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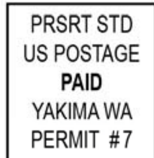

RETURN SERVICE REQUESTED

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.

April 2018

TAX TRAP FOR HEIRS OF AN INHERITED IRA

Leaving a traditional IRA to a young grandchild sounds like the perfect idea. The young heir would have to take taxable distributions, but really, how high could the tax rate be for a toddler or preteen?

Not so fast. A quirk in the tax code is the "kiddie tax", which applies to unearned income (distributions from traditional IRAs fall in that category) of children under age 18, or up to age 24 if the child is a full-time student.. For 2017, the first $1,050 of unearned income is tax-free, the next $1,050 is taxed at the child's rate and any additional unearned income is now taxed at Trust rates which hit 37% for any income over $12,500.

When a minor grandchild is bequeathed an IRA, required minimum distributions (RMDs) must be taken out starting the year following the original owner's death. But the child's long life expectancy means the factor, from IRS Publication 590 -B used to calculate the IRA RMD, would be high. That holds down the amount that must be distributed annually, so more money can stay in the account to grow tax-deferred.

You could escape the kiddie tax by passing a Roth IRA to a minor grandchild, which may seem like a more attractive move. While non-spouse beneficiaries also have RMDs from inherited Roth IRAs, those distributions are tax-free. And a young heir can potentially enjoy decades of earnings in the Roth IRA to grow free from Uncle Sam's clutches. But those tax-free distributions could be more tax-effective if a parent inherits the Roth IRA.

SOCIAL SECURITY BENEFITS AND WORKING TO AGE 70

Working late in life can boost anyone's Social Security benefit if those extra years of earnings are among the highest 35 years of earning in a worker's career. But women, in particular, can benefit because those later years of earnings can make up for time out of the labor force earlier in their careers, according to a recent study by Boston College's Center for Retirement Research. Nearly half of women had a year with zero earnings in their top 35 years of earnings. Working until age 70, instead of retiring and claiming benefits at 62, increases women's benefits by 88%, with 12% of that from late-career earnings, compared with an increase of 82% for men's benefits.

THE ADVISER

WHITE & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
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THANKS TO OUR CLIENTS

We would like to thank our clients for a successful tax season! We appreciate your patronage and enjoy working with each of you. Our office will be closed Friday, April 20th to give our staff a well-earned day off! We will no longer be open on Saturdays and will be closed during the lunch hour until next tax season. There is a mail slot in our front door for dropping off information and our voice mail system is active all of the time.

WHEN A STRANGER FILES FOR YOUR REFUND

Identity theft has been the top consumer complaint for many years, according to the Federal Trade Commission. Almost 25 percent of ID-theft complaints relate to tax or wage-related fraud. In the tax arena, thieves steal Social Security numbers, forge tax returns and claim fraudulent refunds early in the tax season. You might have been a victim of identity theft if you get an IRS notice saying that more than one federal tax return has been filed in your name. Alternatively, the agency might say that you have a balance due, a refund offset or a collections against you in a year you did not file a return. Another red flag is an IRS letter showing income from an employer you do not know. If you suspect fraud, respond immediately to the name and number on the correspondence. You will also have to fill out the IRS Identify Theft Affidavit, Form 14039. Alert the agency if you have recently had an experience that could result in identity theft, such as a lost or stolen purse or wallet. The toll-free number for the IRS Identify Protection Specialized Unit is (800)908-4490.

IMPORTANT DUE DATES

Date	Description
Within 3 days of payroll	-Due dates of employer's Social Security and withholding tax deposits if the IRS has determined you pay semi-weekly
Apr. 17, 2018 May 15, 2018 June 15, 2018	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
April 17, 2018	-Due date of 2017 individual income tax returns. An automatic 6-month extension to file your return on October 15th can be filed. **However, if you owe tax, that amount has to be paid when the extension is filed or penalties and interest will apply.** -Due date for all IRA and HSA contributions deducted on your 2017 tax return -SEP, SIMPLE and profit sharing contributions are not due until the extended due date to file. It is wise to extend your tax return in case you change your mind on the amount of contributions. -Due date for 1041 Estate and Trust tax returns **-Due date of 2018 Estimated Tax Payment No. 1**
Apr. 25, 2018 May 25, 2018 June 25, 2018	-Due dates of monthly state excise tax reports
Apr 30, 2018	-Due date of Form 940 deposit for 1st quarter, 2018 -Due date of employer's quarterly payroll tax reports: Form 941, State Unemployment and State L & I -Due date of quarterly state excise tax reports
June 15, 2018	**-Due date of 2018 Estimated Tax Payment No. 2**

