



update

educate

Reinvested Dividends:

You may have sold stock or a mutual fund in which you participated in a dividend reinvestment program. If so, you will need to have records of each stock purchase made with the reinvested dividends.

Sale of Home:

The tax law provides special breaks for home sale gains, and you may be able to exclude all (or a part) of a gain on a home if you meet certain ownership, occupancy, and holding period requirements. If you file a joint return with your spouse and your gain from the sale of the home exceeds \$500,000 (\$250,000 for other individuals), record the amounts you spent on improvements to the property. Remember too, possible exclusion of gain applies only to a primary residence, and the amount of improvements made to other homes is required regardless of the gain amount. Be sure to bring a copy of the sale documents (usually the closing escrow statement) with you to the appointment.

Car Expenses:

Where you have used one or more automobiles for business, list the expenses of each separately. The government requires that you provide your total mileage, business miles, and commuting miles for each car on your return, so be prepared to have them available. If you were reimbursed for mileage through an employer, know the reimbursement amount and whether the reimbursement is included in your W-2.

Charitable Donations:

Make a list of property donations, including acquisition dates, cost, and value at the time you gave them away. Make sure you have receipts from the charitable organizations for donations of either cash or property! In addition, you need to obtain, in a timely manner, written acknowledgement from the charity of any contribution of \$250 or more.

IT'S TAX TIME!

Your Appointment Is Set for:

Day:

Date:

Time:

a.m.
p.m.

Place:

It's Tax Time!

Plan Ahead for Your Appointment

Client
Information
Series



The purpose of this pamphlet is to provide current information on tax, financial, and business developments. It suggests general tax planning ideas that may be appropriate in certain situations. The information and opinions are generalizations and may not apply to all taxpayers; it is important that you seek appropriate advice before implementing any of the ideas suggested.

It's Tax Time!

Plan Ahead for Your Appointment

Are You Ready?

If you're like most taxpayers, you find yourself with an ominous stack of "homework" around TAX TIME! Unfortunately, the job of pulling together the records for your tax appointment is never easy, but the effort usually pays off when it comes to the extra tax you save! When you arrive at your appointment fully prepared, you'll have more time to:

- Consider every possible legal deduction;
- Better evaluate your options for reporting income and deductions to choose those best suited to your situation;
- Explore current law changes that affect your tax status;
- Talk about possible law changes and discuss tax planning alternatives that could reduce your future tax liability.

Choosing Your Best Alternatives

The tax law allows a variety of methods for handling income and deductions on your return. Choices made at the time you prepare your return often affect not only the current year, but later-year returns as well. When you're fully prepared for your appointment, you will have more time to explore all avenues available for lowering your tax.

For example, the law allows choices in transactions like:

Sales of property. . .

If you're receiving payments on a sales contract over a period of years, you are sometimes able to choose between reporting the whole gain in the year you sell or over a period of time, as you receive payments from the buyer.

Depreciation. . .

You're able to deduct the cost of your investment in certain business property using different methods. You can either depreciate the cost over a number of years, or in certain cases, you can deduct them all in one year.

Where To Begin?

Ideally, preparation for your tax appointment should begin in January of the tax year you're working with. Right after the new year, set up a safe storage location - a file drawer, a cupboard, a safe, etc. As you receive pertinent records, file them right away, before they're forgotten or lost. By making the practice a habit, you'll find your job a lot easier when your actual appointment date rolls around.

Other general suggestions to consider for your appointment preparation include. . .

- Segregate your records according to income and expense categories. For instance, file medical expense receipts in an envelope or folder, interest payments in another, charitable donations in a third, etc. If you receive an organizer or questionnaire to complete before your appointment, make certain you fill out every section that applies to you. *(Important: Read all explanations and follow instructions carefully to be sure you don't miss important data - organizers are designed to remind you of transactions you may miss otherwise.)*
- Keep your annual income statements separate from your other documents (e.g., W-2s from employers, 1099s from banks, stockbrokers, etc., and K-1s from partnerships). Be sure to take these documents to your appointment, including the instructions for K-1s!
- Write down questions you may have so you don't forget to ask them at the appointment. Review last year's return. Compare your income on that return to the income for the current year. For instance, a dividend from ABC stock on your prior-year return may remind you that you sold ABC this year and need to report the sale.
- Make certain that you have social security numbers for all your dependents. The IRS checks these carefully and can deny deductions for returns filed without them.

advise
inform

- Compare deductions from last year with your records for this year. Did you forget anything?
- Collect any other documents and financial papers that you're puzzled about. Prepare to bring these to your appointment so you can ask about them.

Accuracy Even for Details

To ensure the greatest accuracy possible in all detail on your return, make sure you review personal data. Check name(s), address, social security number(s), and occupation(s) on last year's return. Note any changes for this year. Although your telephone number isn't required on your return, current home and work numbers are always helpful should questions occur during return preparation.

Marital Status Change

If your marital status changed during the year, if you lived apart from your spouse, or if your spouse died during the year, list dates and details. Bring copies of prenuptial, legal separation, divorce, or property settlement agreements, if any, to your appointment.

Dependents

If you have qualifying dependents, you will need to provide the following for each:

- First and last name
- Social security number
- Birth date
- Number of months living in your home
- Their income amount (both taxable and nontaxable)

If you have dependent children over age 18, note how long they were full-time students during the year.

To qualify as your dependent, an individual must pass five strict dependency tests. If you think a person qualifies as your dependent (but you aren't sure), tally the amounts you provided toward his/her support vs. the amounts he/she provided. This will simplify making a final decision about whether you really qualify for the dependency deduction.

Some Transactions Deserve Special Treatment

Certain transactions require special treatment on your tax return. It's a good idea to invest a little extra preparation effort when you have had the following transactions:

Sales of Stock or Other Property:

All sales of stocks, bonds, securities, real estate, and any other type of property need to be reported on your return, even if you had no profit or loss. List each sale, and have the purchase and sale documents available for each transaction. Purchase date, sale date, cost, and selling price must all be noted on your return. Make sure this information is contained on the documents you bring to your appointment.

Gifted or Inherited Property:

If you sell property that was given to you, you need to determine when and for how much the original owner purchased it. If you sell property you inherited, you need to know the date of the decedent's death and the property's value at that time. You may be able to find this information on estate tax returns or in probate documents.

