THE ADVISER

WHITE & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

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INSIDE.....

SELF-EMPLOYED, CONSIDER A SOLO 401(K)

The solo 401(k) is specifically for businesses in which the owner is the only employee (and possibly their spouse). It has a dual contribution structure. As an employee, you can make elective deferrals up to the standard 401(k) limit, which is $23,000 in 2024, with catch-up contributions of up to $7,500 allowed for those 50 and older. As an employer, you can also contribute up to 25 percent of your compensation, aka net profit. The combined total cannot exceed $76,500.

While traditional solo 401(k) contributions are tax-deferred, some providers offer a Roth option. Contributions to a Roth solo 401(k) are after-tax, but the money will grow tax-free, and contributions and earnings can be withdrawn tax-free as long as you are 59-1/2 and have owned the plan for at least five years.

Another plus feature of the solo 401(k) is the ability to borrow from your account. Although this can slow the growth of your retirement savings, it provides a source of funds in an emergency or cash-flow crisis.

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
Jan. 15, 2024	**-Due date of 2023 Estimated Tax Payment No. 4**
Jan 15, 2024 Feb. 15, 2024 Mar. 15, 2024 Apr. 15, 2024	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
Jan. 25, 2024 Feb. 26, 2024 Mar. 25, 2024	-Due dates of monthly state excise tax reports
Jan. 31, 2024	-Due date of Form 940 deposit for 4th quarter 2023 -Due date of employer's payroll tax reports, Form 941, 940, 943, Unemployment, State L&I and State Paid Family Medical Leave and WA Cares -Due date of 4th quarter 2023 state excise tax report **-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**
Feb. 29, 2024	-Due date to submit all Forms 1099 to the IRS if paper filing or March 31, 2024 if e-filing, however, the due date for giving these forms to the recipients remains January 31, 2024
Mar. 1, 2024	-Due date of 2023 Form 1040 income tax returns for farmers and fishermen who did not pay an estimated tax payment on January 15, 2024
Mar. 15, 2024	-Due date for calendar-year Form 1065 Partnership income tax returns for 2023 -Due date for calendar-year Form 1120S Corporation income tax returns for 2023
Apr. 15, 2024	-Due date for annual 2023 state excise tax report **-Due date of 2024 Estimated Tax Payment No. 1** -Due date for calendar-year Form 1120 Corporation income tax returns for 2023 -Due date of 2023 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 -Due date for Form 1041 Trust and Estate tax returns for 2023 -Due date for IRA, SEP and Simple contributions for 2023

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TIDBITS

- There is nothing scientific about how generations are labeled, here is one breakdown: Generation Alpha 2013 to present, Generation Z 1997 to 2012, Millennials 1981 to 1996, Generation X 1965 to 1980, Baby Boomers 1946 to 1964, Silent Generation 1928 to 1945, Greatest Generation 1901 to 1927, Last Generation 1880 to 1900.
- U.S. charitable giving in 2022 was $499.23 billion, down 3.4 percent when adjusted for inflation from the 2021 amount of $484.85 billion.
- Age discrimination complaints to the Equal Employment Opportunity Commission dropped 45 percent from 2011 to 2021 as more companies decided that older employees' work ethic outweighs having to teach them the latest technology.
- 75 percent of workers age 65 and older say hard work is important to them versus just 61 percent of those ages 18 to 29.
- According to the second annual "Boomerang Kids Survey" by Thrivent, 41 percent of parents are currently allowing their adult children to live with them. 51 percent of parents have put off their own savings to help financially support their children.
- In 2022 there were 16.2 million enrolled college students in the U.S., down from 19.0 million in 2019.
- 50 percent of working Americans are unsure of how much money they need to retire comfortably.

