

# TAX TIME BASICS LETTER

## IT'S TAX TIME AGAIN...

Your mailbox should be filling up with the information you will need to get the job done.

This letter is full of information designed to help you prepare your tax documents so you pay only the tax that you rightfully owe.



## Time to get organized:

This checklist will help you collect the documents needed to file your tax return.

☐ **Your last 3 years' tax returns** (*new clients only*).

☐ **Social Security numbers and dates of birth** for taxpayers, spouses and dependents.

☐ **Copy of Driver's License** for taxpayer and spouse.

☐ **Noncustodial parents claiming children** need a signed IRS Form 8332 to claim the child.

☐ **W-2 Forms.**

☐ **Your last paycheck stub of the year** (for each job).

☐ **IP PIN** (IRS notice CP01A). IRS sends a PIN to victims of identity theft (or upon request). You can't reuse PIN from a prior year.

☐ **1099 Forms** for interest, dividends, sales, retirement, Social Security, self-employment, unemployment, etc. ★ *Remember to download and print statements from online accounts that don't send paper tax forms.*

☐ **Property tax statements.**

☐ **Forms 1098** for mortgage interest.

☐ **Foreign accounts.** Bring statements. Such assets must be disclosed even if they do not generate income.

☐ **If you bought, sold, or refinanced a home** bring the settlement statement.

☐ **Purchase and sale information**, including dates, relating to anything sold.

☐ **Stock options.** Forms 1099-B and supplemental statements showing income reported on form W-2.

☐ **Cryptocurrency.** Bring details including dates, proceeds, and original cost.

☐ **Forms W2-G** for gambling winnings. Bring a log of gambling sessions (if available).

☐ **Child care provider information** (name, address, tax ID#, amount paid). Required even if you have a daycare flex account at work.

☐ **Names, addresses, and Social Security numbers** from whom you received interest, or to whom you paid interest.

☐ **Bankruptcy or divorce papers** (if applicable).

☐ **Alimony** paid or received. Provide dollar amount, SSN of recipient and date of divorce.

☐ **If you paid an individual \$600 or more for services in connection with your business**, please provide their name, address, and tax ID#.

☐ **Records showing income and expense for business and/or rental property you own.** Records of business and personal mileage are required for automobile deductions.

☐ **Form K-1** if you have an interest in a Partnership, S-Corporation, Estate or Trust.

☐ **IRA** (traditional, Roth, SEP, Simple) year-end statements and forms 5498.

☐ **Bring details for all other income**, whether you think it's taxable or not. Examples may include foreign income, barter, hobby, settlements, awards/prizes, etc.

☐ **Forms 1098-T** for post-secondary tuition payments are sent to the student. If the student is your dependent you must get it from them.

☐ **Forms 1099-Q** for education savings plan distributions.

☐ **Student loan interest forms 1098-E.**

☐ **Estimated taxes paid** (include amount and date).

☐ **Adoption costs** if applicable. Also bring the legal adoption documents.

☐ **Charitable donations.** Bring separate totals for cash and noncash contributions. Bring receipts. For noncash



donations totaling over \$500 include date, place, fair market value, and original cost.

☐ **Form 1098-C** for donations of automobiles or boats.

☐ **If you purchased a new or used electric plug-in vehicle**, bring all documents provided by the dealership (year, make, VIN, purchase date, assembly location, & other qualifiers).

☐ **If you installed solar, wind, geothermal, or fuel-cell systems** for your home or cabin bring receipts.

☐ **If you installed other energy efficient home improvements** (e.g. furnace, central AC, water heater, windows, doors, insulation, heat pump, etc.) bring receipts.

☐ **If debts were forgiven**, bring Form 1099-C or 1099-A.

☐ **Forms 1099-K** for internet or credit card transactions.

☐ **Health Savings Account (HSA) contributions and distributions.** Bring forms 1099-SA and 5498-SA.

☐ **Form 1095-A** for health insurance purchased on healthcare.gov (or your state's ACA insurance marketplace).

☐ **Out of pocket medical expenses** may be deductible (if large). Bring details.

☐ **Form 1099-LTC** for long-term care policy benefits paid.

☐ **Employee Retention Credits.** Bring details. You may have to amend a return for the tax year the credits were paid.

