THE ADVISER

WHITE & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

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INSIDE.....

FORGET CALLING THE IRS ABOUT YOUR REFUND OR FOR TAX HELP

As of May 15th, IRS employees have answered only 2% of calls to the 1040 number. This means that only one out of 50 calls have gotten through to a live operator, and the average wait time on hold for these lucky callers was 20 minutes. If you are calling about a delayed refund, expect even more frustration. Even if you can reach a live person, it is unlikely the operator can help you much. On May 25, 2021, the IRS announced that it has finished processing all of the 2019 income tax returns. Two years to process tax returns!

COLLEGE DEBIT CARDS AND FEES

When students start school this fall, they should study the fine print before signing up for a debit card sponsored by the college or university. Some of these cards carry fees that are far higher than what you would pay at a bank or credit union. Some debit cards are used to disburse a student's financial aid refund (the balance after bills for tuition, room and board, and fees are paid), and they are typically expensive. But when financial institutions pay schools for permission to market directly to students, fees spike. Students at these schools paid an average of 2.3 times more in fees than students at schools without such agreements, according to a 2019 study by the U.S. Public Interest Research.

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
June 15, 2021	**Due date of 2021 Estimated Tax Payment No. 2**
June 15, 2021 July 15, 2021 Aug. 16, 2021 Sept. 15, 2021	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
June 25, 2021 July 26, 2021 Aug. 25, 2021	-Due dates of monthly state excise tax reports
Aug 2, 2021	-Due date of Retirement Plan Form 5500 -Due date of Form 940 deposit for 2nd quarter 2021 -Due date of employer's payroll tax reports, Form 941, Unemployment, State L & I and State Paid Family and Medical Leave reports -Due date of 2nd quarter 2021 state excise tax report
Aug. 31, 2021	-Due date of Annual Heavy Vehicle Use Tax Form 2290
Sept. 15, 2021	**-Due date of 2021 Estimated Tax Payment No. 3** Form 1065 (Partnership) and Form 1120S (Corporation) if a 6-month extension was filed on March 15, 2021 and Form 1120 (Corporation) if a 5-month extension was filed on April 15, 2021.
Sept. 30, 2021	-Due date of Form 1041 (Trust and Estate) if an extension was filed on April 15, 2021.
Oct. 2, 2021	**Time to start pre-year end tax planning**

TIDBITS

- Over 90% of the people in the U.S. use the internet.
- Currently about 55% of all inheritances are less than $50,000. Only about 8% of all inheritances fall in the range of $250,000 to $499,000.
- The average amount of credit-card debt for college students is about $1,200.
- From the U.S. Census Bureau, the U.S. population is made up of:

African American	13.4%
Latino	18.5%
Asian	5.9%
White	62.2%

- From the Bureau of Labor Statistics, the median weekly earnings on full-time wage and salary workers in quarter 2 of 2020 were:

African American	$806
Latino	$786
Asian	$1,336
White	$1,018

- During July 2020, more than 50% of young adults between the ages of 18 and 29 were living with one or both parents. This is the highest percentage since the Great Depression.
- The up-front cost of acquiring a dog today ranges from $610 to $2,350 according to *Rover.com*. The annual cost of owning your dog after the up-front cost can range from $650 to $2,115. According to a survey by *Rover.com* the most budget-minded owners spent less than $1,000 per year but nearly half spent about $3,400 annually.

TOP SIX REASONS TO ROLLOVER YOUR 401(K) TO AN IRA

1. More investment choices—Your 401(k) is probably limited to a few funds in the investment universe. However, with an IRA almost all of the funds are available to you.
2. Self-directed IRAs will have better communication—If you leave your 401(k) with your old employer, it will be harder getting information about the plan since you will no longer be in the communication loop.
3. An IRA could have lower fees and costs—Since you will no longer be an employee, your ex employer will probably not continue paying your share of administrative fees, management fees or any other fees. Plus, fund-expense ratios tend to be higher for funds available in a 401(k) plan versus an IRA.
4. The ROTH conversion option is available—Increasingly a common ROTH conversion option is available in some 401(k)s, however, with an IRA, a conversion to a ROTH IRA is always available.
5. IRAs have fewer standardized rules—Understanding your 401(k) is no easy task since each company has a lot of leeway and different options when they set the plan up at the beginning. IRA regulations are standardized by the IRS. One often overlooked difference concerns federal income tax on distributions. The IRS requires 20% of a distribution from a 401(k) be withheld for federal income tax. When you take a distribution from an IRA, you can elect the amount of tax withheld, from zero up.
6. IRAs have an estate planning advantage—Upon your death, there is a good chance that your 401(k) will be paid in one lump sum to your beneficiary, which could cause income and inheritance tax headaches. It varies depending on the plan agreement, but most companies prefer to distribute the cash fast, so they do not have to maintain the account of an employee who is no longer there. Inheriting IRAs has regulations too, but IRAs offer more payout options. Again, it comes down to control.

WASHINGTON STATE'S 7% CAPITAL GAINS TAX

A new excise tax on capital gains in excess of $250,000 will be subject to this 7% tax starting after January 1, 2022. The tax will apply to all Washington residents with long-term gains or out-of-state residents' capital gains arising from the sale of tangible property located in the state.

Adjusted capital gains are defined as sales of stocks, bonds, and other investment sales such as the sale of a business interest. A key difference from the federal long-term gains is that no netting is allowed against long-term capital losses or carry-forward capital losses.

For this tax these 7 items are not capital gains:

1. Sale of real estate land/ structures
2. Assets held in retirement accounts
3. Assets transferred as part of condemnation proceedings
4. Livestock sales
5. Business property subject to depreciation
6. Timber sales
7. Goodwill received from the sale of a franchised auto dealership. (Somebody had a good lobbyist!)

