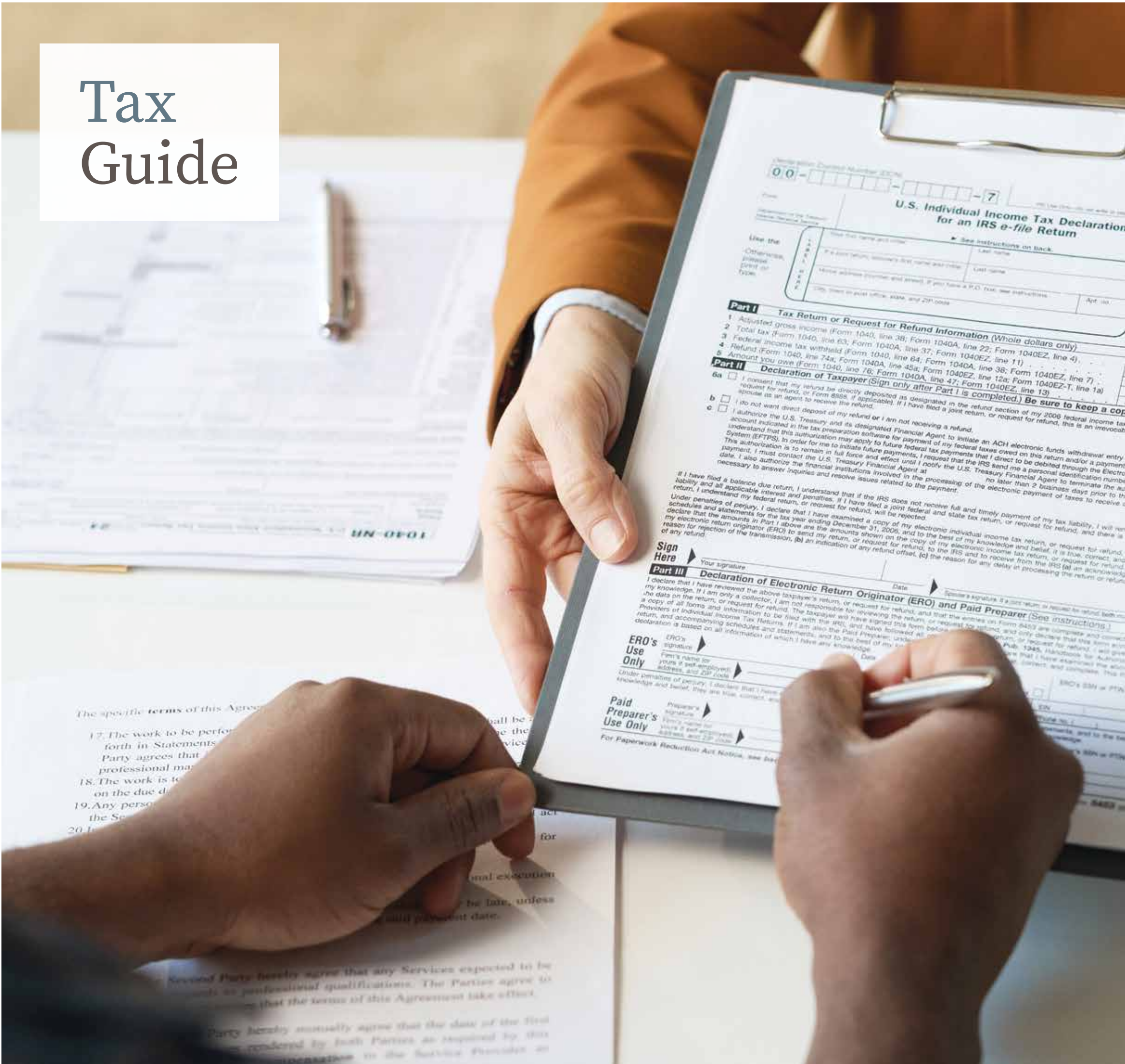


Tax Guide



Prepare Carefully, Avoid Mistakes

Completing your taxes can be a complicated, time-consuming task. It can be easy to overlook common errors — and they could cost you.

You might end up having a larger bill or a long delay while corrections are made. You might even be subject to a dreaded audit. Here's what to look out for:

THE LITTLE THINGS

Most mistakes made in tax preparation are simply basic errors. You might incorrectly enter a Social Security number, calculate everything with a single digit off, or misspell someone's name. It all adds up. So, be on the lookout for typographical errors along the way. Read everything aloud to help with fact-checking. You are more likely to hear the mistake when you say it.

