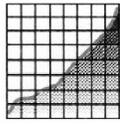


# THE ADVISER



**WHITE & COMPANY, PC**  
 CERTIFIED PUBLIC ACCOUNTANTS

XLVI, No. 4  
 September 15, 2020

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## IMPORTANT DUE DATES

- Within 3 days of payroll -Due date of employer's Social Security and withholding tax deposits if the IRS has determined you pay semi-weekly
- Sept. 15, 2020 -Due dates of employer's Social Security and withholding tax deposits if the IRS has determined you pay monthly
- Oct. 15, 2020
- Nov. 16, 2020
- Dec. 15, 2020
- Sept. 15, 2020 -Due date of Form 1120S (S Corporation) tax returns if an extension was filed on March 16, 2020 or July 15, 2020
- Due dates of Form 1041 (Trust or Estate) and Form 1065 (Partnership) tax returns if an extension was filed on April 15, 2020 or July 15, 2020
- Due date of 2020 Estimated Tax Payment No. 3
- Sept. 25, 2020 -Due dates of monthly state excise tax reports
- Oct. 26, 2020
- Nov. 25, 2020
- Dec. 28, 2020
- Oct. 15, 2020 -Due date of Form 1120 (Corporation) tax returns if an extension was filed on April 15, 2020 or July 15, 2020
- Due date of 2019 individual income tax returns if an extension was filed on April 15, 2020 or July 15, 2020
- Oct. 31, 2020 -Due date of 940 deposit for 3rd quarter 2020
- Due date of employer's payroll tax reports, Form 941, State Unemployment, State L & I and State Paid Family Medical Leave
- Start your pre-year-end planning now!

*Our newsletter is now available on our newly revamped website [whitecocpa.com](http://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!*

## COVID-19 AND YOUR 401(K)

**Companies may reduce or end 401(k) matches** because of the serious financial losses they have incurred from the coronavirus pandemic. Amtrak, La-Z-Boy, Macy's, Marriott, Mattress Firm, Sabre Corporation and other firms have announced plans to suspend or reduce their contributions to employees' 401(k) plans. Those contributions have been rising in recent years as companies used them to attract and retain workers. But the firms say they must now cut costs and are trying to minimize layoffs. Some companies also are considering matching employee contributions with company stock rather than cash, so the cash can be used to keep the business going. This possible reduction or ending of the match appears likely with the current level of bankruptcies and business closures happening to many small businesses.

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## **2020 TAX LAW CHANGES IN THE SECURE AND CARE ACTS**

-In addition to changes as a result of these two acts, some inflation adjusted changes will occur for 2020. These include new standard deduction amounts, increased income thresholds for tax-brackets and increased retirement savings limits for all filing statuses.

-The stimulus payment officially known as a "Recovery Rebate", is an advance refundable tax credit on your 2020 taxes. This means no matter how much you owe (or don't owe) for the 2020 tax year, you get to keep all of the payment which is NOT taxable. The CARES Act contains no "claw back" mechanism for any payments legitimately extended by the government.

-An important change by the CARES Act allows a \$300 deduction from adjusted gross income if cash and only cash is given to charitable entities that are 501(c)(3) organizations. At this time, the IRS has not made clear whether couples filing jointly may deduct \$600.

-The CARES Act also increases the allowable charity deduction to 100% of adjusted gross income from 60% for those who itemize.

-The CARES Act provides for expanded distribution options and favorable tax treatment for up to \$100,000 of coronavirus-related distributions from eligible retirement plans, as well as special rollover rules with respect to such distributions. These options contain many rules which the IRS has not yet completely defined so be careful here and if you are going to take a distribution, get advice before you take it.

-For 2020, the CARES Act waived all required minimum distributions (RMDs) meaning no RMDs need to be taken in 2020.

-The SECURE Act increases the age at which required minimum distributions have to start from 70.5 years to 72 years old.

-The SECURE Act also removed the age restriction on who can make IRA contributions, so that now, regardless

of your age, if you have earned income you can make an IRA contribution. Regular IRA limitations apply along with new ones if you do a Qualified Charitable Distribution (QCD) out of your IRA.

-Now the bad news, the SECURE Act requires most non-spouse IRA and other retirement plan beneficiaries to drain inherited accounts by the end of ten years after the account owner's death. Before this change, the non-spouse beneficiary was allowed to drain the account over the beneficiary's life expectancy.

