

ORGANIZING



Organization is the key to easy and efficient tax preparation. It would be awful to have your first choice of tax preparers turn you down because you are disorganized. Your tax preparer may charge additional fees for having their assistant sort your receipt shoe box.

On the flip side, being organized reduces your stress level, familiarizes you with your income and expenses, and provides for easy document retrieval.

There are no rules about how to keep your financial records. In fact, you'll find many books and pre-designed systems for sale. Keep in mind the most effective systems have two similarities:

1. They are simple.
2. You are willing to maintain them.

Here is an example of one basic organizing system I use. I have a decorative box on my bookshelf into which I empty receipts from my purse and wallet. At the end of the month (when I flip my calendar) I move the receipts from the box into a file folder. At the end of the year I put the 12 folders in a storage box, with my final tax return. I can easily find receipts based on the month I incurred the expense.

When it comes to keeping track of my bank, investment and credit card statements, I use [expandy files](#). The expandy file also goes in the above mentioned at the end of the year. When I no longer need to [keep the data](#), I remove any important information from the box and shred the rest. Aaahhh, lighten the load!!

Most of us have systems we've used in the past. I have seen many clients gaze at their paperwork feeling guilt for letting it "get out of hand". We stop using our systems because they are too complex or they don't match our needs anymore.

Modifying and revising your systems keep them functional. For example, my office is hectic this time of year. Keeping client paperwork separated yet accessible is a constant challenge. I consider it an ongoing project. Without modifying my systems I quickly find myself hidden behind piles in a messy office. This year I added color coding for another level of organization. Don't be afraid to switch it up. Remember the goal of organizing is to refine and simplify your life—make it work for you!

TAX DOCUMENTS

So what should you take to your tax appointment? Use this list as a starting point. You may have (or need) documents not included here. Also, ask your tax professional what they would like you bring to the meeting.

- W-2s from all jobs (wage & tax statement):
- 1099s from all sources. Here is a list of common 1099s and what they report.

1099-A: Acquisition or Abandonment of Secured Property

1099-B: Proceeds from Broker and Barter

Exchange Transaction

1099-C: Cancellation of Debt

1099-CAP: Changes in Corporate Control and Capital Structure

1099-DIV: Dividends and Distributions

1099-G: Certain Government and Qualified State Tuition Program Payments

1099-H: Health Coverage Tax Credit (HCTC) Advanced Payments

1099-INT: Interest Income

1099-LTC: Long-Term Care and Accelerated Death Benefits

1099-MISC: Miscellaneous Income

1099-OID: Original Issue Discount

1099-PATR: Taxable Distributions Received From Cooperatives

1099-Q: Payments From Qualified Education Programs (Under Sections 529 and 530)

1099-S: Proceeds From Real Estate Transactions

1099-SA: Distributions From an HAS, Archer MSA, or Medicare Advantage MSA

SSA-1099: Social Security Benefit Statement

RRB-1099: Payments by the Railroad Retirement Board

- 1098 mortgage interest statements
- property tax receipts
- K-1s from estates, partnerships, and corporations
- Receipts for any medical expenses
- Records of gambling profits and losses.

Tip: To offset reportable gambling profits, you must have an accurate log of expenses and losses including amounts, dates, and locations.

- Itemized record of charitable gifts. A list of “12 shirts, 3 suits and 2 jackets” as opposed to a “bag of clothes,” will allow a true value for the item. Charitable gifts over \$500 must include a signed receipt from the charity.

Tip: FYI, the IRS is being picky with charitable contributions given in 2007! If you donate anything...even change via Salvation Army drop buckets—get a receipt!

- A copy of last years’ tax return
- A list of your financial goals and questions

The above listed items should from one of two places: your receipts or your mailbox. Employers and banks are required to mail W2s and 1099s by January 31st. This allows time to receive and dispute any amounts before your filing deadline.

If you haven’t received a W2 or 1099 request a copy from employer. If you don’t receive one after requesting it, contact the IRS at 800-829-1040 with your employers name, address, phone number and Employer Identification Number (EIN) if possible.

If you are not able to obtain a copy of your W2, you may need to complete [Form 4852](#). This is a substitute W2 form. When you receive your actual W2 you may need to amend your return using [Form 1040X](#).

If you are expecting a K-1, keep in mind you may need to file an extension. Because tax years of partnerships aren’t always calendar years, these documents often don’t arrive until March or April. They can arrive as late as September.

If you have lost any of these tax documents they can usually be reissued. Some companies may charge a small fee to reissue the document.

IF YOU ARE SELF-EMPLOYED

If you are self-employed you will need some additional items to prepare your taxes. You should keep track of your business income and expenses with clear written documentation.

We can usually deduct auto expenses, medical insurance, self-employment tax, and entertainment and travel expenses. You may be able to deduct additional expenses depending on what is customary and reasonable for your business. Bring a summary of all of the expenses you incurred in the past year. Your tax professional can guide you as to which are deductible business expenses.

Remember to include records of dual use items like cell phones, home computers, cameras, VCR/DVD players, country club, and vacation home expenses. The portion of these attributable to your business may be deductible.



So print this article, go forth, and gather your paperwork! Meet with your tax preparer organized and stress-free! The next article will be dedicated to those of us who self-prepare. You'll learn where to find free advice and other resources for completing your returns.