Have you legally changed your name since your last filing? If so, you will need to contact the Social Security Administration to submit the new name. Otherwise, your tax return won't match what's on file.

DON'T RUSH IT

Filing electronically has helped to streamline the process. It's far faster than standard mail and safer too: You can transmit your return securely over the internet.



© ADOBE STOCK

Avoid the tendency to rush — and pay attention to any alerts. Many e-filing programs include features that double-check that everything matches and is accurate. Read over everything again, just as you would with an old-fashioned return on paper.

IF YOU HAVE TO PAY

Specific information is required with any IRS payment, and there can be a lot of confusion if any of that is wrong.

The easiest way to pay is electronically, since that ensures that all your information matches and that the bill ends

up in the correct hands.

If you choose to pay your tax bill by check or money order, however, remember to make funds payable to the U.S. Treasury and include your name, address, Social Security number and daytime phone number.

IN THE AFTERMATH

Don't panic if you discover an error after filing. You don't have to complete an entirely new tax return. Simply amend your tax return, typically by filing a special IRS form. The special form requires only updates to the numbers that changed.

Taxes for Independent Contractors

The modern workforce has increasingly turned to the so-called gig economy in search of more adaptable hours, exciting new employment opportunities and the freedom to try different things.

But there are unique tax considerations when you become a freelancer, work on a short-term contract or simply work a little on the side. Successfully navigating these rules and regulations can help you avoid potential pitfalls — and perhaps even maximize your deductions.

SELF-EMPLOYMENT RULES

One of the primary new obligations when you switch to gig work is the self-employment tax, which funds Medicare and Social Security. Traditional workers have these taxes automatically deducted by their employers. You'll have to pay them directly.

You'll have to calculate your net earnings to figure out how much you owe, subtracting any work expenses from your gross income.

YOUR ESTIMATED TAXES

Gig workers are expected to make quarterly estimated tax



© ADOBE STOCK

payments, which include both the aforementioned self-employment tax and the regular income tax. IRS Form 1040-ES helps gig workers calculate and make these payments. The due dates for estimated tax payments are usually on April 15, June 15, Sept. 15, and Jan. 15 of the following year,

but estimated payments can be made at any time through the IRS website. Gig workers who don't make timely estimated payments can face penalties and interest. If you set up a personal account with the IRS, you can track how much you've paid and note any year-to-year changes.

KEEPING TRACK

You'll need to keep track of your costs to reduce taxable income. Ordinary and necessary business expenses may be deductible, subject to IRS rules and limits. Among the most common deductions are business-related expenses like supplies and equipment.

Closely track money spent on things like computer equipment, online subscriptions and any other tool necessary for your work, even pen and paper. In some cases, you can also deduct expenses related to your home and vehicle. You could significantly lower your tax obligation.

What to Do if You Get Audited

Nobody wants to get audited, but it can happen — and you don't even have to have made a mistake.

Some audits aren't triggered by hidden income and random miscalculations. Instead, they're utterly random. That's why it's important to understand the process and remain calm. Here's what an audit is and how it works:

WHAT'S AN AUDIT?

When you're being audited by the IRS, officials take a closer look at an individual or an organization's return. They'll evaluate all the year's financial information and account activity. The goal is simply to make sure that everything has been correctly reported. Audits are often triggered by document matching, usually meaning that the information submitted with your W-2 or Form 1099 doesn't reflect what was submitted by an employer. You can be audited if the IRS is in the process of reviewing a business partner or spouse. But audits may also be triggered by a random selection. The idea is to encourage everyone to follow the rules, as when law enforcement checks the speed of drivers on their morning commute.

WHAT HAPPENS NEXT?

Audits are usually conducted by mail, but may involve an



© ADOBE STOCK

in-person meeting to review your records. The interview might take place at an IRS office, at the taxpayer's home or place of business, or at their accountant's office. Throughout the process, you have the right to find out more information about why you

are being audited, details on how the IRS will use the information gathered and what happens if you don't comply. As always, you can represent yourself but depending on the issue, it may be smarter to hire an authorized representative.

AFTER THE AUDIT

Afterward, you will be presented with the audit's final findings. If you agree, you may be required to pay the difference found in the audit. If you disagree, you can request a conference with an IRS manager. There is also a

mediation program available. If all else fails, the matter may move into the court system. Otherwise, taxpayers pay either electronically or with a check or money order. Depending on the discrepancy and the length of time, fines may also be levied.

