

# Tax & Financial Guide

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

## We Won't Be Here Forever

Do you have your will prepared? And your medical power of attorney? Good for you. Is the beneficiary of your will or pensions or investments still living?

People often assign beneficiaries for their pensions or investments and then the beneficiary dies. The money then doesn't go to the person you originally wanted to receive it. Maybe their children are getting the money. Did you want their heirs to get it?

Perhaps when the original beneficiary died, you wanted the money to go to someone totally different or unrelated to the original beneficiary. You would need to change your will to make your intentions known. It is very easy to change beneficiaries on IRAs, pensions, investment accounts, and bank accounts. It is more difficult to change them on your will.

Make sure you list beneficiaries on your IRAs,

## Fraudulent Returns

Every year we see more fraudulent tax returns filed. We electronically file tax returns but they are rejected because someone has already filed a tax return with your social security number. We have been able to E-file the state tax return but need to file federal paper returns.

Once the paper returns are

pensions, and investment accounts. Your bank accounts can be setup as TOD (transfer at death) accounts or can have another person listed on the bank account. The more prepared you are, the easier it is for your loved ones if anything happens to you.

If your estate is not very large, it may not have to go through probate. If you own real property (i.e. home, building), plan ahead and save your heirs the time and expense of going through probate. File the proper documents now to change the title of your property to transfer on death. Upon your death, the property will transfer without the cost of probate to the heir(s) you chose while you were alive.

The money you spend now having a lawyer file the proper documents will be a lot less than your heirs will pay to lawyers and accountants for probate.

filed, the IRS investigates the two tax returns with the same social security number.

The IRS gives you a code each year for the next three years in order to E-file your returns. Don't ever give anyone your social security number, bank information, or other personal information. This makes it too easy for people to steal your identity.

## Late Filing Fees

If you had us file an extension for you on April 15, 2014 for your 2013 income tax returns, you need to get your tax information to our office. If we get your information by the end of June, you will pay the regular tax preparation fee.

If we get your information in July 2014, we will charge you an added 25% to prepare your tax return. You'll pay an added 50% for information received in August; an added 75% for information received in September; an added 100% for information received in October and prepared by October 15th.

If we get your information after the October 15, 2014 deadline, your tax return is late and the extension is no longer valid.

## Timely Responses

If you reply to Internal Revenue Service letters, don't expect a quick response. The IRS used to meet its goal of answering within 30 days. Now they take over 45 days.

Taxpayers get frustrated since the IRS seems to harass them if their response isn't timely. Make sure your response to any correspondence from the federal or state taxing authorities is timely. They are much easier to work with when dealing with timely responders.

Second quarter  
tax estimates are due  
June 16, 2014.

If you want us to  
prepare them for you,  
we need your income,  
deductions and  
withholding amounts  
in our office  
by June 10, 2014.

*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.

## Deducting Medical Expenses

If you have an HSA available at your place of employment, it is normally advantageous to contribute to it. Since most people are not able to deduct medical expenses on their taxes, they can use pretax dollars from their HSA to pay them.

If you have a medical bill and there is no money left in your HSA account, you may be able to put money into your account, use that money to pay the medical expense, and take a deduction for the contribution to the HSA on your tax return. It is a much better use of your money than paying your medical expenses with money you paid taxes on.

The cost of health issues can be significant, but the IRS does allow deductions for diagnosing, monitoring and treating them. You can deduct medical expenses that surpass 10% of your Adjusted Gross Income; for seniors, 7.5% of your AGI.

Potential deductions for costs you paid can include: Diagnostic Devices, Medicine, Doctor Visits, Alternative Treatments, Dental Care, Home Improvement, Mobility Needs, Vision Care, Service Animals, Hospitalization, Medical Conferences, Mileage, Weight Loss Programs.

Please call us for more details.

## Save Home Improvement Records

Many years ago when people sold their personal residence they sometimes were required to pay tax on any gains. Then the tax code was changed so only people selling the home they owned three of the prior five years paid tax on gains of over \$250,000 for one person or \$500,000 for a married couple.

So people stopped saving records of all the improvements and changes they made to their personal

residence. Now there is a congressman proposing tax code changes including paying taxes on gains from the sale of your home.

If the change is approved, people who have made improvements without saving the documentation would end up paying added taxes. You would be smart to save the records, receipts and documentation for all improvements in case you need them later.

## Tax Savings & IRA Benefits For Children

If you are a sole proprietor or a single member LLC, you can hire your children under 18 and no FICA tax and federal unemployment tax is due. This is a great way to save taxes for the business owner and child.

You can also put money into a Roth or Traditional IRA. Money put into a Roth IRA earns income tax-free and is a great way to start your child on saving for retirement. Or you could put money into a traditional IRA if the deduction will save you money on your tax returns. We need to look at all the criteria to determine your best option.

Parents and grandparents can put money into the IRAs in case the children don't have money to contribute. This money is construed to be gifts to their children/grandchildren. \$5,500 put into a 16-year-old's Roth IRA that earns 7% each year would be worth \$151,000 at age 65. A nice nest egg for your child!



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