



TOOL

## Tax Time Tips

Make sure you're prepared for tax time with our helpful tips and checklist.

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Spring is on the doorstep and that means Tax Time is right around the corner. Doing your taxes can be stressful, so we've put together a few tips that can help you manage the process to make it easier.

Because of tax law changes, even if you've prepared your returns for yourself in the past, it is highly recommended to consult a tax preparation professional. If you do, you should book your appointment early, as many tax preparers become extremely busy the closer you get to the filing date.

Whether you are doing your taxes yourself or gathering information for a professional to prepare them for you, with so many details it's easy to overlook important information. That's why we've created a checklist you can download and print to make sure you've gathered the information you're likely to need.

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## Here are a few ideas that can help make tax time easier:

### 1. Start Now

Setting up an organized system for keeping track of your earnings, expenses, receipts and other important information can really help save time. Getting organized will help you with this year's tax preparations, but the real benefits become clear over time—the sooner you start the sooner you see the benefits of being organized.

### 2. Set Up a System

How you organize your information is up to you, but here is a system to get you started. If you find you need to add more categories over time, you can do that too! The key is to set it up so you can find the information you need quickly and easily. The more organized you are, the easier it is to find what you're looking for. This is important for tax time, but also for medical or financial emergencies, preparation for selling your home, or many other reasons.

## Here are some categories that will work for most people:

### a. Personal Information

You'll want to keep this information in a secure location to help guard against identity theft. This information shouldn't change much over time unless, you move, have or adopt children, or change your marital status. Personal information includes your social security numbers and dates of birth for yourself, your spouse and your dependents, your address, and banking information you may need for the direct deposit of a tax refund.

### b. Income Information

Create a folder for pay stubs and forms you receive from your employer such as W-2s or 1099 forms. If you are self-employed, keeping careful track of any payments you have received is especially important. If you collect Social Security or alimony, or have income from rental properties or other investments, or any other source of income, keep a record of it here.

### c. Personal Expenses

Some personal expenses may be deductible, such as student loan interest paid, mortgage interest paid, IRA contributions, receipts for home energy improvements, moving expenses, alimony paid, or a variety of other things. If you paid for something, but it wasn't part of your business, keep a record of it here. A tax preparation professional can help you learn which expenses are deductible and which aren't. Since tax laws change, it's a good idea to keep a record of everything and consult a professional to find out what is useful for taxes and what isn't.

Many people like to create sub-folders to make it even easier to find what you are looking for. You could create a folder for medical information (including insurance payments and out-of-pocket expenses), home expenses (repairs, improvements, heating and other utilities, etc.), investment information, insurance information, etc.

### d. Casualty and Loss

In the event of a theft, fire, flood or other calamity, having a record of the damage assessment and insurance reimbursements is also important. Hopefully you won't have to put anything in this folder.

### e. Professional Expenses

If you spent money as part of your employment, keep a record of it here. A tax professional can help you determine what is deductible and what isn't, but if you don't keep a record of your expenses, they can't really help you. The amount and kind of deductions you can take as part of your business can change with tax law, so again—keep a record of everything and let your tax preparation professional help you determine what is deductible and what isn't. If you are self-employed, this information is essential for determining the profit or loss of your business. Don't forget to include any payments for professional services (such as your tax preparer, accountant, lawyers, etc.) as well as expenses for professional licenses, and professional insurance. See our checklist for a more complete list of Professional Expense categories.

### f. Taxes and Tax Payments

Keep a printout of your federal, state and local tax filings each year. For people with a regular income this can really help speed your tax preparation. For people with irregular income, it can help speed things along as well by showing you what kinds of expenses are deductible. Remember though, tax laws change. In any event, knowing what and how much was deducted in previous years can be an important step in the preparation process.

Also keep a record of all tax payments, including federal income tax, state and local taxes, real estate taxes, personal property taxes, and vehicle license fees, or estimated tax payments made throughout the year.

#### **g. Charitable Expenses**

If you give money or donate goods to certain charities, you may be able to deduct a portion of the expenses from your taxes. Your tax preparation professional can help you with this too.

#### **h. Foreign Holdings**

If you have a bank account or investments outside of the U.S. you will need to supply the location, the name of the bank, your account number, and the peak value of your account during the year.

### **3. Make it a Habit**

Rather than scurrying around to collect everything you need at the last minute, setting up a home filing system and using it regularly can really speed things up. Make organization a habit. When you finish paying your bills, file them in the appropriate folder. If you pay bills online, it's a good idea to print out a receipt and file it.

