THE DOLLAR CHASE

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Are Social Security Benefits Taxable?

That depends – good answer, huh. To answer this question, an individual or couple would need to know the "provisional income" on a tax return. Provisional income is the threshold above which social security benefits become taxable. This provisional income is the gross income on the tax return including tax free interest, interest, capital gains and other income, plus 50% of the social security benefit.

If the foregoing amount is less than $25,000 for individuals or $32,000 for couples, social security is not taxable. If the provisional income is between $25,000 and $34,000 for individuals, $32,000 and $44,000 for couples, the 50% of social security benefits are taxable.

If the provisional income is over $34,000 for individuals and $44,000 for couples, then, 85% of social security is taxable. It seems to me most folks who draw social security income would pay some tax on those benefits.

It, therefore, follows how to reduce provisional income. A couple of ideas might be worth consideration. Both concern IRAs. At age 72, withdrawals from IRAs are required and that withdrawal amount would be part of provisional income. Or, you might consider, prior to age 72, converting some or all the IRA to a Roth IRA. A Roth IRA does not require withdrawals and even a withdrawal would not add to provisional income.

Another concept would be transferring the required distribution at age 72 to a charitable institution. A direct transfer of the distribution to the charity would not add to provisional income and can still be done at age 70½ and later.

Tax Scams Target Seniors·

The IRS is warning individuals to be wary of e-mails, text messages or phone calls that purport to be from the IRS. Seniors are one group especially at risk from these scams. As older individuals become more adept at using electronic mail and and social media, scammers are taking advantage. The IRS generally doesn't make unsolicited calls or send unsolicited texts or e-mails. It contacts taxpayers first by postal mail.

Recommended Timeline for Keeping Tax Records, per the IRS:

1. Keep records for 3 years if situations (4), (5), and (6) below do not apply to you.

2. Keep records for 3 years from the date you filed your original return or 2 years from the date you paid the tax, whichever is later, if you file a claim for credit or refund after you file your return.

3. Keep records for 7 years if you file a claim for a loss from worthless securities or bad debt deduction.

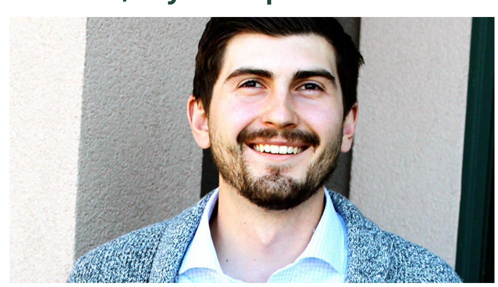
4. Keep records for 6 years if you do not report income that you should report, and it is more than 25% of the gross income shown on your return.

5. Keep records indefinitely if you do not file a return.

6. Keep records indefinitely if you file a fraudulent return.

7. Keep employment tax records for at least 4 years after the date that the tax becomes due or is paid, whichever is later.

A Warm Welcome To Our New Team Member, Bryan Ralphs



Bryan is a graduate of Colorado Christian University with a degree in Business Administration. Bryan joined us in November 2020. Bryan grew up in Kansas City, KS and came to Colorado for college. On the weekends, you can find him touring the mountain towns or hiking.

INTERESTING TID BITS/FACTOIDS:

60…Percentage of U.S. adults who do not have a will. (Journal of Financial Planning)

1/3…Number of Americans who are missing a healthcare directive in their estate planning. (Journal of Financial Planning)

WE VOTED! – An estimated 159.8 million Americans voted in the 2020 presidential race, representing 66.8% of the 239.2 million "voting-eligible" Americans. The 159.8 million voters are an all-time US record and the 66.8% is the highest "percentage turnout" in 120 years (source: NBC News).

A MUCH SLOWER SPEED – The "velocity of money" in the United States was 1.104 in the 2nd quarter 2020, the lowest ever recorded in our country. The highest "velocity of money" level in US history was 2.198 in the 3rd quarter 1997. "Velocity of money" measures the rate that money is exchanged in our economy for goods and services. The rate has largely fallen for the last 14 years as more Americans have paid off debt or accumulated cash instead of spending money (source: Federal Reserve Bank of St. Louis).

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