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First Class

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Tax Newsletter July 2015

Mileage Rates 2015

Beginning on Jan. 1, 2015, the standard mileage rates for the use of a car, van, pickup or panel truck are:

- 57.5 cents per mile for business miles driven, up from 56 cents in 2014
- 23 cents per mile driven for medical or moving purposes, down half a cent from 2014
- 14 cents per mile driven in service of charitable organizations

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile, including depreciation, insurance, repairs, tires, maintenance, gas and oil. The rate for medical and moving purposes is based on the variable costs, such as gas and oil. The charitable rate is set by law.



Motorcycles cannot use the standard mileage rate.

Phone Scams

If you get an aggressive or threatening phone call from someone impersonating an IRS agent it is a fraudulent call.

These scam artists threaten police arrest, deportation, license revocation and other things. If someone calls unexpectedly, claiming to be from the IRS with aggressive threats if you don't pay immediately, it's a scam artist who is calling. The first IRS contact with taxpayers is normally through the mail. Any phone contact with the IRS would be about an issue you are already aware of. Calls out of the blue from the "IRS" demanding money are a scam.

Required Minimum Distributions

Owners of IRA accounts are required to take money out of them when the taxpayer reaches age 70 ½. The distribution can come from any account as long as the total of the distribution is equal to the correct % of total value of all the accounts. Typically in the first year of withdrawal it equals a little less than 4% of the total of the IRAs value on Dec 31st of the prior year.

401K accounts are different than an IRA. If you have multiple 401K accounts you must take the minimum distribution from each account.

I strongly suggest setting up an automatic withdrawal plan when you reach 70 ½. The penalties for failure to withdraw enough money are 50%.

Local lodging now deductible

(UNDER CERTAIN CIRCUMSTANCES)

The IRS has ruled that local lodging is deductible if for business purposes (out of town travel has been a deduction for a long time). There must be a valid reason for you to stay overnight, and must be job required. A conference you are attending at a local hotel would be an example of a deductible expense.

On the other side of the travel expenses issue in a recent case the Tax Court held that because a truck driver taxpayer was a "tax-turtle" with no permanent residence, he could not deduct his travel expenses.

Probate

Advice from the attorney:

Yes... anyone who can balance a checkbook can probably do their own probate in Minnesota. Filing fees are less than \$300. Expensive financial gymnastics to avoid probate are often not cost effective. If you need legal help in most cases probate should cost less than \$2,500.

Does college pay?

It can because all degrees are not created equal, what you take more and more determines what you make."

An analysis by Georgetown University's Center on Education and the Workforce found a graduate with a top-paying college major can earn an average of \$3.4 million more over a lifetime than someone who graduates in the lowest-paying major.

Not surprisingly, STEM majors -- science, technology, engineering and math -- feature prominently at the top of the pay scale.

Almost all of the highest-paying majors are in engineering fields. But focusing too narrowly in a field can backfire, demand for niche specialties can fluctuate,

A too-narrow focus on occupational preparation is a potential problem. The jobs [within a field] often change or are eliminated.

STEM fields in general are expected to experience above-average growth over the next decade. Other high-paying fields like healthcare and economics are also expected to grow by more than 10 percent.

Financial decisions

More than half of Americans have delayed at least one major life decision for financial reasons in the past year. Fifty-one percent of U.S. adults surveyed said they had put off important life goals such as buying a home, retiring, or pursuing higher education. In contrast, just 31% of respondents reported delaying such decisions in a similar survey conducted in 2007, before the financial downturn took place.

Some of the decisions that have been pushed to the back burner include:

- Pursuing higher education: 24% of Americans put it off in 2015 vs. 11% in 2007
- Buying a home: 22% in 2015 vs. 14% in 2007
- Having a medical procedure: 19% in 2015 vs. 9% in 2007
- Retirement: 18% in 2015 vs. 9% in 2007
- Having children: 13% in 2015 vs. 5% in 2007
- Marriage: 12% in 2015 vs. 6% in 2007

Property tax refunds (Minnesota)

The property tax refund forms are already filed electronically, if I filed your tax return. Renters receive refunds in August and homeowners in September. Please monitor your bank account to see you actually receive what are supposed to get. If there is a problem let's follow it up.

Social security

For a single person it is now being recommended if they are still working at full retirement, they "file and suspend." Social security benefits will keep accruing until age 70, as long as they are not being paid out. The benefit of this plan is if a person gets seriously ill or some other disaster before age 70, they could then claim all their benefits back to full retirement age (usually 66).

On an average 19 days after receiving an inheritance the recipient will buy a car.

Why did the turkey cross the road? To prove he wasn't a chicken.

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Did you ever notice: When you put the 2 words 'The' and 'IRS' together it spells 'Theirs...'

I've gotten that dreaded furniture disease. That's when your chest is falling into your drawers!