Money Matters

Grossberg COMPANY LLP CERTIFIED PUBLIC ACCOUNTANTS

January 2021

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Abacus Worldwide and JHI Merger

Grossberg Company LLP (Grossberg), as a previous member firm of JHI, announces an expanded global network through the Abacus Worldwide and JHI Merger. Abacus Worldwide, an international association of independent accounting and legal firms and JHI, an association of accounting firms have merged as of September 1, 2020 forging a new future together. Grossberg is an independent member of the newly merged entity that will continue as Abacus Worldwide. With this added growth, Grossberg is now affiliated to 115 legal and accounting member firms in 225 offices spanning 50 countries. Abacus Worldwide ranks among the top 12 global accounting associations with member global revenue of nearly $500 Million.

The main objective of the merger is to provide greater benefit to independent member firms and their clients by creating better geographic coverage, increased possibilities for collaboration and more business development opportunities, focusing on three key areas: Business Referrals, Knowledge Exchange and Practice Management Tools. Samim Ardeishar, partner with Grossberg, will serve as a member of the Abacus Advisory Board.

"We are truly pleased with the added growth to the association and thrilled to continue working with Grossberg Company LLP as members of Abacus Worldwide," says Julio Gabay, President and CEO of Abacus. "Abacus Worldwide member firms and their clients will gain immediate benefits from the knowledge and expertise that Grossberg can now share through this expanded global business network."

About Abacus Worldwide

Abacus Worldwide is an international association of independently owned and managed accounting and law firms. As a multi-discipline membership association, both law and accounting firms join Abacus to support international business referrals, participate in knowledge exchange and gain access to practice management tools all to better serve their growing clients. Founded in 2012, the association is currently represented by 115 member firms spanning 225 offices in 50 countries (post merger). For more information on Abacus Worldwide, visit the association website at www.abacusworldwide.org.

Great New Option to Reduce Student Loan Debt

By Donna L. Buck

Late in 2019, legislation was passed that expands the acceptable use of 529 college savings plan funds to pay off student loan debt.

529 college savings plans allow you to set aside after-tax dollars to pay for college and K through 12 education expenses. Any earnings or interest earned in the savings plan are tax-free if the funds are used to pay for qualified expenses.

In the past, if there were any funds remaining in the 529 plan when the student graduates, the excess funds could be transferred to another qualifying family member or distributed. If the funds are distributed, any unused earnings or interest are subject to penalty and income tax.

Because of the legislative change, after a student graduates, any money left over in a 529 plan may now be used to pay off student loans! There is a limit though. The lifetime limit is $10,000 for the 529 plan beneficiary and each of their siblings. For example, parents who have 4 children can take a $10,000 distribution from the 529 plan to pay student loans for each of their children, for a total of $40,000.

Given the recent changes to 529 college savings plans, it makes a lot of sense to explore your options and either consider setting up an account or developing a plan for best uses of the funds in your accounts.

Pass-through Entity Tax Provides a Workaround for $10,000 State Tax Deduction Limit

By Debra Hildreth

In November, the IRS announced in Notice 2020-75 that it intends to issue proposed regulations to clarify that certain state income tax payments made by a partnership or S corporation are deductible by the entity in

computing its taxable income. An individual partner or S corporation shareholder does not include these payments in the itemized deduction of state and local taxes limited to $10,000. Rather, these entity level state income taxes are deducted at the entity level and included in the individual partner's or S corporation shareholder's share of the entity's taxable income.

The proposed regulations will apply to certain state income tax payments made on or after November 9, 2020. The rules will also apply to such state income tax payments made in the tax year of a partnership or S corporation ending after December 31, 2017 and before November 9, 2020 provided the state tax law was enacted prior to November 9, 2020. The current IRS notice may be relied upon for qualifying state income tax payments made prior to the issuance of proposed regulations.

The IRS notice provides timely clarity for the new Maryland elective pass-through entity tax on residents that became effective on July 1, 2020. Maryland partnerships and S corporations may now elect to pay the tax with respect to resident members' or shareholders' distributive or pro rata shares. It is considered an entity level tax. A resident taxpayer must claim credit for the share of the pass-through entity tax on the same income tax return on which the income subject to the pass-through entity tax is reported.

The new Maryland pass-through entity tax coupled with the IRS clarification that it is not subject to the $10,000 state and local tax deduction limit provide a welcome benefit to resident taxpayers just in time to be effective for calendar year 2020 income tax returns. The appropriate share of pass-through entity tax must be allocated to the resident partner or shareholder. Please consult your Grossberg Company, LLP tax advisor for further guidance.

