

✓ PAC TAX & FINANCE™

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Inflation the scourge of 2021

While not officially a tax, inflation is one of the most regressive taxes for lower income families. Social Security recipients will be receiving a stunning 5.9% increase in benefits in 2022. While it might seem appealing the COLA (Cost-of-Living Adjustment) is tied directly to the CPI (Consumer Price Index), which means your not getting a raise. It means your breaking even while your savings have depleted in value.

A \$600 of Charitable Deduction is allowed even if you don't itemize

With the high standard deduction, most taxpayers no longer itemize, however IRS has increased the above the line charitable deduction from \$300 to \$600 in 2021.

Child and Dependent Care Credit Expanded to \$8,000 and \$16,000

While the Child Dependent Care credit has been stagnant for decades at \$3,000 for one child and \$6,000 for two children, 2021 sees a huge increase to \$8,000 for one child and \$16,000 for two children. The have also increase the percentage of the credit up to 50% for certain qualifying taxpayers.

Bring your bank routing and account number.

We **DO NOT** accept credit card payment. We accept cash, check, or can do an ACH (electronic payment) out of your account. We require payment at the completion of your appointment. We do not invoice. In this day and era, it's unwise to get a paper check the mail. We recommend direct deposit on all returns. We even recommend doing electronic withdrawal if you owe money. We can schedule the withdrawal to come out of your account on April 15th.

CTC Child Tax Credit and your Advance Child Tax Credit payment

In 2021 the child tax credit has increased from \$2,000 to \$3,000 (\$3,600 for each child under age 6). The qualifying age has increased to include 17-year-old dependents who previously fell into a no man's land on the child tax credit. Most taxpayers received Advanced Child Tax Credit Payments in August of 2020, meaning the increase in credit was paid early, so the increase will have a neutral effect on most clients 2021 return. If you added a new dependent and/or didn't receive the Advance Credit payments you will pick up the increased credit when you file your 2021 return. Currently this is a one-year increase, but with congress we have to take a wait and see approach. The CTC starts phasing out at \$75,000 for single taxpayers, \$150,000 for married taxpayers and \$112,500 for Head of Household taxpayers.

RMD Required Minimum Distribution returns in 2021.

While many retirees enjoyed a one-year reprieve from the RMD, it has returned in 2021. Any taxpayer age 72 or above will have to do an RMD if they have any retirement accounts.

If you own an inherited retirement account you must completely liquidate the account within ten years.

Is this a real estate bubble?

While everything that goes up must come down. Our federal reserve has been printing money a disturbing pace further inflating our fiat currency! The old adage is: Buy land...they aren't making any more of it. With inflation at a record pace, now might be a good time to incur debt for something that isn't just a piece of paper.

2021 Tax Brackets

Rate	Single / MFS	Married	Head of Household
10%	Up to \$9,950	Up to \$19,900	Up to \$14,200
12%	\$9,951 - \$40,525	\$19,901 - \$81,050	\$14,201 - \$54,200
22%	\$40,526 - \$86,375	\$81,051 - \$172,750	\$54,201 - \$86,350
24%	\$86,376 - \$164,925	\$172,751 - \$329,850	\$86,351 - \$164,900
32%	\$164,926 - \$209,425	\$329,851 - \$418,850	\$164,901 - \$209,400
35%	\$209,426 - \$523,600	\$418,851 - \$628,300	\$209,401 - \$523,600
37%	Over \$523,600	Over \$628,300	Over \$523,600
100%	Over \$10,000,000 (JK)		

Understanding the Tax Brackets

There is a common misconception that if a taxpayer falls into the next tax bracket that they are actually losing money. You will NEVER earn more money and have a negative return due to falling into the “next” tax rate. The tax rates are like a layer cake. If you are single your first \$9,950 is taxed at 10%, if you had taxable income of \$10,000 only the \$50 that is above that is taxed at the 12% rate. You will ALWAYS make more, by making more however you will see a diminishing return for your efforts.

Standard Deductions Increased

Taxpayers will see a minimal increase in the standard deduction in 2021. Single or Married Filing Separate taxpayers will get a standard deduction of \$12,550, Married Jointly is \$25,100, and Head of Household has increased to \$18,800.

With Standard Deductions set a record high it means that most taxpayers won't itemize. Meaning that mortgage interest, property taxes, state and local taxes aren't deductible in most cases. Miscellaneous deductions are basically nonexistent due to the fact that employee business expenses are not allowed for W-2 employees.

Long-term Capital Gains Rates

Rate	Single / MFS	Married	Head of Household
0%	Up to \$40,400	Up to \$80,800	Up to \$54,100
15%	\$40,401 - \$445,850	\$80,801 - \$551,600	\$54,501 - \$473,750
20%	Over \$445,850	Over \$501,600	Over \$473,750

Good Debt vs Bad Debt...

Like many things in life, we view debt as bad. However, like everything in life, it's a tradeoff. Some of the wealthiest people in world use debt as a leverage tool. If Bill Gates or Jeff Bezos need to raise capital it makes more sense to take a loan against their stock instead of liquidating the stock and paying tax on it. They will probably pay less in interest on the loan than they would on taxes had they sold the stock. While paying 20% interest on drinks and dinner from six months ago is not the best way to utilize debt. Refinancing your house to buy land might be.

Hustle beats talent every time...

