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JUNE 2021

THANK YOU

*“Gratitude is not only the greatest of virtues but the parent of all others.”*  
– Marcus Tullius Cicero

*“Let us rise up and be thankful, for if we didn’t learn a lot today, at least we learned a little,  
and if we didn’t learn a little, at least we didn’t get sick, and if we got sick,  
at least we didn’t die; so let us all be thankful.”*  
– Buddha

We are thankful to our clients for the opportunities of working for them and to our staff for their excellent performance. We will celebrate the Tuesday, June 15 completion of the filing season with our traditional holiday by closing the accounting office on Friday, June 18. The computer center will be open. We will honor our staff with an appreciation luncheon at noon on Thursday, June 17, and we will be closed (including the computer center) that afternoon. To both staff and clients – **Thank you!!**

### PURCHASING INSURANCE

Because purchasing insurance is an effective way of spreading loss among those at risk, it should be purchased by those whose lives would be significantly adversely affected by suffering the loss. However, the cost of insurance must, of necessity, recover the cost of the loss experience of the insurer plus its cost of marketing, sales commissions, other administrative expense, and a profit for the company. Thus, self-insurance (retaining the risk) for those whose lives would not be significantly affected by incurring the uninsured loss is usually the best decision as they incur only the actual (and acceptable) loss amount and will have avoided the incremental cost of the issuing company’s expenses, profits, etc. Accordingly, those with

sufficient investment assets usually should avoid extended warranties, low deductible auto insurance, low deductible medical insurance, etc.

The accompanying *Tax & Business Alert* contains on page 3 a discussion of long-term care insurance. Along with other factors, it mentions that net worth is a factor in determining whether or not such insurance is a worthwhile expenditure.

Those with low financial net worth have taxpayer-provided long-term care (albeit at a very modest level). Individuals with high net worth have capital sufficient to retain the risk and almost never need long-term care insurance because the

(Continued on reverse)

sum of the cost-of-living reduction of their previous lifestyle plus the income tax benefit from the long-term medical care deduction will usually come very close to, if not exceed, the uninsured cost of high-level long-term care. The more difficult decisions face those with some financial security (investments) who desire to protect their investment assets for their families and who feel insecure about their long-term care. For such

individuals, this purchase decision is very difficult. For the more financially secure (their investment income equals or exceeds their cost-of-living), the decision is almost always to retain the risk – that is, do not purchase long-term care insurance. For the middle group, the answer is yes, if you derive peace of mind from the purchase and no if you are comfortable running (retaining) the risk.

## UNCLAIMED PROPERTY

Most of us like to believe that we “tend to our business.” However, in spite of our efforts, occasionally holders of property belonging to us fail to remit it to us and, instead, believing they cannot find us, remit, as required by law, certain “unclaimed property” to the state of Louisiana.

### What is Unclaimed Property?

Any funds or intangible personal property held or owing in the ordinary course of a holder’s business that have remained unclaimed by the rightful owner for a certain number of years (the number of years depends upon the type of property) and include the following:

- Savings and Checking Accounts
- Uncashed Payroll or Cashier’s Checks
- Money Orders and Traveler’s Checks
- Certificates of Deposit
- Customer Deposits or Overpayments on Account (Credit Balances)
- Paid Up Life Insurance Policies
- Health and Accident Insurance Payments (Reimbursements from Insurance Companies to the Patient)
- Uncashed Death Benefit Checks
- Gift Certificates and Christmas Club Accounts
- Stock and Dividends
- Utility Deposits
- Oil and Gas Royalty Payments

### How Does Property Become “Unclaimed”?

Under Louisiana law, property is presumed abandoned or unclaimed when a company (the holder) that has possession of the property owed to another person (the owner)

cannot locate the owner for the number of years specified.

### How Can You Find Unclaimed Property?

Instead of waiting for the state to find you, it is often possible to search for your property on your own. For example, the National Association of Unclaimed Property Administrators (NAUPA) operates a website at [www.unclaimed.org](http://www.unclaimed.org). The site contains searchable databases for many states that, in most cases, allow you to type in the owner’s name and begin a search. Once you believe that you have found your lost assets, you should contact the department that handles unclaimed property. In Louisiana, the law is administered by the Department of Revenue, Unclaimed Property Division. Anyone, with sufficient proof of ownership, can reclaim property with no time limit.

To claim property held by Louisiana, you can go directly to the Louisiana website at <https://louisiana.findyourunclaimedproperty.com> and click on the Get Started link. At that location, you can search for property in your name or another’s name as well as download an “owner claim form” to submit to the state for claiming your property. The claim form contains an explanation of the documentation necessary to claim your property.

