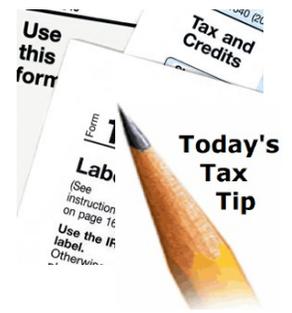




Tax Newsletter

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Upcoming Dates:

- September 5** - Labor Day Holiday
- September 15** - Filing deadline for 2021 calendar-year S corporation and partnership tax returns on extension
- Due date for 3rd quarter installment of 2022 estimated income tax for individuals, calendar-year corporations, and calendar-year trusts & estates



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Zeno Pockl Lilly & Copeland A.C.

Summer isn't over yet! But, before it ends, let's plan those final summer trips and outline some ideas to improve your financial portfolio while taking that long-deserved break. This month's letter includes a review of several ways to take advantage of IRA accounts to reduce your tax burden, with plenty of time to implement these ideas before the end of the year.

This month, we're giving you something that everyone can use – tips to improve your credit score! Please feel free to forward the information to someone who may be interested, and call us at 304-233-5030 with any questions you may have.

Great Things to Know about IRAs

IRAs can be a powerful tool to help lower your taxes, all while saving for retirement or other predetermined uses. Here are some things to know about IRAs:

1. **A non-working spouse can have an IRA.** If your spouse doesn't work, you may still be able to open and contribute to an IRA for your spouse, assuming that you work and that you file a joint tax return. This can be a great way to help reduce your taxable income each year.
2. **Children can have IRAs.** If your child has earned income, you can open and contribute to an IRA. Just ensure that you can document the earnings. While your child can contribute their own earnings, many parents will help keep track of things like money from babysitting or other side jobs, then match those earnings in either a traditional or ROTH IRA. The ROTH IRA is often preferred because the future earnings could be tax-free. Your child's IRA is managed by an adult until the child is old enough for the account to be transferred to their name.

3. **You may still contribute to an IRA if you have a 401(k) or similar program at work.** As long as you do not exceed the income limits, you are able to have both an IRA, as well as other forms of retirement savings plans.
4. **Non-deductible contributions may be made.** If you exceed IRA income phaseouts, contributions to your IRA may not reduce your taxable income for the year. But you may still want to make after-tax contributions to a non-deductible IRA. Remember, while you are taxed on the contributions to a non-deductible IRA, the earnings can still grow tax-deferred.
5. **It's not just for retirement.** With traditional IRAs, if you withdraw funds before the age of 59 ½, you may be subject to income tax AND an early withdrawal penalty. But there are exceptions to this rule. These exceptions include withdrawals for a first-time home purchase, major medical bills, college costs, birth/adoption, and many others.

Tax rules surrounding IRAs are vast and complex. But, within the rules are numerous situations that can help you plan for a more tax-efficient future.

Tips to improve your credit score

Credit scores are used to determine interest rates on mortgages, car loans, and even the amount you pay for insurance premiums. Because of this, it is a good idea to review ways to improve your credit score. Here are some ideas:

- **Look for errors on your credit report.** The best place to start is a review of your credit reports. You are entitled to get a free copy of your credit report every 12 months from each credit reporting company: Equifax, Experian, and TransUnion. Once you get a copy of your report, review it for accuracy. Be proactive and follow up to correct any errors by using the process that is outlined by each credit reporting company.
- **Pay bills on time.** The easiest way to improve your credit is to have a string of on-time payments for all bills that are reported to credit agencies. This is the *most important* part of your credit score equation. While reviewing your credit report, pay special attention to who is reporting your payments, and note if any are delayed. Then, gather all of your monthly bills, identify the due dates, and take advantage of automated tools to ensure that the payments are always made on time.
- **Get credit card utilization as low as possible.** The amount of credit you're using at any given time is called your credit utilization and is the second biggest factor in your credit score. For example, if your credit card limit is \$5,000 and your balance is \$3,000, your credit utilization is 60%. Try to reduce this percentage to no more than 20%. You can do this by spending less, paying off as much of your balance as possible, or increasing your credit limits.
- **Sign up for score-boosting programs.** A newer way to help improve your credit is to include information on your credit report that normally isn't reported. Programs like Experian Boost and UltraFICO help you add bills such as rent, utility, and cell phone payments to your credit report, and can help to analyze how you use your checking, savings, or money market accounts. Be aware that these programs may ask for access to you bank accounts and could easily work against you if the reporting has a negative impact on your credit if there is a billing problem.
- **Avoid requests for new credit.** Trying to open a new credit or loan account could lower your score by as much as 10 points. The more inquiries that are made by creditors who are trying to assess your creditworthiness when trying to open a new account, the more impact it has on your credit score. While, in the long-term, your score can be maximized by having a diverse mix of different types of credit accounts, be aware that, in the short-term, adding new accounts will negatively affect your score.

How quickly you can raise your credit score obviously depends on your individual situation, but following these tips will lead to a higher credit score sooner rather than later.

Debit Cards – the Smart Way!

Save money and potential headaches with these debit card tips:

- **Only use in-network ATMs.** All debit cards are also ATM cards and are used by many people to access cash. One of the most common fees appears when you use an out-of-network ATM.

***What you can do:** Understand the ATM fees that are charged by your bank. Only choose a bank that provides free ATM withdrawals for in-network locations. Look at the back of your debit card to see what ATM networks are considered in-network. Then, use only those ATMs.*

- **Fraud protection benefits are different.** Most credit cards provide zero liability on any unauthorized charges. Debit cards also provide protection against fraudulent purchases, but, there may be limitations depending on which financial institution issued your card. According to federal law, here is the maximum amount of fraudulent transactions that you will be responsible for, depending on when you notify your bank that your card is lost or stolen:

***What you can do:** Immediately notify your financial institution as soon as you realize that your debit card is lost or stolen. Frequently review transactions online to identify any unknown charges. But also check with your bank to verify the liability coverage and the timing required to report fraud on your debit card.*

- *Immediate notification when unauthorized charges are made:* Zero liability
- *Within 2 business days:* Up to \$50
- *After 2 business days, but within 60 days:* Up to \$500
- *Fail to notify within 60 days:* Unlimited

- **Have multiple ways to access your cash.** If your debit card gets lost or stolen, have another way to pay bills until your new debit card is issued. This is especially true if you're traveling.

***What you can do:** Ask your bank about its options for issuing multiple debit cards for the same checking account. If you're opening an account, other than a free checking account, ask about potential fees, service charges, and balance limitations.*

- **A debit card is not always the best payment method.** Remember that a debit card provides financial access to your bank account. If things do not go as planned, your ability to pay other bills can be affected. For example, a stolen debit card may require you to lock your checking account. What does that mean for your other outstanding payments, such as your mortgage, vehicles, or utilities?

***What you can do:** Avoid using a debit card on websites that are targets for scammers. Consider having a separate bank account as a backup, in case the account that is linked to your debit card needs to be shut down.*

While debit cards are quickly overtaking checks and cash as the most popular method of payment, it is important to evolve your use of debit cards to maximize their benefit to you.

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

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us at 304-233-5030.