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2021 Semi-Annual Newsledger

**“THE NEWSLEDGER”**

**WHAT PRESIDENT BIDEN HAS GOTTEN –  
WHAT HE WANTS – WHAT HE MAY NEVER  
GET!**

- Got an agreement for a global corporate tax rate of 15% - not the 25% he requested.
- Wants the U.S. corporate tax rate to increase to 28%.
- Wants a \$1.8 trillion American Families Plan.
- Wants to raise top personal income tax rate from 37% to 39.6%.
- Wants to lower the eligibility age of Medicare from 65 to 60.
- Wants to be able to negotiate prescription drug prices for Medicare.
- Wants to increase IRS funding – to increase audits of wealthy individuals and large corporations.
- Wants to raise capital gains tax on millionaires from 23.8% to 43.4%.
- Wants to eliminate the stepped-up basis on inherited assets for large estates.
- Wants to cap deferred income from like-kind exchanges at \$500,000.
- Got \$1,400 covid stimulus checks issued.
- Got free covid testing for everyone in U.S.
- Got extended \$300 weekly unemployment benefits.
- Got expanded child-care credit.
- Got \$350 billion in aid for state, local, tribal and territorial governments.
- Got \$170 billion for education.
- Got small-business relief.
- Got \$30 billion emergency funding for public transit agencies.
- Got \$14 billion for U.S. aviation.

- Wants to end subsidies for oil and gas firms.
- Wants a 15% minimum tax on book income of large corporations – but he will never get it!
- Wants a 16% increase in non-defense spending.
- Wants to reduce defense spending which he probably won't get.
- Wants to expand the 3.8% net investment income tax to include profits that flow through from LLC's, partnerships and S corporations.
- Got the U.S. back into the World Health Organization.
- Got HUGE NATIONAL DEBT INCREASE AND UNCONTROLLED INFLATION!

With the democrats now controlling Congress much of what President Biden wants can be achieved. However, at present the democratic party is fractured and the republicans are on the war path. Much needs to be done – but little will probably actually be achieved during 2021 – **ONLY TIME WILL TELL BUT INFLATION IS ASSURED!**

**HOW CAN I GET A HOME OFFICE DEDUCTION!**

The home office deduction is available to self-employed taxpayers and independent contractors. However, the employee office deduction has been suspended from 2018 through 2025. Employees who receive a paycheck exclusively from an employer are usually not eligible for the deduction, even if they are currently working from home. However there is one rarely used exception – that of a “statutory” employee – who is an agent or commissioned delivery driver, home worker, insurance salesman or a traveling salesman.

These workers can record their W-2 income on schedule "C" and deduct all appropriate expenses!

### **TANTALIZING TAX TIDBITS**

- IRS is in attack mode in its quest to play the end game with virtual currency users. The IRS wants the names of U.S. digital currency customers who conducted in excess of \$20,000 in transactions from 2016 to 2020 – Your move virtual currency users!
- The IRS toll-free telephone line services are dismal! IRS employees only answer about 2% of taxpayer calls – and for the lucky few callers who make it through the minimum 20 minute wait – it is unlikely that the operator can answer your questions or actually aid you in your tax question quest.
- Business meals are 100% deductible for tax years 2021 and 2022.
- S corporation owners with losses must now include basis information with their personal income tax returns.
- The 7.5% of adjusted gross income floor for deducting medical expenses has been made permanent.
- The IRS must file suit within two years of paying an improper refund. The statute of limitations begins on the date the taxpayer receives the check.
- Legal expenditures, including attorney fees, incurred to defend patent infringement suits are fully deductible in the year incurred.
- No tax loss write-off on sale of timeshare held for personal use – however any gains are taxable! Who said taxes are fair?
- The federal gas tax has been 18.3 cents per gallon since 1993. The diesel tax standard of 24.3 cents has existed for the same time period. Congress is now considering a vehicle-miles-traveled tax to compliment the fuel taxes.
- Taxpayers who have liabilities that exceed their assets are considered insolvent. These taxpayers can exclude income from canceled debts up to the amount of their insolvency.
- The \$1 million deduction cap for executive pay to the three highest-paid employees will be expanded to the eight-highest paid employees plus the CEO and CFO beginning in 2027.
- The state of Maryland is the first state to impose a digital advertising tax in the U.S. The tax applies to firms with gross global revenue of over \$100 million.
- 80% of all IRS audits are correspondence examinations that are done by mail – no wonder they take forever based on the present status of the U.S. mail system!
- The basic cost to get a private letter ruling from the IRS has risen from \$30,000 to \$38,000 for taxpayers with gross income exceeding \$1 million. Income from \$250,000 to \$1,000,000 – cost \$8,500. Income under \$250,000 – cost \$3,000.
- Individuals can take personal disaster losses even if they do not itemize.
- The standard deduction for 2021 for married couples is \$25,100, plus \$1,350 for each spouse over 65. Singles get \$12,550. Head of households get \$18,800, plus \$1,700 if over 65.
- AMT exemptions for 2021 increase to \$114,600 for married; \$73,600 for singles and household heads.
- Lifetime estate and gift tax exemptions for 2021 increase to \$11,700,000 per individual; and \$23,400,000 for marrieds with portability.

