

# Tax & Financial Guide

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

## Tax Facts

Tax cheating is on the rise. After conducting 46,000 audits, the IRS found that taxpayers actually pay about \$325 billion less than they owe. Because the IRS only recovers about \$50 billion of this, they are auditing more tax returns. They are highlighting self-employed, partnerships and S corporations, tipped employees and gamblers.

Strict substantiation rules apply to vehicle donations. If the charity sells the vehicle, they must give the donor a Form 1098-C within 30 days showing the selling price. The donor must attach the form to his or her tax return. If the charity doesn't sell the vehicle, donors can use the private-party sale price from Kelly's Blue Book to figure the donation value.

If you write off business use of cell phones and laptop computers, you must substantiate the business use. Computer business usage is calculated by time used. Cell phone usage is based on calls.

Tuition costs for children with learning problems can be deducted as medical expenses if the doctor has diagnosed the disability as a medical problem that requires a program of remedial education.

If you purchase a home from an estate and the IRS later determines that the estate owes additional taxes, the IRS can go after you for the delinquent taxes. Make sure you have title insurance when you purchase a home so the insurance company pays any delinquent taxes.

When students' incomes do not exceed \$5,000 and their unearned income (interest, dividends) is \$250 or less, they do not need to

## Energy Incentives

The new federal energy bill offers taxpayers incentives to become more energy-efficient.

If you buy a hybrid car in 2005, you will receive a \$2,000 tax deduction. If you purchase it in 2006, you'll receive a tax credit ranging from \$250 to \$3,400, depending on the size, weight, and fuel economy of the vehicle.

Hybrid car credits will phase out when each auto manufacturer sells its 60,000th hybrid vehicle. Once the cap is reached, buyers in the next six months can claim only half the credit while buyers in the following six months are allowed only 25% of the credit.

The energy bill offers incentives to people installing solar hot water or solar electric systems in their homes.

The home energy efficiency tax credit, available in 2006 and 2007, will offer a maximum \$500 credit. Included are up to \$200 of the cost of energy-efficient windows; up to \$300 for a highly efficient central air conditioner, heat pump or water heater; up to \$150 for a highly efficient furnace or boiler; and up to \$50 for a furnace with a highly efficient fan.



**Third quarter tax estimates are due September 15, 2005.**

**Get your income and expenses to our office by September 7, 2005 if you want us to calculate your estimates.**

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



*Sharon L. Murphy, EA*

11716 W. Bluemound Rd.  
Wauwatosa, WI 53226

Phone: 414/453-8655  
Fax: 414/453-6396

Email: [info@murphyea.com](mailto:info@murphyea.com)  
Web site: [www.murphyEA.com](http://www.murphyEA.com)

file a tax return. If they had federal or state taxes withheld, they must file a return to get their taxes refunded. Students need to write "exempt" on their W-4 for any jobs they have.

Taxpayers will now be able to get an automatic six month extension instead of four months, and

then an additional two month extension. You are still required to pay your tax liability by April 15.

## Imminent Tax Deadlines

Calendar year Corporation tax returns currently on extension are due September 15. Bring all your information to our office by September 1.

Individual tax returns on second extensions are due October 15. You should have all your information in our office by September 15.

Third quarter individual tax estimates are due September 15. Have all your information in our office by September 6.



## Wills & Power of Attorney

*Murphy Financial Services, Inc. web site is at [www.murphyEA.com](http://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: [info@murphyea.com](mailto:info@murphyea.com).*

Now that you all have your evacuation box, which we told you about in our last newsletter, you're ready for the next step. Have a will and a medical power of attorney prepared.

Without a will, the state could inherit your property. Without the medical power of attorney, your

## Medicare Drug Benefit

Effective January 1, 2006, a new medicare program offers help with prescription drug costs. If you are a medicare beneficiary with limited income and resources, you may be eligible.

You should apply if you have Medicare Part A or Part B, live in

family could face a large legal bill in the event that something terrible happens to you and/or your spouse.

If you cannot afford to hire an attorney, you may be helpless in the decision process of a medical emergency. Next of kin cannot always make medical decisions without a medical power of attorney. Not only can this save you money, but it can also eliminate some of the stress during a very disturbing time.

the United States, and your savings, investments and assets (other than your home or car) are less than \$10,000 if you are single (\$20,000 for a married couple living together).

If your annual income is below \$14,355 for an individual (\$19,245 for a married couple living together), you may not have to pay monthly premiums or deductibles, and you can pay as little as \$2 for your co-payments. Your income limits can be higher if you or your



spouse support other family members who live with you, or you have earnings from work. Social security, food stamps, home energy assistance, scholarships and education grants, and earned income tax credit do not count toward income.

You automatically qualify if you receive SSI and have Medicare, receive Medicaid with prescription drug coverage and have Medicare, or your state pays for your Medicare premiums.

### 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.

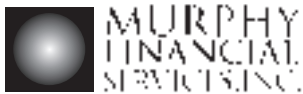


## Anniversary Party & Days Closed

Murphy Financial Services will be celebrating its 25th anniversary on Friday, September 30, 2005 and Saturday, October 1, 2005. There will be free food and free beverages, and some raffles and prizes. Please come and help us celebrate 25 years of providing you with tax and financial services. We will send an informational flyer later to remind you.

Murphy Financial Services office will be closed September 16. I will be participating in the Chicago Breast Cancer 3-day walk in Chicago. We are still looking for sponsors in case you haven't contributed and would like to help.

Murphy Financial Services office will also be closed October 14. I will be attending a convention.



11716 W. Bluemound Rd.  
Wauwatosa, WI 53226

414/453-8655