Tax Efficiency for Retirement

By Mylene L. Ortiz Luis

Understanding your sources of income during retirement and how this income is taxed creates a tremendous retirement planning opportunity. Taxable (ordinary) income typically includes wages, interest, non-qualified dividends, short-term capital gains, taxable social security benefits and withdrawals from most 401(k), 403(B) (including required minimum distributions) and non-Roth IRA plans. In 2020, income tax rates range from 0% to 37%, plus a potential 3.8% net investment income tax.

Many retirees have some control over their tax situation because they can decide how much they work and how much they withdraw from their retirement savings accounts (i.e. Roth IRA, 401(k) and brokerage accounts). Here is a simple example to illustrate:

A single retired taxpayer makes $20,000 a year from a part-time job and has $500,000 savings in a 401(k) retirement account. In addition to the salary from his part-time job, the taxpayer also withdrew $66,000 from his 401(k) retirement account. For simplicity's sake, we are ignoring the effect of the standard or itemized deductions in this analysis. The applicable income and applicable tax rate for a single taxpayer in 2020 is as follows:

Tax Rate	Taxable Income
10%	$0 - $9,875
12%	$9,876 - $40,125
22%	$40,126 - $85,525
24%	$85,526 - $163,300
32%	$163,301 - $207,350
35%	$207,351 - $518,400
37%	Over $518,400

In this example, excluding other variables, the taxpayer's salary from his part-time job is taxed at 10%-12%, however having taken the $66,000 from his 401(k) account the taxpayer's taxable income increases to $86,000 which pushes him into the 24% bracket. If the taxpayer only withdrew $20,000 instead of $66,000 from his 401(k) retirement account, he would have remained in the 12% tax bracket.

Planning for a tax efficient retirement is not as simple as the example above. There are a number of other factors to consider like: age, social security benefits, income phase-outs for other tax benefits, required minimum distributions (RMDs) at age 72 (prior to 2020, RMD age had been 70½ years old), state tax situation, and other taxes (inheritance taxes, estate taxes, capital gains taxes). Planning ahead for your retirement income, within your financial needs and resources, may provide you with significant tax savings.

Do You Need to File a Gift Tax Return?

By Travis Steinko

For most individuals, determining whether or not your generosity requires a tax filing is an afterthought, at best. However, you should be changing your line of thinking when it comes to making gifts. Not only will this change keep you in compliance with IRS regulations, it will also allow you to make sure that your gifts are being made in the most tax-advantageous manner possible.

For tax years 2020 and 2021, any individual can make a gift of $15,000 (in cash or property) to any other individual, free from gift tax. In some instances, however, a gift tax return filing may still be required, or recommended, even though the annual exclusion limit above has not been reached.

For example, if you make a gift of a future interest, the gift is not eligible for the annual exclusion and a gift tax return must be filed regardless of the amount of the gift. Additionally, married couples can elect to split gifts and jointly gift $30,000 to any individual. However, a gift tax return must be

PENSION PLAN LIMITS

DESCRIPTION	YEAR	LIMITATION	CATCH-UP*
401(K), 403(B), SALARY REDUC SEP, AND 457 PLAN	2020	$ 19,500	$ 6,500
ELECTIVE EMPLOYEE DEFERRAL LIMIT (PRE-TAX)	2021	$ 19,500	$ 6,500
415(C) LIMIT ON ANNUAL ADDITIONS TO	2020	$ 57,000	
DEFINED CONTRIBUTION PLANS	2021	$ 58,000	
401(A)(17) LIMIT ON RECOGNIZABLE COMP	2020	$ 285,000	
FOR CONTRIBUTION PURPOSES	2021	$ 290,000	
INDIVIDUAL RETIREMENT ACCOUNT LIMITS	2020	$ 6,000	$ 1,000
	2021	$ 6,000	$ 1,000
SIMPLE PLAN EMPLOYEE ELECTIVE DEFERRALS	2020	$ 13,500	$ 3,000
(EMPLOYER MATCHES 3% OF COMP)	2021	$ 13,500	$ 3,000
DEFINED BENEFIT PLAN SEC 415(b)(1)(A) MAXIMUM	2020	$ 230,000	
ANNUAL BENEFIT	2021	$ 230,000	

*CATCH-UP CONTRIBUTIONS ARE ALLOWED FOR PARTICIPANTS WHO ARE 50 OR OLDER. TOTAL DEFINED BENEFIT CONTRIBUTIONS MAY EXCEED THE 415(C) LIMIT IF THE PLAN INCLUDES AN ELECTIVE DEFERRAL PROGRAM DUE TO THE ALLOWANCE OF THE CATCH-UP CONTRIBUTIONS.

filed so that the gift-splitting election can be made. If you wish to fund someone else's education costs via a §529 plan, you can fund up to five times the annual exclusion limit in one year. A gift tax return must be filed in this situation as well, so that the election to spread the gift over the next five years can be made.

