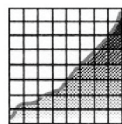


# THE ADVISER



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

XLVIII, No.2  
 April 18, 2022

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## THANK YOU TO OUR CLIENTS

After two years of changes to tax return due dates, we are back to a somewhat familiar date, April 18, 2022. This date is later than the old April 15th due to another holiday in our nation’s capital.

We appreciate our clients’ business and your patience. We enjoy working with each of you even though at times we are bearers of bad news! Our office will be closed on Friday, April 22, 2022 to give our staff a well-earned day off. Thank you!

## IRS HELP FOR FINANCIALLY IN TROUBLE SMALL BUSINESSES

If your small business owes delinquent payroll taxes, consider this option: Apply for an In-Business Trust Fund Express Installment Agreement. Firms that owe \$25,000 or less in payroll taxes can enter into this installment plan to pay their debt over 24 months without having to give financial information to the IRS. Businesses that owe more can pay down their tax debt to \$25,000 and then apply. You can apply online or call 800-829-4933, or the number on the bill sent to you by the IRS.

## 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. 18, 2022	-Due dates of employer’s Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
May 16, 2022	
June 15, 2022	
Apr. 18, 2022	<b>-Due date of 2022 Estimated Tax Payment No. 1</b>
	-Due date for 2021 Form 1041 Estate and Trust tax returns
	-Due date for 2021 Form 1120 Corporation income tax returns
	-Due date of 2021 Form 1040 individual income tax returns. An extension to file your return on October 17, 2022 can be filed.
	<b>However, if you owe tax, that amount has to be paid when the extension is filed or penalties and interest will apply.</b>
	-Due date for all IRA and HSA contributions deducted on your 2021 tax return
	-SEP, SIMPLE and profit sharing contributions are not due until the extended due date to file your return. It can be wise to extend your tax return in case you change your mind on the amount of your contributions.
Apr. 25, 2022	-Due dates of monthly state excise tax reports
May 25, 2022	
June 27, 2022	
May 2, 2021	-Due date of Form 940 deposit for 1st quarter 2022
	-Due date of employer’s payroll tax reports, Form 941, Unemployment, State L&I and State Paid Family Medical Leave reports
June 15, 2022	<b>-Due date of 2022 Estimated Tax Payment No. 2</b>

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## TIDBITS

- The adoption tax credit is dollar for dollar on the first \$14,890 of qualified expenses for 2022. This credit has an income phase out starting at an AGI of \$223,410 and can be carried forward for 5 years or until used.
- The 2022 standard mileage rate for business miles raises to 58.5 cents per mile. The rate for medical miles raises to 18 cents but charitable mileage which is fixed by law remains 14 cents.
- Just in case, if you are going some place very crowded with your child, snap a photo first. Having a photo from today on your phone, especially one showing current clothes, can help police and other security find your child faster.
- At the end of 2021, roughly 95 million Americans that were at least 50 years old, owed \$369 billion in federal student loans. Worst problem here is that this debt will linger past their working years.
- A horse actually produces about 15 horsepower. The term horsepower was created by steam-engine developer James Watt based on his estimate of how many times a working horse could turn a mill wheel per hour. One horsepower is equal to pushing 33,000 pounds one foot every 60 seconds. The average healthy human produces just over one horsepower.
- 90% of people in the U.S. regularly use the internet.
- It is estimated that about 27% of current U.S.-based wills may include some language about a pet.
- 68% of U.S. households (approximately 87 million families) own a pet.

- 50% of all inheritances are squandered shortly after receipt.
- 57% of the people in the U.S. that do not have a will say that they just have not gotten around to making one yet.
- 17% that do not have a will say they do not have one because they do not want to think about death.

## THE 100% PENALTY

All your company or business needs is a little more cash. Your eyes turn longingly to the tax money you have withheld from employees' paychecks, not due to the federal depository until the 15th of next month. Why not borrow a little from Uncle Sam? Wipe these kinds of thoughts from your brain forever!

First, the government considers the amounts withheld to be "trust funds" for your employees and imposes severe penalties for failure to pay on time, even by so little as a day. Second, if you fail to pay for a couple of quarters, for instance, the IRS can attach bank accounts, file liens, and can padlock your business. In addition, it can assert what is called the "100% penalty tax".

This means it can also hold a "responsible individual", you or a payroll clerk liable for the amount of the tax. The responsible person can be a person required to collect, truthfully account for and pay over the employment tax and willfully failed or forgot to pay over the trust fund taxes. In general, this means signature authority over a checking account, with authority to make tax payments. And there can be more than one responsible person.

## IRS INTEREST RATES

After staying stagnant for 21 months, the IRS's interest rates

on taxes owed them or refunds owed to you are increasing in the second quarter of 2022. It is expected the IRS rates could go up again this year or next, as all signs point to interest rate increases by the Federal Reserve.

On overdue taxes, the IRS will charge 4%. A higher 6% rate will be applied to corporations that owe more than \$100,000 in back taxes.

On refunds, the IRS will pay 4% to individuals and 3% to corporations. For corporate refunds that exceed \$10,000, the rate on the excess will be 1.5%. There is generally a 45-day waiting period before the IRS starts paying interest on any refunds or taxes owed to you.

## WHAT IS MORE IMPORTANT, WHAT YOU INVEST IN OR HOW MUCH YOU SAVE FOR RETIREMENT?

According to all the advertising by stock brokers, investment advisors and insurance companies, they have the best plans for retirement and the best products to sell you.