### Why Bother?

Even if you believe that you have never abandoned anything, it might be worth your while to make a quick check at the website using your name. While in the site, you can also check for your relatives or friends. It never hurts to check.

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## Tax & Business Alert

JUNE 2021

### INDIVIDUAL TAXPAYERS, REMEMBER THE RESCUE!

When you think back on this spring, you may fondly recall a substantial deposit made to your bank account by the federal government (if you were eligible). Economic Impact Payments were a focal point of the American Rescue Plan Act (ARPA), but it contains many other provisions also worth remembering. Here are four highlights:

**1. The child tax credit.** For 2021, this refundable credit has been increased to \$3,000 per child (\$3,600 for children under six years of age), and qualifying children now include 17-year-olds. The increase is subject to modified adjusted gross income (AGI) phaseout rules. The IRS is scheduled to make periodic advance payments totaling 50% of the estimated amount due in the last half of 2021.



**2. The earned income tax credit.** For 2021, this credit has been increased for taxpayers with no qualifying children, and the age restrictions for those taxpayers have been relaxed. Taxpayers may use the greater of their 2019 or 2021 earned income to calculate the credit for 2021. For 2021, taxpayers who have a qualifying child but couldn't previously meet the identification requirements for the qualifying child are still allowed the credit.

Also for 2021, the amount of investment income that a taxpayer can have and still earn the credit has been increased. Moreover, the existing exception to the credit's joint filing requirement has been broadened. Under this exception, separated married people eligible to file jointly are allowed the credit even if they don't file jointly.

**3. The child and dependent care credit.** For 2021, the amount of qualifying expenses for this refundable credit has been increased from: 1) \$3,000 to \$8,000 if there's one qualifying care individual, and 2) \$6,000 to \$16,000 if there are two or more individuals. The maximum percentage of qualifying expenses for which credit is allowed has been increased from 35% to 50%. The ARPA has changed the phaseout rules, which are based on AGI.

The increased dependent care assistance program exclusion amount will also affect the child and dependent care credit, as the amount of expenses taken into account for the credit is reduced by the amount excludable from the taxpayer's income under the tax code.

## INCOME EXCLUSION FOR UNEMPLOYMENT BENEFITS

Many people received unemployment benefits last year. Under the American Rescue Plan Act, taxpayers with modified adjusted gross incomes of less than \$150,000 can exclude \$10,200 of their unemployment benefits for 2020. The exclusion is available to each spouse if a return is filed jointly. The IRS has stated that any taxpayers who already filed 2020 returns and didn't exclude unemployment benefits shouldn't file an amended return. Contact our firm for more information.

**4. The health care premium assistance credit.** For 2021 and 2022, this credit will be available for a larger percentage of premiums paid for health coverage bought from a Health Insurance Marketplace (commonly called an "Exchange"). Individuals whose income is greater than 400% of the poverty line will be eligible for (rather than barred from) the credit.

For 2020, individuals who, under the Affordable Care Act, were provided advances on the credit exceeding the amounts to which they were entitled aren't obligated to pay back the excess. And, notwithstanding any other rules, individuals who receive unemployment compensation during 2021 are eligible for this credit under rules that increase the amount of the credit. ■

## WEIGHING THE PROS AND CONS OF LTC INSURANCE

The COVID-19 pandemic has significantly affected our lives in many ways that are still playing out. For example, it has served as a reminder of how difficult an unexpected medical crisis can be to manage financially. It's also reinforced the importance of guarding against the risk of such crises before they arise.

In this context, you may want to consider buying long-term care (LTC) insurance to protect yourself against high medical costs in the future. Before you commit to such a purchase, however, be sure to weigh the pros and cons.



### KNOW THE OPTIONS

LTC insurance policies can help pay for the cost of long-term nursing care or assistance with activities of daily living, such as eating or bathing. Many policies cover care provided in the home, an assisted living facility or a nursing home — though some restrict coverage to only licensed facilities. Without this coverage, you'd likely need to pay these bills out of pocket.

Medicare or health insurance policies generally cover such expenses only if they're temporary — that is, during a period over which you're continuing to improve (for instance, recovering from surgery or a stroke). Once you've plateaued and are unlikely to improve further, health insurance or Medicare coverage typically ends.

That's when LTC insurance can take over. But you need to balance the value of a policy against the cost of premiums, which can run several thousand dollars annually.

