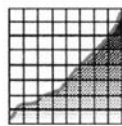


THE ADVISER



WHITE & COMPANY, PC
 CERTIFIED PUBLIC ACCOUNTANTS

XLVI, No. 2
 April 15, 2020

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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 17th to give our staff a well-earned day off!** We will continue to be open Monday through Friday, 8:00am - 5:00pm but closed during the lunch hour until next tax season. There is a mail slot in our front door for dropping off information and our voicemail system is active all of the time.

OWN A TIMESHARE AND WANT TO GET RID OF IT? BEWARE!

Timeshare exit scams are increasing. As more people try to get out of unwanted timeshares which are notoriously difficult to resell, even at a substantial loss, criminals are targeting owners with direct mailings, telemarketing and offers of free meals. The scammers claim that they can get timeshare owners out of their obligations for an up-front fee, from \$2,500 to as much as \$25,000. The thieves especially target people in their 70s and 80s who are desperate to unload timeshares with ever-increasing annual maintenance fees. The companies claim to offer money-back satisfaction guarantees, but the scammers simply keep the money. If you have an unwanted timeshare, talk to the resort-management company or timeshare developer directly. Ask about a deed-back or surrender program that will get rid of your time-share obligation.

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
- Apr. 15, 2020 -Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
- May 15, 2020
- June 15, 2020
- Delayed to July 15, 2020** -Due date of 2019 individual income tax returns. An extension to file your return on October 15, 2020 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. Payment due date is delayed to July 15, 2020.
- Due date for all IRA and HSA contributions deducted on your 2019 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 your contribution.
- Due date for 2019 1041 Estate and Trust tax returns
- Due date of 2020 Estimated Tax Payment No. 1**
- Apr. 27, 2020 -Due dates of monthly state excise tax reports. Extensions are now available by calling 360-705-6705 or online through your My DOR account.
- May 26 2020
- June 25, 2020
- Apr. 30, 2020 -Due date of Form 940 deposit for 1st quarter 2020
- 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 2020 Estimated Tax Payment No. 2**
~~This date has not been changed or delayed.~~
- *Extended to July 15th**
 June 15, 2020 -Due date of 2019 annual state excise tax report
- Delayed to June 15, 2020**
- Delayed to June 30, 2020** -Due date of 1st quarter 2020 state excise tax report

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TIDBITS

- The revenue generated by spending \$1 on email marketing is \$38, no wonder we get so many emails!
- During 2019 fiscal year which ended September 30, the IRS computer system was attacked 1.2 million times by hackers.
- Red-light-running deaths have risen by 31%. The number of people killed included drivers, passengers in all vehicles involved went from 715 people in 2009 to 939 in 2017 (latest data available).
- Did you know that the opioid epidemic has cost state and federal governments an estimated \$37.8 billion? This is an estimate of lost tax revenue resulting from employment loss connected to opioid abuse between 2000 and 2016.
- For 2019, 77% of all the tax refunds were paid electronically into taxpayers' bank accounts, this is 6% more than the 71% for 2011 refunds. The IRS wants this percentage to be much higher because it is cheaper than sending out paper checks.
- 68% of all U.S. households (approximately 85 million families) own a pet.
- 27% of Wills (only 52% of adults have Wills) feature some language about a pet.
- 50% of all inheritances are squandered shortly after receipt.
- The cost of probate (the legal process that takes place after someone dies) is over \$2 billion per year for U.S. families.
- According to a Federal Communication Commission estimate, 90% of cell phone calls have familiar caller IDs appearing to be from your location but nearly 50% are spam.

ITEMS THAT MIGHT CAUSE YOUR HOME-OWNERS' INSURANCE TO INCREASE

A drop in your credit score could cause an increase in your premiums. According to a 2018 study, on average in 37 states people with poor credit pay more than twice as much as people with excellent credit. Only three states (Washington is not one) prohibit insurance issuers from considering credit scores.

Believe it or not, traffic tickets can affect your homeowner's insurance costs. Insurers have concluded that irresponsible drivers tend to be irresponsible home owners, too. Moving violations and serious violations, such as a DUI, have the most impact.

