THE ADVISER

WHITE & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

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INSIDE.....

RMD CHANGES FOR ALL

Even though the required minimum distribution (RMD) does not start until age 72 under the SECURE Act, those of us now having to taking our RMDs will get similar relief in 2021. New life expectancy tables for required minimum distributions are completed. The tables, which were last revised in 2002, have been updated by the IRS in newly released proposed regulations to account for more-current mortality data. The revised tables allow distributions to be spread over more years. They reflect life expectancies about one to two years longer than under existing tables. Basing RMDs on longer life expectancies allows plan participants and IRA owners to take out smaller annual payouts and lets them keep money in their accounts longer. The updated tables apply to computing withdrawals for 2021 and beyond, even for those people who had been using a shorter life expectancy in prior 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, 2020	**-Due date of 2019 Estimated Tax Payment No. 4**
Jan. 15, 2020 Feb. 18, 2020 Mar. 16, 2020 Apr. 15, 2020	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
Jan. 27, 2020 Feb. 25, 2020 Mar. 25, 2020	-Due dates of monthly state excise tax reports
Jan. 31, 2020	-Due date of Form 940 deposit for 4th quarter 2019 -Due date of employer's payroll tax reports, Forms 941, 940 and 943, State Unemployment, State L & I and State Paid Family and Medical Leave 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 <u>all</u> 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, 2020	-Due date to submit all other Forms 1099 to the IRS if paper filing or March 31, 2020 if e-filing (however, the due date for giving these forms to recipients remains Jan. 31st)
Mar. 2, 2020	-Due date of 2019 Form 1040 income tax returns for farmers and fishermen who did not pay an estimated tax payment on January 15, 2020
Mar. 16, 2020	-Due date for calendar-year Form 1065 Partnership income tax returns for 2019 -Due date for calendar-year Form 1120S Corporation income tax returns for 2019
Apr. 15, 2020	-Due date for calendar-year Form 1120 Corporation income tax returns for 2019 -Due date of 2019 Form 1040 individual income tax returns. If you expect to owe tax, the tax is due now even if you extend filing your tax return until a later date **-Due date of 2020 Estimated Tax Payment No. 1** -Due date for Form 1041 Trust and Estate Tax returns for 2019 -Due date for IRA, SEP and SIMPLE contributions for 2019

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TIDBITS

- The revenue generated by spending $1 on email marketing is $38, no wonder we get so many emails! This is why 47% of marketers say emails generate more return on investments than any other digital method.
- In a recent survey by driversed.com of 1,043 U.S. men and women over the age of 18, 35% thought texting while driving was legal. In fact, it is illegal in every state except Montana and Missouri. Missouri's no-texting law applies only to drivers age 21 and under.
- 2019 brings the biggest Social Security benefit COLA increase in seven years. Keep in mind that a 2.8% COLA does not represent the true inflation seniors have faced over the past year. An analysis from the Senior Citizens League found that the purchasing power of Social Security dollars has declined by 34% over the past 18 years, primarily because the CPI does a poor job of representing seniors' expenses.
- Be careful about getting a DNA test for health issues, if in the future you intend to buy life, health, disability or long-term care insurance. If your DNA test reveals that you have a genetic predisposition to a serious health problem, you may be required to inform the insurance company. DNA testing to determine ancestry only should not be a problem.
- Risking retirement to finance adult children is the rule, not the exception. The Bankrate study polled 2,553 adults across five age groups: Generation Z (18-22), Millennials (23-38), Generation X (39-54), Baby Boomers (55-73) and the Silent Generation (74+). An average of one out of two among Generation X and baby boomers said they were sacrificing or had sacrificed their retirements to help their adult children financially either "somewhat" or "a lot".
- Credit unions have enjoyed a valuable tax break for more than 75 years. They are exempt from federal income tax, to the frustration of traditional banks, which have long clamored for repeal of what they see as a loophole for credit unions. The Joint Commission on Taxation estimates the credit-union break will cost the government about $2 billion in 2019. Congress has not been interested in stopping this long-standing rule.
- In a recent survey, 48% of Americans incorrectly stated that all financial advisers had a legal obligation to act in their clients' best interest. There is no legal obligation to act as a fiduciary, only ethical obligations exist.