Getting Help with Your Taxes

Tax season can become complicated quickly.

A new business, freelance income, rental property, investments or a major life change can turn a once-straightforward return into something that feels difficult to handle alone. That's when it may make sense to hire a tax professional.

KNOW YOUR OPTIONS

Not every tax professional has the same credentials or expertise.

Certified public accountants are licensed by state boards of accountancy. They must meet education and experience requirements, pass the Uniform CPA Examination and complete continuing education to maintain an active license. CPAs may provide services ranging from accounting and financial planning to tax preparation, although not every CPA specializes in taxes.

They aren't the only option. Enrolled agents are licensed by the IRS and specialize in federal taxation, while attorneys also may specialize in tax matters. CPAs, enrolled agents and attorneys all have unlimited rights to represent taxpayers before the IRS.

Other paid preparers can prepare federal tax returns as long as they have a valid preparer tax identification number, or PTIN, although their credentials and ability



© ADOBE STOCK

to represent clients before the IRS may differ.

WHEN THEY'RE NEEDED

Many people can successfully prepare their own returns, particularly with tax software. Professional assistance may become more valuable when finances become more complicated.

Business ownership, self-employment or gig work can bring additional filing and record-keeping requirements. Rental income, investments, multiple sources of income or significant changes involving marriage, divorce, retirement or inheritance also can create tax questions.

The right professional de-

pends on the return. Someone with a relatively straightforward filing may need only tax preparation, while a business owner or someone facing an audit or complicated tax issue may want a professional with specialized expertise and representation rights.

GETTING STARTED

Ask friends, relatives or trusted financial professionals for recommendations, and use professional directories to identify qualified tax preparers in your area. The IRS Directory of Federal Tax Return Preparers with Credentials and Select Qualifications lets you search for CPAs, enrolled agents,

attorneys and certain other tax professionals with recognized credentials and current preparer tax identification numbers. You also can check state CPA society directories if you specifically want to hire a certified public accountant. Before choosing anyone, ask about their training, experience, fees and availability after tax season.

YOUR FINAL DECISION

Your choice may depend in part on the complexity of your return and whether you are filing for yourself, a business or both. Ask prospective preparers about their experience with returns similar to yours and compare fees, keeping in

mind that the lowest price is not always the best value. The IRS recommends avoiding preparers who base their fees on the size of your refund and choosing someone who will be available after filing season if questions arise. Ask friends, relatives or trusted colleagues for recommendations, check professional credentials and reviews, and talk with more than one candidate before making a decision.

Finally, remember that hiring a professional doesn't transfer responsibility for the return. Taxpayers remain responsible for the information submitted to the IRS, making the choice of preparer an important one.

Fixing Errors on your Return

Discovering an error on a tax return does not always mean you need to start over.

The IRS automatically corrects many mathematical errors during processing and may contact taxpayers separately if a form or schedule is missing. But if the mistake changes important information on the return, an amended return may be necessary.

