



# Tax & Financial Guide

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

Third Quarter Tax Estimates are due September 17, 2018. If you want us to prepare them for you, we need your income, deductions and withholding amounts in our office by September 10, 2018.

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



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## Hang Up On Scammers

The US Department of Justice has convicted 24 people of defrauding thousands of US residents of hundreds of millions of dollars in the telephone scams of the past couple years. Obviously there were a lot of other people involved.

Just because 24 less people

are calling doesn't mean the phone calls will stop. Now the con artists have added calls that are coming from the "social security administration". **THEY ARE ALL SCAMS!!**

Don't let them upset you. Just hang up. Don't give them any personal information.

## "Safe" Email

We get constant reminders of email hacking, identity theft, scams, etc. So we have invested in a program that lets us send you an email allowing you to email your documents, tax organizer and personal information to us in a safe, encrypted format.

Simply send us an email requesting the "safe" email.

When we send tax returns to clients they are password protected. We are trying to make sure the information you send us is safe.

If you have a way to email your documents with passwords, that is great. If not, we can help you to protect your identity.

## Importance of Federal Withholding Due To Excessive Tax Code Changes

I know this was in my last newsletter, but it needs to be said again. The government is very concerned about taxpayer's federal withholding for 2018.

We get government publications every day reminding us to advise our clients to check their federal withholding. Due to the many changes in the 2018 tax

code, we need to make sure your federal withholding is correct.

When we compared your 2017 tax returns with the 2018 changes, there appeared to be many clients who didn't have enough federal withholding for 2018. If you haven't already gotten your pay stubs to us, you need to do it as soon as possible.

## Excessive Tax Code Changes

Personal exemptions are gone. Child tax credits are increased. There is a new credit for other dependents. There is a new qualified business income deduction for those with business income. Miscellaneous itemized deductions are gone. Casualty and theft losses are gone other than those from a federally declared disaster.

It seems the government eliminated many deductions that helped a lot of people. From what we have seen on our estimates, there are groups of taxpayers that will be paying more taxes despite elected officials claiming "you will have more money in your pocket".

Funny how changing the withholding tables made that possible and now they continually tell us to tell our clients to check their withholding.

## Time Running Out

Another "friendly reminder." I will not be in the office after October 8 so if you have personal or corporation tax returns due October 15, you need to give us your information as soon as possible!

*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.

## Mortgage Interest Homework

Another change in the new tax law concerns the deductibility of mortgage interest and home equity interest. They are deductible when used to buy, build, or substantially improve the home. One of the conflicts in this ruling requires people who rolled their finance or refinance fees into their mortgage to remove that portion of the interest from the mortgage interest deduction.

Another conflict applies to people who refinanced and took money out of their mortgage to pay for a car,

credit card debts, vacations, etc. That interest is not deductible. Unfortunately, to make sure we are deducting the correct amount of mortgage interest on your 2018 tax returns, you must find your settlement statement for any current mortgage loan or home equity loan on your personal residence.

If you plan to refinance your home, we need to discuss it with you first so you don't create any problems for your future tax returns.

## New Form 1040 With Attachments

The tax code has more changes than we have seen in a long time. If you heard politicians tell us we can now file on a postcard, don't believe them.

The new Form 1040 (the preliminary draft is available) is a half-page, two sided. But there will be very few tax returns that won't need up to six schedules attached to the 1040.

Those who previously filed a 1040A or a 1040-EZ must file the new Form 1040 since the IRS has gotten rid of those two forms. The state of Wisconsin has eliminated their Forms 1A and 1-EZ. All filers will need to complete the "long form" which may or may not be shorter than previous forms.

## Income And Real Estate Taxes

There is also a limitation on state and local income taxes, as well as real estate taxes. The maximum amount allowed is \$10,000.

There are times we can be creative with how the taxes are paid and deducted. So please call us before you pay your real estate taxes.

## Tax Knowledge

People assume they shouldn't pay their taxes, or make charitable donations, because they won't be able to itemize. Over the years we have seen people who can't itemize on their federal return but can itemize on their state of Wisconsin return.

Please call our office to discuss your situation before you rely on advice from your barber, dog groomer, neighbor, coworker, or the usher at the movie theatre. We have discovered, over the years, the majority of those people have little reliable information.

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