IN CASE YOU MISSED THIS

A new law in Washington state will create a long-term-care benefit for eligible residents starting in 2025. Residents can qualify for a $100 per day allowance for a variety of long-term-care services, with a maximum lifetime benefit of $36,500 adjusted for inflation. This state benefit will be paid for by employers and employees with a 0.58% payroll tax.

SECURE ACT

The SECURE Act, signed by President Trump on December 20, 2019 stands for Setting Every Community Up for Retirement Enhancement.

- Increases the age at which required minimum distributions (RMDs) start from 70-1/2 to 72. Persons turning 70-1/2 in 2020 will not be required to take their RMDs from their 401(k)s, 403(b)s, 457s or IRAs until they reach age 72.
- Removes the law that restricted IRA contributions after 70-1/2. If you have earned income you can contribute to an IRA at any age.
- The bill essentially eliminates the "stretch IRA" an estate planning method that allowed IRA beneficiaries to stretch their distributions from their inherited IRAs over their life expectancy. Under the SECURE Act, distributions cannot exceed ten years, some exceptions do apply.
- Many companies have not offered annuities in their 401(k)s for fear that they could be held liable if something happens with the insurer, the Act gives increased legal cover to employers. In the future, look for more annuities in your 401(k). This provision was pushed by insurance companies. However, critics have expressed that workers could be buying a complicated and expensive investment that they do not understand and do not need, like a variable annuity.
- It costs companies time, usually increased employees and money to offer 401(k) accounts to their employees. The SECURE Act makes it easier for small businesses to band together to offer retirement plans by allowing unlike businesses to join together and punishing only the "bad apple" business if it does not follow the rules.
- The Act also requires employers that have 401(k) plans to offer participation to part-time workers who work at lease 500

hours per year for three consecutive years or 1,000 hours in a year.

TAX EXTENDER PASSED

The SECURE Act was included in a bill passed just before the holidays to fund the U.S. Government through September 2020. Also included were bills that passed the twenty plus tax extenders that expired at the end of 2017 and 2018, extended through 2020 and some through 2022. **All income tax returns filed for 2017 and 2018 years should be reviewed for possible amending to take advantage of these tax extenders.** If your return was prepared by White & Company, PC, this review will be done and amended returns will be prepared, if profitable for the taxpayer.

BEWARE OF STUDENT LOAN SCAMS!

The Federal Trade Commission (FTC) settled with a pair of companies accused of scamming victims out of more than $20 million by falsely promising to get their student loans reduced or forgiven. Victims read online ads (or receive phone calls or emails) promising access to programs that can reduce or eliminate student loan payments. The scammers might imply they are affiliated with the government. In reality, these scammers usually do nothing more than fill out a simple online form for a U.S. government repayment plan or loan-forgiveness program. Even though borrowers can easily complete this form for free on their own at the U.S. Department of Education website studentloans.gov, these companies charge hundreds or thousands of dollars. Some scammers then instruct victims to make future loan payments to their companies rather than directly to lenders and claim that these payments will be used to pay down the loans. But they pocket some or all of the payments and might allow the actual loan to go into default! Victims often do not realize this has happened until months or years later, because scammers obtain the victims' Federal Student Aid ID (FSA ID) user names and passwords, which lets them alter the contact information on victims' loans. Ignore calls, emails, online ads and websites promoting help with student loans, and instead visit studentloans.gov and click on Managed Loans then on "Repayment Plans or Consolidate My Loans" headings. The only application that is at all tricky is the one for Public Service Loan Forgiveness. Rather than pay high fees for help, consult this free checklist at savingforcollege.com/article/checklist-for-public-service-loan-forgiveness.

