

Tucson 411

The City of Tucson is holding a special, one-item election on May 17. Proposition 411 would extend the current half-cent sales tax passed by voters in 2017.

The 2017 measure, Proposition 101, is due to expire at the end of this June. If it passes, Prop 411 will take effect July 1, extending the temporary sales tax increase for 10 more years.

Prop 411 wouldn't raise the sales tax beyond the 8.7% currently in effect but if it fails, the sales tax rate would decrease to 8.2%.

Tucson's 8.7% sales tax consists of 5.6% state tax, 0.5% Pima County tax, 2% Tucson base rate, 0.5% roads and public safety and 0.1% zoo improvements.



Fluffy Puppies

Just when you think you heard of all the wild economic forecast models, here's a new one: The Fluffy Puppy Indicator (FPI) is warning of a potential recession ahead.

As ludicrous as it sounds at first, the FPI is actually based on some solid statistics.

In March, sales of pet supplies (non-food items that pets don't need to live) fell 1.9%, according to the latest data from Nielsen. That's a sharp change from the previous three months' average increase of 3.6%.

Pet grooming sales also plunged 19.2% while dog accessories fell 12.1% and pet bed sales declined 12.7%.

A Morgan Stanley analyst explained the pullback in consumer behavior. "We love our pets. We won't starve them to death, but maybe not buy the extra toy as a discretionary purchase. Those types of pur-

chases are exactly the kinds of things we think will suffer first [in a slowdown]."

New K-2 and K-3

If you filed a tax return for a pass-through entity (S-corporation, partnership, LLC) this spring, you may have noticed an extra pile of paper.

Starting with 2021 returns filed this year, IRS has added two new schedules, K-2 and K-3.

The 19-page K-2 and 20-page K-3 are for pass-through businesses where at least one of the partners file a Form 1116, Foreign Tax Credit.

The forms could be expected if the business has either foreign activities or

any foreign owners. However, they may also be required for entirely domestic companies where a partner or shareholder claims a foreign tax credit resulting from other investments.

The complexity comes because the foreign tax credit involves a proration between US source and foreign source income and taxes paid. That calculation is done in the individual's tax return but relies on information reported by various businesses the taxpayer is involved with.

After months of turmoil, IRS announced in February rules to help businesses that don't have foreign activities or owners. Those companies do not have to file the cumbersome forms if they don't know that any partner or shareholder needs the information about "items of international relevance."

Too much cash?

Deutsche Bank observed that U.S. households have more cash than debt, for the first time in three decades. The bank warns that could fuel inflation.