

Henry B. Murphy, Jr.

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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-2015"
- "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 very substantial NJ interest and penalty. 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 INCOME TAX of 2015

1. Copy of last year's federal and state return if we did not prepare your return
2. Any federal and state tax correspondence or forms you received.
3. Please let us know your electronic banking preferences. All returns that can be e-filed will be, in conformance with government rules. You can tell us you opt out; we cannot. We also believe e-file is the best way to go for many very good reasons.

	Yes	No
Use ACH to deposit any refund?		
Use ACH to have your tax due withdrawn on April 15 th ?		
If e-banking, are your bank RTA & account numbers the same as we used last year?		
If new numbers, they are RTA: _____ Account number: _____		

4. Dates and amounts of estimated tax payments:

	Date	Federal	State
	Paid	Amount	Amount
Applied			
1 st Installment			
2 nd Installment			
3 rd Installment			
4 th Installment			
w/ Extension			

5. This is the second year of the so-called "Affordable Care Act" wherein you may get a tax credit, or have an amount due, or pay a penalty of up to 2% of your income, to a maximum of \$2,484, depending on your compliance with this complex law. If you give us the information, we will compute the amounts. Otherwise, we will say that everyone was covered and there is no penalty and no tax credit. Send any 1095s you may have received. Early birds who owe might get a big break by filing early if they did not receive their 1095 by the time they filed their return.
6. All W-2's, 1095s & 1099'S including wages, medical insurance, 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.
8. Income and expense from rental properties and businesses (worksheets are available)
9. Copies of K-1's from partnerships and Subchapter S Corporations
10. IRA/Keough/SEP contribution and rollover information.

11. To claim the New Jersey property tax deduction/credit:

If you rented, the rent you paid	\$		
If you owned, the block and lot	Block:	Lot:	Qualifier (if condominium):

12. Student loan interest paid and postsecondary education expenses for self, spouse, or dependent

13. Unreimbursed moving expenses for a job related move.

14. 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.

15. Child (under 13) care expenses for working parent:

Provider	Provider	Child #1	Child #2
Name &	Tax ID	Name:	Name:
Address	(Required)	Amount	Amount

16. Itemized deductions, if you think you may have enough to exceed the standard deduction:

Medical expenses including insurance and mileage.

Real estate taxes

Interest on home mortgage & home equity loans or details of refinance, including "points" and any purchase mortgage insurance, or PMI

Investment interest expense

Investor's expenses

Charitable contributions, cash and non-cash, and mileage

Casualty losses if substantial, generally if over 10% of your adjusted gross income.

Business related professional fees, such as estate or tax planning and investment management.

Safety deposit box fees paid to store investment and tax documents.

Employee business expense including travel, entertainment, meals, supplies, dues, subscriptions, job hunting etc.

17. Business automobile expenses:

Make & year:		Tolls:		Parking:	
Total Mileage:		Commuting mileage:		Business mileage	

