



RETURN SERVICE REQUESTED

SERVICE GUARANTEE
 Our work is guaranteed to the complete satisfaction of the customer. If the customer is not completely satisfied with the services performed by White & Company, PC we will, at the option of the customer, either refund the fee or accept a portion of the fee that reflects the customer's level of satisfaction.

January 2018

THE FEBRUARY 2018 SURPRISE

On approximately February 10, 2018, county assessors' offices throughout the state of Washington will mail out bills for property taxes due for 2018. With this mailing, homeowners and business property owners in each county will suddenly see the impact of the Washington state legislature's new property tax levy for basic education.

In January 2012, the Washington state supreme court ruled in McCleary vs. State that the state underfunded basic education and the ruling gave the state until 2019 to fully fund basic education at a cost of \$4 to \$5 billion.

One holding of the McCleary decision was the state relied too heavily on local property tax levies for salaries and operation. A shift of levies from local district to the state raises taxes in property rich districts and lowers taxes in property poor districts.

A new state property tax was assessed to fund basic education starting in 2018 and a levy swap was passed starting in 2019. Therefore, everyone's property taxes will increase in 2018 and then in 2019 the levy swap will reallocate taxes statewide, resulting in property tax increases for some and decreases for others.

You might as well like yourself; just think about all the time you're gonna have to spend with you.
 -Jerry Lewis, 1926-2017

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THE TAX CUTS AND JOBS ACT OF 2017

The tax bill was signed on December 22, 2017. Almost all of the tax provisions with a few exceptions go into effect on January 1, 2018. We will detail the important components of the tax bill in our April 2018 edition of "The Adviser".

BITCOINS AND INCOME TAXES

Did you sell bitcoins for a big gain in 2017? Do not forget to pay your taxes! Bitcoins and other virtual currency are treated as property for tax purposes. So those who sell or exchange bitcoins will realize gain or loss on the transaction. The profit or loss will be capital gain or loss if the bitcoins were held for investment, similar to stocks or bonds. If you have accepted bitcoins as payment for goods or services, you must include the value in U.S. dollars as income. Employers that pay wages with bitcoins need to report the U.S. dollar value of the earnings on W-2 forms.

The art of taxation consists in so plucking the goose as to get the most feathers with the least hissing.

-Jean-Baptiste Colbert,
 French Politician, 1619-1683

IMPORTANT DUE DATES

Within 3 days of payroll	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
Jan. 16, 2018	-Due date of 2017 Estimated Tax Payment No. 4
Jan. 16, 2018 Feb. 15, 2018 Mar. 15, 2018 Apr. 17, 2018	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
Jan. 25, 2018 Feb. 26, 2018 Mar. 26, 2018	-Due dates of monthly state excise tax reports
Jan. 31, 2018	-Due date of Form 940 deposit for 4th quarter 2017 -Due date of employer's payroll tax reports, Forms 941, 940, and 943, State Unemployment and State L & I reports -Due date of quarterly state excise tax reports -Due date for W-2s to be issued to employees and filing deadline for employers to submit Forms W-3 and W-2, Copy A to the Social Security Administration -Due date for all Forms 1099 to be issued to the recipients and filing deadline to submit Forms 1099MISC, Copy A and Form 1096 Annual Summary & Transmittal (only for those reporting non-employee compensation in box 7) to the IRS
Feb. 28, 2018	-Due date to submit all other Form 1099s to the IRS if paper filing or April 2, 2018 if e-filing
Mar. 1, 2018	-Due date of 2017 Form 1040 income tax returns for farmers and fishermen who did not pay an estimated tax payment on January 16, 2018
Mar. 15, 2018	-Due date for calendar-year Form 1065 Partnership income tax returns for 2017 -Due date for calendar-year Form 1120S Corporation income tax returns for 2017
April 17, 2018	-Due date for calendar-year Form 1120 Corporation income tax returns for 2017 -Due date of 2017 Form 1040 individual income tax returns. If you expect to owe tax, the tax is due now even if you extend filing your return until a later date - Due date of 2018 Estimated Tax Payment No. 1 -Due date for Form 1041 Trust and Estate tax returns for 2017 -Due date for IRA, SEP and Simple contributions for 2017

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TIDBITS

- Women are 80% more likely than men to be impoverished at age 65 or older.
- Account holders at most credit unions are automatically protected by insurance from the National Credit Union Administration, a federal agency, which will reimburse them up to \$250,000 per depositor if, for any reason, the institution is unable to reimburse its customers.
- Families in the northeast part of the U.S. spend 70% more on college compared to the rest of the U.S. Those families are more likely to borrow money and to choose what they consider an elite school than families from other regions.
- The U.S. Census Bureau reports that nearly half of the women over age 65, are widows and seven out of ten of these women live alone.
- Financial responsibility impresses online daters more than a sense of humor, appearance, ambition or courage says Helen Fischer, PhD, Chief Scientific Advisor for match.com. In a survey, 60% of the participants said financial responsibility is extremely important, more important than any other quality.
- 38% of women in the workforce earn more than their husbands.
- Only 30% of family businesses pass successfully to the second generation and only 12% pass successfully to the third generation.
- Approximately one third of our savings decisions stem from our genetics.
- Women in the U.S. will control 60% of the U.S. wealth by the year 2022.

- Increased life expectancies are why Social Security is going broke. Both men and women collect benefits for over 24 years, which is much larger now than when Social Security was designed!
Life expectancies for a:
-Man in 1930 is 58 years
-Man turning 65 in 2017 is 84.3 years
-Woman in 1930 is 62 years
-Woman turning 65 in 2017 is 86.6 years
- Do not let current events spook you about investing. Getting out of the stock market and re-entering when things look better may seem like the obvious strategy. However, if it were that easy, we would all be rich.

