THE ADVISER

WHITE & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

LI, No. 3
June 16, 2025

INSIDE.....

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
June 16, 2025 July 15, 2025 Aug. 15, 2025 Sept 15, 2025	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
June 16, 2025	**-Due date of 2025 Estimated Tax Payment No.2**
June 25, 2025 July 25, 2025 Aug. 25, 2025 Sept. 25, 2025	-Due dates of monthly state excise tax reports
July 31, 2025	-Due Date of Retirement Plan Form 5500 -Due date of Form 940 deposit for 2nd 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 2nd quarter 2025 state excise tax report
Sept. 2, 2025	-Due date of Annual Heavy Vehicle Use Tax Form 2290
Sept 15, 2025	**-Due date of 2025 Estimated Tax Payment No. 3** -Due date of Form 1065 (Partnership), Form 1120S (S Corporation) if a 6-month extension was filed on March 15, 2025 and Form 1120 (Corporation) if a 5-month extension was filed on April 15, 2025
Oct 1, 2025	**-Time to start pre-year end tax planning!**
Oct 15, 2025	-Due date of Form 1040 (Individual) and Form 1041 (Trust and Estate) if an extension was filed on April 15, 2025

SCAMS TO KNOW ABOUT

Romance scams cost victims thousands of dollars. Crooks use dating websites and social-media platforms to send "friend" requests or start an online romance. Once the victim gets emotionally pulled in, the fraudster brings up a supposed financial emergency and asks for money. Crooks can even steal victims' ID and more money by sending them links to malware websites. Do not send money to anyone you have not met in person and checked out. If you suspect a scammer, report it at *ReportFraud.FTC.gov*.

Do not fall for credit card alert scams. If you get a text or email purporting to be from a bank or credit card asking you to verify suspicious activity on an account, do not call the number provided. Instead, look for the customer service number on the back of your credit card or provided in the card's phone app. That is the only way to ensure you are talking to a legitimate representative and not a scammer trying to steal your information.

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TIDBITS

- Be aware that Kirkland-branded (Costco) items for sale on Amazon are from a third party seller. Costco does not sell on Amazon. The same is true for Trader Joe's and IKEA products. These items from a third party probably are at inflated prices.
- The life expectancy gap between men and women is shrinking. In 1990, women had an average life expectancy of 77.17 years versus 72.23 for males. In 2010, 83.10 years for women, 78.37 years for men. Predicted by 2030: 86.54 years for women and 83.13 years for men.
- There is a need to protect your credit score after you retire. If there is no activity on your credit accounts for six months, the credit report goes stale. Your credit score after retirement can affect the cost of your auto and homeowner's insurance and can affect terms offered by cellular services and utilities.
- Thinking of moving to the Sunbelt, check out how such a move might affect your auto insurance rates before you move. Warm weather states such as Louisiana, Florida and Nevada are three of the four priciest while New York is fourth and most expensive!

SENIORS ARE LOSING!

A study by the Center for Retirement research at Boston College confirms what many seniors have long believed: The annual increase in Social Security benefits often falls short of their actual costs, particularly when it comes to health care. A major factor is the cost of Medicare Part B premiums, which have historically increased at a higher rate than Social Security benefits, the CRR analysis found. Between 2000 and 2020, the average annual adjustment for Part B premiums was 5.9%, compared with an average annual increase in benefits of 2.2%. Medicare premiums have risen at a faster rate because the Center for Medicare and Medicaid Services uses a different formula to calculate the annual adjustment. Part B premiums are supposed to cover 25% of the projected cost of covered services, with federal government revenues covering the remaining amount. Those costs are affected not only by inflation in health care but also by increases in the quality of care and the amount of care that beneficiaries use. A "hold harmless" provision in the law prevents an increase in Part B premiums from exceeding the increase in Social Security benefits if premiums are automatically deducted from Social Security payments. Still, the study found higher Part B premiums have reduced the amount seniors have available for non-health expenses.

A GREAT TAX STRATEGY

Use an HSA (Health Savings Account) as a medical IRA. Roth IRAs have caught on as weapons in Americans' wealth-building arsenal. Attracted by their double-tax-free treatment, after-tax contributions grow and are withdrawn tax-free, retirement savers have socked more than $1 trillion into them. But the "medical IRA" strategy of using triple-tax-free HSAs to fund medical expenses in retirement has not caught on. Many argue that HSAs are probably the most powerful vehicle in the entire tax code, even more than the Roth IRA.

The medical IRA strategy involves contributing pre-tax to a health savings account, preferably maxing out the annual contribution limit, which is currently $4,300 Single or $8,550 Family. HSAs must be paired with high-deductible health plans. The funds are invested with a multi-decade time horizon, with allocations similar to those in retirement accounts. Before retirement, medical expenses are paid out of pocket, allowing the HSA balance to compound tax-free, and you keep your receipts. When you tap your HSA in retirement, you repay yourself for all the receipts you have for the last 35 years. As an example, if you invested $4,300 a year between ages 30 and 65, and your balance compounded at 8% annually, you would have approximately $500,000 to spend on everything from Medicare premiums to prescriptions drugs, tax-free, in retirement. It seems like a no-brainer, especially if you have enough cash flow to cover medical costs while your account balance grows.

RETIRED AND DISLIKE MAKING E.S. PAYMENTS

Retirees taking Retired Minimum Distributions (RMDs) from IRAs can use this withholding tax strategy: Have more income tax withheld from distributions from your traditional IRA. Tax withheld at any point in the year is treated as if evenly paid throughout the year. By default, IRA custodians withhold 10%, but you can ask for more to be withheld. This strategy could replace your estimated tax payments and can be done at any time of the year.

WHAT ARE REQUIRED MINIMUM DISTRIBUTIONS?

