

Henry B. Murphy, Jr.

Certified Public Accountant

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January 31, 2020

Dear Client:

I hope you had a wonderful year, and I look forward to the opportunity to work with you again this year.

I enclose:

- My generic "Materials Needed to Prepare your Personal Tax Return for 2019"
- "Fee Guidelines and Estimate for Personal Income Tax Services"
- Federal and New Jersey tax changes.
- 9 x 12 return envelope to use if you prefer mailing your material to coming in person

When you are ready, please give a call and make an appointment or, as some prefer, mail or e-mail your material. I will review your information, call to go over any tax issues, and prepare your return, consulting with you throughout over any issues that arise.

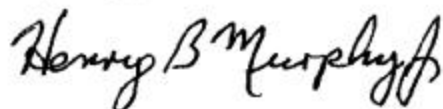
As you know, I do the returns in the order they come in. As sometimes happens for work that arrives in April, I may file an extension of the due date of the return. There is no penalty for filing extensions, as long as the extension is timely filed and the tax is largely paid.

- For the Federal return, 90% of the tax must be paid by the due date, or there will be a late payment penalty of $\frac{1}{2}$ of 1% per month in addition to regular interest charges, currently 3%.
- For NJ, 80% of the tax must be paid by the regular due date, or there will be interest, currently at 13%, and a penalty of 5% per month or fraction thereof of the underpayment, but not to exceed 25%.
- For NY, the late payment penalty is 5% of the tax due for each month (or part of a month) the return is late, up to a maximum of 25%, with no 80% safe harbor like NJ's.
- For PA, late filing penalty of 5% per month or part of a month (up to 25%) will be added to any return filed after the original due date (or extended due date) if additional tax is due with that return.
- CT honors the Federal Extension if no tax is owed. If tax is owed, the penalty is 10% of that amount.

As always, your satisfaction is guaranteed; you are never required to accept the work or pay the fee. We try every day to be sure we give the best value in the tax business. We are confident the discerning client will feel the same way.

I look forward to hearing from you soon.

Very truly yours,



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MATERIALS NEEDED TO PREPARE YOUR 2019 INCOME TAX

1. Copy of last year's federal and state return if we did not prepare your return
Include any notes about changes in your dependents (such as a new member of the household, change in student status, moved out of the house, etc.)

2. Please let us know your electronic banking preferences. All returns that can be e-filed will be. If you are using a new bank account, please give me the RTA and the account number.

	Yes	No	I will let you know
Electronically deposit the refund?			
Electronically pay the balance due?			

3. As was true last year, those who got their health insurance through the Exchange may be eligible for premium tax credit or need to pay back the advanced premium tax credit incorporated in their monthly bill. If you received a Form 1095-A, Health Insurance Marketplace Statement, we need it to do your return. The penalty for having no health insurance has expired for Federal purposes but has entered the New Jersey picture. If you had none, you can work with us about the exceptions that might apply.
4. Any federal and state tax correspondence or forms you received.

5. Dates and amounts of estimated tax payments:

	Date paid or Applied	Federal Amount	State Amount
Applied:			
1st.			
2nd.			
3rd.			
4th.			
w/ Extension:			
Total			

6. All W-2's & 1099s & 1098s including wages, non employee compensation, retirement income, interest and dividends, sales of stock and bonds, prizes etc.
7. Purchase information for any stocks, bonds, or mutual funds sold, including dividend reinvestments if not already on your 1099B
8. Income and expense from rental properties and businesses (worksheets are available)
9. Copies of K-1's from partnerships, subchapter S corporations, trusts and estates.
10. IRA/Keogh/SEP contribution and rollover information.

- 11. NJ property tax deduction/credit requires total rent paid if you rent. NJ is threatening to require Block and Lot for the deduction, so include it here if I do not already have it.
- 12. Student loan interest paid and postsecondary education expenses for self, spouse, or dependent. If you are no longer a dependent but your parents pay YOUR student loan interest, you can deduct it on your return. They cannot deduct it on theirs.

