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CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

ONLINE ADVISOR

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With a little over four months remaining until you can begin filing your 2021 tax return, now’s the time to kick your tax planning into high gear. Also read about how to give your business a financial check-up, and becoming aware that inflation is with us and what you can do about it.

Please call if you would like to discuss how this information could impact your situation. If you know someone who could benefit from this newsletter, feel free to send it to them.

Upcoming dates:

September 15

- Filing deadline for extended 2020

Time to Schedule Your Tax Planning Session

Now is the time to schedule a tax planning appointment. If you are on the fence, here are some things to consider:

- **It can make a difference.** This is especially true if you have a major event that occurs during the year. For example: Even in uneventful years, external forces like new tax laws can be managed if planned for in advance.
    - Selling a house? You can avoid taxes if primary residence requirements are met.
    - Starting a business? Choosing the correct entity can lower your taxes every year!
    - Getting ready to retire? Properly balancing the different revenue streams (part-time wages, Social Security benefits, IRA distributions and more) has a huge impact on your tax liability.

- **Put yourself incontrol.** Timing is important when it comes to minimizing taxes, and the timing is often in your control. For instance, bundling multiple years of charitable contributions into one year can create an opportunity to itemize deductions. Plus holding investments for longer than one year to get a lower tax rate, and making efficient retirement withdrawals are other examples of prudent tax strategies that you control.

calendar-year S corporation and partnership tax returns

- 3rd quarter installment of 2021 estimated income tax is due for individuals, calendar-year corporations and calendar-year trusts & estates

October 15

- Filing deadline for extended 2020 individual and C corporation tax returns

Give Your Business an End-of-Summer Check-up

- **There are tax planning opportunities for every level of income.** There are tax strategies to be implemented at all income levels, not just those at the top of the tax bracket. Tax deductions are available for student loan interest, IRA contributions and others even if you claim the standard deduction. Certain tax credits (called refundable credits) will increase your refund even if you don't owe taxes. Missing any of these tax breaks can unnecessarily increase your taxes.

- **There may still be COVID tax breaks.** While it's true that many one-time tax breaks were offered for only the 2020 tax year, there are still plenty of COVID tax breaks available in 2021. Some of these tax breaks include an expanded child tax credit, an increased child and dependent care credit, the ability to roll forward unused funds in your Flexible Spending Account and charitable deductions that are available to all taxpayers, even if you don't itemize your deductions.

- **You have help.** Tax planning is often as simple as looking for ways to reduce taxable income, delay a tax bill, increase tax deductions, and take advantage of all available tax credits. The best place to start is to bolster your level of tax knowledge by picking up the phone and asking for assistance.

Thankfully, it's not too late to get on track for 2021. If you haven't scheduled a tax planning session, now is a great time to do so.

As summer winds down, your business's financial statements may be due for a quick check-up. Here are several review suggestions to help determine the health of your business prior to year end.

- **Balance sheet reconciliations.** Reconcile each asset and liability account every quarter. A well-supported balance sheet can guide decisions about cash reserves, debt financing, inventory management, receivables, payables, and property. Regular monitoring can highlight vulnerabilities, providing time for corrective action.
- **Debt service coverage.** Do you have enough cash to adequately handle principal and interest payments? Calculate your cash flow to ensure you can handle both current and future monthly loan payments.
- **Projected revenue.** Take a look at your income statements and see how your revenue has performed so far this year versus what you thought your revenue was going to be. If revenue varies from what you expect, get with your sales and marketing team to pinpoint what has gone better, or worse, than expected.

Even Non-Income Tax States Have Taxes

With the increased popularity of working-at-home, you may consider moving to one of the nine states that don't impose an individual income tax. Before doing so, you should understand how each of these states raises its revenue. And then consider how you can reduce your tax obligation in your current home state.
Here's some help.

According to Kiplinger and the Tax Foundation, here is how the nine states that collect no individual income taxes collect money from their residents.

Alaska

- Alaska is one of five states with no sales tax, but local jurisdictions may impose sales taxes, with rates reaching 7.5%. The average is 1.76%.
- The median property tax rate is $1,182 per $100,000 of assessed home value, slightly above the national average.

Florida

- The statewide sales tax is 6%, but local jurisdictions can add up to 2.5%, with an average combined rate of 7.08%.
- The median property tax rate is $830 per $100,000 of assessed home value, a middle-of-the-road figure nationally.

Nevada

- The state sales tax rate is 6.85% while local jurisdictions can add up to 1.53%. The average combined rate is a lofty 8.23%.
- The median property tax rate is $533 per $100,000 of assessed home value, one of the lowest in the country.

New Hampshire

- Besides no state income tax, this tax haven has no state or local sales taxes.
- Property tax is the main revenue source. The median property tax rate is $2,050 per $100,000 of assessed home value, the third-highest rate in the U.S.

South Dakota

- The 4.5% state tax may increase to an average combined rate of 6.4%, below the national average.
- The median property tax rate is $1,219 per $100,000 of assessed home value, above the national average.

