



Tax & Business Alert

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GET MORE WORMS BY FILING YOUR TAXES EARLY

They say the early bird gets the worm. Early federal income tax filers may get a couple worms, which is a good thing in this metaphor.

Although it may seem like a quaint tradition to wait until the deadline — usually April 15, but actually April 18 in 2022 — there's more than one valid reason for getting your return completed and submitted well before this date.

PREVENT IDENTITY THEFT

In one tax identity theft scheme, a thief uses another individual's personal information to file a fraudulent tax return early in the filing season and claim a bogus refund. The real taxpayer discovers the fraud when he or she files a return and is told by the IRS that the return is being rejected because one with the same Social Security number has already been filed for the tax year.

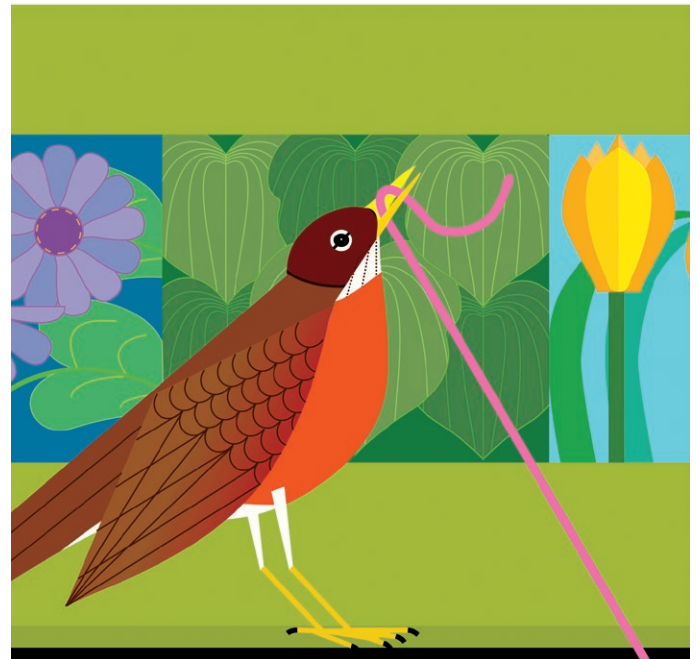
While the taxpayer should ultimately be able to prove that his or her return is the legitimate one, tax identity theft can be a hassle to straighten out and significantly delay a refund. Filing early may be your best defense: If you file first, it will be the tax return filed by a potential thief that will be rejected — not yours.

GET A POTENTIALLY EARLIER REFUND

Another reason to file early is you may put yourself closer to the front of the line to receive your tax refund (assuming you qualify for one). The IRS website still indicates that it expects to issue most refunds for the 2021 tax year within the usual

21 days, despite the massive pandemic-related delays that affected millions of 2020 tax returns.

The time is typically shorter if you file electronically and receive a refund by direct deposit into a bank account. Direct deposit also avoids the possibility that a refund check could be lost, stolen, returned to the IRS as undeliverable or caught in mail delays.



LOOK FOR YOUR DOCUMENTS

To file your tax return, you need your Form W-2s (if you're an employee) and Form 1099s (if you've worked as an independent contractor or "gig worker"). January 31 is the deadline for employers to issue 2021

SHOULD I WAIT TO FILE THIS YEAR?

As of this writing, some taxpayers may still be waiting to receive their 2020 federal income tax refunds. A few people (mostly on social media) have floated the idea of refusing to file their 2021 income taxes until they receive their refund. Is this a good idea?

No, it's not. Failing to file your return will only lead to bigger headaches later — possibly even penalties and criminal prosecution. Plus, if you qualify for a 2021 refund, you may receive that money *before* your 2020 refund. But the only way to get it is to file!

Form W-2s to employees and, generally, for businesses to issue Form 1099s to recipients of any 2021 interest, dividend or reportable miscellaneous income payments (including those made to independent contractors).

If you haven't received a W-2 or 1099 by February 1, first contact the entity that should have issued it. If that doesn't work, you can contact the IRS for assistance.

NEED HELP?

