DECEMBER 2013

MURPHY
FINANCIAL
SERVICES, INC.

Tax & Financial Guide

Business and Personal ACCOUNTING, TAX, SOFTWARE & FINANCIAL PLANNING SERVICES

Fourth quarter tax estimates are due January 15, 2014. If you want us to prepare them for you, we need your income, deductions and withholding amounts in our office by January 7, 2014. If you itemize, it may be beneficial for you to pay your state estimate by December 31, 2013.

Please call our office to discuss any of the items in this newsletter that may pertain to you.

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Tax Notes

The 2014 contribution limits for IRAs and Roth IRAs will remain the same as 2013. The max is $5,500 plus $1,000 additional if you are 50 years of age or older.

2013 is the first year you will have two options if you use a home office. You can continue to take the deductions as you had in the past or you can deduct $5 per square foot. Make sure you provide us with the cost of the utilities, homeowners or renters insurance, real estate taxes paid or rent paid, and mortgage interest paid. We will determine which manner provides you with the best tax deduction.

The mileage rates for 2014 are Business 56 cents per mile, charitable 14 cents per mile, and medical 23.5 cents per mile. The IRS has decided to reduce the business and medical mileage by ½ cent. Did you know: The average age of cars on the road today is 11 years. This is a record.

50 years ago, the federal individual tax rates started at 20% and capped out at 87%. In 1964, the rates ranged from 16% to 77% and the next year they dropped to a range of 14% to 70%. I guess we should be happy with the rates we pay now.

Tax Deductions Going, Going, Gone

Effective with 2013 tax returns, medical expenses must exceed 10% of your adjusted gross income to create an itemized deduction. High income tax payers (Single - $250,000, Head of Household - $275, 000, Married filing joint - $300,000, and Married filing separately - $150,000) will lose part or all of their personal exemptions as well as part of their itemized deductions.

2013 could be the last year taxpayers can deduct state & local sales taxes. Taxpayers in states without state taxes use the sales tax deduction.

2013 could also be the last year to deduct Mortgage insurance interest.

Identity Theft

Each year, there is a large increase in taxpayers suffering from identity theft. Any time you have the opportunity to withhold your social security number (i.e. medical or dental offices, schools), do so. If questioners insist they need it, ask them why.

Many insurance companies used social security numbers for insurance policies. Because of the overwhelming amount of fraud and identity theft, most companies realized that was stupid and many have changed the account numbers.

The state of Wisconsin will be sending out letters requesting taxpayers to verify their identity. They say they will be doing it randomly.

The state will only send the letters to the taxpayers, not the tax preparers. They can't contact tax preparers because we have no client personal information. If that is true of tax preparers for your friends or relatives, they are going to the wrong person. In order to maximize taxpayer deductions, it is necessary to know personal things about them.

If you get one of these letters after your taxes are filed, please contact our office if you have any questions. We told the state we advise our clients that the IRS and WDR do not send emails and letters asking for personal information.

Now we have to tell clients the WDR is doing just that!

Murphy Financial Services, Inc. web site is at www. murphyEA.com If you misplace your newsletters, or your information sheets that I have given you (i.e. contributions, enrolled agents, etc.), you will be able to find them on the web site.

Please note that our e-mail address is: sharon@murphyea.com.

PRIVACY POLICY

We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients, or required by law. We restrict access to non-public personal information only to IRS or state authorities and we maintain physical, electronic, and procedural safeguards to guard your personal non-public information.

Approved Charities

This is your end-of-year reminder that every letter from charitable organizations acknowledging your donation must include ***"no goods or services were received for this donation".*** Without that statement, the IRS can disallow your charitable giving.

Each year, I am surprised by the nonprofit organizations that do not include this required statement. I have seen churches that have not included it. If you received a letter without it, get a new letter from them including the statement.

The Shrine Circus and most, if not all, organizations with fundraisers for the police and fire associations accept your money but those donations are not deductible.

Give the money directly to police and fire groups. Or ask them who to donate to so they get the money and you get the tax deduction.

If you donate noncash items, complete our worksheet that you can download from our website or get from us. You must provide the name and address of the receiving organization, items donated, date of donation and value of those items, when and how you acquired them, and the cost of the items.

If you are donating items worth $5,000 or more, you need to have those items appraised.

Make sure you mail checks for any deductible items before year-end to ensure a 2013 write-off. You can also charge deductible items on a bank charge card by year-end to take them as a 2013 write-off. Charging a medical expense or charitable donation is deductible for 2013.

The exception to this is if you order something for your business or rental property, it has to be in service by year-end. So charging it on a credit card does not make it deductible in 2013.

Another exception is using a retail store credit card. Those charges are only deductible when you pay them.

IRS Delay

Because of the government shutdown, the IRS has delayed the start of processing tax returns from January 28, 2014 to as late as February 4, 2014.

This won't affect most people. For the few it will affect there is absolutely nothing that can be done about it. So just be patient.

If you want your taxes done early, make sure you get us the records when you have received the necessary documents. We will process the returns except for actually filing them. We will file them (as long as we have your electronic filing signature) as soon as we can.

New Location!

Murphy Financial Services has found a new home at 5911 W. Vliet Street, Milwaukee, WI 53208. We will be moving to our new and permanent location on December 27, 2013.

We are happy to have a new and improved location. If you need directions to our office, please call or go to our website for directions.

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