In some instances, it makes sense to file a gift tax return, even when no filing is required. If you make annual exclusion gifts of hard-to-value assets, such as interest in a closely-held business, no filing is required as long as the value of the gift is below the annual gift limit. However, failing to file a gift tax return means that no statute of limitations ever begins running for the IRS to challenge the valuation. Filing a gift tax return starts the statute running and limits the time frame for IRS audit to three years.

While we will not know if there will be any tax law changes in 2021 due to the upcoming change in administrations, it may make sense to consider discussing your gifting with us.

PPP Loan Accounting for Not-for-Profits

By Leonard Kirschbaum

There is no shortage of questions surrounding Paycheck Protection Program (PPP) loans. Many of those questions are focused on the forgiveness process at this point, but the financial reporting aspect of the loans should not be overlooked. Non-profit entities generally have a choice between two generally accepted accounting principle models to account for PPP loans; the debt model under FASB ASC 470, Debt and the conditional contribution model under FASB ASC 958-605, Not-for-Profit Entities: Revenue Recognition.

PPP loans would be accounted for similar to other bank loans under the debt model. A liability would be recorded upon receipt of the funds as well as interest expense under the interest method. When the loan is forgiven, the entity would follow guidance under FASB ASC 405-20, Liabilities: Extinguishments of Liabilities, but not until the debtor has been legally released as the primary obligor. Under this model, it is likely that the forgiveness will occur in a different period than when the related expenses were incurred.

Under the conditional contribution model, a liability is also recorded upon receipt of the funds, however it would be classified and disclosed as a refundable advance as opposed to debt. Interest expense would only be accrued on the portion of the advance that is not expected to be forgiven. As the conditions set forth under the PPP loan program are substantially met, such as incurring qualifying expenses, or the advance has been explicitly waived by the donor, the entity would then recognize the advance as contribution income. This is similar to the accounting for many cost reimbursement type grants that also impose restrictions on what is considered a qualifying expense. The other conditions of the PPP loan program should also be considered here, including full-time employee headcount and compensation level requirements. This model has a greater potential of matching the income that results from the PPP loan forgiveness to the expenses it was intended to cover. It is important to note that in determining whether the program conditions have been substantially met for a given fiscal year, the assessment is as of the balance sheet date. Activity subsequent to the balance sheet date, such as restoring the FTE headcount or incurring additional qualified expenses, cannot be used in determining the amount of the advance to recognize as income in the current fiscal year.

All entities should consider their specific circumstances when deciding which accounting policy would be appropriate to use. Consideration should also be given to the impact the different models will have on their financial statements, such as timing of forgiveness and the effect of recording the PPP loan as debt or a refundable advance may have on debt covenants and other requirements established under other agreements. Whichever model is chosen, it should be applied consistently, to the entire PPP loan. Splitting the PPP loan between different models is not considered appropriate.

Retirement Plan Rule Changes

By Alejandro Saavedra

Historically, retirement plan distributions have been a last resort as a cash source during financial hardship. Forgoing tax-free growth on investments, along with a potential 10% early withdrawal penalty in addition to any regular tax liability meant long term financial difficulties to meet short term cash needs. The COVID-19 Pandemic resulted in historically high unemployment rates along with unanticipated medical costs for millions of Americans. The Coronavirus Aid, Relief, and Economic Security (CARES) Act which was signed on March 27, 2020 included several provisions with respect to IRA distributions.

Under the CARES Act, taxpayers impacted by COVID-19 have the option until December 31, 2020 to withdraw as much as $100,000 from their retirement accounts without being subject to the usual 10% early withdrawal penalty. The standard 20% Federal tax withholding requirement is also suspended. Any taxpayers who have made a withdrawal will still need to include this distribution as income on their tax returns. They may either prorate the distribution over three years (2020-2022) or elect to include the entire distribution in 2020 income.

Taxpayers are considered impacted by COVID-19 if they themselves, their spouse or a dependent has been diagnosed with COVID-19, or if they or their spouse have been impacted financially due to being furloughed, laid off, having their hours reduced or having to close or reduce hours for their own business as a result of the pandemic.

Taxpayers also have the option to recontribute the funds to a qualifying retirement account within three years of the date of distribution and exclude any portion contributed from income. If the funds are contributed after any tax returns including these distributions in taxable income have already been filed, the taxpayer could amend these returns, reduce their income based on the total returned to the account, and receive a refund for the associated tax for the years in question. Only distributions eligible for tax-free rollover treatment may be recontributed.

Finally, the CARES act has suspended the required minimum distribution (RMD) requirement for 2020. This does not require a COVID-19 related hardship and includes individuals who would have been subject to the requirement for the first time in 2020. Note that this rule does not extend to beneficiaries of defined-benefit plans, who must still take their RMD.

