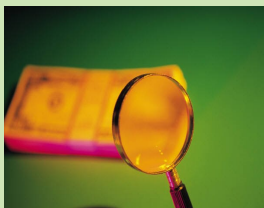


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SPECIAL POINTS OF INTEREST:

- **Should you accept crypto currency?**
- **Pros and cons for Roth Conversions**
- **Municipal bonds for tax benefits**
- **Referrals**
- **Holiday trivia**

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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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Small Business Considerations for Crypto Payments

First, businesses took checks; then, charge cards and credit cards (manually entered); then, electronic payments, third-party payments, tap-and-pays and e-payments. What about your next big payment option that, with President-elect Donald Trump's endorsement, seems here to stay? Cryptocurrency.

Is it time for your small business to start accepting it from customers? What's involved – and, more importantly, what would you gain by accepting crypto now?

Should you, or shouldn't you?

Questions abound, but we do know that crypto is currency (age: about four decades) that exists only digitally, based on a technology that usually has no central issuing or regulating authority. Relying on a technology called blockchain, it uses a decentralized system to record transactions and manage issuing of new money. Types of crypto include Bitcoin and Ethereum.

Owners hold crypto in digital wallets that store the keys to decrypt currency and allow its use. To many, it's the future of currency.

Continued on page 2 ➔

Is a Roth Conversion Right for You?

When planning for retirement, a Roth conversion could be a strategic move for many investors. This involves moving money from a traditional IRA or 401(k) into a Roth IRA. While it offers several advantages, it's essential to determine whether it aligns with your financial goals.

When a Roth Conversion Might Be Beneficial

Low Tax Bracket Opportunity. Converting to a Roth IRA can be particularly beneficial if you're in a lower tax bracket this year compared to what you expect in the future. You'll pay taxes on the amount converted at your current lower rate, which can lead to significant tax savings if your tax rate increases later.

Tax Diversification in Retirement. Having a mix of traditional and Roth accounts provides flexibility in retirement. Since Roth IRA withdrawals are tax-free, you can better manage your taxable income. This can be especially useful if you expect to be in a higher tax bracket during retirement or anticipate rising tax rates.

Avoiding Required Minimum Distributions (RMDs). Traditional IRAs require RMDs starting at age 73, with withdrawals taxed as ordinary income. A Roth IRA, however, isn't subject to RMDs during your lifetime, allowing your investments to grow tax-free for longer.

Estate Planning Advantages. For those planning to leave assets to heirs, a Roth conversion can be a strategic move. Since Roth IRAs are not subject to RMDs, your heirs can inherit the account and continue to benefit from tax-free growth and withdrawals.

Paying Conversion Taxes with Outside Funds. If you have cash available outside your retirement accounts to cover the taxes on the conversion, a Roth conversion becomes more attractive. This approach allows the full value of your conversion to grow tax-free in the Roth IRA.

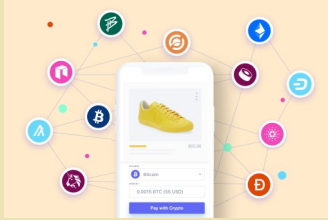
Preparing for High Future Income. If you anticipate higher income later in life from pensions, Social Security, or other sources, converting to a Roth IRA while your income is lower can be a smart move. This can help reduce the tax impact of future income.

Long-Term Growth Potential. Younger investors with a long time horizon can particularly benefit from a Roth conversion due to the potential for significant tax-free growth. Over decades, the tax-free nature of a Roth IRA can lead to substantial savings.

Continued on page 2 ➔

Small Business Considerations for Crypto Payments—*continued from page 1*

It's also the stuff enormous headlines are made of. FTX, a crypto exchange, recently went from being worth tens of billions of dollars to bankrupt in a week. Luna, a crypto token, went from about a buck to around 116 dollars before it crashed – only another example of a young and unregulated currency universe that's becoming famous for volatility.



and the system verifies the details and processes the transaction – not unlike modern transactions involving credit and debit cards.

Crypto-friendly systems also operate a lot like now-familiar accounting systems: Advantages include facilitating audits, issuing digital receipts, and easier storage of customer data. These vendors also keep on

How could anything this unstable have a future? Why would a smart owner open the doors of their business to this? No doubt your first move toward accepting crypto is answering these questions to your satisfaction.

All we can tell you now is that even in one of crypto's most turbulent years, Bitcoin still leveled off at a price offering big returns. Mastercard, AT&T, and PayPal are the latest household names to bet on crypto's future – and the United States is one of the latest big governments to do so, calling for a process to recognize and regulate crypto in agencies from the Federal Reserve to the IRS.

Suppose you're not a conglomerate or a huge government? In a recent survey, about a third of small-business owners and top-level execs said their business currently takes cryptocurrencies, with Bitcoin, Bitcoin Cash, and Ethereum among the most commonly accepted.

