

Tax & Financial Guide

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

Tax Tips

Third quarter tax estimates are due September 15, 2008. If you want us to prepare them for you, we need your income, deductions and withholding amounts in our office by September 9, 2008.

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



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- The IRS is looking at firms that gave a W-2 and a 1099 to the same worker in the same year. While there may be cases where the worker's situation changed during the year, some employers think it's a way to save money. It won't when the IRS changes the worker's classification and charges you taxes, penalties, and interest.

- Another area that the IRS is looking at is seniors who are required to take a minimum IRA distribution. These taxpayers need to remember that the distribution amount is based on all IRA accounts.

- Businesses who claimed large depreciation amounts for heavy SUVs may have to recapture that expense in future years. If business use falls below 50%, the Tax Court ruled that you must recapture some or all of the extra depreciation for a period of five years.

- Hire your children if you are self-employed. If they are under 18 and work for your firm, they are not subject to social security. This saves them and your company money. If they don't need the wages, they could put the money into a Roth IRA. Later, they could take the contributions out tax free to purchase a first home.

- There is a new line on the 2008 Form 1040 regarding the stimulus payment for taxpay-

ers who received a rebate for 2007 but would receive a larger rebate based on their 2008 information. Unfortunately you must complete a 29 line worksheet to determine if you are entitled to a larger rebate. Plus you need the paperwork the IRS sent in 2008 explaining how they calculated the rebate amount.



- The IRS has increased the mileage rates for the second half of 2008, effective July 1, 2008. That means you must keep records of your business and medical miles for each half of 2008. The business rate is 50¢ for the first half of the year and 58¢ for the second half of 2008. Medical mileage is 19¢ for the first half and 27¢ for the second half of 2008. The charitable mileage rate remains the same as for the last five years, 14¢ for the entire year.

When you report your mileage to us for 2008, remember that we'll need total miles put on the vehicle for 2008 as well

as business miles separated for each half of the year. If you don't provide this information, it will hold up the preparation of your tax return. Take the time now to calculate your business miles through June 30, 2008.

- If you know anyone who had their tax returns prepared by other companies and paid

to have a Refund Anticipation Loan (RAL), they need to make sure they received their stimulus payment. The payments were sent to the bank account the RAL was processed through. The tax preparation company then had to forward the stimulus payments.

- If you set up an HSA in 2009, the rules changed. If you put in the full year's contribution, you must remain eligible for the entire year. If you don't, part of the contribution will be subject to tax and penalty. If this affects you in 2009, call our office to make the needed changes.

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: info@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.



Angry, middle class taxpayers rush to downtown Birmingham to crash into the IRS building. Just kidding. This is typical freeway frenzy before gasoline prices skyrocketed.

Angry Taxpayer Rams Car Into IRS Building

A 48-year-old taxpayer threatening to kill himself over his finances instead rammed his car into an Internal Revenue Service building in Birmingham,

AL. The man and his wife had called the IRS office to make a threat. Later, from his cell phone, the man told a county

sheriff he was going to drive his car off a cliff. Instead he smashed his black SUV into the IRS building, breaking two of the windows.

IRS News

Automobile donations have dropped drastically since the IRS changed the rules on the valuation of a donated car. In 2005, the first year with the new tax rules, donations decreased 80%. Overall donations have also decreased drastically since taxpayers need receipts for cash donations. Charity shortfalls since the new tax rules went into effect are staggering.

The IRS has increased 2007 investigations by 7.8%, after decreasing investigations in 2006. They have also increased the number of prosecutions. Curiously, investigations and prosecutions have increased

while the number of experienced IRS agents has decreased.

The IRS faces not only the challenge of hiring more agents, but still seems to have problems with agents. One was sentenced for looking at a celebrity's tax returns without authorization. Another was sentenced for laundering money. She had worked for the IRS for 30 years.

If you owe the IRS money, they intercept stimulus payments just as they do with any refunds you are entitled to.

The IRS is overcharging taxpayers on installment plans. According to Treasury inspectors, the IRS need only charge \$88, not the current rate of \$105. The Service disagrees and

says they will soon increase the fee.

The phishers are at it again. There is another e-mail going out that looks like it comes from the IRS. The address looks legit, but it's NOT! It says you have money coming back. You DON'T! Apparently the criminals did so well with the last e-mail that they are trying again. The IRS does *not* send e-mails pertaining to your tax account. They send letters.

A self-proclaimed priest was convicted of tax fraud after his accountant and girlfriend pleaded guilty. He understated his income by almost \$750,000 from 1999 through 2004. Is that a little white lie?



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