

# MAKELA, TOUTANT, HILL, NARDI & KATONA, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

201 West Bluff Street  
Marquette, Michigan 49855  
(906) 228-3600



## Tax & Business Alert

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### OFFSET NURSING HOME COSTS WITH POSSIBLE TAX BREAKS

If you have a parent entering a nursing home, taxes are probably the last thing on your mind. But you should know there may be several possible tax benefits.

#### MEDICAL EXPENSE DEDUCTIONS

The costs of qualified long-term care, including nursing home care, are deductible as medical expenses to the extent they, along with other qualified expenses, exceed 7.5% of adjusted gross income (AGI).

Qualified long-term care services are those required by a chronically ill individual and administered by a licensed health care practitioner. They include diagnostic, preventive, therapeutic, curing, treating, mitigating and rehabilitative services, and maintenance or personal-care services.

To qualify as chronically ill, a physician or other licensed health care practitioner must certify an individual as unable to perform at least two activities of daily living (ADLs) for at least 90 days due to a loss of functional capacity or severe cognitive impairment. ADLs include eating, toileting, transferring, bathing, dressing and continence.

#### LONG-TERM CARE INSURANCE

Premiums paid for a qualified long-term care insurance contract are deductible as medical expenses (subject to limits) to the extent they — combined with other medical expenses — exceed the percentage-of-AGI threshold. Such a contract doesn't provide payment for costs covered by Medicare, is guaranteed renewable and doesn't have a cash surrender value.

Qualified long-term care premiums are includible as medical expenses based on the age of the individual. For 2022 for those 61 to 70 years old, the limit on deductible premiums is \$4,510 and for those over 70, the limit is \$5,640.

#### NURSING HOME PAYMENTS

Amounts paid to a nursing home are deductible as medical expenses if a person is staying at the facility principally for medical, rather than custodial care. Also, for those individuals, only the portion of the fee that's allocable to actual medical care qualifies as a deductible expense. If the individual is chronically ill, all qualified



## SELLING YOUR PARENT'S HOME

If your parent sells his or her home, up to \$250,000 of gain from the sale may be tax-free. To qualify for the \$250,000 exclusion, the seller must generally have owned the home for at least two years of the five years before the sale. Also, the seller must have used the home as a principal residence for at least two of the five years before the sale. However, there's an exception to the two-of-five-year use test for a seller who becomes physically or mentally unable to care for him- or herself during the five-year period.

long-term care services, including maintenance or personal care services, are deductible.

If your parent qualifies as your dependent, you can add medical expenses you incur for him or her to your own medical expenses when calculating your deduction. We can help with this determination.

### HEAD-OF-HOUSEHOLD FILING STATUS

If you aren't married and you meet certain dependency tests for your parent, you may qualify

for head-of-household filing status, which has a higher standard deduction and lower tax rates than filing as single. You may be eligible to use this status even if the parent for whom you claim an exemption doesn't live with you.

These are just some of the tax issues that may arise when your parent moves into a nursing home. Contact us if you need more information or assistance. ■

## LARGE CASH BUSINESS TRANSACTIONS MUST BE REPORTED TO THE IRS

If your business receives large amounts of cash or cash equivalents, you may be required to report these transactions to the IRS. Here are some details.

### THE REQUIREMENTS

Each person who, while operating a trade or business, receives more than \$10,000 in cash in one transaction (or at least two related transactions), must file Form 8300. What constitutes "related transactions?" Related transactions are conducted in a 24-hour period. But transactions that occur in a greater than 24-hour period may also be deemed related if the recipient knows, or has reason to know, that the transactions are connected.



To complete a Form 8300, you'll need certain information about the person making the payment. This includes a Social Security or taxpayer identification number.

### REASONS BEHIND THE REPORTING

Although many cash transactions are legitimate, the IRS explains that "information reported on (Form 8300) can help stop those who evade taxes, profit from the drug trade, engage in terrorist financing and conduct other criminal activities. The government can often trace money from these illegal activities through the payments reported on Form 8300 and other cash reporting forms."

It's important to keep a copy of each Form 8300 for five years from the date you file it, according to the IRS. Contact us if you have questions related to form retention.

### "CASH" AND "CASH EQUIVALENTS" DEFINED

For Form 8300 reporting purposes, cash includes U.S. currency and coins, as well as foreign money. It also includes cash equivalents such as cashier's checks (sometimes called bank checks), bank drafts, traveler's checks and money orders. Money orders and cashier's checks under \$10,000, when used in combination with other forms of cash for a single transaction that exceeds \$10,000, are defined as cash for Form 8300 reporting purposes.

