

# Tax & Financial Guide

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

## Child Health Plan

Health insurance plans are required to provide coverage for children who have not yet turned age 26. Make sure you contact your insurance provider if you have a child under 26. This pertains to participants in health plans for groups as well as individuals. Foster children are covered. Grandchildren and the spouse of a child are not covered.

If a child can enroll in an employer-sponsored health plan that isn't a parent's group

plan, he or she does not qualify for the parent's plan. Coverage for the children must be the same as for any other person in the plan. Coverage must begin no later than the first day of the first plan year beginning on or after 9/23/10, or earlier if the employer/provider chooses.



## Tax Preparers To Be Licensed

The IRS will now regulate tax preparers. Starting with 2010, all tax preparers will need an ID number and by mid-2011 they must be tested and licensed.

Paid tax preparers must sign the returns they prepare, and include their ID number, or they will be penalized by the IRS for each tax return. This will help protect taxpayers from using a tax preparer who may not know all the tax laws.

If you have friends, relatives, neighbors, coworkers who rely on unlicensed tax preparers, encourage them to consider tax return professionals.

## Education Credit

The American Opportunity Tax Credit that helped taxpayers save money in 2009 is still available for 2010. This is an education credit for taxpayers with higher income than previous credits, but also up to 40% refundable if the credit is more than your tax liability.

Another way to save money on education is to invest in a state qualified 529 plan, get a deduction on your Wisconsin tax return, and use the money for education expenses in the same year. The 529 money can be used for tuition and fees as well as room, board, books, and supplies.

Third quarter tax estimates are due September 15, 2010. If you want us to prepare them for you, we need your income, deductions and withholding amounts in our office by September 13, 2010.

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



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## IRA Conversion

If you converted an IRA to a Roth in 2009, you have until Oct. 15, 2010 to undo the switch without owing a penalty. Switching back to an IRA can reduce taxes if the Roth balance has fallen since converting. If you already filed your 2009 tax return, you can amend it to get a refund of overpaid taxes.

You can reconvert the IRA

to a Roth IRA again in 2010. Then either pay all the taxes with your 2010 tax return, or half with your 2011 return and the balance due with your 2012 return.

Because it's easier to recharacterize individual accounts, you could roll over your IRAs to more than one Roth IRA. Then if one account is a loser and the others aren't, you can recharacterize the loser.



## Duplex & Office Equipment Available

I still have a lovely three bedroom, 1 1/2 bath duplex on Bluemound Road for sale.

Call me for details.

Assorted office furniture and equipment including a copier

are also available.

Anyone starting a business or setting up an office-in-home could save money on good quality used furniture or equipment.

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: [sharon@murphyea.com](mailto: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.

## Also Of Note

### Energy-Efficiency Rebates....

In addition to the federal tax credits you can get for installing energy-efficient insulation and equipment, you can also earn Wisconsin Focus on Energy rebates. First you must get an energy evaluation from a state certified energy appraiser. Call us for details.

### Medical

**Reimbursement....**If you have a business that would like to set up a medical reimbursement plan, contact us if you have questions. We work with a company providing plans for medical insurance deduction and medical reimbursement. Plan costs are minimal and save you



thousands of dollars in taxes.

### Hiring Tax Break....

Employers who hire unemployed people receive a payroll tax break if the new employees did not work more than 40 hours in the previous 60 days. Employers don't have to match the

6.2% social security tax for wages paid after 3/18/10 and before 1/1/11 if the employee was hired

after 2/1/10. This includes hiring formerly self-employed workers as well as

minors.

**Bankruptcy....**If you file for bankruptcy and inherit an IRA, your creditors cannot tap into it. If you file for bankruptcy or have charge card cancellation of debt, you may be subject to taxes the

or LLC still require a 1099.

To make this easier, have each business/person you pay complete a W-9 giving you their name, address, and federal ID number or social security number. Then you'll have the ID number when you need it in January.

There is a \$50 penalty for each 1099 not issued. Plus the IRS can *disallow* any expenses not included in the required 1099s. That could cost you a lot of extra taxes.

year the debt is cancelled.

**More Audits....**The IRS is planning 22,000 line-by-line random tax return examinations, beginning with 2009. Though 32% of recent audits resulted in no change, the IRS hopes to use data from the line-by-line audits to update their formulas for selecting returns to audit. Small corporations also face more audits.

**Life-Saving Walk....**I will be doing my seventh 60 mile walk for Breast Cancer Research. Each year this has been a great challenge, and a great accomplishment. To do the walk I need to raise \$2300. I am a long way from that amount and appreciate all the help I can get. All donations are tax deductible. Contact me if you would like to help.

## 1099 Filing Important

The IRS is getting more diligent on the filing of 1099 forms. Whether you are a business owner, rental property owner, or LLC you may need to file 1099s. Any person or business that is not a corporation, receiving a payment of \$600 or more, must be issued a 1099 by January 31 of the year following the payment. Payments to a partnership

## It's Important To Call Our Office Regarding:

Buying or Selling a Rental Property

Starting or Selling a Business

Retiring

Getting Married or Divorced

Starting a New Job

A Death in the Family



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