- **Projected expenses.** Put a stop to disappearing cash by conducting a variance analysis of your expenses. What did you expect to spend so far in 2021 on salaries and wages compared to what you actually paid your employees? What about other big expenses like rent or insurance? Take the amount of money actually spent so far in 2021 in each of your major expense accounts and compare it to your spending forecast. Then create an updated forecast for the balance of the year.

A review of your financial statements now will help you be prepared if you need to navigate an obstacle or capitalize on potential opportunities to expand your business.

Please call if you have any questions on how to dig deeper in your analysis of your business's financial statements.

Tennessee

- Tennessee previously had an income tax on dividends and interest, but it disappeared after 2020. The current 7% state sales tax rate may be combined with a 2.75% on sales of single items for an overall maximum rate of 9.55%, the highest in the U.S.
- The median property tax rate is $636 per $100,000 of assessed home value, below the national average.

Texas

- The sales tax in the Lone Star state is 6.25%, plus local jurisdictions can add up to 2%, with an average combined rate of 8.19%, which is well above the national average.
- The median property tax rate is $1,692 per $100,000 of assessed home value, which is a tie for the seventh-highest rate in the country.

Washington

- Municipalities can increase the 6.5% state levy by 4% for an average combined rate of 9.23%, the fourth-highest in the nation.
- The median property tax rate is $929 per $100,000 of assessed home value. This is middle of the pack.
- Unlike the other eight states, Washington has an estate tax, with a $2.193 million exemption (indexed for inflation). Tax rates range from 10% to 20%.

Wyoming

- The 4% sales tax may be increased by municipalities for a combined rate of 5.33%. This is the eighth-lowest in the U.S.
- The median property tax rate is $575 per $100,000 of assessed home value, tied for the tenth-lowest in the nation.

Here are some ideas to lower your property and sales tax bills:

Appeal your property's valuation assessment. You may be able to lower your property tax bill by providing evidence that your home's assessed value should be lower. Start your appeals process by contacting your county assessor's office. Some appeals can be done online, while others may require a visit to your assessor's local office.

Shop during tax-free weekends. Many states feature one or two weekends each year where sales taxes are suspended. These sales tax holidays sometimes correspond to high volume shopping periods, such as back-to-school sales in late summer.

Deduct sales taxes on your Form 1040 tax return. You're allowed to deduct up to $10,000 of combined property taxes and sales taxes on your tax return, so be sure to look into this

It's BACK! Inflation is Among Us.

How to shield your money from inflation.

Recent high inflation rates are driving up the price for almost everything and eroding the value of your money. With varying opinions on the potential duration of the current inflation surge, it's important to understand the causes and how you can protect your money.

Possible causes of this inflation

While the root causes of inflation are not always easy to identify, the premise is simple – prices are going up for goods and services. This is often because demand is higher than supply. Here are some of the basic drivers of today's inflation.

- **The demand-pull situation.** Demand for a product increases but the supply remains the same. Think of a vendor selling ponchos at a state fair. If it rains, demand is going to spike and fair-goers are willing to pay up to keep dry. This situation is rampant during the pandemic, as deduction if you itemize your Schedule A deductions. The only potential headache if you deduct sales taxes is needing to track and record all sales taxes you've paid throughout the year.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

we all see runs on things like toilet paper and hand sanitizer. And now we are seeing pent-up demand being released, as some of the pandemic restrictions are eased. An example of this is popular vacation locations being all booked in advance.

- **The cost-push situation.** Demand stays constant but supply is reduced. An example of this is a lower-yield crop season when a major drought hits a region. Consumers still want their dinner salads, but lettuce is sparse. So retailers charge more to cover their increased costs. Or when paper mills switched production to handle higher toilet paper demand, pulp used for paper and packaging had supply reductions creating a shortage which increased their prices.
- **Factoring in the money supply.** The more money there is available to spend (high money supply), the more the demand on all goods and services goes up. This is being manifested in wage increases as employers are having a hard time filling jobs and is also the result of many of the government spending programs during the pandemic.

Ideas to protect yourself during high inflation

- **Alternative savings that is NOT cash.** The value of your money sitting in your wallet or in low interest bank accounts is shrinking before your eyes. The past year has seen the highest inflation rates in the last decade at 5.4%, according to the Consumer Price Index (CPI). That means if your savings account is earning 0.6%, you've lost 4.8% in purchasing power over the last 12 months. Get your money to work for you by considering:
  - Low risk, dividend-paying stocks
  - CDs, bonds and other investments with various maturities to prepare for higher rates
  - Direct lending vehicles through vetted, respected facilitators
  - Investing directly in property, small businesses or other tangible assets
  - Invest in yourself to learn a new trade or skill
- **Lock in fixed rates on debt.** Inflation can be your friend if you have a low interest, fixed-rate loan. For example, inflation will tend to increase the value of your house

over time, yet your monthly payment will remain the same. So borrowing money at a low fixed interest rate, while the underlying property value increases with inflation, can be a strategy to consider.

- **Delay large expenditures.** Do your part to reduce demand by postponing large purchases. Consider delaying the purchase of a new car, adding to your home or taking an overseas trip until demand flattens and prices come back to a normal rate.

It's impossible to avoid the effects of high inflation altogether, but with some smart investing and the will-power to temporarily curb spending, you can reduce inflation's impact on your personal bottom line.