



Tax & Financial Guide

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

Fourth Quarter Tax Estimates are due January 15, 2020. If you want us to prepare them, you must have your income, deductions and withholding amounts in our office by January 8, 2020.

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



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Rental Property Records Mandatory

One more reminder: If you are trying to get the Qualified Business Income Deduction for rental property, you must have records of the time involved in doing repairs, collecting rent, getting tenants, checking tenant information, hiring and supervising people

doing repairs and maintenance, and advertising.

This recordkeeping requires hours, dates and descriptions of services and who performed them (you or others). Without these records you will lose the deduction.

Reducing Taxes

If you have taxable capital gains in 2019 you should look at your portfolio to see if you have any poor performers that you are

thinking of getting rid of. Do it before yearend to offset the taxable gains you already have. Those dogs can save you taxes.

IRA Distribution

If you don't itemize, are 70 ½ years old, and must take a required minimum distribution (RMD) from your IRA, you can have it paid directly to a charitable organization. Your taxable IRA distribution will be reduced by the donation. This saves federal and state taxes.

Since you are required to take the taxable distribution you can reduce your tax liability if you were thinking of making a donation anyway. Please make sure you let us know when you do this. The 1099-R doesn't report this and we have no way to know if you make this donation.

New Tax Form

If you thought the 2018 Form 1040 was ridiculous, just wait. The IRS has released a new form for 2019, the 1040-SR. It has the same line items and schedules as the regular 1040 but is larger print for easier

reading, and includes the standard deduction chart so those of us with aging eyes don't need to hunt for it in the instructions. Good thing I have reading glasses so I can read the normal size print.

Needed Information

If you use your auto for business, make sure you record the yearend mileage. Do this annually and you will have your total miles for the year. The other information we need is the business miles for 2019.

If you have a business with inventory, you must calculate the ending inventory as of 12/31/19. If you paid anyone other than Corporations \$600 or more during 2019 for services rendered or rent, please give us the name, address, social security number or federal id number, and the amount paid by 1/15/20 to prepare the necessary 1099s, which are due 1/31/20.

Wisconsin Credit

For people living in Wisconsin there is a credit available for their state tax return based on the rent or real estate taxes they paid in 2019.

When taxpayers think they don't need to pay their real estate taxes by 12/31/19 because they can't itemize, they can be shorting themselves up to \$300. Check with us if you think there is no reason to pay your taxes before yearend.

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.

Detailing Donations

If you have noncash donations to charitable organizations, record the necessary documentation. If you donate less than \$250 you need the name and address of the charitable organization, as well as a description of the property donated.

If you donate at least \$250 but not more than \$500 you need the previous information and a statement from the organization detailing whether-or-not you received any goods or services for the donation. If the charity provides any intangible religious benefits, a detailed

statement must be provided.

For donations over \$500 but not over \$5000 you need the previous records as well as a listing of how and when you acquired the property, and the cost of the property if you had it for less than a year. If your donations are over \$5000 you need a qualified appraisal. Please contact our office if you need more information.

For taxpayers that live in Wisconsin but can't itemize on their federal tax returns, the donations may be of value on the state return. Please keep your records.

Activities To Finish Before Dying

Do you have beneficiaries on your life insurance policy, stocks, bonds, investment accounts, retirement accounts? Each year we see people who died without doing this.

It can create a higher tax implication and also makes more work for the estate and possibly higher legal fees. Make sure you take care of this now.

You also need a will. Many people can change the title of your home to "transfer on death" and save the need of probate on your death.

The other thing we all need is a signed medical power of attorney. If you are not capable of making your own medical decisions, your family will need to go to court to make the needed decisions.

Children's Taxes

Children who have \$1100 of unearned income (interest, dividends, capital gains, etc.) or \$12,200 of earned income (wages, business income, etc.) are required to file tax returns.

How To Disinherit

Did you know there are four ways to disinherit family members? In case you want to know how, call our office for details.

Major Incompetence From Some Tax "Professionals"

Just because you pay a professional tax preparer doesn't mean they are doing things that are skilled and reputable. A CPA tax preparer in California has been hit with massive penalties. The IRS sought \$3.2 million in fines from the CPA who prepared thousands of returns with improper deductions.

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