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

1. Purchase data if we do not already have it, whether leased or purchased
2. Repair and maintenance
3. Gasoline

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	Date of Estimate:			
Federal and NJ return, including brief interview, brief consultation, and e-filing	Estimate \$150	Name			
Add to the base fee the following amounts:		Address			
Additional interview time per fifteen minute increments	35	City			
Deductible mortgage interest, taxes and charities	50	State and Zip			
Other states (count resident & non resident separately)	50	Phone Work			
Form 2441, Child & Dependent Care Credit	25	Phone Home			
Educational expenses	25	Phone Cell			
Discussing and summarizing medical expenses	25	e-mail:			
Discussing and summarizing employee business expenses	25	Notes:			
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 the tax return year of home sale if used for busine	25				
Complex mutual fund or investment activity	25	Signature: _____			
Researching stock or mutual fund basis, each	25	I understand the estimate and fee arrangements			
Business or profession schedule C	70+	Fee when return finished at interview	Example	Actual	
K-1's	25	End time	2:15	0:00	
Pension or IRA complexities	25	Start time	1:00	0:00	
Rental property, 1st year set up fee, each property	75	Hours and minutes	1:15	0:00	
Rental property, each year, each property	40	Hourly rate	\$ 150.00	\$ 150.00	
Rental property, year of sale or exchange, additional fee	75	Hourly portion of fee	187.50	-	
Prepare extension of time to file return	25	Base fee	50.00	-	
A second, additional consultation to review return in person or by phone after original review of the return	100+	Total Due (minimum \$100)	\$ 237.50	\$ -	
Reruns - client change	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.			
Compute next years appropriate W-4 allowances	30	However, if you accept our work, you must pay the bill.			
Computer next year's estimated tax, simple, with return	30	Hourly rates at December 18, 2007, subject to change:			
Extra copies	10	Henry Murphy, December 15 to May 15	\$	150	
Married Separate when Indicated	200+	Henry Murphy, May 16th to December 14th	\$	100	
Postage and delivery	at cost	Associate CPA	2/3 of Henry's rate		
Information supplied piecemeal	75+	Staff Bookkeeper	\$	75	
Other	_____	Fixed charge per return in addition to the hourly rate	\$	50	
Total of amounts above are the estimate	_____				

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 the returns we prepare for your records, and brief phone conferences during the year in proportion to the size of the return.

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.

Federal Tax Updates:

In its final form, H.R. 2029 – also known as the Protecting Americans from Tax Hikes (PATH) Act of 2015 – retroactively reinstates and extends a wide range of individual and small business tax planning provisions that had previously expired at the end of 2014. Below is a list of many of the key provisions:

Child Tax Credit has been made permanent this year. Certain individuals can claim a \$1,000 credit on their tax returns for children living with them under the age of 17 at year's end. The credit is for each child who lived with the taxpayer for over half of the year and passes the relationship test. It phases out for higher income taxpayers and is refundable for certain lower income taxpayers.

American Opportunity Credit, due to expire at the end of 2014, was also made permanent. It is equal to 40% of the tuition and qualifying expenses for higher education up to \$2,500. The credit applies to 100% of the first \$2,000 and 25% on the next \$2000 of qualifying expenses. This is a refundable credit, meaning that even if there is no tax liability, this credit will be refunded to the taxpayer. The credit does phase out for taxpayers. For Married Filing Joint, the credit phases between \$160,000 and \$180,000 AGI (Adjusted Gross Income) and \$80,000 and \$90,000 for Single and Head of Household status. There is no credit for Married Filing Separate.

Earned Income Tax Credit due to expire at the end of 2017 has been made permanent. This is a refundable credit and is allowed to certain low income taxpayers who have self-employment wages or wages from W2 sources. The credit increases for those individuals who have children and is based on the number of children that they claim. A taxpayer who has up to three children whom they claim on their return can receive as much as \$6,269 in 2015.

Teachers Above The Line Deduction (\$250) has also been made permanent, allowing teachers and other eligible educators to take an above-the-line deduction of up to \$250 for unreimbursed expenses from job-related educational work, including professional development. Now indexed for inflation in \$50 increments.

Deduction of State and Local General Sales Tax made permanent. Since 2004, taxpayers who have been itemizing their expenses rather than taking the standard deduction have had the option to deduct the larger of (1) state and local income taxes paid during the year, or (2) state and local sales tax paid during the year. This provision worked well for taxpayers who lived in states that have no income tax, which include Florida, Nevada, Texas, Alaska, Washington and Wyoming.

Discharge of Qualified Principal Residence Indebtedness This exclusion had previously expired in 2014 but has been retroactively extended through 2016. As has always been the case, a taxpayer can exclude any other Cancellation of Indebtedness income using the insolvency exclusion.

Mortgage Insurance Premiums on debt incurred after Dec. 31, 2006. This deduction phases-out for higher income taxpayers, generally for taxpayers whose AGI exceeds \$100,000. Set to expire at the end of 2014, has been retroactively extended through 2016.

Above-the-Line Deduction for Qualified Tuition qualified tuition and related expenses. Phase out for MFJ AGI of \$160,000 or more, and Single/Head of Household filers with AGI above \$85,000. No credit available for taxpayers who file using Married Filing Separate tax status. Retroactively extended through 2016.

