes are fluid and continue to happen during tax season. Subsequently, this brought many complexities to even the most standard tax return, which means there is no such undertaking of a one-hour tax return anymore (it just doesn't exist). This is the new normal of tax season, and it is extremely important that all of you understand this point. Together with the persistent and unrelenting COVID-19 pandemic and its variants, it was and still is necessary to construct ongoing substantive modifications to our processes. During the 2021 tax season (working on 2020 taxes), we established consequential changes to our appointments (phone/video conferences), drop-off/mail-in, or e-mail work schedules. After an in-depth review of our operations last year (which included listening to all of you) we suspect our modified approach this year will eclipse last year's methods of dealing with your income tax preparation.

Although our staff has been vaccinated, as I mentioned in our Tax Season letter, Marnell Financial continues to get impacted by Covid and its variants. By now you all realize that each form of Covid attacks everyone differently (and there is no rhyme or reason). We have, and continue to make, significant investments in our staff being able to work from home which includes protections for your data. It goes without saying, but this has been a costly transition for all of us, and we realize most of you that have your own businesses are having to make the same expenditures. Although, we are set up to work from home—which is never the same when you are accustomed to working in an office environment where you have every tool, resource, and your team at your fingertips—due to the nature of Covid and how it affects each person differently, we automatically fall behind in our production line which is out of our control.

When I personally had Covid in August of 2020 and contracted double pneumonia, I was forced to quarantine for three weeks. I was so ill that I couldn't work until four days prior to my return to the office. Moreover, I had no energy, breathing issues (that I still have today), and I was ineffective and inefficient since I've never worked from home in my entire career. Concurrently, two other significant members of our team (we have a small office) also went down hard, and the rest of my staff had to quarantine. This hurt our practice immensely for about a month, as we were basically devastated internally. Furthermore, this happened right before our Sept. 15th business deadline, and our Oct. 15th personal deadline.

Our team (as well as many of you) endured challenges that were unyielding to overcome personally as well as professionally. Therefore, we made a unilateral decision to not have any live appointments in the office, as we are extremely sensitive to your health and the safety of our team. Quite frankly, we are trying to stay open and to be uninterrupted as long as possible (as we all don't know what is coming our way). We've also been required to make more material changes in our tax preparation process which is described below:

2021 Tax Preparation – Our Process (Please retain for your records)

1. Update (Phone Call)
   This strategy was added to our process last year. To be transparent, this process didn't work as well as we had hoped as it took away from our efficiency in processing tax returns which ultimately created more backlog. In spite of that, we will still do them, but we are requesting these slots be used for new clients only, or legacy clients that had significant life events during 2021 that could affect their tax returns. We also test-marketed another concept with a small group of our clients as they called our office, and they were all very welcoming and agreed it is a constructive idea (which will be explained now). About half of our returns are received by us via email, and if you have significant changes and wouldn't mind documenting the changes in a memo it would be appreciated. If you drop-off or mail-in your return, a memo which describes the events you perceive are noteworthy would also be appreciated as this would alleviate a call and save us all time. If a call is not needed (for the mail-in, drop-off, e-mail, or new clients) it's not at all obligatory, so if that's the case, feel free to decline if it's proposed by us.

2. Processing
   As a prerequisite it is necessary that we receive our Tax Organizer Questionnaire with each tax information kit we receive from our clients. This condition to our engagement has to be willfully followed as it will aid in the most accurate and efficient tax return process. By now, after reading our client letter and this memo, I am anticipating that you clearly understand all of our challenges (for you and us). If we don't receive our questionnaire, we will kindly send it to you for completion before we start our initial review.

