James V Sadrianna, PA
James Sadrianna, CPA
CPA
7441 Haddington Cove
Lakewood Ranch, FL 34202
407-810-8595
james@jamesvsadriannapa.net
jamesvsadriannapa.com

JimSadPA0322Newsletter

Table of Contents

Federal Tax Filing Season Has Started

The IRS announced that the starting date for when it would accept and process 2021 tax-year returns was Monday, January 24, 2022.

Tips for making filing easier

To speed refunds and help with tax filing, the IRS suggests the following:

- Make sure you have received Form W-2 and other earnings information, such as Form 1099, from employers and payers. The dates for furnishing such information to recipients vary by form, but they are generally not required before February 1, 2022. You may need to allow additional time for mail delivery.
- Go to *irs.gov* to find the federal individual income tax returns, Form 1040 and Form 1040-SR (available for seniors born before January 2, 1957), and their instructions.
- File electronically and use direct deposit.
- Check *irs.gov* for the latest tax information, including how to reconcile advance payments of the child tax credit or claim a recovery rebate credit for missing stimulus payments. Also, watch for letters from the IRS with important information about those payments that may help you file an accurate return.

Key filing dates

Here are several important dates to keep in mind.

- **January 14.** IRS Free File opened. Free File allows you to file your federal income tax return for free [if your adjusted gross income (AGI) is $73,000 or less] using tax preparation and filing software. You can use Free File Fillable Forms even if your AGI exceeds $73,000 (these forms were not available until January 24). You could file with an IRS Free File partner (tax returns could not be transmitted to the IRS before January 24). Tax software companies may have accepted tax filings in advance.
- **January 24.** IRS began accepting and processing individual tax returns.
- **April 18.** Deadline for filing 2021 tax returns (or requesting an extension) for most taxpayers.
- **April 19.** Deadline for filing 2021 tax returns (or requesting an extension) for taxpayers who live in Maine or Massachusetts.
- **October 17.** Deadline to file for those who requested an extension on their 2021 tax returns.

Awaiting processing of previous tax return?

The IRS is attempting to reduce the inventory of prior-year income tax returns that have not been fully processed due to pandemic-related delays. Taxpayers do not need to wait for their 2020 return to be fully processed to file their 2021 return.

Tax refunds

The IRS encourages taxpayers seeking a tax refund to file their tax return as soon as possible. The IRS anticipates most tax refunds being issued within 21 days of the IRS receiving a tax return if the return is filed electronically, any tax refund is delivered through direct deposit, and there are no issues with the tax return. To avoid delays in processing, the IRS encourages people to avoid paper tax returns whenever possible.

IRS started accepting returns:

- *Monday, **January 24, 2022***

Filing deadline for most individuals:

- *Monday, **April 18, 2022***
- *Tuesday, **April 19, 2022,** if you live in Maine or Massachusetts*
- *Monday, **October 17, 2022,** if you file for an automatic six-month extension by the original due date*

Making a last-minute contribution to an IRA may help you reduce your 2021 tax bill. If you qualify, your traditional IRA contribution may be tax deductible. And if you had low to moderate income and meet eligibility requirements, you may also be able to claim the Saver's Credit for 2021 based on your contributions to a traditional or Roth IRA. Claiming this nonrefundable tax credit may help reduce your tax bill and give you an incentive to save for retirement. For more information, visit irs.gov.

There's Still Time to Contribute to an IRA for 2021

Even though tax filing season is well under way, there's still time to make a regular IRA contribution for 2021. You have until your tax return due date (not including extensions) to contribute up to $6,000 for 2021 ($7,000 if you were age 50 or older on or before December 31, 2021). For most taxpayers, the contribution deadline for 2021 is Monday, April 18, 2022.

You can contribute to a traditional IRA, a Roth IRA, or both, as long as your total contributions don't exceed the annual limit (or, if less, 100% of your earned income). You may also be able to contribute to an IRA for your spouse for 2021, even if your spouse didn't have any 2021 income.

