

# Tax Season Checklist



## INCOME

- W-2
- W-2G (*Gambling*)
- K-1 (*Partnership/S-Corp.*)
- 1099-R (*Retirement Income*)
- 1099-B (*Stocks, Bonds*)
- 1099-DIV (*Dividend Distribution*)
- 1099-INT (*Interest Income*)
- 1099 Misc.
  - Rent
  - Royalties
  - Substitute Payment
  - Prizes
  - Non-Employee Compensation

## DEDUCTIONS

- Alimony (*Copy of Divorce Decree*)
- Moving Expenses
- Student Loan Interest
- Tuition & Fees
- Childcare Expenses
- Medical Expenses
- 1098 Home Mortgage Interest
- New Homeowners Closing Documents
- Employee Expenses
  - Uniform
  - Union Dues
  - Safety Gear
  - Business Mileage
    - Outside Normal Commute
- Charitable Contributions
  - Cash
  - Non-Cash
  - Mileage
- Casualty and Theft Losses
  - Personal
  - Business
- AZ School Credits
- State and Local Taxes
  - Vehicles, Boats, Etc.
  - Property
  - Prior Year State Taxes
- Rental Properties
  - Rent Collected
  - Repairs and Maintenance
  - Taxes
  - Insurance
  - Assets & Purchase Date

## SELF - EMPLOYED

- Self-Employed
  - Bank Statement
  - Balance Sheet
  - Profit/Loss Statement
  - New Assets & Purchase Date
  - E.I.N. (Employer Identification Number)
  - Business Vehicle Make & Model
  - Home Office Sq. Ft.
  - Amounts Contributed to Retirement

## OTHER

- Prior Year Tax Return  
(*If not already in our office*)
- Fed/State Estimated Taxes
- Social Security Numbers & Birthdates
  - Taxpayer
  - Spouse

YOU HAVE QUESTIONS,  
WE HAVE ANSWERS

1839 S. Alma School Rd. Ste. 245 • Mesa, Arizona 85210  
Phone: (480) 820-9184 • Fax: (480) 820-2512

Gallacher,  
Bosen &  
Goodman, PLLC  
Certified Public Accountants  
and Consultants

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## INDIVIDUALS

### 2008 YEAR END TAX PLANNING CHECKLIST

#### DEDUCTIONS

\_\_\_ Home Equity Interest Deduction - Interest on home equity loans up to \$100K is deductible. Consider moving non-deductible debt to a deductible home equity loan.

\_\_\_ Property and State Estimated Taxes - Accelerate your deduction by paying any balance due on taxes in the current year. Consider your AMT tax as noted below.

\_\_\_ Medical Expenses that Exceed 7.5% of your AGI are Deductible. Some are unable to deduct medical expenses on their federal return but Arizona does not have the same limitation. Keep track of these expenses and you can deduct them on your Arizona return.

\_\_\_ Health Insurance Premiums for Self Employed Individuals are not subject to the same limits noted above.

\_\_\_ Health Savings Accounts (HSA) or Medical Savings Accounts can be an alternative to losing medical expense deductions. 2008 HSA limits are as follows:

- Self-Only \$2,900
- Family \$5,800
- Add \$900 if age 55 or older

\_\_\_ Gifts to Charities are deductible. If you desire to give large gifts, discuss with an adviser how giving appreciated assets can help minimize your taxes.

#### ALTERNATIVE MINIMUM TAX (AMT)

For those who are subject to AMT, be cautious about how and when you pay:

- \_\_\_ State and Local Taxes
- \_\_\_ Property Taxes
- \_\_\_ Miscellaneous itemized deductions subject to the 2% limitation.

#### FAMILY & EDUCATION

\_\_\_ If you pay child (dependent) care expenses, you may be eligible for a tax credit.

\_\_\_ Flexible Spending Account (FSA) - You may be able to transfer up to \$5K of pretax income to an employer-sponsored FSA account to be used for child care expenses.

\_\_\_ Section 529 education savings plans:

- Contributions are not deductible.
- Income on the investments is not taxable and distributions if used for qualified education expenses are not taxable.

