

Henry B. Murphy, Jr.

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January 27, 2022

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:

- *Materials Needed to Prepare Your 2021 Income Tax*
- *Fee Guidelines and Estimate for Personal Income Tax Services*
- *Summary of Personal and Business Tax Changes for 2021*
- 9 x 12 return envelope to use if you prefer mailing your material to using a shared "Dropbox" folder. You can send by email, but, of course, it's less reliable and secure than a shared Dropbox folder. Call or email me if you want to share a Dropbox folder.

If you would like to talk over your situation before I get to work, just let me know and we can catch as catch can on the phone or set up a formal phone or "Google Meet" or "Zoom" appointment. I am doing in person appointments in Montgomery as necessary. In order not to infect a few hundred tax clients, I am trying to limit these types of meetings, as they appear to be COVID and flu spreading events.

Once I get to your return, 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.

If I did not give you a call to go over it before sending it out, give me a call when you get it if you would like to go over it.

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 ½ 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.

We try every day to be sure we give the highest quality service at a fair and reasonable price. 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 2021 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. How would you like to get a copy of your return?

PDF with password, which will be your SS or EIN with dashes?	
PDF without password?	
by shared Dropbox or by E-mail?	
Good old fashioned US mail?	

4. 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.

5. Any federal and state tax correspondence or forms you received.

6. Any Advanced Child Care Payments you received. You should have received letter from the IRS if you got them. If you qualified for these, and did not obtain them, you can claim them on this return! If you claim you did NOT get them, and you DID, your refund will likely be delayed

7. Dates and amounts of estimated tax payments:

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

8. All W-2's & 1099s & 1098s including wages, non-employee compensation, retirement income, interest and dividends, sales of stock and bonds, prizes etc.
9. Purchase information for any stocks, bonds, or mutual funds sold, including dividend reinvestments if not already on your 1099B
10. Income and expense from rental properties and businesses (worksheets are available)
11. Copies of K-1's from partnerships, subchapter S corporations, trusts and estates.
12. IRA/Keogh/SEP contribution and rollover information.
13. 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.

NJ rent paid?	
NJ property tax paid if not provided below?	

14. 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. If you got a 1098-T, we need it.
15. Child (under 13) care expenses for working (or looking for work) parent credit can be up to 35% of \$3,000 for one child or \$6,000 for two or more:

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

16. 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.

17. Educator expenses for K-12 teachers up to \$250:

18. Itemized deductions if you think you may have enough. Charity is partially deductible even if you do not itemize. When available, please provide the actual 1098s or other official documents.

Medical expenses including insurance and mileage	
Interest on home mortgage & home equity loans or details of refinance, including "points"	
Charitable contributions, cash and non-cash, as well as mileage	
Real estate taxes	
Investment interest (margin interest)	

Any questions? Just call!

Summary of Personal and Selected Business Tax Changes for 2021

Henry Murphy January 2022

Child Tax Credit Letter 6419 details the total amount of advance Child Tax Credit payments you received in 2021 and the number of qualifying children used to calculate the payments. Schedule 8812 is used to claim your remaining credit or determine if you must pay any back. Families who do not normally need to file a tax return should do so to receive their payments. The IRS online portal has improved if you want to check that way. **The Credit Amount** is \$3,000 Refundable Amount \$3,000 (\$3,600 in the case of a child under age 6) Additional \$1,000 (or \$1,600, as applicable) amount for 2021 phases out \$50 for every \$1,000 AGI over \$150,000 (MFJ/SS), \$112,500 (HOH), \$75,000 (all others) \$2,000 credit amount for 2021 and 2022 phases out \$50 for every \$1,000 AGI over \$400,000 (MFJ), \$200,000 (all others)

The **Standard Deduction** is large, and that, combined with the \$10,000 maximum deduction for state and local taxes, means fewer taxpayers will itemize. We will help figure it if you give us the unreimbursed medical, home mortgage interest, and charitable amounts. NJ allows up to \$15,000 in property tax deductions.

Filing Status	Standard Deduction Amount
Married Filing Jointly and Surviving Spouses	\$25,100
Heads of Household	\$18,800
Single Individuals and Married Filing Separately	\$12,550
Dependent	Cannot exceed the greater of \$1,100, or the sum of earned income plus \$350
Additional standard deduction for aged & blind	\$1,350 (\$1,700, if unmarried and not surviving spouse)

Personal exemptions are still \$0.