Traditional IRA

You can contribute to a traditional IRA for 2021 if you had taxable compensation. However, if you or your spouse were covered by an employer-sponsored retirement plan in 2021, then your ability to deduct your contributions may be limited or eliminated, depending on your filing status and modified adjusted gross income (MAGI). (See table below.) Even if you can't make a deductible contribution to a traditional IRA, you can always make a nondeductible (after-tax) contribution, regardless of your income level. However, if you're eligible to contribute to a Roth IRA, in most cases you'll be better off making nondeductible contributions to a Roth, rather than making them to a traditional IRA.

2021 income phaseout ranges for determining deductibility of traditional IRA contributions:		
1. Covered by an employer-sponsored plan and filing as:	Your IRA deduction is reduced if your MAGI is between:	Your IRA deduction is eliminated if your MAGI is:
Single/Head of household	$66,000 and $76,000	$76,000 or more
Married filing jointly	$105,000 and $125,000	$125,000 or more
Married filing separately	$0 and $10,000	$10,000 or more
2. Not covered by an employer-sponsored retirement plan, but filing joint return with a spouse who is covered by a plan	$198,000 and $208,000	$208,000 or more

Roth IRA

You can contribute to a Roth IRA if your MAGI is within certain limits. For 2021, if you file your federal tax return as single or head of household, you can make a full Roth contribution if your income is $125,000 or less. Your maximum contribution is phased out if your income is between $125,000 and $140,000, and you can't contribute at all if your income is $140,000 or more. Similarly, if you're married and file a joint federal tax return, you can make a full Roth contribution if your income is $198,000 or less. Your contribution is phased out if your income is between $198,000 and $208,000, and you can't contribute at all if your income is $208,000 or more. If you're married filing separately, your contribution phases out with any income over $0, and you can't contribute at all if your income is $10,000 or more.

2021 income phaseout ranges for determining eligibility to contribute to a Roth IRA:		
	Your ability to contribute to a Roth IRA is reduced if your MAGI is between:	Your ability to contribute to a Roth IRA is eliminated if your MAGI is:
Single/Head of household	$125,000 and $140,000	$140,000 or more
Married filing jointly	$198,000 and $208,000	$208,000 or more
Married filing separately	$0 and $10,000	$10,000 or more

Even if you can't make an annual contribution to a Roth IRA because of the income limits, there's an easy workaround. You can make a nondeductible contribution to a traditional IRA and then immediately convert that traditional IRA to a Roth IRA. Keep in mind, however, that you'll need to aggregate all traditional IRAs

You have until your tax return due date (not including extensions) to contribute up to $6,000 for 2021 ($7,000 if you were age 50 or older on December 31, 2021) to all IRAs combined. For most taxpayers, the contribution deadline for 2021 is April 18, 2022.

and SEP/SIMPLE IRAs you own — other than IRAs you've inherited — when you calculate the taxable portion of your conversion. (This is sometimes called a "back-door" Roth IRA.)

If you make a contribution — no matter how small — to a Roth IRA for 2021 by your tax return due date and it is your first Roth IRA contribution, your five-year holding period for taking qualified tax-free distributions from all your Roth IRAs (other than inherited accounts) will start on January 1, 2021.

COVID-19 may have kicked off a severe labor shortage, but longer-term demographic trends are partly to blame for this highly unusual job market.

Help Wanted: Why Can't Businesses Find Enough Workers?

The headline U.S. unemployment rate fell from 6.7% at the end of December 2020 to 3.9% in December 2021, marking the biggest one-year improvement in history.[1] While many workers took advantage of this strong rebound in the job market, companies large and small have been struggling with labor shortages.

A conspicuous lack of workers has snarled corporate supply chains; resulted in delayed and cancelled product orders; left working parents without access to child care; upended air travel; and forced restaurants, retail stores, and other businesses to shorten their hours or close understaffed locations. A recent spike in outbreaks from the Omicron variant worsened the situation.[2]

Since the pandemic began, unpredictable demand shifts have exposed pre-existing mismatches between the knowledge and skills of available workers and the tasks for which they are needed.[3] But the sheer number of available jobs is also running well above the number of unemployed job seekers. Employers reported 10.6 million job openings on the last business day of November 2021, even though there were the 6.8 million unemployed persons in November and 6.3 million in December.[4]

COVID-19 may have kicked off a severe labor shortage, but longer-term demographic trends are partly to blame for this highly unusual job market.

