THE ADVISER

WHITE & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

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INSIDE.....

Our newsletter is now available on our newly re-vamped website whitecocpa.com. Please feel free to take a look around and send us a message with any questions or sign a friend up for the newsletter!

ARE YOU TAKING REQUIRED MINIMUM DISTRIBUTIONS?

New life expectancy tables are in the works for the required minimum distribution (RMD). The current tables were last updated in 2002. The Treasury, under Trump's executive order, will look into modernizing the tables to take into account more current mortality data. Basing payouts on longer life expectancies will allow IRA owners and plan participants to take out smaller minimum payouts and let them keep money in the accounts longer.

A GLOBAL RETIREMENT COMPARISON

Americans rely more on savings and investments to cover retirement needs than workers worldwide. Nearly 60% of Americans use cash savings to fund retirement, the third highest percentage globally. U.S. retirees rely less on their children for support (only 3%) compared to the global average of 12%. Americans also work an average of five years longer than around the globe - 35 years compared with the global average of 30 years.

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 semi-weekly
Jan. 15, 2019	**-Due date of 2018 Estimated Tax Payment No. 4**
Jan. 15, 2019 Feb. 15, 2019 Mar. 15, 2019 Apr. 15, 2019	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
Jan. 25, 2019 Feb. 25, 2019 Mar. 25, 2019	-Due dates of monthly state excise tax reports
Jan. 31, 2019	-Due date of Form 940 deposit for 4th quarter 2018 -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 Form 1099s to be issued to the recipients** and filing deadline to submit Forms 1099-MISC, Copy A and Form 1096 Annual Summary & Transmittal (only for those reporting non-employee compensation in box 7) to the IRS
Feb. 28, 2019	-Due date to submit all other Form 1099s to the IRS if paper filing, or April 1, 2019 if e-filing (however, the due date for giving these forms to recipients remains Jan 31st)
Mar. 1, 2019	-Due date of 2018 Form 1040 income tax returns for farmers and fishermen who did not pay an estimated tax payment on January 15, 2019
Mar. 15, 2019	-Due date for calendar-year Form 1065 Partnership income tax returns for 2018 -Due date for calendar year Form 1120S Corporation income tax returns for 2018
April 15, 2019	-Due date for calendar-year Form 1120 Corporation income tax returns for 2018 -Due date of 2018 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 2019 Estimated Tax Payment No. 1** -Due date for Form 1041 Trust and Estate tax returns for 2018 -Due date for IRA, Sep and Simple contributions for 2018

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TIDBITS

- For 2018, it is estimated that 44% of American taxpayers will pay no income tax. This is 76.4 million people paying no income tax, up from 72.6 million or 43.2% in 2016.
- To collect the most possible Social Security be sure to work a full 35 years. Benefits are calculated using your 35 highest earning years. So, if you work fewer than 35 years, the amount counted for each year without earnings is zero. Working after signing up for Social Security can replace zero or lower earnings, forcing Social Security to recalculate your benefits.
- The human brain is the fattiest organ in our body. A brain is about 60% fat.
- The projected annual increase for the cost of prescription drugs in the U.S. through 2021 is 4% to 7% which is more than twice the recent annual pace of inflation.
- The state of Colorado has collected over $1 billion in tax revenue from the excise tax on marijuana since legalization in 2015. The state of Washington has collected over $750 million in new tax revenue during the same time. Where did our state government spend the $750 million?
- The term "artificial intelligence" has been around for over 60 years.
- Approximately 47% of men that are current retirement age or older will experience a need for long-term care in the future. For women who are currently retirement age or older, approximately 58% will need long-term care assistance.
- You have a 25% chance of living past age 90 if you retire at age 65.
- In the year 2020, there will be 20 times more usable data than there is today!

DO NOT BE A PHISHER'S BAIT!

Whoever said crime does not pay apparently had not heard of phishing - the hacking technique that targets a company's e-mail system to steal personal information or lock it down in exchange for a ransom. According to the FBI, hackers made off with more than $675 million through "business e-mail compromise" in 2017.

Do you think your employer is too small to warrant a phishing expedition? Every type of business is a potential target of phishing attacks, the Securities and Exchange Commission said in a recent report. The fake e-mails do not have to be sophisticated to do serious damage either. All it takes is for one employee to respond to an offer of a free salted caramel latte to send a company's computer network into a tail spin.

