

GETTING ORGANIZED FOR TAX TIME

By Julian Block

Excerpted from “Year Round Tax Savings.”

Many refund delays, time-consuming correspondence and audits are triggered by taxpayer carelessness. Here are some IRS reminders about items to check in advance of filing your return, along with some steps to take afterward.

START WITH THE BASICS

Check the package of forms and schedules that came from the IRS. First read the instructions to make sure you have all the ones you need. If not, they are easily available from the IRS through several channels. To have them mailed to you, call 800-TAX-FORM (800-829-3676); to use the automated fax service, call 703-368-9694 (not a toll-free call); or to download copies, go to the Web site, www.irs.gov.

Should you fill out the 1040 yourself or hire someone? The answer depends on how complicated your finances are.

Does your income come mainly from salaries, with some interest from savings and dividends from stocks and mutual funds? And do you claim either the no-questions-asked standard deduction, a flat amount based mostly on filing status and age, or simple-to-calculate itemized deductions for such outlays as state income taxes or sales taxes (one or the other, but not both), charitable contributions, real estate taxes, and mortgage interest? Then you probably are able to file without paid help. The IRS and many volunteer organizations, such as AARP, offer free help. Also consider electronic filing. TurboTax, TaxCut and other software programs are comparable in quality and prompt you step by step to make filing easy.

Do you have income from, say, rental properties or partnerships or do you operate your own business, whether on a part- or full-time basis? Then you might need professional help.

If you decide to turn the chore over to a paid preparer, meet as early as possible during the filing season.

For a first-time meeting, bring along returns for previous years. In some cases, reviewing past filings uncovers miscues that require amending or ways to trim the tab that you might now be overlooking.

Whether you go it alone or hire a tax pro, set aside time to rummage through your personal records, including last year's returns, checkbooks, credit-card statements, receipts, appointment calendars and bills. Your objective: to scavenge for forgotten deductions, particularly if you are self-employed.

FILLING OUT THE 1040

If you do your own return, read the instructions carefully. They include plain-language explanations of changes in the tax laws and are essential in accurately preparing your return.

Before sending in your return, photocopy it. Also be sure to attach securely all required schedules and statements – for example, Schedule A, on which you itemize deductions, or Schedule D, which lists gains and losses from sales of individual stocks, mutual fund shares and other assets.

AFTER YOU FILE

Save records that support deductions, exemptions and other items on your return, and that photocopy of your return. You will need them if the computers bounce your return. Generally, the statute of limitations for the IRS to start an audit is three years from the return's due date.

As one last step, open a file now for this year and begin to save the information that you will need next year at 1040 time.