

Tax & Financial Guide

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

Extension, Credit

Congress has approved another short-term extension of the COBRA subsidy. Ex-workers let go after March 31, 2010 and before June 1, 2010 can get a 65% subsidy toward health coverage premiums for up to 15 months.

Employers have until June 14 to officially notify those former employees who originally declined COBRA. They will be given a second change to apply for it.

Roth IRA Conversions

If you are converting your IRA to a Roth IRA you can either pay all the taxes with your 2010 tax return, or pay half the taxes with your 2011 return and half with your 2012 tax return. If you convert more than one IRA you need to choose the same tax treatment for all conversions. Married-filing-joint taxpayers can each choose a different tax treatment

Homeowners plagued by the problems with Chinese drywall are eligible for a casualty loss due to the noxious fumes the drywall emits that corrode pipes and air-conditioning coils.

Insulated vinyl siding is not eligible for the tax credit. Even though the vinyl siding is insulated and may meet the international code's energy efficiency standards, it also provides structural support for the house which disqualifies it for the credit.

for their IRA conversions.

Wisconsin has finally passed legislation to abide by the federal tax treatment of these IRA rollovers.

If you convert your IRA to a Roth IRA in 2010 and file your return on time, you have until 10/17/11 to decide if you are better off not converting. This could be beneficial if the value of the Roth IRA does a nosedive after it is converted, thus saving you the additional taxes paid on the conversion.

Health Insurance For Adult Children

Effective March 30, 2010, adult children through age 26 of employees are to be treated as if they are dependents of the employees and allowed dependent coverage under the employers' group health insurance plans. Employers cannot refuse coverage. Studies have shown that children in this age group

are among those most likely to lack health insurance coverage.

Firms will have to amend their flexible spending plans by the end of 2010 to allow for this coverage. Plans can't exclude employees' children under age 27 with the first plan year beginning after 9/22/10.

Summer Hours

Our normal summer hours are: Monday and Thursday 9 am until 5 pm, Wednesday and Friday 9 am until 12 pm, and by appointment.

If you plan to stop in, call first to make sure we will be here. Since I had shoulder surgery in late May, there may be some other times that I will be out for a bit due to physical therapy appointments. I am also available for evening and weekend appointments.

Incorrect Tax Returns Costly

The Tax Court says, "Reliance on tax preparation software is no defense against an IRS penalty."

A filer used TurboTax to do her tax return and made several mistakes. The IRS assessed a 20% penalty because the deficiency was more than \$5,000. Since the errors were caused by her faulty input, she had no defense to avoid the penalty.

In the last three years, almost every TurboTax prepared tax return that we have seen has been incorrect. The tax returns are only as good as the information put into the return. If you are not sure of ALL the tax laws, there is a very good likelihood that the tax return will not be prepared correctly.

Make sure anyone you know that does their own returns is aware of this situation.

Second Quarter tax estimates are due June 15, 2010. If you want us to prepare them for you, we need your income, deductions and withholding amounts in our office by June 10, 2010.

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



Sharon L. Murphy, EA

7118 West Center Street
Milwaukee, WI 53210

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

Email: sharon@murphyea.com
Web site: www.murphyea.com

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.

Verify Donations

Since the IRS has eliminated deductions for cash contributions without receipts, we need to make sure we have proper documentation for our donations.

Save all your grocery receipts. When the scouts, postal workers, your church, your employer or any other group asks for nonperishable food donations, we all grab things from our cupboards. Unless you just purchased the items, you won't have the receipt.

If you get in the habit of saving all your grocery receipts, you can highlight the items you donated during the year. Mark the items with the date and who you donated them to. After year end, you can dispose of the receipts that didn't include any donated items. Save the eligible receipts and put them with your tax records.

If you sponsor someone to walk a mile, run a mile, bowl-a-thon, read a book, jump rope for heart health, etc., remember to write a check to the sponsoring organization. Since many of these donations are small amounts and can be easily done with cash, make a change and write a check or use a charge card to make sure you have a record of the donation. You can then include this deduction on

your tax return.

When you purchase girl scout cookies, wreaths and popcorn from the boy scouts, pizzas and wrapping paper from other non-profits, give them a check payable to the organization. Part of this expense is a donation and part is the cost of the item you received. If you write a check payable to the scout or their parent, it is not a valid receipt for your donation.

Death Documents Important

Transfer On Death (TOD) documents are a handy tool to keep assets out of probate. If you have a family member, friend, or anyone else that owns real property, the property may need to go through probate depending on how it is titled.

If the property is titled TOD, it will go directly to the recipient instead of through probate. You can also title bank accounts, investments, and other assets as TOD to make the asset transfer easier and faster.

Make sure any assets with beneficiaries include your wishes. If you die without a will, and/or your assets have no beneficiaries or TOD stipulation, your wishes may not be fulfilled. Having items properly titled and transferred directly at death also saves you legal fees.

Reminders

Make sure you have a will.

Make sure you have a durable will and a medical power of attorney.

Make sure you have your evacuation box ready (see 5/05 newsletter on our website).

MFS still has a copier, filing cabinets, entertainment centers, bookshelves and other office items for sale.

The duplex on Bluemound Road where MFS was previously located is still for sale. Tell anyone you know who's interested in an investment property or an owner occupied duplex.

Hiring Benefits

Firms will get federal benefits for hiring unemployed people. The new employees need to complete a Form W-11 to certify that they were jobless. Employers don't have to pay Social Security tax on the wages of workers hired after 2/3/10 if they worked less than 40 hours in the previous 60 days. This covers wages paid form 3/8/10 to 1/1/11.

If the new hire replaces someone that was fired for cause or quit, the employer will get a credit of the 6.2% that they paid for social security on the wages paid. Businesses will also get a credit of up to \$1,000 for each of those workers kept on at least a year.



7118 West Center Street
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414/453-8655