- The Social Security wage base for 2021 is \$142,800.
- Business passenger automobiles purchased during 2021 can take first year bonus depreciation of \$18,100; second year \$16,100; third year \$9,700; after that \$5,760 annually.
- To date 20 states plus Washington, D.C. have legalized sports betting. The Supreme Court has struck down the federal restrictions. Six states, including Maryland, will join the betting game in 2021.

### **LIFE INSURANCE BENEFITS THAT LET YOU LIVE A BETTER LIFE!**

Endowment or permanent life insurance policies can offer living assistance as well as death benefits. You can use your cash value while you are alive by borrowing against the cash surrender value during your retirement years. This tax free option allows you to withdraw funds as needed to supplement your income, while letting your death benefits untouched for your beneficiaries. Another distribution method could be the exchange of your policy for an annuity, which guarantees income for life – and is a tax-free exchange of one-contract for another.

### **THE COURT AGAIN FINDS IN FAVOR OF MICHAEL JACKSON – EVEN WHEN DEAD!**

Michael Jackson's estate valued his post-death name and image at \$3 million – the IRS valued it at \$434 million! Even the IRS's best friend, the Tax Court, ruled that their valuation was preposterous! The Court criticized the IRS expert and determined the fair value to be a modest \$4.15 million.

### **PLEASE JOIN ME – AS MY MIND DOES WONDER AND I BEGIN TO PONDER – ONLY TO WONDER IF I SHOULD PONDER SOME MORE!**

- By the end of summer the pandemic should be over. The government tells us that "herd" immunity will take over by then.
- The Federal Reserve is working on a project for digital currency to be used by

the central bank. A future digital greenback could lead to reduced costs of transferring money and speed up settlements and financial transactions.

- The rebound in demand for gasoline is a godsend for the oil industry. Domestic production is recovering as prices increase. Oil prices are now sufficient to enable most U.S. drilling programs to be profitable.
- It will be years before enough electric vehicles are on the road to actually cause a reduction in our gasoline usage.
- Florida has passed legislation to raise the minimum wage from \$10 to \$15 per hour by 2026.
- The Pentagon wants to build a 500-ship navy over the next 25 years. Presently we have a fleet of 293 ships.
- Facebook has a new "Oversight Board" – a supreme court for social media content decisions. The board has 40 expert members from around the world.
- The Department of Transportation has decided that only disability trained dogs qualify as service support animals on airplanes.
- Uncle Sam is protecting flight personnel with a "one strike and done" attitude. Fines and legal action will be taken against any passenger who assaults, threatens, intimidates or otherwise interferes with airline crew members during a flight. Fines up to \$35,000, as well as possible imprisonment can be imposed.
- The latest cellular licensing federal auction for airwaves resulted in an unbelievable \$80 billion gain for the U.S. government treasury.
- COVID-19 caused a shortage of shipping containers which is killing small U.S.

exporters. Prices have tripled and shippers must schedule up to a month in advance for space.

