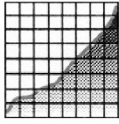


# THE ADVISER



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

XLVII, No.1  
 January 15, 2021

## INSIDE.....

Tidbits.....2  
 Long-Term Care Insurance.....2  
 The IRS and Civil Penalties.....3  
 Stimulus Checks and Unemployment Checks.....3  
 This Money Mistake Could Put Your Retirement  
 in Jeopardy .....3  
 A Weaker U.S. Dollar, Good or Bad?.....3  
 College Scholarships and Grants.....3  
 Adverse Market Refinance Fee.....3  
 Working from Home? Do Not Expect a Tax Break.....4  
 Sales Tax Rate Increase for Sunnyside.....4

*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!*

## FORM 1040 CHANGES FOR TAX YEAR 2020

Form 1040 for 2020 will have two new line items: One for the above-the-line deduction for cash charitable contributions of \$300 or less by non-itemizers now doubled to \$600 for joint filers by the newest stimulus bill. The other allows eligible filers who qualify for stimulus payments to reconcile the amount they received against the recovery rebate credit that they are otherwise entitled to. This line will also work on the \$600 payment authorized in the December stimulus bill.

Additionally, a question on whether filers have transacted in virtual currency has been moved from Schedule 1 on 2019's 1040 to page 1 of the 2020 1040. The IRS has a new emphasis for finding people doing transactions in crypto currencies like Bitcoin. Remember these transactions are taxable.

## 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
Jan. 15, 2021	-Due date of 2020 Estimated Tax Payment No. 4
Jan. 15, 2021	-Due dates of employer's Social Security and withholding tax deposits if the IRS has determined you pay monthly
Feb. 15, 2021	
Mar. 15, 2021	
Apr. 15, 2021	
Jan. 25, 2021	-Due dates of monthly state excise tax reports
Feb. 25, 2021	
Mar. 25, 2021	
Feb. 1, 2021	-Due date of Form 940 deposit for 4th 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 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 Forms 1099s to be issued to recipients, including new Form 1099-NEC
Mar. 1, 2021	-Due date to submit all Forms 1099 to the IRS if paper filing or March 31, 2021 if e-filing, however, the due date for giving these forms to the recipients remains Feb. 1, 2021
	-Due date of 2020 Form 1040 income tax returns for farmers and fishermen who did not pay an estimated tax payment on January 15, 2021
Mar. 15, 2021	-Due date for calendar-year Form 1065 Partnership income tax returns for 2020
	-Due date for calendar-year Form 1120S Corporation income tax returns for 2020
Apr. 15, 2021	-Due date for calendar-year Form 1120 Corporation income tax returns for 2020
	-Due date of 2020 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
	<b>-Due date of 2021 Estimated Tax Payment No. 1</b>
	-Due date for Form 1041 Trust and Estate tax returns for 2020
	-Due date for IRA, SEP and SIMPLE contributions for 2020

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## TIDBITS

- 22% of people recently surveyed said they have adjusted their medication spending down during the pandemic lockdown.
- By 2060, it is projected that there will be over 110 million people in the U.S. older than 65.
- By 2060, it is projected there will be over 19 million people in the U.S. older than 85.
- It is estimated that 81% of adults age 72 and older have a healthcare power of attorney.
- It is estimated that only 60% of U.S. adults of all ages have a will.
- Over the next 25 years, the amount of wealth transferred from baby boomers to heirs will be over \$68.4 trillion.
- Currently, over 57% of all investable assets in the U.S. are controlled by investors age 60 and older.
- According to the 2020 millennial job seeker report from Zipia, 61% of millennials prefer to work remotely rather than in traditional office spaces.
- Parallel parking is no longer required on driver's tests in more than 12 states.
- Comics have to clock in at four laughs per minute to be considered decent.

## LONG-TERM CARE INSURANCE

As financial planners and certified public accounts, we often get questions about long-term care insurance. A few of the most common questions and answers are:

**When should I buy it?** Long-term care insurers will only issue policies to people in relatively good health. Since today may be

your healthiest time, it is the right time to consider buying the insurance. Most people start looking at it between ages 50 to 60.

