PRICE FRONK &Co

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Lucas Coopperrider

Lucas grew up in Boise, Idaho and attended Boise State University where he earned Bachelors of Business Administration degrees in Human Resource Management and Accountancy in 2010 and 2013, respectively.

Lucas's professional experience includes industry roles as a corporate income tax accountant for Albertsons, Inc. Lucas has also held an accounting role for a machine fabricator, and was a credit analyst for Wells Fargo in their Middle Market Banking division. Before making the move to Bend, Lucas spent 2 1/2 years at the Idaho State Auditor where he performed a variety of audit and review engagements for state government agencies and was involved in auditing the Idaho State Annual Comprehensive Financial Report (CAFR). While working for the Idaho State Auditor, Lucas earned his CPA license and has held his license since September 2020.

After 34 years in Boise, Lucas was ready to experience life in a new setting and could not be happier to have landed in Bend. As an avid trail runner, Lucas is looking forward to exploring new surroundings and experience new challenges out on the trails around Bend and other parts of Oregon as well. In addition to trail running, Lucas enjoys whitewater rafting, hiking, cross country skiing, trivia, wine tasting, and visiting Portland for the occasional Timbers soccer game.

Lucas is a member of the Central Oregon Trail Alliance, Central Oregon Running Klub, and is also a proud supporter of Oregon Public Broadcasting.

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RECONSIDERING YOUR PERSONAL EMERGENCY FUND

When the COVID-19 pandemic first hit, many people's emergency funds were suddenly put the test — if the funds existed at all. Now, about a year later, and presumably with the benefit of some hindsight, you might want to reconsider your savings for a rainy day. You've probably heard that, to guard against an emergency, you need to save enough to cover three to six months of living costs. But this rule isn't as straightforward as it may sound.

An emergency cushion is indeed important — and it's certainly better to be conservative rather than cavalier when estimating your financial requirements. However, believe it or not, there may be a danger to saving too much in certain vehicles. For example, if you put away substantially more than you'll reasonably need in a low-interest savings account, you may lose money to inflation over time. Plus, you might miss out on opportunities to invest those funds in tax-advantaged retirement accounts or other assets.

Rather than blindly following a rule of thumb, tailor your emergency savings to your financial situation. A smaller emergency fund may suffice if, for instance, your spouse has a reasonably secure job; you have relatives who can provide financial assistance in an emergency; or you have reason to believe that you'd be able to find other work quickly should you lose your job. Conversely, if you're the sole breadwinner or you simply have a low tolerance for risk, a bigger emergency fund is likely appropriate. Our firm can help you find the right balance. ■

CONSIDERING A ROTH IRA CONVERSION

Investors have long grappled with the conundrum of whether to opt for a traditional or Roth IRA. One factor that might tip the scales toward a Roth is a downturn in the value of your investments. If you have a traditional IRA, a decline may provide a valuable opportunity to convert your traditional IRA to a Roth IRA at a lower tax cost. Let's review the ins and outs of IRAs and then delve deeper into this strategy.

KEY DIFFERENCES

What makes a traditional IRA different from a Roth IRA? Plenty. Contributions to a traditional IRA may be deductible, depending on your modified adjusted gross income (MAGI) and whether you (or your spouse) participate in a qualified retirement plan, such as a 401(k). Funds in the account grow tax deferred.

On the downside, you generally must pay income tax on withdrawals from a traditional IRA. In addition, you'll face a penalty if you withdraw funds before age 59½ — unless you qualify for a handful of exceptions — and you'll face an even larger penalty if you don't take your required minimum distributions (RMDs) after age 72.

Roth IRA contributions, on the other hand, are never deductible. But withdrawals — including earnings —are tax-free as long as you're age 59½ or older and the account has been open at least five years. In addition, you're allowed to withdraw contributions (not earnings) at any time tax- and penalty-free. You also don't have to begin taking RMDs after you reach age 72.

The ability to contribute to a Roth IRA is subject to limits based on your MAGI. Fortunately, no matter how high your income, you're eligible to convert a traditional IRA to a Roth. The catch? You'll have to pay income tax on the amount converted.