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TIDBITS

- New Medicare cards will start arriving in April 2018. There is no cost to those on Medicare and the cards will no longer have your Social Security number on them. Each card will have a unique identifying number for the Medicare recipient. Take your new card to all medical appointments so your records can be updated.
- The average annual vet expenditure for all pet owners is over $375. The annual food cost per year is $289 for a dog, $246 for a cat and $120 for a bird.
- Roth IRA contributions are limited to $5,500 per year plus $1,000 if you are over 50. Income over $196,000 for a couple means no contribution can be made. However, if your employer has allowed the Roth provision in your 401(k) plan, you can contribute $18,500 and if over age 50, $24,500 to the Roth 401(k) without any income restriction. This is the best kept retirement secret!
- In the U.S., it is estimated that there are 47 million people age 65 and older. This number is projected to double by 2060.
- Today, it is estimated that 47% of men and 58% of women, retirement age and older, will need long-term care.
- The number of states with filial responsibility laws that could make children liable for their parents' long-term care costs is rising. Currently, 28 states have such laws: Oregon, Idaho, California, Montana and Nevada are just a few. Washington state does not yet have such laws.

THE TAX CUTS AND JOBS ACT

This bill enacted a large overhaul of many parts of the Internal Revenue Code. All of the changes in the Act affecting individuals expire after 2025. **Some of the individual changes are:**

1. The standard deduction has nearly doubled to $24,000 for couples and $12,000 for singles.
2. If age 65 or older, there is an additional amount of $1,300 each for a couple and $1,600 if single.
3. The new law pares back or removes many deductions claimed by individuals. Personal exemptions for all filers and dependents are repealed.
4. The repeal of the personal exemption is partially alleviated by the child credit being doubled to $2,000 for each dependent child under 17, with up to $1,400 of the credit being refundable.
5. For children 17 and older or others living in your home, who qualify as dependent (you furnish over 50% of their support), there is a $500 per person, non-refundable tax credit.
6. The amount of home mortgage interest deduction is limited to a mortgage of $750,000 or less. Home Equity Lines of Credit (HELOC) interest is still deductible if loan proceeds are used to improve the property and total loans on the home are below the new $750,000 limit.
7. The deduction for state sales tax or income tax is limited to no more than $10,000.
8. Several other write-offs are eliminated completely: Deduction for job-related moves, all miscellaneous write-offs, including employee business expense, brokerage fees, investment fees, IRA fees, union dues and tax preparation fees. All gone!
9. The charitable contribution deduction is preserved but, with the increased standard deduction, it is more difficult to get tax savings.
10. The write-off for personal gambling losses, to the extent of winnings, survives.
11. Tax rates on long-term capital gains and qualified dividends have not changed.
12. Far fewer estates will be subject to the estate tax, the tax bill doubled the exemption level for estates and gift tax to about $11 million per person.
13. The kiddie tax has been significantly revamped so that unearned income of children under 18 is taxed at the same rates as trusts and estates, not the parents' marginal rate. Note, trust and estate tax rates on income over $12,500 are at 37%. Ouch!
14. Tax benefits for retirement savings have not been changed. There is one important change involving Roth conversions. Taxpayers that convert all or part of a traditional IRA can no longer recharacterize the conversion.
15. The marriage penalty, caused by tax brackets when a married couple paid more tax than two singles, has been eliminated until a couple makes more than $500,000.
16. Alimony paid or received under a divorce decree reached after 12/31/2018, will not be deductible by the payor and not taxable to the recipient.
17. The IRA required minimum distribution (RMD), directly to charity over age 70.5, became more valuable with the higher standard deduction since you are not taxed on this transaction and it does not increase your income. You can only do this from an IRA, not from any other type of retirement plan.
18. The 20% business deduction for pass-through income will benefit individuals that own shares of a Real Estate Investment Trust (REIT) or shares of a Master Limited Partnership (MLP). This will allow exclusion of 20% of REIT's dividends and an exclusion of 20% of the MLP income.