\_\_\_ Education credits may be available on fees paid for children (dependents) in higher education.

\_\_\_ Student loan interest deduction

#### INVESTMENTS & REAL ESTATE

\_\_\_ Evaluate your stock portfolio. If you have significant gains, consider selling some losing stocks to reposition your assets and offset gains.

\_\_\_ Remember holding performing stocks/investments for longer than one year can help you save taxes.

\_\_\_ You have options when selling appreciated assets:

- Installment sale- Generally, gain is recognized as payments are received.
- Like-kind exchange- If you are selling real estate and would like to reinvest in real estate, this is a great tool.

#### RETIREMENT PLANS

\_\_\_ If your employer provides a retirement plan, consider the amount you are deferring. Increasing your deferral can increase the match you receive from your employer and decrease your taxable income.

- 401(k)
- Simple IRA
- 403(b)

\_\_\_ Make a traditional IRA contribution for yourself and your spouse. This can potentially decrease your taxable income by up to \$12,000.

\_\_\_ Roth IRA contributions may be a better option for those who qualify.

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## BUSINESS OWNERS

### 2008 YEAR END TAX PLANNING CHECKLIST

#### DOWN ECONOMY

— Given our current economic state many business owners are struggling. If your business has losses in the current year, you may be able to carry those losses back to a prior year and get a refund of taxes paid in those years. These current refunds can help a business that is struggling for cash.

#### DEFER INCOME AND ACCELERATE DEDUCTIONS

— What is your income expected to be this year?  
What is it expected to be next year?

- **DEFER INCOME** - If you are a cash basis taxpayer, you can postpone income by postponing billing for your products or services. If you are an accrual basis taxpayer, you can delay delivering your product or service.
- **ACCELERATE DEDUCTIONS** - Consider making necessary purchases before the end of the year for equipment, supplies, or advanced payment of rent. You can use credit cards to accelerate deductions while preserving cash.
- These options may be reversed if you think that next years' activity will put you into a higher tax bracket. In that case, you should consider accelerating income and deferring deductions.

#### DEPRECIATION

— Consider whether your purchases are eligible for section 179 or 50% bonus depreciation. Both, if used properly can significantly reduce taxable income.

— Cost segregation studies on newly purchased or remodeled buildings can identify property that can be depreciated over 5 and 7 years as opposed to the life of the building.

- Assets that might qualify for faster depreciation include certain fixtures, security system, special wiring for computer systems, parking lots, landscaping, etc.

#### MANUFACTURER'S DEDUCTION

— This deduction is 6% of your net income. In 2010, it is going to be 9% of your net income. This is a very significant business deduction and many times is missed.

- For example, if your business net income is \$100K, then your deduction is \$6K ( $\$100K \times 6\%$ ). For this example, if you are in the 35% tax bracket, this deduction may save you \$2.1K.
- This deduction is not only available to manufacturers, but also to businesses in the fields of construction, agriculture, architecture, engineering, computer software production, etc.

#### AUTO EXPENSES

— Keep a mileage log. The IRS has provided that business miles are deductible for 2008 at 50.5 cents for miles driven from January 1 to June 30 and 58.5 cents per mile driven between July 1 and December 31. You can track your actual expenses and use those expenses if they are greater than the mileage deduction.

#### RETIREMENT PLANS

— Retirement plans are one of the most effective methods for reducing taxable income while preserving funds for future years. As a business owner, you may consider the following plans:

- Simple IRA
- 401(k)
- SEP
- Defined Benefit Pension Plans

#### FAMILY BUSINESSES

— Consider a Roth IRA for your kids. The 2008 contribution limit is the lesser of \$5K or earned income. Investment growth is not taxable if done correctly.

— Employ your children and they can earn up to \$5,450 and pay zero federal income tax.

— You might also consider a traditional IRA. If they contribute \$5K to a traditional IRA, you can pay them \$10K and they would pay zero federal income tax.

#### PURCHASING AND SELLING A BUSINESS

There are many options to consider when structuring the sale or purchase of a business. Seek the advice of a trusted professional to learn how you can keep more of the sale proceeds in your pocket or reduce future taxes on a purchase.

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