

TAX GUIDE

Tax Basics

The date April 15 is as ingrained into our minds as birthdays and anniversaries – but may not be associated with as many happy thoughts.

The date marks the tax filing deadline. And unless you file an extension, you are required to square up with Uncle Sam on your tax responsibilities on or prior to the mid-April date. Miss the cutoff and you could be facing stiff penalties and interest charges.

In general, federal tax guidelines are more straightforward than state and local varieties, which can include variances across income, sales and property taxes that you will need to look into before filing your taxes.

WITHHOLDING THE RIGHT AMOUNT

The Internal Revenue Service offers many tip sheets and publications designed to answer your tax-related questions. Find them at www.irs.gov. One of the most commonly asked questions relates to making sure the right amount of tax is withheld throughout the year so there is not a surprise payment due at tax time.

In most cases, you can ensure a withholding in line with your needs if you correctly complete all of the Form W-4 worksheets that are maintained by your employer. It also is important to adjust your W-4 form when changes



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occur, such as the addition of a new dependent to your family.

WHAT YOU WILL NEED TO FILE

Before visiting your local tax firm or sitting down to

complete your forms on your own, be sure these materials are available and ready to reference:

- Photo identification
- Social Security cards for the taxpayer, spouse and dependents
- Birth dates for primary and secondary earners and

dependents on the tax return

- Wage and earning statements (W-2, W-2G, and 1099 forms, among others) from all employers

- Interest and dividend statements from banks (1099-I forms)
- A copy of last year's federal and state returns, if avail-

able

- Bank routing numbers and account numbers for direct deposit
- Other relevant information about income and expenses (such as total amount paid for day care and day care provider identifying number or tax ID)

Finding a Tax Preparer

With so many options in your neck of the woods, how can you be sure you're hiring the right professional to file your taxes?

You want the process to be as quick and painless as possible without any big surprises. You also want to be able to trust that your tax professional is up on all of the new laws and will be able to complete your taxes with 100 percent accuracy.

Another factor in trying to find a great tax professional is cost. According to a recent survey by the National Society of Accountants, solo tax preparers charged an average of \$226 for the usual itemized federal form 1040 and state income-tax form last tax season, compared with \$260 for preparers at larger firms with three or more full-time staffers.

WHY A CPA?

A certified public accountant who specializes in performing individual income tax returns may be your best option. To find a CPA, check with friends and family members for local professionals they have dealt with.

You also can use the American Institute of Certified Public Accountants' website tool "Find a CPA" to track one down.

Some are more focused on bringing on business clients, so be sure to call for an appointment and ask if the CPA handles individual



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income tax matters.

ENROLLED AGENTS

Unlike CPAs, who can handle a variety of financial activities, EAs focus solely on taxes. They must have

worked for the IRS for at least five years or passed exams on tax codes and calculations.

Enrolled agents might work for themselves or in a CPA firm or storefront office. The National Association of Enrolled Agents' website offers an online locator.

NATIONAL CHAINS

Storefront operations can be adequate for simple, straightforward returns. The average fee for a name-brand tax company client is less than \$200, which can be lower than a CPA or enrolled agent who may charge application

and document-preparation fees.

According to the websites of these national tax preparers, employees in franchise offices of the chains have usually passed at least a several-week course, and work is reviewed by experienced supervisors.

Compiling Your Information

Whether you're paying a professional or completing your taxes yourself, you'll need to compile key information. This can be difficult if you haven't kept good track of expenses and income.

If left to the last second, putting together all the required information for filing your annual taxes can be an overwhelming task. The best strategy for organizing your information should be a year-round effort.

MAKE IT A HABIT

Save time by completing a helpful tax organizer as thoroughly and accurately as possible. You can find organizers for the current tax year online. They are helpful in guiding you through questions based on the most recent tax laws.

Business owners should consider preparing monthly financial statements. This will help you better understand how your business is doing financially. There are plenty of professionals available to help you with the process, and planning throughout the year will make the year-end tax processes much easier.

ORGANIZE EARLY

The day after you file your taxes in 2015, you should assess how well the process went for you. Was the required information hard to find? Is there anything you can keep better track of to make for a more seamless tax season?

Keep your 2014 tax return handy for reference throughout the year and take time to review the prior year's return. This will help you determine if there are changes in your situation that will affect what you include this year. Potential changes could include the purchase of equipment for your business or the birth of a child.

MEET WITH A PRO

Meet with a tax professional after you compile your information and complete your tax organizer. If you are preparing your own taxes, be sure to weigh the cost and your confidence level in completing them in line with all legal requirements. The IRS website (irs.gov) provides free electronic filing if you made \$58,000 or less and have a relatively simple tax return.



Self-Employed Tax Rules

The benefits of being self-employed are many. Filing your taxes does not qualify as one.

As a self-employed individual, generally you are required to file an annual return and pay estimated quarterly payments for both self-employment and income tax. SE tax is a Social Security and Medicare tax primarily for individuals who work for themselves.

