



# Tax & Financial Guide

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

## Accurate Withholding Important

If you owed Federal and/or state taxes last year when you filed your tax returns, did you adjust your withholding this year? If not, you are running out of time.

Even if you didn't owe money last year, there are many other reasons to adjust withholding.

Did you get a new job or a new position this year.... Lose your job and are receiving unemployment compensation....Retire.... Get married or divorced.... Gain or lose a dependent....Purchase a home.... Purchase, start or sell a business....Buy or sell a rental property....Sell stocks or bonds with a

large gain?

To make sure you will not owe taxes when you file your 2013 returns, call our office so we can check to see where you stand on withholding.

We know you don't want any unhappy surprises at tax filing time. If you don't want to change your withholding, you can also send in tax estimate payments.

The estimates can also cover the taxes due to self-employed income, interest, dividends, alimony, and any other income you receive that is not subject to withholding.

## Added Tax For High Income Earners

High income taxpayers will be subject to an added medicare tax. Included are those with wages over \$200,000 who file as single or head of household, and married people filing jointly with wages over

\$250,000.

It is better to pay the taxes now than to chance owing taxes and penalties for underpaying your withholding and estimates. Call us for more details.

## Don't Dirty IRS Feet

An Omaha man was sentenced to three years probation after dumping dirt from a front-end loader at the feet of IRS officers trying to seize his boss's dump truck.

I guess it is good to

have employees who are willing to try to protect their employer. Perhaps the man was worried about losing his job if his boss lost his truck. It is amazing how people react to the IRS.

## Tax Tips

Several tax savings items are scheduled to expire 12/31/13. Among them are the \$250 educator expenses deduction, personal energy property credit of \$500, and some deductions for tuition and fees. Maximize these expenses now so if they do expire, you can take the deductions and credits in 2013.

Qualified charitable distributions from IRAs directly to the charitable organization are continued for 2013. Taxpayers over 70 ½ can transfer any part of their required minimum distribution, up to \$100,000, directly to a 501(c)(3) organization.

Do your children have earned income? Normally, they are eligible to put money into a Roth IRA or a traditional IRA. This is a great way to put away a nest egg for their later years.

Each year our questionnaire asks if you purchased any items on which you did not pay sales tax. This includes goods from catalogues, the internet, or another state or country. All are subject to Wisconsin use tax and should be added to your Wisconsin Income Tax Return. So if you bought items, did not pay the sales tax, and did not tell us to include it on your tax return, the state of Wisconsin can contact you "requesting" your money.

Third quarter tax estimates are due September 16, 2013. If you want us to prepare them for you, we need your income, deductions and withholding amounts in our office by September 11, 2013.

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



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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.

## Home Office Deduction Change

Taxpayers' who take a home office deduction now have a second way to calculate it. The IRS let's them simply multiply their office space – up to 300 sq. ft. – by \$5.

The deduction until now was the percentage of total space used for the office times the qualifying expenses such as mortgage interest, real estate taxes, rent, utilities, insurance, and depreciation.

Some taxpayers mistakenly thought they could take a percentage of the expenses but not deduct the depreciation of the home. In audits, they discovered that the depreciation they did not take was no longer available and the IRS' stand was that they took it.

The audits resulted in

additional taxes as well as interest and penalties.

Some of these returns were prepared by paid "experts" who didn't explain the tax law to the taxpayers. Other taxpayers who prepared their own tax returns lost the tax deductions due to their own mistake and the IRS' ruling that "ignorance of the law is no excuse".

The amount of tax due upon sale of the home is so much less than the tax savings during the years the office deduction was used that it is foolish not to take the deduction.

With the new office deduction, there will be no depreciation to recoup. We will need to determine which office deduction is advantageous for each taxpayer.

## Same-Sex Marriage Tax Returns

As long as same-sex couples were legally married in a jurisdiction that recognizes their marriage, they will be treated as married for federal tax purposes. They will also be deemed married for all federal tax issues,

including filing status, claiming personal and dependency exemptions, taking the standard deduction, employee benefits, contributing to an IRA and claiming the earned income tax credit or child tax credit.

## Tax Write-offs For Volunteer Work

Do you do any volunteer work? Keep a record of the miles you drive doing it.

Also keep records of any out-of-pocket expenses for your volunteer activities.

If you purchase flowers for your church, basketball shoes for children you coach (not your children), make copies, use your own postage for volunteer mailings, or incur any other expenses, you are entitled to a tax deduction.

Keep receipts of your out of pocket expenses and *please* give them to us along with your other tax information.



The couples will be able to file a federal joint return but any states that don't recognize these marriages will require the taxpayers to file as single taxpayers. Good luck to the IRS and state tax authorities in sorting that out.



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