

LINDSEY & WALDO

CERTIFIED PUBLIC ACCOUNTANTS

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



SPECIAL POINTS OF INTEREST:

- Medicare and employer sponsored health insurance
- Primary job, side job, and taxes
- Halloween humor
- Referrals, Richard's reads, reminders
- 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.

VOLUME 16, ISSUE 10

OCTOBER 2024

Should You Enroll in Medicare if You Are Still Working?

As you approach age 65, one of the most important decisions you'll face is whether to enroll in Medicare. But, what if you're still working and have health insurance through your employer? The decision isn't always straightforward. Here's what you need to consider when deciding whether to enroll in Medicare while still employed.

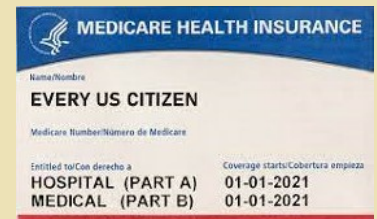
Understanding Medicare Enrollment

Medicare eligibility begins at age 65, and you have a seven-month Initial Enrollment Period (IEP) that includes the three months before your 65th birthday, the month of your birthday, and the three months after. While many people automatically enroll in Medicare Part A (hospital insurance) at 65 because it's usually premium-free, deciding whether to enroll in Part B (medical insurance) and Part D (prescription drug coverage) can be more complex if you're still working.

Employer-Sponsored Health Insurance

If you're still working and have health insurance through your employer, you may wonder if it's necessary to enroll in Medicare. Here are some key factors to consider:

- **Employer Size Matters:** If your employer has 20 or more employees, your employer's insurance is considered primary, and Medicare is secondary. In this case, you might decide to delay enrolling in Medicare Part B to avoid paying the monthly premium, as your employer's insurance should cover most of your medical costs.
- **If Your Employer is Small:** If your employer has fewer than 20 employees, Medicare becomes the primary payer, and your employer's insurance is secondary. In this situation, it may be wise to enroll in Medicare Part B to ensure you have adequate coverage, as your employer's plan might not cover costs that Medicare would typically pay.



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Avoid Getting Tripped up by Taxes on Your Side Hustle

What is gig work?

Side hustles, or gig work, varies widely, so it isn't always easy to pinpoint, but the IRS definition is an "activity where people earn income providing on-demand work, services, or goods." Often through an app or website. These are generally, but not exclusively, temporary, contract, or freelance jobs. Common examples include: driving for Uber or DoorDash as an independent contractor, or getting paid through means such as Venmo, PayPal or Cash App (online payment apps).

Your gig work gets reported on Schedule C of your federal income tax Form 1040 as business income. You will be allowed to calculate your income by deducting from your gross receipts any ordinary and necessary business expenses, which could minimize your tax bill at the end of the year. Your gig work will require a bit of recordkeeping on your part, but this will be well worth the effort in reducing your tax bill.

Here is what you should be doing:

Separate personal amounts from gig income receipts. Separating nontaxable personal amounts received (money from personal loans or money received as a gift) from gig work income is a helpful first step towards tracking the income and expenses of your gig. Some examples of personal amounts that are not subject to tax include:

- * Money Venmoed from a friend to split a shared meal at a restaurant,
- * PayPal money you received from friends when you purchased a block of tickets to a concert and they are reimbursing you for their ticket, or
- * Colleagues reimbursing you for that large baby shower gift you all went in on for a colleague's baby shower.

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Avoid Getting Tripped up by Taxes on Your Side Hustle—continued from page 1

Start tracking deductions.

If you have not been documenting allowable deductions from your side gig, you should start. Form 1099-K, or 1099-NEC, will only report gross receipts, it will not show the expenses you can deduct against the gross receipts, and you should track these expenses to reduce your taxable income and minimize your tax liability. The IRS may take the position that all your gross receipts reported on those tax forms are income and will disallow deductions unless you can substantiate them.

You should keep receipts as evidence supporting your deductions and maintain a separate bank account to pay business expenses and receive business payments. If you come under IRS or state audit, the government will require business-like contemporaneous recordkeeping, meaning records kept at the time the business income producing activity occurred. The IRS recommends keeping records for at least seven years. After-the-fact estimated deductions or backward-looking record keeping will come under heightened scrutiny and may be rejected by auditors.

Not all expenses are allowed as deductions for tax purposes. Which deductions you are allowed will vary based on your gig.

