THE ADVISER

WHITE & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

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September 15, 2022

INSIDE.....

OWNERS OF REAL ESTATE

The IRS continues to eye tax returns that report large real estate rental losses, especially if the losses are on a return where the taxpayers are claiming to be real estate professionals. A real estate professional (the IRS definition) has to satisfy two time tests to beat the passive-activity loss rules to fully deduct their rental losses. They must spend over half of their working hours and more than 750 hours a year materially participating in real estate activities. Joint filers cannot combine their hours to meet the tests. At least one of them has to separately meet the hours tests.

Passive activity loss rules for real estate non-pros who actively participate in a rental can take losses. But there are strict limits, only $25,000 of rental losses can be deducted. This amount phases out as modified adjusted gross income (AGI) exceeds $100,000 and disappears entirely after modified AGI reaches $150,000. In this instance, modified AGI is adjusted gross income determined without regard to certain items, including the taxable portion of Social Security benefits and passive-activity losses. Taxable IRA or 401(k) distributions and pension income are included in Modified AGI. The limit on deductions of $25,000 and the phase-out between $100,000 and $150,000 became law on January 1, 1987. If these numbers were adjusted for inflation to January 1, 2022, the $25,000 would now be $40,250. The phase-out range would now be from $161,000 of adjusted gross income to $241,500. Not adjusting these figures for inflation is why our government increases tax revenue without raising taxes!

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
Sept. 15, 2022 Oct. 17, 2022 Nov. 15, 2022 Dec. 15, 2022	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
Sept. 15, 2022	-Due date of Form 1120S (S Corporation) tax returns and Form 1065 (Partnership) tax returns if an extension was filed on March 15, 2022 -Due date of Form 1041 (Trust or Estate) if an extension was filed on April 15, 2022 -**Due date of 2022 Estimated Tax Payment No. 3**
Sept. 26, 2022 Oct. 25, 2022 Nov. 25 2022 Dec. 26, 2022	-Due dates of monthly state excise tax reports
Oct. 17, 2022	-Due date of Form 1120 (Corporation) tax returns if an extension was filed on April 15, 2022 -Due date of Form 1040 (Individual) tax returns if an extension was filed on April 15, 2022
Oct. 31, 2022	-Due date of Form 940 deposit for 3rd quarter 2022 -Due date of employer's payroll tax reports, Form 941, Unemployment, State L&I and State Paid Family Medical Leave reports -Due date for 3rd quarter 2022 state excise tax report

-**Start your pre-year end tax planning now!**

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TIDBITS

- 5% of U.S. citizens account for over 50% of all U.S. healthcare spending.
- In l960 the U.S. spent 5% of the gross domestic product (GDP) of $543.3 billion on healthcare.
- In 2018 the U.S. spent 17.7% of the GDP of $20.49 trillion on healthcare.
- 70% of U.S. families will require some long-term care in their lifetime, but not necessarily in a nursing home.
- The median cost of a private room in a nursing home during 2021 was $8,821 per month.
- The world-wide fertility rate, the average number of children a woman gives birth to, was 4.7 in 1959, it dropped to 2.4 in 2017 and is expected to decline to 1.7 by 2100. If this is correct, nearly every country will have a shrinking population.
- Prestigious colleges do not always give the best return on investment. When it comes to post graduation earnings, an analysis of the careers of more than six million graduates show that choosing the right major or area of study is more important than attending a prestigious school.
- Of the 2019 college graduates in the U.S., 60% had taken out a student loan to complete their education.
- 28% of financial advisors (White & Company Financial Planning included) say crypto currencies are "a gamble" worth investing only money you can stand to lose!
- For the first time in 40 years, Social Security paid out more than it took in during 2020. The massive wave of resignations and early retirements was because of Covid 19.
- Inflation has impacted even the tooth fairy per Delta Dental. The average tooth fairy's gift has risen to $5.36—four times the $1.30 average in 1998 and the highest amount in the poll's 24-year history!
- University of Michigan data shows consumer sentiment, which is a number derived from consumers' opinion, about the economy was 85.5 in June 2021 and down to 50.0 in June 2022.