   Production Line
   By virtue of the new normal of tax season it is vitally important that I spell out our operations and the inequities over the past three processing years to you; the greatest inequity being Workload Compression. Workload Compression is a condition of excessive job demands with about 65%-70% of our returns being completed in the first quarter. For Marnell Financial's clients, especially over the past three years, tax season really doesn't get into full swing until about Feb 15th. This creates tax season compression as most of the work comes in between 2/15 and 4/15 of each year. As all of you know who work with us, I will never compromise the integrity of our review process, or the accuracy of our work to force out your return in order to hit this first deadline. If this occurs, any of you that have been on extension in the past mainly due to: complicated situations, information coming in closer to the 4/15 deadline, or because of the new normal of tax season due to the pandemic, we will always situate you in a reasonable position to make an extension payment, or to at least express that we expect you to receive a refund.

   The Dilemma
   Due to the complexities of income tax processing and due diligence, we will no longer work on anyone's return during a live appointment, phone, or video conference (unless something drastically changes in the future that would allow this occurrence again). On account of everything that I have mentioned in our letters, this is now impossible. You deserve the very best of our abilities and creativeness to legally develop possible and probable scenarios to work through your tax situations. In

the past, there weren't many tax planning opportunities to explore during tax season, other than a few like: adding to an IRA account or H.S.A. account, or the like. We spend a lot of time contemplating new enhanced credits, dependency exemption relationships, support tests, education credit optimizations, and we explain these possible outcomes to you before we finalize all pertinent returns in these scenarios. Because of this, we can't ever put ourselves in a position where a few hundred returns come in during February, but we are now concentrating on working on live appointments that happen the first week of March. This creates an unfairness, and we can no longer allow these deviations to compromise our production logs. For that reason, your returns will be worked on a first come first serve basis without question. However, be mindful that we must make detours in our production line if you send incomplete or inaccurate information. Most of you know that we have a pending list/log and that will be followed in a similar format. The longer it takes to receive your pending data, the longer you will remain on the list. Moreover, don't forget when we finally get your pending information (which depends on the vastness of the missing data), we have to come up with an appropriate plan to build it back into the processing log which means it won't be completed the same or next day.

Expectations

In light of everything I have discussed above, it is extremely important that we firmly set expectations (yours and ours) and clearly communicate where we are with your project. This is on us, and I personally want to know immediately if there is a fracture in our system. If so, we will likely move you up in the line if your grievance warrants it. Furthermore, this will guide us to reflect on what and why there was a breakdown which will enable us to promptly fix the issue.

3. Delivery – A Few Different Options are Available.

For anyone that requires a delivery call/video (Microsoft Teams) with any member of our team, we won't be accepting appointments ahead of time. For example, if you call next week to set-up a delivery appointment for late March, we will not be able to book that appointment in advance. If we continue to allow for this situation to occur, it will ultimately create the unfairness and inequities in our tax processing system that we discussed in this memo. As a result, if you require a call/video conference, we will contact you to schedule your delivery meeting within a window only after we have completed your income tax return. We have learned over the past three years that we must control the outcome of this appointment which will provide a level playing field for all of us. This will assist us in meeting our expectations and keeping our commitments to you. Communication will be paramount for all of us as we create a respectful and reliable partnership to finish this project of completing your taxes together. We need you to follow through on open issues as much as you need us to close them. Our relationship is a real union, and accordingly, we must all complete our tasks to bring your return to a finish. Note – if you don't need a delivery call/video conference, you can still receive your results by phone or email. This question is listed on page 1 of our Tax Organizer Questionnaire.

4. Pick-Up Completed Return
   No change here—after we've communicated the results based on your preferred method, we'll confirm with you as to how you'd like to receive your return. If you prefer an in-person-in-office pickup of your return this is an acceptable alternative. However, remember that a mask will be required, and we ask you to call the office to work out a pick-up time. We are doing this to minimize a crowd of clients in our waiting area, which will also allow us to efficiently close out your return pickup. Other delivery formats include: e-mail, regular mail (no cost to you), FedEx, or other carriers (there will be a cost)—the choice is yours.

Our goal is to streamline our processing while simultaneously improving client communications, expectations, and return processing times; we're looking forward to serving you at the level you expect and deserve.