

LINDSEY & WALDO

CERTIFIED PUBLIC ACCOUNTANTS

"You see the numbers, we look for the opportunities."



SPECIAL POINTS OF INTEREST:

- Document, document, document
- Are your Social Security benefits taxable?
- Networking advice
- Referrals, Richard's reads, quotes, and more...

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Taxing Times

Dedicated to helping our clients keep the money that belongs to them through a focus on tax.

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Tax Breaks for Volunteer Charity Work

If you are a volunteer worker for a charity, you should be aware that your generosity may entitle you to some tax breaks.

Although no tax deduction is allowed for the value of services you perform for a charitable organization, some deductions are permitted for out-of-pocket costs you incur while performing the services (subject to the deduction limit that generally applies to charitable contributions). This includes items such as:

- Away-from-home travel expenses while performing services for a charity (out-of-pocket round-trip travel cost, taxi fares and other costs of transportation between the airport or station and hotel, plus lodging and meals). However, these expenses aren't deductible if there's a significant element of personal pleasure associated with the travel, or if your services for a charity involve lobbying activities.
- The cost of entertaining others on behalf of a charity, such as wining and dining a potential large contributor (but, the cost of your own entertainment or meal is not deductible).
- If you use your car while performing services for a charitable organization you may deduct your actual unreimbursed expenses directly attributable to the services, such as gas and oil costs. Alternatively, you may deduct a flat 14¢ per mile for charitable use of your car. In either event, you may also deduct parking fees and tolls.
- You can deduct the cost of a uniform you wear when you do volunteer work for the charity, as long as the uniform has no general utility (e.g., a volunteer ambulance worker's jumpsuit). You can also deduct the cost of cleaning the uniform.

No charitable deduction is allowed for a contribution of \$250 or more unless you substantiate the contribution by a written acknowledgment from the charitable organization. The acknowledgment generally must include the amount of cash, a description of any property contributed, and whether you got anything in return for your contribution. This presents a problem where you, as a volunteer, make a contribution on behalf of rather than directly to a charity. One way around this is for the charity to pay for the expenses and then be reimbursed by you (or you can make the donation before the expense is incurred). If this isn't possible, you can safeguard your deductions as follows:

- Get written documentation from the charity about the nature of your volunteering activity and the need for related expenses to be paid. For example, if you travel out of town as a volunteer, get a letter from the charity explaining why you're needed at the out-of-town location.
- If you are out-of-pocket for substantial amounts, you should submit a statement of expenses and, preferably, a copy of the receipts, to the charity, and arrange for the charity to acknowledge in writing the amount of the contribution.
- You should maintain detailed records of your out-of-pocket expenses—receipts plus a written record of the time, place, amount, and charitable purpose of the expense. ※



Do You Owe Taxes on Social Security Benefits?

Social Security is one of the three legs — with individual retirement accounts and pensions (if you're lucky enough to have one) being the other two — that most people rely on in their golden years. That's great, but you might be wondering if you'll pay taxes on your Social Security benefits when you start receiving them.

Well, the quick answer is: You could.

In fact, more than half of those receiving Social Security benefits owe taxes on them. But, when does that happen and why?

Whether you're retired (and maybe working part-time) or planning ahead for your finances after you stop working full-time, let's see what's in store for you with the IRS.

The math

"Social Security benefits" include monthly retirement, survivor, and disability benefits. They do *not* include supplemental security income (SSI) payments — those monthly payments to adults and children with a disability, or blindness, who have income and resources that fall below specific financial limits.

SSI is not taxable. Generally, if *all* your income is from Social Security benefits, this also isn't taxable.

If you got Social Security benefits plus other income, you can find out how much is taxable in the worksheet in the IRS Form 1040 (your personal tax return) instruction book.

You must pay federal income taxes on your Social Security benefits (several states tax Social Security, too — check with us) if you have other income in addition to your benefits. This includes wages, self-employment or gig income, interest, dividends, and other taxable income that you report on your 1040.

Here's the good news: You'll pay federal tax on only 85% *max* of your Social Security benefits, based on IRS rules. Exactly what the percentage is depends on the status you use to file your taxes and how much you make a year.

Let's start at the beginning: If you do get Social Security benefits, you'll get a Social Security Benefit Statement each January (Form SSA-1099) that will show what you got in benefits the year before. (If you are a nonresident alien and you received or repaid Social Security benefits last year, they'll send a Form SSA-1042S.) You use this form when you complete your federal income tax return to find out if your benefits are taxed.

