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Tools To Prove You Live In A Low Tax State

When people move to a low tax state and still keep their home in that high tax state, they have a problem. Usually, they cannot prove they live and spend most of their time in the low tax state.

Consider an iPhone app called MONAEO which automatically records your whereabouts using a combination of digital technologies including the cellular network, Wi-Fi and GPS.

In addition to the app, Monaeo's $79 a month ($948/year) service includes a website that allow users to grant accountants, lawyers and assistants access to their information.

A less expensive option is TAXDAY, a $10 a month ($120/year) app that knows the rules in each state, New York City and (in the Android version) some other large cities for the maximum number of days a person can spend there before being taxed as a resident. It uses GPS to track users automatically and alerts them when they are running out of days allowed.

The app also lets a person record the purpose of each trip, because rules differ as to what qualifies for tax purposes as time spent in a location. Some jurisdictions, for instance, do not count time at an airport or spent involuntarily hospitalized. Users can attach boarding passes and other receipts within the app.

Tracking apps alone will not necessarily give taxpayers an ironclad case. Smartphone apps are always subject to gaming. You could, for instance give someone a phone and a credit card to use for you in one state while you are in another.

For an extra fee, MONAEO offers a service that pulls together any other digital evidence of location. Possible additional sources include electronic toll collection records, as well as credit card charges, records of plane trips, office building swipes with a keycard, and transit fare cards linked to a bank or credit card account. *The Wall Street Journal March 25, 2019 p. R2*.

Did You Borrow From Your IRA For Short Term Needs?

Watch out if you plan to "borrow" from your IRA for short term needs. The money must be rolled over into an IRA within 60 days or the distribution is taxed, and also hit with a 10% early payout penalty if you have not reached 59½. HOWEVER, the CARES ACT established special tax rules for qualifying COVID-19 related distributions that are taken in 2020. A distribution may be eligible for an individual who is diagnosed with SARS-CoV-2 or COVID-19 by a test approved by the Center for Disease Control and Prevention (CDC) or whose spouse or dependent is diagnosed by such a test, and who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of childcare due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to SARS-CoV-2 or COVID-19, or other factors as determined by the Treasury Secretary (or the Secretary's delegate).

The qualifying distribution is limited to $100,000 for each individual and would not be subject to the 10% early withdrawal penalty if under 59½. In addition, the income tax due on the taxable portion of the qualifying distribution may be spread evenly over 3 years. The qualifying distribution may also be repaid to an eligible retirement plan within a 3 year period.

The IRS frowns on waiving the 60 day period. But, courts can sometimes be lenient. The IRS refused to give more time to a woman who tapped her IRA to buy a new home while waiting for the sale of another home to close. She replenished the funds in her IRA with the proceeds from selling the former home by overnighting a check to the bank. The check arrived at the bank on day 58 but was not deposited into the IRA until day 62. The IRS treated the rollover as untimely but the Tax Court disagreed, saying the lateness of the deposit was attributed to a bookkeeping error. *Burack TC Memo 2019-83*.

98.6 Degrees Is No Longer The Body's Norm

Nearly 150 years ago, a German physician analyzed a million temperatures from 25,000 patients and concluded that normal human body temperature is 98.6 degrees Fahrenheit. At least two dozen studies have concluded the number is too high. Today, they say the average normal human body temperature is closed to 97.5 degrees Fahrenheit.

People are taller, fatter and live longer and temperature is linked to all those things. The studies analyzed 677,423 temperatures collected from 189,338 individuals over a span of 157 years. The readings were recorded in the pension records of Civil War veterans from the start of the war through 1940; in the National Health and Nutrition Examination Survey conducted by the U.S. Centers for Disease Control and Prevention from 1971 through 1974 and on the Stanford Translational Research Integrated Database Environment from 2007 through 2017.

Overall, temperatures of the Civil War veterans were higher than measurements taken in the 1970s and, in turn, those measurements were higher than those collected in the 2000s.

150 years ago, people had tuberculosis, dysentery, bone infections that festered their entire lives and were exposed to infectious diseases we have since conquered . Life expectancy was 38 years and chronic infections such as gum disease and syphilis affected large portions of the population. The most plausible explanation for the decrease in temperature is a population level change in inflammation.

Human temperature can be measured in the mouth, armpit, ear or rectum. Ear and rectal temperatures tend to be a half a degree higher than oral temperature and temperature taken in the armpit tends to be one degree lower. *The Wall Street Journal January 18-19, 2020 p. A2.*

Filers Miss Out On QBI Deduction

Self-employed, farmers and individual owner of partnerships, LLCs, S Corporations and other pass-through firms can deduct 20% of their Qualified Business Income, subject to limitations for higher income individuals. But not all eligible filers are taking this break, also known as IRC 199A. Treasury inspectors identified nearly 900,000 returns for 2018 in which filers appeared to qualify for the deduction, but did not take it for one reason or another. *Kiplinger Tax Letter Vol 95 No. 3 2/7/20*.

We take this deduction for our clients for an additional fee because the calculation is so complex.

As always, if you have any questions about these or any other matters, do not hesitate to call us.

Remember, We’re Here For You!