Patrick Parker Realty

The Ultimate Tax Prep Guide

How to Maximize Your Tax Refund

The Ultimate Tax Prep Guide

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10 Tax Write-Offs You Aren't Using to Your Advantage

You already know that you're legally obligated to pay your taxes, but that doesn't mean you should pay more than you owe.

DON'T LEAVE MONEY ON THE TABLE!

Are you leaving money on the table?

Ask your Tax advisor about these 10 commonly overlooked write-offs:

1. Education

- $4,000 for tuition-related expenses for you, your spouse or a dependent.
- $2,500 in interest paid on a student loans

2. The Job Hunt

- Job-search expenses whether or not you actually found a new job
- Consider employment agency fees, costs for printing and mailing resumes, even travel

3. If You Bought or Own a Home…

- Mortgage Interest
- Property Taxes
- Interest paid on Home Equity Loan
- Points you paid when you bought your home
- Premiums for Private Mortgage Insurance

More on Home Ownership and Taxes ▶

4. Health Costs

If your medical expenses exceeded 10% of your adjusted gross income, you can claim a deduction with your itemized deductions.

5. Charitable Donations

If you're itemizing your deductions on Schedule A, any charitable donations can help lower your tax bill. Don't forget "text" contributions!

6. Moving for Your Job

If you landed a new job and moved this year congratulations - your moving expenses may be deductible! More good news; you can take this write-off even if you don't itemize.

Check out IRS Pub 521 to see if you qualify.

7. Energy Efficiency Upgrades

You may be able to claim a credit of 10% of the cost for qualified energy efficient upgrades, and 30% of the cost for installing alternative energy.

8. Self-Employment Expenses

- Home office expense including pro-rated rent/mortgage, energy bill and utilities
- Conferences, books, subscriptions, technology and office supplies

RESOURCE: IRS Self-Employment Tax Center

9. Children

- Earned Income Tax Credit
- Child Tax Credit
- Child Care Credit for qualified child care costs

10. Parents as Dependents

- Parents or relatives that are documented dependents requiring your care
- Your dependent's income cannot exceed a certain amount and you need to have provided at least half the support for that person

Tax Exemptions and Deductions for Families

As a family, you may be able to save more on your taxes than you think. Once you discover all the deductions that are available to you, you'll be able to increase your refund this year.

MAXIMIZING YOUR FAMILY'S FUTURE

If you want to make sure you're taking advantage of every deduction that you're entitled to, these resources are for you! We'll explain which deductions are available to your family, and also point out some deductions that many families overlook each year.

The deductions available to you and your family:

RESOURCE: Exemptions for You and Your Dependents

RESOURCE: Exemptions for Other Relatives

RESOURCE: Exempt Medical Expenses for Yourself

RESOURCE: Exempt Medical Expenses for Someone Else

RESOURCE: Exemptions for Education

RESOURCE: Exemptions for Sole Proprietors

5 Hidden Ways to Boost Your Tax Refund

While Americans may disagree on how their taxes are spent, at tax time, most of us are looking for ways to pay no more than we owe, or even boost our tax refunds.

TAX LAWS CHANGE… STAY INFORMED!

These five strategies go beyond the obvious to offering ways to reduce your tax liability:

1. Rethink filing status to boost your refund

One of the first decisions you make when completing your tax return, your filing status, can affect your refund's size, especially if you're married. While most married couples file jointly — 96 percent did in 2009 — a joint return is not always the most beneficial way to boost your refund. Married-filing-separately status requires more effort, but the time you invest offers tax savings under the right circumstances. Calculating your taxes both ways will point you in the higher refund direction.

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3. Maximize your IRA contributions

You have until April 15th to open a traditional IRA for the previous tax year. That gives you the flexibility of claiming the credit on your return, filing early and using your refund to open the account. Traditional IRA contributions reduce your taxable income. You can take advantage of the maximum contribution and, if you're at least 50 years old, the catch-up provision, to add to your IRA. If you contributed to a Roth IRA, you may be able to claim the retirement savings contribution credit that also lowers taxable income and result in a larger refund check.

