Preparing for a Tax Interview

1. **Preliminary Steps**
    A. Choose a Preparer.
    B. Call your Preparer early in the year to arrange an appointment.
    C. Feel free to ask questions about what to bring to the interview.
    D. Do your homework and be prepared. If you do not have all of your information at hand you are not ready for your appointment.
    E. If necessary, arrange for a babysitter. Your Preparer will require all of your attention.
    F. Be punctual. Your Preparer operates on a tight schedule.
    G. Be considerate of your Preparer by calling ahead of time if you need to change the time or cancel your appointment.
2. **Getting Ready**
    A. If this is the first time with your Preparer, list full legal names, dates-of-birth, and Social Security numbers for you, your spouse, and your dependents. Include telephone numbers where you or your spouse can be reached during working hours.
    B. You will need the name of your bank, routing transit number, and account number if you plan to use your Preparer's E-File procedures. A deposit slip or voided check will suffice.
    C. Review prior year's tax return to see what information may be needed in the preparation of this year's return, or use a check-list provided by your Preparer. A list is provided on this site for your convenience.
    D. Remove W-2 forms, 1099s, etc. from envelopes and clip together.
    E. Make a list of income not covered by W-2s or 1099-type forms.
    F. Make a list of expenses, totaled by classification, i.e. medical, taxes, etc. Suggestion: Do the sorting and totaling yourself. Your Preparer will provide this service, however, you should expect to pay an additional fee for the time involved. Save money on your preparation fee and do the sorting and totaling before the interview.
    G. Take ALL of your records with you to the interview. During your meeting, your Preparer will ask questions and determine what, if any, additional information is needed to complete your tax return.
3. **The Tax Interview**
    A. You should be greeted with warmth and hospitality by your Preparer.
    B. Your Preparer should review your tax records, ask questions, and try to find out as much about your financial situation as possible.
    C. Your Preparer should explain that he is in full-time practice and available to handle any tax problem you may encounter on a year around basis.
    D. Your Preparer should give you a reasonable completion time and date for your income tax return.
    E. Your Preparer should be willing to discuss his fees without obligation.
    F. Your Preparer should be aggressive in his advocacy of your rights as a citizen-taxpayer by pursuing all lawful provisions in the Internal Revenue Code to assure that you pay no more tax than required by law.

G. If your Preparer comes up short in any one of the foregoing categories, you may want to go back to step one and try again.

Mistakes That Cost Taxpayers Money

Failure to Claim all Legal Deductions

1. Clothing and household goods donated to a charity. After August 17, 2006 the used items must be in good condition or better in order to qualify for a deduction.
2. Postage stamps used in a fundraiser, Sunday School mail out, etc.
3. Automobile mileage used for church business.

Failure to Track Carryover Items

1. Prior year capital losses exceeding the $3,000 deduction limit.
2. Disallowed charitable contributions you couldn't deduct due to tax code limits on such write-offs.
3. State and local income taxes paid in the prior year.

Failure to Update Retirement Plan Beneficiary

1. Upon your demise, your IRA, 401(k), or other retirement plan will pass to whomever you designate as beneficiary. In most cases, this will be your. If you fail to designate a beneficiary, the retirement plan principal passes to your estate. Should that happen, your heirs, as designated by state law, are required to withdraw the money over a five year period instead of their life expectancy. You can readily see that taxes owed are greatly accelerated.
2. If your retirement plan is considered large, be careful about naming your grandchildren as beneficiaries. Doing so might activate the generation-skipping transfer tax.

Failure to Maximize 401(k) Plan Contributions

1. Contributions to an employer's 401(k) plan reduces your taxable income by the amount you contribute, with earnings growing tax deferred until withdrawn at some point in the future.
2. More often than not, your employer has a matching program wherein he will match, dollar-for-dollar, a percentage of your earnings. This is found money and you will miss out if you don't participate in the plan.
3. If you can afford it, take a look at the Roth IRA program, too. There is no deduction at filing time, but withdrawals at retirement time are tax free.

Failure to Add Mutual Fund Reinvestments to Basis

1. So, you bought into a mutual fund and chose the dividend reinvestment option to increase your investment. Every time the fund declares a dividend, you buy extra shares, but you probably forgot to add the cost of the new shares to your cost basis when you sold some of the fund. If so, you overpaid the IRS.
2. Your mutual fund may track your ownership basis for you, but, if not, it is your responsibility to tract all dividends. If you don't keep up with dividends, expect to pay more tax than necessary.

Failure to Plan for Exercising Stock Options

When you exercise a stock option, your employer probably withholds federal income tax from the transactions at a fixed rate. Often times, the capital gains realized moves taxpayers into a higher tax bracket. You will want to estimate your actual income tax liability to avoid unexpected news at tax filing time.

Failure to Verify Employer's Withholding Information

It's always a good time to check with your employer about your income tax withholding information, especially following a year in which you came up short and had to pay additional taxes. Changing jobs is a good time, too, especially if you are receiving a hefty raise in salary. And, if you file a state income tax return, remember to review your state withholding allowances, too.

Failure to Make Estimated Tax Payments

If you are self-employed or earn substantial income from investments, you are required to make quarterly estimated tax payments. Some taxpayers elect not to pay estimates for one reason or another, choosing instead to pay the entire tax bill when they file their tax return. Big mistake! Taxpayers failing to make required estimated payments are assessed with a penalty approximating eight percent annually for each quarter the taxes are not paid.