

Tax & Financial Guide

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

Reduce Your Estate Tax

One way to positively reduce your taxable estate is to put money into 529 Plan college savings accounts for your children or grandchildren. In most cases, these contributions reduce the value of your estate for both federal and state taxes.

Withdrawals are tax free if they are used for tuition, fees or books. You can also make direct tuition payments for relatives, which reduce your taxable estate too.

Educated Tax Preparers

All tax preparers now have to be registered with the IRS in order to prepare taxes. Starting in 2011, all tax preparers will also have to take continuing education classes. Even though these tax preparers will be registered and educated, they are still not licensed like Enrolled Agents.

Enrolled Agents (EAs) are licensed by the IRS after

Missing Refund Checks?

The IRS is trying to find homes for the \$164.6 million in undelivered refund checks due to almost 112,000 taxpayers.

The refunds were misplaced because taxpayers moved before they received their

Another type of education savings, Coverdell accounts, offers fewer estate tax write-offs and can be used for K-12 education expenses at private and parochial schools. Payouts for tuition, fees, and books are tax free.



taking a comprehensive exam on taxation. EAs also must take 24 credits of continuing education each year. All EAs - like me, that belong to the National Association of Enrolled Agents, are also required to take 30 credits of continuing education each year.

Enrolled Agents provide professional tax preparation expertise as well as represent taxpayers at audits. I have been an Enrolled Agent since 1987.

refunds, addresses on their tax returns were incorrect, or addresses were incorrectly input into the computer by either the taxpayer or the IRS.

When tax returns are filed and taxpayers request a direct deposit, undeliverable refunds don't occur unless the bank information is incorrect.

IRS Audits

The IRS is auditing 200,000 tax returns of people who applied for the home buyer credit. Remember, if you get any letters from the IRS or the state, contact our office.

The IRS is also auditing 400 colleges and universities as well as other nonprofit organizations. Any exempt organization with unrelated business income must pay taxes on that income. They are only exempt from income related to their nonprofit purpose.

Tax Tips

Make sure you have all your energy savings improvements installed by December 31, 2010 to get your tax credit.

The adoption credit and exclusion were raised in 2010. The credit has also become a refundable credit and has been extended through December 31, 2011.

The IRS has announced the standard mileage rates for vehicle usage in 2011: 51 cents per mile for business use, 19 cents per mile for medical and moving purposes, and 14 cents per mile for charity.

Ease & Convenience

If you prefer, you can email, mail, or fax us your tax records instead of coming to the office. Some clients find this much easier and less time consuming.

Fourth quarter tax estimates are due January 18, 2011. If you want us to prepare them for you, we need your income, deductions and withholding amounts in our office by January 10, 2010.

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



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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.

Tax Filing Deadline

You will get three extra days to file your tax returns for 2010. The deadline is April 18, 2011. April 15th falls on a Friday, but Washington DC will observe its Emancipation Day holiday on that date. So tax returns as well as first quarter estimates and payroll taxes are due April 18th.

This doesn't mean you should wait extra days to get your records to our office. We still have our March 24, 2011 deadline to get your taxes prepared by April 18th without paying any additional costs.

Make IRA Changes By 12/31/10

If you want to convert your traditional IRAs to Roth IRAs, you need to do it by 12/31/10. You can choose to pay all the taxes in 2010 or spread the taxes equally across your 2011 and 2012 returns. Dividing the taxable income into multiple years may help you avoid a higher tax bracket.

This can only be done with 2010 conversions. Conversions done in any future years will be taxed the year the conversions occur. Use a direct "trustee-to-trustee" transfer to make sure the transfer gets done correctly.

If the money loses value, you

We can prepare extensions for you if you need additional time to file your taxes. This does not give you additional time to pay your taxes, which are still due April 18th.

Estimated Tax Payments

Most people who itemize deductions on their tax return should pay any required state estimate tax payments by December 31. Otherwise, the fourth quarter federal and state tax estimates are due January 18. Contact our office if you are not sure when you should pay your state fourth quarter estimate.

have until October 15, 2011 to recharacterize the distribution and transfer it back to the traditional IRA. That wipes out the tax liability.

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Other Tax Considerations

Tanning salons have to pay 10% excise tax on tanning services. That means you will probably pay more if you frequent tanning salons.

The penalty for not disclosing a "specified foreign financial

1099s Due

If you own a rental property, remember that you must issue a 1099-misc to any person or non-corporation business you paid \$600 or more to during the year for goods or services. Mail the 1099s to the recipient by 1/31/11. Copies also are sent to the IRS as well as the state.

Make sure you get the social security number or federal identification number from the businesses or individuals before you pay them. If they refuse to give you the needed information, notify them that you will have to withhold 20% federal withholding. The only way they will get credit for this is if you have their ID number or social security number included on the forms.

If you need us to prepare 1099s for your business or rental property, please let us know.

asset" on the applicable return is \$10,000 per year.

Federal tax deposits can no longer be done at the banks. They must be done electronically online.



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