Here are some allowable deductions common to gig workers:

Vehicle expenses/mileage. If you are a rideshare or delivery driver, your main expense is likely to be for your vehicle. You may deduct either the actual cost of using the vehicle in a trade or business or claim a per-mile deduction allowance. Deducting the actual costs of auto maintenance, under the actual expense method, involves keeping receipts for things like gas, oil changes, tire purchases, car washes, insurance and repair parts and services, which can be cumbersome. Typically, individual taxpayers take the per-mile deduction, because this involves less recordkeeping, is easier, and often generates a larger deduction.

If you drive your own car for your gig, it is important to distinguish between business and personal auto expenses. Remember that driving to pick up fares gives rise to deductible expenses, not just when you have a passenger in the car. However, the IRS is likely to disallow a certain part of your business expense deduction if it thinks you are running personal errands between passengers. You must track your mileage regardless of which method you use to deduct vehicle expenses.

Mobile device apps can make capturing mileage information easier.

Parking and toll fees. If you pay toll or parking fees, these expenses are deductible in addition to your per-mile or actual expense deduction. Therefore, you should maintain records of tolls and parking fees on jobs you perform.

Cell phone and internet service. Your gig might require you to use your cell phone or the internet. If you use the cell phone or internet solely for your gig, it will be 100% deductible.

If you use the same phone for your personal and gig needs, you can only deduct part of the expense, and you will need to allocate cellphone and/or internet costs between deductible business and nondeductible personal expenses on a month-by-month basis.

You should keep records that show:

- * The amount and date of each separate expenditure (your internet or itemized cell phone bill is sufficient for this).
- * Notes that show whether each call was business or personal.
- * Notes that show the purpose of business-related calls.

Try to document business use contemporaneously, as it occurs.

Self-employment taxes. If your net business income reported

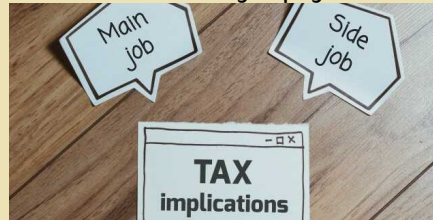
on Schedule C results in \$400 or more of net earnings from self-employment, you will be required to file Schedule SE and pay self-employment (SECA) tax of 15.3% up to the Social Security wage cap (\$160,200 for 2023; \$168,600 for 2024) and 2.9% above the cap. Self-employment tax is what independent contractors pay instead of FICA taxes.

If you have a job where you pay FICA taxes and a side gig where you pay SECA taxes, your W-2 wages and net earnings from self-employment are added together in applying the Social Security wage cap.

The good news is that you get an income tax deduction for half of the amount of your SECA taxes.

Estimated tax. You may be required to make four quarterly installment payments of estimated tax based on the amount of the income from your gig to avoid an underpayment penalty. Your estimated tax payments (including the amount of income taxes withheld from your wages at your job and reported to you on Form W-2) must equal at least the lesser of 90% of the tax shown on your current-year return or 100% (110%, for high income individuals) of the tax shown on your prior-year return.

You can also increase your income tax withholding at your day job to meet the estimated tax requirement. ✖



GHOULS, RULES, AND FOOLS

MORE OF PAULA'S RULES FOR A SAFE HALLOWEEN



1. If your car runs out of gas at night on a lonely road, do not go to the nearby deserted-looking house to phone for help. If you think that it is strange because you thought you had $\frac{3}{4}$ of a tank, shoot yourself instead. You are going to die anyway, and most likely be eaten.
2. Beware of strangers bearing strange tools. For example: chainsaws, staple guns, hedge trimmers, electric carving knives, combines, lawnmowers, butane torches, soldering irons, band saws, or any devices made from deceased companions.
3. If you find that:
 - a. Your house is built upon a cemetery,
 - b. Was once a church that was used for black masses,
 - c. Had previous inhabitants who went mad or committed suicide or died in some horrible fashion, or
 - d. Had inhabitants who performed Satanic practices in your house, **MOVE AWAY IMMEDIATELY.**
5. Don't fool with recombinant DNA technology, unless you're sure you know what you're doing.
6. Don't let AI make your costume choices: You might end up with a neural network dressed as a cloud or a blockchain dressed as a vampire.