If you have questions or would like an appointment to prepare your return, please contact us. We can help you ensure you file an accurate return that takes advantage of all the breaks available to you. ■

3 FINANCIAL LESSONS OF THE PANDEMIC

The onset of the COVID-19 pandemic in March 2020 disrupted the personal finances of many families who were negatively affected by job losses, reduced income, sickness and other challenges. This included families across the economic spectrum and workers in a wide range of both blue- and white-collar industries.

The virus's rapid and continued spread — and the economic changes that followed — are vivid reminders of how vulnerable and unpredictable your family's personal finances may be. Now, almost two years later, the pandemic's impact persists. Here are three basic lessons to keep in mind:

1. Don't live above your means. In some ways, this is even more important for high earners than it is for those with more modest incomes. Those with higher incomes sometimes overcommit themselves financially by living a lavish lifestyle.

For example, they may buy large homes in high-end neighborhoods or buy expensive luxury automobiles that stretch their finances. Then, if they experience a financial emergency like a job loss or reduced work hours, they're suddenly unable to afford the lifestyle they've grown accustomed to.

2. Build up an adequate emergency savings fund. By living below your means, you may have extra money each month to build up an emergency savings fund. While every situation is different, many financial experts recommend saving

between three- to six-months' worth of living expenses in an emergency fund.

Emergency savings should generally be kept in a liquid savings or money market account. Such an account probably won't generate a high return, but the money will be relatively safe and easily accessible if you need it for an emergency. Search online to find an account that offers the highest yield along with maximum liquidity.

3. Continuously map out a flexible career path. The time to make career contingency plans is before something like a worldwide pandemic disrupts the global economy and eliminates millions of jobs.



As the COVID-19 pandemic has shown, what may appear to be a secure job and career can vanish in the blink of an eye.

Some entrepreneurial individuals have turned career setbacks into opportunities by going back to school or starting new businesses. Others have left their jobs to start freelancing and consulting businesses, using their marketable skills and industry contacts to carve out profitable niches for themselves as self-employed professionals. This has driven a phenomenon known as “the Great Resignation.”

Maybe you’ve seriously reconsidered your employment situation in recent months. Even if you’ve stayed put, it’s to everyone’s benefit to look carefully at his or her career path and head in a direction that both inspires and offers financial security.

The pandemic has been called a once-in-a-century event. Unfortunately, it feels to many of us as if it’s already lasted a century. Keep these three financial lessons in mind as you continue to adopt to forthcoming challenges and opportunities. ■

COULD YOU HAVE TO PAY A PARENT’S NURSING HOME COSTS?

Given the steep cost of nursing homes, planning for long-term care is critical. This holds true not only for you, but also possibly for aging parents if they’re still in your life.

One important question to consider is whether you could be held financially responsible for your parents’ nursing home bills if they can’t afford to pay them. The answer is: It’s possible, but unlikely.

FILIAL RESPONSIBILITY LAWS

More than half of the states have “filial responsibility” laws, under which adult children are responsible for their parents’ medical bills if their parents are unable to pay. These laws are rarely enforced, for several reasons. For one thing, nursing home expenses usually are covered by Medicare or Medicaid. Also, most filial responsibility laws require a court to consider the children’s ability to pay before imposing liability.

In rare cases, however, an adult child may be held responsible for his or her parents’ nursing home bills. This might be the case, for example, if a parent doesn’t yet qualify for Medicare and has just enough financial resources to be disqualified from Medicaid.

It’s also possible for Medicaid eligibility to be delayed by several months — or even years — if the applicant made certain gifts or other asset transfers within a five-year “look-back” period. Nursing homes may be able to seek payment from the adult children of a patient who has made such disqualifying asset transfers to them during the look-back period.

Even if you’re not directly responsible for your parents’ nursing home bills, you may end up contributing to their care indirectly through Medicaid’s estate recovery process. This allows Medicaid to recoup funds it spent



on your parents’ care from their estates after they die, which could thus reduce the amount of your inheritance.

FINANCIAL COMPLEXITIES

Caring for aging parents is a difficult task that can lead into many financial complexities. If your parents are receiving, or may soon receive, nursing home care and have limited funds, consult an attorney. A qualified legal advisor can help you determine whether you’re potentially responsible for their bills. An attorney can also investigate whether your parents’ assets are exposed to the Medicaid estate recovery process and whether strategies are available to limit your liability. ■