Status of the "Marriage Penalty" on Your Taxes

By Beth Brown

Despite what you may think, the marriage penalty is alive and well. Whether you're looking at changing your filing status because of marriage, divorce or another event (or it's staying the same), you should review this information and plan accordingly.

When you marry, you have the option of filing your tax return jointly or filing separate tax returns. The marriage penalty takes effect when the taxes you pay jointly exceed what you would have paid if each of you had remained single and filed as single filers. The marriage penalty occurs when the progressive tax rate ranges for married taxpayers (joint filers) are not exactly double the ranges for single taxpayers. It results from the way the graduated tax rate system works, based on

your tax filing status and other tax return items. Married taxpayers are often taxed more than they would be as two single filers. The 2017 tax reform law made changes to the tax brackets to smooth them out so that the joint tables are roughly double that of single filers, until you get to the top brackets.

A couple with children can face an even greater marriage penalty because single parents can use the head of household filing status. For an example, a couple earning $100,000 each has two children. Filing jointly with a standard deduction of $24,800, their taxable income is $175,200 and their 2020 tax liability is $26,207. If they were not married and filed separately, one as single and one had head of household claiming the children (a not-unusual occurrence), the single filer would owe $15,104 and the head of household filed would owe $8,245, for a total of $23,349.

There are limitations on some itemized deductions that do not change with filing status. For example, the $10,000 limit on state and local taxes does not double for a married couple. The same applies to the limitation on deducting mortgage interest on the first $750,000 of a qualifying loan. Then, there is the additional Medicare tax of 0.9%. A single filer pays the tax when their Medicare wages exceed $200,000, but a married couple begins paying when their Medicare wages exceed $250,000.

In some rare circumstances, taxpayers do benefit from married filing jointly status (especially if one spouse has little income or a tax loss for the year). Our tax software also can run an analysis to determine if you might benefit from filing married filing separately instead of filing jointly.

While we don't recommend that you make marriage decisions based on the tax implications, there may be circumstances where factoring it into your tax planning can make a positive difference. Please call your Grossberg Company LLP tax advisor if you would like us to review your personal situation.

What's New with the Kiddie Tax

By Kierstan Turner

Congress established the Kiddie tax in 1986 to prevent parents from shifting unearned income to their children who had lower tax rates. The Kiddie tax applies to children who do not file a joint return, have at least one living parent at the close of the tax year, have more than $2,200 of unearned income, and who are either (1) under age 19 or (2) are a full-time student ages 19-23.

Formerly, under the Tax Cuts and Jobs Act (TCJA) which was enacted in 2017, children and young adults' unearned income (interest, dividends and capital gains) were taxed at the same rates as trusts and estates. In many cases, a child's tax bracket could be drastically higher than that of their parents. This was due to trusts and estates reaching the highest tax brackets at a much faster pace than individuals. For example, in 2018 children with unearned income over $12,500 would be taxed at 37%. A married couple filing jointly would be taxed at 37% once taxable income exceeded $600,000.

The SECURE Act signed into law December 20, 2019, retroactively repealed the TCJA Kiddie tax rates, and reinstated the pre – TCJA Kiddie tax rates. Prior to the TCJA, children and young adults with unearned income received the first $1,100 of unearned income tax-free, and the next $1,100 was taxed at the child's rate. Earnings over $2,200 were taxed at the parent's rate.

For tax years 2018 and 2019, a child and or young adult had the option to choose between the TCJA rules and pre-TCJA rules for computing the Kiddie tax.

Strategies to reduce income subject to the Kiddie tax include, investing in municipal bonds which earn income free of federal income tax, and therefore also free from kiddie tax. Savings bonds and investments that emphasize capital appreciation over income can also help defer income until the Kiddie tax no longer applies. If you have a family business, hiring your children may be advantageous because income earned from working in a family business is not subject to the Kiddie tax, and the business can deduct the expense.

Roth IRA Withdrawals

By Cheryl J. Hopwood

You can take money out of your Roth IRA anytime you want but this should be done carefully if you want to avoid a potential 10% early withdrawal penalty.

Roth IRA accounts differ from other IRAs since your contributions are with after-tax dollars. If you follow the rules, your withdrawals of any earnings in the account can also be tax-free. In order to make a "qualified distribution", you must be age 59½ or older and you must have had funds in the Roth account for more than 5 years since you first began contributing. Money that was converted into a Roth IRA cannot be taken out penalty-free until at least five years after the conversion as well. You will be penalized for withdrawing any investment earnings before age 59½ unless it's for a qualifying reason. These include:

- Paying college expenses for you, your spouse, your children or grandchildren
- Paying medical expenses greater than 7.5% of your adjusted gross income.
- Paying for first-time home purchases (up to $10,000)
- Paying for costs of a sudden disability or death
- Paying for qualified expenses related to a birth or adoption.
- Paying for health insurance if you're unemployed.