DONOR-ADVISED FUND (DAF)

A donor-advised fund allows you to donate now, deduct the contribution on this year's tax return (as long as you itemize) and decide later which charities you want to support. When donor-advised funds were created, you needed to invest a significant amount of money to meet their minimums, but that is no longer the case. Donor-advised funds from Fidelity and Schwab have no minimum investment. Once you have set up your fund, you can continue to make contributions as cash becomes available. Most also accept contributions of appreciated stock, so if your donation consists of shares of stock you bought long ago, you can donate them to your account and get a tax deduction based on their fair market value. You will not have to pay capital gains taxes on the appreciated stock, so you will get a tax break even if you do not itemize.

AUDIT OF YOUR HOME-ENERGY USE

You can get a tax credit of up to $150 for a home-energy audit. This break is part of the Inflation Reduction Act of 2022. The IRS recently issued rules for taking the credit. The audit must be on a dwelling used as your principal residence. It must be done by a qualified home-energy auditor or someone supervised by such person. The home-energy auditor must provide you with a signed, written report listing significant and cost-effective energy-efficient improvements for your home, and include an estimate of the energy and cost savings of each recommendation.

INCREASE IN DOLLAR LIMITS FOR 2024 RETIREMENT PLANS

The 401(k)-contribution limit rises to $23,000. People born before 1975 can contribute an extra $7,500. These limits also apply to 403(b) and 457 plans. The cap on SIMPLEs rises to $16,000, plus $3,500 for age 50 and older or for an employer with no more than 25 employees, the limit increases to $17,600, plus $3,850 for age 50 and older.

The 2024 pay-in cap for traditional IRAs and Roth IRAs increases to $7,000, plus $1,000 as an additional catch-up contribution for individuals age 50 and older.

The income ceilings on Roth IRA pay-ins go up. Contributions phase out for 2024 at adjusted gross incomes of $230,000 to $240,000 for joint filers and $146,000 to $161,000 for single filers and for heads of household.

Deduction phaseouts for traditional IRAs start at higher income levels, from AGIs of $123,000 to $143,000 for couples covered by workplace retirement plans, and $77,000 to $87,000 for household heads and singles covered by such plans. If only one spouse is covered by a plan, the phaseout for deducting pay-ins for the uncovered spouse starts at $230,000 of AGI and ends at $240,000.

The qualified charitable distribution (QCD) cap from your IRA is finally indexed for inflation. The cap increases to $105,000 for 2024, up $5,000. IRA owners age 70-1/2 and older can transfer up to $105,000 in 2024 from their IRA directly to charity. QCDs can count as part or all of your Required Minimum Distribution (RMD).

REVIEW YOUR SUBSCRIPTIONS TO SAVE MONEY

More than 40 percent of consumers admit they pay for a subscription they no longer use and forgot about, according to a 2022 study by C&R Research. Review the past year of bills, bank and credit card statements to see if you are subscribed to subscriptions you do not need.

Some apps can help you track your subscriptions. Free budgeting app PocketGuard offers subscription monitoring, consolidating all of your recurring payments in one place for you to review.

RETIREMENT AND YOUR CREDIT SCORE

Retirement may represent a fresh episode of your life, but a surprising twist might be a drop in your credit score. Even if borrowing is not on your agenda, your credit score could affect other aspects of your life, ranging from how much you pay for auto insurance to whether you will be admitted to an assisted-living facility.

Average credit scores tend to increase as consumers get older, peaking in their seventies. To understand why your own credit score might drop after you retire, it is important to know how credit scores are computed. While your history of paying on time is the largest element of your score, other factors include the amount you owe on your credit cards as a proportion of your card limits (known as your credit-utilization ratio) and the length of your credit history. In addition, if you do not use a credit card, the issuer may close it because of inactivity. Retirees' credit scores often go down because they are not using credit as actively as when they were younger.

THE EARNED INCOME TAX CREDIT (EITC) BOONDOGGLE

The IRS continues to pay billions in erroneous earned income tax credits. For the 2022 fiscal year, the IRS paid $18.2 billion in improper EITC payments, a 31.6 percent improper payment rate. The agency says the reason for this is threefold. First, the IRS lacks sufficient third-party documents to adequately verify information shown on filed tax returns. Second, the EITC eligibility rules are overly complex. Third, many EITC returns are done by unenrolled preparers, people who are not CPAs, lawyers or enrolled agents, and these unenrolled preparers have a higher rate of EITC errors when compared with other tax pros. There is a bit of good news for the IRS, the 2022 improper EITC payment figure is lower than 2021's $18.97 billion.

