

THE COMMUNIQUE

March 2023

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4048.42	1.97%	5.44%	5.44%
Dow Jones Industrials	33431.44	2.37%	0.86%	0.86%
NASDAQ Composite	11675.74	1.92%	11.55%	11.55%

U.S. TREASURIES	YIELD
2-yr Treasury Note	4.89%
10-yr Treasury Bond	3.97%
30-yr Treasury Bond	3.91%

Information as of March 6, 2023

Source: Thomson Reuter's Thomson One

MARKET COMMENT

The Ides of March

The month of March was named after the Roman god, Mars (the god of war) and was the month generals usually returned to the battlefield due to better weather. But perhaps the most notorious statement about March came from Shakespeare's play, *Julius Caesar*, when a fortuneteller muttered the words "beware the ides of March," which suggested Caesar's assassination in the middle of the month. So are the financial markets going to be troubled by the ides of March? Fortunately, not being superstitious, we will rely on the facts before us and listen to what the market is saying.

All eyes are still on the Federal Reserve and their "Fed-talk" about inflation and interest rates. Inflation has definitely declined, currently at 6.4% CPI – or using the Personal Consumption Expenditures (PCE), which the Fed prefers, inflation is running at 5.4%. Either way, we are still not near the desired 2.5% level. So financial markets are listening for Fed hints of further rate increases and what the level of increase will be at its next meeting (¼% or ½%). It seems the stock market may have the opinion that we are closer to winning the inflation war without a recession, but as we all know, opinions can change quickly. However, at present, the market seems on a cautious offense formation.

Employment is still a strong spot in the economy, and as we have said in the past, rarely does a recession occur without rising unemployment. So with so many consumers working, and the strong spending, especially by baby-boomer consumers, the Fed's soft landing just might take place in the

coming months. Also, current interest rates may be challenging some consumers, but they remain historically affordable. On the flip side, individuals have seen the rates on their savings accounts increase, which offers more spending power.

Lastly, most first-term presidents want a strong economy in their 3rd year of their term so they can start their re-election campaign on a very positive note with voters. President Biden will be no different, and will do whatever it takes to keep this economy moving ahead. However, with the opposite party controlling the House, it may prove more challenging. The next 18-months should prove to be quite interesting.

There are a lot of challenges that we face, but unlike Caesar, we will be watching closely for potential assassins wanting to put an end to a glass-half-full scenario, and will pay close attention to the "Ides of March!"

PLANNING STRATEGY

Raymond James "Commentary & Insights" M22 - 4098500

How a Dollar can add up to More When It Comes to Taxes

Not only can an extra dollar of income push you into the next highest tax bracket (thankfully, with a progressive tax system, only those excess dollars will be subject to the higher incremental tax), but that dollar can mean you're paying more taxes in other ways. Let's take a look at two of them.

Medicare tax

If your wage or compensation exceed certain thresholds by even \$1, you'll be subject to the 0.9% additional Medicare surtax on the excess. While \$1 over only means you'll pay an extra cent or so, it can add up quickly the further you are over the limit. Your employer will withhold the tax for you, but you'll still have to file Form 8959 to report the excess income that is subject to this tax. The calculations are a little more complicated if you have self-employment income in the mix, so be sure to discuss this with a qualified tax professional.

And speaking of Medicare and taxes, you'll pay an income-related adjustment in addition to your standard Medicare Part B premium if you made even a dollar over the applicable threshold, which is based on your income from **two years ago**. For example, those who made \$97,000 or less (single) or \$194,000 or less (married filing jointly) in 2021 pay \$164.90 per month for this coverage in 2023. But those who made \$97,001 (single) or \$194,001 (joint) pay \$230.80 per month, an extra \$790.80 over the course of the year.

Net investment income tax

Certain individuals, trusts and estates may be subject to an additional 3.8% net investment income tax (NIIT) on the lesser of their net investment income or the amount by which their modified adjusted gross income exceeds the threshold based on their filing status. (Again, that's \$200,000 for those filing single or head of household in 2023 and \$250,000 for those married filing jointly.)

In general, net investment income includes but is not limited to interest, dividends, capital gains not offset by capital losses, rental and royalty income, and nonqualified annuities; it excludes wages, unemployment compensation, Social Security benefits, alimony, and most self-employment income. So it is possible to be subject to this tax and/or the Medicare surtax since they apply to different income pools.