SAVING TAX DOLLARS

This is where the "benefit" of a downturn in the value of investments comes in. If, for example, your traditional IRA is invested in the stock market and has lost value, converting to a Roth now rather than later will minimize your tax hit. Plus, you'll avoid tax on future appreciation when the market goes back up.

It's important to think through the details before you convert. Ask yourself some important questions when deciding whether to make a conversion. First, do you have money to pay the tax bill? If you don't have enough cash on hand to cover the taxes owed on the conversion, you may have to dip into your retirement funds. This will erode your nest egg. The more money you convert and the higher your tax bracket, the bigger the tax hit.

Also, what's your retirement horizon? Your stage of life may affect your decision. Typically, you wouldn't convert a traditional IRA to a Roth IRA if you expected to retire soon and start drawing down on the account right away. Usually, the goal is to allow the funds to grow and compound over time without any tax erosion.

Keep in mind that converting a traditional IRA to a Roth isn't an all-or-nothing deal. You can convert as much or as little of the money from your traditional IRA account as you like. So, you might decide to gradually convert your account to spread out the tax hit over several years.

RIGHT MOVE

Of course, there are more issues that need to be considered before executing a Roth IRA conversion. If this sounds like something you're interested in, contact us to discuss whether it's the right move for you. ■

WORKER CLASSIFICATION IS STILL IMPORTANT

Over the last year, many companies have experienced "workforce fluctuations." If your business has engaged independent contractors to address staffing needs, be careful that these workers are properly classified for federal tax purposes.

TAX OBLIGATIONS

The question of whether a worker is an independent contractor or an employee for federal income and employment tax purposes is a complex one. If a worker is an employee, the company must withhold federal income and payroll taxes, and pay the employer's share of FICA taxes on the wages, plus FUTA tax. Often, a business must also provide the worker with the fringe benefits that it makes available to other employees. And there may be state tax obligations as well.

These obligations don't apply if a worker is an independent contractor. In that case, the business simply sends the contractor a Form 1099-NEC for the year showing the amount paid (if the amount is $600 or more).

NO UNIFORM DEFINITION

The IRS and courts have generally ruled that individuals are employees if the organization they work for has the right to control and direct them in the jobs they're performing. Otherwise, the individuals are generally independent contractors, though other factors are considered.

Some employers that have misclassified workers as independent contractors may get some relief from employment tax liabilities under Internal Revenue Code Section 530. In general, this protection applies only if an employer filed all federal returns consistent with its treatment of a worker as a contractor and treated all similarly situated workers as contractors.

The employer must also have a "reasonable basis" for not treating the worker as an employee. For example, a "reasonable basis" exists if a significant segment of the employer's industry traditionally treats similar workers as contractors. (Note: Sec. 530 doesn't apply to certain types of technical services workers. And some categories of individuals are subject to special rules because of their occupations or identities.)

ASKING FOR A DETERMINATION

Under certain circumstances, you may want to ask the IRS (on Form SS-8) to rule on whether a worker is an independent contractor or employee. However, be aware that the IRS has a history of classifying workers as employees rather than independent contractors.

Consult a CPA before filing Form SS-8 because doing so may alert the IRS that your company has worker classification issues — and inadvertently trigger an employment tax audit. It may be better to properly treat a worker as an independent contractor so that the relationship complies with the tax rules.

LATEST DEVELOPMENTS

In January 2021, the Trump Administration published a final rule revising the Fair Labor Standards Act's employee classification provision. The rule change was considered favorable to employers. However, as of this writing, the Biden Administration has delayed the effective date of the final rule change. Stay tuned for the latest developments and contact us for any help you may need with employee classification. ■

TAX CALENDAR

JUNE 15

- Second quarter 2021 estimated tax payments are due for individuals, calendar-year corporations, estates and trust.