-The good news, the SECURE Act allows penalty-free retirement and IRA distributions up to \$5,000 for a qualified birth or adoption. The distribution is still subject to income tax but removes the 10% penalty for distribution to persons under 59.5 years old.

-The SECURE Act made graduate fellowship and stipend payments count as earned income allowing IRA contributions.

-The SECURE Act removed the unfavorable kiddie tax changes in The Tax Cuts and Jobs Act, retroactively. It also increased the penalty for failure to file federal tax returns to \$400 each or if less, 100% of the tax due.

-The last change deals with Section 529 Plans. Now, allowed are income-tax-free distributions of up to \$10,000 from Section 529 plans for payment on student loans for the plan's beneficiary or siblings of the beneficiary.

### **WORKING FROM HOME EXPENSES ARE PROBABLY NOT DEDUCTIBLE**

If the coronavirus pandemic has caused you to convert part of your home into a home office, buy new equipment or sign up for services to allow you to continue working, do not expect to be able to take a tax deduction unless you are self-employed. The Tax Cuts and Jobs Act eliminated this deduction for employees who work from home but not for people who are self-employed. Instead, check whether your employer will reimburse certain expenses. Employers vary widely in what they are doing for locked-down employees. Some

are covering work-related costs, but others are not and there are no federal rules requiring employers to reimburse individuals for out-of-pocket expenses.

### **FREE CREDIT REPORTS ARE NOW AVAILABLE WEEKLY UNTIL APRIL 2021**

Through April 2021, Equifax, Experian and TransUnion each will provide a report as often as once a week instead of once every twelve months at [annualcreditreport.com](http://annualcreditreport.com). Why it helps: If you receive a deferment or forbearance on mortgage or other loan payments, make sure lenders report it correctly. Also, before applying for loans or higher credit limits, check for errors and correct them.

### **LOW INTEREST RATES AND STUDENT LOANS**

New student loan borrowers will see dramatically lower rates on government and private loans. For the coming year 2020-2021, the Undergraduate Federal Direct Stafford loan will have an interest rate of 2.75% (at July 1, 2020). Interest rates on federal student loans are fixed for the life of the loan. The graduate Federal Direct Stafford loan interest rate is 4.3% and for the Federal Direct Plus loans (including Graduate Plus and Parent Plus loans) the interest rate is 5.3%.

#### **-How to refinance student loans...**

Private and federal loans can be refinanced only through private lenders. You cannot take out a new federal student loan at today's lower interest rates in order to pay off older ones. However, fixed rates on private loans have fallen to a recent 3.2% annual percentage rate (APR). That is lower than rates on most federal loans have been over the past fifteen years.

#### **-To refinance any education loan...**

**To qualify, you typically need proof of steady income and a credit score of at least 650**, otherwise the loan will require a cosigner. If you have multiple student loans, you can consolidate all of them into a single loan.

**Apply to multiple lenders.** You do not pay any application fee and rates and repayment terms can vary among

different lenders. In addition to banks and credit unions, check third-party comparison sites such as [credible.com](http://credible.com), which allows you to fill out one form and compare rates for up to ten private lenders.

**Stick with a fixed-rate loan.** Although variable-rate loans are available with APRs recently as low as 1.99%, they are appropriate only for borrowers who plan to pay off their loans within the next year or two, when rates could start to rise.

**Consider factors beyond interest rates.** For example, some lenders have more flexible term lengths, from five to twenty years, a major determinant of how much your monthly payments will be. If you need a cosigner, some lenders will let the cosigner be released from responsibility once you meet certain criteria such as 36 months of on-time payments.

**-If you have a federal loan...**

**Hold off refinancing if you are having financial difficulties.** Reason: In response to the pandemic crisis, monthly payments and interest accrual on most federal education loans are suspended until after September 30, 2020, but not on private loans. On August 8, 2020, President Trump, by executive order, extended this provision to December 31, 2020. This will give you a little extra time to delay payments. However, if you are able, consider continuing to make payments which would all be applied to principal since the interest is suspended.

**Consider not refinancing at all.** Unlike private loans, many federal loans offer more flexibility if you expect to have trouble paying back your loans.

**For federal loans taken by students:** Income-driven repayment plans let you reset your monthly payment to a more affordable amount based on your income and family size. Public-service loan forgiveness allows the remaining balance of your loans to be dismissed after a certain period of time if you work in a low-paying public-service job.

