Bill R. McCracken Accounting, Tax & Financial Services

Accredited Business Accountant® **Enrolled Agent** Licensed Tax Consultant 5065C

(503) 656-0699
P.O. Box 2214
Oregon City OR 97045
(503) 656-1980 Fax
mrbilltaxman@msn.com
www.mrbilltaxman.com

Mr. Bill gets a new ride! He converted his Honda Goldwing into this sweet trike. He will be the sharpest-looking rider on the road!

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Social Security and Medicare Tidbits

We could devote pages to this topic! However, since we all want to enjoy the warm days, we will share a few of our favorite bullet points. As always, Mr. Bill is available to answer your questions.

At what age should I apply for Social Security benefits? One answer will not fit every situation. You must consider your employment prospects, finances and overall health. For most people still working, the age at which you can receive your full Social Security benefit is between 66 and 67. The earliest a person can file for his or her benefits is 62 and your benefit will likely be permanently reduced by 25% to 30% each year for the rest of your life. Waiting to start your benefits beyond the full retirement age will increase the amount you receive by approximately 8% each year. When you turn 70, you must begin collecting your Social Security benefits. **If Social Security will be the bulk of your retirement income, it is generally advised to wait as long as possible to start your Social Security.** If you have health issues and/or a family history that could shorten your life span, then you might want to look into starting your benefits early. If you intend to continue working as long as possible, you will want to be aware of how Social Security benefits will impact your taxes and whether you might have to pay back some of your benefits.

Can my spouse collect Social Security based on my earnings and how will that affect my benefit? A spouse can apply for a "Spousal Benefit" after the primary worker has applied for his or her own Social Security benefit. Generally, the Spousal Benefit is 50% of the primary worker's benefit. Due to recent rule changes, Social Security will calculate the best benefit for the spouse – their own or the Spousal Benefit. If the spouse begins drawing Social Security before his or her full retirement age, the benefit will be permanently reduced, even if the spouse later switches to the widow/widower benefit. The Spousal Benefit does not impact the amount the primary worker is eligible to receive. Under certain conditions, a former spouse can collect based on the divorced primary worker's earnings without impacting the primary worker's or current spouse's benefit.

Special rules apply to widows/widowers, children who have lost a parent, and disabled adults and children. The Social Security website can provide answers and Mr. Bill is a resource for information.

The Medicare Age is still 65. In most cases, you will want to apply for Medicare within 3 months of turning 65 to insure you have health coverage and to avoid a penalty that will increase your Medicare premiums for the rest of your life. If you are still working and have employer health insurance coverage when you turn 65, you will want to find out if you will still be covered or if you must use Medicare as your primary insurance.

What are the different parts of Medicare? Medicare has four parts – A, B, C and D. Part A is automatic when you enroll in Medicare and covers hospital stays, limited stays in skilled nursing facilities, hospice and home health services. There is no charge for Medicare Part A. Medicare Part B has a modest monthly premium and covers doctor visits, lab services, screenings, occupational and physical therapy and certain other medical services. If you are collecting Social Security benefits, your Medicare Part B premium is deducted monthly, otherwise you will be billed for your premiums. Part B usually pays about 80% of the medical professional bills, so many people also purchase secondary insurance. Medicare Part C is known as Medicare Advantage and combines the benefits of Part A and B, and D if you choose. Medicare Advantage plans are offered and managed by an insurer. Medicare Part D is the prescription drug plan. There may be a monthly premium for Part D. **Generally, Medicare does not cover dental care or long-term nursing home stays.**

Borrowing from Your 401(k)

Many 401(k) plans allow participants to borrow money from their retirement account. This should always be a last resort as you will permanently impact account earnings. If you participate in a plan that allows loans and have exhausted all other resources, understand the pay-back requirements. When a payment is not made for 90 days, the loan balance is considered a distribution and you will receive a 1099-R to report the amount on your tax return. In addition to income taxes, you may also be subject to a 10% penalty if you are under 59½. Also, if you lose your job while you have an outstanding loan balance, that balance may be converted to a distribution. Money taken as a loan from your 401(k) ceases to earn anything so even if you pay the loan back in full you have lost those earnings forever. Be aware that other types of retirement accounts usually do not permit loans.

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Giving to Charity from Your IRA

Congress made permanent the tax break that allows people over $70^{1/2}$ to make contributions to charity from their IRAs. Taxpayers who choose to do this can reduce taxable income because the amount of the contribution qualifies to be included in the Required Minimum Distribution calculation. The taxpayer does not get to count the contribution as a charitable donation on his or her taxes. To qualify, the IRA custodian must transfer the funds directly to the charity. If you receive the full distribution and make your own contribution, the distribution will not qualify for exclusion from your income. Each IRA custodian has their own procedures to follow so contact them if you would like to pursue this option. Qualifying charities must be designated as a 501(3)(c). "Go Fund Me" campaigns and other personal funds are not eligible. This tax break only applies to IRAs. Other types of retirement accounts are not eligible.

Start a Roth IRA for Your Grandchild

Grandparents (or anyone, for that matter!) can start or contribute to a Roth IRA account for a grandchild providing the grandchild has job earnings. You can contribute up to $5,500 (the maximum for 2016) or the amount of the grandchild's earnings in 2016, whichever is less. The amount you put in counts against the $14,000 gift tax exclusion for 2016 (or $28,000 for a couple). A Roth IRA could be a great vehicle to help your grandchild pay for an advanced degree or up to $10,000 of the down payment on a house.

Summer Day Camps

The cost to send your child to a summer day camp may qualify for the dependent care tax credit. The camps must be educational in nature; sports day camps do qualify. Overnight or sleep-away camps do not qualify. Neither do the costs of summer school or tutoring programs. Your child must be under the age of 13 and the expenses of the camp must be incurred so the parents can work. Be sure to get a statement from the summer day camp program(s) detailing the cost, the name of the sponsoring organization, its address and phone, and the sponsoring group's Employer Identification Number. This is the "proof" you will need in order to claim the credit.

Independent Contractor versus Employee

Perhaps you have heard about the controversy surrounding whether Uber drivers are truly employees or can be considered independent contractors. Businesses save thousands of dollars by considering workers to be independent contractors, often to the detriment of the worker.

A true independent contractor will be licensed or credentialed in their field of work, will advertise for business, will work for multiple clients, will not receive any benefits or reimbursements from companies contracting for their services, will generally control their own schedule and how the work is done, etc. The duration of the job is NOT a consideration, nor is a signed "contract" protection for the employer. Workers who are considered to be an independent contractor will receive a 1099-MISC from the employer and will be responsible for paying all of their own Social Security and Medicare taxes (15.3% of net income). The employer will do no withholding for the worker. The worker also will not have any benefits, sick or vacation leave, insurance, retirement, work comp protection, etc.

Workers who feel they are wrongly classified can file a special form with their tax return and the employer will be investigated to determine if the worker was misclassified. The employer could be liable for thousands of dollars in payroll taxes and penalties. To find out more, contact Mr. Bill.