

# Tax & Financial Guide

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

**Fourth Quarter Tax Estimates** are due January 16, 2017. If you want us to prepare them for you, we need your income, deductions and withholding amounts in our office by January 9, 2017. If you itemize, it may be beneficial for you to pay your state estimate by December 31, 2016.

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



Sharon L. Murphy, EA

5911 W. Vliet Street  
Milwaukee, WI 53208

Phone: 414/453-8655  
Fax: 414/453-6396

Email: sharon@murphyea.com  
Web site: www.murphyea.com

## Reducing Tax Return Fraud

The IRS now requires payroll processors to send copies of all W-2s to the Social Security Administration by 1/31/17, instead of the end of February. They hope having them earlier will give them time to intercept more of the

fraudulent tax returns.

The IRS also plans to hold up refunds to add more time to verify the W-2s. Since the IRS pays millions of dollars in fraudulent refunds each year, this may reduce the amount of money going out that will never be collected.

## Creative IRS Tactics

The IRS sometimes poses as a business buyer. The seller assures them the business has made money and lets them see their "real" books to verify it. The business owner can be charged with tax evasion and fraud if applicable. There are a lot of stupid criminals out there.

The IRS also prevents taxpayers owing over \$50,000 from getting or renewing a passport. I guess you can't fly the coop if you owe money to the IRS.

## Tax-Free Income?

When the golf tournament comes to Erin, Wisconsin there will be many people looking for housing. You can rent out your home for less than 14 days and pay no taxes on the rent. You cannot deduct any expenses for that home. Call our office for all the requirements if you think this pertains to you

## Consent Forms

If you need us to release a copy of your tax return to another party (i.e. mortgage lender or investment person) we need a signed letter giving us your consent. You can usually get this letter from the person/business requesting the information but we also have the required consent forms.

This needs to be signed and dated and in our files for us to comply. This protects you from anyone not authorized getting access to your information.

They've also decided to again use private debt collectors for "inactive" accounts, despite it not working well in the past.

## Fantasy Earnings

That time of year is here .... yup .... fantasy football season. The Fantasy Sports Trade Association estimates that 56.8 million people played fantasy sports in 2015, up 36% from 2014. Each year, that number increases.

Since people are "earning money" the IRS is salivating. The IRS and states want their share. There are a few lawsuits that could change how fantasy sports are treated legally and for tax purposes.

With all the professional and college football, basketball, baseball, etc fantasy leagues, there are many \$\$\$ eyed by the taxing authorities. Enjoy it while you can.

## Student Loans And Disability

If you owe student loans and are 100% disabled, there is a way to get them waived. If you know anyone that fits that category, give us a call.

## Medicare Tip

If you are turning 65, you need to sign up for Medicare. Even if you have other health insurance and you don't need Medicare, you need to sign up for it. If you don't and want to get Medicare later, you will pay a premium for signing up late. This premium will be permanent!

*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.

## Reduce Home Interest Costs

When someone purchases a home and pays less than 20% down, lenders normally require the owner to buy mortgage insurance. You pay an extra fee at closing and extra fees each month for it.

Once you have 20% equity in your home, you don't need this insurance. If the value of your home has increased substantially or you pay extra principle each year, you could reach a point where you no longer

need mortgage insurance. Lenders don't go out of their way to let you know that.

While preparing 2015 tax returns, we discovered some of our clients no longer needed this insurance. Without it, you could continue to make the same monthly payments but pay extra principle.

HARP is still available for some homeowners until September 30, 2017. Your loan needs to be owned by Freddie Mac or Fannie Mae

from prior to June 1, 2009. There are tools on their website to help you with this. The program can help you reduce the interest rate you pay, reduce your monthly payment, and even provide you with a fixed rate (if you have a variable rate mortgage). Check this program out at <http://www.harp.gov>.

Let us know if you would like to have us review your situation.

## Educator Expenses Expanded

The deduction for educator expenses has been extended and made permanent by the PATH Act. It has also been modified for tax years beginning after December 31, 2015.

Eligible educators working with children in grades K through 12 may deduct up to \$250 each year on substantiated out-of-pocket expenses for classroom materials. You must keep your documentation to reduce your taxable income.

Professional development costs are now added to the qualifying expenses. Included are participation in courses related to the curriculum for which the educator provides instruction, books, supplies, computer equipment, and supplementary materials used in the classroom.

If these amounts are over \$250, they can be added to the miscellaneous itemized deductions on your schedule A. They are included in the amounts you pay for

investment expenses, union dues, professional dues and memberships, professional licenses, professional insurance, uniforms and uniform cleaning, unreimbursed business expenses, tax preparation fees, etc.

If you have an expense that pertains to your occupation, make sure you keep documentation of the expense. They add up.



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