

Your monthly tax news & updates

Dear Clients and Friends:

The Spring Equinox is March 19, just days after the S-corporation and partnership tax return deadline on March 15. The flowers are in full bloom, reminding us that spring is almost here and the personal tax deadline is approaching rapidly. If your 2020 information isn't already in process, please contact our office for an extension.

We are here to help!

Regards,
Rebecca Luers, CPA and Jan Dyer, CPA



If you any questions about the information in this newsletter, [contact us](#). We appreciate you forwarding this newsletter to associates and friends who would benefit from the monthly news we provide and are looking for tax preparation and planning resources from a CPA firm.

Tax Filing Reminders:

March 15

- Deadline for calendar-year corporations to elect S corporation status for 2021
 - Due date for partnership and S corporation tax returns (Forms 1065, 1120S)
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The IRS Data Theft Problem

Here's how to minimize your risk

What better place for online thieves to target than a database that contains 300 million+ Social Security numbers and a treasure trove of financial information?

The IRS has 52 Internet applications to help U.S. citizens comply with their tax obligations. But these online portals, which collect, process and store large amounts of personal information and tax data, are also a potential gateway for online criminals and identity thieves.

While the IRS's electronic authentication security controls have improved, the Treasury Inspector General recently said that the IRS's internet applications are not yet compliant with the National Institute of Standards and Technology guidelines.

Here's what you can do to protect your tax-related identity and information while the IRS tries to improve its security controls:

- **Use the IRS's Internet applications judiciously.** Think you need to use one of the IRS's online applications? Consider requesting or obtaining certain information via the U.S. Postal service. Simply decide if you're willing to take a risk using an application that isn't compliant with the National Institute of Standards and Technology.
- **Get an IP PIN.** An Identity Protection PIN (IP PIN) is a six-digit number that helps prevent your Social Security number from being used on fraudulent federal income tax returns. If you are a confirmed victim of identity theft, the IRS will mail you an IP PIN after the fraudulent tax issue has been resolved. If you haven't been the victim of tax-related identity theft, you can voluntarily ask the IRS to issue you an IP PIN if you live in certain states. Additional states will be added until the IP PIN program is available nationwide.
- **Review your credit report once a year.** Check your credit report for any

unauthorized activity or errors. This periodic review can often be the earliest warning that your private information is compromised.



Should You Buy or Rent a Home?

The pros and cons of renting versus buying

For many folks, the lyrics of a 1960s rock song summarize the American dream: "Our house is a very, very, very fine house." According to U.S. Census figures, about two-thirds of American families are homeowners.

But buying a house or condo may not be the best choice for every family in every situation. Renting offers the following advantages:

- **Greater flexibility.** When renting a house, apartment, or condo, you have the option of moving at the end of the lease term. No need to contact a realtor, no hassle with buying or selling. For those who want to keep their options open, especially in terms of job location or dwelling size, renting may prove the better choice.
- **Opportunities to invest elsewhere.** Instead of plowing your savings into a home, you might get a better return by contributing to mutual funds or other investments. Depending on the housing market in your city, the annual increase in your home's value may barely outpace inflation.
- **Lower cost.** Apartments are often smaller than homes, so heating and cooling expenses tend to be lower. If you don't have a lawn, you won't incur the cost of water to keep it green. Roof leaking? Appliances on the blink? Call the landlord. Home repair and maintenance aren't normally your responsibilities.

Of course, as many realtors and financial analysts rightly point out, homeowners also enjoy significant advantages:

- **Greater flexibility.** Ironically, homeowners enjoy certain freedoms denied to renters. If a homeowner wants to paint a wall or hang a picture, he or she doesn't answer to a landlord. Installing a doggy door isn't a problem. Hiring a remodel contractor to tear out a wall is perfectly acceptable. Don't try this if you're a renter.
- **Increasing equity.** One of the greatest advantages to buying a home is the likelihood of increased equity over time. As long as your mortgage is being whittled down by monthly payments, you're building equity—even if your property value remains stable.
- **Lower taxes.** The ability to deduct mortgage interest and property taxes (if you itemize) can significantly lower your end-of-year tax bill. Renters must forgo this benefit.

Clearly, the choice to rent or buy a home depends on individual circumstances and tastes. If you'd like help with this important decision, give us a call.



How to Succeed as an Independent Contractor

Are you one of the now 33% of Americans who work as either an independent contractor or freelancer?

If you answered yes, you are now a participant in the gig economy, a modern term for an economy characterized by workers who earn money through short-term contracts or freelance work.

Succeeding as an independent contractor can be challenging because it requires understanding a different set of key success factors than being a full-time employee. Here are some tips on developing your skill set as an independent contractor and where to turn to if you need help.

1. **Contract for companies with generous payment terms.** The formula for companies to pay its contract workers varies from business to

business. Investigate a company's policy for paying its contract workers to make sure it's what you're expecting. Remember, cash is king!

2. **Market your services by creating an online portfolio.** If being a contract worker is your full-time job, you'll need to always be looking for your next gig. One great way to market yourself to prospective businesses is to create an online portfolio that showcases the work you can perform. You can choose to build a website using a do-it-yourself service or hire a developer to create a custom website
3. **Stick to budget.** As a full-time employee, you know the exact date you'll receive your paychecks and usually the exact dollar amount. As a participant in the gig economy, however, you could earn a bunch of money in one month and hardly any money the following month. Prepare a financial budget so you can use income earned during your good months to cover costs during low income months.
4. **Stay one step ahead of the IRS.** Paying taxes is now your responsibility. Participating in the gig economy requires more knowledge about how to meet your tax obligations. So ask for professional help. Plus use other tools at your disposal. For instance, the IRS Gig Economy Tax Center gives guidance on how to figure out what you may owe the IRS. The website is <https://www.irs.gov/businesses/gig-economy-tax-center>.
5. **Get advice from others.** Working primarily by yourself can leave you isolated from fellow workers. Join a local group of self-employed workers that meets on a regular basis to network and learn what other workers are doing to be successful.

Remember you are not alone. The complex nature of tax obligations for contractors can easily be navigated with professional help.



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