



Tax & Financial Guide

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

Third Quarter Tax Estimates are due September 15, 2021. If you want us to prepare them, you must have your income, deductions and withholding amounts in our office by September 8, 2021.

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



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Stimulus/Credits

When we prepared your 2020 tax return we needed to know the amount of the first and second stimulus payments you received to see if you had any stimulus amounts due. When we do your 2021 tax returns we will need the third stimulus payment, which you received in March – June of 2021, to reconcile what you received with what you would be due based on your 2021 tax

return.

Now the IRS is sending out child tax credit payments monthly. We will need to know how much you received during 2021 because it also must be reconciled with your tax return. The IRS will mail a notice of the amount you received by January 31, 2022 which will help us reconcile the amount of child credit you are due.

Tax Changes

Businesses will be able to deduct 100% of restaurant meals in 2021 and 2022 including food and beverages purchased at a restaurant for takeout or dining in. Prepackaged food or beverages bought at a store do not qualify for the 100% write-off, nor do employer-operated facilities such as a cafeteria. Congress is also looking into making changes to the Itemized deduction amounts for Federal returns.

The IRS has changed the age for IRA contributions because of the pandemic. You can put money into a traditional IRA as long as you are working and have earned income. Previously you couldn't do it after the age of

70. You still need to take your Required Minimum Distribution when you reach 70 ½ or 72 but the contribution will offset some or all of the RMDs. Nice way to save taxes.

If your Adjusted Gross Income is not more than \$33,000 for single filers, \$49,500 for head of household filers, and \$66,000 for joint filers, you could qualify for a Retirement Savings Contributions credit. It can be beneficial to make contributions to a retirement plan through your employer or a Roth IRA or Traditional IRA on your own to take advantage of this tax credit. Call us if you want more information.

Your Documents Needed Now!

If we filed an extension for you, we need to get your tax returns prepared by September 12, 2021. I am having surgery in September and will be unable to prepare any tax returns after September 12 and before the tax deadline of October 15, 2021. I do have a colleague who has agreed to help my clients.

Just get your documents to me by September 6. You are running out of time to get your taxes filed on time. September also starts the 75% extra fees. Get things to me now so I can still prepare them.

PIN Protects Identity

The IRS now allows you to get a PIN number. If you have had any issues with identity theft or payment problems, get a PIN.

As long as you have a mortgage, credit card, car loan, home equity loan, or student loan you will be able to prove your identity with a PIN. The PIN makes it much harder for people to use your social security number on a tax return that isn't yours. You will get a letter with the PIN number and we need that to file your return or it will be rejected.

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.

IRS Actions

The IRS is working on 2019 and 2020 tax returns. It would be nice if they could get those returns processed before it is time to file 2021 tax returns. As I have said before, you just need to be patient. Unfortunately, I have seen more incorrect letters this year than in the past. Just email or mail us a copy of the letter so I can see if it is correct. It is much easier to check first than try to get money you sent to them

Invest, Donate

If you have money to invest consider putting it into a Roth IRA for your children or grandchildren. If they work and have earned income, you could put money into a Roth IRA (and possibly a traditional IRA) to give them a start for retirement or purchasing a first home. Seeing it grow usually gives them an incentive to add to that retirement fund as they age and earn more.

Since the 2018 tax return changes, fewer people can itemize for Federal returns. If you don't itemize but donate cash, check, or charge card

refunded if we find out it isn't correct.

The good news is they are actually getting returns processed. The bad news is there are still millions of them to be processed.

The IRS has decided now that the 2020 tax season is almost over they will tax the 2020 Unemployment for married people living in marital property states or community property states differently than they originally said they would.

Some people getting refund

payments to charitable organizations you can currently get a \$300 deduction on your federal return. Noncash donations do not qualify.

So if you have charitable donations, keep records. For Wisconsin residents, many of my clients have been able to deduct their charitable donations, mortgage interest, and qualifying medical expenses to get an extra deduction on Wisconsin taxes. Wisconsin also lets you take a deduction for long term care premiums and medical, dental, and vision premiums that are paid by the taxpayer, not through pre-taxed dollars

checks with no explanation had no unemployment. IRS mysterious actions include sending checks or making direct deposits.

The part that worries me is when they send the next letter and my clients have spent the money and will now be required to pay it back with interest. If you get a refund check or direct deposit, please call us to see why. Paying it back after you spend it is no fun.

Growth of Scams

Due to the pandemic there are more scams and now more charitable scams promising to get the money to the people in need.

If you want to donate to anyone, ask them to mail you or email you the documentation so you know who they are and what they do. That paperwork will also tell you if they are a 501(c)(3) organization where donations actually get money to people in need.

through your employer. Let us know if you pay for these premiums on your own.

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