

Getting a Jump on Tax Season

What should you bring to the qualified CPA?

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You can file your federal tax return starting January 20. IRS filing season will start right on time in 2015, and there is wisdom in filing your 1040 well before April 15. You can get it out of the way earlier, and if you e-file, you can put yourself in position for an earlier refund.¹

What should you gather up for your CPA? If you want to save time and possibly money along with it, come to the office ready with the appropriate paperwork. If you own a business, that list includes all W-2s and 1099-MISC forms you get from clients, any 1099-INT, 1099-DIV, 1099-B and K-1 forms displaying income, your Schedule C and P&L reports, and any and all paperwork you can round up detailing your expenses – your personal expenses too, not only business costs but also any tuition, medical and miscellaneous ones. If you have made charitable contributions worth itemizing, that paperwork needs to reach your preparer. The same goes for documents detailing mortgage interest, other forms of interest paid, and any tax already paid.²

If you have receipt management software, your CPA will love you for using it (beats getting a manila envelope, file folder or shoebox full of receipts to sort through). If a calamity or an accident destroyed a bunch of your business records, remember that the IRS may give you a break – but your CPA needs solid proof of the misfortune to try and make a case to the IRS and get you some leniency.

What are some things people too often *forget* to bring? Social Security numbers for new babies (and taxpayer-ID numbers and contact information for the nannies of those babies). Logs of unreimbursed mileage. Real estate stuff, too: closing letters related to a refinance, receipts for property taxes, etc.³

If you received any health insurance subsidies, you may want to wait until February. Did you pay for your own health insurance in 2014? Do you remember how you had to estimate your 2014 income when you applied for coverage? If you got a subsidy, it was based on that estimate, and an estimate is by definition inexact. Some taxpayers ended up earning more than the incomes they estimated to the exchanges, some less. That could mean one of two things: a big 2014 tax refund, or owing more in taxes.⁴

If you pay for your own health coverage, the exchange at which you bought it should send you Form 1095-A by January 31. Form 1095-A will list how your household self-insures: who pays premiums, and the amount of any monthly subsidies. The CPA can plug these details into Form 8962, which explains the breakdown on insurance, subsidies and income for your household to the IRS. If you were only self-insured for part of 2014, the CPA must note any subsidy payments by the month.⁴

Should you jump to a new CPA? If he or she is aloof, sloppy, or seems more like a file clerk than someone interested in properly minimizing your tax burden, maybe you should switch. There are many tax preparers who have only basic skills, and some who outsource their work to people overseas, and you probably don't want either to happen to your return. We are early in 2015, and if you really have the itch to switch, consider taking your 2013 return to two or three candidates – not only to get a tax prep cost estimate, but to see if they have the higher skills and insights that your current preparer lacks.⁵

In getting a jump on tax season, you can get that bothersome item off your to-do list sooner and focus on the more exciting parts of your career, business or life.

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Citations.

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