

# Henry B. Murphy, Jr.

*Certified Public Accountant*

Montgomery Knoll, 146 Tamarack Circle, Skillman, NJ 08558

[www.hbmurphyjrca.com](http://www.hbmurphyjrca.com), [HenryBMurphy@gmail.com](mailto:HenryBMurphy@gmail.com)

Phone (609) 497-2929, Fax (609) 751-9354

January 23, 2023

Dear Client:

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

This year, I am pleased to introduce Irina Rodionova. Besides being smart, capable, and a pleasure to work with, she is an Enrolled Agent to practice before the IRS with many years of experience,

I enclose:

- *Materials Needed to Prepare Your 2022 Income Tax*
- *Fee Guidelines and Estimate for Personal Income Tax Services*
- *Summary of Personal and Business Tax Changes for 2022*
- 9 x 12 return envelope to help you collect your material.

We can meet in person, by Zoom or Google meet, or by phone. You can get me your material by mail, in person, or by the "Dropbox" method. Dropbox is a shared internet folder that I set up and you can access via your Dropbox credentials. Call me to set one up if you want to use it this year. If we already have one, you can continue to use it.

I am grateful to have Irina Rodionova, IRS Enrolled Agent, helping me this year. She has ferretted out many an obscure deduction saving clients thousands of dollars since arriving here last summer.

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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[www.hbmurphyjr CPA.com](http://www.hbmurphyjr CPA.com), [henrybmurphy@gmail.com](mailto:henrybmurphy@gmail.com)

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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?	
Good old-fashioned hardcopy?	

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. Dates and amounts of estimated tax payments:

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

7. All W-2's & 1099s & 1098s including wages, non-employee compensation, retirement income, interest and dividends, sales of stock and bonds, prizes etc.
8. Purchase information for any stocks, bonds, or mutual funds sold, including dividend reinvestments if not already on your 1099B

9. Income and expense from rental properties and businesses. Call us if you would like a preprinted worksheet. If you prefer, we can send you an organizer with last year's captions and amounts and a column at the end for the current year.
10. Copies of K-1's from partnerships, subchapter S corporations, trusts and estates.
11. IRA/Keogh/SEP contribution and rollover information.
12. 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?	

13. 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.
14. 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:		

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

17. 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!

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

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**Fee Guidelines and Estimate for Personal Income Tax Services**

	<b>Fee</b>	<b>Estimate</b>
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	50	
Educational expenses	60	
Discussing and summarizing medical expenses	30	
Discussing and summarizing employee business expenses	75	
Home office	50	
Substantial non cash charitable contributions	50	
Additional for the tax return year of home purchase	50	
Add'l for tax return year of home sale if used for business	50	
Complex mutual fund or investment activity	75	
Researching stock or mutual fund basis, each	50	
Business or profession schedule C	70+	
K-1's	40	
Pension or IRA complexities	40	
Rental property, 1st year set up fee, each property	100	
Rental property, each year, each property	50	
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	50	
Compute next year's estimated tax, simple, with return	50	
Married Separate when Indicated	200+	
Postage and delivery	at cost	
Information supplied piecemeal	100+	
Other	_____	
Total of amounts above are the <b>estimate</b>	_____	

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:** \_\_\_\_\_

I understand the estimate and fee arrangements

<b>Example</b> of fee calculation	Example	Actual
End time	2:15	
Start time	1:00	
Hours and minutes	1:15	0:00
Hourly rate	\$ 200.00	\$ 200.00
Hourly portion of fee	250.00	-
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, 2022, subject to change:

Henry Murphy, December 15 to May 15	\$	200
Henry Murphy, May 16th to December 14th	\$	175
Associate CPA or Enrolled Agent	approximately 2/3 of Henry's rate	
Staff Bookkeeper	\$	100
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 \$125, our average \$300, 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 Selected Business Tax Changes for 2022

Henry Murphy January 2022

## New Jersey – Big Changes

### ANCHOR program.

### Due date extended to February 28, 2023.

Apply online now! The amounts are Homeowners with income of \$150,000 or less will receive **\$1,500**.