RMDs are dollar amounts that you are obligated to withdraw from certain tax-advantaged retirement plans including Traditional IRAs, SEP IRAs, SIMPLE

IRAs, 401(k) plans, 403(b) plans, 457(b) plans, Profit Sharing Plans and other defined contributions plans.

RMDs are the minimum amounts you must withdraw from your retirement accounts each year. You must start taking these required amounts in the calendar year that you reach age 73.

Account owners in a workplace retirement can delay their RMD until the year they quit working or retire, unless they are a 5% owner of a business sponsoring the plan.

The RMD amount is determined by your age and account balance at December 31st of the prior year. Roth IRAs do not have RMDs for the original account owner, beneficiaries that inherit a Roth, except a spouse, will be subject to RMDs.

KNOW THE RULES FOR INHERITED IRAS

If you have been putting off taking distributions from your IRA because you want to leave the money to your children, a recent change in distribution rules could make you reconsider your estate plans. Before 2020, beneficiaries of inherited IRAs (or other tax-deferred accounts) could transfer the money into an account known as an inherited (or stretch) IRA and take withdrawals over their life expectancy. Now, most adult children and non-spouse heirs who inherit an IRA must deplete their accounts within 10 years after the death of the original owner (spouses still have the option of rolling the money into their own IRAs or taking a distribution based on their life expectancy). That could create significant tax bills for your heirs, particularly if they are in their peak earning years during the distribution period. Non-spouse heirs who inherit a Roth IRA are also required to deplete the account in 10 years, but withdrawals will be tax-free.

EVEN THE GOVERNMENT DISLIKES PAPER CHECKS

The IRS will generally no longer send out paper refund checks after September 30th. Trump recently signed an executive order mandating that the Treasury Department get rid of paper checks for recipients of benefits, tax refunds and other payments. He is ordering all federal departments and agencies to use electronic funds transfers, including direct deposit, prepaid card accounts and other digital payment options. There will be limited exceptions, including one that would apply to individuals who do not otherwise have access to banking services or electronic payments systems. The IRS will also begin to phase out the receipt of paper checks for tax payments. It does not appear the September 30th deadline applies for the purpose of government receipts, as it does for government disbursements. Instead, the While House executive order does not set a date, but uses the phrase "as soon as practicable" for this purpose. Among the reasons given for ending paper checks: cost, inefficiencies and delays, mail theft and fraud risks, lost and undeliverable payments.

THE YEARS BETWEEN RETIREMENT AND AGE 73

The years between retirement and when you start taking RMDs can be a great time to convert some of the money in a traditional IRA to a Roth. That is because your income is usually lower than when you were working and not as high as it will be once your turn 73, when RMDs kick in.

Unlike traditional IRAs, Roths have no RMDs and withdrawals are tax-free in retirement, so the decision to convert depends on whether you believe RMDs will push you into a higher tax bracket or if you think taxes in general will rise. If you are in a lower tax bracket today and you anticipate a higher marginal bracket once you turn 73, then converting now can lock in the lower rate on those dollars. By reducing the amount of money in the traditional IRA, your RMDs should be smaller, too.

Because Roths are funded with post-tax dollars, you will need enough cash in nonretirement savings to cover the taxes for the conversion. You may also want to consider spreading out the conversion over several years instead of converting a large sum at once, which could tip you into a much higher tax bracket. Just make sure that any conversion amount will not trigger Medicare surcharges two years later.

YOUR IRA AND MASTER LIMITED PARTNERSHIPS

This is a good time to remind IRA owners about IRA investments in Master Limited Partnerships (MLPs). The MLPs issue K-1s to their owners (including IRAs), reporting the owner's share of ordinary business income or loss. For IRAs this income is generally considered unrelated business taxable income (UBTI), and the IRA may owe tax. If UBTI from all of an IRA's investments exceeds $1,000, then the excess is taxed at a rate of up to 37%. The IRA, not the individual owner, uses Form 990-T to report and compute this tax, which is paid from available assets within that IRA. Most of the big IRA custodians will handle the preparation and filing of the 990-T.

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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.

June 2025

****Our newsletters are available on our website at www.whitecocpa.com.**
Please feel free to take a look around and send us a message with any questions you have!

CHANGES TO 401(K) CONTRIBUTIONS

For 2025, the 401(k) contribution limit increases to $23,500, the IRA limit remains at $7,000. Workers in their 60s can add more to a 401(k) or SIMPLE IRA. Starting this year, employees aged 60 to 63 years old who participate in a 401(k) plan or SIMPLE IRA can make a higher catch-up contribution of up to $11,250 to a 401(k) or $5,250 to a SIMPLE IRA. These allowances bring contribution limits up to $34,750 and $21,750, respectively, for those eligible in 2025, a double-digit increase over 2024 limits! The allowance will continue, adjusted for inflation, going forward.

High Earners' 401(k) catch-up contributions soon will be Roth only. Workers in their 50s can make an additional $7,500 contribution to a 401(k) or $5,000 to a SIMPLE IRA. Starting in 2026, if your prior-year W-2 reports income above $145,000, "catch up" contributions to that employer's 401(k) or a tax-advantaged plan such as a 403(b), 457(b) or Thrift Savings plan must be to a Roth. Roth contributions provide no tax break in the year they are made, but future qualified withdrawals are not taxed and Roth accounts are not subject to required minimum distributions for the original owner.

-THE END-

Ivan White has been the author of this newsletter, **THE ADVISER**, for 51 years! In the early years it was a one-page publication about tax laws. More recently, it has grown to four pages of financial tips, tax law updates & fraud prevention tips that were hopefully interesting and useful to our readers over the years. This will be the last issue of **THE ADVISER**. Ivan White is retiring July 31, 2025.