Due to the CARES Act, you may also be eligible to take a tax-favored coronavirus-related distribution in 2020. You must have been adversely affected by the coronavirus pandemic. If you are, you can take one or more coronavirus-related distributions totaling up to $100,000, from your IRAs. These distributions, up to the $100,000 limit, are completely exempt from the 10% early withdrawal penalty.

If you are over age 59½, but haven't met the five-year holding requirement, your investment earnings included in the withdrawal are subject to taxes, but not penalties.

Finally, the withdrawals from a Roth IRA are considered to be done in the following order: your contributions, money converted from traditional IRAs, and lastly, investment earnings.

These rules are complicated, so please, consult your Grossberg Company LLP tax professional if you are planning a withdrawal from your Roth IRA.

Teleworking History, Adoption, And Cloud Migration During A Pandemic

By David Glanville

The recent pandemic has dramatically changed employers' and their employees' views on life/work balances. For employers, one of the biggest obstructions of working from home was trust. Many employers simply could not imagine their employees working effectively while disengaged from the workplace. Over 150 years ago, the "Eight Hour Work Day Act of 1867" act was passed to eliminate excess and abuses against working individuals who previously often worked 12-14 hour days, 6 days a week. Post-enactment, and up until the 1960's and 70's,

the workforce primarily consisted of jobs in construction, manufacturing, and industrial capacities where onsite work was required and there were seldom remote work capabilities. What people did not anticipate at the time, was that the industrial revolution would some 100 years later lead to another great milestone in history, the computer and telework.

Though teleworking is widely recognized by almost all we come in to contact with today, the first recognized term coined and drafted into law was "telecommuting". The term "telecommuting" was first coined in 1972 by Jack Nilles. At that time, Nilles was working remotely on a NASA communication system. He told his friends and colleagues that he was "Telecommuting", and the phrase was born. Not long after, in 1979, author Frank Schiff coined the term "flexplace" and wrote an article for the Washington Post called "Working from Home Can Save Gasoline." His post gave attention and popularity to the idea of teleworking and lead to the first conference about the subject, which took place in 1980. Fast forward 16 years later to 1996 when the "The National Telecommuting Initiative" was developed. This initiative would lead to a 2004 push by Congress for a bill that specifically encouraged remote working arrangements for all government agencies. This would lead to computing innovators such as Microsoft to create and launch streaming media to host web-based meeting platforms and collaboration zones for remote workers.

Though good for government, teleworking has run a rough road to acceptance elsewhere. Though generally accepted and embraced by the public sector, private sector corporations were slow, or even unaccepting at adopting the option of telework. In fact, private sector employers seemed to prefer to mimic the mentality of others in their industries, which was that to be managed, the employee needed to be present. There has long been the belief that measurable output and deliverables could not be met, and that corporate management felt they would lose control if they are not able to see their employees working. Studies, however, have found that employers who noted failures in productivity and growth from teleworking, also failed to establish new policies addressing employer/employee guidelines for teleworking. Many studies have shown that remote telework is just as, if not more, productive from a corporate standpoint. The days of people using paper, sitting around a copier making copies, or pulling all-nighters preparing then presenting presentations are all but gone. Today, these functions have been replaced by document links and sharing, and virtual meetings. These can be done from virtually anywhere in the world and are no longer location dependent. Advantages of teleworking noted in the studies are below:

- Lower business expenses
- Greater applicant access
- Decreases in employee turnover, increases employee satisfaction
- Substantially reduced unscheduled absences
- Increased performance productivity
- Better disaster preparedness
- Increased profitability
- Increased collaboration
- Better work-life balance
- Less commuting
- Location independence
- Money savings
- Customizable offices
- Better mental health

The coronavirus has likely forever changed life as we know it. As of September 2020, over 25% of the total workforce in the US has migrated or have available to them 100% teleworking platform, with 40% of the US workforce having teleworked at some point in a 4-week period. As the need for remote working continues to climb, so does the need for cloud computing resources. The pandemic quickly proved that companies leveraging more public cloud resources than their competitors and peers have much less exposure to risk than those that do not. Priorities soon shifted to cloud migration on the fastest path possible as buildings stood vacant and void of employees. The COVID crisis has shown the necessity of a cloud-enabled workforce. Most experts agree that there will be vaccines available soon, and that we will emerge from this pandemic. They also agree that life will return, but that we will be living differently post-pandemic. It has changed the way we live and work. What once was viewed a rarity, is now a necessity. It is likely that post-pandemic, organizations will become ever more willing to recognize this shifting telework landscape and adapt as needed.

