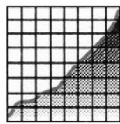


THE ADVISER



WHITE & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS

LI, No. 2
April 15, 2025

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RETIREMENT WITHDRAWAL PRIOR TO AGE 59 1/2

A 10% fine hits most pre-age-59 1/2 withdrawals from IRAs, 401(k)s and other retirement plans. This excise tax on early payouts is in addition to any regular income tax that is due. Filers use Form 5329 to calculate and report this 10% additional tax. The IRS is eyeing these early distributions. Failing to pay the 10% tax is a common error. A Treasury inspectors' report found that 2.8 million taxpayers who received early distributions totaling \$12.9 billion in 2021 did not pay the 10% additional tax, nor did they file the required Form 5329.

STOCK BROKERS WILL REPORT PROCEEDS FROM DIGITAL ASSET SALES THAT OCCUR IN 2025

A law requires brokers to report sales price, tax basis and other information on digital asset trades. Reporting was slated to begin in 2023, but the IRS delayed it. Reporting of sales proceeds starts with 2025 Forms 1099-DA that brokers will send out in 2026. Decentralized crypto exchanges start reporting beginning with 2027 sales. Reporting of tax basis and character of gain begins with 2026 1099-DAs filed in 2027.

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, 2025
May 15, 2025
June 16, 2025

-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly

Apr. 15, 2025

-Due date of 2025 Estimated Tax Payment No.1

-Due date for 1041 Trust and Estate tax returns for 2024

-Due date for calendar year Form 1120 Corporation income tax returns for 2024

-Due date of 2024 Form 1040 individual income tax returns for 2024. 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 IRA, SEP and Simple contributions for 2024

Apr. 25, 2025
May 27, 2025
June 25, 2025

-Due dates of monthly state excise tax reports

Apr. 30, 2025

-Due date of Form 940 deposit for 1st quarter 2025
-Due date of employer's payroll tax reports, Forms 941, Unemployment, State L&I, State Paid Family Medical Leave and WA Cares

-Due date for 1st quarter 2025 state excise tax report

June 16, 2025

-Due date of 2025 Estimated Tax Payment No. 2

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TIDBITS

- The 2025 standard mileage rate for business driving is 70 cents per mile. The mileage rate for medical travel remains at 21 cents per mile and charitable driving, which is fixed by law, remains at 14 cents per mile.
- Do you want to move to Florida? According to Steve Parrish, Financial Services, St Augustine, Florida: "To continue living in Florida you have to be willing and able to pay five figures for insurance, in time, perhaps only the wealthy will remain."
- Life insurance proceeds are normally income tax free, but surrender or selling a policy for cash may have some income tax implications.
- Many first year Social Security recipients are surprised to find out that up to 85% of their benefits might be subject to federal income tax. Depending on your level of other income including nontaxable interest, some or up to 85% of the benefits can be taxable.
- If you have one or more teenage drivers in your household or a high net worth you should consider buying an umbrella insurance policy.
- Social Security offices will no longer give assistance to people that walk in. Assistance in 2025 and beyond can only be by appointment. Phone and internet usage will be up!

USE OF CASH OR CHECKS

Not too long ago in the U.S. cash was king, almost all transactions about 60 years ago were done in cash. In 2024, cash was used only 16% of the time. The 16% includes the use of written checks or actual cash.

If you are one of the few still writing checks for purchases you should protect your checks against fraud. The following are steps to take to prevent your checks from helping a fraudster.

1. Use a gel pen because this type of ink is harder to remove versus ballpoint pen ink.
2. Fill in a required field by drawing a line through the field that could be modified by a fraudster.
3. Do not put personal preprinted data such as driver's license numbers or Social Security numbers on the check.
4. Never leave the *pay to the order of* blank or write the check to cash.
5. Use a security envelope or wrap the check in a piece of paper when mailing the check.
6. Mail the check at a U.S. Post Office and consider certified mail.