13. Child (under 13) care expenses for working (or looking for work) parent:

	Child 1	Child 2
Tax ID if provider not tax exempt:		
Name of provider:		
Address of provider:		
Amount of expenses paid:		

- 14. Unreimbursed moving expenses for a job related move.
- 15. Purchase or sale of residence:
 If old residence used for business or used as home less than two years, please call first to discuss.
 Purchase of new: Closing papers and any “points” paid outside of closing.
- 16. Itemized deductions if you think you may have enough:
 When available, please provide the actual 1098 with any of your own notes
 Medical expenses including insurance and mileage
 Real estate taxes
 Interest on home mortgage & home equity loans or details of refinance, including “points”
 Investment interest expense, such as margin interest is no longer deductible.
 Charitable contributions, cash and non-cash, as well as mileage
 Casualty losses only in limited cases such as a federally declared disaster area

Any questions? Just call!

Summary of Personal and Business Tax Changes for 2019

Henry Murphy January 2020

Federal Changes

- 1) The "SECURE" act made some IRA changes. Ask us if you have any questions.
- 2) Tax rates have stayed the same, but the tax brackets have increased for inflation.
- 3) There are no longer personal exemption or dependent deductions.
- 4) The child (or dependent) tax credit is now \$2,000. Income levels to qualify are below \$200,000 for single filers and \$400,000 for joint.
- 5) The standard deduction has increased to \$12,200 for single filers, and to \$24,400 married filers with additions for those 65 and over of \$1,300 joint and \$1,650 single.
- 6) Itemized deductions:
 - a) The deduction for state and local income taxes, property taxes, and real estate taxes is capped at \$10,000
 - b) The mortgage interest deduction is limited to \$750,000 of indebtedness, grandfathered for the prior \$1,000,000 limit.
 - c) All miscellaneous itemized deductions are eliminated. This includes deductions for tax preparation fees, investment advisor fees and unreimbursed job expenses. Note that some states, including NY, still allow them.
 - d) Medical expense limitation is 10% of adjusted gross income in 2019. Amounts over that count.
 - e) Charitable donations have an increased the cash donation limit to 60% from 50% income.
 - f) The gambling losses are deductible up to gambling winnings.
- 7) The Alternative Minimum Tax (AMT) exemption amount increases to \$111,700 for married taxpayers filing a joint return and \$70,300 for all other taxpayers. The phase-out thresholds increase to \$1 million for married taxpayers filing a joint return and \$72,000 for all other taxpayers.
- 8) Section 199A generally now allows a 20% exclusion for many types of self-employment income
- 9) The "Kiddie Tax" is now applied at the child's level at trust brackets and rates in their unearned income is over \$2,200.
- 10) Depreciation and Section 179 rules have changed:
 - a) The Code Sec. 179 dollar and investment limitation is capped at \$1million
 - b) The additional first-year depreciation deduction is 100% now including both new and used property that is a "specified type" e.g. period 20 years or less, software, film production, others.
 - c) Nonresidential real estate gets some breaks on bonus depreciation. No so for residential.

New Jersey Changes

- 1) The retirement income exclusion is up to \$80,000 joint, but income including social security must be less than \$100,000
- 2) Governor Murphy has added a penalty for not having health insurance to replace the expired IRS requirement.
- 3) Taxable incomes over \$5,000,000 have higher rates. Not that most of us will notice!
- 4) New Jersey is giving 39% of the federal EITC to filers. Maximums are \$6,557 from the federal program and \$2,557 from New Jersey. As always, the self-employed will face higher hurdles.
- 5) The allowable property tax deduction is limited to \$15,000
- 6) NJ added a "Child and Dependent Care Credit" modeled on the Federal one.
- 7) The Senior Freeze Program reimburses eligible senior citizens or disabled persons for property tax increases. Eligible residents must file a 2019 Senior Freeze application (Form PTR-1 or PTR-2) by October 31

New York Changes:

- 1) Lots of small ones, but, for most NJ residents, the main thing to remember is that the OLD rules for itemized deductions still apply, so, for those filing NY returns, still gather that data.