How You Can Receive Copies of Fraudulent Tax Returns Filed in Your Name

By Donna L. Buck

Tax identity theft is becoming far too common. The experience can be very frustrating to victims. If you are a victim of IRS identity theft, you probably want to know who filed the fraudulent return and what information they have about you. In the past, the IRS was not very helpful because of active investigations.

But now, there is help! If you follow the IRS instructions, you are now able to get transcripts of what thieves attempted to do with your tax information. Please note that the IRS may mask or redact information on the fraudulently filed tax return. Without putting other information at risk, the IRS's goal is to provide you with enough information to determine how your personal information was used on the tax return.

To receive a transcript, you must file an Identity Theft Affidavit (Form 14039). Then you must file an Identity Theft Victim's Request for Copy of Fraudulent Tax Return (Form 4506-F).

Only the primary or secondary taxpayer on the fraudulent tax return may make the request. The IRS should send an acknowledgement within 30 days and a copy of the transcript within 90 days. You may have to work through masked or redacted information to determine what was stolen.

Why might the stolen information be important?

- You can see what personal information has been stolen. Name, address, and SSN? Do they have your dependent's or spouse's information? Perhaps they also have your income and withholding data? Knowing this will help you plan the extent of data protection you will need.
- There may be clues as to where the identity theft occurred. Of the information stolen, who had access to it? Did the data breach involving your information happen through the IRS or somewhere else?
- There may be more tax years impacted than you thought. Request information from the year you first became aware of the identity theft at the IRS. You may also wish to request information from a prior year and from the year following the theft. The IRS has access to six years of tax returns. Try to determine if the theft is ongoing or a one-time occurrence.

Thankfully, the IRS is now more helpful in sharing fraudulent information to allow victims to take action to protect themselves.

Protecting your Social Security Number

By Kate Fisher

With many of the activities in our lives now occurring virtually, it is increasingly important to be vigilant about safeguarding your social security number.

Identity theft is on the rise and scammers are becoming more creative in their attempts to obtain your personal information. Below are some suggestions to assist in protecting your social security number.

First, do not regularly carry your social security card with you. In the event your wallet or handbag is lost or stolen, this puts your social security number in danger. Unless it is needed for a specific purpose, such as obtaining a passport or other identification card, for new employment purposes, or another bona fide reason, it should be kept in a safe place.

Next, it is important to know who needs your social security number. You may need to share your social security number with immediate family. Your social security number will likely need to be provided to your employer, insurance companies, and financial institutions. If any other agency or service is asking for your social security number, inquiring as to why it is needed and how it will be used is a good step to take. In some cases the agencies may request your social security number, but it may not be required.

Another safeguard is to avoid using your social security number as a part of any log in information such as a username or password. Online hackers can easily unscramble passwords and when your password includes a piece of information such as your social security number, it can make you even more susceptible to identity theft. Additionally, avoid writing down your social security number whenever possible. If writing it down is required, inquire as to what will happen with the form once it is complete, and ask that the form be shredded or destroyed. Avoid sending your social security number electronically or over the phone. Only provide your social security number if you trust, and can verify, the source. Many scammers will set up fake websites intended to look like real websites, send phishing e-mails requesting information, make threatening phone calls, or send out text messages. Do not be afraid to decline providing the information. One easy way to verify the source is to use the telephone number that you would ordinarily call of the applicable agency requesting party and to ask if they have sent out a request for your personal information.

Regularly checking your credit reports can help identify any unusual activity or errors on your account. At a minimum, you are entitled to obtain copies of your three credit reports once every 12 months. Many credit card companies offer ongoing monitoring at no cost to customers. Per the Federal Trade Commission website (www.ftc.gov), free credit reports are available at www.annualcreditreport.com or by calling 1-877-322-8228. Beware of other advertised free credit reporting services which may actually be scams, or may not actually be free. Identity theft protection services can also help to monitor and safeguard your identify, and may alert you to unusual activity, including your information being found on the dark web. Many of these services have a monthly or annual cost, however it may be worthwhile to many individuals who are concerned with identity theft.

Finally, proactively setting up a "my Social Security" account via the ssa.gov website can remove the risk of a scammer setting up an account in your name, even if they know your social security number. Most individuals set up a "my Social Security" account when they are ready for retirement, ready to start collecting social security benefits, or are ready to enroll for Medicare. Actually, anyone over the age of 18 can set up an account. The "my Social Security" account outlines your earnings over your working years, provides projected benefit information, provides enrollment information, and allows you to order a replacement social security card, just to name several of the website features. Regularly monitoring this website for accuracy can help alert you to potential identity theft or any errors that may impact the benefits to which you are entitled.

Identity theft and related scams will continue to be an on-going concern, but being vigilant about your information, knowing who needs it and why, and taking note of measures to safeguard your information can mitigate the risk of becoming a victim.