**For loans taken by students and parents:** Forbearance and deferment let you postpone and reduce principal and/or interest payments if the student

and their parents have economic hardships.

## TWO ITEMS RELATED TO TAX RETURN PREPARERS

Oversight of unenrolled preparers remains on the IRS wish list. The IRS has been pleading with Congress to grant it this legislative authority ever since an appeals court struck down the agency's rules on regulating them. Here are some reasons why the IRS would like oversight of unenrolled preparers, those who are not CPAs, attorneys, enrolled agents, enrolled actuaries, etc. They prepared 53% of all 2018 Form 1040s. That figure increases to 76% when you count only 1040s with Schedule EIC claiming the earned income credit. The IRS's annual filing-season program for unenrolled preparers is anemic. Only about 60,000 people received a certificate of completion for the program in 2019.

The IRS will step up audits of preparers who do not file their own personal tax returns after the Treasury inspectors chastised the IRS for being lax. For instance, nearly 11,000 preparers with preparer tax identification numbers who were listed in the IRS's return preparer directory did not file a personal income tax return for 2016. The IRS says it will use the directory to identify non filers and select them for examination.

## THE FEDERAL RESERVE BANK (FED)

Unlike the rest of us, the Fed does not have a budget constraint. It can buy assets by writing checks on itself. Because the Fed does not ever have to pay off its liabilities, it can never go bankrupt.

So what is to prevent the Fed from creating as much money as it wants? Again, nothing! The only problem with creating money is that it might cause inflation, as more paper and electronic dollars chase a slowly growing supply of goods and services. This is what has caused hyperinflations in smaller countries in the past.

So far, that has not been a problem. In the past decade, no matter how

many securities the Fed has purchased, inflation has remained stubbornly low, breaching 2% only when oil price run-ups occurred. The mechanisms that drove inflation in past decades do not seem to be working the same way anymore, and for that reason it appears that inflation is going to remain low for some time to come.

The purchase of assets (aka U.S. Treasury notes and bonds) is where the U.S. borrows its money and how it can keep borrowing. The Fed prints the money and then uses it to buy U.S. Treasury notes and bonds!

## SENIORS, LOWER YOUR CAR INSURANCE COSTS

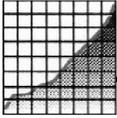
Insurers raise rates for older drivers because eyesight, hearing and reflexes tend to diminish with age and seniors' accident injuries tend to be more serious and cost more to treat.

How to keep premiums down: Maintain a clean driving record, take a defensive-driving course intended for seniors, such as the one offered by AARP. Drive less if your insurer offers low-mileage discounts, consider insuring your car and home with the same company to get bundled rates, raise your deductible for collision and comprehensive coverage, drive a safer car. You may get a discount if your car has collision-avoidance technology or other features.

## THREE HEALTH CARE TAXES HAVE BEEN REPEALED

They were created under the Affordable Care Act (Obamacare). One was a health insurance tax on insurers providing plans, it was suspended several times since it began in 2014, and insurers are suing the government to recover money they paid. The second was a tax on medical devices that began in 2014 and was suspended in 2016. The third was a tax on so-called "Cadillac" coverage, high priced employer-sponsored insurance plans. It never went into effect!





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## 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.

September 2020

## AVOID ANSWERING CALLS FROM THESE AREA CODES

An FCC rule allows some rural carriers to charge wireless and long distance carriers higher access fees to local subscribers. So the one-ring call and calls that try to get you to call into these rural carriers allow you to be charged access fees of \$15 to \$30 or more. These two area codes, 712-Western Iowa and 218-Northern Minnesota are notorious for this maneuver called traffic pumping.

The FCC recommends not answering calls from these area codes largely in the Caribbean: 268, 264, 473, 664, 649, 767, 809, 829, 849 and 876. If answered, you could be charged \$15 to \$30 plus international fees and per minutes charges. These are good reasons to have caller ID, voicemail and to only answer calls from numbers you know!

## TWO TAX ITEMS THAT YOU SHOULD KNOW

-Unemployment benefits from the state are taxable for federal income tax. This includes the normal state portion and the additional CARE Act amount of \$600 per week and \$300 per week authorized by President Trump.

-One of the few IRS enforcement priorities is taxpayer reporting of foreign bank accounts. Mexico and Canada are foreign countries. The penalty for non-reporting is \$13,481 per account for non-willful violations and the larger of \$134,806 or 50% of the highest balance in the account for willful non-reporting.