

Smooth sailing for tax season

Prep now to ease stress later



By Phillip R. McCollum, Jr., CPA, JD

Getting organized is a common New Year's resolution. There's no better time than now to get on that – especially when it comes to your taxes. Tax season officially starts in just a few short weeks when the IRS starts accepting e-filed returns on January 23. Keeping track of your tax information and staying in communication with your CPA during the year can help you identify ways to reduce your tax burden as well as help ensure your tax returns are prepared efficiently and correctly.

Your organizer

The biggest way you can help yourself and your CPA is to fill out your organizer! It's made up of two sections. The first section is several pages of questions asking about items that may have occurred during the year. You can answer these questions "yes" or "no." A year goes by very quickly and a lot can happen during that time. These questions can help jog your memory about events that may help reduce how much tax you owe. Maybe you purchased a car, made a gift to a 529 education plan or had a baby. If you do have a new addition to the family, we need your baby's Social Security number so you can claim your exemption for the child tax credit. Another example – did you move? If so, we need your new address so we can update it with the taxing authorities and make sure you get your refund to the right place. These are important things to share with your CPA.

The second part of your organizer is information from your prior year returns. Take a minute to flip through this and see what information was included. If nothing has changed, we will almost certainly need the same information for the current tax year – plus anything new.

Time is of the essence

Your organizer always has a date for when we'd like to get your information by. If you can get it to us by the date, that can help tremendously to make sure your taxes are done timely and accurately. No last minute emergencies goes a long way.

Another reason you want to get your information to us as soon as possible – the IRS continues to increase their safeguards for identity theft and this is expected to add to processing time.

Brokerage statements

Clients will get a brokerage statement that's 20 pages and they'll send us the first four. When you receive your statement, send all the pages and let us geeky tax people figure it out. We really do need all your pages.

Reach out year-round

Contact us during the year when you're looking into a major financial decision such as making a large charitable donation. I had a client who donated some artwork in 2015 and started telling me about it in June 2016. It was worth over \$5,000. I asked if he'd gotten an appraisal done on it and he said no. Because it was worth \$5,000, it needed one. By the time

he asked about it to the time we received the appraisal and information, two months had gone by. If he had claimed the deduction for his charitable contribution but didn't have the appraisal attached, he would have lost out on the deduction altogether. Without the appraisal, the IRS will deny the deduction and you can't amend your return. You're out of luck.

Another example – if you're thinking of taking money out of your IRA but you're not 59 ½ yet, you'd have to pay the 10% penalty, so be sure to call your tax professional and ask about that before you do it.

File it away

Staying organized will be a big help when it's time to file your taxes. For example, if you buy a home there may be documents we need (i.e. the HUD closing statement) or additional documentation you need to get (i.e. the appraisal for that artwork donation). These are much easier to find and address when you file them away at the time of transaction rather than going back to last year (maybe more than a year in some cases!).

The extra work is worth it

Taking the time to add a few steps to your information gathering process during the year and spending time with the organizer, you will see that these extra steps save us time in getting your return done timely and efficiently as well as making sure you file as complete and accurate a return as possible.

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