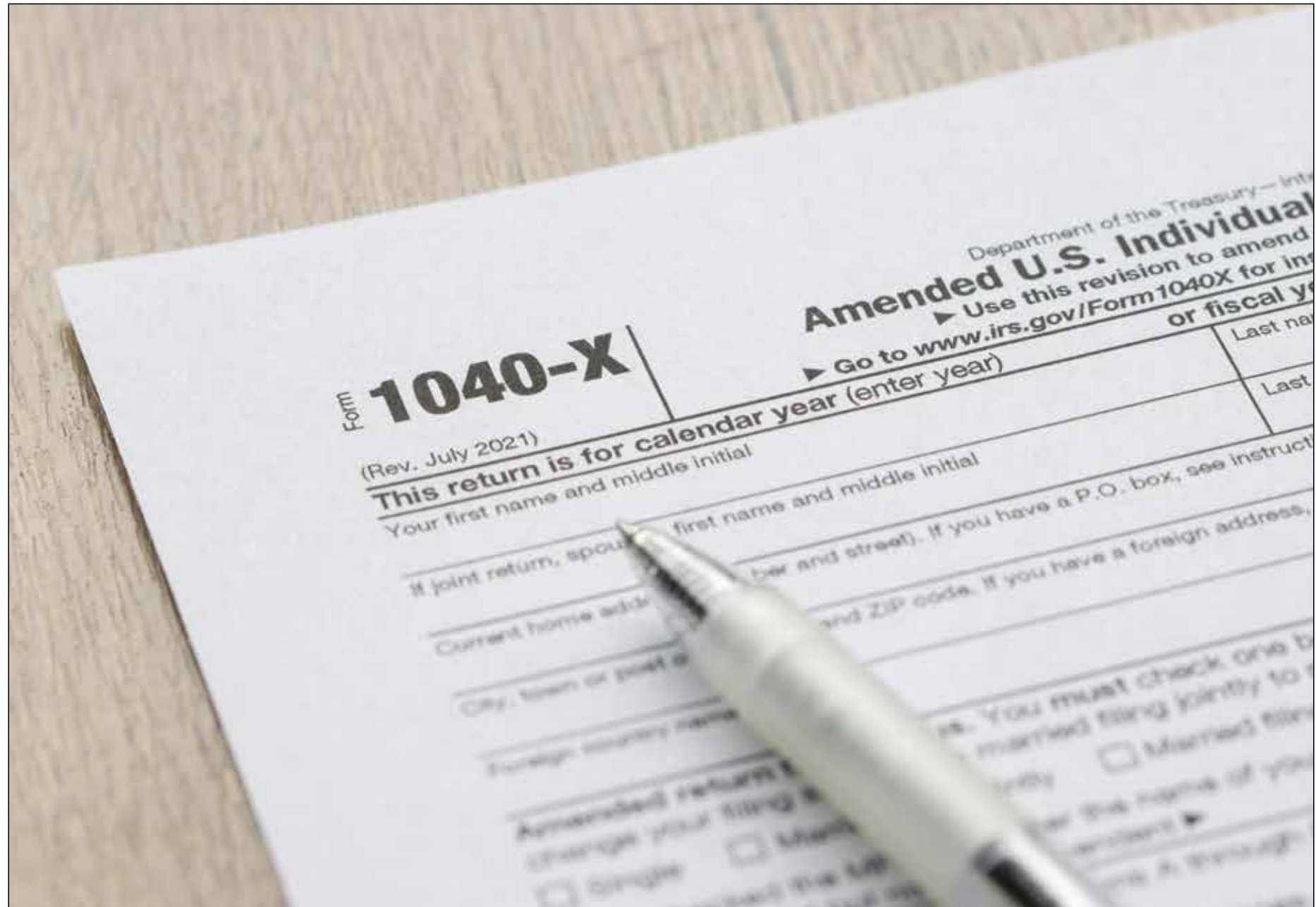
WHY THEY'RE NEEDED

Use Form 1040-X, Amended U.S. Individual Income Tax Return, when you need to correct information such as your filing status, income, deductions, credits, dependents or tax liability. You may amend a return if you later discover that you qualified for a deduction or credit you did not claim.

Before filing, wait until the IRS has processed your original return. If you received a notice from the IRS, read it carefully before submitting an amendment. In some cases, the agency may tell you exactly what information it needs without requiring a Form 1040-X.

MAKING CHANGES

Taxpayers can file many amended individual returns electronically using tax preparation software, although some returns still must be filed on paper. When



© ADOBE STOCK

amending a return, include any forms or schedules that changed or that should have been included with the original filing. If you use a tax professional, provide a copy of the original return, any IRS correspondence and documents related to the correction.

If the amendment means you owe additional tax, paying

it as soon as possible can help reduce potential interest and penalties.

A change to your federal return also may affect your state taxes, so check whether a state amended return is required.

IF YOU'RE OWED A REFUND

To claim a refund or credit through an amended return,

taxpayers generally must file within three years after filing the original return or two years after paying the tax, whichever is later. Special rules and longer deadlines may apply in certain circumstances.

The IRS says amended returns generally take eight to 12 weeks to process, although some can take up to 16 weeks.

About three weeks after filing, you can check the status using the IRS “Where’s My Amended Return?” tool.

If you realize after filing that something important was left out or reported incorrectly, do not panic. Determine whether an amendment is actually required, gather the supporting documents and make the correction carefully.

Planning Ahead for Next Year

A little tax planning throughout the year can reduce surprises, make record keeping easier and give you more time to respond when your finances change. Tax planning does not have to begin when filing season arrives.

Reviewing income, withholding and financial records during the year can make tax preparation less stressful and reduce the chance of an unexpected bill. It also gives taxpayers time to adjust when a new job, freelance work, investment income or another financial change affects what they may owe.