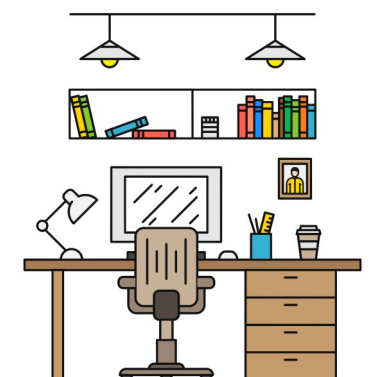
☐ **Bring a voided check** for direct deposit of any refunds you expect to receive.



**Caution:** the IRS is very attentive to taxpayers who write off local travel costs.

A daily log of business use is essential. Also, don't forget to record the beginning and the year-end odometer readings.

Need help? There are plenty of smartphone apps that can help with tracking mileage.



To avail yourself of tax deductions, you need to be organized and well documented.

Save proof of all tax deductible purchases.



## DEDUCTING MILEAGE?

**Did you drive for charity?** If so, you can deduct 14¢ per mile (if you itemize).

**If your medical expenses are substantial,** you may want to calculate a mileage deduction. Medical miles for 2023 are 22¢ per mile.

**If you drove for business purposes,** the situation is a little more complicated: First, decide which miles qualify.

**Use the following three scenarios to determine how many miles you can deduct:**

**Keep in mind the following: In general, commuting is not deductible.**

**Scenario #1: If you have an office or regular place of business outside your home,** you may not deduct miles commuting to and

from work or to your first or from your last stop, but you may deduct mileage to drive to a *temporary work place* (less than one year's duration) and mileage to and from different work locations during the day.

**Scenario #2: If you have an office in your home that qualifies for a home office deduction,** all of your business-related mileage is deductible (see below for home office deduction qualifiers).

**Scenario #3: If you work out of your home but do not qualify for the home office deduction,** the distance between home and your first stop and between your last stop and home are nondeductible commuting miles. You should carefully plan to have your first and last stops close to home to

maximize the mileage deduction. A trip to the bank, post office, or a supplier can help increase deductible business miles.

Once you have determined which miles to count, you need to decide whether to use the *standard mileage rate* or actual expenses.

The **standard mileage rate** for qualified business use for 2023 is **65.5¢ per mile**.

**Which method is best?** In general, the standard method works best if your business miles are high or your vehicle is economical to run.

The actual expense method works best if your vehicle weighs over 6000 pounds, is costly to run, or you do not have that many miles in total.

## DO YOU WORK AT HOME?

**If you are self-employed,** you may qualify for the home office deduction if you use a portion of your home **exclusively** as your principal place of business, to store inventory, or to conduct substantial management or administrative activities. There can be no other fixed location where the above activities can be done.

The office space still needs to be **used regularly and exclusively for business**. You can not have any other usage of the area whatsoever.

er. Using your office for personal or investment reasons eliminates the deduction as far as the IRS is concerned, so be careful to keep your office space all business.

Having a deductible home office means you can deduct all of your local business travel as described earlier.

If your office qualifies, you will need additional information: Measure the business space and the total space. You will also need your mortgage interest,

taxes, insurance, association fees, repairs, maintenance, utilities, garbage, security, and/or rent paid. Also, provide an accounting of the total investment in your home.

**The IRS has provided a simplified home office deduction, if you choose.** Instead of calculating all of the above information, \$5 per square foot can be deducted (maximum \$1,500). The IRS estimates that the simplified home office method saves taxpayers 1.6 million hours per year.

## COMPUTER & CELLPHONE GUIDELINES

Did you buy a computer that you would like to deduct? You can use the following guidelines to determine what is deductible.

**If you are self-employed,** the business percentage of computer usage, measured by time, is deductible.

**If you are a student,** the use of a computer is not

deductible, but you can tap your 529 plan for a computer purchase.

**Keep a log of computer usage to support your deduction.**

**Cell phone deductions are as follows:**

**Employers** providing cell phones do not have to re-

quire records of use to provide tax-free cell phones to employees.

**Self employed** individuals can deduct business cell phone usage. The IRS, however, still has a hard time believing a cell phone is 100% for business. It's wise to keep a log of use.

## EMPLOYEE BUSINESS EXPENSE DEDUCTIONS ARE NOT ALLOWED ON THE FEDERAL RETURN

The Tax Cuts & Jobs Act eliminated federal deductions for non-reimbursed employee work expenses. As such, most of the deductions discussed on this page are for business owners only.