



It's getting close to that time of year again—tax time. No one likes paying taxes; however, the more prepared you are now, the fewer surprises you'll experience come **April 17th**. Here are some practical tips to get you through tax season.

*The Internal Revenue Code contains more than 1.4 million words, making it twice as long as the King James Bible.\**

# Taking the Pain Out of Tax Time

## Be Prepared

- ✓ **Create a tax checklist** to gather all of the documents you'll need.
- ✓ **Download the latest catalog of forms and publications** from **IRS.gov** or have it mailed to you.
- ✓ Most tax software programs will allow you to input your information early. **Start filling in your information now**, so that you're not rushing to complete it in April.
- ✓ If you have dependents, **make sure you know their social security numbers**, so that your return isn't delayed. If you are divorced, decide which parent will claim the children beforehand to prevent an audit or delay.
- ✓ **You have until April 17, 2012 to contribute to your traditional IRA for 2011.** Check the IRS website to see if you're eligible to deduct your contribution on your taxes.

*Keep important receipts and information in an expandable folder, organized by month or activity, so you won't have to search for the information next year.*

## Did You...

- **Have a major life change in 2011**, such as a new mortgage, marriage, divorce or baby? You may need to file a new W-4.
- **Donate to charity?** Be sure to keep your receipts to claim the deduction on your taxes.
- **Move?** Update your mailing address with your employers, clients and institutions that hold your investments and bank accounts. If the forms have already been sent, contact the companies and ask them to send copies through the mail, fax or email.

*Individual taxpayers spend 3.5 billion hours each year doing their taxes.\**

## The Consequences of Filing Late

File **Form 4868** by April 16, 2012 for a six-month extension. If you're requesting an extension, you must estimate your tax liability and pay the balance when you file the request. If your paperwork is late, you may be subject to a **late-filing penalty of 4.5%** per month of tax owed and a **late-payment penalty of 0.5%** per month of tax due.

**60%** of Americans have a paid preparer deal with their tax forms.\*

\* Source: President's Advisory Panel on Federal Tax Reform

# Top Tax Preparation Software

Though it's always a good idea to consult a tax preparation professional, here are three popular DIY alternatives.

## TurboTax® Software

(TurboTax® Basic starts at \$29.95 for federal filing, plus \$39.95 for state filing)

### Highlights:

- Available software packages include Basic, Deluxe, Premier, Home & Business and Business
- Import your W-2s and 1099 from participating employers
- If you need help, click the "Guide Me Through" button for step-by-step instructions.
- Features full access to 700 live tax advisors

## TaxACT Software

(Standard software package features free federal filing, plus \$13.95 for each state filing)

### Highlights:

- Available software plans include Standard, Deluxe and Ultimate Bundle
- Consistent navigation from previous versions
- Deluxe and Ultimate versions use tax information to populate a college financial aid worksheet to help parents and students fill out the Free Application for Student Aid (FAFSA).

## H&R Block® at Home™

### Tax Preparation Software

(Basic software package starts at \$19.95, plus \$29.95 per state tax filing)

### Highlights:

- Available software packages include Basic, Deluxe, Premium and Premium & Business
- FAQ answers are written by H&R Block staff
- Features "Guide Me" questions intended to walk users through the forms
- Premium users are also entitled to one free session with a tax preparer.

### Should You e-File?

Many Americans file their federal taxes online. By filing your taxes online, the IRS is able to check your return for errors right away and ensure that it's complete. If you e-file and owe money, you can send a check, pay with a credit card for a small fee or direct debit your account and delay the debit payment until the filing deadline.

### Free Web Tools

If you meet certain qualifications, you can file some forms for free on **IRS.gov**. Additionally, twenty states have created free state income tax filing programs for those who meet certain income requirements.

## Beware of These Errors

- **Overstating charitable contributions.** If you contributed to charities throughout the year, keep your receipts so you can calculate exactly how much you donated.
- **Incorrectly deducting mortgage points.** "Points" are charges that you may have paid in the process of getting a home mortgage. Visit **IRS.gov** to see if you qualify for a deduction.
- **Excluding small interest payments,** even for interest amounts of less than \$10. An omission here can make the IRS think that you may have forgotten to declare other things.

*In 1940, instructions for Form 1040 were two pages long. Currently, the instructions for Form 1040EZ are nearly 40 pages long.*

Source: President's Advisory Panel on Federal Tax Reform

