THE ADVISER

WHITE & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

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April 15, 2024

INSIDE.....

TWO PROVISIONS OF SECURE ACT 2.0

Employer retirement plan contributions for student loan repayments. Starting in 2024, employers can match workers' qualified student loan repayments with contributions of an equal amount to the workers' 401(k)s. The idea is to help people with student debt save for retirement even as they repay what they owe. Contact White & Company, PC for further details.

Some retirement savers will lose a key tax deduction. As of January 2026, if you are over 50 and make more than $145,000 in 2025, you no longer will be able to add "catch-up" contributions to the annual contribution limit that you can put into a traditional 401(k). Instead, you will have to put catch-up contributions into a Roth plan. This is considered a revenue raise for the government because with the traditional 401(k), you would get a tax savings when you make the contribution but pay income tax when you withdraw later. With a Roth, the opposite is true, no tax break up front so you will currently pay more taxes, but no income tax on withdrawal.

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. 15, 2024 May 15, 2024 June 15, 2024	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
Apr. 15, 2024	**-Due date of 2024 Estimated Tax Payment No. 1** -Due date for 2023 Form 1041 Trust and Estate tax returns -Due date for calendar-year 2023 Form 1120 Corporation income tax returns -Due date of 2023 Form 1040 individual income tax returns. An extension to file your return by October 15, 2024 can be filed. **However, if you owe tax, that amount has to be paid when the extension is filed or penalties and interest will apply.** -Due date for IRA and HSA contributions deducted on your 2023 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, 2024 May 27, 2024 June 25, 2024	-Due dates of monthly state excise tax reports
Apr. 30, 2024	-Due date of Form 940 deposit for 1st quarter 2024 -Due date of employer's payroll tax reports, Form 941, Unemployment, State L&I, State Paid Family Medical Leave and WA Cares reports
June 17, 2024	**-Due date of 2024 Estimated Tax Payment No. 2**

Ivan White, CFP, CPA, PFS
Lucinda Cortez, Staff Accountant

James Eric Parker, CPA
Greg Vander Top, Staff Accountant
Hannah White, Staff Accountant

Tom White, CFP, CPA, PFS
Teri White, Bookkeeper
Misti Wiederspohn, Office Manager

TIDBITS

- Millennials are saving more for retirement at 16.3% of their income than Boomers or Gen Xers do at 10% of their income.
- Elder fraud originates from the following: 47% via a phone call, 21% from a caregiver, 15% from a stockbroker; 11% online and 5% from a family member.
- According to Charles Schwab 2023 401(k) participants study, $1.8 million is the average amount workers need to save for retirement. It appears inflation and the high cost of living has done away with the $1 million average amount needed in the last decade.
- The U.S. population is the oldest it has ever been! The median age of Americans has reached 38.9 years, a full 3.5 years higher than 2000, with more that 50% of the population over 40 in one-third of the states.
- The IRS is using artificial intelligence (AI) to go after tax cheats. Some of the $80 billion will go toward AI technology to help the agency zero in on tax evasion at multibillion-dollar partnerships, hedge funds, large law firms, real estate investment funds and private equity companies.
- Talk about pollution, in 2021 drivers in U.S. spent an average of 36 hours in traffic jams. This is more than the 26 hours lost to traffic jams in 2000 but far less than pre pandemic of 99 hours in 2019. Working from home probably accounts for this change.
- In 2022 only 10.1% of workers belonged to a union. The number of workers belonging to unions increased but non union job growth was even greater. Jobs with the highest unionization rates: firefighters, police and education workers.
- The U.S. birthrate has plummeted. Although the number of American women of child bearing age has increased by 9% the annual births have fallen to 3.66 million in 2022 from 2007 births at 4.3 million. This will likely have negative economic consequences with fewer workers to fill jobs and fund Social Security.