A Workforce in Flux

At the onset of the pandemic, the labor force participation rate — the percentage of Americans age 16 and older who are working or actively looking for work — plummeted from 63.4% in February 2020 to a record low of 60.2% in April 2020. By December 2021, the rate had recovered only partially to 61.9%.[5] About 2.3 million people have dropped out of the workforce entirely since the pandemic began.[6] Some may have left temporarily, but others are probably gone for good.

Early retirements. The baby boom generation (born 1946–1964) is very large, and birthrates have declined in recent decades. The labor force has been aging and shrinking, and retirees' share of the U.S. population has been growing. Economists have long expected this wave of boomer retirements, some of which may have been accelerated by the pandemic. By one estimate, there were 2.4 million "excess retirements" due to COVID-19 (as of August 2021). Higher retirement account balances and home values made it feasible for some people to retire earlier than they would have otherwise.[7]

Immigration slowdown. It's estimated that declining immigration may have removed as many as 2 million potential workers from the current U.S. labor pool. Net migration to the United States has dropped steadily each year, from a peak of 1.05 million people in 2016 to 595,000 in 2019 and 247,000 in 2021. The most recent and drastic annual decline (July 2020 through June 2021) was due in part to travel restrictions associated with the pandemic.[8]

Pandemic repercussions. In December 2021, about 1.1 million people reported that the pandemic had prevented them from seeking work.[9] This subset of missing workers includes those who still have child-care challenges or health concerns, including those who are contending with long-COVID symptoms.

On a positive note, pandemic relief measures helped many households strengthen their finances. Trillions of dollars in excess savings were accumulated thanks to stimulus payments, student loan pauses, and reduced spending while most people were stuck at home during 2020. This extra money gave many workers the breathing room to rethink their careers, and/or care for children or elderly parents, instead of working.

Economic Effects

A smorgasbord of open positions provides job seekers with more choices and more leverage. U.S. workers quit their jobs at record rates in 2021, in many cases to join new employers offering higher pay, lucrative benefits, better working conditions, or more flexibility, such as the option to work remotely.[10]

In fact, more intense competition for workers drove wages up 4.7% for the year ending in December 2021. Shortages have been more acute for lower-paying, in-person jobs, resulting in larger wage increases for workers in the leisure and hospitality, transportation and warehousing, and retail industries.[11]

Workers only benefit when wage gains outpace inflation, because it cuts into their buying power. And unfortunately, real wages, which are adjusted for inflation, dropped as prices spiked in 2021.

The Consumer Price Index (CPI) rose 7.0% in 2021 — the highest annual rate in nearly 40 years — as many businesses passed higher labor costs on to their customers.[12] In December, the Federal Open Market

Committee voted to speed up the tapering of the Fed's bond-buying program, setting the stage to begin raising interest rates more aggressively in response to persistent inflation.[13] The dilemma for Fed officials is that they don't want to raise interest rates too fast and risk cooling the economy if labor shortages and other supply-chain issues will fade in time. But they must also be ready to act if it looks as though wage increases could fuel a dreaded wage-price inflationary spiral.

Labor shortages ranked as the number-one external factor that U.S. CEOs think will have the greatest impact on their businesses in 2022. Rising inflation followed closely in second place.[14] The U.S. Chamber of Commerce has called on the federal government to reform and expand the legal immigration system so employers can fill jobs in labor-strapped industries, arguing that it could help cool inflation.[15]

In the coming months, some sidelined workers could be more motivated to seek employment when their savings are depleted or after their pandemic-related worries subside. Higher wages might also help draw some early retirees and stay-at-home parents back into the workforce.

However, labor force participation may never return to pre-pandemic levels, which means employers might need to change their hiring practices, reduce experience and education requirements, or provide training programs, opening the door to better-paying jobs for more workers. It's possible that automation technologies will also help fill the gap. Even so, it remains to be seen whether technology investments can boost productivity enough to offset a smaller workforce and maintain economic growth.