If you are purchasing a home, insist that the seller provide you with a CLUE report on the property. The Comprehensive Loss Underwriting Exchange (CLUE) report will show if the property has had multiple insurance claims filed. Multiple claims on the property could affect your insurance cost.

It is not just big claims that scare off home insurers. Insurers sometimes consider policyholders who file repeated small claims to be nuisances who are not worth their trouble. Increase your deductible to at least \$1,000 or more to remove temptation to file small claims and use the money saved on premiums for minor home repairs.

Properties that are not maintained and visible from the road could cause premiums to go up. Drive-by inspections by an insurer that show poorly maintained property can be a problem. This is especially important for landlords and rental properties.

EXPANSION ON TWO COMPONENTS OF THE SECURE ACT

ONE: RMDs at 70-1/2

IRA owners who turn 70-1/2 this year and received (RMD) Required Minimum Distribution statements can ignore them. Financial institutions that maintain IRAs are required to notify account owners by January 31 in the year required minimum distributions are first due. Prior to 2020, RMDs were first due in the year the IRA owner turned 70-1/2. Under the SECURE Act, RMDs are now delayed until age 72. Some banks did not have time to alter their systems to account for the new law and mailed statements to owners turning 70-1/2 this year.

Financial institutions that sent the statements will not be penalized provided they notify the account owner by April 15th that no RMD is actually required.

Note that this does not apply to IRA owners who turned 70-1/2 in 2019.

TWO: Inherited IRAs

A strategy for inherited IRAs has been curbed by the enactment of the SECURE Act late last year:

The stretch IRA for nonspouse beneficiaries: Before the SECURE Act, IRA owners who died could leave their accounts to their children, grandkids or other nonspouse individual beneficiaries. Heirs could stretch required minimum distributions over their own lifetimes, thus allowing the funds in the accounts to grow tax-free for decades. Congress saw this as a loophole for the rich and had been itching to curtail it for years.

Now, there is a 10-year clean-out rule for many beneficiaries of inherited IRAs. This new clean-out rule does not mean that payouts must be distributed evenly over a 10-year period. The beneficiary can wait until year 10 to take out all the money.

There are some exceptions for beneficiaries who are surviving spouses or minor children of the account owner, or beneficiaries who are chronically ill, disabled or not more than 10 years younger than the deceased IRA owner.

For minor children, the exception applies only until the child reaches age 18.

The rule for spouses did not change. Unlike other beneficiaries, a surviving spouse still has the option to take an inherited IRA as his or her own.

One other important note, these new rules were not made retroactive. They apply to beneficiaries of IRA owners who die in 2020 or later. For individuals who inherited an IRA before 2020, the old rules continue to apply, so that these lucky beneficiaries can still take advantage of the stretch IRA strategy.

Note: Under the CARES Act, all 2020 RMD requirements are waived.

WHAT IS A FICO SCORE?

A FICO Score is a three-digit number based on the information in your credit reports. It helps lenders determine how likely you are to repay a loan. This, in turn, affects how much you can borrow, how many months you have to repay and how much it will cost (the interest rate).

When you apply for credit, lenders need a fast and consistent way to decide whether or not to loan you money. In most cases, they will look at your FICO Scores.

You can think of a FICO Score as a summary of your credit report. It measures how long you have had credit, how much credit you have, how much of your available credit is being used and if you have paid on time.

Thirty years ago, the Fair Isaac Corporation (FICO) debuted FICO

Scores to provide an industry-standard for scoring creditworthiness that was fair to both lenders and consumers. Before the first FICO Score, there were many different scores, all with different ways of being calculated (some even including gender and political affiliation).

FICO Score version 10 is set to debut at the end of 2020. This new version will no longer base your score on a “snapshot” of your credit card usage and payments. FICO Score 10 will consider your outstanding balance, percentage usage of available credit and payment history over the last 24 months. Under this system, your FICO Score could be hurt more than in the past if you miss payments, use a larger percentage of your available credit or your credit card debt climbs. The new 24-month lookback means that you should monitor credit reports more regularly and keep card balances as low as possible. And it is even more important than before to pay credit card bills on time and, if possible, in full.

