

Now is the time to begin preparing your 2017 tax return

As the letters marked “Important Tax Document” begin to flow into our mailboxes this time of year, it’s time to start thinking about preparing our tax returns. We talked to Cindy Szymanski, CFP®, a Financial Advisor at Bloom Asset Management in Farmington Hills to discuss what you need to do now to get ready for April 17.

It still seems like a long time until the tax deadline for filing taxes (this year it is April 17 because of Emancipation Day), but what should people do now to make filing their taxes less painful?

The most important part of preparing our taxes is to make sure we have all the necessary information. This time of year, you will start to receive lots of important tax information in the mail, including your W-2 forms from work or 1099 forms from your bank or brokerage house. You will also get tax forms from your mortgage company, tuition tax information from your children’s colleges, and many other forms that are important for filing your taxes. It is vital that you keep everything you get and provide those forms to your tax preparer when you prepare your taxes.

It is also a good time to start gathering other information you will need to accurately file your tax returns, such as charitable contributions. You need to make sure you have the necessary receipts from the charity itself. Remember, the cancelled check itself is not sufficient documentation for a cash contribution of \$250 or more, you need a receipt from the organization. In today’s world, you’re going to need back-up documentation for just about any deduction you’re going to take.

What happens if you don’t include a form like a 1099 on your tax return?

In the case of a 1099, not including that information on your tax return is going to result in IRS scrutiny. Whether it is just a letter from the IRS or an audit, you can rest assured that if you don’t report the information contained in a 1099, you will be contacted. I don’t know anyone who wants extra scrutiny from the IRS. That is why it is so important to retain these documents.

What about the decision to do your own taxes or hire a tax professional? What should people consider when making that decision?

If you are going to complete the return yourself, in the great majority of cases, I recommend you buy a software package to assist you. If you decide to hire a professional, especially if it is for the first time, make sure you hire someone who has experience doing taxes and is dedicated to staying current with the changes in the law. In

addition, you want to make sure they are going to be around. If you receive scrutiny from the IRS, it is always beneficial to have the assistance of your tax preparer.

As you all know, there is a new tax law, the Tax Cuts and Jobs Act, which the President signed into law at the end of 2017. Although these changes are for your 2018 taxes, an experienced tax professional can review how these changes will impact you, and assist you in preparing for the next tax filing season.

Doing tax returns has become more complex and more difficult. Therefore, more and more people probably do need the assistance of a professional. However, that is not necessarily true for everyone. Many people have relatively straightforward returns and those people can potentially, do their tax returns for free. For a number of years, the IRS has partnered with software companies to offer the capability for people to do their tax returns online for free. This is 100 percent legitimate and it is something that many of you should consider. It is relatively simple to do; all you need to do is go to the IRS' website at www.irs.gov and click on the tab for individuals, click on the tab for e-file; you will then be directed to a page where you can select from a number of different free software packages. Generally, the software is only for federal returns, but for the great majority of us, those are the more difficult returns. You can also go to your State's website and look at software companies offering the State return for free as well.

Is there anything else people need to consider when preparing their taxes?

Yes. Don't procrastinate! Whether you will owe money to the IRS or get a big refund, there is no better feeling than having your taxes completed ahead of the deadline. In fact, I can't think of anything more stressful than trying to get all taxes completed at the last minute. That's why now is the best time to gather all the paperwork you need to begin the process.