

TIPS LIST

TIPS ON GATHERING TAX DATA FOR PREPARATION OF YOUR RETURN

HOW TO COMPILE THE TAX INFORMATION

INCOME:

Gather all your records of taxable income from savings bank books, deposits in checking accounts, stockbrokers' statements, real estate agents' statements, insurance company data, etc. Income received but not deposited must also be reported, even if you do not receive a 1099 form for it. Copies of your 1099 forms and any W-2 Forms should be included with the information provided to us. (As always, these will be returned to you with your tax return).

EXPENSES:

We suggest that you go through whatever payment records you have (checkbook or canceled checks, paid bills, receipts, and other memos) and sort them according to type of expense deduction.

We have found that the best procedure for assembling data for tax deductions is:

1. Remove from each monthly bank statement the canceled checks representing tax deductions.
2. Go through bank statements for January and February of the subsequent year to remove checks written during the year which cleared after the year.
3. Sort the checks into separate groups for charities, taxes, medical, etc.
4. For single contributions of \$250.00 or more, attach the dated letter from the charity acknowledging the amount contributed and setting forth the fair market value of any items you received from the organization in conjunction with the contribution.
5. Determine amounts paid in cash and gather receipts.
6. Summarize data onto the personalized Client Organizer we have available or your own list submitted to us with your tax data. We do not need the checks or receipts in preparing your return.
7. Retain the checks and receipts, by groups, in an envelope labeled "Tax Data" and including the year in the envelope label. These checks and receipts will thus be readily available to you in the event of a tax examination.

HOW TO AVOID TAX EXAMINATION PROBLEMS

The tax information notices, which are filed with the government, together with the use of taxpayers' numbers and computers, now give the Treasury Department more effective means of independent verification. As a result, IRS notices and examinations are more numerous and detailed, and are more technical than ever. All bank deposits should be identified in your own records and the source of funds noted. This is desirable because examining agents review all bank deposits and demand explanations. It is good practice to make all deposits in your checking account and include proper explanations in the checkbook. Preferably, funds deposited in savings accounts should consist of checks drawn on your checking account; if not, a permanent record of the source should be kept. It may also be helpful, where activities are extensive, to have separate checking accounts for specific purposes, such as the operations of rental property, personally owned business ventures, investment accounts, etc., to avoid the co-mingling of personal and business transactions and to simplify year-end data gathering at tax time. Failure to maintain proper records may be costly in terms of time, additional taxes, interest, fees, and possibly even penalties.

TAX REMINDER LIST

This checklist has been designed to assist you in identifying the types of deductions to which you may be entitled. If you have no adjustments to include and do not itemize deductions, you may disregard it.

ADJUSTMENTS TO INCOME

Adjustments to income represent deductions which may be claimed whether or not you choose to itemize your deductions. Some of these adjustments may be limited by your income or other factors. Adjustments to income include:

Deduction for self-employed health insurance premiums	Alimony Paid
One half of self-employment tax	Interest penalty on early withdrawal of savings
Payments to Individual Retirement Accounts	Deduction for certain unreimbursed moving expenses
Payment to Keogh, SIMPLE or SEP retirement plans	Qualifying interest paid on education loans
Classroom materials purchases by educators	Higher education expenses

ITEMIZED DEDUCTIONS

Itemized deductions represent items that may be deducted from income if the total of such deductions exceed your standard deduction. Specific items may be limited by a percentage of your adjusted gross income or other factors.

Medical expenses - personal deductions are allowed for expenses related to the diagnosis, cure and treatment of illness. Examples include:

Ambulance costs	Hospital fees	Prescription drugs and insulin
Doctors/Dentists	Laboratory fees	Psychiatrists/Psychologists
Glasses/contact lenses	Long-Term care insurance premiums	Physical therapy
Health insurance premiums	Nursing services	Surgical services
Hearing aids and batteries	Optometry services	Transportation and lodging
		X-ray services

Taxes - personal deductions are allowed for specific types of taxes. Examples include:

State, local and foreign income taxes or state sales taxes	Local Services Tax [\$52 per year]	Real Estate taxes
Occupation Privilege Tax [\$10 per year]	Occupation Resident Tax	

Interest - payments for the use of money may produce personal deductions. Different rules apply to different types of interest. Examples include:

Home and second residence mortgage interest	Loan interest for loans funding investments
Investment interest	Margin account interest
Mortgage points	Higher Education Loans

Contributions - charitable contributions to qualified organizations are allowable deductions ONLY if substantiated by a cancelled check, receipt or letter from the donee including the name of the donee, and the AMOUNT and the date of the donation. To be deductible each donation of \$250.00 or more on a single day to a charitable organization MUST also be substantiated by a dated written acknowledgment received from the charity prior to the filing of your tax return. Examples of qualified contributions include donations to charitable organizations (e.g. Boy Scouts, YWCA, United Way) or religious organizations (e.g. Church or Temple), charity work related expenses and travel (not including value of your time), and the value of non-cash contributions if a receipt is obtained with the donee, date and VALUE of the donated item(s). Non-cash contributions in excess of \$5,000 require an IRS-qualified appraisal from an appraiser qualified under IRS-established standards.

Casualty or theft losses - involving property not used in a trade or business, may give rise to personal deductions. Payments by insurance companies and your adjusted gross income serve to significantly limit the amount of the deduction. Examples include auto accidents, hurricanes, tornados, earthquakes, storms, fire, thefts, floods, and vandalism.

Miscellaneous expenses - this is a broad category of items that may produce personal deductions. Examples include:

Dues to professional organizations	Safe deposit box rental
Employee expense including: education; unreimbursed travel; transportation; meals; medical exams required by employer; uniforms; safety equipment and small tools; etc.	Subscriptions to professional publications Tax preparation fees Union dues
Gambling losses (to extent winnings are reported in income)	Expenses used to produce or collect taxable income, Investment advice