

Get the Most Out of Professional Tax Prep

How to Avoid Creating Extra Work, Penalties for Yourself

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Taxes can be confusing and time-consuming. Those are two reasons you likely hired a CPA. As you are gathering your tax information to bring to us, here are some ways you can get organized to make sure you get the most out of your professional tax preparation.

Fill out your organizer

We're going to send out an organizer. There are several pages of questions and it's *really* important you fill them out – even if you've been a client for 40 years! Your answers to these questions help us determine other questions to ask you before we complete your return. Alternatively, they might present some tax planning opportunities.

There are two major areas that are extremely important for you to address:

Foreign activities. Do you have a foreign bank account? Are you a signer over a foreign bank account? Are you the beneficiary of a foreign trust? If any information related to reporting your foreign activities is incomplete or left out, the penalties can start at \$10,000 and they go up from there.

Health insurance. There are also penalties for this. They're not as high as the previously mentioned \$10,000 but you still don't want to have to pay them. The penalties for not having health insurance aren't just for you and your spouse but also for any dependents you're taking on your tax return. This is really important in the case of parents that are divorced. Before you claim a dependent, you should make sure that he or she has/had health insurance for the year. If you claim a dependent, you are responsible for the penalty even if you aren't the parent responsible for making sure your dependent has health coverage.

Matching documents

This consists of documents such as your W-2, 1099 interest and dividends and mortgage statements. We need ALL of the pages for these. Even if you have a 100 page broker statement, we need all 100 pages.

Receipts

Generally, we don't need the back up of all your receipts, particularly medical receipts and prescriptions. Most pharmacies will give you a print out for the year showing how much you paid for your medications. You

can just give us that total or write those amounts in the organizer. We don't need to verify your medical receipts if you're not undergoing an audit by a regulatory agency.

A reminder if you have an HSA – any medical numbers that you write down for your itemized deductions should not include anything that is reimbursed to you from your HSA account.

Don't create extra work for yourself

When getting everything ready for your CPA, you can avoid creating extra work for yourself in a number of ways:

1. **Please don't staple any documents.** We scan them all and have to remove the staples. You can paper clip them.
2. **Please don't highlight any numbers or items in your documents.** It makes them difficult to read after they're scanned. We appreciate you trying to point out things that you think may be important, but we've been reading brokerage statements and other documents for a long time.
3. **Sticky notes can also be temperamental.** A lot of times, they just scan as a black square. Or, gum up the scanner. You can actually write in the organizer or give us a sheet with your questions. We do read them and we'll get back to you.

Please don't procrastinate gathering your tax information and getting it in to us. We realize that many of the documents you need to send us you may not have until close to the end of March, but we are happy to begin working on your returns earlier. In case there are other questions – we can get these resolved before the crush at the end of tax season!

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