4. Timing can boost your tax refund

Taxpayers who watch the calendar improve their chances of getting a larger refund. Did you do any of the following… pay January's mortgage payment before December 31, Schedule health-related treatments and exams in the last quarter of the year, paying property taxes by New Year's Eve? Items like these could make the difference between itemizing and taking the standard deduction, thus, a bigger refund.

5. Become credit savvy and refund happy

20% of eligible Americans don't claim the Earned Income Tax Credit (EITC)… are you eligible? If you're working and meet the guidelines you just may be. Credits work better than deductions as refund boosters. Be sure to ask your tax advisor if you're eligible

More About 5 Hidden Ways to Boost Your Tax Refund ▶

Taxes and Major Life Transitions

"Change is the law of life. And those who look only to the past or present are certain to miss the future."

- John F. Kennedy

THE ONLY CONSTANT IN LIFE IS CHANGE

Life is full of change. There are milestones. There are forks in the road. In there is the inevitability of reality. Here we've compiled some common major life changes and direct you to the resources that will help you navigate how this change will effect your taxes.

The deductions available to you and your family during major life transitions:

RESOURCE: Getting Married

RESOURCE: Buying Your First Home

RESOURCE: Having A Child

RESOURCE: Surviving Divorce

RESOURCE: Steps to Claiming A Parent As A Dependent

RESOURCE: Loss of Your Spouse

FAQs: Deducting Mortgage Interest

If you itemize, you can usually deduct the interest you pay on a mortgage for your main home or a second home, but there are some restrictions.

WHAT EVERYBODY WANTS TO KNOW!

Here are the answers to some commonly asked questions about deducting mortgage interest:

1. What counts as mortgage interest?

Mortgage interest is any interest you pay on a loan secured by a main home or second home.

2. Is my house a home?

For the IRS, a home can be a house, condominium, cooperative, mobile home, boat, recreational vehicle or similar property that has sleeping, cooking and toilet facilities.

3. Who gets to take the deduction?

You do, if you are the primary borrower, you are legally obligated to pay the debt and you actually make the payments. If you are married and both you and your spouse sign for the loan, then both of you are primary borrowers. If you pay your son's or daughter's mortgage to help them out, however, you cannot deduct the interest unless you co-signed the loan.

4. Is there a limit to the amount I can deduct?

Yes, your deduction is generally limited if all mortgages used to buy, construct, or improve your first home (and second home if applicable) total more than $1 million ($500,000 if you use married filing separately status).

You can also generally deduct interest on home equity debt of up to $100,000 ($50,000 if you're married and file separately) regardless of how you use the loan proceeds.

RESOURCE: IRS Publication 936: Home Mortgage Interest Deduction

7. What if I refinanced?

When you refinance a mortgage that was treated as acquisition debt, the balance of the new mortgage is also treated as acquisition debt up to the balance of the old mortgage. The excess over the old mortgage balance is treated as home equity debt. Interest on up to $100,000 of that excess debt may be deductible under the rules for home equity debt. Also, you can deduct the points you pay to get the new loan over the life of the loan, assuming all of the new loan balance qualifies as either acquisition debt or home equity debt of up to $100,000.

8. What kind of records do I need?

In the event of an IRS inquiry, you'll need the records that document the interest you paid.

More FAQs About Deducting Mortgage Interest ▶

Paying Taxes on Profits from Selling Your Home

All sellers have this question… Do I have to pay taxes on the profit I made selling my home? It depends on how long you lived in the home before the sale and how much profit you made.

DO I QUALIFY FOR THIS TAX BREAK?

If you owned and lived in the place for two of the five years before the sale, then up to $250,000 of profit is tax-free.

If you are married and file a joint return, the tax-free amount doubles to $500,000. The law lets you "exclude" this much otherwise taxable profit from your taxable income. (If you sold for a loss, though, you can't take a deduction for that loss.)

You can use this exclusion every time you sell a primary residence, under the same conditions, so long as you haven't claimed the exclusion on another home in the last two years.

If your profit exceeds the $250,000 or $500,000 limit, the excess is reported as a capital gain on Schedule D.