Education incentives remain, but they are phased out for higher income taxpayers:

Tuition Deduction – “Above-the-line” deduction for qualified tuition and related expenses repealed for tax years after 2020. Student Loan Interest Deduction – “Above-the-line” deduction up to \$2,500 (2021 and 2022); no time limit on deductibility period; subject to income limitations. Education Credits – American Opportunity Credit is up to \$2,500 in 2021 and 2022 per student for first four years of higher education expenses paid. Lifetime Learning Credit is 20% of tuition paid up to \$2,000 per return for 2021 and 2022. Both credits are subject to income limitations and cannot be used in conjunction with each other for the same student. Section 529 Plans (Qualified Tuition Programs) – Distributions used for qualified higher education expenses are income tax free. Contributions are potentially subject to gift tax, but are eligible for the per-donee annual exclusion (\$15,000 for 2021; \$16,000 for 2022). Donor can elect to treat up to \$75,000 of the contribution in 2021 (\$80,000 in 2022) as if it had been made ratably over a 5-year period. Coverdell Education Savings Accounts (Education IRAs) – Contribution limit is \$2,000 in 2021 and 2022; subject to income limitations

Long term capital gain rates

	0%	15%	20%
MFJ/SS	\$0 - \$80,800	\$80,801 - \$501,600	over \$501,600
MFS	\$0 - \$40,400	\$40,401 - \$250,800	over \$250,800
HoH	\$0 - \$54,100	\$54,101 - \$473,750	over \$473,750
Single	\$0 - \$40,400	\$40,401 - \$445,850	over \$445,850
E&T	\$0 - \$2,700	\$2,701 - \$13,250	over \$13,250

Individuals can base federal estimated tax payments on:

1) 90% of current tax, 2) 100% of prior year’s tax, or 3) 110% of prior year’s tax if prior year’s AGI is > \$150,000 (> \$75,000 for Married Filing Separately) • Annualization exception • No penalty if tax less withholding < \$1,000 or no tax liability in preceding tax year

New Jersey News: Many for the 2022 tax year, few for the 2021 tax year.

Retirement Income Exclusions For Tax Year 2021, the income limit for a Retirement Income Exclusion increases to \$150,000 from \$100,000 but with a phase out in that range rather than a cliff.

The New Jersey EITC amount is 40% of the federal Earned Income Tax Credit for 2021. The age requirement for an NJEITC has expanded to those as young as 18 years of age, as well as those over age 65, with no dependents.

Child and Dependent Care Credit The taxable income amount increased to \$150,000 or less to qualify for this [credit](#).

Credit for Excess UI/WF/SWF; DI; FLI Withheld For 2021, the maximum employee unemployment insurance/workforce development partnership fund/supplemental workforce fund contribution was \$153.85. The maximum employee disability insurance contribution was \$649.54. The maximum employee family leave insurance contribution was \$386.96. If you had two or more employers, you may have contributed more than the maximum amount(s). You can claim the credit on your return.

Credit for Taxes Paid to Other Jurisdictions The Philadelphia nonresident wage tax rate for 2021 was 3.5019% (.035019) from January 1 to June 30, and 3.4481% (.034481) from July 1 to December 31.

Veterans. There is a \$6,000 exclusion. You need to obtain a confirmation number from the state and give us the number

Property Tax Relief Programs

Senior Freeze (Property Tax Reimbursement)

The Senior Freeze Program reimburses eligible senior citizens or disabled persons for property tax increases. Eligible residents must file a 2021 Senior Freeze application (Form PTR-1 or PTR-2).

FEDERAL INCOME TAX RATES (INDIVIDUALS, TRUSTS AND ESTATES)

2021 TAX RATES FOR SINGLE INDIVIDUALS

If taxable income is:	The tax is:
0 to \$9,950	10%
\$9,951 to \$40,525	\$995.00 plus 12% of the amount over \$9,950
\$40,526 to \$86,375	\$4,664.00 plus 22% of the amount over \$40,525
\$86,376 to \$164,925	\$14,751.00 plus 24% of the amount over \$86,375
\$164,926 to \$209,425	\$33,603.00 plus 32% of the amount over \$164,925
\$209,426 to \$523,600	\$47,843.00 plus 35% of the amount over \$209,425
\$523,601 and over	\$157,804.25 plus 37% of the amount over \$523,600