I went to high school with a young man who was one of the top ten long distance runners in the state. He was six foot plus and had the most awkward gait you had ever seen, however in any race he would easily glide past his opponents. He smoked, drank, skipped practice, didn't practice at all, but still he won all events with no effort at all. After high school he abandoned his talents and did nothing with them. This is a man who had blessed with a god given talent and threw it away. Others had worked their whole lives to achieve half the talent he obtained. Not only was it disrespectful to himself, but it was disrespectful to his opponents who worked so hard to compete against him.

Want more in life, just ask for it, also known as "The Good Guy Price"

There was this man on a radio interview and he was discussing "The Good Guy Price". It goes like this. In a transaction, you tell the seller, "Hey you're a good a guy, I'm a good guy, does that include the good guy price?" He found that over 80% of the time that no matter where he was at, he would get a better deal. The interviewer tried it and said it worked, but he mentioned that he was uncomfortable about. He felt that haggling was considered rude or unflattering. So, he didn't do it anymore. The truth was that he didn't like being told no. It too uncomfortable. If you want more in life, just ask. Be respectful and polite and 9 time out of 10 you can get more.

Grey Areas in life...

Often times in life we view decision as binary. One is right and one is wrong. On contraire mon frere! All decisions in life are a tradeoff. Most of us only have 70 to 80 years on this planet, so it's essential that we maximize our limited time of existence. We should base our decision on our priorities and values!

Earning more beats saving more...

A friend of mine was complaining about not having enough money. He talked about how hard he been trying to save money on expenses and he was always coming up short. I told him I found it easier just to work more and make more money than try saving pennies here and there. With a massive worker shortage, virtually anyone can pickup a part-time job making \$15-\$20 an hour and it's a lot easier than saving aluminum cans.

Producers' vs Takers

There is an old trope that successful business owners sit in their lair twirling their mustache while plotting evil deeds against their consumers. This could not be further from the truth. In business just as in life, if you rip someone off now, you'll probably never due business with that consumer again. While it might work in the short term, it's a losers bet to take advantage of customers or people. Life is reciprocal, if I do something for you, you'll instinctively want to do something for me.

The most generous people are usually the most successful because they have built trust and respect from their constituents. On the contrary, the users, takers and looters will only gain in the short-term exploiting any chance of future opportunities. Chances are that a homeless person has exploited every family member, every friend and opportunity; that's why a stranger is their only option.

Filing Season Deadline is April 18th!

The world on the street is that the season may be extended to May 16th. If you intended to drop of your return, please do so by March 20th. Returns received after that date might have to be extended.

Gratitude beats resentment...

While this crazy world (or simulation) can certainly be disheartening at times. We should all reflect on good we actually have it. As messed up as the world is, it actually functions pretty well. We have roads to drive, grocery stores, luxuries that Kings and Queens of 200 years ago could never imagine. I had an Uber driver tell me one time that America is the only country in the world where the poor people are fat. Let's all count our blessings.

Olympic Athletes vs Individual with Multiple Skill Sets. The Olympic athlete will lose every time!

I am fascinated by the life of an Olympic athlete. You train your entire life since you are ten years old to be the world's greatest hammer thrower. Hours and hours every day working on the same skill over and over again. Say you reach the pinnacle of your career; you win the gold medal. Then what? All you can do is throw a hammer. You've totally boxed yourself into a corner in life. Yes, you can do one thing really well, but that's it! In life I've found it's much better to develop multiple skill-sets, in multiple fields. Whether it be music, economics, writing, computers, etc. It's far better to know a little of everything than all of one thing. Don't be a hammer thrower!

"A jack of all trades is a master of none, but oftentimes better than a master of one" –

The Worst Decision...Is no decision!

If you believe in free will then everything, we do in life is a decision. While I've certainly made more than my fair share of poor decisions, I've certainly gained more than I've lost. You can learn just as much from a poor decision as good one. I know man who is retired and he confided in me that the worst thing he ever did in life was play it safe. He never made a decision on his career, his relationships, his free time and he was absolutely miserable. A rule I use is that if I know I want it, then I want it! If have to question I want something, odds are pretty good that I don't want and/or need. It's called gut instinct for reason...listen to it!

Lessons from the pandemic ...!

While we are certainly exhausted from the pandemic, most of us should have learned some valuable lesson from it. It forced us to reexamine our values and priorities. I learned a valuable lesson from my father-in-law. This man could fix any car, fix any appliance, he even built his own home. I would often be relegated as helper/gopher on his many projects. I observed that before he began any project; He would STOP.... Think about what he was doing.... why was he doing it....and what would be the best way to do it. Often in life we go through our routines like zombies bumping off walls. Not knowing what we're doing, why we're doing it, and what would be the best way to do it. Stop...slow down think about what we are doing.

Working for less gets you more ...

When embarking on a new career or endeavor we often look at the immediate rewards of the opportunity! We think about the amount of pay, the vacation, the immediate gratification. This is a loser bet. Often you can gain tremendous amounts of experience if you take a lower starting rate. You can build a new network of associates and gain skills you have otherwise never have achieved. One of my favorite jobs was actually as dishwasher. It didn't pay much, but I got to see how the inside of the restaurant industry worked. I got a free meal every shift and I got to meet some really great people. Not only can you learn what you like, but you can learn what you don't like. Maybe I wanted to open a restaurant someday, then I realized this isn't for me. Experience is far more valuable than your hourly rate.

BRING YOUR ADVANCED CHILD TAX CREDIT NOTICE THAT YOU RECEIVE FROM IRS

If you received an Advanced Child Tax Credit, please bring the notice you received from IRS to your appointment. We will need it to reconcile it with the actual credit when preparing your return.

Thank you and see you soon!