Homeowners with income of more than \$150,000 and up to \$250,000 will receive **\$1,000**.

Renters with income of \$150,000 or less will receive **\$450**.

**PTE/BAIT** (other states also have this) is a “SALT” workaround that applies to all “passthrough” business entities: partnerships, Subchapter S corporations. For those who earn substantial amounts above and beyond salaries, there can be substantial benefits.

**Remote worker** taxation: Legislation has been proposed but not passed. New Jersey supported New Hampshire in the suit against “Taxachusetts”, but the Supreme Court refused to hear it, so the area remains controversial.

**Refundable Child and Dependent Tax Credit:** Up to \$500 phased out as income rises.

**Deduction for higher education expenses and savings:** Several. NJ Best contribution deductions, student loan repayment deductions if from a NJ Assist loan program, and an in-state tuition deduction.

#### 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).

**Retirement Income Exclusions** For Tax Year 2022, the income limit for a Retirement Income Exclusion \$150,000 with a phase out starting at \$100,000.

**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.

#### 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.

# Summary of Personal and Selected Business Tax Changes for 2022

Henry Murphy January 2022

## Federal

**Child Tax Credit** – returns to the old, pre-pandemic rules.

**Mileage rates** – Changed mid-year. \$0.585 to \$0.625. Charitable \$0.14 and medical at \$0.18 then \$0.22

**Premium Tax Credits** are more favorable. Send us your 1095-A's

**Energy Credits** have been extended and a few have been added. Your vendor should give you some receipts and guidance.

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	\$25,900
Heads of Household	\$19,400
Single Individuals and Married Filing Separately	\$12,950
Dependent	Cannot exceed the greater of \$1,150, or the sum of earned income plus \$400
Additional standard deduction for aged & blind	\$1,400 (\$1,750, if unmarried and not surviving spouse)

**Personal exemptions** are still \$0.

## Long term capital gain rates

	0%	15%	20%
MFJ/SS	\$0-\$83,350	\$83,351-\$517,200	over \$517,200
MFS	\$0-\$41,675	\$41,676-\$258,600	over \$258,600
HoH	\$0-\$55,800	\$55,801-\$488,500	over \$488,500
Single	\$0-\$41,675	\$41,676-\$459,750	over \$459,750
E&T	\$0 - \$2,800	\$2,801 - \$13,700	over \$13,701

## 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

## Deduction for qualified business income from pass-through entity QBI Deduction Rate 20%

### Kiddie tax

Child's unearned income qualifying for standard deduction First \$1,150

Child's unearned income taxed at child's rate \$1,150 - \$2,300

Child's unearned income taxed at parents' rate Above \$2,300

Child's earned income Taxed at normal rates

Child's income that may be reported on parent's return \$1,150 - \$12,950

Effective January 1, 2020, the provisions of the Tax Cuts and Jobs Act that modified the rules for the Kiddie Tax were repealed, and the prior law with respect to the Kiddie Tax was reinstated (may elect prior law for 2018 and 2019)

**Education deductions and credits** There are new breaks for student loan forgiveness.

### Qualified education loans – interest deduction

Maximum Deduction for Interest Paid \$2,500

Phaseout Range: Single, HOH, Married Filing Separately \$70,000 – \$85,000

Phaseout Range: Married Filing Jointly \$145,000 – \$175,000

Lifetime learning credit

### Maximum Lifetime Learning Credit \$2,000

Phaseout Range: Single, HOH, Married Filing Separately \$80,000 - \$90,000

Phaseout Range: Married Filing Jointly \$160,000 - \$180,000

### American opportunity tax credit/hope credit

Maximum American Opportunity Tax Credit/Hope Credit \$2,500

Phaseout Range: Single, HOH, Married Filing Separately \$80,000 - \$90,000

Phaseout Range: Married Filing Jointly \$160,000 - \$180,000