- Thanks to COVID-19 and government support – more than 10 million renters are now four months or more behind on their rent payments.
- The U.S. is on track for the lowest number of flu cases in recorded history. The number of flu cases is only 18% of the total at this same point in time as last year. Could it be that the government has changed the spelling of FLU to COVID-19?
- Consumers have stored up piles of cash after saving much of what they usually spend, plus all that stimulus money – that their Uncle Sam gave them.
- Look for the vacation industry to thrive in 2021!
- Seaweed is the new “Weed of Choice”. Seaweed farming has “grown” substantially in the U.S. Farmers are raising dulse, bull kelp, ribbon kelp, and sugar kelp; all used in sushi, salsas, sauces and seasonings. Seaweed is also used in animal feed, cosmetics and fertilizers.
- Gun sales are on the rise. The FBI conducted more than 4.3 million firearm background checks during January – which is an all-time record for one month.
- The electric scooter and bike rental industry is exploding!
- While the home building industry is aflame – the commercial market is in the dumps! Commercial rents are down about 5% - vacancies continue to increase – 30% of loans at malls are delinquent – and 15% of malls will most likely declare bankruptcy.
- Natural gas accounts for 40% of the U.S. electricity generations.
- One of the fastest growing U.S. sports is PICKLEBALL! A form of tennis played on a smaller court.
- President Biden strongly favors unions. However 27 states have adopted right-to-work laws, making it more difficult for unions to organize workers. Presently unionization is at an historic low – with membership highly concentrated among public-sector employers.
- Inflation is fast becoming ENEMY number one! That said the Federal Reserve is hell-bent on keeping short-term interest rates low. The Fed's are praying that prices won't get out of control – thus forcing interest rates to increase. This is a huge gamble that certainly doesn't look like a smart bet – as we watch prices soar!
- Take a trip into outer space. Virgin Galactic and Blue Origin are planning to launch space tours by late 2021.
- The other “WEED” – marijuana is being legalized state by state at a surprisingly fast pace. Illinois alone had 2020 sales of \$669 million; resulting in over \$175 million in tax revenue.
- Self-insured health plan employers often don't recognize that there is a little-known tax waiting for them at year-end. The tax is \$2.66 per employee for plan years ending after September 30, 2020 and before October 1, 2021.
- The gross national product growth is expected to increase 6.6% this year – the highest annual expansion since 1984 – when inflation nearly crippled the U.S.
- The U.S. population is expected to increase by less than 0.2% this year – the slowest in over a century.

- More than 70% of people say that have summer travel plans! Double the level at this time last year.
- Last year rental car companies sold off large portions of their idle fleets to improve cash flow – this year car rentals will cost you a fortune – that is if you can actually find one! INFLATION!
- Countries around the world are bleeding blood red ink as they deal with the 2020 pandemic economy. Global indebtedness rose by 24 trillion in 2020. The glaring results that the world banking system as well as government financial agencies must deal with a painful increase in interest rates – thus INFLATION!
- U.S. federal debt is equal to 100% of our gross national product! The newest stimulus package boost the debt to 108% of GNP! If President Biden gets his infrastructure package the debt will increase to 114% of GNP! As the debt rises so do interest costs – interest rates and INFLATION!
- Two new minor league basketball leagues have emerged that will give young hoopsters the opportunity to make money. Lookout NCAA! Overtime, a sports media company, and the new Professional Collegiate League are offering high school basketball players six-figure salaries to skip college. TV/streaming deals are already in place.
- The average age of U.S. Air Force aircraft is 30 years.
- Many homeowners have the misconception that their homeowners insurance covers everything. No standard homeowners policy covers flooding!
- Home remodeling is booming! Can't buy a new home – why not improve the one you are in! Lowe's and Home Depot had record fourth quarter 2020 earnings.

Overall home improvements were up by 3% last year and are expected to increase another 4% in 2021. The problem is labor shortages, increased labor costs and material cost increases can only be spelled one way - INFLATION!