Pennsylvania – few applicable changes

Connecticut - few applicable changes

Henry B. Murphy, Jr., Certified Public Accountant, Registered Investment Advisor

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Fee Guidelines and Estimate for Personal Income Tax Services

	Fee	Estimate
Federal and NJ return, including brief interview, brief consultation, and e-filing	\$150	
Add to the base fee the following amounts:		
Additional interview time per fifteen minute increments	35	
Deductible mortgage interest, taxes and charities	50	
Other states (count resident & non resident separately)	50	
Form 2441, Child & Dependent Care Credit	25	
Educational expenses	25	
Discussing and summarizing medical expenses	25	
Discussing and summarizing employee business expenses	25	
Home office	30	
Substantial non cash charitable contributions	25	
Deductible moving expenses	25	
Additional for the tax return year of home purchase	30	
Add'l for tax return year of home sale if used for business	25	
Complex mutual fund or investment activity	25	
Researching stock or mutual fund basis, each	25	
Business or profession schedule C	70+	
K-1's	25	
Pension or IRA complexities	25	
Rental property, 1st year set up fee, each property	75	
Rental property, each year, each property	40	
Rental property, year of sale or exchange, additional fee	75	
Prepare extension of time to file return	25	
A second, additional consultation to review return in person or by phone after original review of the return	100+	
Reruns - client change	100	
Compute next year's appropriate W-4 allowances	30	
Compute next year's estimated tax, simple, with return	30	
Extra copies	10	
Married Separate when Indicated	200+	
Postage and delivery	at cost	
Information supplied piecemeal	75+	
Other		
Total of amounts above are the estimate		

Date of Estimate:
 Date work in:
 Date work out:
 Name
 Address
 City, State, Zip
 Phone Work
 Phone Home
 Phone cell
 e-mail:
 Notes:

Signature: X _____

I understand the estimate and fee arrangements			
Example of fee calculation			
	Example		Actual
End time	2:15		
Start time	1:00		
Hours and minutes	1:15		0:00
Hourly rate	\$ 175.00	\$	175.00
Hourly portion of fee	218.75		-
Base fee	50.00		
	<hr/>		
Total Due (minimum \$100)		\$	-

Terms: Payment is due before the return is delivered or e-filed
Credit Cards, checks, and cash accepted.
Guarantee: If you are unhappy with our services, you are not obligated to accept the work or to pay the bill. However, if you accept our work, you must pay the bill.

Hourly rates at December 31, 2016, subject to change:

Henry Murphy, December 15 to May 15	\$	175
Henry Murphy, May 16th to December 14th	\$	125
Associate CPA		approximately 2/3 of Henry's rate
Staff Bookkeeper	\$	75
Fixed charge per return in addition to the hourly rate	\$	50

Fees are dependent on the amount of time spent at our standard billing rates, adjusted for the complexity of the situation and the benefit to the client of any special applicable expertise we might have. Our minimum fee is \$100, our average \$250, and our largest most years about \$3,000. The table is a guideline in estimating the actual fee, which will be different.

Included is the New Jersey Return, one copy of all documents for your records, brief phone conferences during the year in proportion to the size of the return, and our periodic tax and accounting newsletter.

Not included is additional work beyond casual verbal advice during your interview or the occasional brief phone call during the year. Please ask us about our audit representation, tax planning, financial planning, bookkeeping, and other services.

Tax research and analysis forms a sensible part of tax return preparation. The hundreds of Tax Court Cases, Revenue Rulings, Private Letter rulings, and related items published each year attest to the fact that any given transaction can often be treated several different ways. Our approach is to mention the alternatives to the client, and, if in our judgment the tax dollars involved might exceed the accounting fees involved, we perform as much detailed research and analysis as is necessary to determine the treatment with the lowest tax implications. In such cases, the fee will be more than the above guidelines.

Our liability to you for the services provided is limited to the fees you pay for those services.