MEDICARE VERSUS MEDICARE ADVANTAGE

Around October 15th we will be bombarded with ads toting the Medicare Advantage brand of health insurance for those over age 65. These ads must be successful since there are more and more of them. This author has original Medicare and would like to point out some of the Medicare Advantage disadvantages!

Unlike original Medicare which is a fee-for-service insurance administered by the U.S. government, Medicare Advantage is run by profit motivated private companies. Medicare Advantage has to be profitable or private profit minded companies would not be involved. Keep in mind as a Medicare Advantage customer you are providing that profit as well as paying for all of the advertising and other expenses such as executive pay.

In a Medicare Advantage plan, you pay the Medicare Part B premium, but you do not enroll in a Part D plan to cover prescription drugs or in a supplemental "medigap" plan to cover what Parts A and B do not. Prescription drug coverage is included with Advantage plans, and many plans also have extra perks, such as dental, vision or hearing coverage that original Medicare does not provide.

Out-of-pocket costs typically run higher for Medicare Advantage compared with original Medicare plus medigap, mainly because Advantage plans have cost-sharing requirements for expenses that medigap plans mostly cover. Patients who become ill can pay thousands of dollars for care before reaching their plan's out-of-pocket maximum. Plus, you have a limited network of providers to choose from, you may need a referral to see a specialist (and authorization for a special procedure), and you will pay more for a doctor or hospital out of network.

A new study by the Office of Inspector General finds that Medicare Advantage plans often deny or delay medically necessary care. The study looked at a random sample of 250 prior authorization requests and 250 payments that were denied and found that 13% of the authorization requests and 18% of the payments should not have been turned down. Under original government-administered Medicare, the study found those refusals would not have occurred because the requests for payment and authorization met the criteria for approval.

Finally, during original Medicare open enrollment which runs from October 15th to December 7th every year, you can elect to switch to original Medicare from your Medicare Advantage plan. However, if you want to also purchase a supplemental insurance policy, known as medigap, these insurers are not required to sell you a policy unless you meet their medical underwriting requirements also known as "Are you insurable?".

WHICH MEDIGAP PLAN FITS YOU?

Medigap plans are sold by private insurers and are identified by letters A to N. Each plan identified by A to N is standardized as to coverage throughout the U.S. The only difference can be cost of this plan by area. Some states do not use the letters but the plans are similar to the lettered plans.

If you are currently covered by a medigap plan, open enrollment for these plans is October 15 to December 7 and this is what you need to know for this year. The most popular plan for most seniors has long been Plan F. Plan F enrollment was frozen as of January 1, 2020 but current enrollees on that date can remain in Plan F going forward. Plan F was popular because you might never again face an unexpected out-of-pocket medical bill. But now that new enrollees in Plan F are not allowed, its current enrollees are likely to face large premium increases with no new young (65 year old) retirees allowed to enroll in Plan F. Only growing-older enrollees with increasing health issues will be in Plan F. It may be wise to apply to switch to Plan G during the open enrollment period.

The only difference between Plan F and Plan G is that Plan G does not pay the Medicare Part B deductible, you have to pay this deductible which is $233 for 2022. A recent quote for Plan G of $193 versus Plan F of $253 pays the deductible in less than four months.

FORM 1099-K

IRS Form 1099-K is sent to taxpayers by a third-party payment entity showing transfer(s) of at least $600 to the taxpayer during the year. The $600 threshold for 2022 is down from the previous $20,000 threshold. If you accept payments from credit cards or third-party payment entities (PayPal and Venmo are examples) that total $600 or more for goods or services during 2022, you should receive Form 1099-K. The IRS will also receive a copy of your Form 1099-K and will expect to see the same information on your Form 1040 or business income tax return. If the information is not on your income tax return, expect to receive an IRS notice or possibly even an audit!

