THE ADVISER

WHITE & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

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April 15, 2019

INSIDE.....

Our newsletter is now available on our newly revamped 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!

IMPORTANT DUE DATES

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. 15, 2019 May 15, 2019 June 17, 2019	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
Apr. 15, 2019	-Due date of 2018 individual income tax returns. An automatic 6-month extension to file your return on October 15, 2019 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 2018 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 2019 Estimated Tax Payment No.1
Apr. 25, 2019 May 28, 2019 June 25, 2019	-Due dates of monthly state excise tax reports
Apr. 30, 2019	-Due date of Form 940 deposit for 1st quarter, 2019
	-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 17, 2019	**-Due date of 2019 Estimated Tax Payment No. 2**

CONVERSION OF A TRADITIONAL IRA TO A ROTH, POINTS TO REMEMBER

A conversion of a traditional IRA to a Roth IRA can be done at any age without penalty. However, income tax will be due on the amount converted. Any portion of an IRA can be converted, therefore, the tax cost of the conversion can be controlled by the IRA owner.

If you are over 70-1/2 years old and want to convert to a Roth all or a portion of your traditional IRA, your RMD (required minimum distribution) has to be withdrawn before you can convert any amount.

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TIDBITS

- Prior to the Tax Cut and Jobs Act (TCJA) of 2017, only about 30% of taxpayers itemized their deductions. It is estimated that 18% of those will quit itemizing because of the TCJA.
- As of March Madness 2018, sports betting was legal in eight states plus the District of Columbia. Within this coming year expect another twenty or more states to consider legalized sports betting, including California and New York. It is hard for any government to pass up any tax revenue.
- Remember the IRS considers your gambling winnings taxable income. All casinos will deduct income tax, some without your consent. Gambling losses are deductible to the extent of your winnings but you must itemize your deductions to get benefit of the losses.
- According to a recent Pew Research Center survey, about 30% of Americans make no cash purchases during the week with 70% still making some cash purchases during the week.
- In 2017, about 90,000 to 100,000 new long-term care policies were sold in the U.S., compared to approximately 750,000 policies in 2015. Many insurance companies have exited this market due to losing money on long-term care plans.
- The best U.S. airline rewards program is Alaska Airlines. It rewards points based on miles flown and, with an Alaska Airlines credit card, dollars spent.
- 24% of American workers are not currently saving for retirement because they have no idea how to begin. If you are in this 24%, come see us today!
- Here are the top ten common passwords that were stolen during 2017.
  1. 12346
  2. password
  3. 12345678
  4. qwerty
  5. 12345
  6. 123456789
  7. letmein
  8. 1234567
  9. football
  10. iloveyou
- Damages you receive for physical injury or sickness are tax free, but amounts to compensate for emotional distress or non-physical injuries are generally taxable. It is illegal to sell a body part in the U.S., therefore, insurance or lawsuit proceeds for a body part are tax free.
- The 2019 standard mileage rate for business driving rises to 58 cents per mile. Medical travel increases to 20 cents per mile, but the charitable rate remains at 14 cents per mile. It is hard to figure out the IRS's reasoning on these numbers.
- Using a period at the end of a sentence is on its way out. Text messages and instant messaging on social media rarely use a period.

DID BOTH SPOUSES DO A CREDIT FREEZE?

A credit freeze is not a foolproof mechanism to protect against ID theft, but it does help. However, it is still a good idea to check your credit reports regularly. You can get a free copy of your report from each of the three credit bureaus every 12 months at www.annualcreditreport.com or call 877-332-8228. The freeze does not affect your ability to check your report.

A freeze prevents new creditors from accessing your credit report, making it more difficult for ID thieves to take out new credit in your name. But a freeze does not prevent someone from using an existing account to make fraudulent charges, which is far more common. When you check your report, you may also find evidence of fraud, such as variation in your name spelling, a different Social Security number, a different address or even an alias name. Report any suspicious information or errors to the credit bureau. Go to Experian.com, Equifax.com and Transunion.com to place a temporary fraud alert for suspicious activity or to dispute information on a report. All three bureaus have a way to dispute information on their credit report. It is also important to get a credit report on each spouse even though the information maybe the same.

BANKS CAN BATTLE ELDER FRAUD

The new year brought old news for older Americans: Financial fraud targeting senior citizens is still climbing, with a 12% uptick in 2018, according to the U.S. Treasury. But there is a silver lining: Financial institutions are now doing more to stop elder fraud.

That is due in part to the federal Senior Safe Act of 2018, which protects professionals from lawsuits after they have taken training to recognize red flags, such as sudden wire transfers, among older customers. One of the first signs of cognitive decline is in your ability to manage finances.

States have been making their own moves to combat elder fraud, often with stronger protections than at the federal level. Since 2015, at least 19 states have enacted legislation to bolster senior fraud protections, and another four—Florida, Missouri, New Hampshire and Virginia—have similar legislation pending.

To ward off fraud in your family, start by discussing common warning signs, such as being asked for money up front by urgent callers. Research shows that older Americans are less susceptible to fraud if they hear about the fraud beforehand or recognize its tactics.

TWO RULES CONCERNING SALE OF YOUR RESIDENCE

A reminder about the home-sale gain exclusion for those in nursing homes. Taxpayers who have owned and used a home as their principal residence for at least two of the five years leading up to the sale can exclude up to $250,000 ($500,000 if married) of the gain when they sell. However, the rules are more lenient for homeowners who cannot care for themselves and have moved to a nursing home. The length-of-use requirement is lowered to one out of five years preceding the sale.