2021 TAX RATES FOR MARRIED FILING JOINTLY AND SURVIVING SPOUSES

If taxable income is:	The tax is:
0 to \$19,900	10%
\$19,901 to \$81,050	\$1,990.00 plus 12% of the amount over \$19,900
\$81,051 to \$172,750	\$9,328.00 plus 22% of the amount over \$81,050
\$172,751 to \$329,850	\$29,502.00 plus 24% of the amount over \$172,750
\$329,851 to \$418,850	\$67,206.00 plus 32% of the amount over \$329,850
\$418,851 to \$628,300	\$95,686.00 plus 35% of the amount over \$418,850
\$628,301 and over	\$168,993.50 plus 37% of the amount over \$628,300

2021 TAX RATES FOR MARRIED FILING SEPARATELY

If taxable income is:	The tax is:
0 to \$9,950	10%
\$9,951 to \$40,525	\$995.00 plus 12% of the amount over \$9,950
\$40,526 to \$86,375	\$4,664.00 plus 22% of the amount over \$40,525
\$86,376 to \$164,925	\$14,751.00 plus 24% of the amount over \$86,375
\$164,926 to \$209,425	\$33,603.00 plus 32% of the amount over \$164,925
\$209,425 to \$314,150	\$47,843.00 plus 35% of the amount over \$209,425
\$314,151 and over	\$84,496.75 plus 37% of the amount over \$314,150

2021 TAX RATES FOR HEADS OF HOUSEHOLD

If taxable income is:	The tax is:
0 to \$14,200	10%
\$14,201 to \$54,200	\$1,420.00 plus 12% of the amount over \$14,200
\$54,201 to \$86,350	\$6,220.00 plus 22% of the amount over \$54,200
\$86,351 to \$164,900	\$13,293.00 plus 24% of the amount over \$86,350
\$164,901 to \$209,400	\$32,145.00 plus 32% of the amount over \$164,900
\$209,401 to \$523,600	\$46,385.00 plus 35% of the amount over \$209,400
\$523,601 and over	\$156,355.00 plus 37% of the amount over \$523,600

2021 TAX RATES FOR TRUSTS AND ESTATES

If taxable income is:	The tax is:
0 to \$2,650	10%
\$2,651 to \$9,550	\$265.00 plus 24% of the amount over \$2,650
\$9,551 to \$13,050	\$1,921.00 plus 35% of the amount over \$9,550
\$13,051 and over	\$3,146.00 plus 37% of the amount over \$13,050

New Jersey Tax Rate Schedules

Single	Married
Tax rate of 1.75% on taxable income between \$20,001 and \$35,000.	Tax rate of 1.4% on the first \$20,000 of taxable income.
Tax rate of 3.5% on taxable income between \$35,001 and \$40,000.	Tax rate of 1.75% on taxable income between \$20,001 and \$50,000.
Tax rate of 5.525% on taxable income between \$40,001 and \$75,000.	Tax rate of 2.45% on taxable income between \$50,001 and \$70,000.
Tax rate of 6.37% on taxable income between \$75,001 and \$500,000.	Tax rate of 3.5% on taxable income between \$70,001 and \$80,000.
Tax rate of 8.97% on taxable income between \$500,001 and \$5,000,000.	Tax rate of 5.525% on taxable income between \$80,001 and \$150,000.
Tax rate of 10.75% on taxable income over \$5,000,000.	Tax rate of 6.37% on taxable income between \$150,001 and \$500,000.
	Tax rate of 8.97% on taxable income between \$500,001 and \$5,000,000.
	Tax rate of 10.75% on taxable income over \$5,000,000.

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	\$160	
Add to the base fee the following amounts:		
Additional interview time per fifteen minute increments	40	
Deductible mortgage interest, taxes and charities	50	
Other states (count resident & non resident separately)	50	
Form 2441, Child & Dependent Care Credit	30	
Educational expenses	30	
Discussing and summarizing medical expenses	30	
Discussing and summarizing employee business expenses	30	
Home office	35	
Substantial non cash charitable contributions	30	
Additional for the tax return year of home purchase	35	
Add'l for tax return year of home sale if used for business	30	
Complex mutual fund or investment activity	30	
Researching stock or mutual fund basis, each	30	
Business or profession schedule C	70+	
K-1's	25	
Pension or IRA complexities	30	
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	35	
Compute next year's estimated tax, simple, with return	30	
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
 Best phone and times to call:
 Phone1
 Phone2
 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	\$	150
Associate CPA	approximately 2/3 of Henry's rate	
Staff Bookkeeper	\$	50
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.