



CYPEN & CYPEN

NEWSLETTER

for

January 18, 2018

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Never Forget September 11, 2001
and
Always Remember May 2, 2011

1. TAX FILING SEASON BEGINS JAN. 29, TAX RETURNS DUE APRIL 17:

The Internal Revenue Service announced that the nation's tax season will begin Monday, Jan. 29, 2018, and reminded taxpayers claiming certain tax credits that refunds will not be available before late February. The IRS will begin accepting tax returns on Jan. 29, with nearly 155 million individual tax returns expected to be filed in 2018. The nation's tax deadline will be April 17 this year – so taxpayers will have two additional days to file

beyond April 15. Many software companies and tax professionals will be accepting tax returns before Jan. 29 and then will submit the returns when IRS systems open. Although the IRS will begin accepting both electronic and paper tax returns Jan. 29, paper returns will begin processing later in mid-February, as system updates continue. The IRS strongly encourages people to file their tax returns electronically for faster refunds. The IRS set the Jan. 29 opening date to ensure the security and readiness of key tax processing systems in advance of the opening and to assess the potential impact of tax legislation on 2017 tax returns. The IRS reminds taxpayers that, by law, the IRS cannot issue refunds claiming the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC) before mid-February. While the IRS will process those returns when received, it cannot issue related refunds before mid-February. The IRS expects the earliest EITC/ACTC related refunds to be available in taxpayer bank accounts or on debit cards starting on Feb. 27, 2018, if they chose direct deposit and there are no other issues with the tax return. The IRS also reminds taxpayers that they should keep copies of their prior-year tax returns for at least three years. Taxpayers who are using a tax software product for the first time will need their adjusted gross income from their 2016 tax return to file electronically.

Taxpayers who are using the same tax software they used last year will not need to enter prior-year information to electronically sign their 2017 tax return. Using an electronic filing PIN is no longer an option. Taxpayers can visit [IRS.gov/GetReady](https://www.irs.gov/GetReady) for more tips on preparing to file their 2017 tax return IR-2018-1. The IRS reminds taxpayers they have a variety of options to get help filing and preparing their tax return on IRS.gov, the official IRS website. Taxpayers can find answers to their tax questions and resolve tax issues online. The [Let Us Help You](#) page helps answer most tax questions, and the [IRS Services Guide](#) links to these and other IRS services. Taxpayers can go to [IRS.gov/account](https://www.irs.gov/account) securely to access information about their federal tax account. They can view the amount they owe, pay online or set up an online payment agreement; access their tax records online; review the past 18 months of payment history; and view key tax return information for the current year as filed. Visit [IRS.gov/secureaccess](https://www.irs.gov/secureaccess) to review the required identity authentication process. In addition, 70 percent of the nation's taxpayers are eligible for IRS Free File. Commercial partners of the IRS offer free brand-name software to about 100 million individuals and families with incomes of \$66,000 or less. The online fillable forms provide electronic versions of IRS paper forms to all taxpayers regardless of income that can be prepared and filed by people comfortable with completing their own returns.

Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) offer free tax help to people who qualify. Go to IRS.gov and enter “free tax prep” in the search box to learn more, and find a nearby VITA or TCE site, or download the IRS2Go smartphone app to find a free tax prep provider. If eligible, taxpayers can also locate help from a community volunteer. Go to IRS.gov and click on the Filing tab for more information. The IRS also reminds taxpayers that a trusted tax professional can provide helpful information and advice. [Tips for choosing a return preparer](#) and details about [national tax professional groups](#) are available on IRS.gov.

2. RETIREMENT BENEFITS FOR MEMBERS OF CONGRESS:

Prior to 1984, neither federal civil service employees nor Members of Congress paid Social Security taxes, nor were they eligible for Social Security benefits. Members of Congress and other federal employees were instead covered by a separate pension plan called the Civil Service Retirement System (CSRS). The 1983 amendments to the Social Security Act (P.L. 98-21) required federal employees first hired after 1983 to participate in Social Security. These amendments also required all Members of Congress to participate in Social Security as of January 1, 1984, regardless of when they first entered Congress. Because CSRS was not designed to coordinate with Social Security, Congress directed the development of a new retirement plan for federal workers. The result was the Federal Employees' Retirement System Act of 1986 (P.L. 99-335). Members of Congress first elected in 1984 or later are covered automatically under the Federal Employees' Retirement System (FERS). All Senators and those Representatives serving as Members prior to September 30, 2003, may decline this coverage. Representatives entering office on or after September 30, 2003, cannot elect to be excluded from such coverage. Members who were already in Congress when Social Security coverage went into effect could either remain in CSRS or change their coverage to FERS. Members are now covered under one of four different retirement arrangements:

- CSRS and Social Security;
- The “CSRS Offset” plan, which includes both CSRS and Social Security, but with CSRS contributions and benefits reduced by Social Security contributions and benefits;
- FERS; or
- Social Security alone. Congressional pensions, like those of other federal employees, are financed through a combination of employee and employer contributions. All Members

pay Social Security payroll taxes equal to 6.2% of the Social Security taxable wage base (\$128,400 in 2018). Members first covered by FERS prior to 2013 also pay 1.3% of full salary to the Civil Service Retirement and Disability Fund (CSRDF). Members of Congress first covered by FERS in 2013 contribute 3.1% of pay to the CSRDF. Members of Congress first covered by FERS after 2013 contribute 4.4% of pay to the CSRDF. Members covered by CSRS Offset pay 1.8% of the first \$128,400 of salary in 2018, and 8.0% of salary above this amount, into the CSRDF. Under both CSRS and FERS, Members of Congress are eligible for a pension at the age of 62 if they have completed at least five years of service. Members are eligible for a pension at age 50 if they have completed 20 years of service, or at any age after completing 25 years of service. The amount of the pension depends on years of service and the average of the highest three years of salary. By law, the starting amount of a Member's retirement annuity may not exceed 80% of his or her final salary. There were 611 retired Members of Congress receiving federal pensions based fully or in part on their congressional service as of October 1, 2016. Of this number, 335 had retired under CSRS and were receiving an average annual pension of \$74,028. A total of 276 Members had retired with service under FERS and were receiving an average annual pension of \$41,076 in 2016. [Nice work...if you can get it.] This piece comes from Katelin P. Isaacs, Specialist in Income Security.

3. FLORIDA'S \$1.1 BILLION HARDEST HIT FUND WINDING DOWN AFTER SOME HARD KNOCKS:

In 2010, Florida was in the throes of an unprecedented housing crisis. One in every eight homes was in some stage of foreclosure. Today, the foreclosure rate is one in every 83. Because of that enormous drop, Florida's Hardest Hit Fund will stop accepting applications January 31, 2018, for its three main mortgage assistance programs. The deadline signals a major wind-down of the \$1.1 billion fund, which has helped thousands of struggling Florida homeowners like Dena Tingling. After her husband died last year and her income plunged, the disabled pre-school teacher qualified for 12 months of mortgage payments on her Largo home. "It helped me tremendously," she said. "It got me to where I was able to get a modification to where my mortgage is within my income." But tens of thousands of other needy Florida homeowners are still waiting or have been denied help because of what critics says is waste and mismanagement by the Florida Housing Finance Corp., the agency that administers the state's Hardest Hit Fund. Chief among the

critics is Christy Goldsmith Romero, special inspector general of the federal Troubled Asset Relief Program, better known as TARP. "We've been hammering over and over again that the state agency needs to improve the efficiency and effectiveness in getting money out to homeowners," she told the Tampa Bay Times in a phone interview. As Florida Housing processes 11,000 pending applications, "what we don't want to see (in new applications) is homeowners who qualify facing significant delays," Goldsmith Romero said. "We don't want to see state officials wasting TARP dollars I was appalled to see the cash bonuses of employees doubling and tripling." Last year, Florida Housing's executive director lost his job after a state audit revealed the agency had spent nearly \$443,000 on employee bonuses and \$52,000 on a lobster-and-filet mignon dinner. But Florida Housing takes issue with Romer's criticisms, saying it is now two years ahead of schedule in disbursing Hardest Hit money to help homeowners.

4. FREQUENTLY ASKED QUESTIONS ABOUT 401(K) PLANS, THE BASICS:

Every once in a while, it is good to get back to the basics. In that spirit, here are Investment Company Institute's frequently asked questions about 401(k) plans.

What is a 401(k) plan and how does it work?

