



Coleman & Associates

Fully Integrated Tax, Accounting & Financial Services

Monthly Newsletter

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Reminders:

March 16 - Due date for partnership and S corporation tax returns (Forms 1065, 1120S)

Use direct deposit for tax refunds

Using direct deposit for refunds is easy, secure and the fastest way to get your tax refund.

Here are some facts about direct deposit:

- It's the best and fastest way for you to get your tax refund.
- It's free.
- It's secure.
- You can deposit your refund into up to three accounts.
- When using direct deposit, there's no risk of having a paper check stolen or lost.
- The IRS uses the same system to deposit tax refunds that Social Security and Veterans Affairs use to deposit benefits into millions of accounts.
- Direct deposit saves the IRS money. It costs the IRS more than \$1 for every paper refund check issued, but only a dime for each direct deposit made.

The IRS Data Theft Problem

The IRS has 52 Internet applications to help U.S. citizens comply with their tax obligations. But these online portals, which collect, process and store large amounts of personal information and tax data, are also a potential gateway for online criminals and identity thieves.

While the IRS's electronic authentication security controls have improved, the Treasury Inspector General recently said that the IRS's internet applications are not yet compliant with the National Institute of Standards and Technology guidelines.

Here's what you can do to protect your tax-related identity and information while the IRS tries to improve its security controls:

- **Use the IRS's Internet applications judiciously.** Think you need to use one of the IRS's online applications? Consider requesting or obtaining certain information via the U.S. Postal service. Simply decide if you're willing to take a risk using an application that isn't compliant with the National Institute of Standards and Technology.
- **Get an IP PIN.** An Identity Protection PIN (IP PIN) is a six-digit number that helps prevent your Social Security number from being used on fraudulent federal income tax returns. If you are a confirmed victim of identity theft, the IRS will mail you an IP PIN after the fraudulent tax issue has been resolved. If you haven't been the victim of tax-related identity theft, you can voluntarily ask the IRS to issue you an IP PIN if you live in certain states Illinois residents are now eligible. Additional states will be added until the IP PIN program is available nationwide.
- **Review your credit report once a year.** Check your credit report for any unauthorized activity or errors. This periodic review can often be the earliest warning that your private information is compromised.

Should You Buy or Rent a Home?

According to U.S. Census figures, about two-thirds of American families are homeowners. But buying a house or condo may not be the best choice for every family in every situation.

Renting offers the following advantages:

- **Greater flexibility.** When renting a house, apartment, or condo, you have the option of moving at the end of the lease term. No need to contact a realtor, no hassle with buying or selling. For those who want to keep their options open, especially in terms of job location or dwelling size, renting may prove the better choice.
- **Opportunities to invest elsewhere.** Instead of plowing your savings into a home, you might get a better return by contributing to mutual funds or other investments. Depending on the housing market in your city, the annual increase in your home's value may barely outpace inflation.
- **Lower cost.** Apartments are often smaller than homes, so heating and cooling expenses tend to be lower. If you don't have a lawn, you won't incur the cost of water to keep it green. Roof leaking? Appliances on the blink? Call the landlord. Home repair and maintenance aren't normally your responsibilities.

Of course, as many realtors and financial analysts rightly point out, homeowners also enjoy significant advantages:

- ✓ **Greater flexibility.** Ironically, homeowners enjoy certain freedoms denied to renters. If a homeowner wants to paint a wall or hang a picture, he or she doesn't answer to a landlord. Installing a doggy door isn't a problem. Hiring a remodel contractor to tear out a wall is perfectly acceptable. Don't try this if you're a renter.
- ✓ **Increasing equity.** One of the greatest advantages to buying a home is the likelihood of increased equity over time. As long as your mortgage is being whittled down by monthly payments, you're building equity—even if your property value remains stable.

- ✓ **Lower taxes.** The ability to deduct mortgage interest and property taxes (if you itemize) can significantly lower your end-of-year tax bill. Renters must forgo this benefit.

Clearly, the choice to rent or buy a home depends on individual circumstances and tastes. If you'd like help with this important decision, give us a call.

Ease the Pain of Repaying Student Loans

Student loan debt is a hot topic and for good reason. Managing the burden that comes during repayment is very difficult. Fortunately, there are ways to get some relief while taking advantage of timely tax breaks at the same time. Here are four ways to help lessen the strain of repaying your student loans.

- **Deduct your student loan interest.** The IRS allows you to deduct up to \$2,500 in student loan interest payments on your tax return each year. The great thing about this deduction is you can take it even if you don't itemize! Each loan provider should issue you a Form 1098-E if you pay over \$600 in interest for the year. If you pay less than that, and you don't receive a Form 1098-E, save your monthly statements as back up for the interest you pay. Even if you are still in school, and you are making interest payments, you are eligible for the deduction.
- **Refinance to lower your payments.** Are you making two or more different student loan payments every month? Refinancing multiple accounts into one loan can lower your effective interest rate and your monthly payment. You can also lower your monthly payment by taking an existing loan and refinancing over a greater number of years.
- **Plan for tuition costs.** Utilizing student loans to finance your education is a necessity for many people. However, you can cut down on future payments with early savings. For example, parents and grandparents can create 529 college savings plans. And as soon as you start earning income, earmark a portion of every paycheck for college. Grants and scholarships are another way to reduce tuition costs, so start researching early.

College debt can seem daunting. But by combining a long-term plan while taking advantage of tax benefits, the mountain of debt can become a manageable hill.

As always, should you have any questions or concerns regarding your tax situation, please feel free to call.

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