How to Make Your Tax Preparer's Job Easier

Help us to help you avoid paying more taxes by submitting all information needed to file a complete and accurate tax return the first time around.

Regulations for tax preparers require us to have substantial authority for taking deductions on returns and enforcement of these rules is becoming more stringent.

These are some of the items which need supporting documentation:

Car Expenses

- You must keep a contemporaneous mileage log to support the deduction.

Business Expenses

- You must keep back-up material to support the expenses.
- Meal and entertainment expenses need to have a record of the clients and business purposes.

Charitable Contributions

- For monetary contributions, you are required to have bank records, payroll deduction records, credit card statements, or cell phone bills for text message donations AND a written acknowledgement from the organization to support contributions of more than $250.
- For contributions of less than $250, substantiation is needed.

Noncash Charitable Contributions

- Clothing and household items must generally be in good used condition or better to be deductible and are valued at fair market value, such as what a thrift shop could sell the items for.
- A written acknowledgement from the organization is required, and a list of items donated should be kept with the acknowledgement.
- Note that the donation of an item, or group of items, valued at $5,000 or more, will require an appraisal.

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Mortgage Interest Deduction

In order to calculate the correct deduction for mortgage interest on mortgage loans of $1 million or more and home equity loans of $100,000 or more, tax preparers need the statements showing the beginning and ending principal balances for the year for mortgage loans and home equity loans.

If you live in a co-op and have a personal mortgage or home equity loan, the financial statement from the co-op is also needed because an allocable portion of the principal balance of the mortgage and home equity loans held by the co-op is considered part of your total loan balance.

You also need to maintain records of your mortgage loan that show how much of the loan was for acquisition debt, which may mean going back to the original loan if you refinanced. The form 1098 for mortgage interest is not considered sufficient information by the IRS.

Tax Notices and Tax Liens

The Internal Revenue Service and New York State have been sending out an increasing number of correspondence audits requesting additional information. Mortgage interest deductions seem to be an easy target for the IRS since their computers can pick out deductions that seem too high. By maintaining supporting documents during the year, and then sending the documentation to your accountant with your tax information, correspondence audits can be resolved much faster should they occur.

It is imperative you **immediately forward ANY notice you receive to your accountant** so it can be resolved in a timely matter. Your accountants are in the best position to determine if an assessment is bona-fide. Tax notices that are ignored can result in liens on your property.

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