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Should You Enroll in Medicare if You Are Still Working? - *continued from page 1*

Medicare Part D Considerations

Prescription drug coverage is a key factor in your decision. Medicare Part D provides prescription drug coverage, but if you have employer-sponsored insurance, you might already have this benefit. Here's what to keep in mind:

- **Creditable Coverage:** If your employer's prescription drug coverage is considered "creditable" (meaning it's as good as, or better than, Medicare Part D), you can delay enrolling in Part D without facing a late enrollment penalty. It's crucial to get a letter from your employer confirming that your drug coverage is creditable.
- **Late Enrollment Penalty:** If your employer's coverage is not creditable, or if you lose it, you may face a late enrollment penalty if you don't sign up for Medicare Part D when first eligible. This penalty increases the longer you go without creditable prescription drug coverage, and is added to your monthly Part D premium permanently.
- **Cost Comparison:** Compare the cost of your employer's prescription drug coverage with Medicare Part D plans. In some cases, Medicare Part D may offer better coverage or lower costs, depending on the medications you take.

Avoiding Late Enrollment Penalties

Even if you choose to delay enrolling in Medicare Part B while still employed, you need to be aware of potential late enrollment penalties. If you don't sign up for Medicare Part B when first eligible and your employer's coverage ends or becomes insufficient, you could face a life-long penalty of 10% for each 12-month period you were eligible but didn't enroll. However, you can avoid this penalty by enrolling in Medicare during a Special Enrollment Period (SEP), which you qualify for if you're still covered by an employer plan after turning 65.

Coordination with Health Savings Accounts (HSAs)

If you're contributing to a Health Savings Account (HSA), it's important to note that once you enroll in any part of Medicare, you can no longer contribute to your HSA. If maximizing your HSA contributions is part of your financial plan, you may want to delay Medicare enrollment, but only if you have sufficient coverage through your employer.

Evaluating the Cost of Coverage

Another important consideration is the cost of maintaining your employer-sponsored plan versus enrolling in Medicare. Depending on your employer's plan and your medical needs, Medicare could be more cost-effective. Compare the premiums, deductibles, copays, and out-of-pocket maximums of both options to determine which provides the best value.

Retirement Planning Considerations

If you plan to retire soon, it might make sense to enroll in Medicare even if you're still working. This is especially true if your retirement date coincides with your 65th birthday or shortly thereafter. Enrolling in Medicare Part B and Part D during your IEP ensures you won't have any gaps in coverage when you transition from employer-sponsored insurance to Medicare.

Conclusion

Deciding whether to enroll in Medicare while still working depends on several factors, including the size of your employer, the quality and cost of your current health insurance, and your retirement plans. Understanding how Medicare, including Part D, interacts with your employer-sponsored coverage is crucial to making an informed decision. As always, consult with your financial or tax advisor to tailor the best strategy for your specific situation. ✖

We Believe in Referrals

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.



- | | | |
|---------------------------------|----------------------------------|---------------------|
| ◆ Medicare Insurance Specialist | ◆ Mortgage Broker | ◆ Banker |
| ◆ Digital Media Marketer | ◆ Bathroom Remodeler | ◆ Life Insurance |
| ◆ Attorney | ◆ Payroll Processor | ◆ Home Inspector |
| ◆ Aflac Supplemental Insurance | ◆ Christmas Decoration Installer | ◆ Financial Advisor |
| ◆ Signs | ◆ Printer | ◆ Travel Agent |
| ◆ Realtor | ◆ Business Insurance | ◆ Home Repair |



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GHOULS, RULES, AND FOOLS— CONTINUED FROM PAGE 3

CHISELING WITH FEAR

Two men were walking home after a Halloween party and decided to take a shortcut through the cemetery just for laughs. Right in the middle of the cemetery, they were startled by a tap-tap-tapping noise coming from the misty shadows.

Trembling with fear, they found an old man with a hammer and chisel, chipping away at one of the headstones.

“Holy cow, Mister,” one of them said after catching his breath. “You scared us half to death – we thought you were a ghost! What are you doing working here so late at night?”

“My family are such fools!” the old man grumbled. “They misspelled my name and here I have to correct it!”

JUST FOOLISHNESS

- Q. What do you get when you divide the circumference of a jack-o-lantern by its diameter?
- A. Pumpkin Pi
- Q. What kind of dogs do werewolves like best?
- A. Halloweeners.
- Q. What kind of street does a ghost like?
- A. A dead end.
- Q. Why didn't the skeleton dance at the Halloween party?
- A. It had no body to dance with.
- Q. What was the witch's favorite Halloween treat?
- A. A computer with spell checker.



What I'm Reading...

NOW

The Corsican Shadow by Clive Cussler
The Indispensable Right: Free Speech in an Age of Rage by Jonathan Turley

RECENTLY

Choose Me by Tess Gerritsen and Gary Braver
The War on Warriors by Pete Hegseth

Today a **READER**,
tomorrow a **LEADER**.

Margaret Fuller
Imagination

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