A DISCUSSION OF THE PREFERENTIAL TAXATION OF CAPITAL GAINS

Taxation of gains from the sale or exchange of a capital asset held over a year currently are taxed at favorable rates of 0%, 15% or 20%. Which rate applies to your capital gains depends on your total income. The income levels where these favorable rates apply are also adjusted annually for inflation. For 2023, the 0% rate applies to individuals with taxable income up to $44,625 on single returns and $89,250 on joint returns. The 20% starts at $492,301 for single filers and $553,851 for married couples filing jointly. The 15% rate applies to all filers with taxable incomes between the 0% ($44,625 single, $89,250 married joint) and 20% ($492,301 single, $553,851 married joint) break points.

The rules are set to change after 2025 when most of the provisions affecting individuals under former President Trump's Tax Cuts and Jobs Act expire. Unless lawmakers act, starting in 2026, the rules will revert to those in place in 2017. Under pre-2018 law, long-term capital gains were taxed at 0%, 15% and 20% rates with the rates based on your income tax bracket. The 0% rate applied to taxpayers in the 10% or 15% tax bracket, the 20% rate hit filers in the 39.6% top bracket and the 15% rate was for people who landed in other brackets. If we revert to the 2017 tax rules all tax rates will increase at least 3% at all levels of income, but capital gains will still have the preferential rates.

THE BENEFITS OF A HEALTH SAVINGS ACCOUNT(HSA)

As the cost of health care continues to escalate, it is critical to protect your wealth from unexpected, as well as ongoing, medical expenses. One of the most effective, and most often underused, tools to manage these expenses is a health savings account. Contributions to an HSA are pretax (or tax-deductible, if your HSA is not provided through your employer), funds grow tax-free, and withdrawals are tax-free as long as the money is used for eligible health care expenses. If you have an eligible individual health insurance plan, you will be allowed to contribute up to $4,150 in 2024. For family coverage, you can contribute up to $8,300, and if you will be 55 or older at the end of the year, you can put in an extra $1,000 in catch-up contributions.

To qualify for an HSA, your health plan must have a deductible of at least $1,600, or $3,200 for a family plan. The plan must limit out-of-pocket expenses to $8,050 for self-only coverage, or $16,100 for family coverage.

Many people use funds from HSAs to pay current out-of-pocket medical and dental costs, but if you can afford to cover these expenses from other sources, leaving the money in your HSA is an ideal way to save for medical expenses in retirement. The longer you can let it grow, the better off it is going to be. You can use HSA funds to pay for medical costs that Medicare does not cover, as well as monthly premiums for Medicare Part B and Part D and Medicare Advantage plans. You can also use distributions to pay a portion of long-term-care insurance premiums.

By investing your HSA funds in the stock market you are receiving an even greater opportunity to benefit from the triple tax advantage the accounts provide. While many of the largest HSAs offer an investment option, research by Employee Benefit Research Institute found that only 12% of account holders invest in assets other than cash.

WITHDRAWAL OF TRADITIONAL IRA FUNDS IS TAXABLE

You can be taxed on money stolen from an IRA, warns Robert Keebler, CPA. A former White House advisor was scammed into withdrawing $665,000 from her retirement account and giving it to thieves. Then she learned that she owed income tax on the withdrawal. The 2018 Tax Cuts & Jobs Act removed the theft-loss deduction that would have protected her. Be on guard against scams and aware of the tax implications on your retirements funds.

IRS NOTICES AND LETTERS ARE CHANGING

Letters and notices from the IRS to taxpayers are going through a redesign. The IRS aims to simplify and clarify the correspondence so that recipients can better understand the underlying issues and any actions they need to take. The redesign process is taking place over several years. 31 notices have been revised for this year's filing season. The goal is to redesign most other common notices for individuals by early 2025, with changes to business letters by 2026 or later.

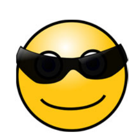
BEWARE OF THESE FOUR INVESTING HIDDEN TRAPS

Short-term capital gains. Long-term capital gains are more tax-efficient than those from short-term holdings. Gains on the sale of stocks, mutual funds and other securities held for more than a year are taxed favorable at 0%, 15% or 20%. Short-term gains from the sale of securities held for a year or less are taxed at ordinary income rates, which currently top out at 37%. You do not even have to sell one of your holdings to fall into this tax trap. Mutual funds that frequently buy and sell holdings can spring the trap for you, potentially generating big short-term capital gains distributions in the process. Before you invest, check a mutual fund's turnover ratio. The higher the turnover ratio, the higher the potential for short-term capital gains distributions. One way around this hazard is to keep high-turnover mutual funds in an IRA or another tax-deferred account instead of one that is taxable.