Almost half of the owners and execs who don't accept cryptocurrencies don't plan to do so in the future – yet a quarter who don't take cryptocurrencies would like to, but don't know how.

The good and the bad

Accepting crypto, at least initially, likely won't change how your customers pay – your proportion of cash and plastic transactions will remain the same. Most shoppers who have crypto hold it as an asset, not as an actual currency; accepting it will probably be more a conversation starter with most customers at the beginning.

Over time, crypto customers will appear, though, and you will have added flexibility to your payment options (almost always a good move *if* you know the conditions and ramifications). Accepting crypto can become particularly effective if you sell large-ticket items and through a website.

Other advantages:

- Generally lower transaction fees than with credit cards, at least so far;
- No chargebacks are possible with crypto (again, at least so far);
- Facilitates international sales – crypto is used in more than 50 nations.

But the big downside of accepting cryptocurrency isn't hard to spot: instability. True, the U.S. dollar isn't worth what it once was either due to inflation, but a whipsawing asset on your ledger can make bookkeeping much more complicated. Not to mention that there are multitudes of cryptocurrencies.

Customers may also voice environmental objections: Cryptocurrency takes a lot of electricity to create and sustain.

How to accept it

This is just an overview, but as happens in business more and more, back-office tech helps implement innovation – and accepting crypto is, once again “so far,” no exception. Many crypto payment processing systems integrate with point-of-sale (POS) systems, and an increasing number of POS systems themselves can run crypto transactions. You enter transaction details using barcode scanners and a touch screen

top of the various cryptos and their dollar value – so you don't have to.

Popular POS systems and payment processors for crypto include Coinbase, BitPay, CoinGate, NOWPayments, and ALFAcoins. To get an idea of the cost for accepting crypto, you can check fee pages for vendors.

Is accepting crypto in your business an easy call? No. Is it even time to accept it? Maybe, and maybe not yet. Though sooner rather than later, customers might start asking for it. ✖

Is a Roth Conversion Right for You? - *continued from page 1*

Qualified Charitable Distributions (QCDs). For those who are charitably inclined, a qualified charitable distribution (QCD) from a traditional IRA can be a tax-efficient way to give. Individuals aged 70½ or older can donate up to \$100,000 per year directly to a qualified charity from their traditional IRA without counting the distribution as taxable income. This can be particularly beneficial for those who don't need their RMDs and want to reduce their taxable income. However, since QCDs aren't available from Roth IRAs, it may be wise to keep some funds in a traditional IRA if charitable giving is a key part of your financial plan.

When a Roth Conversion Might Not Be the Best Idea

While there are many benefits, a Roth conversion isn't for everyone. Consider the following scenarios where it might not be beneficial:

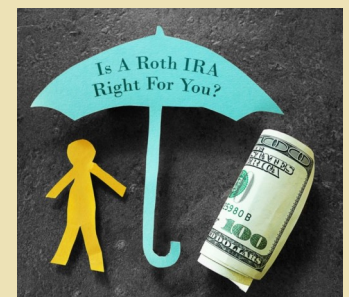
High Current Tax Bracket. If you're currently in a high tax bracket, the immediate tax cost of conversion could outweigh the benefits. It may be more prudent to wait for a year when your income is lower.

Short Time Horizon. If you're close to retirement or expect to need access to your funds soon, the long-term benefits of a Roth IRA might not have enough time to materialize, making the conversion less advantageous.

Limited Funds to Pay Taxes. If you don't have outside funds to pay the taxes on the conversion, it might not be wise to reduce your retirement savings to cover this cost.

Conclusion

A Roth conversion can be a powerful tool in your retirement planning, but it's important to weigh the pros and cons based on your unique situation. As always, consult with your financial advisor to determine the best strategy for your specific needs. ✖



Ask the Taxpert

Question: What are the tax benefits of investing in municipal bonds?

Answer: If you're considering adding municipal bonds or municipal bond funds to your investment portfolio, it's important to understand their tax benefits and how they can fit into your overall financial strategy.

What Are Municipal Bonds and Municipal Bond Funds?

Municipal bonds are debt securities issued by states, cities, or other local government entities to finance public projects like schools, highways, and infrastructure improvements. When you purchase a municipal bond, you're effectively lending money to the issuing authority in exchange for periodic interest payments and the return of the bond's face value at maturity.

Municipal bond funds, on the other hand, are mutual funds or exchange-traded funds (ETFs) that invest in a diversified portfolio of municipal bonds. These funds pool resources from multiple investors to acquire a variety of municipal bonds, offering diversification and professional management. Municipal bond funds can be actively managed or passively follow a specific bond index.

Tax Advantages of Municipal Bonds

One of the most appealing aspects of municipal bonds is their exemption from federal income taxes on the interest income they generate. This tax benefit can be particularly advantageous for investors in higher tax brackets. Additionally, interest from municipal bonds may also be exempt from state and local taxes, depending on where you live and where the bonds are issued. For example, bonds issued by your home state may provide exemptions from both state and local taxes.

