

Henry B. Murphy, Jr.

Certified Public Accountant

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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:

- A checklist of items you brought me last year to serve as a reminder
- My generic "Materials Needed to Prepare your Personal Tax Return-2017"
- "Fee Guidelines and Estimate for Personal Income Tax Services" unchanged from last year
- 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 this, as long as the extension is timely filed and the tax is largely paid. 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 the Federal return, 90% of the tax must be paid by the due date, or there will be a late payment penalty of ½ of 1% per month in addition to regular interest charges, currently 3%.

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 2017 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 remains, so, 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 the actual 1098’s over your handwritten notes when available

Medical expenses including insurance and mileage (table below)

Real estate taxes

Interest on home mortgage & home equity loans or details of refinance, including “points”

Investment interest expense, such as margin interest, and any investor's expenses

Charitable contributions, cash and non-cash, as well as mileage (table below)

Casualty losses if substantial.

Business related professional fees

Safety deposit box fees paid

Job relocation, even for your first job.

Employee business expense including travel, entertainment, meals, supplies, dues, subscriptions, job hunting etc. Don’t forget to add the related mileage below

17. Business automobile expenses: Make & year _____

	Business mileage	Medical mileage	Charitable mileage
Mileage			

Tolls and parking:

If you wish to have the standard mileage rate compared to your actual expenses, please also supply:

- 1. Purchase data (lease or buy) for first year of business use of car (otherwise we have it)
- 2. Repair and maintenance expenses
- 3. Gasoline expense

Any questions? Just call!

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	Example	Actual
End time	2:15	
Start time	1:00	
Hours and minutes	1:15	0:00
Hourly rate	\$ 150.00	\$ 150.00
Hourly portion of fee	187.50	-
Base fee	50.00	
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	\$	150
Henry Murphy, May 16th to December 14th	\$	125
Associate CPA	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.

2017 Tax Year Federal Changes

New Federal Return Due Dates were instituted for 2016 returns and have not changed:

Type	Form	Original	Extended
Partnership	1065	3-15	9-15
C Corporations	1120	4-15	9-15
S Corporations	1120S	3-15	9-15
Trusts and Estates	1041	4-15	9-30
Benefit plans	5500	7-31	10-15
Nonprofit	990	5-15	11-15
FBAR	FinCen114	4-15	10-15

Tax Cuts and Jobs Act (TCJA) has been signed into law

Most changes go into effect in 2018, so we will go over these when we review your estimated tax and do your tax planning for next year.

Here are the key changes that affect 2017:

The “Individual Shared Responsibility Payment” remains for those lacking health insurance coverage in 2017 and 2018 and will be eliminated thereafter. It’s the higher of \$695 or 2.5% of household income.

Those who got their health insurance through the Exchange will still be eligible for a 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.

Section 179 depreciation options have been made permanent, at least for now, and indexed to inflation. For 2017, the limit is \$500,000. If purchases exceed \$2 million, there is a dollar-for-dollar phase out.

The standard mileage rate drops to 53.5 cents per mile, down from 54 cents for 2016. The rate for medical and moving mileage drops to 17 cents per mile, down from 19 cents. The charitable mileage rate remains at 14 cents per mile.

If you prepaid NJ real estate tax in 2017 for 2018, the first two quarters are deductible for Federal purposes, but not for NJ.

2017 Tax Year New Jersey Changes

A retirement and pension income tax exclusion is available to taxpayers with less than \$100,000 in gross income and who are either 62 or older or who, because of a disability, are eligible for Social Security benefits.

Tax Year	Retirement Income Exclusions for Tax Year 2017 and After		
	Filing Status		
	Married/CU Couple, Filing Joint Return	Married, CU Partner, Filing Separate Return	Single, or Head of Household, or Qualifying Widow(er)/ Surviving CU Partner
2017	\$ 40,000	\$ 20,000	\$ 30,000
2018	60,000	30,000	45,000
2019	80,000	40,000	60,000
2020 and after	100,000	50,000	75,000

Under a new State law, veterans may qualify for an exemption of up to \$3,000 on their New Jersey tax return for income earned in 2017. The first year you claim it, you must provide official documentation showing that you were honorably discharged or released under honorable circumstances from active duty the first time you claim the exemption. The most common form of documentation provided is a copy of your Certificate of Release or Discharge from Active Duty, DD-214, The United States National Archives and Records Administration can assist with obtaining a copy of your DD-214