

# Tax & Financial Guide

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

Third Quarter Tax Estimates are due September 16, 2019. If you want us to prepare them, you must have your income, deductions and withholding amounts in our office by September 8, 2019 because I am leaving town on the 10th.

*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

## Tax Related Activities

Summer activities that could affect your 2019 tax returns: Did you get married, divorced, retire, start a business, sell a business, start collecting social security, purchase or sell a rental property, etc.?

If you moved, make sure you notify any employer or pension payer of your correct address so you receive all your tax forms when they are sent out.

Another item that could affect your tax returns is working a part-time job. The payroll tax tables are designed

for full-time jobs and jobs that are all year long. If you work part - time and short - term jobs, the withholding could be severely understated. This is one of the things we can review before year end.

Did you send your kids to summer day camp? If you qualify for a day care credit, this will be something you need to check into. We will need the name, address, and federal id number of the camp as well as the amount paid. If the camp is an overnight camp, it doesn't qualify for a day care credit.

## Withholding

If you weren't happy with your 2018 tax refund, you will be less happy in 2019 since the withholding tax tables were reduced again in January 2019. For 2018 the

IRS waived underpayment penalties due to the tax code changes. That won't be happening for 2019. Please call our office and check out your 2019 withholding.

## New 1040

After using the "postcard" version of form 1040 for one filing season, the IRS has posted a draft of a new tax form changing the size and reducing the six schedules of added information to three schedules. Maybe next year they will get rid of those three schedules and go back to the original form.

It would be nice to know (not really) how much we are paying for the government to change or redo the forms they thought were great a year ago. Not only must the IRS pay people to make the changes to the tax code, but also pay a fortune for computer people to rewrite the software.

## Rental Properties

When we prepared your tax return, if you had rental properties we discussed planning strategies for 2019. We want to make sure you are logging the time performing activities for the rental properties: Such as hiring workers to repair something or doing the repairs yourself, verifying prospective tenant's credit reports and application items, interviewing prospective tenants, negotiating and executing leases, advertising for tenants, purchasing supplies and materials, supervision of workers, collection of rent.

### Separate Records

To be treated as a trade or business, your rental property must maintain separate books and records listing income and expenses for each property, and that you have at least 250 hours logged operating your rental properties.

The records need to show the hours and description of the services performed, dates the services were performed and who performed them. If you have these records you will be eligible to take a Qualified Business Income Deduction (QBID).

*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.

## Costly Exclusions

People taking early distributions from IRAs and pensions have been scrutinized for audits. There are exclusions to the 10% Federal penalty and state penalties but the IRS has found people claiming them who don't qualify.

For 2015 tax returns the IRS discovered 40% of the people reviewed took exclusions they weren't entitled to. They had to pay

back the penalties, pay the interest on the amount due, and pay another penalty for understating their income.

Since the IRS doesn't review tax returns for a year or more, the interest and penalties accrue for a long time before the IRS strikes. If you know someone who thinks they can take the exclusions, you might want to send them our way so we can educate them on what a stupid plan this is.

## Possible Audits

Items on tax returns that are being subject to audit include: Taking higher than average deductions - the IRS has computerized deduction amounts and percentages so it is easy for them to find tax returns with deductions higher than the average.

Writing off alimony - for each taxpayer writing off alimony there must be a taxpayer claiming the alimony income. If both don't exist, there is a problem somewhere.

Claiming large charitable deductions - all charitable

deductions need documentation whether cash, check, credit card, or noncash. Charitable mileage needs a log of the miles and what they were for.

Businesses that have losses or no adjusted gross income in multiple years are also fodder for audits. The IRS expects you to run a business with a profit potential and not just write off things to create a loss. Businesses do not continue if they make losses every year. The IRS thinks a lot of these are actually hobbies and hobby losses are not deductible.

## Property Rental

Is there an event coming to your city? A tax rule says you can rent out your property for 14 days or less in a year and the income is not taxed. You could rent your home to others and not pay taxes on the rent. If you want to know the specifics of this rule, give us a call.

## Last Chance

If you haven't had your 2018 tax returns prepared yet, business returns are due September 16, 2019 and October 15, 2019. Personal returns on extension are due October 15, 2019.

I will be out of the office September 10 - 17 so I am not here for the September 16 due date. I will also be out of the office after October 2 so all tax returns must be prepared and filed by then.

There are no extensions after October 15 and all tax returns filed after that will be late and subject to penalties. This is the 3rd time I am telling everyone (and 4th for some people).

414/453-8655

Milwaukee, WI 53208  
5911 W. Vliet Street

MURPHY  
FINANCIAL  
SERVICES, INC.