Note: Under a separate reporting requirement, banks and other financial institutions report cash purchases of cashier's

checks, treasurer's checks and/or bank checks, bank drafts, traveler's checks and money orders with a face value of more than \$10,000 by filing currency transaction reports.

### OPTIONS FOR FILING

Businesses required to file reports of large cash transactions on Form 8300 should know that in addition to filing on paper, e-filing is an option. The form is due 15 days after a transaction and there's no charge for the e-file option. Businesses that file electronically get an automatic acknowledgment of receipt when they file.

## BUSINESS OWNERS, DIVORCE AND THE POTENTIAL FOR FRAUD

It's difficult enough to divide a marital estate. But when a divorcing spouse owns a private business and attempts to artificially deflate its profits or hide assets, it may be time to engage a forensic accountant to investigate.

### WHAT TO ASK

When working on divorce cases, fraud experts ask several questions about private business interests. For example, does a spouse own a cash business that may have income that's not reported to tax authorities? Does the owner receive special perks or tax write-offs that affect the business's profitability? Are numbers manipulated to affect the business's value?

Also, does the business have subsidiaries or is it part of other business ventures? A business owner may be a silent partner in an entity where ownership isn't obvious.

### LOOK TO THE INCOME STATEMENTS FOR CLUES

Anomalies in a business's income statements may reveal possible deception, particularly:

- Excessive write-offs,
- Withheld revenue deposits,
- A large one-time expense, or
- A decrease in revenue with no related decrease in variable expenses.

Sudden changes that occur when the possibility of divorce arises may suggest unreported income or overstated expenses. However, these changes could also be due to external forces such as adverse market conditions.

When experts evaluate expenses, they may focus on amounts paid to owners and other related parties. These may include payments for compensation, benefits, rent,

The IRS also reminds businesses that they can "batch file" their reports. This is especially helpful to those required to file many forms.

### SETTING UP AN ELECTRONIC ACCOUNT

To file Form 8300 electronically, a business must set up an account with FinCEN's Bank Secrecy Act E-Filing System. For more information, visit: <https://bsaeiling.fincen.treas.gov/AboutBsa.html>. Interested businesses can also call the BSA E-Filing Help Desk at 866-346-9478 (Monday through Friday from 8 am to 6 pm EST). Contact us with any questions or for assistance. ■



management fees, company vehicles and more. The owner-spouse also might try to flush personal expenses through the business.

### DETAILS IN THE BALANCE SHEET

Balance sheets may reveal whether an owner seeks to hide assets (for example, in an offshore account) or transfer them to a related party for less than market value. Inventory is particularly susceptible to manipulation and notes payable to shareholders — though often legitimate — may conceal income distributed to an owner.

Experts review the equity section for changes in the business's ownership after the divorce filing and suspicious withdrawals or distributions from capital accounts. Controlling owners sometimes attempt to transfer ownership of business interests to friends or associates to deprive their spouses of the assets or portions of the business income.

### VALUE DISTORTIONS

Although divorce can give rise to angry actions, most business owners would never stoop to falsifying financial records simply to deprive their ex-spouses of a fair division of marital assets. But if the value of a business seems distorted, contact us to help identify the causes and to suggest reasonable adjustments. ■

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## LARGE UNPAID TAX BILLS COULD ENDANGER YOUR PASSPORT

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If you have a large unpaid federal tax bill, beware. A 2015 law allows the U.S. State Department to deny your passport application — or revoke or limit your current passport — if the IRS certifies that you have a seriously delinquent tax debt (SDTD).

How large does the debt have to be to qualify? In 2022, you have an SDTD if the following are true: you owe more than \$55,000 (adjusted for inflation) in back taxes, penalties and interest; the IRS has filed a Notice of Federal Tax Lien; *and* the period to challenge the lien has expired or the IRS has issued a levy.

If this is your situation, you may be able to avoid losing your passport by taking certain steps. Obviously, you can pay your tax debt in full immediately. If that's not possible, you may be able to pay your debt on a timely basis with an approved installment agreement, an accepted Offer in Compromise or a settlement agreement with the U.S. Justice Department.



Also, you might be able to retain your passport by requesting a collection due process hearing regarding a levy, or by having collection suspended through a request for innocent spouse relief. Typically, the IRS won't notify the State Department of an SDTD if there are extenuating circumstances, such as bankruptcy, identity theft, federally declared disasters or other hardships. Contact our firm for more information. ■