

## Get Ready for Your Tax Appointment

Now is a good time to assemble the materials you need for tax filing. Here are a few tips to help make this annual task go smoothly.

### **Update Your Books, Run Your Reports, Make a Backup**

For businesses, your books contain the information we need, both to prepare your tax returns and to make suggestions about your financial results. In most cases, you will have two sets of books: one for your personal activity, one for your business activity. We'd love to see both, as it gives us a better picture of your financial life.

**Update Your Books.** Make sure all of your current year data is entered and that cash/checking/credit accounts are reconciled. Do a quick review to make sure that the prior year's adjusting and closing entries were recorded.

**Run Your Reports.** Create reports that reflect your entire year's operations. Generally, we need to see both cash and accrual basis statements. Once the reports have been created, save them to .pdf files and forward them to us. Send passwords or encryption keys in a separate e-mail!

**We Need:** 1. *Cash and Accrual Basis Balance Sheets* dated the last day of your accounting year. A comparative Balance Sheet that shows last year's information is very useful. 2. *Cash and Accrual Basis Income (Profit & Loss) Statements* that cover your entire accounting year. 3. *Accrual Basis General Ledger Detail* that covers your entire year. If you don't send us the General Ledger, we will bug you for details. 4. If you pay payroll or independent contractors: We need copies of your *W3, W2s, 1096, and 1099s*. (If you want us to review your payroll, we'll need your 941s and EDD reports as well.)

If your accounting or payroll software can't print to .pdf, maybe it is time to consider an upgrade.

**Make a Backup.** Make a backup of your accounting records and send it to us. Don't forget to let us know what your passwords and encryption codes are. We will retain your backup so you have an off-premises copy – just in case something dire happens to your original.

### **Collect Paperwork**

You must report all income for the year even if you do not receive a W-2, 1099, or K-1. The basic documents you need to complete your tax returns begin to arrive in January, and by January 31 you should have received most of them.

Make Copies of critical documents, scan them (low resolution 150-300 is perfect) to a .pdf file and send us the file. PLEASE DO NOT SEND US PHOTO IMAGES—JPEG, GIF, PNG, etc. We cannot attach photo images to returns, and the agencies won't process them. Keep the originals together in one place as they arrive:

**W-2 Forms.** You should receive a W-2 Form from every employer for whom you worked.

If you worked for more than one employer, be sure you have all the forms. If your form does not arrive by the first week of February, call the employer to inquire about the form.

If your employer cannot be contacted (for instance, the employer went out of business), bring your last pay stub.

#### **Forms 1099 (issued to you).**

If you worked as an independent contractor or received royalties or rents, and your remuneration was at least \$600 you should receive a **Form 1099MISC**. As with W-2 Forms, contact the organization about these forms if you do not receive them by the first week of February. If you do not receive the form, collect pay stubs, diary entries, invoices, or other records to calculate and substantiate your income.

**Form 1099INT and Form 1099DIV.** Banks, brokerage firms, mutual funds, and individual companies are among those who will issue these forms to report your interest and dividend income. Bring all of these forms with you.

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**Other 1099 Forms.** Real estate sales are reported on Form 1099S; stock sales are shown on Form 1099B; and Social Security is reported on SSA-1099. Pension and IRA distributions are reported on Form 1099R. You may also receive 1099 forms for unemployment compensation, state or local tax refunds, gambling and lottery winnings, or any other miscellaneous income received during the tax year.

**Current reporting requirements mandate detailed stock transaction reporting.** If you have stock and securities accounts and you sold some or all of the securities in the account you should receive a “Basis Statement” in addition to your 1099B. We need the Basis Statement to complete your returns. If you are a very active trader, ask your securities broker if they have direct download capabilities that will allow us to download the Basis Statement without re-entering the data. (We use La Certe Tax Software for individuals and entities. Most major brokerage houses can facilitate direct download of the Basis Statement to our software.)

**Form 1098.** This form reports the amount of mortgage or home equity interest you paid for the year. The form may show the amount of real estate tax paid from your mortgage escrow account for the tax year.

**Form 1095 (A, B, or C)** This form reports the amount of health insurance subsidy you received through an exchange for the year. The form is necessary only if you purchased health insurance for a member of your household through the insurance exchange (employers will not send one to you).

**Forms K-1 for 1041, 1065, and 1120-S.** If you had income or losses from an estate, trust, partnership, or S-corporation, you should receive related forms by the end of March. If you do not receive the form(s), contact the responsible person for the entity and ask when you can expect to receive the information. Make sure that you follow up with the same person if you do not receive the forms in the time period indicated. If we do not receive K1 forms for some (or all) of your entities, we may have to extend your returns or file estimated returns that we amend later.

### **Other Paperwork**

**Expenses.** We do not need to receive or retain your detailed receipts, canceled checks, or other expense records. However, we *may* need to see them. Summarize your expenses by category and/or bring a detailed general ledger covering the calendar or fiscal year.

**Automobile Expenses.** To claim business mileage, a logbook is required. Records of your actual expenses for gas, oil, insurance, lease payments, license fees, and repairs, may be needed as well. Now is a good time to put your new logbook in your car.

**Meals and Entertainment:** Keep dated receipts with the amount and a contemporaneous entry of “who and why” you shared the meal or entertainment. Make this record on the back of the receipt. Clearly state the business purpose, not a vague phrase like “business meeting.”

**Property.** If you bought or sold property, bring the settlement or escrow papers.

If you sold your personal residence, rental property, or equipment used in your business provide records of the original cost and improvements and whether you claimed a deduction for business purposes. Call or e-mail us before your appointment so we can ensure that you bring appropriate records to your appointment.

If you **refinanced** a mortgage, bring the settlement or escrow statements.

If you purchased, traded-in, or leased a new vehicle or business equipment during the tax year bring in all papers relating to the transaction.

If you trade, buy, or sell cryptocurrency we need to see your account statements.

**Estimated Tax Payments.** Look up the actual date paid and the amount you paid for estimated taxes for each estimate. The payment you made in January last year was for the prior tax year’s taxes. You probably made a payment in January of this year that applies to your current year’s tax return.

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**Charitable Contributions.** Bring copies of canceled checks and receipts for charitable contributions you made during the year.

If a single contribution exceeds \$250, you must have an acknowledgement that indicates how much of the contribution was for the charity and how much (if any) was for goods or services received.

If you made non-cash charitable donations during the year, bring any receipts the charity gave you for the contributed items. Complete the form to estimate the value of non-cash contributions.

**Dependents.** Dependency exemptions were repealed by the “Tax Cuts and Jobs Act.” We still need to know the dependents’ information. If you claim a person as a dependent, provide all information regarding that person’s earned and unearned income for the year (W-2’s, 1099’s, etc.).

If you had a child or adopted a child during the year, provide a copy of the child’s social security card, final adoption papers, if appropriate, and the child’s birth date.

To claim a dependent care deduction, or education credits you must provide each care provider’s name, address, and tax reporting number, and the total amount paid to them. If you have more than one dependent, provide the total amount paid for each dependent separately. Retain receipts from all care providers that document the name, address, tax reporting number, and amounts paid for the year.

**Gifts.** If you gave money and/or property worth more than \$14,000 to any person or persons, or if you received gifts worth more than \$14,000 from any individual, please let us know.

**Keep in Touch**

If you change your address, e-mail, or phone numbers (home, office, or cell), provide us with this information as soon as possible.

If you received a notice from the IRS during the year, and have not previously called us about the notice, provide us a copy of the notice now.

If you will be out of town or unavailable during the period from February 1 to April 15 provide a telephone number and e-mail address where you can be reached.