### **4. Save Your Receipts**

Keep all your receipts and file them in the appropriate folder. Was it a business expense or a personal expense? You will need your receipts to prove your expenses.

### **5. Check Your Statements**

Many banks and credit card companies provide a year-end summary of your expenses. Some even provide categorization to make it easier for you to see how and where you spent your money. You can use this information to double check your personal and business expenses.

### **6. Print it Out**

It can be a good idea to print out your bank and credit card statements each month and file them. This makes it easier for you to review your expenses at tax time and may be useful in other circumstances as well. You'll also want to print out your completed return when you are finished, for reference next year.

### **7. Consult Official Sites**

There is an abundance of tax-related information available for free over the internet. If you are looking to prepare your own taxes, or simply want to learn more, federal and state websites can provide you with valuable information. The IRS's Publication 17 is a good example.

A word of caution however: not all websites provide trustworthy information.

"UncleWillysGuidetoInstantCash.com" may not be a reliable source of ideas for doing your taxes.

Many forums, chatrooms and other informal sites have an abundance of anecdotal information that may do more harm than good. If you are unclear about something, it is recommended that you either consult [irs.gov](http://irs.gov), your state's official site, or a tax preparation professional.

## 8. File Early

A great way to reduce the stress of tax preparation is to file early. Working against a deadline can add unwanted tension to a difficult task. Giving yourself time to work through the process can help you tackle problems at your own pace and gives you time to find answers to your questions (see #7).

## 9. Reward Yourself

Gathering information and preparing your taxes or meeting with a tax preparer is a lot of work. Be sure to reward yourself—make a promise to yourself that when your taxes are filed you get a treat. It doesn't have to be something grand like buying a new boat—studies have shown that the reward centers in our brains react the same to small treats as they do to big ones. Maybe a cup of chocolate ice cream, a walk in the park, or take in a movie. Anyway, that's up to you.

## 10. Get Started On Next Year

Gathering information to do your taxes puts you in the right place to start preparing for next year. If you're printing out bank or credit card statements for last year, print out the ones for this year too. Look at how you have organized your information for this year. This should be your clearest guide on what you need to set up to prepare yourself for next year.

Now go back to #1.

Be sure to download our Tax Time Checklist to make sure you have the information you need.

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- ☐ Social security numbers
- ☐ Dates of birth for yourself, your spouse and your dependents
- ☐ Your address
- ☐ Banking information you may need for the direct deposit of a tax refund

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- ☐ 1099s
- ☐ Alimony
- ☐ Business income or loss
- ☐ Dividends
- ☐ Income from rental properties
- ☐ Interest income
- ☐ Investment income
- ☐ IRA distributions
- ☐ Pay stubs
- ☐ Pensions and annuities
- ☐ Social security
- ☐ Unemployment compensation
- ☐ W-2s
- ☐ Any other source of income

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Federal, state and local tax filings  
for last year

- ☐ Tax payments
- ☐ Federal income, state and local taxes
- ☐ Real estate taxes
- ☐ Personal property taxes
- ☐ Vehicle license fees
- ☐ Estimated tax payments made throughout the year

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- ☐ Advertising
- ☐ Car and truck expenses
- ☐ Commissions and fees
- ☐ Contract labor
- ☐ Employee benefits
- ☐ Insurance (not health)
- ☐ Interest
- ☐ Legal and professional services
- ☐ Licenses
- ☐ Office expenses
- ☐ Rental or lease of equipment, machinery, etc.
- ☐ Repairs and maintenance
- ☐ Supplies
- ☐ Travel, meals and entertainment
- ☐ Utilities
- ☐ Wages
- ☐ Other expenses

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- ☐ Alimony paid
- ☐ Home expenses  
(repairs, improvements, heating and  
other utilities, etc.)
- ☐ Insurance information
- ☐ Investment information
- ☐ IRA contributions
- ☐ Receipts for home energy  
improvements
- ☐ Medical expenses  
(including insurance payments and  
out-of-pocket expenses)
- ☐ Mortgage interest paid
- ☐ Moving expenses
- ☐ Student loan interest paid
- ☐ Any other personal expenses

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- ☐ Damage assessments
- ☐ Insurance reimbursements

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- ☐ Cash
- ☐ Goods

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- ☐ Location
- ☐ Name of the bank
- ☐ Your account number
- ☐ Peak value of your account during the year

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