Stay Safe When Using Free Wi-fi

By Francesca Glascon

Although using free Wi-Fi is convenient, precautions should be taken to minimize your risk of being exposed to hackers. In response to the Coronavirus (COVID-19) outbreak emerging in the spring of 2020, millions of people have been forced to work remotely. The future is digital, and the future of work is the Hybrid Work Model, a combination of working remotely and working from the office. Finding a quiet spot is essential to a remote working space, free of distractions and interruptions. Some may currently have an ideal remote working space, while others try to create inspiring and functional workspaces. It may be appealing to set up shop at a local café which offers free Wi-Fi to escape the family life to concentrate on work, but an open Wi-Fi system is particularly susceptible to hacking.

Most companies invest in safeguards in the office that are impractical for employees to maintain in their remote workspaces; therefore, employers and employees must work together to boost cybersecurity policies. Here are some tips on managing cybersecurity in the hybrid workplace.

1. **Avoid using free Wi-Fi!** Avoid using "free public Wi-Fi" as much as feasibly possible. If you are in a position where you must utilize free Wi-Fi, limit your exposure. Avoid accessing sensitive information. This includes, but is not limited to, banking, credit card, financial or personal information. This also applies to unsecured e-mail. If you must send sensitive data via e-mail, the best practice is to wait until you are on a secure Wi-Fi connection. If you find yourself in situations where you frequently need Wi-Fi in public, use a personal hotspot.

2. **Personal Hotspot.** A small investment can save you lots of money in the long run. Personal hotspots are a great way to work mobile with peace of mind. Cellular companies have made accessing a personal hotspot extremely convenient, almost as convenient as free Wi-Fi. Nowadays, you do not even need to purchase a hotspot device, rather you can just activate the hotspot on your cellular device.

3. **Virus Software.** Anti-virus software is like a home alarm system; it prevents intruders. A house with no alarm system is an easy target. Use this same theory when considering anti-virus software on all your devices.

4. **Encryption.** One of the most effective ways to secure your Wi-Fi is encrypting your wireless network and encrypting the files you send over your wireless network. Encryption is accomplished in various ways. Most companies invest in VPN and share file sites, while individuals typically use an encrypted router. Smartphones even have data encryption features. Data encryption increases trust with clients. It reassures clients that you take the privacy of their data very seriously. When using VPN or share file sites, data is converted into an unreadable format and only readable to intended users. This ensures the confidentiality of your data. Encrypting your data can also be as simple as creating password protected files before transferring them over a wireless network.

We recommend frequently updating cybersecurity policies and providing frequent security awareness training to emphasize the importance of practicing cybersecurity. Remember, when using your devices in a

public place to be aware of your surroundings. Enhancing your electronic devices' security may be as simple as selecting an isolated location to use your devices. Although modern-day hackers typically operate through your devices, they can also be looking over your shoulder. It is always best to be aware of your vulnerabilities.

Working From Home and the State Taxes

By Debra Hildreth

The COVID-19 emergency complicates the tax issues surrounding the identification of income that is connected to a state – otherwise referred to as nexus. Before the health emergency, the increase in digital commerce led states to analyze a business' economic presence in a state rather than the physical location of its offices. Now that virus-avoidance has many working from home, the issue of whether the employee's home is the physical office location of a business in a state is front and center. Congress has previously attempted to address telecommuting and worker mobility without success. However, the declaration of the health emergency now illuminates these issues. The homes of some employees may have been in a state other than the one in which their employer's regular office is located. Some employees may have chosen to work from the home of a relative that is in yet another state. Then, again, other employees may have opted for the chance to have a destination work experience. Does the location of the employee's home office de facto become another business location for the employer? Until Congress resolves this, and other related questions, at a national level, each state is left to grapple with the decision independently.

Consequently, employers will need to consider whether they have obligations to withhold state income taxes from an employee's compensation as well as identify the state in which unemployment contributions should be paid. Eighteen (18) states including DC and Maryland, have suspended the employee withholding requirement for businesses that have remote workers in the state during the COVID-19 pandemic. Fifteen (15) states maintain reciprocal agreements in which employees who work in one state, but live in a different state, are exempt from income tax withholding in the state in which they work. For example, the District of Columbia, Maryland, and Virginia have such reciprocal agreements with each other.

In addition, employers and employees will need to assess their state income tax reporting obligations. Although a business may traditionally operate in a single state, the locations of remote workers could require the business to file income tax returns in additional states. Employees will need to consider the potential filing requirements for nonresident state income tax returns in addition to the return for their resident state. Employers may be able to avoid double taxation because of apportionment formulas used to assign income to states or by claiming credits on their resident state income tax returns for nonresident state income taxes paid. Complete elimination of double taxation may be a challenge to achieve due to differing state apportionment formulas and tax rates.

