



Make Taxes...


LESS TAXING

Like a walk in the park.

While there is no escaping filing taxes, you can choose how you prepare your return. Hiring a tax professional to prepare your taxes could save you money in the long run on deductions you might have missed. Filling out the forms yourself will spare you tax preparation fees, but it is more time-consuming and generally yields diminished returns. When in doubt, hiring a tax professional is always the most prudent decision.

HIRING A CPA

If you are itemizing your deductions or you expect your tax return to be complicated, consider hiring a tax professional. It is a good idea to ask friends or family for a referral.



A professional tax accountant is trained to understand the intricacies of the tax code and can help find ways to maximize deductions and minimize penalties. Tax preparation fees are tax deductible and often recouped. Remember that you will want to take time to organize your records and receipts to make the professional's job quicker and easier. In most cases, your tax preparer can provide you with a tax organizer for you to fill out in advance.

PREPARING THE FORMS YOURSELF

This is the approach to take if you expect your return to be relatively simple. By preparing your own tax return, you take the time to work through your tax situation, review your documents, fill out the forms and file the return with the IRS. Keep in mind that this process is relatively time consuming, and although you will save on tax preparation fees, you may omit valuable deductions and exemptions.

MIXING IT UP

A third approach is to prepare the forms yourself and have a CPA review the documents for you. They will be able to double-check that you have filled out the tax return correctly and haven't missed any deductions. This process could result in lower preparation fees, but also keep in mind that a poorly prepared form will need to be amended by a CPA and could cost you time and money in the long run. Another alternative is to hire a tax professional and closely observe the process and attempt to complete a portion or all of your taxes next year while using the professionally prepared return as a guide.

BY THE NUMBERS

If the statistics from the 2007 tax season are any indication, mailing in your tax return may be a thing of the past.

According to the IRS, more than 79.98 million tax returns were filed electronically in 2007—that's up from 73.3 million in 2006. Many tax professionals now file their clients' returns on the Internet, accounting for more than 75% of last year's e-file totals.

Average refund (a 2.5% increase) **\$2,255**

14.2%

Percent increase of balance-due returns filed electronically

61%

Percentage of refunds directly deposited last year (a new record)

140 million

Visits to IRS.gov (a 10% increase)



Make Tax Season Pain-Free:

ORGANIZE

Filing electronically can be an effective and headache-free means of getting your return to the government on time. But it's not foolproof, as 200,000 customers found last year after a database problem the evening of the tax deadline caused their returns to be delayed.

How can you make sure your return isn't affected by potential technical delays? The answer is simple: File early. If you submit your return with a few weeks to spare, you ensure that any technical glitches will be worked out well before the tax deadline. If you can't finish your return on time, make sure you file Form 4868, which gives you a six-month extension on the deadline.



Ten Common TAX RETURN PROBLEMS

1. Not signing and dating the return
2. Providing an incorrect or incomplete Social Security Number
3. Calculation errors
4. Deduction errors
5. Reading tax tables incorrectly
6. Not itemizing
7. Sloppy tax return submission (be sure to attach all W-2s, as well as forms and schedules)
8. Not keeping records of your return
9. Failure to claim credits (energy credit, earned income credit) or calculating them incorrectly
10. Math errors (according to the IRS, a math error is any incorrect number on a return regardless of calculation)

W-2s

You'll need one from each employer you worked for over the past year.

1099-B

You'll receive one from your broker or mutual fund company if you sold stocks, bonds or mutual funds during the year. In addition, you will need to know the original purchase date and purchase price for the sold stocks, bonds or mutual funds.

1099-DIV

These forms report the dividends that individual stocks in your portfolio earned and the dividends and capital gains distributed from your mutual funds.

1099-G

You'll be sent this form if you received a refund of state or local taxes last year.

1099-INT

Your bank will send you this form if you earned more than \$10 in interest on a bank account or certificate of deposit last year, or if you cashed in savings bonds during the year.

1099-MISC

If you were self-employed and were paid \$600 or more, you'll receive a 1099-MISC form from the person or company for whom you worked.

1099-R

These are distributed to individuals receiving a pension or distribution from an IRA or retirement plan or who converted a traditional IRA to a Roth IRA or rolled over money from a 401(k) to an IRA.

Childcare records

If you paid a babysitter or daycare center, you'll need the name, address, amount paid and Social Security Number for each provider.

Medical expense records

If your medical expenses were greater than 7.5% of your adjusted gross income and you itemize your deductions, collect all your receipts and cancelled checks to see if you qualify for a deduction.

Mortgage/closing documents

In most cases, money spent on mortgage interest, points (sometimes called "loan origination fees"), real estate taxes and prepayment penalties qualify for tax deductions. When you buy, sell or refinance a home, collect all related records and store them in a file. You might also qualify for a deduction for any premiums you paid on private mortgage insurance if you bought or refinanced your home this year.

Home improvement documents

Keep your receipts and records for home improvements. While in most cases these cannot be deducted each year, they can be used to reduce your taxable gain when you eventually sell your home. If you made energy-efficiency upgrades to your home, ask a tax professional if you qualify for an IRS Energy Credit.

**All information is general in nature, not legal advice and not warranted or guaranteed. Readers are cautioned not to rely solely on this information. Because tax law changes over time, it is imperative that you consult a professional tax advisor—such as an accountant—in your area regarding tax matters.*

Proof of charitable contributions

For donations of \$250 or less, gather your cancelled checks or receipts. For donations greater than \$250, you'll need a written acknowledgement from the organization to receive a deduction. As for items donated to nonprofit thrift stores, ask them to issue a list of thrift store values for the donated items when you drop them off.

Receipts for non-reimbursed business expenses

Examples of such items are money spent on uniforms, travel, business-required education or dues that are not reimbursed by your employer.

Self-employment income/expenses documentation

Gather and organize your receipts, or if you track such expenses on your computer, print out a year-end report.