Reinvested mutual fund dividends. Like many mutual fund investors, you may have dividends automatically reinvested to buy more shares, but each new purchase increases your tax basis in the fund. That, in turn, reduces the taxable capital gain (or increases the loss) when you redeem shares. If you do not account for reinvested dividends in your tax basis, the dividends will be taxed twice, first in the year they were paid out and reinvested, and later, when they are included in the proceeds of the sale. If you are not sure what your basis is, ask the fund for help. Funds often report to investors the tax basis of shares redeemed during the year, including reinvested dividends.

Late-in-the-year purchases of mutual funds. If you are thinking about investing in a dividend-paying mutual fund near the end of the year, check the fund's dividend distribution schedule. Buying a fund shortly before the "record date", means you will get the dividend payout for the year which you will owe tax on when you file your return next year. Financially and taxwise, you are better off waiting to buy the fund until after the record date, because a fund's share price falls by the amount of the dividend. This late-in-the-year income is avoided if the mutual fund is held in a tax-deferred account. Investing in an Exchange Traded Fund (ETF) will also avoid income late in the year. See our January 2024 Adviser for an ETF and mutual fund comparison.

Wash sales. Selling your portfolio duds to offset capital gains from sales of winners is a popular tax-savings strategy called loss harvesting, but beware of the sneaky wash-sale rule. You cannot write off a capital loss from a sale of securities if you buy substantially identical securities up to 30 days before or after the sale. If you do, any suspended loss is added to the tax basis of the replacement shares. The wash-sale can easily catch you by surprise, selling a mutual fund at a loss 30 days after the date a dividend is reinvested or by buying stock in an IRA after selling the same stock at a loss in your taxable investment account. The rule, however, does not apply in trades made completely within an IRA. If you sell securities in your IRA at a loss and buy them back in the IRA within 30 days, you are fine.



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CERTIFIED PUBLIC ACCOUNTANTS

910 FRANKLIN AVE SUITE 3
SUNNYSIDE, WA 98944
TELEPHONE (509) 837-6700
Fax (509) 837-8151 or email advisers@whitecocpa.com
www.whitecocpa.com

SERVICE GUARANTEE

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April 2024

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A TAX FACT ABOUT NIL

College and now some high school athletes who receive NIL income need to know their tax obligations. Since the Supreme Court ruled that college and high school athletes can be compensated for their name, image and likeness (NIL), many student athletes have inked deals with firms to act as brand sponsors, touting products and services in commercials, advertisements and on social media. Many of these deals are through NIL collectives. NIL income is taxable, whether the athlete is paid in cash or in free products or services. Most student athletes with NIL income are considered self-employed, so they will also owe self-employment tax on their net earnings. Athletes need to keep records of expenses they incur in generating NIL income that they can deduct on Schedule C. Since athletes will not be considered employees, they will not have withholding of federal income tax and will be required to pay quarterly estimated taxes to the IRS.

THE CASE FOR A ROTH IRA OR 401(K) CONTRIBUTION

Employees who have access to a Roth 401k or are eligible for a Roth IRA should consider contributing, especially if they already have accumulated funds in a Traditional IRA or 401(k). Although current Roth contributions will not give you the upfront tax savings (which is really only a loan until you have to pay the tax on the withdrawal) the Roth withdrawal will be nontaxable. Many earners resist contributions to Roth IRAs or a 401(k) Roth because they assume their tax rates will be lower in retirement. This is not a safe bet since the funds you invest grow tax-free and if you are a serious saver your RMD (Required Minimum Distribution) at age 73 increasing to 75, could be larger than your current pay level. With the U.S. national debt at $35 trillion, tax rates will most likely increase in the future to cover the interest cost on this amount of debt.