CAPITAL GAINS TAX RATES

Short-term capital gains are from the sale or exchange of a capital asset held less than one year. Long-term capital gains are from the sale or exchange of a capital asset held for over one year. Short-term capital gains are taxed as ordinary income and the percentage rate depends on your total income. These rates can be from 0% to 37%.

Long-term capital gains get favorable rates. Profits from the sale or exchange of capital assets held for over a year are generally taxed at 0%, 15% or 20%. The rates are based on income thresholds adjusted annually for inflation. For 2025, the 0% rate applies to taxpayers with taxable income up to \$48,350 on single returns, \$64,750 for head-of-house filers and \$96,700 on joint returns. The 20% rate begins at \$533,400 for singles, \$566,700 for

household heads and \$600,050 for joint filers. The 15% rate applies to taxable incomes between the 0% and 20% break points.

Before 2018, long-term capital gains rates were based on your tax bracket. The 0% rate applied to people in the 10% or 15% income tax brackets, the 20% rate hit filers in the 39.6% top bracket and the 15% rate was for filers in the other brackets. The pre-2018 rules are slated to return after 2025 unless Congress acts.

These are the capital gains rates, however, both short-term and long-term capital gains can be subject to the 3.8% net investment income tax (NIIT) if your taxable income exceeds \$250,000 on joint returns, \$200,000 on a single return or head of house return, you will pay the 3.8% NIIT on the excess. This adds another 3.8% tax on capital gains.

FOUR CREDIT MISTAKES TO AVOID

1. Not checking your credit report. Checking your own credit report does not impact your credit score. Reviewing your credit report is one of the best ways to detect potentially fraudulent activity. You can get a free report from each of the three credit reporting companies: Equifax, Experian and Trans Union at annualcreditreport.com.
2. Do not miss or be late on your payments. Nothing will sink your credit more quickly or significantly than missing bill payments. In fact, a single late payment will stay on your credit report for seven years and affect your credit score the entire time it is there. Setting up automatic payments can be a helpful tool to ensure bills are paid on time.
3. Carrying a balance on your credit card does not help your credit score. It is best to pay off your credit card balance in full each month. By doing so, you will not only avoid interest pay-

ments but also lower your utilization rate, which is the percentage of available credit that you use. It is best to keep your balance to no more than 30% of your credit limit and lower is better.

4. Individuals of all ages need to understand the broad impact of a positive credit history. Credit is a financial tool that can unlock more than just access to credit cards and loans. Your credit history can affect your ability to get the latest cell phone, qualify for an apartment, lower your insurance premiums and utility deposits and more.

MORE ON QCD

Some people can make qualified charitable distributions through their IRAs. **Doing this is smart tax planning.** IRA owners who are age 70 1/2 and older can transfer up to \$108,000 in 2025 from their IRAs directly to charity. These so-called QCDs can count as all or part of your required minimum distribution, but they are not taxable and they are not added to your adjusted gross income, which can help you mitigate surcharges on your 2026 monthly Medicare premiums.

Here are some other important QCD rules you should be aware of:

- **Only transfers from your IRA directly to the charity qualify as QCDs.** Most IRA custodians will require you to fill out a form requesting the charitable payout. The custodian will then either send the money to the charity or make a check payable to the charity for you to deliver. Be sure to get a receipt from the charity.
- You must be at least 70 1/2 on the QCD date. If you turn 70 1/2 on December 1st for example, you must wait until that day or later to make the charitable transfer.
- The QCD money must generally go only to certain 501(c)(3)

charities.

- QCDs cannot be done through a 401(k) or other workplace retirement plans. If you are working and making deductible IRA contributions after 70 1/2, these paylines reduce your allowable tax-free QCD amount until they are used up.
- You cannot deduct the QCD as a charitable contribution on Schedule A.

MORE ON 1099-K

The IRS has issued another future change for Form 1099-K. This change relates to the amount paid in 2025 creating issuance of Form 1099-K in 2026. The amount is \$2,500, a reduction from the 2024 amount of \$5,000. Evidently the IRS is trying to get the amount lowered to the \$600 amount Congress voted for in 2021.