Another difference is that your employer doesn't withhold anything for this tax. You may request that additional income tax be withheld if you think you'll owe come April. To determine if you are liable, you will use Form 8960 to compute the tax, and will report and pay the tax on the appropriate income tax return form.

For example, let's look at Debra, who files as head of household with \$180,000 in wages. She is *not* subject to the Medicare surtax, but she received \$90,000 from a passive partnership interest, which the IRS considers net investment income. Now her modified adjusted gross income is \$270,000, exceeding the applicable threshold by \$70,000. NIIT is based on the *lesser* of the amount that exceeds her modified gross income threshold or the actual net income (\$70,000 is less than \$90,000 in this case). So she owes \$2,660 in NIIT this year ($\$70,000 \times 3.8\%$).

Note: The real estate market is competitive in many areas of the country. If you've decided to sell your primary residence, please note that up to \$250,000 in capital gains from the sale may be excluded from your gross income for regular income tax purposes (if you meet IRS qualifications) and, as a result, is also exempt from the net investment income tax.

Estates and trusts are liable for the tax if they have undistributed net investment income and adjusted gross income over the threshold. As with most tax-related calculations, professional help can be invaluable as computations get complicated for different types of trusts.

Sources: [irs.gov](https://www.irs.gov); Centers for Medicare & Medicaid Services; Raymond James research

Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional.

LIFE & LEISURE

Raymond James "Commentary & Insights" M22 - 27720

5 Tips to Avoid Getting Scammed at Tax Time

Tax season is rife with opportunists who use a multitude of nefarious tactics to get you to part with your money. Increasingly sophisticated, even the savviest tax filer might have trouble discerning a real IRS request from a fake one. Here are five ways to protect yourself this tax season.

1. Get your IRS online account set up

The No. 1 thing you can do to protect yourself is to sign up for an online IRS account. Your account will give you the clearest picture of balances owed, payment plans, tax records, past tax years, authorizations from your accountant or tax preparer, any additional taxes on qualified plans or other tax-favored accounts, shared responsibility payments, and trust fund recovery penalties. You'll be

required to go through an extensive process to verify your identity and create an Identity Protection PIN through the IRS secure site – an additional layer of protection for you against tax fraud and identity theft.

Tip: irs.gov is the official website for the IRS. If you get a communication from irs.com, irs.net, irs.org or any other website, you'll know immediately it is not a legitimate request.

2. Don't answer

The IRS will never initiate contact with you through phone calls, texts, social media, direct messages or emails. It always contacts you by letter first if you owe money. The only exceptions may be if you are undergoing a criminal investigation or if you haven't filed at all. The IRS does not demand immediate payment or leave you prerecorded or threatening voicemail messages either. If you receive any kind of call like this, do not give out any information. Instead hang up and immediately report it to the Federal Trade Commission.

Tip: Since criminals can now "spoof" IRS phone numbers, don't let the fact that it appears to be a legitimate IRS number sway you. If they demand payment or ask for identifying information, hang up.

3. Beware of ghosts

"Ghost" tax preparers have an easily identifiable hallmark – they don't sign the tax return they have prepared. They might also require you to pay them in cash, invent fake income or deductions, or try to direct refunds into their own account – not yours.

Tip: All tax preparers are required by federal law to have a preparer identification number they include with their signature on the tax return.

4. Look out for fake charities

Fraudsters posing as charities are a classic scam at tax season. They may ask you for identifying information and push the fact that you can reduce your tax burden by donating. However, any legitimate charity operating in the U.S. must have an Employer Identification Number it will happily provide to you. If you don't get one, don't donate.

5. Be on guard

Fraudsters escalate activity around tax time, especially to seniors and non-native English speakers. Anything at all that seems strange or confusing and is asking for your personal identity information is a red flag. Don't be afraid to ask questions. Your advisor and tax pro may track the latest scams and have insight to share. Remember, it's not personal – it's just that tax scam time of year.

Sources: forbes.com; IRS; cnbc.com; nerdwallet.com; reportfraud.ftc.gov

Quote of the Month: “The hardest thing in the world to understand is the income tax” – Albert Einstein

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Planning - <https://www.raymondjames.com/commentary-and-insights/tax-planning/2023/02/22/how-a-dollar-can-add-up-to-more-when-it-comes-to-taxes>

Life & Leisure - <https://www.raymondjames.com/commentary-and-insights/tax-planning/2023/02/14/5-tips-to-avoid-getting-scammed-at-tax-time>

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