For ordinary workers, Social Security and Medicare taxes are withheld from their paychecks. Employers also pay a portion of these taxes, lessening the tax burden on the employee. But when it comes to being self-employed, you are required to handle the entirety of the tax.

DETERMINING YOUR INCOME

Before you can determine if you are subject to self-employment tax and income tax, you must first figure your net profit or net loss from your business. Subtract your business expenses from your business income to reach this calculation, and always consult a professional for advice in your particular business.

According to the Internal Revenue Service, you have to file an income tax return if your net earnings from self-employment were \$400 or more. If your net earnings from self-employment were less than \$400, you still have



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to file an income tax return if you meet any other filing requirement listed in the Form 1040 instructions.

QUARTERLY PAYMENTS

Estimated tax is the method used to pay Social Security and Medicare taxes and income tax.

Form 1040-ES, Estimated Tax for Individuals (PDF), is used to figure these taxes. Form 1040-ES contains a worksheet that is similar to Form 1040, and you may need your prior year's annual tax return in order to fill out the proper forms.

Use the worksheet found in Form 1040-ES, Estimated Tax for Individuals to find out if

you are required to file quarterly estimated tax.

HOW DO I FILE MY ANNUAL RETURN?

To file your annual tax return, you will need to use Schedule C or Schedule C-EZ.

These forms help you report your income or loss from a business you operated.

Small businesses and statutory employees with expenses of \$5,000 or less may be able to file Schedule C-EZ instead of Schedule C, according to the IRS. To find out if you qualify, see the instructions in the Schedule C-EZ form.

Getting Audited

You're being audited. Those three small words have resulted in monumental stress headaches for many taxpayers throughout the years.

And with the randomness of selection by the Internal Revenue Service, your tax return could be next. An IRS audit is a review of an organization or individual's accounts and financial information to ensure information is being reported correctly.

BEING SELECTED

Being chosen for an audit does not necessarily mean your tax return includes an error. Returns are selected using the following methods, according to the IRS:

Random selection and computer screening: Sometimes returns are selected based solely on a statistical formula

Document matching: When payer records, such as Forms W-2 or Form 1099, don't match the information reported, an audit may be ordered

Related examinations: Returns may be selected for audit when they involve issues or transactions with other taxpayers, such as business partners or investors, whose returns were selected for audit

AUDIT METHODS

An audit may be conducted by mail or through an in-person interview and review of the taxpayer's records. The interview may be at an IRS office, the taxpayer's home or



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place of business, or an accountant's office.

YOUR RIGHTS

According to the IRS, you have certain rights as a taxpayer when it comes to the audit process. They include:

- Professional and courteous treatment by IRS employees

- Privacy and confidentiality about tax matters

- Knowledge of why the IRS is asking for information, how the IRS will use it and what will happen if the requested information is not provided

- Right to representation by oneself or an authorized representative

- Right to appeal disagree-

ments, both within the IRS and before the courts

AUDIT

DETERMINATIONS

If you agree with the audit findings, good or bad, you will be asked to sign the examination report or a similar form,

depending upon the type of audit conducted. The same holds true for an audit that requires no further action on the part of the taxpayer.

Disagreements with an audit may be followed up on with an IRS management conference. The IRS also has appeals mediation programs or appeal request processes to help.

Tips for Military Families

For their dedication in serving the United States and its citizenry, military families and veterans are afforded special privileges when tax time comes.

Military personnel may qualify for certain tax deadline extensions because of their service in a combat zone.

For federal tax purposes, the U.S. Armed Forces includes officers and enlisted personnel in all regular and reserve units controlled by the Secretaries of Defense, the Army, Navy and Air Force. The Coast Guard also is included, but not the U.S. Merchant Marine or the American Red Cross.

FREE RESOURCES

Many installation legal offices operate a free tax clinic from early January to mid-April, preparing and filing federal and state tax returns for eligible persons. Visit the Armed Forces Legal Assistance Services locator at <http://legalassistance.law.af.mil/content/locator.php>.

The Volunteer Income Tax Assistance program (VITA) also provides free tax filing assistance. VITA sites are located on military installations and across the nation. They provide free tax advice and preparation, and return

filing for military members and their families who are eligible.