The new tax law dramatically reforms taxation of businesses of all sizes.

1. C Corporations, aka large corporations will pay taxes at a flat 21% rate, down from the 35% old top rate.
2. Many individual owners of a pass-through business will get a new 20% deduction of business income.
3. The 20% deduction covers sole proprietors, self-employed owners of S Corporations, partnerships in business and LLCs that are in business.
4. These businesses can generally deduct 20% of so-called business income. The provisions regarding business income, types of entities and other qualifications within the law are the most complex items in the new law.
5. These complex components of the new law will hamper tax planning in the coming years because there are limits and restrictions, along with undefined terms to help deter gaming of the new law. Much of the unknown will be defined by the IRS over time.
6. This new 20% deduction phases out for some Professional Service Fields, such as law, consulting, accounting, health or financial services, for taxable incomes from $315,000 to $415,000 for a joint return.
7. The reduced corporate rate and the 20% deduction for non C corporate businesses are not the only breaks for business. There are many changes to depreciation that will also reduce taxes for business, 100% bonus depreciation is back for both new and used assets but only temporarily. It generally lasts until 2022, and then is reduced 20% a year.
8. Another depreciation change affecting our farmers is new farm equipment can now be depreciated over five years, instead of seven years.

WHERE DO OUR DONATIONS GO?

U.S. donors, including individuals, corporations and foundations, gave $390 billion to U.S. charities in 2016. This number is up 2.7% from 2015 per *Giving USA*. Listed below are the types of organizations receiving our charitable donations.

1. Religious 32%
2. Educational 15%
3. Human services 12%
4. Foundations 10%
5. Health 8%
6. Public/society benefit 8%
7. Individuals, environment, animals, arts and international 15%

NEW SCAM: STEALING CREDIT CARD SECURITY CODES

The three or four-digit security codes printed on credit and debit cards are meant to protect you from criminals who want to charge purchases to your account. But criminals, who already have their hands on millions of stolen card account numbers, are tricking card holders into revealing the codes as well.

The scam works like this: You receive a phone call from someone who claims to work in your card issuer's fraud-prevention department. The caller reads your credit card account number to you and says that suspicious transactions have been identified on the account, then asks you to confirm whether you made a particular purchase. When you say you did not, the caller tells you not to worry because a new account number will be issued and you will not be responsible for any fraudulent charges. But first you have to provide the security code to prove that the card still is in your possession. If it is not, the caller claims you might be responsible for some of the fraudulent charges. Even savvy consumers fall for this scam because the caller already knows the card account number, making it easier to convince you that it is the card issuer calling.

What to do: If a caller claims to be from your card issuer's fraud-prevention department, ask the caller's name and/or employee ID, hang up, then call the 800 number on the back of your card and ask to speak to the fraud-prevention department or that particular employee. If the call was not from the card issuer, explain that your account number likely has been stolen. The issuer will give you a new card with a new number.

SELF-DIRECTED IRAS

The IRS has a strong warning for owners of self-directed IRAs: Beware of promoters advertising IRS-approved investments for IRAs. These comeons falsely claim that the IRS has approved a particular retirement investments. In reality, the agency does not review, approve or endorse any investments.

CREDIT CARD COMPANIES TRICK YOU INTO PAYING MORE INTEREST

Do you ever pay just the minimum required amount on a credit card balance even if you could afford to pay more? You are not alone. New research shows that 20% of credit card users who can afford to pay significantly more than the monthly required minimum, typically 2% to 3% of the balance, do not pay more or only a little more. This tremendously increases the amount of interest they end up paying over time.

Why do people pay less than they could? One reason is that the minimum payment often is featured by the credit card company as the most prominent number on the bill, so many consumers fixate on it, which is exactly what the card companies hope they will do. Even worse: Decades ago, the typical required monthly minimum was closer to 5%, but credit card issuers found that it was more profitable to reduce that amount because the longer a consumer takes to pay off an outstanding balance, the more interest the consumer ends up paying.

To avoid this trap, ignore the minimum payment amount suggested by the card company, and instead calculate a personal monthly minimum payment based on how long you want to take to pay off your debt and what you can reasonably afford. Search online for "Bankrate Credit Card Payoff Calculator".

He who hesitates is sometimes saved.

James Thurber (1894—1961)