Another time when gain on a personal residence can be avoided or reduced is when the surviving spouse sells the residence. When a residence is jointly owned and one of the spouses passes, the surviving spouse gets a step up in tax basis (costs) to Fair Market Value at the date of the first spouse's passing, This FMV is then the surviving spouse's tax cost whenever the residence is sold.

THE AGE 55 EXCEPTION

Generally, taxpayers cannot tap their retirement accounts penalty-free before age 59-1/2. But like many rules, this one has an exception.

If you separate from service at the age of 55 or older, you can tap your former employer's 401(k) free of the 10% early-withdrawal penalty. You can still owe taxes on the money if it is withdrawn from a traditional 401 (k). If you take out $20,000 at a 22% tax rate, for example, you will owe $4,400 in ordinary-income tax, but you will not owe a $2,000 early-withdrawal penalty.

You can qualify for the relief regardless of whether you retired, were laid off or quit. You just have to turn 55 by the end of the year you leave the job.

But beware: If you roll that 40l(k) to an IRA when you leave the company, you will forfeit the age 55 exception. You will have to wait until you turn 59-1/2 before you can tap the money, in the IRA, penalty-free.

MEDICARE HIGH-INCOME SURCHARGE

The Medicare high-income surcharge is based on your last tax return on file, which was 2017 income for 2019 premiums. It will be 2018 tax returns for 2020 premiums. If your adjusted gross income plus tax-exempt interest income for the year is more than $85,000 if single or $170,000 if married filing jointly, then you have to pay a high-income surcharge, which boosts your premiums from the standard $135.50 to a range of $189.60 to $460.50, depending on income.

The income levels that trigger the surcharges are not inflation adjusted and have been reduced and/or added to in the past by Congress.

If your income has dropped since you were hit with a surcharge, because of certain life-changing events, you can ask the Social Security Administration to use your more-recent income when setting your premiums. Eligible events include marriage, divorce, death of a spouse and retirement. Selling investments or any asset for a profit, or taking a large IRA distribution, however, is not an eligible life-changing event. The high-income surcharge is calculated every year, though, so if your income decreased in 2018, then your premiums should go down in 2020. For more information, read "Medicare Premiums: Rules for Higher-Income Beneficiaries" at www.socialsecurity.gov.

HOW TO OPT OUT OF CREDIT CARD OFFERS

Go to the website www.optoutprescreen.com which is run by the major credit bureaus. Opting out of prescreened card offers makes it less likely that an ID thief will intercept them and take out credit in your name.

You can opt out for five-years electronically or by phone (888-567-8688), or you can mail in a form to block prescreened offers permanently. You may still receive offers from companies you currently do business with.

We suggest signing up for the service and shredding any unused offers. If you have elderly parents, help them opt out, too. If you miss hearing about card deals, you can opt back in or just contact any bank or credit union.

MUTUAL FUNDS, IF OWNED PRIOR TO 2011

Be sure to account for reinvested dividends in computing stock basis. If, like most mutual fund investors, you have your dividends automatically reinvested to buy more shares, remember that each new purchase hikes your tax basis in the fund. That, in turn, reduces the taxable capital gain or increases the capital loss when you redeem the shares. Forgetting to include reinvested dividends in your basis results in double taxation of the dividends, once in the year they were paid out and immediately reinvested, and later when they are included in the sales proceeds.

Mutual funds often report to investors the tax basis of shares redeemed during the year, including reinvested dividends. For the sale of shares purchased after 2011, mutual funds must report the tax basis to investors and to the IRS. However, any mutual fund purchases prior to 2011, you the owner, are responsible for the tax basis increase by reinvested dividends.

THIS SCAM NEVER GOES AWAY

The grandparent scam steals an average of $9,000 in cash from people age 70 and older. Scammers call a victim and claim to be a grandchild in trouble, or to be law enforcement personnel holding a grandchild. Callers say that the grandparent is getting the one and only phone call about this, must keep it confidential and must deliver cash to help the grandchild. Scammers give explicit instructions on how much cash to send and how to deliver it, often by UPS, FedEx or the postal service. Never act right away even if a story seems very dramatic. Call the family member or a friend even if the voice on the phone warns not to do that. Use a phone number that you know is legitimate, not one the caller provides. Be very careful about posting personal information on social media, that is where thieves often get the family information they use to create a convincing scam.

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WHAT WILL YOU DO WITH INSTANT WEALTH?

A majority of Americans would be in a sharing mood if they were to have a big fortune fall into their lap. When 1,000 U.S. residents were posed the question of what their primary goal would be if they received a sudden financial windfall, 53% said they would share their wealth with family, friends and charities, according to the survey released by BMO Wealth Management in Chicago.

This was followed by their intention to pay off debts (noted by 51%); to invest in the stock market, a business or property (claimed by 49%); or to buy big-ticket items (claimed by 22%). Eighteen percent, however, said they would splurge and spend freely, while a notable 43% said their financial goals would stay the same.

Where the respondents run into money, they would also have estate and legacy planning concerns about their sudden increase in wealth. Twenty-nine percent said they would be concerned about helping others, while 16% worried about how to create a legacy with the money and 15% worried about how to avoid family conflict over money.

This is not just about people suddenly getting wealthy off the lottery. More than $12 trillion in assets is now being transferred from the Greatest Generation (those born in the 1920s and '30s) to baby boomers, and more than $30 trillion is expected to be transferred to boomers' heirs over the next three to four decades.

STUDENT LOAN DEBT

Student loan debt currently exceeds $1.5 trillion dollars. Students can borrow without showing any ability to pay the loan back. Student loan debt CANNOT be forgiven in bankruptcy. The biggest benefactor is the college itself! It gets paid the proceeds via tuition without any recourse and receives no punishment for worthless degrees, incomplete degrees, drop outs or uneducated graduates!