

Henry B. Murphy, Jr.

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January 24, 2019

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 2018 INCOME TAX"
- "Fee Guidelines and Estimate for Personal Income Tax Services" unchanged from last year
- My "Summary of Personal and Business Tax Changes for 2018"
- Various tax organizers if they appeared appropriate
- 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.

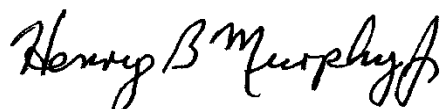
As you know, I do the returns in the order they come in. As sometimes happens for work that arrives in April, I may file an extension of the due date of the return. There is no penalty for this, as long as the extension is timely filed and the tax is largely paid.

- 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 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 the Federal return, 90% of the tax must be paid by the due date, or there will be a late payment penalty of 1/2 of 1% per month in addition to regular interest charges, currently 3%.
- 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 2018 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, 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!

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

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Fee Guidelines and Estimate for Personal Income Tax Services

	Fee
Federal and NJ return, including brief interview, brief consultation, and e-filing	Estimate \$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 A second, additional consultation to review return in person or by phone after original review of the return	25 100+
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	\$ 150.00	\$ 150.00
Hourly portion of fee	187.50	-
Base fee	50.00	
	<hr/>	
Total Due (minimum \$100)	\$	-
	<hr/> <hr/>	

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.

Summary of Personal and Business Tax Changes for 2018

Henry Murphy January 2019

Federal Changes

- 1) Tax rates have decreased and tax brackets have widened
- 2) There are no longer personal exemption or dependent deductions.
- 3) The child (or dependent) tax credit has increased to \$2,000 from \$1,000. Income levels to qualify went from below \$75,000 for single or \$110,000 for joint filers to below \$200,000 for single filer or \$400,000 joint
- 4) The standard deduction has increased to \$12,000 from \$6,350 for single filers, and to \$24,000 from \$12,700 for married filers with additions for those 65 and over.
- 5) Itemized deduction changes:
 - 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 limitations back from 10% to 7.5% of adjusted gross income for tax years 2017 and 2018. In 2019, we are back to the 10%.
 - e) Charitable donations have an increased the cash donation limit to 60% from 50% income.
- 6) The alternative minimum tax (AMT) was changed increasing both the exemption and the exemption phase-out amount for the individual AMT. The AMT exemption amount increases to \$109,400 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 \$500,000 for all other taxpayers.
- 7) Section 199A generally now allows a 20% exclusion for many types of self-employment income
- 8) The “Kiddie Tax” is not applied at the child’s level at trust rates.1
- 9) Depreciation and Section 179 rules have changed:
 - a) Increased the Code Sec. 179 dollar and investment limitations from a cap of \$500,000 to \$1million
 - b) Extended and modify the additional first-year depreciation deduction from 50% to 100% now including both new and used property
 - c) Nonresidential real estate gets some breaks on bonus depreciation. No so for residential.

New Jersey Changes

- 1) Taxable incomes over \$5,000,000 have higher rates. Not that most of us will notice!
- 2) The Earned Income Tax Credit is increasing to higher percentages of the Federal EITC: 37% in 2018, 39% in 2019 and 40% in 2020. As always, the self-employed will face higher hurdles.
- 3) The allowable property tax deduction increases from \$10,000 to \$15,000
- 4) NJ added a “Child and Dependent Care Credit” modeled on the Federal one.

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