1, 4-5, 9-13) U.S. Bureau of Labor Statistics, 2021-2022

2) MarketWatch, January 11, 2022

3, 14) The Conference Board, 2022

6) S&P Global, 2022

7) Federal Reserve, 2021

8) U.S. Census Bureau, 2021

15) U.S. Chamber of Commerce, 2022

Wealth Due to Inheritance

What is it?

Introduction

If you're the beneficiary of a large inheritance, you may find yourself suddenly wealthy. Even if you expected the inheritance, you may be surprised by the size of the bequest or the diverse assets you've inherited. You'll need to evaluate your new financial position, learn to manage your sizable assets, and consider the tax consequences of your inheritance, among other issues.

Issues that arise in connection with an inheritance

If you've recently received a bequest, consider the possibility that the will may be contested if your inheritance was large in comparison with that received by other beneficiaries. Or, you may decide to contest the will if you feel slighted. If you're the spouse of the decedent, you may elect to take against the will. Taking against the will means that you're exercising your right under probate law (governed by the statutes of your state) to take a share of your spouse's estate, rather than what your spouse left you in the will, because this is more beneficial to you. Another possibility is that you may disclaim the bequest if you're in a high income or estate tax bracket, or don't need or want the bequest.

Caution: *Some states allow no-contest clauses to be included in wills. If a will has such a clause and someone contests the will and loses, he or she gets nothing.*

Evaluating your new financial position

Introduction

It's important to determine how wealthy you are once you receive your inheritance. Before you spend or give away any money or assets, decide to move, or leave your job, you should do a cash flow analysis and determine your net worth as a first step toward planning your financial strategy. Your strategy will partly depend on whether you have immediate access to, and total control over, the assets, or if they're being held in trust for you. In addition, you need to know what types of assets you've inherited (e.g., cash, property, or a portfolio of stocks).

Inheriting assets through a trust vs. inheriting assets outright

When you inherit money and assets through a trust, you'll receive distributions according to the terms of the trust. This means that you won't have total control over your inheritance as you would if you inherited the assets outright. With a trust, a trustee will be in charge of the trust. A trustee is the person who manages the trust for the benefit of the beneficiary or beneficiaries. The initial trustee was named by the individual who set up the trust. The trustee will likely be your parent or other family member, a close family friend or advisor, an attorney, or a bank representative. The trust document may spell out how the trust assets will be managed and how and when trust income and assets will be paid to you, and it will outline the duties of the trustee.

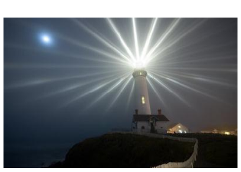
Know the terms of the trust

If you're the beneficiary of a trust, the following should be done to ensure that your interests are protected:

- Read the trust document carefully. You have the right to see the document, so if you can't get a copy, hire an attorney to get it. Go over the document yourself or with the help of a legal or financial professional, making sure you understand the language of the trust and how its income and principal will be distributed to you. You may be the beneficiary of an irrevocable trust (can't be changed), or you may be the beneficiary of a revocable trust (can be changed). In addition, determine whether certain practices are allowed or prohibited. For example, one common trust provision prohibits a beneficiary from borrowing against the trust. Another can prevent the beneficiary from paying creditors with assets of the trust. An additional provision usually prohibits creditors from attaching a beneficiary's share of the trust.
- Determine if the trust income is sufficient to meet your needs. Is the trust heavily invested in long-term growth stocks or nonrental real estate? Or, is the trust invested in things that provide income to you now, such as rental real estate or money market funds? From your agent (e.g., attorney, accountant) or trustee, get the income statements used to calculate how much income will be distributed to you.
- Get to know your trust officers (if any) and find out how much the trustee fees are. Then, compare the fee with the average in your state or county (you might ask your local bank for this information). You may be able to negotiate the fee if it is too high, especially if the estate is large.

