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Online Advisor – April 2024

Upcoming dates:

April 15

- Individual income tax returns for 2023 are due
- First quarter 2024 estimated tax payments are due

If it seems like our tax code is complicated and confusing, well, it's sort of true.

And Congress keeps adding to this complexity with what seems like an ever-growing list of what is and is not taxable. With the April filing deadline right around the corner, this month's newsletter has a fun quiz to test your knowledge about what our tax code says is subject to income taxes.

There are also some great tips to help keep your plethora of passwords under control, ideas to help steer clear of common household accidents, and digital skills for today's kids.

As always, feel free to pass this information on to anyone that may find it useful and call if you have any questions or concerns.

Annual Tax Quiz - Is It Taxable?

The IRS seems to always have a surprise up its sleeve for the unsuspecting taxpayer. Here's a fun True or False quiz to test your knowledge of what's taxable. Enjoy!

- If a thief steals someone's property, he owes tax on the value of the stolen property.
 - **True.** *But don't expect the person whose property was stolen to issue a Form 1099. Tax instructions tell you to list this as stolen property on your tax return. This part of the tax code is what famously put gangster Al Capone behind bars.*
 - Scholarships are never taxable.
 - **False.** *If you get scholarship money to cover tuition, fees and books, you pay no taxes. But if your scholarship also covers room and board, travel and other expenses, that portion of the award is taxable. Students who get financial aid in exchange for work must also pay tax on that money even if they use it to pay tuition.*
 - Minor gambling winnings are not taxable.
 - **False.** *When lady luck smiles on you, the tax collector typically doesn't. While virtually all gambling winnings are deemed taxable income, not all winnings are reported to the IRS. The IRS requires reporting of winnings at various thresholds depending on the game: \$1,200 or more from bingo or slot machines, or more than \$5,000, minus the wager, from a poker*
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tournament. If reported, the payer will issue you a Form W-2G and report what you won to the IRS. The practical nature of keeping track of and claiming this minor income is a different matter entirely.

- If you lose your job and start collecting unemployment benefits, the IRS will cut you a tax break.
- **False.** *The IRS considers unemployment income to be a replacement for your regular income, and is therefore taxable. (During the pandemic, the IRS was legislated to make this unemployment tax-free, but this was only for a limited time.) The good news is that not all states do the same.*
- If someone forgives an amount of money that you owe them, you typically have to pay taxes on that amount.
- **True.** *Debt cancelled or otherwise discharged for less than what you owe – credit cards, mortgages, loans and so on – is generally taxable income per the IRS. Exceptions can include student loans, debts discharged in bankruptcy, or amounts in specific mortgage foreclosures as defined in a special tax law. The creditor may send you a federal Form 1099-C in the amount of the cancelled debt, which means the money also gets reported to IRS.*
- An agreement between two small businesses to get free hair cuts in exchange for mowing a lawn is not taxable.
- **False.** *When you exchange services in lieu of cash in a formal arrangement, the fair market value of the goods and services are fully taxable. You should get an IRS Form 1099-B or the like showing the value of cash, property, services, credits or other items that you received from the barter. On the positive side, any expenses you incurred to hold up your end of a deal are typically deductible as a business expense.*

Password Madness: Tips to Keep Your Growing List Under Control

When it comes to keeping your online accounts safe, strong passwords that nobody can guess are an essential tool. Many struggle, though, with password fatigue because you need to have a password for...well, everything. And then you need to change these passwords every several months!

While most of us understand the need for strong passwords to protect our confidential information, it doesn't make password madness any easier to handle. Here are some tips to try and make your password process a little bit less stressful.



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- **Treat all credentials equally.** While the password for your kid's school lunch account may not seem that important, it could be tied to your credit card or bank account. Treat all log-in credentials you have with equal care and respect and remember that hackers frequently target seemingly unimportant passwords in order to guess other higher-value passwords.
- **Avoid oversharing on social media.** Avoid sharing financial and personal information on social media since hackers scrape public profiles to find sensitive information. Even harmless information you share (like the fact you got a new bank account) could make it easier for them to access your credentials.
- **Don't re-use passwords.** It goes without saying that you shouldn't use the easiest password that comes to mind like your birthday or the word password. On top of that, use a somewhat complicated password that's unique to each of your accounts.
- **Set up multi-factor authentication on your accounts.** Install multi-factor authentication on as many accounts as possible. This step means you'll get a text or an email in order to authenticate your identity, which makes it harder for thieves to gain access.
- **Install a password manager.** Consider using a password manager such as LastPass or Dashlane (there are also many more companies that do a nice job in this area) to manage and oversee all your passwords. In addition to securing all your passwords with a single master password, password managers also help create complicated passwords for each of your accounts. The weakness using this tool is that thieves are now targeting password manager systems because they know they can get all of a person's passwords in one fell swoop.
- **Think of estate planning.** Remember, password management also includes getting access to accounts by someone in your family or an executor of a will should you pass away or become incapacitated. So be sure to include transferring passwords when the need arises.