### CONSIDER VARIOUS FACTORS

Whether LTC insurance is right for you will depend on a variety of factors, such as your net worth and estate planning goals. If you've built up substantial savings and investments, you may prefer to rely on them as a potential source of LTC funding rather than paying premiums for insurance you might never use.

If you've socked away less and want to have something left for your heirs after you're gone, LTC insurance

might be a good solution. But it will be effective only if your premiums are reasonable.

If you determine LTC insurance may be right for you, the younger you are when you buy a policy, the lower the premiums typically will be. Plus, the chance of being declined for a policy increases with age. Having certain health conditions, such as Parkinson's disease, can also make it more difficult, or impossible, for you to obtain an LTC policy. If you can still get coverage, it likely will be much more expensive.

So, buying earlier in life may make sense. But you must keep in mind that you'll potentially be paying premiums over a much longer period. You might be able to trim premium costs by choosing a shorter benefit period or a longer elimination period.

#### GATHER INFORMATION

Only you can decide whether LTC insurance will likely benefit you and your loved ones. Gather as much information as possible before making the decision. Contact our firm for assistance. ■

## SHOULD AN LLC HOLD YOUR VACATION HOME? \_\_\_\_\_

If you share a vacation home with family members, holding it in a limited liability company (LLC) is one option that offers several important benefits. Here are a few:

**Asset protection.** By establishing an LLC to own the home and transferring interests to family members, you can protect the home against claims by a family member's personal creditors. You can also shelter your family's other assets against claims by the LLC's creditors (such as a lawsuit by someone injured on the property). Note that the level of protection available depends on all of the facts and circumstances, including the type of claim and applicable state law.

**Ease of management.** A carefully prepared LLC operating agreement can help avoid intrafamily disputes by detailing family members' rights and responsibilities. For example, it might state who's permitted to use the home and when, as well as how costs (and, if applicable, rental income) are allocated among family members and other permitted users.

An agreement can also specify who's responsible for cleaning, maintenance and repairs, and who has decision-making authority over the home. And it can establish rules for inviting guests and specify acceptable and unacceptable activities on the property. A particularly thorough agreement could even detail how management responsibility will be transferred to the younger generation.

**Ownership restrictions.** To ensure that the home stays in the family, you can build transfer restrictions into the operating agreement or include them in a separate buy-sell agreement. For example, you might place restrictions on ownership by nonfamily members or prevent ownership by members' ex-spouses.



Another common approach is to require or permit the LLC or other members to purchase the interest of a member who is getting divorced, filing for bankruptcy, or otherwise attempting to transfer his or her interest outside the family. The agreement might provide for a professional appraisal of the interest to determine the price or give the other members a right of first refusal.

**Estate planning advantages.** Owning a vacation home through an LLC generally avoids the need for probate proceedings when an owner dies. In addition, restrictions on LLC interests typically qualify them for minority interest and lack of marketability valuation discounts, which can substantially reduce any applicable estate and gift taxes.

An LLC isn't the only way to own and share a vacation home, but its combination of limited liability, asset protection and management flexibility makes it an entity of choice for many people. Your advisor can help you design an ownership structure that's right for you. ■

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## NEW RULES FOR COVID-RELATED PAID SICK TIME AND LEAVE

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Under the Families First Coronavirus Response Act (FFCRA), enacted in March of 2020, employees could (through December 31, 2020) take paid sick time and paid family leave to care for themselves or loved ones because of COVID-19. In turn, eligible employers could claim tax credits to offset costs of the leave.



If your business has granted such sick time or leave, be advised that the American Rescue Plan Act (ARPA), signed into law in March 2021, changed some of

the applicable rules. This was after the Consolidated Appropriations Act (CAA), passed in December of 2020, extended the tax credits.

Specifically, the CAA extended the credits through March 31, 2021. The ARPA then extended them

through September 30, 2021. And the amount of wages for which an employer may claim the paid family leave credit in a year has increased from \$10,000 to \$12,000 per employee.

The paid family leave credit has also been expanded to allow employers to claim the credit for leave provided for the reasons included under the previous employer mandate for paid sick time. For the self-employed, the number of days for which individuals can claim the paid family leave credit has been increased from 50 to 60 days.

In addition, the paid sick and family leave credit can be claimed by employers who provide paid time off for employees to obtain the COVID-19 vaccination or recover from an illness related to an immunization.

The paid sick time and leave originally introduced under the FFCRA, and now updated under the CAA and ARPA, remains an important relief measure for both businesses and their employees. Contact our firm for further information. ■