

# Tax & Financial Guide

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

Fourth Quarter Tax Estimates are due January 18, 2022. If you want us to prepare them, you must have your income, deductions and withholding amounts in our office by January 10, 2022.

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



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## Donations To Charity

The charitable deduction for taxpayers who don't itemize has been extended through 2021. If you donate \$300 yourself or \$600 if married and filing a joint return, you will be able to deduct it from income on your 2021 tax return.

## List Beneficiaries

This is one of our reminders we like to give you. Make sure you have beneficiaries listed on your bank, investment, retirement, annuity accounts, etc. If you die, these funds then go directly to the beneficiaries.

If you die without beneficiaries these funds go into

your estate. If you didn't have a will prepared before you die, there could be a real mess for your beneficiaries. They will need to spend money and time dealing with the courts. Having beneficiaries is an easy thing to do to make your life and death better.

## IRS News

The IRS plans to send out Letter 6419 in January 2022. This letter is a reconciliation of the amount of child tax credit advanced payments you received between July 2021 and December 2021.

If you didn't have dependents on your 2020 tax return, this won't pertain to you. If it does, make sure you keep the IRS letter and bring it with your tax records. People who have children and don't file tax returns can still get the refundable child tax credits.

Make sure the donation is paid in cash, check, or credit card and you must have receipts from the charity, which must be a registered 501(c)(3) organization. There is a 50% penalty for taxpayers who deduct charitable donations not actually made.

## Unique IRA

2021 could be the last year that backdoor Roth IRA contributions will be allowable. This lets taxpayers with higher income (unable to make IRA contributions) to contribute to a nondeductible IRA and immediately transfer it to a Roth IRA. You cannot have any other traditional IRAs in order to do this. If you do it properly, there is no tax deduction and no taxable income.

## Copy Documents

Prepare for disasters. Make sure you have copies of birth certificates, deeds, titles, insurance policies, tax returns, investment information, receipts of major purchases, etc. You should also have pictures or videos of your home or business and the contents.

If you have a fire, flooding, tornado or any type of disaster where your property is destroyed, if you have important papers off site in a safety deposit box, in the cloud, at your office, etc., any claims you file will be much easier for you. The trauma of the disaster doesn't need to be compounded by the fact that the insurance company is fighting you on any claims.

In early 2022, the IRS will send Letter 6475 that contains the total amount of the third economic impact payment and any plus-up payments received. Make sure you bring this letter with your tax information to our office.

As of 12/4/21 the IRS had 6.7 million individual tax returns unprocessed. There were also 705,000 unprocessed amended tax returns. If you are waiting for your refund, you still need to be patient.

*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.

## Business Merger

Murphy Financial Services Inc. is merging with Insight Accounting & Financial Consulting, Inc. January 1, 2022. We will be moving the MFS office to Insight's office because they have more space, more accountants, and more support staff.

There have been times MFS wasn't able to provide the needed service to our clients as quickly as we would have liked due to my limitation of hours in the day. When I found out I had cancer in

March and was doing chemo during tax season, I worried about being able to provide the proper service to my clients if I was sick. I was very lucky, going through chemo and surgery, that I was able to take care of most things in a timely fashion. Since things could have been much worse, I knew it was time to have a plan in place.

Cancer could return. I could actually take a vacation and not bring my office phones and computer

with me. I could decide I can't work 100 hours a week during tax season anymore. I could decide to retire before I am 100 years old. This merger is ideal. We will have more accountants and staff personnel to provide service to you on a timely basis. It definitely is a WIN-WIN situation for all.

Insight Accounting & Financial Consulting, Inc. is located at 4712 W. Forest Home Avenue in Milwaukee.

## Milage Tax Rates For 2022

The new business milage tax rate is 58.5 cents per mile. The medical milage fax rate is now 18 cents per

mile.

The charitable milage tax rate is still 14 cents per mile.

## Third Stimulus

We need the stimulus amount you received in March of 2021 or later. It must be reconciled on your 2021 tax return like we reconciled the first two stimulus payments on your 2020 tax return.

There are still tons of tax

returns being processed and much of that is the reconciliation of stimulus payments because taxpayers often report a different amount than the IRS has recorded. Make sure your third stimulus payment amount is correct.

## Tax-Free Donations

If you are taking a Required Minimum Distribution, RMD, from your retirement account and plan to make charitable donations, you can pay less taxes if you take care of this correctly. Make sure the donations to your charities are done directly from the retirement account and that distribution will not be taxable.

If you take the IRA distribution and then donate the money to your favorite charities, that donation may or may not be deductible depending on your tax situation.

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