

The Professional's to Guide

Tax Preparation

Getting your taxes prepared can be a simple process if you break it down into several steps over a few days. Whether you do them yourself or have a tax professional do them for you, here are three ways to help you complete your taxes.



As a real estate professional, there are several types of tax deductions you can use. Typically, the guidelines for business expenses require that they are directly connected with your work and are "ordinary" and "necessary." Here are some common expenses you can deduct:

- Home office, based on square footage of office or by the number of rooms used for business use
- Utilities that are used for home office
- Repairs made to home office or business property
- Gas used commuting from office to client or home office to client
- Standard mileage or auto expenses incurred for business travel
- Meals and entertainment with clients or customers at which business is discussed before, during or after
- Contributions to a Self-Employed Pension IRA
- Cell phones used for business
- Dues and memberships fees
- Business gifts up to \$25, unless your name or company name is embossed and the item costs less than \$4 to produce, such as a pen or keychain
- Clothing only with permanently affixed business logo
- Business expenses including signs, advertising, promotions, booking costs, etc.

1. Be Prepared

Tax day shouldn't sneak up on you—it is the same date every year (unless that day falls on a Sunday). With this in mind, being prepared for filing your taxes in advance will make things run a lot smoother.

Keep Your Documents Handy

Put all of your important tax paperwork in the same place throughout the year so when it comes time to prepare your tax return you won't have to search every filing cabinet in your home and office. Also, keep returns from previous years nearby in case you need to refer to them.

Plan Your "Tax Day"

When doing taxes yourself, set aside several hours over a few days to devote solely to tax preparation. Choose a date that will leave you plenty of time to seek professional help if you run into a problem or just need advice. If you will be using a tax professional, secure a date well in advance to ensure availability.

2. Understand the Filing Process

When you sit down to do your taxes, have a game plan ready based on a complete understanding of the process. Research and find answers to any questions you have prior to beginning so you are not interrupted while you are working.

Take Your Time

Time is a valuable asset when it comes to preparing your taxes. Even for tax professionals, being rushed is never a good thing. Experts agree that taking long breaks is the best way to prevent errors, so give yourself or your tax preparer several days to complete the forms.

Request an Extension

Rushing tax preparation can lead to mistakes and oversights, so if you feel like

you need more time to get everything right, don't hesitate to file for a six-month extension. (Your Form 4868 needs to be postmarked by tax day, but can be filed electronically that same day until midnight.)

3. Finish Up

Double-check your forms to be sure they are correct once you have completed them. People tend to rush through this important step for the sake of finishing, so take the time to check them again the following day.

Filing an Amendment

If you made a mistake on your taxes, you will need to submit an amended tax return by filling out a new 1040 and a 1040X, which reports the differences between your original return and your amended return. On page two of the 1040X, make sure to give a concise explanation of your changes.

PAYING LATE

If for some reason you do have to submit taxes late, it is far better to pay late than file late. The penalty for filing late is 5% per month of the taxes you owe for every month you fail to file, whereas the penalty for paying late is only 0.5% per month. The bottom line is to file your taxes on time even if you can't afford to pay them right away. The IRS offers plans that allow you to pay taxes in installments.



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The ELEVEN-Step Plan TO DOING YOUR TAXES

Filling out your
Form 1040 can be
easy when you break
it into steps over
three stages.

Stage 1: Page One

Step 1: Have all your documents organized and ready to go, including your W2s, IRA contributions, deduction totals and everything else necessary.

Step 2: Determine your filing status at the end of the tax year.

Step 3: Claim your dependents and personal exemptions if applicable.

Step 4: Add together the year's wages, interest gained, dividends, capital gains and all other forms of income to calculate your total yearly income amount.

Step 5: Figure in your income adjustments, which are above-the-line deductions such as tuition, moving expenses, alimony paid or IRA deductions.

Take a break before moving on to 1040 page 2.

Stage 2: Page Two

Step 6: Factor in standard deductions, based on filing status and number of dependents, and itemized deductions like medical expenses and property taxes.

Step 7: Determine whether you have earned any tax credits for things such as education or child adoption.

Step 8: You may also owe additional taxes, for example due to self-employment or for early withdrawals from an IRA.

Step 9: Subtract any payments you have already made toward your taxes owed. Most commonly, these are withholdings or payments sent in with a tax extension.

Step 10: Calculate the taxes owed by entering your total payments (line 71) and subtracting your total tax owed (line 63). If the result is a negative number, this is the amount you are owed in a refund. If it is positive, this is the amount of taxes you still owe.

Take another break and call it a day.

Stage 3: Finishing Up

Step 11: Read over your documents and the entire form to make sure you've filled out everything correctly, and double-check your math. Also, check to see that your address and personal information is updated.

You are finished with your Form 1040 and are now ready to send it in, once you have made copies for yourself.

What to do with your tax refund?
Just because you have money coming back to you doesn't mean you have to spend it immediately. Here are four great ways to distribute your tax refund.

Pay off your debt.

The more you pay off, the more you will save by preventing incurring interest.

Start saving.

Make interest work for you by putting your refund to work in a savings account.

Start investing.

Turn your refund into profitable and dependable stocks, bonds or mutual funds.

Stay organized for next year.

If you had a hectic tax experience, invest a little of your refund toward financial software or a new filing cabinet.

FILE ELECTRONICALLY

The five top-rated tax software programs, according to tax expert William Perez, for doing your taxes electronically are:

1. TaxACT Deluxe – www.taxact.com
2. TaxCut Premium – www.taxcut.com
3. TurboTax Deluxe – turbotax.intuit.com
4. CCH CompleteTax – www.completetax.com
5. IRS Free File – www.irs.gov/efile/article/0,,id=118986,00.html