JUNE 2016



Tax Financial Guide

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

Health Savings Account Advantages

Second Quarter Tax Estimates are due June 15, 2016. If you want us to prepare them for you, we need your income, deductions and withholding amounts in our office by June 9, 2016.

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



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Email: sharon@murphyea.com Web site: www.murphyea.com Do you have a Health Savings Account (HSA), or access to one? More employers seem to be switching to health insurance plans that include HSA accounts.

Many people with these accounts don't make full use of them, thus paying more in taxes than required. Some employers will put a small amount of money in these accounts and many employees don't put anything into their HSA. When they have medical expenses, they use money that has already been taxed to write out a check or charge the expense.

But most people rarely get to write off these medical expenses because to do so they need to exceed 10% of their total income. This can amount to thousands of dollars that are not deductible.

Depending on the type of HSA plan - (single or family) and your age (under 55 or 55 and over) - you can put thousands of dollars into the plan each year. Then you can take a deduction on your tax return for the contributions you make to the plan.

When you use that money

to pay your medical bills, you are using tax free money. That saves a lot in taxes. If you don't use the money in the year of the contribution, the money just accumulates until you have medical needs. You can then use the money for medical expenses in a later year.

We had a lot of clients that came into our office this year and didn't understand that they could save thousands of dollars in taxes by maximizing the use of their HSA account. If you have out of pocket medical expenses, make sure the money goes into the HSA account, and that money is used to pay the medical bills.

If you don't have out of pocket medical expenses in the current year, you can still put contributions into the HSA, take a tax write off for it, and use them in a later year. The money in the account is yours to use for medical expenses whenever you want. You don't lose the money.

Call our office for any additional information as well as the contribution amounts that would pertain to you.



Document Unaffordable Health Premiums

More people are paying tax penalties for not having the required health insurance. If you try to secure insurance and feel the premiums are not affordable, make sure you have some documentation showing the premium amount.

If the amount is considered unaffordable, you could be exempt from the penalties. Make sure you get this information to us along with your 2016 tax documents. 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.

Did You Finish The Paperwork?

This is another reminder to make sure you have done your end-of-life planning. It is not too late to make sure you have a will, a medical power of attorney, power of attorney, and other tools prepared to make decisions for your loved ones much easier.

If you have real property (i.e. home, 2nd home, rental properties) these can be titled to transfer at death. All the things you can do now to make it easier for your loved ones can also save thousands of dollars later on. It costs a lot more money to get power of attorney over someone incapacitated than it does to have it done ahead of time.

We like to think that people do proper planning but it is amazing that someone like Prince, who died and was worth millions, had no will. It's just too easy to put it off until tomorrow. Make sure when you do get your will, Power of Attorney, and other important documents to keep them where your heirs will find them.



No Calls From IRS

The IRS is making a point of letting people know that they do not contact people by telephone. The multitudes of scammers out there continue to harrass taxpayers by calling them. These are NOT LEGIT!!! In the past there were times the IRS contacted taxpayers by telephone regarding audits. Now they have stopped doing that because of the barrage of scams. If the IRS wants something from you, they will mail you their request.

IRS Correspondence

Because of the growing number of IRS scammers, as well as all the taxpayers who were hacked from the IRS e-services, there are a large amount of letters being sent to taxpayers regarding their 2015 tax return. The letters may be asking for certain forms from your tax returns, copies of wage statements, a copy of your 1040, etc.

So far, each letter I have seen has been different from the previous letters. They are legit but please contact our office so we can advise you of what needs to be done.

Hobby or Business?

The IRS is doing more audits of people with Schedule Cs who had business losses for four years in a row. They are considering the businesses hobbies, which cannot show losses on their tax returns. If this is something that you have been filing on your tax returns, now is the time to make some changes to save yourself an audit.



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