A 401(k) plan is an employer-sponsored retirement savings plan that allows an employee to contribute a portion of his or her paycheck into a tax-advantaged investment account. The employee (or plan participant) typically chooses from a range of investment options within the 401(k) plan. These options, which often include mutual funds, are chosen by the plan sponsor—usually the employer. Approximately half of all assets in 401(k) plans are invested in mutual funds, which in turn are invested in stocks, bonds, and short-term investments. The following are additional frequently asked questions, which ICI also answers:

[Where does the 401\(k\) plan get its name from? How long have 401\(k\) plans existed?](#)

[Are 403\(b\) and 457 plans similar to 401\(k\) plans?](#)

[How have 401\(k\) plans grown since their introduction?](#)

[What are the benefits of investing in a 401\(k\) plan?](#)

[What is an employer match?](#)

[What is vesting?](#)

[Is there a limit to how much an employee and employer can contribute to a 401\(k\) plan?](#)

[What is a catch-up contribution and who is eligible?](#)

[What happens if an employee or employer contributes more than the 401\(k\) plan limit?](#)

[Can participants borrow from their 401\(k\) plan accounts?](#)

[What happens to an employee's loan if an employee leaves a job or is fired?](#)

[What happens if an employee can't repay a 401\(k\) loan?](#)

[What are the disadvantages to a 401\(k\) loan?](#)

[What are hardship withdrawals?](#)

[What are the disadvantages of a hardship withdrawal?](#)

[When can a participant begin drawing down a 401\(k\) plan?](#)

[What is a required minimum distribution?](#)

[Why do required minimum distributions exist?](#)

5. JOINT STATEMENT OPPOSING “COMPOSITE” PENSION LEGISLATION:

AARP, the International Association of Machinists and Aerospace Workers, the International Brotherhood of Boilermakers, Musicians for Pension Security, the National United Committee to Protect Pensions, the National Retirees Legislative Network, the Pension Rights Center, the United Steelworkers, the Western Conference of Teamsters Pension Trust Opposing Composite Pension Legislation have issued a joint statement: Our organizations, representing tens of millions of workers and retirees, strongly support the passage this year of critical legislation to make available loans to severely-underfunded multiemployer pension plans to pay earned pensions to retirees and their families, earn investment market returns to repay the loans, and fund the federal pension insurance program, the Pension Benefit Guaranty Corporation (PBGC). Approximately 10 million workers and their families are covered by multiemployer pension plans. These workers worked a lifetime to earn their retirement benefits and should not have their retirement years shattered because Congress failed to act to protect their pensions. At the same time, we strongly oppose efforts to attach “composite plan” proposals that put earned benefits at risk to this legislation. The composite legislative proposal does not ensure that earned pensions will be fully paid in either existing multiemployer pension plans or in newly created plans. The composite proposals put benefits at risk, even in those multiemployer plans that are well-funded today. Advocates for composite plans

argue that their proposals would preserve existing plans for workers and retirees while creating innovative plans for the future. But what they are not saying is that money that would be needed for the new composite plans will be taken from money needed to fund existing plans – likely leading to underfunding of both plans – without adequate benefit protections. Proposals to limit composite plans to certain industries do not solve the problem, as these plans will face the same incentives to cut earned benefits. The composite plan legislative proposal, while creating new risks for existing plans, would continue to permit underfunded existing plans to cut retiree pensions. Benefits under the new composite plans would not be guaranteed, as plan trustees have broad authority to reduce earned pensions, including for retirees already receiving pensions. While the Treasury Department and plan participants must approve any proposed pension cuts in existing plans, the participant vote does not follow democratic voting principles and unfairly counts those who do not vote as having voted to cut pensions. We support the need to have pension plans that work for all parties – workers, retirees, employers and unions. We are open to discussing pension designs that encourage employers to join and contribute to multiemployer plans without unfairly eliminating the fundamental principle of secure earned pensions. We urge you to pass legislation to improve the funding of and protect the earned pensions of retirees covered by severely underfunded plans – and say “no” to composite plans that put earned benefits at risk.

[Coalition Statement on Composite Legislation 12-20-18.pdf](#)

6. NEW OFFICE ADDRESS: Please note that Cypen & Cypen has a new office address: Cypen & Cypen, 975 Arthur Godfrey Road, Suite 500, Miami Beach, Florida 33140. All other contact information remains the same.

7. CLEVER WORDS:

Bernadette: The act of torching a mortgage

8. INSPIRATIONAL QUOTE:

Strive not to be a success, but rather to be of value. – Albert Einstein

9. LEXOPHILES:

When you've seen one shopping center you've seen a mall

10. TODAY IN HISTORY:

On this day in 1929, NY *Daily Mirror* columnist Walter Winchell debuts on radio.

11. THINK YOU KNOW EVERYTHING?

Rubber bands last longer when refrigerated.

**12. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT
BENEFIT.**