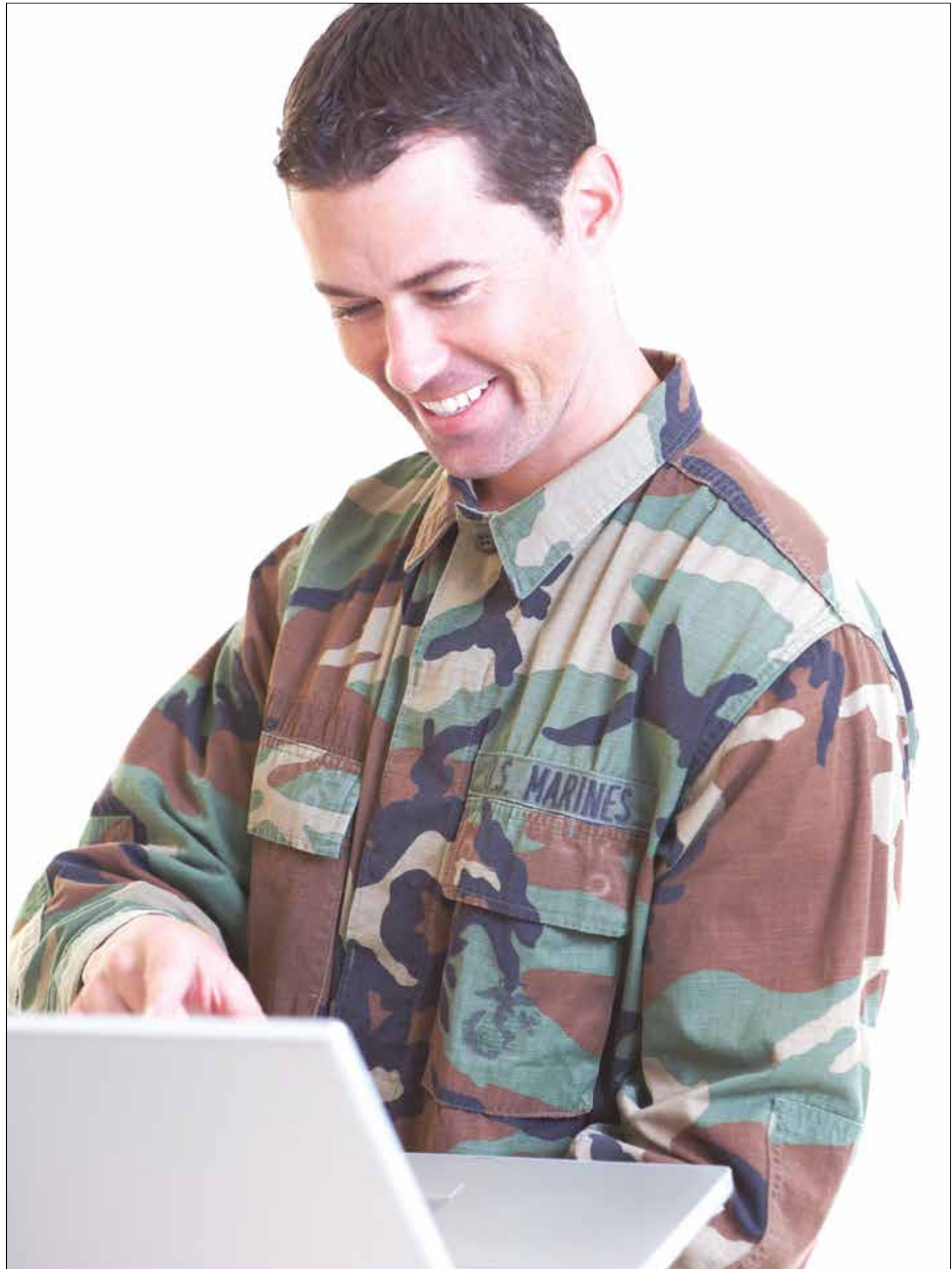
DISABLED VETERANS

According to the Internal Revenue Service, disabled veterans may be eligible to claim a federal tax refund based on:

- An increase in the veteran's percentage of disability from the Department of Veterans Affairs
- The combat-disabled veteran applying for, and being granted, Combat-Related Special Compensation, after an award for Concurrent Retirement and Disability

To do so, the disabled veteran will need to file an amended return, Form 1040X. An amended return must be filed as a paper return.

The IRS also urges disabled veterans to include all documents from the Department of Veterans Affairs and any information received from Defense Finance and Accounting Services explaining proper tax treatment for the current year.



What's Your Tax Bracket?

Near the end of every year, the Internal Revenue Service announces the next year's tax brackets to much anticipation from taxpayers and tax preparers alike.

The adjustments are made to prevent what it labels as "bracket creep," which happens when people are pushed into higher income tax brackets or have reduced value from credits due to inflation instead of any increase in real income.

Here are the 2014 taxable income brackets and rates. (These apply to the 2014 taxes due in 2015.)

Rate	Single Filers	Married Joint Filers	Head of Household Filers
10%	\$0 to \$9,075	\$0 to \$18,150	\$0 to \$12,950
15%	\$9,076 to \$36,900	\$18,151 to \$73,800	\$12,951 to \$49,400
25%	\$36,901 to \$89,350	\$73,801 to \$148,850	\$49,401 to \$127,550
28%	\$89,351 to \$186,350	\$148,851 to \$226,850	\$127,551 to \$206,600
33%	\$186,351 to \$405,100	\$226,851 to \$405,100	\$206,601 to \$405,100
35%	\$405,101 to \$406,750	\$405,101 to \$457,600	\$405,101 to \$432,200
39.6%	\$406,751+	\$457,601+	\$432,201+

Source: Internal Revenue Service

