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CLIENTUPDATE
PRACTICAL TAX & FINANCIAL ADVICE

Pull your property taxes back down to earth

Higher property tax bills have accompanied the rising market values of homes over the past several years. If your property taxes have reached the stratosphere, here are some tips to knock them back down to earth.

What is happening

Property taxes typically lag the market. In bad times, the value of your home goes down, but the property tax is slow to show this reduction. In good times, property taxes go up when you buy your new home, but these higher prices quickly impact those that do not plan to move.

To make matters worse, you can only deduct up to $10,000 in taxes on your federal tax return. That figure includes all taxes - state income, property and sales taxes combined! Here are some suggestions to help reduce your property tax burden.

What you can do

Your best bet is usually to approach your local tax assessor and ask for a property revaluation. Here are some ideas to cut your property tax bill by reducing your home's appraised value.

- **Do some homework** to understand the approval process to get your property revalued. It is typically outlined on your property tax statement.
- **Understand the deadlines** and adhere to them. Most property tax authorities have strict deadlines. Miss one deadline by a day and you are out of luck.
- **Do some research** BEFORE you call your assessor. Talk to neighbors and honestly assess the amount of disrepair your property may be in versus other comparable properties in your neighborhood. Call a few real estate professionals. Tell them you would like a market review of your property. Try to choose a professional that will not overstate the value of your home hoping to get a listing, but who will show you comparable sales for your area. Then find comparable sales in your area that defend a lower valuation.
- **Look at your property classification** in the detailed description of your home. Often times errors in this code can overstate the value of your home. For example, if you live in a condo that was converted from an apartment, the property's appraised value could still be based on a non-owner occupied rental basis. Armed with this information, approach the assessor seeking first to understand the basis of the appraisal.
- **Ask for a review** of your property. Position your request for a review based on your research. Do not fall into the assessor trap of defending your review request without first having all the information on your property. Meet the assessor with a specific value in mind. Assessors are so used to irrational arguments, that a reasonable approach is often readily accepted.

While going through this process, remember to be aware of the pressure on these taxing authorities. This understanding can help temper your position and hopefully put you in a better position to have your case heard. ♦

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Popular tax questions answered!

Here are five of the most popular tax questions and their answers. But like most things, there can be exceptions, so if in doubt always ask for help.

Are miles earned on my credit card taxable?
Taxation of any extras you earn with a credit card – including miles, discounts, even cash back – are not taxable if you had to pay to get them. Other rewards that you receive, for example a reward for signing up for a card or for referring a new cardholder, are considered taxable income per the IRS.

Does my employer contribution count towards the 401(k) limit?
Your employer's matching contributions do not count toward your maximum contribution limit, which for this year is $22,500. If you're 50 or older, you can sock away an additional $7,500, for a total of $30,000.

What happens to loans from my retirement account if I change jobs?
When you switch jobs, you must pay back any loans borrowed from your employer-sponsored retirement account by the due date of your tax return for that year. If the loan isn't paid back, the outstanding balance is considered a distribution that is subject to income taxes and potentially an early withdrawal penalty.

Do I really need to report gifts given to people?
Yes, but only if you give more than $17,000 ($34,000 if married) in 2023 to any one person. It must be reported to the IRS on a gift tax return. That's because the IRS keeps track of gifts you're allowed to make over the course of your lifetime, which in 2023 is $12,920,000 ($25,840,000 if married). Only after reaching this lifetime dollar amount will you need to actually make a gift tax payment.

Do I have to report a loss?
You may think the IRS isn't interested in losses you incur, such as when you sell a stock at a loss or if your business loses money. The reality is that you should always report losses on your tax return because you can use them to offset income under certain conditions. In addition, most losses can be carried forward to future years to offset income.

Have your own question? Reach out. The answer could surprise you! ♦

DEBIT CARD SMARTS

Save money and headaches with these debit card tips:

1. Only use network ATMs to minimize fees
2. Confirm fraud protection benefits with your bank
3. Have a backup plan in case the debit card is lost
4. Some companies may put a "hold" on funds that are greater than the item you purchased
5. Contact your bank immediately if you lose your card or if you see a suspicious transaction

IRS Update

IRS urges extra caution with flood of summer email, text scams

The IRS is alerting taxpayers to a surge of tax scams as identity thieves continue sending out a barrage of email and text messages promising tax refunds or offers to help fix tax problems. The latest email schemes touch on a variety of topics, but many center around promises about a third round of stimulus payments.