CHECK WHAT YOU'RE PAYING

Federal income taxes generally are paid throughout the year, either through withholding from paychecks and other income or through estimated tax payments. If you repeatedly owe a significant amount when filing, review your withholding rather than simply accepting the same surprise every spring. The IRS Tax Withholding Estimator can help employees and people receiving pensions determine whether enough is being withheld and generate information

for an updated Form W-4 or W-4P.

The IRS recommends checking withholding early each year and after major changes such as starting a new job, getting married or divorced, having a child or experiencing a significant change in income.

People who do not have enough tax withheld may need to make estimated payments. That can include self-employed and gig workers as well as people with rental, investment or other income not subject to sufficient withholding.

KEEP UP THROUGHOUT THE YEAR

Good records can make filing season considerably easier. Keep receipts and documents related to deductible business expenses, charitable contributions and other tax matters organized as they arrive rather than trying to reconstruct a year of activity later.

Self-employed people and business owners may benefit from reviewing income and expenses periodically with a tax professional or bookkeeper. Some professionals offer ongoing bookkeeping, payroll

or tax-planning services, although the type and cost of those services vary.

The goal is not necessarily to hire someone year-round. It is to have a system that lets you know where you stand before a deadline forces the issue.

ADJUST WHEN LIFE CHANGES

A tax plan that worked last year may not work this year. Changes in employment, household income, retirement, investments, business activity or family circumstances can affect withholding and

estimated-tax needs.

Reviewing those changes during the year provides more time to adjust payments and avoid potential underpayment penalties.

Tax planning can help with budgeting. Setting money aside regularly for an expected tax obligation may be easier to manage than finding a large amount at filing time.

Instead of viewing taxes as a once-a-year task, think of them as part of routine financial maintenance. A few check-ins during the year can mean fewer surprises when it is finally time to file.



© ADOBE STOCK

10 Protections for Taxpayers

Filing and paying taxes comes with responsibilities, but taxpayers also have rights.

The IRS Taxpayer Bill of Rights organizes protections already contained in the tax code into 10 fundamental rights. They apply whenever taxpayers interact with the IRS, whether they are asking a question, responding to a notice, appealing a decision or dealing with a collection issue.

THE RIGHT TO BE INFORMED

Taxpayers have the right to understand what they need to do to comply with tax laws. IRS forms, notices and correspondence should provide clear explanations of requirements, decisions and outcomes.

THE RIGHT TO QUALITY SERVICE

Taxpayers are entitled to prompt, courteous and professional assistance and communications they can understand. If service is inadequate, they have the right to ask to speak with a supervisor.

THE RIGHT TO PAY NO MORE THAN THE CORRECT AMOUNT

You have the right to pay only the amount of tax legally due, including applicable interest and penalties, and to have the IRS apply your payments properly.

THE RIGHT TO CHALLENGE THE IRS AND BE HEARD

Taxpayers may object to formal IRS actions or proposed actions and provide supporting documentation. The IRS should consider timely objections fairly and respond if it disagrees.



© ADOBE STOCK

THE RIGHT TO AN INDEPENDENT APPEAL

Most IRS decisions, including many penalties, can be appealed through an impartial administrative process. Tax-

payers generally also have the right to take certain disputes to court.

THE RIGHT TO FINALITY

Taxpayers have the right to know

how long they have to challenge an IRS decision, how long the IRS generally has to audit a tax year or collect a tax debt, and when an audit has ended.

THE RIGHT TO PRIVACY

IRS inquiries, examinations and enforcement actions must comply with the law, respect due-process protections and be no more intrusive than necessary.

THE RIGHT TO CONFIDENTIALITY

Information provided to the IRS generally cannot be disclosed unless the taxpayer authorizes it or disclosure is permitted by law. Taxpayers can expect action when tax information is improperly used or disclosed.

THE RIGHT TO RETAIN REPRESENTATION

Taxpayers may choose an authorized representative, such as an attorney, CPA or enrolled agent, to deal with the IRS on their behalf. Those who cannot afford representation may qualify for help from a Low-Income Taxpayer Clinic.

THE RIGHT TO A FAIR AND JUST TAX SYSTEM

The IRS must consider circumstances that may affect a taxpayer's liability, ability to pay or ability to provide information on time. Taxpayers experiencing financial hardship or unresolved IRS problems may qualify for assistance from the Taxpayer Advocate Service.

Knowing these rights can make interactions with the IRS less intimidating and help taxpayers recognize when they should ask questions, appeal a decision or seek additional help.