Once the health emergency is lifted, remote work will likely expand into the normalcy of business operations. As a result, both employers and employees will need to continue to evaluate and monitor their respective state tax responsibilities. Other state filing or tax reporting obligations that may arise as a result of remote work locations, including business registration and licensing requirements, sales and use tax compliance, local jurisdiction taxes, and personal property tax.

Please let us know if you need help analyzing your personal/business situation for nonresident tax reporting requirements.

Charitable Contribution Ideas

By Caitlin Metz

For many people and businesses, 2020 was a difficult year throughout the world. Have you been contemplating ways you can give back to your community? There are many options when considering ways to make a charitable contribution. The most straightforward way to donate is to give cash. This includes donations made by check, credit card, and payroll deductions. For calendar year 2020 and 2021 only, you may deduct the total amount of your cash contributions to public charities up to 100% of your adjusted gross income. Note that contributions to donor advised funds do not qualify for the unlimited deduction. After December 31, 2021, the 60% of AGI limitation will be restored.

Another idea is to donate appreciated property, such as publicly traded stock held for more than a year. You can deduct the current fair market value of the stock and avoid the capital gains tax you would pay if you sold the stock instead. The deduction for publicly traded stock is limited to 30% of your adjusted gross income for gifts to public charities, or 20% of your adjusted gross income for gifts to private foundations.

If you are age 70½ or older, you may consider making distributions of up to $100,000 per year ($100,000 per IRA owner for joint filers) directly from your Individual Retirement Account to a qualified charitable organization without paying tax. The qualified charitable distribution also counts as a required minimum distribution for tax purposes. The distribution cannot be claimed on your tax return as a charitable deduction, however it is also not deemed to be taxable income. Qualified charitable distributions are a wonderful choice for individuals whose charitable deduction may be limited. Make sure all distribution checks are made payable directly to the charity.

Always request a receipt, or acknowledgement letter, when donating to a charitable organization in order to substantiate the deduction taken on your tax return. It is also a smart idea to verify the organization is eligible to receive tax-deductible contributions before making your donation. The IRS has an online search tool which can help confirm the eligibility - https://apps.irs.gov/app/eos/.

Please consult your Grossberg Company LLP tax advisor for more guidance regarding necessary documentation for charitable donations as well as limitations on the amount allowed as a deduction on your tax return or a distribution from your IRA.

Our People

- Grossberg Company LLP would like to thank **John Pizzo** for his valuable and dedicated service. John decided to retire on December 31, 2020. John joined Grossberg Company in January 2000 as our Information Technology Partner. During John's 21 years of loyal service, he kept our computer technology working at optimal levels, while doing the same for many of our clients. We wish John well in this new phase of his life. We are hopeful that John will continue to make himself available to us. It will take some time getting used to life at Grossberg without him.
- We would also like to offer our warm thanks to **Lawrence Rosenblum**, who after 19 years at Grossberg Company LLP has also decided to dial back his hours and retire as of December 31, 2020. Larry has agreed to continue to consult with the firm as his clients transition to their new assigned partner. Prior to joining Grossberg Company LLP, Larry was a Principal with Rosenblum, Gloss, Niad and Dietz, P.C. and Naron & Wagner, P.C. (the successor firm of David M. Gruber & Co.). We wish Larry the best in his retirement and thank him for his willingness to continue to help

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at Grossberg and to continue to serve in his important role with the Montgomery County Business Hall of Fame, which Grossberg co-sponsors.

- Grossberg Company LLP announces the promotions of **Leonard N. Kirschbaum** and **Mylene L. Ortiz Luis** as Partners of the Firm effective January 1, 2021. Lenny started with Grossberg Company LLP in 2009 as a supervisor and was promoted to a manager role in 2012. In 2008 Mylene joined Grossberg Company LLC as a supervisor and became a manager in 2013. We congratulate them both on their success at Grossberg Company LLP and look forward to their continuing contributions in their new roles with the firm.
- Grossberg Company LLP would like to welcome our newest employees, **Tristine Altamirano**, Tax Processor; **Jennifer Cho**, Senior Accountant; **Francesca Glascon**, Supervisor; **Karina Gzirian**, Senior Accountant; **Debra Hildreth**, Manager; **Andrew Overgaard**, Senior Accountant; **Anastasia Romero**, Staff Accountant; **Alejandro Saavedra**, Manager and **Sean Wallace**, Staff Accountant. Welcome aboard!
- Congratulations to **Caitlin Metz** and her husband Josh on the arrival of their daughter Elle Metz.
- Congratulations to **Umma Salma** and her husband Emon who welcomed their newest addition to the family, daughter Zara Salma.
- Congratulations to **Umer Dhamee** and his wife Yusra who welcomed their daughter Ajar Dhamee.

Money Matters

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