Working with a trustee

In some trusts, the trustee must distribute all of the income to the beneficiary every year. This type of trust may be simple to administer and relatively conflict free. You may want to work with the trustee or other professionals to ensure that the annual trust



distribution is adequate to meet your needs.

In other trusts, the trustee may decide when to distribute trust income and how much to distribute. If this is the case, open communication with the trustee is important. You'll need to set up a sound budget or financial plan and carefully prepare your request for a trust distribution if it is out of the ordinary. It's in your best interests to find a way to work with the trustee. In most states, trustees are difficult to replace, and although they're not supposed to lose money on investments, they're not usually penalized if the trust performs poorly. If you decide to sue the trustee for mismanaging the trust, his or her legal fees may be paid for from the trust.

Caution: *No matter how trust funds are distributed, pay close attention to how the trustee handles the trust investments. Have your lawyer, accountant, or financial advisor look over the trustee's investment strategy. If your advisor determines that the trustee's investment strategy doesn't meet your needs or, worse, is unsound, discuss this strategy with the trustee or possibly ask the trustee to change his or her strategy.*

Inheriting a lump sum of cash

When you inherit a large lump sum of cash, you'll be responsible for managing the money yourself (or hiring professionals to do so). Even if you're used to handling your own finances, becoming suddenly wealthy can turn even the most cautious individual into a spendthrift, at least in the short run. Carefully watch your spending. Although you may want to quit your job, move, gift assets to family members or to charity, or buy a car, a house, or luxury items, this may not be in your best interest. You must consider your future needs, as well, if you want your wealth to last. It's a good idea to wait a few months or a year after inheriting money to formulate a financial plan. You'll want to consider your current lifestyle, consider your future goals, formulate a financial strategy to meet those goals, and determine how taxes may reduce your estate.

Inheriting stock

You may inherit stock either through a trust or outright. The major question to consider is whether you should sell the stock. This depends on your overall investment strategy and what type of stock you've acquired. If you acquire stock in a company, for example, and you now own a controlling interest, you'll need to look at how actively you want to be involved in the company or how much you know about the company. If you inherit stock and find that it doesn't fit your portfolio, you may consider selling it, depending on the market conditions.

Inheriting real estate

If you inherit real estate, such as a house or land, you'll probably have to decide whether to keep it or sell it. If you keep it, will you live there or rent it out? Do you hope that the house will appreciate in value, or are you keeping it for sentimental reasons? If you decide to sell or rent the house, you'll need to consider the tax consequences, as well.

Tip: *It's possible that you may inherit real estate or other assets together with others, and sales may require the other owners' assent or court action to sever the property.*

Short-term and long-term needs and goals

Once you've done a cash flow analysis and determined what type of assets you've inherited, you need to evaluate your short-term and long-term needs and goals. For example, in the short term, you may want to pay off consumer debt such as high-interest loans or credit cards. Your long-term planning needs and goals may be more complex. You may want to fund your child's college education, put more money into a retirement account, invest, plan to minimize taxes, or travel.

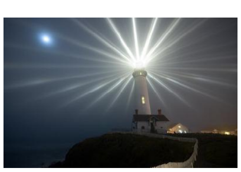
Use the following questions to begin evaluating your financial needs and goals, then seek advice on implementing your own financial strategy:

- Do you have outstanding consumer debt that you would like to pay off?
- Do you have children you need to put through college?
- Do you need to bolster your retirement savings?
- Do you want to buy a home?
- Are there charities that are important to you and whom you wish to benefit?
- Would you like to give money to your friends and family?
- Do you need more income currently?
- Do you need to find ways to minimize income and estate taxes?

Tax consequences of an inheritance

Income tax considerations

In general, you won't directly owe income tax on assets you inherit. However, a large inheritance may mean that your income tax liability will eventually increase. Any income that is generated by those assets may be subject to income tax, and if the inherited



assets produce a substantial amount of income, your tax bracket may increase. Once you increase your wealth, you should look at ways to minimize your overall tax liability, such as shifting income, giving money to individuals or charity, utilizing other income tax reduction strategies, and investing for growth rather than income. You may also need to re-evaluate your income tax withholding or begin paying estimated tax.

