

Tax & Financial Guide

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

Make Sure Enough Withheld

Many people owe taxes at year-end – and even penalties and interest – because they didn't have enough money withheld.

Servers who earn the minimum wage for servers, be careful. Your pay may be grossed up to a minimum of \$7.25 per hour by adding tips, which are then deducted from your pay after the taxes have been deducted.

Many servers get paychecks for zero or minimal amounts and do not have enough withholding because there is not enough money left to deduct the proper amount of federal and/or state withholding taxes.

You may be able to live on your tips but many servers owe money because they receive a W-2 with not enough wages withheld.

If you don't pay estimates and owe too much, you may be charged underpayment penalties for not having enough income withheld. If you don't pay the entire amount due by April 15, you will owe additional penalties and interest.

Part time jobs are another area where people don't have enough withholding because tax tables are set up for people working full time. If you have one or

more part time jobs, normally not enough is withheld. You usually need to claim single zero on your W-4, which still may not provide enough withholding.

You may need to send in tax estimates or have additional wages withheld. But if there is not enough money to withhold, you will still end up owing taxes at year end.

Unemployment income and social security income are two other areas that put taxpayers into the situation where they owe federal and/or state taxes when they file their tax returns.

Withholding taxes can be taken from both of these sources of income.

You can change your withholding anytime during the year. So if you are in the above situations, change jobs or lose a job, make sure you call our office. Tax planning is easy and greatly reduces stress when preparing taxes.

Save Money On Tax Extensions

If we filed an extension for your 2011 tax filing, you have until June 30, 2012 to get all your information to us if you want your taxes prepared without paying additional charges.

If you get your tax records to us late, you will be charged an extra fee. Those fees are 25%

Stricter Charity Rules

The IRS has started disqualifying taxpayers' charitable donations. If you donate money to a church or any other nonprofit organization, the receipt or statement you get from them needs to stipulate that "no goods or services were given for the donation".

Because some organizations merely thanked the donor and didn't include this statement, the IRS disqualified the donation.

They even denied the donation when the taxpayer got a subsequent letter from the organization with the proper statement.

So to prevent the possible loss of a charitable donation, make sure each organization includes the proper statement on their receipt. If they don't, you need to get it from them the year you make the donation.

Normally, the organizations are usually good about this because they don't want to jeopardize additional donations.

extra for bringing in your records in July, 50% extra for bringing in your records in August, 75% extra for bringing in your records in September, and at least 100% extra for bringing in your records in October.

We are not discounting any late fees. If you have questions regarding this, please call our office.

Second quarter tax estimates are due June 15, 2012. If you want us to prepare them for you, we need your income, deductions and withholding amounts in our office by June 11, 2012

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



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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.

Keep These Important Documents

Many people call us, confused, when they receive Form 5498 from their investment companies because their taxes have been filed and the forms say they are for the tax year already reported. These forms are merely documents that show the value of, and contributions made, to retirement accounts.

These are informational documents, don't need to be attached to your tax return, but are very important. You must keep these for your records. If you convert IRA amounts from a regular to a Roth or cash in an IRA, these documents may be needed to determine the taxable amounts.

The IRS can request these documents in later years. If you don't save them for at least four years after you cash in or convert IRA funds, you may pay added taxes because you lack proper documentation.

Before you discard any information like this, please contact us so you know which documents to keep and which to discard.

Other documents you need to save include investment paperwork detailing buying, selling, and year end statements. New regulations require investment companies to report the cost basis for any

stocks, bonds, mutual funds, etc. that you sell. But if you changed investment companies over the years they may not have the cost basis. If the stock companies still have the records it could take you weeks or longer to get them.

It is very sad when people sell their investments and pay unnecessary taxes because they have no records and no way to prove their costs and reinvested dividends from prior years.

The IRS doesn't care that you held the stock for 20 years, paid money to buy it, and paid taxes on reinvested dividends for 20 years. They only care if you can document it and are more than happy to tax you if you can't. Save the paperwork for any investments you sold for at least four years.

To meet requirements, investment companies send you volumes of paperwork each year. If you aren't sure what you need to save, bring in the paperwork each year along with your tax documents. We will show you what to save so you can "clean house" as well as not pay additional taxes.

To reduce stress and potential tax liabilities, if you own business assets or rental property keep documents pertaining to sales of assets

for at least four years after the sale or disposition. If you owned an asset and discarded it before you sold or closed the business or rental property, you still need to keep the documents from the purchase of the asset. The government can request documentation for any sold or discarded asset for four years. If you don't have the paperwork from when you acquired it, you could be taxed on the amount you received at disposition or the write-off you originally took.

Please don't discard documents unless you know for sure you won't need them in the future. It only takes a quick phone call to our office to make sure you keep the things you need and discard the unneeded.

Budget Benefits

Since the economy has been very challenging, don't forget that we can help you with your finances by putting together a budget for you. It is an easy way to see the money you have coming in and going out each month.

You can then determine if there is any expense that you need to cut, revise or replace. We can help you these alternatives. Call our office for details on the benefits of budgeting.



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