IRS INTEREST RATES ARE CHANGING

The IRS interest rates on taxes owed are going up for the fourth quarter of 2022, the third consecutive quarterly increase. We expect the IRS rates to rise again in 2023 if the Federal Reserve decides to approve more interest rate increases. The IRS will charge 6% on overdue taxes, a higher 8% rate will be applied to corporations that owe more than $100,000 in back taxes.

The IRS will pay 6% on refunds to individuals and 5% to corporations. For corporate refunds that exceed $10,000, the rate on the excess will be 3.5%. The IRS gets 45 days from your return due date to pay your refund, if it takes longer, interest is due to you. The IRS collects interest from the date the tax is due and unpaid.

U.S. NATIONAL DEBT

In our June newsletter, we stated that the national debt at the end of January 2022 was $30.1 TRILLION. This amount when converted to seconds would equal 954,441 years. The National debt at the end of August 2022 was $30.8 TRILLION, an increase of $700 BILLION, or converted to seconds another 22,196 years!

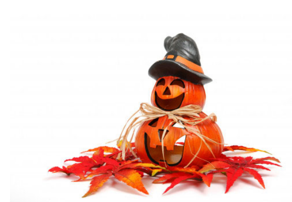
THE INFLATION REDUCTION ACT

Here are tax provisions that will probably increase inflation.

The Obama Care subsidy (credit) available to eligible individuals has changed. Originally, the subsidy was available to persons with household income in a range of 100% to 400% of the poverty level. This act allows some people with income over the 400% level to get the credits and increase the credit amount through 2025.

The tax break for adding solar panels to your home is extended through 2034. Individuals get the credit for installing alternative energy systems, such as solar, wind, geothermal or fuel cell energy. Starting in 2023, the credit is expanded to cover battery storage technology. The credit currently is 30% of the cost through 2032, falling to 26% in 2033, 22% in 2034 and ending in 2035.

The 10% credit of up to $500 for adding energy-efficient improvements to your residence is back. It applies to certain types of insultation plus windows, doors and skylights. The 10% becomes 30% in 2023 and the $500 limit increases to $1,200. These new limits apply through 2032.



Too many people quit looking for work when they find a job.

-Anonymous

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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 15, 2022

*****Our newsletter is available on our website at www.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!***

THE RISKS OF TRADING STOCKS USING MARGIN

If you followed the meteoric rise of GameStop stock and other so-called meme stocks last year, you probably heard about margin trading. When you trade on margin, you borrow money from your brokerage firm using your cash and securities as collateral for the loan to buy securities. These accounts allow you to increase your buying power (regulators (SEC) allow you to borrow up to 50% of the purchase price), but typically you have to apply and qualify for this type of account at your brokerage firm.

Margin trading is mostly for sophisticated investors or speculators because it is risky, you can lose more than you invested. Margin accounts charge high interest rates (Charles Schwab charged 8.75% on loans of up to $24,999). Margin rates are variable, too, and they will head higher when the Federal Reserve hikes short-term interest rates. There is a minimum amount of collateral to maintain as well. Just how much can vary: The Financial Industry Regulatory Authority, the self-regulatory arm of the brokerage industry, requires that you keep a minimum of at least 25% of the value of the margin securities, but some firms call for more.

If the market heads down, you may have to add cash or securities to restore the minimum maintenance amount -the dreaded margin call. If you do not, your broker has the right to sell your investments to cover it. That could amplify your losses, because your investments will likely be sold at a loss. Plus, you are still on the hook to pay the margin loan back to the broker.

CHARITABLE DONATIONS REQUIRE PROPER RECORDKEEPING

According to the IRS's final regulations, even small cash donations are not exempt from strict recordkeeping rules. For charitable monetary gifts of any size, you cannot claim a deduction unless you have a cancelled check, a bank record, a credit card statement, or a written receipt or email from the charity with its name, date and amount of the gift. Pay stubs or W-2s work for payroll deduction donations. A blank pledge card from the donee for the donor to fill out does not meet the rules! A contemporaneous written acknowledgment from the donee is also required for all gifts of $250 or more, describing the donation and whether the donor got anything in return.