Transfer tax considerations

If you're wealthy, you'll need to consider not only your current income tax obligations but also the amount of potential transfer taxes that may be owed. You may need to consider ways to minimize these potential taxes. Four common ways to do so are to (1) set up a marital trust, (2) set up an irrevocable life insurance trust, (3) set up a charitable trust, or (4) make gifts to individuals and/or to charities.

Impact on investing

Inheriting an estate can completely change your investment strategy. You will need to figure out what to do with your new assets. In doing so, you'll need to ask yourself several questions:

- Is your cash flow OK? Do you have enough money to pay your bills and your taxes? If not, consider investments that can increase your cash flow.
- Have you considered how the assets you've inherited may increase or decrease your taxes?
- Do you have enough liquidity? If you need money in a hurry, do you have assets you could quickly sell? If not, you may want to consider having at least some short-term, rather than long-term, investments.
- Are your investments growing enough to keep up with or beat inflation? Will you have enough money to meet your retirement needs and other long-term goals?
- What is your tolerance for risk? All investments carry some risk, including the potential loss of principal, but some carry more than others. How well can you handle market ups and downs? Are you willing to accept a higher degree of risk in exchange for the opportunity to earn a higher rate of return?
- How diversified are your investments? Because asset classes often perform differently from one another in a given market situation, spreading your assets across a variety of investments such as stocks, bonds, and cash alternatives, has the potential to help reduce your overall risk. Ideally, a decline in one type of asset will be at least partially offset by a gain in another, though diversification can't guarantee a profit or eliminate the possibility of market loss.

Once you've considered these questions, you can formulate a new investment strategy. However, if you've just inherited money, remember that there's no rush. If you want to let your head clear, put your funds in an accessible interest-bearing account such as a savings account, money market account, or a short-term certificate of deposit until you can make a wise decision with the help of advisors.

Impact on insurance

When you inherit wealth, you'll need to re-evaluate your insurance coverage. Now, you may be able to self-insure against risk and potentially reduce your property/casualty, disability, and medical insurance coverage. (However, you might actually consider increasing your coverages to protect all that you've inherited.) You may want to keep your insurance policies in force, however, to protect yourself by sharing risk with the insurance company. In addition, your additional wealth results in your having more at risk in the event of a lawsuit, and you may want to purchase an umbrella liability policy that will protect you against actual loss, large judgments, and the cost of legal representation. If you purchase expensive items such as jewelry or artwork, you may need more property/casualty insurance to protect yourself in the event these items are stolen. You may also need to recalculate the amount of life insurance you need. You may need more life insurance to cover your estate tax liability, so your beneficiaries receive more of your estate after taxes.

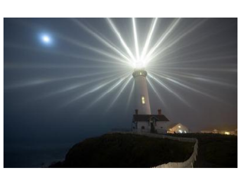
Impact on estate planning

Re-evaluating your estate plan

When you increase your wealth, it's probably time to re-evaluate your estate plan. Estate planning involves conserving your money and putting it to work so that it best fulfills your goals. It also means minimizing your exposure to potential taxes and creating financial security for your family and other intended beneficiaries.

Passing along your assets

If you have a will, it is the document that determines how your assets will be distributed after your death. You'll want to make sure that your current will reflects your wishes. If your inheritance makes it necessary to significantly change your will, you should meet with your attorney. You may want to make a new will and destroy the old one instead of adding codicils. Some things you should consider are whom your estate will be distributed to, whether the beneficiary(ies) of your estate are capable of managing the inheritance on their own, and how you can best shield your estate from estate taxes. If you have minor children, you may want to



protect them from asset mismanagement by nominating an appropriate guardian or setting up a trust for them.

Using trusts to ensure proper management of your estate and minimize taxes

If you feel that your beneficiaries will be unable to manage their inheritance, you may want to set up trusts for them. You can also use trusts for tax planning purposes. For example, setting up an irrevocable life insurance trust may minimize federal and state transfer taxes on the proceeds.

