



# Tax & Financial Guide

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

Third quarter tax estimates are due September 15, 2014. If you want us to prepare them for you, we need your income, deductions and withholding amounts in our office by September 11, 2014.

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



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## Beware IRS Telephone Scammers

The IRS is warning taxpayers to protect themselves from telephone scammers calling and claiming to be the IRS.

The con men may demand money (because you owe taxes). Some tell people they have a refund coming but request private information that you shouldn't give to anyone. Some even leave "urgent" callback messages for people not answering the initial phone call.

There are five things scammers do that the IRS never does. The IRS never calls about taxes without first mailing you an official notice. The IRS never demands tax payments without letting you question or appeal the amount due. The IRS never demands a specific payment method, like a prepaid debit card: you can pay however you want. The IRS never asks for credit or debit card numbers over the phone. The IRS doesn't threaten to have police arrest

you for not paying.

If anyone calls and uses these methods, *they are not the IRS*. Report the call to the Treasury Inspector General for Tax Administration (TIGTA) at 1-800-366-4484 or [www.tigta.gov](http://www.tigta.gov). Also contact the Federal Trade Commission and use their "FTC Complaint Assistant" at [FTC.gov](http://FTC.gov). Put "IRS Telephone Scam" in the comments of your complaint.

Remember, the IRS doesn't use emails, text messages or any social media to discuss your personal tax issue.

Make sure you keep your personal information private. Each year we get more tax returns that cannot be electronically filed because someone already filed using the social security number of the taxpayer, spouse or dependents. If this happens to you, you will be given a pin number to use the next year to electronically file your tax return.

## Internet Social Security Account

You can setup a "My Social Security" account if you have internet access. It is very easy to do. Go to [www.socialsecurity.gov](http://www.socialsecurity.gov). Among other things, you can check your earnings record, update your personal information, start or change direct deposit of your benefit payments.

You should always check your earnings record at least ever two-three years. If there is any incorrect information, you can only go back three years to correct it. Your social security benefits are based on your earnings record so it is very important that it is correct.

## Grandparent Deductions

Grandparent's day was September 7. Grandparents can gift as much as \$14,000 a year tax-free to each of their children and grandchildren. This is one way to save taxes. Each year you pay taxes on the earnings of that money and later you may pay estate taxes on that money. Gifting money can save taxes now and later.

Another option is to set up a state-sponsored 529 college savings plan for your grandchildren. You can contribute money and get a state tax deduction while helping your grandchildren with their college expenses later. You will also have less money earning taxable income each year.



## Solar Discounts

Homeowners in the Washington Heights neighborhood and the Layton Boulevard West neighborhood have an opportunity to buy solar panel installations at reduced pricing due to a solar group using volume purchasing to reduce the costs. For additional information, go to [www.milwaukee shines.com](http://www.milwaukee shines.com).

*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.

## Dependent Care Credits

If you pay child care expenses and use a flex plan through work, you may be able to claim a tax credit, depending on the flex plan amount paid. Summer day camps qualify for the dependent care credit as long

as the parents are working when the camps are held.

Overnight camps do not qualify for the credit. Camps can be related to sports, arts, reading or study skills. The child must be under 13 to qualify.

## Medicare Supplemental Plans

While preparing tax returns, I have noticed interesting things about insurance premiums for people on Medicare. In WI, if you have a Medicare supplement plan you don't need to review it annually because the design doesn't change. The Medicare advantage plan and

Medicare Part B change annually so you should review the plan documents they send you each fall.

Open enrollment is the only time you can make any changes. If you don't review the documents they send, you only have yourself to blame if you are not aware of any changes.

## Fraudulent Credits

The IRS still is trying to figure out how to intercept the billions of dollars in fraudulent earned income credits on filed tax returns. They continue to require more due diligence from tax preparers while they don't require any due diligence from self-prepared tax returns. The people filing fraudulent tax returns are the self-prepared returns and the criminal tax preparers.

Each year the IRS arrests a few more tax preparers and fines them a small % of the fraudulent tax refunds issued to taxpayers. It would make more sense to fine the preparers the amount of bogus refunds. The IRS may not collect the money, but at least the government could collect money if the fraudulent preparers ever work again (after they get out of jail).

## Tax Deductions

**Medical expenses** exceeding 10% of adjusted gross income qualify as itemized deductions in the year paid. But if either taxpayer is age 65 or older by year-end, they may deduct medical expenses in excess of 7.5% of AGI.

**Mortgage interest** paid is deductible for two homes as long as the total acquisition debt is \$1.1 million (home equity debt is limited to \$100,000).

**Charitable contributions** must have written substantiation. Any donations of \$250 or more need a written acknowledgement of receipt from the charity.

## Cancer Research

I will be participating in my 11th 60 mile walk for breast cancer in Dallas in November. I have already walked over 600 miles and am continuing to raise money for breast cancer research and testing. If you would be interested in helping me reach my fundraising goal, you can either send a check to the office or go online to [www.the3day.org](http://www.the3day.org) to make a donation. Any and all donations help.



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