HOW THE CAA AFFECTS EDUCATION FUNDING

The Consolidated Appropriations Act (CAA), signed into law late last year, contains a multitude of provisions that may affect individuals. For example, if you're planning to fund a college education or in the midst of paying for one, the CAA covers two important areas:

1. **Student loans.** The CARES Act temporarily halted collections on defaulted loans, suspended loan payments and reduced the interest rate to zero through September 30, 2020. Subsequent executive branch actions extended this relief through January 31, 2021. The CAA leaves in place that expiration date.

   Also under the CARES Act, employers can provide up to $5,250 annually toward employee student loan payments on a tax-free basis before January 1, 2021. The payment can be made to the employee or the lender. The CAA extends the exclusion through 2025. The longer term may make employers more willing to offer this benefit.

2. **Tax credits.** Qualified taxpayers generally can claim an education tax break with the American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit (LLC). Previously, though, the two credits were subject to different income phaseout rules, with the AOTC available at a greater modified adjusted gross income than the LLC. In addition, before the new law, there was a "higher education expense deduction" for qualified tuition and related expenses that taxpayers could opt to claim instead of the credits.

The CAA adopts a single phaseout for both the AOTC and the LLC, effective for tax years beginning after December 31, 2020. The credits will phase out beginning at $80,000 for single filers and ending at $90,000. For joint filers, they will begin to phase out at $160,000 and disappear at $180,000. The new law also repeals the higher education expense deduction. Instead, taxpayers can claim the LLC credit.■

BE PREPARED FOR TAXES ON SOCIAL SECURITY BENEFITS

Whether you've filed your 2020 tax return or soon will, you probably don't want any surprises. One thing that takes many older people off-guard is getting taxed on their Social Security benefits.

Will you be taxed and how much will you have to pay? That depends on your other income. If you're taxed, between 50% and 85% of your payments will be hit with federal income tax. (There could also be state tax.) This doesn't mean you'll *pay* 50% to 85% of your benefits back to the government. It means you may have to *include* 50% to 85% of them in your income subject to regular tax rates.

CALCULATE PROVISIONAL INCOME

To determine how much of your benefits are taxed, you must calculate your "provisional income." Doing so involves adding certain amounts (for example, tax-exempt interest from municipal bonds) to the adjusted gross income on your tax return. If you file jointly, you'll need to add your spouse's income, and then further add half of the Social Security benefits that you and your spouse received during the year. The result is your joint provisional income.

If you file a joint tax return and your provisional income, plus half your benefits, isn't above $32,000 ($25,000 for single taxpayers), none of your Social Security benefits are taxed. If your provisional income is between $32,001 and $44,000, and you file jointly, you must report up to 50% of your Social Security benefits as income. If your provisional income is more than $44,000, and you file jointly, you need to report up to 85% of your Social Security benefits as income on Form 1040.

For single taxpayers, if your provisional income is between $25,001 and $34,000, you must report up to 50% of your Social Security benefits as income. And if your provisional income is more than $34,000, the general rule is that you need to report up to 85% of your Social Security benefits as income.

SIDESTEP A SURPRISE

If you aren't paying tax on your Social Security benefits now because your income is below the floor, or you're paying tax on only 50% of those benefits, an unplanned increase in your income can have a significant tax cost. You'll have to pay tax on the additional income, you'll also have to pay tax on (or on more of) your Social Security benefits, and you may get pushed into a higher tax bracket.

Contact us for help in accurately calculating your provisional income. We can also assist you with other aspects of tax planning before and during retirement.■

BOLSTER WEATH MANAGEMENT WITH TRUSTS

Trusts can be a useful tool for affluent individuals and families when it comes to wealth management, protection and growth. But there are a wide variety to choose from, so it's important to clearly understand the benefits and limits of a trust before choosing any one type.

WHAT'S A TRUST?

A trust is a legal document that dictates how an individual's assets will be managed for another person's (or other people's) benefit(s). There are usually three parties to a trust: the grantor who creates the trust, the beneficiary (or beneficiaries) who'll benefit from the trust and the trustee(s) who'll manage the assets according to the trust's terms and in the beneficiary's best interests.

