

*John Murray CPA  
888 County Road D # 101  
New Brighton MN 55112  
651-631-1717*

## First Class

John Murray CPA Tax Newsletter December 2012

### Just an important reminder

Things do happen. For whatever reason occasionally if you are due a refund you may not receive it. The revenue department and the IRS always seem to think it is the accountant's fault, but whatever... please make sure if a refund is due you it has arrived in your bank account or you received a paper check. If not let's follow up. It is not just the post office that loses things, electronic delivery works great when it works, but sometimes it doesn't. So let's make sure you get what is coming to you.

### Health care in our old age

It is estimated that the average 65 year old will spend \$240,000 on health care during their lifetime. This amount is about the same whether or not you are in good health or not.

### Direct deposit refunds

Please follow up on income tax and property tax direct deposit refunds. While the system works reasonably well, for strange reasons (some mysterious and unexplained) refunds do not always arrive in the bank account on schedule. If yours does not show up let's find out what is wrong.

### Giving it away...

The annual gift exemption is going up to \$14,000 (from \$13,000) at the beginning of 2013.

### Cell Phones

The IRS in a memo to its examiners told them that small businesses that provide cash allowances and reimbursements for work-related use of personally-owned cell phones for business purposes may treat reimbursements for reasonable cell phone coverage as nontaxable. This treatment does not apply to reimbursements of unusual or excessive expenses or to reimbursements made as a substitute for a portion of the employee's regular wages.

### Picking on the political types:

Learned at a tax conference: definition of politics: **Poly-** meaning many ....and **ticks** meaning blood suckers.



## You think we have a tax problem...

We visited Nova Scotia Canada this summer, they tax everything. Cigarettes are \$14 per pack, gas is over \$5 per gallon, and there is a 15% sales tax on just about all merchandise and services. Income tax on a single person making \$50K is \$10,387 (Mn residents pay \$8,722 federal and state). Although on the up side, higher education is \$7,000 per year and health care is heavily subsidized.



The harbor at Peggy's Cove NS, Canada

## Retirement statistics for women...

Most Americans, particularly women, are woefully underprepared for retirement. Approximately 40% of single women over the age of 45 have less than \$10,000 in savings or retirement accounts, 58% have less than \$50,000 saved, while only 22% have more than \$100,000 saved.

## Charitable contributions

Be very careful to get a receipt for your charitable contributions. Lack of a contemporaneous receipt for \$250 or more will result in the contribution being disallowed as a deduction. It must also say "no goods or services have been received for this contribution". Going back to the charity after the fact just before the audit will not work. If you don't have the receipt when you file your return, you don't get the deduction.

## Repairs

The IRS is getting tougher on what may be deducted as a repair. If the repair extends the life of the property or could be considered betterment the IRS is insisting the repair be capitalized. Roofs on rental and

commercial property are a troublesome area. Final regulations will not be issued until 2014. Stay tuned for more information.

## Medical deductions...

Generally medical deductions will no longer be deductible if they are less than 10% of Adjusted Gross Income (AGI). There is a window for seniors who will still get deductions at 7.5% of AGI, if either the taxpayer or spouse has attained age 65 by the end of 2013, 2014, 2015, or 2016, the 7.5% threshold applies beginning in that year.

Beginning in 2017, the 10% threshold applies for all taxpayers but generally deductions for medical expenses below 10% of AGI will no longer be a deduction.

## Mileage for 2013

The business mileage rate in 2013 will be 56.5 ¢ per mile up 1¢ from 2012, medical and moving rate will be 24¢ up ½ ¢. The charitable mileage rate will remain at 14¢. The business, medical and moving rates are set by the IRS, the charitable rate is set by Congress.

I have looked at costs of running an auto and for the average driver the business rate usually approximates actual costs. If you drive an expensive auto mostly for business and not too many miles, then actual expenses might give you a higher deduction, but generally the cents per mile rate is the way to go.

## Bedtime reading when you can't sleep?

The internal revenue code in 1913 was 400 pages long, by 1974 it was 19,500 pages and in 2012 it is 73,608 pages. It has grown about 1,200 pages in the last year.

*Merry Christmas  
everyone !*

*John Murray CPA*

651-631-1717

Email : [MurrayCPA@juno.com](mailto:MurrayCPA@juno.com)

Fax 651-636-5467