ETF OR MUTUAL FUND

Mutual funds and ETFs are both easy to trade and offer diversified exposure to a swath of the market in one step. They both pool assets from shareholders and invest in diversified baskets of stocks and bonds or other assets. Both ETFs and mutual funds charge an annual expense ratio. But they differ in key ways.

Mutual fund trades are executed once a day, after the market closes. In some cases, you may have to pay a transaction fee to purchase shares in a mutual fund. ETF shares trade during the trading day, just like stocks do, for no fee at most brokers.

ETFs have lower expense ratios than mutual funds. Part of the reason is that most ETFs are index funds, which are less expensive to run than actively managed funds. But ETFs also do not incur certain expenses that mutual funds do, such as fees paid to list the mutual fund on a brokerage firm's no-transaction-fee platform.

ETFs are structured to be more tax-efficient than mutual funds. ETFs do not actually buy and sell the underlying securities in their portfolios. Because an ETF is not making actual cash transactions, it is less likely to make capital gains distributions to shareholders. You owe capital gains taxes when you sell shares.

That is not the case with a mutual fund. If a mutual fund sells a security in its portfolio and pockets a profit, it is required to pass on those gains to shareholders at least once a year in the form of a capital gains distribution. This does not apply if you hold the fund in an IRA or a 401(k), these investments are shielded from tax until you withdraw from the account. If you hold the fund shares in a taxable account, you are vulnerable to an unexpected tax bill. When an investor removes his investment from a mutual fund, it has to sell stock creating gains or losses that are distributed in order to cash the investor out of the mutual fund.

HOLDERS OF A FOREIGN BANK ACCOUNT BEWARE

As the IRS looks to increase tax compliance and its tax collection, unreported foreign accounts are a top target. (Accounts in Canada and Mexico are foreign accounts.) The IRS continues to devote significant resources to get U.S. owners of foreign financial accounts to timely report them each year if the aggregate value exceeded $10,000 at any time during the prior year.

The reporting starts by answering a similar question on Form 1040 Schedule B of your yearly tax return. Penalties for nonreporting by filing FinCen Form 114, Report of Foreign Bank and Financial Accounts (FBAR) are significant. The penalty for non-willful filing of Form 114 is $10,000 per non-filed FBAR form. Willful violation is much steeper, being the larger of $100,000 or 50% of the highest account balance.

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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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BE AWARE OF A LUMP-SUM FROM SOCIAL SECURITY

If you claim Social Security benefits after you reach full retirement age, you will be offered an up-front payout equal to as much as six months of your benefits. For example, that is $15,000 if your monthly benefit is $2,500. <u>Taking the lump-sum payout will reduce your monthly benefit and decrease annual inflation increases for the rest of your life!</u>

In order to calculate this lump-sum the Social Security Administration assumes you retired six months earlier than you actually did. By assuming you retired six months earlier, your monthly benefit going forward is reduced six times at 2/3 of a percent reduction or by 4 percent. If you wait six months after your full retirement age your monthly benefit will be increased by the same calculation of 4 percent.

By taking the lump-sum, it could also increase the amount of income tax you will pay for the year because Social Security income can be subject to federal and some states' income taxes. This lump-sum option is available only to those that have reached their full retirement age which is 67 for all born after 1956.

DO YOU HAVE UNUSED GIFT CARDS?

Instead of regifting, consider swapping them out for cash with a site such as www.cardcash.com or www.giftcardgranny.com. You will have to sell the gift cards at a discount, but the sites will pay you up front for them. Alternatively, you may be able to trade your gift card for a different one that you are more likely to use (CardCash, for example, allows trades). You can also use the sites to buy discounted gift cards, gift cards for popular retailers typically go for anywhere from 3% to 30% off, but you may find some cards at even steeper discounts.