### **How much coverage will it take?**

The average monthly cost of a private nursing home room in the state of Washington in 2020 is \$10,950. (In comparison, Idaho's average cost is \$9,125.) Does this mean you need this amount of coverage? Not necessarily. The cost of the nursing home will not be going down, however, how you fund this cost does not have to be with insurance only. If you have to go to a nursing home after age 67, you can fund part of the cost with your Social Security benefit, other pension income, if you are lucky enough to have one, and with some of your own private funds. If you are in a nursing home, you most likely will not be using these funds for other expenses.

**How much does it cost?** What you will pay depends on your age and health when you apply and how much coverage you want. Keep in mind, costs will vary from one insurer to another and acceptable health conditions also vary from company to company.

1. A 40-year old male in good health would pay \$2,266 annually for \$11,000 in monthly coverage for three years.
2. A 40-year old female in good health would pay \$3,179 annually for \$11,000 in monthly coverage for three years.
3. A 60-year old male in good health would pay \$4,070 annually for \$11,000 in monthly coverage for three years.
4. A 60-year old female in good health would pay \$6,083 annually for \$11,000 in monthly coverage for three years.

All rates were provided by Northwestern Mutual Life Insurance Company, all four policies also contain a 12-week elimination period, provisions for caregiver training and provisions for home health.

### **Some items of interest:**

Medicare does NOT cover long-term care costs.

Your estimated years of needing long-term care after turning 65 are:

- More than 5 years - 20%
- 2 to 5 years - 20%
- 1 to 2 years - 12%
- Less than 1 year - 17%
- Never needing long-term care - 31%

Women's premiums are usually higher than men at the same age, however, a combined policy covering both spouses is usually cheaper than two single policies covering each spouse. This is called a companion discount.

Long-term care insurance is the same as car or homeowners insurance. We hope we never need the coverage but we pay for it every year without wanting anything more than protection.

Buy the insurance from a company that has high ratings from insurance company rating services. The rates quoted above are from Northwestern Mutual Life Insurance Company, one of the highest rated companies in the U.S. Northwestern has not made any premium increases since starting long-term care insurance sales in the late 1990s. However, they did eliminate the companion discount. Every other company has either stopped selling it or has raised their premiums 40% to 80%.

When you think long-term care insurance, chances are you think nursing home, however, today it

really means home care coverage. Make sure any long-term care policy allows home care coverage.

Want to learn more? Go to [www.aaltci.org](http://www.aaltci.org), the American Association for Long-Term Care Insurance. They do not sell it but provide information. All data used here was taken from its site.

If you need assistance in evaluating policy proposals from insurance companies, give White & Company, PC a call, we can help you analyze each proposal.

### **THE IRS AND CIVIL PENALTIES**

The IRS assessed \$40.5 billion in civil penalties in the 2019 fiscal year. 35% of the fines were slapped on income tax returns filed by individuals, estates and trusts. Employment and payroll tax penalties came in at a close second. But that figure does not tell the whole story. Of the \$40.5 billion, the IRS abated \$11.4 billion. These penalties increase the amount of tax you pay and should be avoided by timely filing correct returns.

### **STIMULUS CHECKS AND UNEMPLOYMENT CHECKS**

The stimulus checks taxpayers received in 2020 are not taxable income, they are considered an advanced tax credit on your 2020 income tax return.

However, the same treatment of non-taxability is not the same for the \$600 per week federal unemployment added in the March stimulus bill and later \$300 per week added to state unemployment benefits by presidential executive order plus another \$300 per week federal unemployment from the December stimulus bill. These amounts are all taxable along with whatever an individual received from the state. If applicable, unemployment recipi-

ents will receive Form 1099-G showing total taxable income.

### **THIS MONEY MISTAKE COULD PUT YOUR RETIREMENT IN JEOPARDY**

Are you still supporting adult children? Helping out your adult kids by paying a few bills for them or providing regular cash gifts might not have been a big deal while you were working and earning money. But as a new retiree, you no longer have steady income from a job and each dollar you provide to your children is one less you will have to support yourself through what can be a long retirement.