Do I Pay Taxes On The Profit from Selling My Home? ▶

Tax Benefits of Owning A Home

Take advantage of every deduction available to you as a homeowner or buyer. Here we offer information and guidance on the most popular tax benefits of homeownership.

HOMEOWNERSHIP… YOUR TAX SHELTER

Home sweet home… your many tax benefits:

RESOURCE: Loan Origination Fee ("Points")

RESOURCE: Seller Paid Points

RESOURCE: Mortgage Interest Deduction

RESOURCE: Mortgage Tax Credit

RESOURCE: Property Taxes

RESOURCE: "Special Circumstance" Tax Breaks

RESOURCE: Deducting Home Improvements

RESOURCE: Home Office Tax Deduction

So You've Filed Your Tax Return… Now What?

Finally! You're done filling out your tax return, and the IRS is pleased. But you're not quite finished yet. To protect yourself in case something goes awry and the IRS asks to audit your return, you should keep and maintain reliable tax return records.

Keep Copies of Your Tax Return(s)

You should keep a copy of your current return, and all the documents that support it. If the IRS suspects you of some type of evasion attempt, you will need tax returns going further back than that. If your unreported income amounts to more than 25% of your gross, you need that return for six years after the filing date.

What If There's a Mistake on Your Tax Return?

If you have already filed your tax return, and you realize that a mistake has been made, you will need to file an amended tax return (Form 1040X, along with supporting Forms and Schedules). You can file an amended return anytime within three years from when you filed your original tax return.

RESOURCE: Form 1040X

Keep Good Records

Keep all of your tax documents together in a safe place. You can scan them into a digital file if you don't want bulky hardcopies taking up space. Just make sure you have a back up. The better your records, the less you have to fear from a tax audit – the greater your peace of mind.

7 Ways To Avoid An Audit

It's the 1% no one wants to be a part of: the share of Americans who get audited. While there's no such thing as "audit-proof" - taxpayers can take steps to reduce facing extra scrutiny from Uncle Sam.

AVOID AUDIT WITH TIPS FROM THE PROS

Here are 5 things you can do to avoid getting audited:

1. Watch what you tweet

Tax officials don't just scour public records in their efforts to catch tax cheats. They also check Facebook, Twitter and other websites for clues that a person may be lying about the scope of their business and how much they make.

2. Don't mix business with pleasure

Self-employed taxpayers need to be careful when claiming tax breaks and writing off business expenses if they don't want to get a double-take from the IRS. Taxpayers often forget, for instance, that only 50% of business meal and entertainment expenses can be deducted, and they must be identified as business costs. People looking to write off travel expenses should keep logs of business trips and visits made to clients to work-related travel costs from those incurred on personal trips. And the home office has to meet the main requirement of being used exclusively for business.

3. Pay your nanny taxes

Families who hire someone like a nanny or a home health aide may incur added tax responsibilities. Such workers need to be reported properly to the IRS and families may need to pay Social Security and Medicare taxes and withhold the worker's share of those taxes just like any other employer.

4. Don't exaggerate charitable deductions

Tax pros say that many taxpayers forget to write off furniture, clothing and other items they donate to charity. But claiming those items incorrectly or exaggerating their value could earn you a red flag.

5. Go over the numbers one more time!

This sounds like a no brainer but the IRS caught nearly 3 million math errors on tax returns in 2014. Taxpayers often make mistakes when calculating how much they owe and how big their refunds should be. Those blunders can get the attention of the IRS, which scans for deductions that seem out of line with a person's income. Some people who accidentally reverse numbers or may enter incorrect Social Security numbers and checking account information could also have their returns held up and their refunds delayed. Many of these errors can be caught early or avoided through electronic filing. It also helps to use exact numbers, since rounded numbers may give the IRS reason to request more specific figures and documentation.

Learn More from the Pros About Avoiding An Audit ▶

Patrick Parker Realty

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Our seasoned Real Estate Agents are committed to providing all of our clients, from first time sellers to veteran real estate investors, quality and friendly service. We walk you through every step of the sale process offering the guidance, feedback, and expertise needed to ensure your complete satisfaction.

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