However, it's important to be aware that some municipal bonds, known as "private activity bonds," may be subject to the Alternative Minimum Tax (AMT). Municipal bond funds might hold these types of bonds, so reviewing the fund's prospectus is crucial to understand how it might impact your tax situation.

When assessing the value of municipal bonds or municipal bond funds, comparing their tax-exempt yield with the yield on taxable bonds can be helpful. This comparison allows you to evaluate the relative attractiveness of municipal bonds by factoring in the tax benefits.

Impact on Social Security Taxation

Municipal bond interest, while exempt from federal income taxes, can still influence the taxation of Social Security benefits. The taxability of Social Security benefits is determined by your combined income, which includes adjusted gross income (AGI), tax-exempt interest (like municipal bond interest), and half of your Social Security benefits. If your combined income exceeds certain thresholds, a portion of your Social Security benefits may be subject to federal income tax.

For single filers, if combined income falls between \$25,000 and \$34,000, up to 50% of Social Security benefits may be taxable. If combined income exceeds \$34,000, up to 85% of benefits may be taxable. For married couples filing jointly, the thresholds are \$32,000 to \$44,000 for up to 50% taxable benefits and above \$44,000 for up to 85% taxable benefits. High levels of tax-exempt interest from municipal bonds or municipal bond funds could push your combined income above these thresholds, potentially increasing the portion of your Social Security benefits that is taxable.

Municipal Bond Interest in Tax-Deferred Accounts

While municipal bonds offer tax advantages in taxable accounts, their benefits can be diminished when held in tax-deferred accounts like traditional IRAs or 401(k)s. In these accounts, the interest income from municipal bonds will be taxed at ordinary income rates upon withdrawal, negating the tax-exempt advantage typically enjoyed in taxable accounts.

Given this, it might be more beneficial to hold municipal bonds in taxable accounts and place investments with lower tax efficiency, such as taxable bonds or higher-growth investments, in tax-deferred accounts. This strategy can help you maximize overall tax efficiency.

On the other hand, Roth IRAs and Roth 401(k)s provide tax-free withdrawals, which means if you hold municipal bonds or municipal bond funds in these accounts, you could still enjoy the tax benefits of the municipal interest through tax-free withdrawals, provided you meet the conditions for Roth accounts.

Final Thoughts

Municipal bonds and municipal bond funds can be valuable components of your investment strategy, offering appealing tax advantages and contributing to the funding of essential public projects. However, their benefits can vary depending on the type of account in which they are held. As with any investment decision, it's crucial to consider your financial goals, tax situation, and risk tolerance. If you have questions or need personalized advice, including how municipal bonds or bond funds might affect your Social Security benefits and account placement strategies, please feel free to reach out.

Do you have a question for the Taxpert that you'd like to see answered in a future "Taxing Times" or perhaps just an issue you'd like the Taxpert to address? Send the Taxpert a note to "Taxing Times", 4328 Boulevard Park S., Mobile, AL 36609 or an email to rlindsey@CPAMobileAL.com. ※





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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.

- ◆ Business Insurance
- ◆ Handyman
- ◆ Medicare Plans
- ◆ Business Coach
- ◆ Health Insurance
- ◆ Graphic Designer
- ◆ Auto/Home/Life Insurance
- ◆ Heating and Air Conditioning Repair
- ◆ Social Media Marketing
- ◆ Realtor
- ◆ Financial Advisor
- ◆ Supplemental Cancer Insurance
- ◆ Gutters
- ◆ Mortgage Broker
- ◆ Printer
- ◆ Payroll Processing
- ◆ Home Inspector
- ◆ Custom Monogramming



The Jolliest Christmas Trivia

- What popular Christmas carol became the first song ever played in space? *"Jingle Bells" on December 16, 1965*
- Which country did eggnog come from? *England*
- Who played *George Bailey* in the Christmas classic *It's a Wonderful Life*? *Jimmy Stewart*
- How long has NORAD (North American Aerospace Defense Command) been tracking Santa on Christmas Eve? *69 years, since 1955*
- How many reindeer were in the story *'Twas the Night Before Christmas*. *Eight. Rudolph wasn't in the story.*
- What song does the Peanuts gang sing at the end of *A Charlie Brown Christmas*? *"Hark! The Herald Angels Sing"*
- In what modern-day country was Saint Nicholas born? *Turkey*
- Which three of Santa's reindeer have names beginning with the letter "D"? *Dasher, Dancer, and Donner*
- What does "noel" mean in its original language? *"Noel" means birthday or relating to birth in French*
- How long does it take a "Christmas tree" to reach its ideal height? *On average, 15 years*
- Who wrote, "Christmas doesn't come from a store, maybe Christmas perhaps means a little bit more?" *Dr. Seuss*

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