Use these steps to make your password madness easier to handle and your online accounts safer from online thieves.

Tips to Help Steer Clear of Common Household Accidents

When it comes to avoiding household accidents, an ounce of prevention is often worth a pound of cure. Fortunately, just knowing about some of the most common household perils is a solid first step to avoiding them completely.



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Here's a look at several of the most common accidents that occur at home and several tips to prevent these scenarios before they occur.

Household Accident #1: Slips and Falls

Accidental falls are the most common type of accident for Americans at home, according to the National Library of Medicine at the National Center for Biotechnology Information. The Center also says that many falls are associated with age and overcrowding. In other words, older individuals are most likely to fall and hurt themselves, while improper housing design and accessibility also played a role.

***Prevention Tip:** With many accidental falls happening during the evening and early morning hours according to the National Library of Medicine, consider the installation of lighting in and around the higher-risk areas of your home, like stairways and halls. Also consider removing tripping hazards such as area rugs and other clutter in heavy traffic areas.*

Household Accident #2: Cuts

Accidental cuts are also common in the home, with many taking place during food preparation. Improper use of knives and the use of dull knives that don't work properly are some of the biggest contributing factors.

***Prevention Tip:** Avoid cuts during food preparation by keeping knives sharp and storing them in a cutting block when not in use. Always use a cutting board, and never walk around with a knife in your hand. When giving a knife to someone, agree to a key word before letting go of the knife. A common one is say thank you when you have received the knife. Also review kitchen prep videos for safe hints in cutting food.*

Household Accident #3: Poisoning

Poisoning is the leading cause of accidental deaths at home, according to the National Safety Council (NSC). While adults can accidentally ingest dangerous substances, children are especially at risk if they have access to unlocked cabinets and drawers.

***Prevention Tip:** Keep cabinets that contain harmful chemicals, and both prescription and non-prescription drugs, secure with a lock and key. Also install smoke and carbon monoxide detectors, and test them once a month. And poisons related to fire can be managed by having an escape plan. Visit www.nsc.org for more fire safety tips.*

Household Accident #4: Drowning

Among children under the age of 15, drowning is the second leading cause of preventable death according to the NSC. The Centers for Disease Control also reports that 4,000 drowning deaths take place within American homes every year, and that more children ages 1 to 4 die from drowning than from any other cause.



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Prevention Tip: Always supervise children and others who cannot swim when near bodies of water. Also consider building fences that fully enclose pools. Other preventative tips include the use of a life jacket, learning CPR, and avoiding alcohol before and during time spent in the water. Also remember that children can drown in as little as one inch of water, often happening quickly and silently. So use the buddy system when around water and never leave the little ones in a bath tub without an adult present.

You can prevent many home accidents and injuries by staying vigilant and being knowledgeable about the risks that exist.

Digital Skills for Today's Kids

The digital revolution is changing the way we think about necessary skills. Being so interconnected digitally, navigating technology, and understanding the basics about how it's built and how it's intended to be used is more important than ever for the next generation.

Here are several of the top tech skills for kids to consider learning that will help them thrive both now as students and in the future when they enter the workforce.

- **Coding basics.** A generation ago, kids would disassemble everything from radios to cars to learn how they worked. Today, kids are doing the same thing with software and hardware. From cars to businesses, software controls it all and is continuously evolving. Being comfortable navigating software programs and keeping up with what's possible, what's available, and what's around the corner are necessary skills that kids can start to learn when they're young.
- **Artificial intelligence basics.** There was a lot of chatter about kids using AI to do their homework when ChatGPT was first rolled out in 2022. Though this dream of no homework was short-lived, it turns out that learning to apply AI is still a worthwhile skill for kids to acquire. Learning how to train a computer to recognize their own images and sounds, and experimenting with neural networks in their own web browser are two ways that kids can get started working with the basics of AI.
- **Building a task within the Internet of Things (IoT).** What started with computers and then moved to phones, internet capabilities continue to jump to other objects. It's become so common place that we don't even realize how connected everything is. Speakers, thermostats, lightbulbs, electrical outlets, appliances, and more are some of the ways we interact with the IoT. A great starting point for kids is a STEM kit such as this one from STEMpedia that teaches kids the basics of IoT, including building API requests.