Impact on education planning

You may want to use part of your inheritance to pay off your student loans or to pay for the education of someone else (e.g., a child or grandchild). Before you do so, consider the following points:

- Pay off outstanding consumer debt first if the interest rate on your consumer debt is higher than it is on your student loans (interest rates on student loans are often relatively low)
- Paying part of the cost of someone else's education may impact his or her ability to get financial aid
- You can make gifts to pay for tuition expenses without having to pay federal transfer taxes if you pay the school directly

Giving all or part of your inheritance away

Giving money or property to individuals

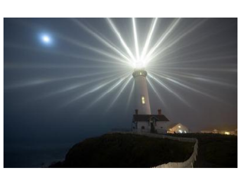
Once you claim your inheritance, you may want to give gifts of cash or property to your children, friends, or other family members. Or, they may come to you asking for a loan or a cash gift. It's a good idea to wait until you've come up with a financial plan before giving or lending money to anyone, even family members. If you decide to loan money, make sure that the loan agreement is in writing to protect your legal rights to seek repayment and to avoid hurt feelings down the road, even if this is uncomfortable. If you end up forgiving the debt, you may owe gift taxes on the transaction. Gift taxes may also affect you if you give someone a gift of money or property or a loan with a below-market interest rate. The general rule for federal gift tax purposes is that you can give a certain amount ($15,000 in 2019) each calendar year to an unlimited number of individuals without incurring any tax liability. If you're married, you and your spouse can make a split gift, doubling the annual gift tax exclusion amount (to $30,000) per recipient per year without incurring tax liability, as long as all requirements are met. Giving gifts to individuals can also be a useful estate planning strategy.

Tip: *The annual gift tax exclusion is indexed for inflation, so the amount may change in future years.*

Caution: *This is just a brief discussion of making gifts and gift taxes. There are many other things you will need to know, so be sure to consult an experienced estate planning attorney.*

Giving money or property to charity

If you make a gift to charity during your lifetime, you may be able to deduct the amount of the charitable gift on your income tax return. Income and other limits apply. Consult a tax professional for help. For estate planning purposes, you may want to make a charitable gift that can minimize the amount of transfer taxes your estate may owe. There are many arrangements you can make to reach that goal. Be sure to consult an experienced estate planning attorney.



I just made a gift. Do I have to file a gift tax return?

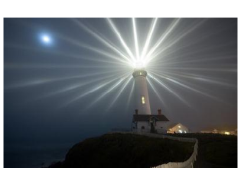
A federal gift tax return must be filed if any gifts you made during the calendar year were other than:

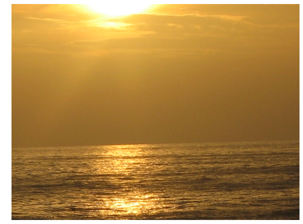
- Gifts to your U.S. citizen spouse
- Gifts to a political organization for its own use
- Gifts to qualified charities, if no other interest has been transferred for less than adequate consideration or for other than a charitable use
- Gifts totaling $16,000 (in 2022, $15,000 in 2021) or less to any one individual, unless you and your spouse are "gift-splitting"
- Amounts paid on behalf of any individual as tuition to an educational organization or to any person who provides medical care for an individual

However, you may want to file a gift tax return in certain circumstances even if the rules do not require it. For example, you should consider filing whenever you sell hard-to-value assets, such as real estate or stock in a family business, to a relative. This is because the IRS can claim that transactions between family members were actually gifts in disguise. Disclosing such transactions on a gift tax return means that the IRS has only three years to challenge the value.

If you file a federal gift tax return, you must use Form 709 and file by April 15 of the year following the year in which the gift was made.

The federal gift tax rules are complex. If you believe you have made gifts that might be subject to gift tax, you should consult an experienced tax specialist. Check with your state about its own rules regarding gifts, too.





James V Sadrianna, PA
James Sadrianna, CPA
CPA
7441 Haddington Cove
Lakewood Ranch, FL 34202
407-810-8595
james@jamesvsadriannapa.net
jamesvsadriannapa.com