INHERITED ROTH IRA WITHDRAWALS

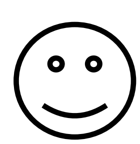
This is one of the great things about Roths. Unlike traditional IRAs, from which withdrawals by heirs are fully taxable, as long as five years have passed since you opened your first Roth IRA, your heirs can withdraw 100% of the funds with no tax or penalty, regardless of their age. If less time has passed, all contributions and rollovers can be withdrawn tax- and penalty-free. But if your heirs dip into earnings (which come out last), that amount will be taxed. If they delay taking the earnings until five years have passed since the account was opened, the earnings will be tax-free, too. Note that although you do not have to take required minimum distributions from the Roth, your heirs will have to take RMDs starting the year after your death.

LANDLORDS: HOW TO QUALIFY FOR THE 20% QBI DEDUCTION

QBI is qualified business income deduction. Applying the QBI rules to income from rentals of real property is thorny. IRS regs say the rental activity must generally rise to the level of a trade or business, a standard which depends on each taxpayer's particular facts and circumstances. There is a safe harbor if at least 250 hours a year of qualifying time are devoted to the activity by the taxpayer, employees or independent contractors. Meeting the safe harbor lets you treat the rental as a business for QBI purposes. Rental income is usually reported on Schedule E of the 1040, even if it is treated as a trade or business for purposes of the QBI write-off. The rental income generally is not subject to self-employment tax. One potential burden of treating your real estate rental income as QBI is you may need to send out Forms 1099 to service providers whom you pay $600 or more in a year other than corporations with a copy to the IRS.

WHO WOULD HAVE THOUGHT!

Undeliverable mail sent by the IRS costs lots of money, an estimated $43 million in 2018 alone, when 14.4 million pieces of mail were returned to the IRS by the USPS. That is 6.6% of total mail sent by the IRS in 2018. Note the IRS says that it costs $3 per piece to process the undeliverable mail. It is not all bad news, the IRS is improving in this area. In 2009, 19.3 million pieces of mail were returned as undeliverable.



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TARGET-DATE FUNDS FOR RETIREMENT PLANS

You may or may not be a fan of target-date funds, but these one-decision investments, which adjust the mix of assets to become more conservative as you near retirement can teach us all about dealing with challenging markets. Since they first showed up in plans during 1994, the invested totals have exceeded $1.8 trillion. These funds are often designated as the default option in plans.

Because of their diversification mandate, target-date funds will <u>never</u> be top performers! Nor will they save you from getting mauled in a bear market. However, what they will do better than most other types of funds is save us from ourselves.

What is the secret to success for target-date investors? The funds make it easy to stick with a savings plan. Win that battle and you have won the war! However, if you have discipline, the "stick with a savings approach" can be specifically tailored for your risk tolerances.

If you are interested in an investment plan tailored for your risk tolerance and goals, come see us at White & Company Financial Planning,

RMDs, QCDs, IRAs, 401(K), 403(B)s, 457s AND OTHER RETIREMENT PLANS

One of the common mistakes in involving RMDs occurs when you donate the money to charity and you do not gift it in the most tax-efficient way.

People who take an RMD and then use it to make a charitable contribution may not be able to deduct it on their incomes taxes, especially with the new, higher standard deduction. Instead, take what is known as a qualified charitable distribution (QCD) to give up to $100,000 annually to charities. QCDs are available only to owners of traditional IRAs who are age 70-1/2 or older. No QCD can be taken from 401(k)s, 403(b)s, 457s or other retirement plans. However, all retirement plan amounts can be rolled over into an IRA and the QCDs can be taken then.

You direct your IRA custodian to send a contribution directly to the charities of your choice. The distribution still counts toward your RMD for the year, but the amount is not included in your adjusted gross income. That gives you a chance to receive a tax benefit for your charitable gift even if you do not itemize!