All trusts fall into one of two broad categories: living trusts and testamentary trusts. Living trusts are set up during an individual's lifetime to transfer property to the trust. Testamentary trusts are established as part of an individual's will and take effect after he or she dies.

Living trusts can be further categorized as revocable and irrevocable. With a revocable trust, the grantor retains control of the trust's assets and can revoke or change its terms at any time. With an irrevocable trust, the grantor no longer owns the assets and, thus, can't make changes to the trust without the beneficiary's consent.

HOW CAN ONE PROTECT YOU?

Individuals looking to manage their wealth in a patient and prudent manner can achieve various financial and estate planning goals from a trust, depending on its type. For example, many affluent individuals, professionals and business owners use a Delaware statutory trust to protect their assets from a loss resulting from a legal judgment, such as malpractice or personal injury liability. A Delaware trust also can be used instead of a prenuptial agreement by a spouse to preserve his or her assets in case of a divorce.

When establishing a Delaware trust, you transfer the assets you want to protect to an irrevocable trust — these assets can include cash, business ownership interests, real estate, and securities like stocks and bonds. These assets generally will be protected from future creditors. Although you must give up some control of the assets whenyou place them in the trust, you can retain some powers, such as the right to direct the investment of trust assets and to receive income and principal distributions from the trust.

WHO CAN HELP?

There are many other trust types to consider. The rules for establishing and maintaining any trust can be complex, so please contact our firm for guidance. ■

A TRUST WITH A FUNNY NAME

If one of your professional advisors suggests creating a trust that's "intentionally defective," you might consider hanging up the phone. However, despite its funny name, an intentionally defective grantor trust is a completely valid way to minimize gift and estate taxes when transferring certain assets, such as an ownership interest in a closely held business, to the next generation.

The key is that contributions of ownership interest to the trust must be considered gifts. This removes the assets and their future appreciation from your taxable estate. The trust's income is taxable to you, not your heirs. As a result, trust assets can grow unencumbered by income taxes, which increases the amount of wealth your heirs may receive upon your passing.

3 THINGS TO KNOW AFTER FILING YOUR TAX RETURN

Most people feel a sense of relief after filing their tax returns. But even if you've successfully filed your 2020 return with the IRS, there may still be some issues to bear in mind. Here are three important things to know:

1. **You can check on your refund.** The IRS has an online tool that can tell you the status of your refund. Go to irs.gov and click on "Get Your Refund Status." You'll need your Social Security number, filing status and the exact refund amount.

2. **You can file an amended return if you forgot to report something.** In general, you can file an amended tax return and claim a refund within three years after the date you filed your original return or within two years of the date you paid the tax, whichever is later. So, if you filed your 2020 tax return on April 15, 2021, you would typically have until April 15, 2024, to file an amended return.

   However, there are a few opportunities when you have longer to file an amended return. For example, the statute of limitations for bad debts is longer than the usual three-year time limit for most items on your tax return. In general, you can amend your tax return to claim a bad debt for seven years from the due date of the tax return for the year that the debt became worthless.

3. **You can throw out some tax records.** You should keep tax records related to your return for as long as the IRS can audit your return or assess additional taxes. The statute of limitations is generally three years after you file your return.

   That means you can probably dispose of most tax-related records for the 2017 tax year and earlier years. (If you filed an extension for your 2017 return, hold on to your records until at least three years from when you filed the extended return.) However, the statute of limitations extends to six years for taxpayers who understate their gross income by more than 25%.

You'll need to hang on to certain tax-related records longer. For example, keep actual tax returns indefinitely so you can prove to the IRS that you filed legitimately. (There's no statute of limitations for an audit if you didn't file a return or you filed a fraudulent one.)

Keep records associated with retirement accounts until you've depleted the account and reported the last withdrawal on your tax return, plus three (or six) years. And retain records related to real estate or investments for as long as you own the asset, plus at least three years after you sell it and report the sale on your tax return. (You can keep these records for six years if you want to be extra safe.)

ALWAYS AVAILABLE

Contact us if you have further questions about your refund, filing an amended return or record retention. We're here all year! ■

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