- Farmers are optimistic that 2021 will be a great economic year. Prices are higher now than they have been for many years. Domestic, as well as global demand, is robust. Even though farm debt is high, interest rates are at an all-time low. Prices for hogs are up 58%, Canola is up 45%, corn is up 40%, soybeans are up 22%, and milk is up 20%. In lieu of this farming economic boom, the federal government has reduced direct farmer paid payments by 45%. Once again consumers beware as persistent higher-than-normal food prices again spell - INFLATION!
- INFLATION is no longer a threat – IT IS HERE! In April alone consumer prices increased by a dramatic 4.2%. Huge pent-up consumer demand is assured as people start to travel and make up for lost vacation outings.
- In a continuing brisk business growth environment employers are desperate to hire. Higher wages, higher prices – higher INFLATION!
- Prices for chlorine pool tablets have increased by as much as 50% - a stagnant society has resulted in high use of existing pools as well as tremendous demand for new backyard pools. There are only three factories that produce chlorine pool tablets – and one factory was destroyed by fire last year. Many pool owners are converting to saltwater; while many pool installers are recommending saltwater pools to their customers.
- IRA's can be garnished to pay restitution to victims of crimes.

- Look for the global economy to grow by a staggering 6% during 2021.

### **“BELIEVE IT OR NOT” – YOU CAN SELL YOUR SMALL BUSINESS AND PAY NO FEDERAL INCOME TAX!**

Individuals who buy stock in a small business “C” corporation with assets of \$50 million or less directly from the company after September 27, 2010 and hold the stock for more than five years can exclude 100% of their gain when they sell. The gain is also exempt from AMT. The exclusion is capped at the greater of 10 times share basis or \$10 million. The following businesses are excluded from this tax break: banking, insurance, leasing, oil and gas, and personal service firms.

### **HOME MARKET – SELL NOW BUY LATER – PROBABLY MUCH LATER**

The lack of new houses on the hot housing market is causing a ripple effect across residential real estate. The lack of new home construction is causing affluent buyers to settle for older homes. In turn, that prices first-time buyers, who usually buy older homes to enter the market, out of the home owner game. It is anticipated that the new home shortage will continue throughout 2021; with the average home price increasing by 7% to 9%. It is estimated that the U.S. is short more than 3 million homes at present. Builders are dealing with old problems such as; too few buildable lots and too many regulations, as well as new problems including; worker shortages and cost increases such as lumber prices increasing by 70% since last year. Builders are exploring more effective, efficient and affordable methods of construction – however there is no silver bullet to shoot down the cost of housing construction!

### **ECONOMY STIFLED BY LABOR SHORTAGE**

The economy is poised for a rapid rebound in later 2021 and 2022! Unfortunately many small businesses are struggling to keep up with the increasing demand. Labor shortages have become a major problem – especially at the low-skill worker level. Millions of people dropped out of the labor force during 2020; to care for children; from fear of covid 19; or because government aid was more

beneficial. Employers looking for staff have had to raise their starting offers by 25% to 40% - and even that often isn't enough to attract enough workers. Employers are offering bonuses and other financial perks, as well as waiving education requirements and drug tests, in order to seduce employees. What this means for the immediate future is higher compensation for all positions, and of course INFLATION!

### **ANNA’S FUNNY FACTS FROM AROUND THE WORLD**

McDonald’s once made bubblegum-flavored broccoli to get kids to eat healthier.

There is only one letter that doesn’t appear in any U.S. state name – it is Q.

Samsung tests phone durability with a butt-shaped robot to make sure they can take the pressure.

Canada eats more macaroni and cheese than any other nation in the world.

Snakes can help predict earthquakes. They can sense a coming earthquake from 75 miles away, up to five days before it happens.

The hand and footprints in front of Los Angeles’ Chinese Theater tradition started accidentally when silent film actress, Norma Talmadge, stepped on wet cement.

There are more Lego mini figures than there are people on Earth.

Surgeons who play video games at least 3 hours a week perform 27% faster and make 37% fewer errors.