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- **Protecting your privacy.** The giant tech companies behind social media platforms have made them so easy to use that the issue isn't teaching kids how to use them, it's helping kids understand a social media platform's purpose – capturing data. Knowing that social media is designed to track their online movements in order to target them for advertising will help to positively shape the manner in which kids interact with social media from the start. Consider reviewing the privacy settings on all social media apps used by your kids to help teach them the importance of protecting their privacy.
- **Problem solving.** With constantly-changing technology, it's vital for kids to be able to look at problems in a logical way. Once a kid has learned a handful of technical skills, such as coding and how to work with AI, it's then important to learn how to apply these technical skills with solving real-world problems. To help cultivate problem solving in kids, consider giving them challenging puzzles and questions to solve and encourage them to think outside-the-box when when looking for an answer.

Tax Day is Here!

Last-minute details, tips and freebies

With the individual tax-filing deadline on Monday, April 15th, now is the time to complete all filing arrangements and payments.

What follows is information typically provided in our filing instructions to you when the tax return is completed.

However, upon review, it makes sense to provide this information to everyone, whether you have filed or not. It is good information to know, so if you have not already done so, ask yourself these questions:

1. **Did you sign your e-file authorization form?** IRS Form 8879 needs to be signed by you before your taxes can be e-filed. If filing jointly, your spouse needs to sign as well. If you haven't already, please return the signed form ASAP to ensure that your taxes can be e-filed on time. But don't sign it before reviewing the tax return. Remember, this signature means you agree with the accuracy of the tax return.
2. **Do you need more time to file?** If you are not ready to file your taxes before the initial April 15th deadline, you can file for a six-month extension. Be aware that it is only an extension of time to file — not an extension of time to pay taxes you owe. You still need to pay all taxes by April 15th!



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3. **Do you owe money?** If yes, make your tax payment now! The IRS has several payment options on their website. If mailing a payment, include Form 1040-V and ensure the mail is postmarked on or before April 15th. Sending the payment by certified mail will ensure you have proof of a timely payment. Late payments, even by one day, are subject to IRS penalties and interest.
4. **Do you need to deposit funds in your IRA or HSA?** Did you claim an IRA or HSA contribution on your tax return? In order for the deduction to be valid for 2023, all deposits to those accounts need to be made by April 15th. Once completed, save proof of the contribution with your 2023 tax files.
5. **Do you need to make an estimated tax payment?** The first quarter estimated tax payment for 2024 is also due by April 15th. If you owe taxes for 2023, making 2024 estimated payments might make sense for you. A quick way to calculate a first quarter payment is to divide the taxes you paid in 2023 by four, then adjust this number for any paycheck withholdings. Send your payment along with Form 1040-ES to the IRS by April 15th. Then schedule a tax-planning meeting to determine the best approach for the remainder of the year.

If you do miss a deadline, file your return and pay the taxes as soon as you can to stop the accruing of interest and penalties.

Make Online Reviews Work For Your Business

Many factors play into a potential customer's decision to buy your product or service, but one thing is clear — online reviews are at the top of the list. Here are suggestions to improve yours:

- **Create an impactful online presence.** Unless you just opened your business, there's a good chance it already exists in at least one of the main online directories: Google My Business, Yelp and Bing. If so, claim the listing and start managing your customer reviews. If it doesn't, go through the process to create a new business profile. Then add a review section to your website to encourage your customers to engage with your business online. As you grow your online footprint, your search engine optimization (SEO) will make it easier for prospective customers to find you.
- **Solicit great customer reviews.** A personal request from you might be all that's needed to spring a happy customer into action. Maybe it's a sincere thank you note after a productive meeting or a customer appreciation email campaign that provides a link to your directory listings. The goal is to have your satisfied customers leave a review to boost your online



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profile and increase your SEO. Remember to make this process as easy as possible for your customers.

- **Use negative reviews to your benefit.** By keeping a close eye on your listings, you have the opportunity to show potential customers how you effectively handle negative situations in a timely manner. Take the time to understand their complaint, empathize with their situation, apologize for the problem, and offer a quick, reasonable solution. Most importantly, always remember to write an effective response to the complaint by remembering you are writing the response to future readers, not just the complainer.
- **Keep listings fresh.** A long history of reviews is good to show that you are an established business, but current reviews are imperative to building a prospective customer's confidence. Seek out online reviews and keep your directory listings up to date to continue to show relevance and ongoing business activity.
- **Negative folks have power.** The five star review provides entirely too much power to complainers, as most satisfied customers say nothing. The best home run in these situations is to get the complainer to provide their own glowing review of how you solved their problem. This transfers the complainer's power to you as a positive promotion for your business.

Managing your online review profiles may seem scary, but by understanding the mechanics of how they work, you can successfully display your quality business reputation to the online community.

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

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