FROM KIPLINGER.COM: WORST COLLEGE MAJORS AND BETTER ALTERNATIVES

The ranking is based on starting and mid-career salaries, long-term growth prospects and a sense of making a positive impact on the world. The least valuable college major is **culinary arts**—although most jobs in the field do not require a college degree. *Alternative: Business administration* - focus on running a restaurant not working in the kitchen. **Photography** is being taken over by free-lancers, but *visual communications* has better prospects. **Art** is full of people making very little money but *marketing* is a form of applied art and a growing field. **Paralegal studies** is a highly competitive field, and about half of graduates find themselves under-employed, but a degree in *finance* or *economics* can be used within law firms and in many other professions. **Anthropology** offers very few positions and only moderate earnings, *history* is a similar field with more job

prospects and potentially high earnings.

WHAT YOU SHOULD PAY FOR CREDIT SCORES AND PROTECTION

Do not let warnings about identity theft scare you into overpaying for credit protection. Consumer experts say most people can get all the credit information and protection they need for less than \$45 a year.

1. Go to *annualcreditreport.com*, no other site! - and order your free annual credit reports from each of the three credit agencies. Do not be fooled by unofficial, but cleverly named sites such as: *freecreditscore.com*.
2. The form on *annualcreditreport.com* will direct you to the sites of each of the three agencies. Access only your free report. Do not agree to any service or product that required your credit card information, warns Chi Chi Wo, an attorney at the National Consumer Law Center.
3. To learn your FICO credit score, Google the Consumer Financial Protection Bureau's list of companies that provide it for free. Do not pay credit bureaus for their non-FICO "scores", because those are almost useless.
4. Skip credit agencies' fraud-alert services, which charge monthly fees. For stronger, cheaper protection, ask each of the three agencies to put a security freeze on your accounts. While freezes do not prevent fraudulent charges on existing accounts, they stop anybody, including you, from opening new ones. Freezes, which have no impact on your credit score, are free for seniors and victims

of identity theft in many states. Otherwise, freezes cost up to \$15 per agency. You can lift or pause a freeze (for a small fee) when you apply for a new credit card.

THREE STUDENT LOAN MISTAKES PARENTS CAN MAKE

Agreeing to cosign a student loan if you intend to refinance your mortgage (or take out any other loan). Lenders will treat the student loan as if it were your own debt. That might inflate your debt-to-income ratio enough that you will not qualify for better interest rates until the student loan is paid off.

Letting cosigned loans languish when students do not keep up the payments. Those late or missed payments will devastate the parent cosigner's credit scores.

Making payments for the student if your goal is to be released as a cosigner. Many student loans offer cosigners a path toward being removed from the loan, if the student proves he can make the payments himself. But, if the cosigner makes even one loan payment on the student's behalf, the lender will take it as a sign that the student was unable to make that payment himself and deny the cosigner's release request. It is better to give the money to the student, and let the student make the payment.

WHEN AN IRA HAS TO PAY TAXES!

One of the most appealing features of a traditional individual retirement account (IRA) is that you do not pay income tax on any investments until you withdraw the money, right? Not in all cases! Many investors are running into surprise

tax bills because instead of limiting their IRAs to stocks, bonds and mutual funds, they have added so-called alternative investments. These include master limited partnerships (MLPs), which generally own and operate oil and gas pipelines, as well as hedge funds and private-equity funds. Many IRA custodians, including Fidelity and Charles Schwab, now allow customers to hold such investments in their accounts.

When these investments generate income from businesses they own and pass it along to investors, the IRS considers the money taxable even if it is in a traditional IRA or a Roth, Simple or SEP IRA. Such income is known as "unrelated business taxable income" (UBTI). In addition, income you get from any real estate you own that is debt-financed qualifies as UBTI.

If your IRA earns more than \$1,000 in UBTI in any calendar year, a tax return for your IRA must be filed. UBTI is subject to the tax rate for trusts. The maximum trust tax rate of 39.6% is triggered at \$12,500 in income. The IRA also may be required to file quarterly estimated tax payments the following year. And even if the UBTI is taxed when it is generated, if that income is in a traditional, Simple or SEP IRA (but not a Roth), it will be taxed again at your personal income tax rate when it is withdrawn from the IRA.

What to do! Discuss potential purchases with your tax adviser. You need to understand how much UBTI the investment may generate based on past years and keep a certain amount of liquid assets in your IRA because any taxes due must be paid directly from the IRA.

If the investment generated UBTI, make sure that the custodian that oversees the IRA files a tax return for the IRA and remits any taxes the IRA owes. Otherwise, the IRA

could be hit with substantial late-payment penalties.

CLAIMING YOUR SOCIAL SECURITY BENEFITS

If you were born between 1943 and 1954, your full retirement age is 66. The reduction of benefits at age 62 is 25% and the increase in benefits at age 70 is 132% of your benefits at age 66. The reduction at age 62 reduces approximately one-half of one percent per month so that claiming benefits at age 64 would reduce your amount by approximately 12-1/2%. However, the benefit between 66 and 70 increases at approximately two-thirds of one percent per month. So, claiming benefits at age 68 would increase your benefits by 15%.

MILITARY RETIREMENT - NEW SYSTEM

Service personnel who have been in the military for less than 12 years will have to make an irrevocable decision in 2018 on whether to sign up for the new "blended retirement system".

The new system provides a lower pension payout (about 20% less) but provides an annual 5% match in the government's thrift savings plan. Under the old system, there is no match in the thrift savings plan; the pension payout would be larger but you must serve at least 20 years to get the pension.

USAA offers a calculator that can help with the decision. Go to www.usaa.com/brs.