To avoid being that employee, stay alert for signs that an e-mail may be coming from an unsavory source. Looking beyond the sender's display name is the most effective way to identify a phisher. Closely examine the user name and domain name, especially the spelling. If you receive an e-mail from "@amazon.com", for example, mark it as spam and move along.

A NEW EMPLOYEE FRINGE BENEFIT?

As the job market continues to tighten, some employers are offering a new perk: help in paying off student loans.

The state of Maine is providing tax credits to student loan borrowers who live and work in the state if they graduated from any U.S. college after 2015.

Last year, about 4% of national companies offered some amount of repayment assistance. As more companies are looking for employees and shying away from salary bumps and bonuses in favor of more benefits, pay-back assistance will likely increase.

Recently, the IRS blessed a 401(k) match by employers conditioned on student loan repayment by their employees. The IRS approved a company to contribute to its existing 401(k) plan on behalf of employees who are paying down their student debt. The employer match took place regardless of whether the employees were also making 401(k) contributions but did not preclude workers from also contributing to their 401(k) accounts. Participation in the program is voluntary but the employee must elect to enroll in it. This is an employee perk that can be offered in this tight labor market.

ASK FOR AN RMD PENALTY WAIVER

One of the most punitive penalties in the tax code - the 50% hit for failing to take a required payout from a retirement plan - is also one of the easiest to get dismissed if you have a good excuse. If you missed the April 1st deadline for taking your first Required Minimum Distribution (RMD), which applies if you turned 70-1/2 last year, or the December 31 deadline for all other years, you need to figure the penalty on Form 5329 to accompany your tax return.

But you do not necessarily have to pay the penalty. The IRS can waive it if you show your goof was a result of a reasonable error (a serious illness or lousy advice from a financial institution or adviser could qualify) and you have taken steps to correct it by withdrawing the appropriate amount as soon as you discovered the mistake. If you feel you are on solid ground, rather than pay the penalty, follow the Form 5329 instructions for requesting a waiver and attach a letter of explanation.

EVERYTHING YOU SHOULD KNOW ABOUT AN FSA

A flexible spending account (FSA) is a special account you put money into and use to pay for certain out-of-pocket health care costs. An FSA is allowed by the IRS and offered to you by your employer. You do not pay taxes on the wages that you put into an FSA and the 2019 limit is $2,700. You can use the $2,700 to pay medical expenses, prescription drugs, dental expenses, vision exams and eye glasses for you, your spouse or your dependents. The biggest disadvantage is if all the money in the account is not used, it is then the employers. However, employers have two options to help the employees use the funds. First, they can provide an extension of 3-1/2 months to use the funds. Second, they can allow an employee to carry over up to $500 per year to be used in the following year.

There is also a dependent-care FSA which can be used to fund before and after school care for children under age 13. This type of FSA has a $5,000 limit. If both types of FSAs are funded to the maximum, your tax savings will range between $1,540 and $3,080 depending on your tax bracket. Enrollment is usually in December or January so be prepared.

BEWARE OF ANY ANNUITY, ESPECIALLY THIS TYPE

"Annuity" is considered a dirty word by many investors because of the trickiness and complexity of many of these insurance contracts. So, annuity providers introduce versions that seem more attractive and understandable. Among the most popular now is the *fixed-index annuity* (FIA). The pitch: You enjoy a portion of the stock market's gains if stocks rise, and for safety, you will not lose any of your original investment even if the stock market plunges.

That is an intriguing offer at a time when many investors fear the nine-year-old bull market may end. Fixed-index annuity sales hit $58 billion in 2017, up 70% since 2012. Problem: Hidden costs and restrictions of these annuities mean that they often fall short of their big promises.

How FIAs work: You pay a lump sum to the insurance firm that provides the annuity. Your annual return is determined by a formula linked to a stock index such as the S&P 500. For example you might earn 60% of the index's annual gain. And if the index's return is negative, your return for the year will be 0%, so your principal will remain safe.

The reality is not nearly as good as the sales pitch for FIAs, which earn agents among the highest commissions in the annuity industry and tend to be mediocre investments. For starters, the formula used to calculate returns ignores stock dividends - it looks only at stock price gains. That can hurt. For the period from 1920 to 2017, dividend income contributed more than 40% of total S&P 500 returns, on average. In addition, FIAs typically cap annual returns in a range of 3% to 6%. So in 2017, when the S&P 500 returned 22%, your annuity account might have been credited with a 6% gain or less. Many FIAs lock up most of your money for 10 years, allowing you to withdraw no more than 10% of your account annually without penalty.