One of the figures you use to calculate your taxes is your gross income (all the money you got through the year that's taxable). This includes goods, property, and services that aren't exempt from tax, which also means any income from sources outside the United States or from the sale of your main home.

Pay attention to the base amount of taxable income (combined income, aka half of your benefit amount plus any other earned

taxable income) for your filing status:

- 25,000 dollars if you file Single, Head of Household, or are a qualifying surviving spouse — or if you file Married Filing Separately and lived apart from your spouse for the entire year.
- 32,000 dollars if you file Married Filing Jointly.
- 0 dollars if you file MFS and live with your spouse at any time during the tax year.

The taxes

The portion of your benefits subject to taxes varies with your income. You'll be taxed on up to half your benefits if your income is 25 grand to 34 grand for an individual or 32 grand to 44 grand for a married couple filing jointly. You'll be taxed on up to 85% of your benefits if your income is more than 34,000 dollars (individual) or 44,000 dollars (couple).

AARP gives a good example. Let's say you file as Single and have 50 grand in income and get 1,500 dollars monthly in Social Security. You have to pay federal taxes on 85% of your annual benefits: 15,300 bucks in taxable income.

(Look into setting up an online Social Security account. With one, you can get a replacement SSA-1099 or SSA-1042S or Social Security card, as well as estimate your future benefits or manage benefits you already get.)

If you do have to pay taxes on your benefits, you can make quarterly estimated tax payments to the IRS or get federal taxes withheld from your benefits. We can help you decide which is better.

Survivor benefits

Retirees aren't the only ones getting Social Security. If your child gets Social Security dependent or survivor benefits, those payments do *not* count toward your taxable income. *That money is taxable, though, if the child has enough income from Social Security and other sources to file a tax return in their own name.*

If you *and* your child get benefits, you want to figure out your tax on Social Security benefits separately from your child. ※



An Effective Word-of-Mouth Marketing Tool

Everybody knows about customer and employee referral programs, which usually offer a quick, monetized reward for sending business your way. They're great when they work well. (Most word-of-mouth programs are, as long as your company has a good reputation.)

As small business owners, we all know referrals are GOLD. Most customers who have a good experience with a company will recommend that company. Leads from those referrals tend to be worth more in both the short and long term, and most people trust referrals from people they know personally.

It's like having salespeople you don't have to pay.

Then, there are other businesses (non-competitors of yours) who may be willing to recommend your company to their own customers. You, of course, must be willing to recommend your customers to them. You may well already have an ad hoc, informal version of this arrangement. Nowadays, this is called a "referral team." You can formalize this process for an even better payoff.

Here's how to start.

Who to approach?

Ideally, you're looking to put together a team of about six or so associates who have companies that complement - but do not compete directly with - what your company does. Your prospective team members are determined by your company's goals, your market and industry, your (presumably good) opinion of your prospective fellow team members, and your idea of who'd be most willing to spread the word about you.

Regarding competition, there is wiggle room in your choices: In our line of work, for instance, one accounting firm that does only tax preparation might make an excellent referral teammate for an accounting firm that does only business advising. Maybe an accounting firm that handles tax and accounting could find good prospective teammates in lawyers, insurance agents, IT providers, and so on.

The point is to create a steady, two-way flow of new customers. An effective referral team is also usually a small one. That's the best way to hold every member (including you) accountable for sending referrals to each other.

A little common sense here: Make sure your company is ready to participate in this network and handle the new business. If there are any problems handling the business coming through your door already, or any customer service issues you've been meaning to clean up, now's the time! You *do not* want team members referring customers to you, and then having those new relationships consistently go south — there's no quicker way to see your referral team unravel.

Going formal

In order to build a team of referral partners, you need like-minded businesses who are also interested in growing their business through word-of-mouth. And, perhaps just as important, interested in helping you grow yours.

Now, you could, as some suggest, go through your contact data base and see who you think might fit the bill. Get everybody together. Create some sort of agreement in order to hold each other accountable. Figure out some way to track both the referrals you give and receive. Set a time and place to meet weekly, or...