Cutting off financial support for your kids is difficult, but you do not have to do it all at once. You can establish a time frame with them for when you will stop providing the regular support that they may be used to and then gradually reduce the amount you give them. If you must turn down requests for large amounts of money, such as a child asking for help with a down payment on a house, remind your children that spending too much early in your retirement could cause you to outlive your savings and that you do not want to be a financial burden on them as you reach old age.

### **A WEAKER U.S. DOLLAR, GOOD OR BAD?**

We rarely worry about whether the dollar is strong or weak relative to other foreign currencies, unless we have plans to travel abroad and need euros, yens or pesos (although we are not doing much of this lately). Even so, moves in the dollar can affect your portfolio in surprising ways. After a decade of nearly uninterrupted gains, the dollar sank precipitously all summer against many foreign currencies. The greenback stabilized in September but has recently weakened. Overall, since the start of 2020, the dollar is lower by a little over 3%.

Many strategists expect the U.S. currency to fall into a more persistent decline over the medium-to-long term thanks in part to low interest rates that the Federal Reserve has signaled will stay low for at least three years. Mounting budget deficits, an expanded Federal Reserve balance sheet and an increased money supply are also weighing on the dollar. It is expected the U.S. dollar will stay in a structural bear market. A weakening dollar can be good for commodities. Since most commodities in the world are priced in U.S. dollars, U.S. export should increase - farmers will like this!

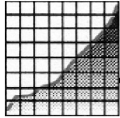
### **COLLEGE SCHOLARSHIPS AND GRANTS**

Frequently, students who get financial aid do not realize it can be taxable and are hit with unexpected tax bills. Students are required to calculate what taxes they owe, the taxable percentage of aid varies based on a variety of factors. Form 1098-T, Tuition Statement, which shows students how much they paid and how much financial aid they received, does not indicate how much of the aid is taxable. A worksheet and what makes the scholarship or grant taxable can be obtained from the IRS. However, it may be smarter to consult with a tax professional such as a CPA.

### **ADVERSE MARKET REFINANCE FEE**

Starting on December 1, 2020 a new 0.5% fee was added to refinancing costs if your refinanced mortgage was or is sold or backed by Fannie Mae or Freddie Mac. About 70% of all loans are sold to these two entities. So even though a 30-year fixed rate mortgage currently can be as low as 2.25%, this fee (on a refinance) would make it 2.3%. On average, this fee will increase your costs by \$1,400.

***HAPPY NEW YEAR!***



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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.

January 2021

## WORKING FROM HOME? DO NOT EXPECT A TAX BREAK

As anyone whose zoom meeting has been interrupted by an inquisitive child or a barking dog can tell you, working from home has its drawbacks. But in the past, there was a money-saving upside: Employees who were required to work remotely could deduct the cost of their home office.

Unfortunately, that is no longer the case. The 2018 law change eliminated a provision in the tax code that allowed workers to deduct unreimbursed business expenses, including the cost of a home office, as long as the expenses exceeded 2% of their adjusted gross income.

Even before 2018, it was difficult for employees to claim this deduction because they had to meet the "convenience of the employer" test, which meant that they were required to work remotely. Those who merely had the option of working from home were ineligible. Working from home during the pandemic likely would have met the test because most employees whose offices were closed had no say in the matter.

## SALES TAX RATE INCREASE FOR SUNNYSIDE

Effective January 1, 2021 the city of Sunnyside established a Transportation Benefit District (TBD). **Sales and use tax within the city of Sunnyside increased two-tenths of one percent from 8.00% to 8.2%.** The tax is to be used for transportation services.

A Transportation Benefit District is a quasi-municipal corporation and independent taxing district created for the sole purpose of acquiring, constructing, improving, providing and funding transportation improvements within the district. The boundaries of the TBD are identical to the city limits.

Rate changes effective for 2021 for all locations are available on the Department of Revenue website [dor.wa.gov](http://dor.wa.gov).