



Tax & Financial Guide

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

Business Tips

In your business, if you paid any person, non-corporation business, or partnership \$600 or more during the year, you must issue a 1099-Misc to the recipient for the money you paid them and provide copies of the 1099s to the IRS.

If you paid business-related interest to anyone, you must issue a 1099-Int to the IRS and the recipient in order to deduct the interest expense. Call our office if

you need help issuing the required 1099s.

If your business has inventory, at the end of each year calculate the cost. Inventory costs include raw materials, products ready for sale, and partially finished products.

Calculating year-end inventory values gives you a more accurate portrayal of your cost of sales and helps you know the true profitability of your business.

Fraud Slows Tax Refunds

You may wait up to two weeks longer to get your 2012 tax refund due to increasing tax return identity theft and fraudulent tax returns. The IRS is trying to screen tax returns for inaccurate and fraudulent refunds because it paid millions of dollars it will never recover for fraudulent returns.

Sadly, many fraudulent

returns were filed by tax preparers! That's one reason the IRS requires all tax preparers to be licensed. Two women in Milwaukee filed over 170 false tax returns seeking over \$1.5 million in federal refunds. Tax preparers in many states filed numerous fraudulent returns. No wonder the country is broke! The IRS wants to stop the fraud.

Medical Expenses

This year you can only deduct annual medical expenses that are more than 7.5% of your adjusted gross income. In 2013 these deductions must exceed your AGI by 10% except for taxpayers 65 and older.

If you have medical expenses at year-end, it may be beneficial to pay the amount due by 12/31/12. Medical expenses put on

credit cards by then are considered paid in 2012 whether or not the balance is paid by year-end.

Medical expenses include, but are not limited to, doctors, hospitals, x-rays, clinics, lab work, eye glasses, contact lenses, hearing aids, hearing aid batteries, dentists, braces, copays and mileage going to and from these medical providers. Call our office so

Social Security Benefit Choices

If you choose to receive social security before you reach your full retirement age of 65 to 67, depending on your birth date, there is an annual limit of the amount you can earn before losing part of your benefits. In 2013 the limit is \$15,120. If you earn more than the limit, your benefit will be reduced \$1 for every \$2 earned over the limit.

If you wait until you are 70 to retire, you will get the maximum benefits allowable.

There is no incentive to wait until after you are 70 because your benefits will not increase for any income received after reaching 70 years old. Up to 85% of your social security benefits are taxable depending on your age, taxable income, and filing status.



we can calculate which is more beneficial for you.

Flex spending for employer medical expense plans will have a maximum contribution limit for salary reductions of \$2,500 per employee per plan starting 1/1/13. Previously the max was \$5,000. This may also make it more beneficial to pay medical expenses during 2012.

Fourth quarter tax estimates are due January 15, 2013.

If you want us to prepare them for you, we need your income, deductions and withholding amounts in our office by January 7, 2013. If you itemize, it may be beneficial for you to pay your state estimate by December 31, 2012.

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



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Tax Tips

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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:

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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.

High Income Taxpayers could benefit by having year-end bonuses, commissions and extra payroll paid by 12/31/12. In 2013 there will be an extra 3.8% tax on unearned income for high income taxpayers, singles with income over \$200,000 and married filing jointly with income over \$250,000. There will also be a .9 percent tax added to the 1.45 percent medicare tax paid by high income taxpayers.

Lower Income Taxpayers can save tax money by selling investments with a capital gain by 12/31/12. Those with long-term capital gains can receive that income and pay little or no taxes on it. Some taxpayers pay no capital gain tax on these gains and other taxpayers pay less than 15%. After the first of the year, it looks like capital gains will all be taxable and at a higher rate.

Home Buyers in 2012 call us before the end of the year so we can determine if it is advantageous for you to pay the real estate taxes before or after December 31.

Depending on when you purchased the home, the amount of the real estate tax credit, and the tax bill, some taxpayers are much better off waiting until 2013 to pay the real estate taxes.

Mileage Rates for 2013 will

be 56.5 cents per mile for business, 14 cents for charity, and 24 cents for medical and moving. If you use your auto for business or a rental property, record the odometer reading each December 31st for total annual mileage.

To take a mileage deduction, tell us the type of vehicle, total miles on it this year, and 2012 business miles. If you use more than one vehicle for business or rental property, do the same for each vehicle.

The same holds true for volunteer or medical mileage. Tell us the vehicle type, medical or volunteer miles, and total annual vehicle miles. Without all three of these, you can't take the best possible mileage deduction.

If you host a foreign exchange student in your home, you can deduct up to a \$50 per month charitable donation for each month the child attends high school. To qualify, the student must live in your home under a written agreement with a qualified charity. Also, the exchange student can't be a relative.

If you will owe taxes on your 2012 tax return you need to pay the entire amount by April 15, 2013 to avoid penalties. You also need enough withholding and tax estimates to cover your tax liability for 2011 to be exempt from a penalty for underpaying your 2012 tax estimates.

Registered Tax Return Preparers, the newly licensed tax preparers, are not allowed to give their clients tax advice. If you know someone going to an RTRP, make sure they understand that while RTRPs are licensed to prepare tax returns, they are not the best choice for using as a paid tax preparer.

Beware Of Scams

If you get an email from the IRS, it's a scam. The IRS never sends email.

Never give anyone your personal information (social security #, birth date, driver's license #, etc.) unless you know them and why they want the information.

I had a client who allowed a woman to amend her tax returns. Unfortunately, they were fraudulent and generated letters from the IRS. If anyone wants to file or amend your tax returns and you aren't sure they are legitimate, please contact our office.

Shoe Refund?

If you purchased Skechers shape-ups, Resistance runners, Shape-ups Toner/Trainers & Tone ups from 8/1/08 to 8/13/12, there is a class action lawsuit that allows you to get a refund of part of the money you paid for the shoes.

You have until 4/18/13 to claim your refund. Go to www.ftc.gov/skechers.



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