Qualified Charitable Distributions (QCD) Directly From IRAs To Charities Made Permanent. Don't claim the income, don't take the charitable deduction. The AGI implications generally save income tax over the traditional treatment.

Section 179 deduction for 2015 up to \$500,000 with \$2m phase-out & 50% Bonus Depreciation reinstated. Air conditioning and heating units placed in service after 2015 eligible for Sec 179 treatment.



Important Changes for 2015

Earned Income Tax Credit

The New Jersey Earned Income Tax Credit (NJEITC) amount increases to 30% of the applicant's Federal earned income tax credit for tax year 2015 and after.

Filing Deadline

The filing deadline is April 18, 2016, for calendar year taxpayers, the same day the Federal Form 1040 is due. The due date is April 18 instead of April 15 because of the [Emancipation Day](#) holiday in the District of Columbia.

Credit for Excess UI/WF/SWF; DI; FLI Withheld

For 2015, the maximum employee unemployment insurance/workforce development partnership fund/supplemental workforce fund contribution was \$136.00, the maximum employee disability insurance contribution was \$80.00, and the maximum employee family leave insurance contribution was \$28.80. If you had two or more employers, you may have contributed more than the maximum amount(s). You must complete Form NJ-2450 to claim credit on your New Jersey tax return for the excess withheld.

Credit for Taxes Paid to Other Jurisdictions

The Philadelphia nonresident wage tax rate for 2015 was 3.4915% (.034915) from January 1 to June 30, 2015, and 3.4828% (.034828) from July 1 to December 31, 2015.

Alternative Business Calculation Adjustment

If you have losses in certain business-related categories of income, you may be able to use those losses to calculate an adjustment to your taxable income. In addition, you can carry forward unused losses in those categories for 20 years to calculate future adjustments. For tax year 2015, the percentage used to calculate the Alternative Business Calculation Adjustment on Schedule NJ-BUS-2 is 40 percent, up from 30 percent in 2014. The percentage is being phased in over a five-year period and will reach a maximum of 50 percent for tax year 2016 and after.

Designated Contributions

Six new funds have been added to the list of organizations to which you can contribute on the New Jersey tax return. To donate to the new funds, you must specify the "code number" at the "Other Designated Contribution" line. The new funds are:

- Homeless Veterans Grant Fund (16),
- The Leukemia & Lymphoma Society – New Jersey Fund (17),
- Northern New Jersey Veterans Memorial Cemetery Development Fund (18),
- New Jersey Farm to School and School Garden Fund (19),
- Local Library Support Fund (20), and
- ALS Association Support Fund (21).

Property Tax Relief Programs

Homestead Benefit Program

Homeowners. New Jersey residents who owned and occupied a home in New Jersey that was their principal residence on October 1, 2015, may be eligible for a homestead benefit provided the 2015 property taxes were paid and they meet certain income limits. The homestead benefit application for homeowners is not included in the NJ-1040 booklet. Information about the 2015 [homestead benefit](#) will be posted as it becomes available.

Tenants. There is no tenant rebate application for 2015.

Note: Eligibility requirements, including income limits, and benefits available under this program are subject to change.

Property Tax Reimbursement (Senior Freeze)

The Senior Freeze (Property Tax Reimbursement) Program reimburses eligible senior citizens or disabled persons for property tax increases. Eligible residents must file a 2015 Property Tax Reimbursement Application (Form PTR-1 or PTR-2) by June 1, 2016. The 2015 applications are expected to be mailed in mid to late February.

Income Limits. With very few exceptions, all income received during the year, including income which is not required to be reported on Form NJ-1040, must be taken into account to determine eligibility for the property tax reimbursement. The limits apply regardless of marital/civil union status. However, if an applicant's status is married/CU couple, combined income of both spouses/CU partners must be reported.

Note: Eligibility requirements, including income limits, and benefits available under this program are subject to change. Information for 2015 will be posted on the Division's [website](#) as it becomes available.

Last Updated: Tuesday, 01/19/16