

Carefully prepare taxes with digital tools



John Deans

A couple of weeks ago I went to Houston to pay the piper by dropping over \$1,700 to my long time CPA for tax preparations going to the IRS, Social Security, federal unemployment, Texas work-force, Texas franchise and other governmental entities.

I look at it as protection money that Larry the CPA gets to keep me safe from the goon squads of Washington and Austin. Keep in mind I'm not a CPA or tax attorney so I cannot give professional tax advice.

Larry has been my tax accountant for over 21 years now and I have followed his advice of the following: 1) Declare all income but take every legal deduction. 2) Pay and file on time whether it be quarterly or monthly but don't give the feds an interest free loan either. 3) Keep all receipts and update reports during the year so his job is easier and my stress is less come April 15.

That strategy has worked well since the late '80s but it requires my CPA to file tons of paperwork. It's worth the time and cost because the IRS and I are still strangers.

The additional news is that the effort is not that big for the past several years

since I converted from using a complex array of Excel spreadsheets to Quickbooks. The goal is to get to your accountant or tax preparation expert all the information organized in a logical manner so they can efficiently and accurately prepare your tax returns.

For those of you who are brave or silly enough to prepare your own returns, Lord bless you and keep you — out of trouble. With tax laws changing the yearly, if not monthly, it is too easy to either be cheating yourself or worse yet, short-changing the IRS.

My yearly mission is to get to Larry's office with all my documentation in order with both hardcopy format and electronically available for last minute reviews and analysis. This way we can get through the five to seven returns and reports for our businesses and personal entities both quickly and accurately.

To do this I get started at the beginning of the tax year in the first quarter. As the year progresses I keep an Excel spreadsheet noting the numerous financial events like unexpected income, financial losses (don't even ask about last year's capital gains blood fest), and

other tax-affecting events.

Since both our companies are in Quickbooks those financial reports are a slam dunk by just printing out the detailed Profit Loss report and handing it over to Larry. The personal finances are kept in Microsoft Money since it syncs very well with our local bank branch's online service.

The key with tax filing is to do tax preparation a little bit at a time all year long. Download those bank transactions to Quicken or MS Money on a monthly if not weekly basis. That way you can keep good records, start preparing for tax time, and watch out for bogus transactions from those pesky identity thieves.

Keep hardcopies in a folder throughout the year of all 941 reports, Texas sales tax filings, and any other governmental tax paper. Same goes for all those receipts that all must be kept for a specific number of years depending on the taxing authority.

I've got one client that even scans every receipt into Quickbooks so he has both a hardcopy and a digital image tied to that check or debit from his business account. That really makes it easy and traceable for tax preparers.

Come January watch the mail carefully for all the 1099s or an interest

income statements from financial institutions. I enter them into my tax monitoring spreadsheet so I know what I have and what I am still waiting for in the mail from clients and banks.

Once you have all your data, receipts, reports and previous filings, it is time to compile the data before presenting it to your CPA. I go equipped with both hardcopy and digital access so I can hand the preprinted reports to Larry but at the same time be able to drill down into a Quickbooks' line item in case he needs more information about an expense.

This means I have a second copy of Quickbooks installed on my laptop and just before I head to his Houston office, I transfer the latest company file for both Deans Consulting and Brenham Home Rental from my office desktop to my laptop. That way we have instant access to all financial data which enables me to reformat any report or recalculate modified expenses.

You will want to do this final prep in February and visit your CPA no later than early March. Do not wait till April and expect a smooth visit since those bean counters are in hyper calculator mode and most likely stressed out by that point. Don't even think about filing late since that puts you on the IRS red

flag radar.

Since it all comes down to which columns or categories we place our monies into as far as the IRS is concerns, we've got it get it right the first time. My goal is to not raise any red flags that could trigger an audit. Though my books are rock solid, I don't need the aggravation of some government stiff telling me how to run my shop. Odds are they would send down some Obama loving hippy to audit me just for the sport of it.

My perfect tax return is when I get just enough back to pay my CPA though I'm still taking a small interest hit. It sure beats being surprised to find that I have not withheld enough during the year and owe thousands. So far I have slightly underpaid just a couple of times — call me paranoid.

Bottom line: Though it may make our teeth hurt to pay the government we have in place now, we all need to carefully prepare our tax returns with the digital tools available to us.

Next week's column: Hardware tricks.

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