The IRS is also receiving reports of emails urging people to "Claim your tax refund online," and text messages that the person's tax return was "banned" by the IRS.

As a reminder: The IRS never initiates contact with taxpayers by email, text messages or social media regarding a bill or a tax refund.

The IRS is asking to report suspected messages by sending the email or a copy of the text/SMS as an attachment to phishing@irs.gov.

Interest rates remain the same for third quarter of 2023

Interest rates for the third quarter in 2023 will remain the same compared to last quarter. These rates include: 7% for overpayments (6% for corporations); 4.5% for the portion of a corporate overpayment over $10,000; 7% for underpayments and 9% for large corporation underpayments. ♦

Tax Calendar

October 16

☐ Filing deadline for extended 2022 individual tax returns

4th Quarter 2023

☐ Estimate your 2023 income tax liability and review options for minimizing your 2023 taxes. Call to schedule a tax planning review.

When to call:

Situations that require a tax review

Taxes can affect many areas of your life. Here are some common situations when you'll want to schedule a tax review.

Changes in your life

A change in your life could mean significant changes in your tax status. Some of these changes include:

- Getting married or divorced
- Retiring
- Child starting college or an adult going back to school
- Moving to a new home
- The birth of a child or an adoption
- A family member passing away

How your taxes may be different: *Tax deductions and credits can increase and decrease because of these and other life changes. You'll want to know as soon as possible if your taxes will be going up so you can be prepared to pay the increased amount.*

A new job

You'll have several decisions to make when starting a new job that will affect your tax situation:

- *Retirement savings plans* – Learn about the available retirement savings plans offered by the employer and any other tax-deferred savings options. Remember that some employers will match a certain percentage of contributions that an employee makes to a plan.
- *Medical savings accounts* – Your employer may offer a Flexible Spending Account or a Health Savings Account to help with paying certain medical expenses with pre-tax funds.
- *Withholding* – You'll need to determine if you want additional federal (along with state and local income taxes if applicable) income taxes withheld from your paycheck beyond what your employer is obligated to withhold.

How your taxes may be different: *You can decrease your taxable income by contributing to qualified retirement and medical savings plans. A tax planning session can reveal how much you can contribute to each of these plans, and if you should consider adjusting your paycheck withholdings.*

A new business or side hustle

A new business (hopefully!) means more money, but also more tax responsibilities. Here are some things to consider:

- *Separate accounts and credit cards* – If you only remember one tip it is to keep separate accounts. Without this, it is easy for the IRS to deem expenses as personal and, therefore, not deductible.
- *Paying estimated taxes* – As a business owner, you are responsible for making tax payments throughout the year to the IRS if your business is profitable.
- *Setting up a bookkeeping system* – Having an accurate bookkeeping system is vital to making sure you don't pay any more in taxes than you're legally obligated to pay. Consider reconciling your bank accounts weekly (or even daily if possible) so they're always current.
- *Other tax responsibilities* – You may be required to submit a sales tax return depending on what types of products you sell or services you provide. You'll also be required to submit various payroll tax returns if you have any employees.

How your taxes may be different: *Most small businesses are flow through entities. This means any business profits will add to your personal income. Because of this, your personal tax situation could vary dramatically! So tax planning becomes critical on two fronts: Your new taxable income level AND helping you stay in compliance with federal, state and local business tax rules.*

Now is a great time to conduct a tax planning review to discuss your unique tax situations. ♦

Multiple jobs:

Be prepared for tax surprises

Working more than one job can help maximize income, but also potentially create a tax surprise. Here are several to be aware of:

Social Security Surprise

As a full-time employee, the most you'll have to pay in Social Security taxes in 2023 is $9,932. The problem is each employer you work for will withhold Social Security taxes up to this threshold.