However, a recent study by the American Society of Pension Professionals and Actuaries (ASPPA), asset quality only makes up about 2% of a successful retirement strategy. It turns out a far better indicator of retirement readiness is how much you have saved for retirement. And, according to research by Ramsey Solutions, (yes, Mr. Dave Ramsey) 58% of Americans have less than \$10,000 saved for retirement.

How much an employee contributes to a 401(k) or an IRA is over 45 times more important than what it gets invested in.

So, how are Americans doing in the retirement savings department? Currently about 70% of

those eligible participate in a 401(k) or have IRAs but about 25% of non-retired individuals have no savings in any type of retirement plan.

Some people point to the rising average balance in retirement accounts as potential offset for low contributions and low participation rates. The nation wide average 401(k) balance as of September 2021 was only \$104,400, far too low to support a 30-year retirement even when coupled with dwindling social security benefits.

Why are savings rates so low? People do not have any money to put toward retirement. Bad financial habits drain all of their income long before they can even think about saving for retirement. A look at a person's typical finances will tell you why. These points are from Ramsey Solutions:

- 78% are living paycheck to paycheck
- 70+% are carrying some form of debt
- 25% of workers failed to make ends meet every month over the last year
- Over the last year, 40% of workers report they have reduced 401(k) contributions and/or personal savings
- 20% have missed payment on some bill in the past year

These problems are just the symptoms of a much deeper issue which is the lack of a basic understanding of how to manage your money.

To avoid these problems and work to gain a financial wellness that will allow you to save enough for retirement, you should learn the basics of budgeting, savings, debt elimination and tax planning.

## **EVEN THE IRS IS IN THE "GIVE OUR TAX DOLLARS AWAY" MODE!**

Government auditors chastise the IRS on its improper payments of Earned Income Tax Credits (EITC). The IRS estimated that it wrongly refunded \$16 billion in earned income tax credits in 2020, a 24% improper payment rate. Last year, government auditors recommended that the IRS update its strategy for addressing the root cause of erroneous EITC refunds. At that time, the IRS neither agreed nor disagreed with the recommendation.

## **IS BUYING LIFE INSURANCE IN YOUR FUTURE?**

Life expectancy in 2020 fell 1.5 years, to 77.3 years, from 2019. That was the lowest level since 2003, according to the Centers for Disease Control and Prevention. Deaths from COVID-19 were largely responsible for the decline. More than 1,000,000 Americans have died from the disease, according to the CDC. Diabetes and homicides also reduced the life expectancy rate, which was 80.2 years for women and 74.5 years for men, down 1.2 and 1.8 years, respectively, from 2019.

The decrease could affect premiums for annuities and life insurance because of the higher COVID death rate for seniors. The higher premiums may be short-lived if life expectancy rates rebound.

## **PROFESSIONAL LLC MEMBERS BEWARE**

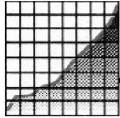
Some LLC members who do not pay self-employment taxes are on the IRS's radar. The IRS's Large Business and International Division has an ongoing risk campaign on the issue of when

limited partners and LLC members in professional service firms owe SECA (self-employment tax aka Social Security) tax on their distributive share of the firm's income. In 2017, the Tax Court ruled that law firm members who actively participated in the LLC's business operations and in management were not mere investors and were liable for self-employment taxes. LLC owners in law, medicine, accounting, architecture, consulting and other sectors are being eyed. According to the IRS, these self-employment tax audits are ongoing and have been pretty successful. Look for the IRS to make these exams a priority.

## **A SELF-EMPLOYED RETIREMENT PLAN**

Consider a solo 401(k) retirement plan. You qualify if you are a business owner with no employees. Unlike typical 401(k)s for employees, you can set up a solo 401(k) at whatever brokerage firm you prefer and invest as you wish. White & Company Financial Planning can help set this up through Charles Schwab. However, since you do not get a salary, your contributions are "effectively" limited to 20% of your business profits (up to \$61,000 in 2022). If you are 50 or older, you can make a catch-up contribution of \$6,500, for a total 2022 maximum of \$67,500. A solo 401(k) can be set up either to take tax-deductible contributions, like a traditional IRA or after-tax contributions, like a Roth IRA (within limits). Talk to White & Company, PC about whether a solo 401(k) is best for you, compared with other self-employed plans, such as an IRA.





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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.

April 18, 2022

***\*\*Our newsletter is available on our 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!***

## **CAR INSURANCE: WHEN TO DROP COLLISION COVERAGE**

There is an additional way to save on car insurance in addition to bundling it with your home insurance or increasing your deductible. Depending on the age of your car (or one of your cars), it may be time to consider dropping all coverage on it except liability.

Full auto coverage is made up of three parts: liability, collision and comprehensive. Liability coverage protects you if you injure or kill someone or damage another person's property, and you are required to have at least your state's minimum required coverage. Collision coverage helps pay for any repairs needed in the event of an accident involving another car or an object such as a tree, while comprehensive coverage kicks in if your car (or anything you have inside it) is stolen or your car is damaged by a fallen tree, a hailstorm, vandalism or another event.

Generally, you are required to have full auto coverage if you have an auto loan or if you lease your vehicle from the dealer. However, for older cars, the amount of coverage you need comes down to math. If the value of your car is worth less than what you are paying in annual premiums plus the deductibles, then it may be time to drop collision and possibly comprehensive coverage, too.

To check the value of your car, go to [www.kbb.com](http://www.kbb.com) or [www.edmunds.com](http://www.edmunds.com) and type in your vehicle's information. If you have your vehicle identification number on hand, type that in also. Both sites will give a range of estimated values based on your car's condition.