WHAT IF THIS NUMBER IS HIGHER?

Revenue lost from tax cheating remains high. The most recent figure: \$696 billion for 2022, according to IRS projections. This is a gross amount of estimated lost revenue not paid voluntarily or timely. The IRS estimates it will recoup \$90 billion through audits, etc., leaving a \$606 billion net tax gap. The biggest chunks of the tax gap: Employment taxes, erroneous credits, and unreported and underreported business and nonbusiness income of individuals. Despite the large figure, there is some good news: the IRS is making a dent in the net tax gap because of heightened compliance and enforcement efforts.

MARKET DOWN, IS IT ROTH CONVERSION TIME?

Now might be a good time to convert a traditional IRA to a Roth IRA, given the ailing stock market. You will have to pay tax on the converted amount, but once the money is in the Roth, future earn-

ings are tax-free. Key to any decision are present and future tax rates if you expect that your rate in retirement will be the same as or higher than the rate on the conversion, switching to a Roth can pay off tax-wise, provided you do not have to tap IRA funds to pay the tax bill on the conversion. If your tax rate in retirement will be lower, then tax-free payouts could be less advantageous. You do not need to convert your entire account balance at once. You can transfer the money in increments over time and space out the tax hit.

THE IRS AND FUEL-TAX-CREDIT CLAIMS

The IRS is finally cracking down on tax scams involving fuel-tax-credit claims. Taxpayers can claim a credit for federal fuel tax that they pay for off-road business or farming purposes. But some preparers and promoters, including those on social media, are telling taxpayers to take the credit on their Form 1040 even though most people do not qualify for it. Filers must have a business purpose to take the tax break. Claiming a fuel tax credit without a sufficient business purpose is a frivolous position subject to penalty. And faulty fuel credits are on the IRS's list of tax scams. But the IRS has been lambasted for not assessing frivolous return penalties in most cases.

BENEFICIAL OWNERSHIP INFORMATION REPORTING RULES

New IRS regulations say only certain foreign companies must e-file their BOI reports with FinCEN.

Domestic companies are exempt from reporting and they do not have to update or correct previously filed BOI reports. Note that foreign companies who are still subject to BOI reporting do not have to provide BOI for any U.S. persons they report as beneficial owners.



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April 2025

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TWO THOUGHTS REGARDING SOCIAL SECURITY BENEFITS

1. There is a lot of talk about Social Security going bankrupt, but that is not what is happening or going to happen. Currently, there is a gap between outlays and collection by the U.S. and this gap is being filled with money taken from the Social Security Trust Fund. This trust fund does not hold any cash, it only holds special-issue U.S. Treasury securities. Estimates are that all of the trust fund securities will be cashed in and paid out by 2033. However, even if the trust fund is depleted in 2033, then the current collection of payroll taxes will fund an approximate 80% of paid out benefits.
2. The number of people collecting Social Security benefits in the U.S. is approximately 69 million. President Trump won the 2024 presidential election collecting 77.6 million votes. In 2032, there will be another presidential election which will include all House of Representatives and one-third of the Senate. If Social Security is only paying 80% of benefits by the 2032 election, expect 69 million people to vote out incumbents, regardless of party affiliation! The problem of only being able to pay out 80% of entitled benefits most likely will be solved prior to the 2032 election.

THE MOST COMMON IDENTITY THEFT SCHEMES

The most recent data shows that approximately 50% of personal identifiable information (PII) compromises comes from scams, the most common being employment and impersonation of individuals.

Job and employment scams most often occur when there are fraudulent postings on legitimate sites such as Indeed and LinkedIn, as well as unsolicited text messages and emails from phony recruiters.

Impersonation scams occur when whoever is on the other end of the interaction is not who they say they are. They may say they are from Amazon and your delivery is delayed, or they may pose as a credit card representative, asking if you authorized a purchase or to verify your address.