KNOW YOUR FICO SCORE - SEE WHERE YOU FIT

FICO Score:

800+, exceptional, 21.8% of U.S. population

740-799, very good, 23.6% of U.S. population

670-739, good, 20.8% of U.S. population

580-669, fair, 17.9% of U.S. population

Below 580, poor, 15.8% of U.S. population

Do not know your FICO Score? Sign up at [creditkarma.com](https://www.creditkarma.com) for free to see your score. They will also show changes to your score and the cause of the change.

ARE YOU DEALING IN VIRTUAL CURRENCIES?

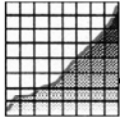
Revenue agents are on the hunt for those who deal in virtual currency. They are mailing letters to people they believe have virtual currency accounts. It is part of the IRS’s efforts to clamp down on unreported income from these transactions. Two of the letters are not threatening, asking taxpayers to review their records on whether they accurately reported the transactions and to amend returns as needed. They are more like warning letters but if you get one, it is best not to ignore it. A third letter is a bit dicey, asking recipients to sign penalties of perjury statements that they were following the law. People who get this letter should contact a tax expert.

It is a good bet that the IRS got taxpayer names from its summons to Coinbase, a virtual currency exchange. In 2017, a court ordered Coinbase to turn information over to the IRS on some U.S. customers who bought and sold bitcoins through the firm.

WIDOWHOOD AND FINANCIAL PROVERTY RATE

As women have become more financially independent, the poverty rate for widows has fallen. Women age 65 to 85 work an average of 10 more years than their mothers’ generation, helping to push widows’ poverty rate down to 13% in 2014, from 20% in 1994, according to the Center for Retirement Research at Boston College. This trend is likely to continue, women now make up nearly half of the labor force and are more educated, helping them secure better-paying jobs and access to employer retirement plans.





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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 2020

TAXES ON SOCIAL SECURITY BENEFITS

This tax season we had a few new Social Security recipients surprised and dismayed to discover that a portion of their benefits were taxable. If all of your income comes from Social Security, your benefits probably will not be taxed. But if you have income from other sources, such as a part-time job, withdrawals from an IRA or a pension, up to 85% of your benefits could be taxed.

Social Security benefit taxability is based on your provisional income, which is calculated by taking your adjusted gross income, not counting Social Security benefits, and adding in nontaxable interest (municipal bond interest) and half of your Social Security benefits. If your provisional income is below \$25,000 and you file taxes as single or head of household, or less than \$32,000 if you file a joint return, you will not owe income taxes on your benefits. If your provisional income is between \$25,000 and \$34,000 and you are single, or between \$32,000 and \$44,000 and you file jointly, up to 50% of your benefits may be taxable. If your provisional income is more than \$34,000 and you are single or more than \$44,000 and you are married filing jointly, up to 85% of your Social Security benefits may be taxable. In addition, 13 states tax Social Security benefits!

ANOTHER COMMENT FROM TAX SEASON

Remember that donations you make to individuals are not tax-deductible and the same applies to any political donations. Also, gifts made through personal fundraising websites that are earmarked for a single person or a small group are not tax deductible. This includes contributions made on sites such as www.gofundme.com to assist with a person's medical costs, or to help a family who lost their home in a fire or storm. But you can deduct gifts that you make to 501(c)(3) organizations that solicit donations on fundraising sites.

STAY WITH YOUR OLD TAX ROUTINE

During the month of March, most of our daily routines were changed. The U.S. government announced that tax payments for 2019 contributions to retirement accounts, payment of income tax due for 2019 and the first 2020 estimated tax payments would not have to be made until July 15, 2020. **The June 15, 2020 estimated tax payment due date was not delayed to July 15, 2020.** These delays are for one year only, we feel you would be better served if you fund your retirement plan, file your 2019 tax return and pay any tax due as close to the normal due date of April 15, 2020 as possible.