In the 1980s, Fredric Baur, the founder of Pringles, requested to be buried in a Pringles can. His children honored the request.

You can now get a headstone with a QR code. Called “Living Headstones”, they show pages with photos, video biographies, and comments from loved ones.

Hershey’s chocolate syrup, Ritz Crackers, DumDums, and Oreos are all vegan.

The sound of a Star Wars lightsaber was created by pairing together the sound of an idle film projector and the buzz from an old TV set.

There is an uninhabited island in the Bahamas known as Pig Beach, which is populated entirely by swimming pigs.

On Valentine's Day in South Korea, only women give gifts, not men.

Elvis was originally blonde. He started dying his hair black for an edgier look. Sometimes, he would touch it up himself using shoe polish.

In California, you can get a ticket if you're driving too slow.

A group of horses will not go to sleep at the same time – at least one of them will stay awake to look out for the others.

Jellyfish are considered biologically immortal. They don't age and will never die unless they are killed.

You are not allowed to swear if playing in Wimbledon. Because of this, line judges must learn curse words in every language.

Even though smoking has been banned on airplanes, ashtrays are mandatory on every plane. This is for safe disposal in case someone breaks the law.

Selfies now cause more deaths than shark attacks.

Pope Francis used to be a nightclub bouncer.

There are more French restaurants in New York City than in Paris.

In every scene of Fight Club, there is a Starbucks coffee cup.

### **ZIMMERMAN & ASSOCIATES EVENTS**

The Z&A annual summer picnic was a rousing success! After COVID-19 killed the 2020 picnic our leadership team was determined to put on the best picnic ever. With the aid of our great friend, Donna Fleming, we accomplished our goal! The party began on Friday night with a huge crab feast at the

Zimmerman beach mansion. Twenty guests feasted on huge Maryland crabs, ate bacon wrapped shrimp and a Fleming specialty; bacon cheese poppers. Games were played and drinks were "DRUNK" till early morn! All attendees were challenged to complete a twenty item entertainment quest – those completing the challenge were rewarded with a gift certificate to the fire destroyed – newly reopened, "JILLYS"! We are proud to report that six guests completed all twenty events during the weekend. On Saturday we had breakfast on the beach – followed by lunch on the top deck – and finally a fabulous chicken and steak barbeque! Rich and Mary will certainly have a difficult time outdoing this unbelievable picnic next year – however knowing Mary as we do – they will find a way!

The Z&A professional group joined with Bob and Carols' best friend, Donna Fleming, to buy three Ravens season tickets for 2021. Rich has for many years owned Minnesota Vikings tickets, which he has shared with staff and clients alike. Since one of the first games this year for the Ravens is against the Vikings, we can now reciprocate by taking Rich to a game here in Baltimore – and watch the Vikings "LOSE"!

On Saturday July 3, Bob and Carol baked an "American Pie" at the Freeman center in Selbyville, Delaware – where they were grandly entertained by the king of American Pie himself – DON McLEAN!

As a first step to achieving the best picnic of all time in 2022 – Rich and Mary recently broke ground on a fantastic swimming pool in their backyard. Swimming pool – hot tub – fire pit -and all the amenities – how can they lose? "WINNERS"!

A "SHOUT OUT" to our annual picnic "SPECIAL GUEST" – Paul Corraire. A \$125 bottle of wine for the hostess – Carol – a \$1,000 bottle of bourbon to be shared by all, followed by Cuban cigars for those inebriated enough to smoke them! This special guest is obviously trying to become a "PERMANENT" fixture at all future Z&A picnics. I think he accomplished his goal!

As you read this letter Bob and Carol are on their "TUG BOAT" tour of Alaska. Here is hoping that their trip is fabulously fun and that they have a "WHALE" of a good time!

Once again the O'GRADYS' put on an unbelievable 4<sup>th</sup> of July Fireworks show! Rich and Mary couldn't stop praising the beauty and splendor of this annual event!

### **FOOD FOR THOUGHT**

As day is done I find I have just begun – in a world that is round and constantly goes around and around and around.