SOME THINGS YOU SHOULD KNOW ABOUT REQUIRED MINIMUM DISTRIBUTIONS

You should start taking your RMD within the year you turn 72. You can delay your first RMD to the following April 1st. Waiting and delaying to April 1st will result in two distributions in the following year. All subsequent RMDs must be taken by December 31st of each year.

Your RMD is calculated by dividing your year-end account value by the IRS life-expectancy factor based on your birthday in the current year. Under current law, the custodian of your IRA has to indicate your RMD amount for the coming year on your year-end statement.

If you do not take your RMD by the applicable deadline, you could get hit with one of the IRS's most severe penalties, 50% of the amount not taken!

If you are married to someone who is more than 10 years younger, the calculation of your RMD is different than above. The IRS has a chart in its Publication 590-B where you use the life expectancy factor at the intersection of your age and your spouse's age.

Your RMD does not have to be in cash. You can ask your custodian to transfer shares into a taxable brokerage account. So you could move x shares over to a brokerage account to satisfy an $x amount of RMD. The date of transfer value is your RMD amount and the shares' cost basis in the taxable account. This strategy is useful in a down market (avoids a temporary loss) and useful when you feel the investment will continue to grow.

If you are charitably inclined, consider a qualified charitable distribution (QCD). A QCD allows IRA owners over age 70-1/2 to transfer up to $100,000 directly to charity each year. If you are 72 during the year, the QCD can count as some or all of your RMD without increasing your adjusted gross income.

You can use your RMD to simplify your tax payment. You can ask your IRA custodian to withhold enough money from your RMD to pay your entire tax bill on all your income sources for the year. That saves you the hassle of making quarterly estimated tax payments and can help you avoid underpayment penalties. Because withholding is considered to be evenly paid throughout the year, this strategy works even if you wait to take your RMD until December. By waiting until later in the year to take the RMD, you will have a better estimate of your actual tax bill and can fine-tune how much to withhold to cover that bill.

ONE OF THE FASTEST GROWING FORMS OF IDENTY THEFT

A scammer applies for credit using your Social Security number but uses a different name and address so the fraud will not appear on your credit report. Watch for aliases that are unfamiliar on your credit report. This is especially easy when you do not use aliases yourself. If your credit score takes a large drop of 50 or more points without you causing it, find out why! Ask the credit bureaus for any "sub files" associated with your Social Security number but not your name.

If you are concerned about identity theft, you now have until April 20, 2022, to get free weekly credit reports from all 3 credit bureaus via annualcreditreport.com.

If you are not concerned, some recent statistics for you: According to Javelin Strategy and Research, some $16.9 billion was lost to identity fraud in 2019. Not only looking at money lost, identity theft is a colossal time-lost situation. A DOJ report estimates time lost ranges from 100 to 1,200 hours. Of course, it is a huge emotional toll.

HOW MUCH DO THE RICH PAY?

The tax burden on high-incomers has gone up according to IRS statistics.

The top 1% of individual filers paid 40.08% of all U.S. income taxes for 2018, the most recent year the IRS has analyzed. That is up from 2017's figure of 38.47%. They reported 20.93% of total adjusted gross income, lower than the year before. Filers needed AGIs of at least $540,009 to earn their way into the top 1% category.

The highest 5% paid 60.30% of total income tax and accounted for 36.48% of all adjusted gross income. Each filer in this group had an AGI of $217,913 or more.

The top 10%, those with AGIs of at least $151,935, bore 71.37% of the burden while bringing in 47.66% of all individuals' total adjusted gross income for the year.

The bottom 50% of filers paid 2.94% of the total federal income tax take. Their share is so low because the figures do not include Social Security payments and because many of them get substantial income tax relief through refundable credits.

Remember the current mantra of this administration: "The rich must pay their fair share."

SALE OF YOUR TIMESHARE

Losses from the sale of timeshares held for personal use are nondeductible. If you are one of the lucky few that sells a timeshare at a profit, you have capital gain, most likely long-term gain because you held it for over one year! Different tax rules apply to sales of timeshares held for rental or mixed use.

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RETURN SERVICE REQUESTED

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.

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*****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!***

WASHINGTON STATE LONG-TERM CARE ACT

A new law mandating public long-term care (LTC) benefits will go into effect January 1, 2022. It was passed by the legislature to help reduce the state's cost of the Medicaid system and is being paid for by a 0.58% tax on all employee wages. **Under the new law, you have one opportunity to opt out of this tax by having a LTC insurance policy by November 1, 2021**.

This payroll tax on the employee is permanent, applies to all Washington residents (even if your employer is located out of state) and has no wage limit. The current rate is $.58 per $100 of pay which means for every $1,000 of pay, the state will take $5.80 as a tax for this new benefit.

Once vested you will be eligible to access $100 per day, up to a maximum lifetime benefit of $36,500 (adjusted for inflation) to pay for expenses associated when needing assistance with activities of daily living.

Persons eligible for this benefit are employees who have met the hour and minimum year requirements that are set by the state. Those that do not pay into the program for a minimum of ten years and those currently retired will not be eligible. Additionally, benefits are not payable until January 2025 and are not portable or payable if you move outside of Washington state.

Since this payroll tax is permanent and is on all employees regardless of pay rate or age, it may be prudent to opt out. Young employees looking at paying this tax for the next 30 to 40 years without a cap on the amount of pay may want to opt out. Older employees within site of retirement in under 10 years (the minimum pay in years to qualify for the benefit) may want to opt out. If interested in opting out, contact our office to learn what you have to do. **Remember, opting out is a one-time option!**