Example: Jane Smith works two jobs. Employer #1 has withheld $6,000 in Social Security taxes so far in 2023, while Employer #2 has withheld $4,000. Jane has already paid more than the annual limit of $9,932 in Social Security taxes in 2023. Jane will get back the excess Social Security taxes she's paid, but she'll need to wait until she files her 2023 tax return in 2024.

What you can do: *Work as a contractor for your second job. You'll be responsible for paying your own income, Social Security and Medicare taxes, but you'll be able to manage Social Security taxes to avoid overpayment.*

Phaseout Surprise

As your income increases, the number of deductions and tax credits available to you will get smaller as a deduction's or a credit's phaseout limits are reached.

Example: The Child Tax Credit provides a $2,000 tax credit for each qualifying child. You won't qualify for this credit, however, if you file a joint tax return with taxable income above $440,000, or are single and file a return with taxable income above $240,000.

What you can do: *You can use certain deductions and adjustments to decrease taxable income below a phaseout limit. This will potentially allow you to still take advantage of a tax break, such as the Child Tax Credit.*

Benefits Surprise

Retirement and medical accounts have limits to how much you can contribute annually. If you exceed these limits, you may have to pay taxes twice on the same income.

Example: The 401(k) contribution limit in 2023 is $22,500. You inadvertently contribute $27,500. The first $22,500 of contributions won't be taxed until you start making withdrawals after you retire. The excess $5,000 contribution could be taxed twice – you must include the $5,000 as taxable income on your 2023 tax return; you'll also pay taxes on that $5,000 when you withdraw it from your 401(k) after you retire.

What you can do: *Correct any over-contribution before filing that year's tax return. Up-to-date recordkeeping throughout the year can alert you to when you're close to the annual contribution limit.*

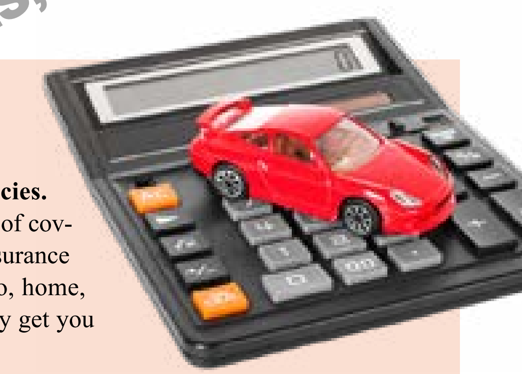
Estimated Tax Surprise

If your extra job is a contract position, you'll receive a Form 1099 summarizing how much you billed a particular client in all of 2023. If this is the first time receiving a 1099, you may be surprised to learn that you're responsible for making all tax payments to the IRS. If you are making a net profit, tax payments for 2023 will need to be made in September and January 2024.

What you can do: *These tax payments can sometimes be rather large, especially if you're making a decent amount of money, so keep good bookkeeping records in order to budget for these payments.*

Please call if you have questions about these or any other job-related tax topics. ♦

Tips to lower your cost of auto insurance



Consider these tips to help lower the cost of your auto insurance:

- **Improve your credit score.** Many insurance companies consider your credit score and overall creditworthiness when assigning rates. Easy ways to increase your credit score include using less than 20% of your credit line on your credit cards and by paying all your bills on time.
- **Ask about discounts.** Examples include lower rates for being a good student, driving fewer miles, purchasing a car with a lower claim history or discounts for having air bags, anti-lock brakes, and theft detection devices. There are even discounts for federal employees, military members and for being accident-free for a number of years.
- **Pay premiums in advance.** Pay-in-full discounts may be available when you pay for six months or a full year of premiums upfront. This discount can result in 10% to 20% lower premiums right off the bat.
- **Bundle multiple policies.** Having multiple types of coverage with a single insurance company, such as auto, home, and life insurance, may get you a substantial discount.
- **Tweak your deductible.** Higher deductibles can lead to higher savings. Check to see how your premiums change if you increase your deductible from $500 to $1,000, from $1,000 to $2,500, and so on.
- **Take a safe driving course.** Taking a safe driving course can help lock in lower auto insurance premiums no matter your age or driving history. The amount of savings you'll get with this discount can vary, so ask your insurer.