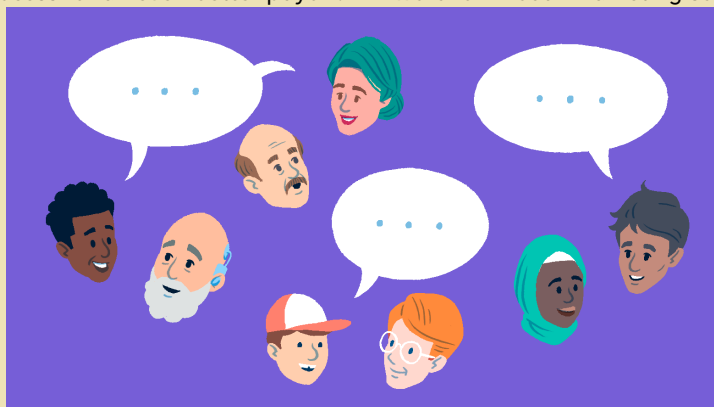
Or, instead of reinventing the wheel, you can use the system that's already been established by Business Network International (BNI). BNI is the largest international networking organization of its kind. In its 39th year, BNI members have passed 14.6 million referrals worth \$22.1 billion in the last 12 months.

If word-of-mouth marketing sounds like something which could

help your business, talk to me. I'll tell you my story and I'll introduce you to my referral partners.

Patience is a virtue

Building a referral team takes time. Depending on your line of business, it may take a little while for your referral partners to get to know you, like you, and trust you, or it may take a longer while. **It doesn't happen overnight for anybody.**



But, who doesn't love referrals?

"You can make more friends in two months by becoming interested in other people than you can in two years by trying to get other people interested in you." - Dale Carnegie

What I'm Reading...

NOW

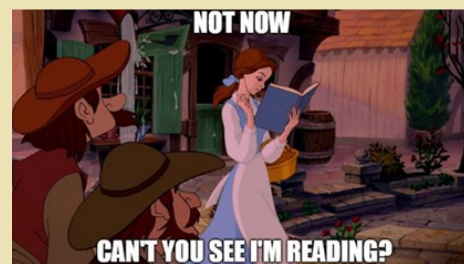
Driving the Tide
by Lee Jackson

Think and Grow Rich
by Napoleon Hill

RECENTLY

Unknown Rider
by Jack Stewart

Unwoke: How to Defeat Cultural Marxism in America
by Ted Cruz



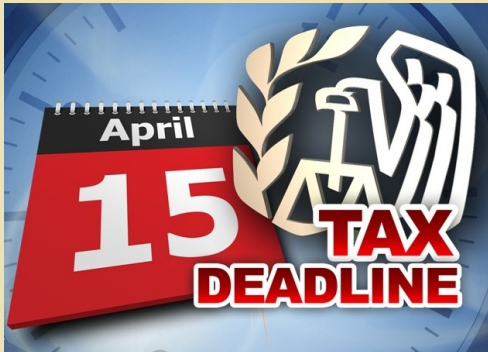


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Looking for Someone You Can Rely On?

We really believe in the process of referrals, so part of the service we provide is to be sure to refer our clients and associates to other qualified businesspeople in the community.

Below, you'll find a list of areas in which we know very credible, ethical, and outstanding professionals. If you're looking for a professional in a specific area we've listed, please feel free to contact us. We will be glad to put you in touch with the people we know who provide these services.

- Banker
- Beneficial Ownership Information (BOI) Reporting
- Medicare Supplements
- Financial Advisor
- Payroll Processor
- Social Media Expert
- Realtor
- Business Insurance
- Signs
- Veterinarian
- Printer
- Home Inspector
- Mortgage Broker
- Bathroom Remodeling
- Cruise Agent
- Business Coach
- Custom Monogramming
- Air Conditioning Repair



"The avoidance of taxes is the only intellectual pursuit that carries any reward."
- Economist, John Maynard Keynes

"The government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it."
- Ronald Reagan

"Elections should be held on April 16th—the day after we pay our income taxes. That is one of the few things that might discourage politicians from being big spenders."
- Thomas Sowell

"Alexander Hamilton started the U.S. Treasury with nothing and that was the closest our country has ever been to being even."
- Will Rogers

If and only to the extent that this publication contains contributions from tax professionals who are subject to the rules of professional conduct set forth in Circular 230, as promulgated by the United States Department of the Treasury, the publisher, on behalf, of those contributors, hereby states that any U.S. federal tax advice that is contained in such contributions was not intended or written to be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer by the Internal Revenue Service, and it cannot be used by any taxpayer for such purposes.*