Also, all withdrawals are taxed at your ordinary income tax rate, which may be higher than the capital gains rate you would pay on profits from investing in stocks directly.

In the past, the long-term returns for FIAs have been in the 3.5% to 5% range. They may appeal to some investors who cannot stomach any annual stock losses. But you could get better results with only incrementally more risk with a portfolio of bank CDs (recently paying as high as a 3.39% annual yield for a seven-year term) and a small exposure to an S&P 500 exchange-traded fund (ETF).

GET YOUR CREDIT REPORT

A 2018 survey by *creditcards.com* found that less than 50% of U.S. adults had checked their credit reports despite the Equifax hack, the Hilton hack and all of the others too numerous to list. Regularly checking your credit reports is one of the best defenses against identity theft. You can get a free copy of your credit report from each of the three credit bureaus once every 12 months. Go to *annualcreditreport.com* to request the free reports. By staggering your annual requests from each bureau, you can keep an eye on your credit report every four months.

If you prefer checking your credit more often you can use a service like Credit Karma online at *creditkarma.com* or using an app on your phone. Credit Karma updates weekly and is free to use.

If, when reviewing your credit report, you find inaccurate or incomplete information you can dispute the information and the reporting agency must investigate. You can also limit promotional offers of credit and insurance that you get based on your credit report. You can freeze your credit for free which prevents most third-party access to your credit report which usually means the third party will not grant you credit. If you freeze your credit it will also prevent you from getting new credit unless you unfreeze it.

A new federal law makes it easier to check your child's credit history. Thieves are increasing stealing children's Social Security numbers and using them to create phony identities which they use to take out loans or credit cards that they abuse. This abuse can ruin your child's credit for future years. This fraud can go on for years unless parents check or freeze their child's credit. Parents need to go to FTC web page *identitytheft.gov* for more information.

WANT TO TRAVEL OUTSIDE THE U.S. BUT OWE THE IRS TOO MUCH?

If you have seriously delinquent tax debt (more than $51,000 including interest and penalties), the IRS is authorized to certify that debt to the State Department for action. What this means is the State Department can deny your passport application and/or may revoke your current passport. This will put you under control of the State Department and the IRS to resolve your tax debt.

It is estimated that this 2015 law which is finally being enforced will affect 362,000 Americans. Assuming the 362,000 only owe $51,000 each ($51,000 is the minimum owed but the average is probably more), the total owed in back taxes is over $18 billion!

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ITEMS FROM THE TAX CUT AND JOBS ACT

The law repealed all miscellaneous itemized deductions on Schedule A that were subject to the 2%-of-adjusted-gross-income threshold. This means that unreimbursed employee business expenses are no longer deductible. Ditto for hobby expenses, though taxpayers must still pay tax on their hobby income. Also nondeductible: tax preparation costs, investment account management fees, IRA custodial fees paid by the account owner, the cost of a safe-deposit box and more.

Pass-through entities will have to report more information on K-1s. The IRS has released the 2018 K-1 forms that Partnerships, multimember LLCs, S Corporations and Trusts send to their owners. The new forms have many revisions to reflect changes in the tax law. For example, pass-throughs now have to report data on the K-1 to help their owners figure the new 20% qualified business income write-off. Among the items reported: the owner's share of the entity's qualified business income, W-2 wages paid by the business and the unadjusted basis of depreciable property.

Inflation indexing of income tax brackets and various tax breaks is altered. Tax brackets, standard deductions and many other items will be adjusted annually using a chained consumer price index, resulting in lower inflation adjustments and smaller annual increases than with the pre-2018 index. According to critics, this is a hidden tax hike that over time will affect nearly all individual filers. The chained consumer price index resulting in lower inflation will also be used to adjust Social Security benefits.

The 2018 Form 1040 is now two half-size pages. While touting the new tax legislation, lawmakers and the President wanted to use postcards! The revised form may be postcard-size, but shorter is not always simpler. Most line items that are being removed from the 1040 have not disappeared. Instead, they are found on several new schedules. Among the more used items that have been moved: Capital gains, self-employment income, rental realty income, partnership income or loss, write-offs for student loan interest and teaching supplies, dependent care and health premium credit, plus the 10% levy on early IRA payouts. Not only will tax preparers need to learn the new laws, they will also have to learn to use new forms.