

## HOW TO MAKE YOUR TAX RETURN EASIER TO DO

Here are some tips to reduce the complexity of your return that you can start doing now to make it easier next year.

- **Stop investing in publicly traded partnerships.** The K-1s these entities provide are ten or more pages with at least a dozen numbers that need to be recorded on the return in and which cause extra forms to be used. Make life easier by skipping these investments. There has to be many other opportunities to make similar investments in conventionally traded stocks. Also, if you own these in retirement funds some of the income could become taxable in those accounts.
- **Ditto with hedge funds.** Except here the K-1s are thirty pages with twenty numbers that need to be transcribed on to your return. Also, if you are not sharp, you might miss the note buried on page 14 or there about that the amounts on page one of the K-1 are likely not correct and you need to look elsewhere in the K-1 for the correct entry. Note: If you believe you are wealthy enough to invest in hedge funds and that they are appropriate for you, then don't skip these because of the increase in your preparation fees.
- **Foreign stocks provide complicated 1099s with foreign tax withheld.** If you are in a mutual fund with foreign stocks the reporting gets very complicated since there are withholdings from multiple countries that need to be reported separately.
- If you are in an **Investment Club**, as I am, have it get out of all of the above so your K-1s will not be delayed and you won't have to deal with the above nonsense for relatively small amounts.
- **Tax-free bond funds** provide 1099s but you probably will need to look at the attachment sheet that gives the percentages of taxable income allocated to each state the interest was from. Either buy individual bonds or buy a fund with bonds from a single state.
- **Many tax-free bonds now have interest subject to the Alternative Minimum Tax (AMT).** Watch for this, and if you are subject to the AMT consider staying away from them.
- **If you have shares in your own name rather than with a broker, consider transferring them to a brokerage account.** This way the dividends will be deposited in that account and you will receive one 1099 reporting all your dividends. Note: When you transfer the shares, provide your cost basis to the broker. If you do not know your cost basis, consider then donating those shares to a Donor Advised Fund to get a charity deduction equal to those shares' values without having to report the capital gain.
- If you have small numbers of shares and get mail from the Company's transfer agent offering to buy them from you, you would do better by **transferring the shares to your brokerage account** and then either selling them, holding them in that account, or donating them (see above). Most discount brokers' commissions are much less than the "nominal" fee the transfer agent will charge you. Actually for the cost the Company incurs by you remaining a stockholder it would be much less costly if they handled the redemptions for no charge to encourage you to get out.
- If you still have shares in **custodian accounts** and your children are over age 18, transfer them to your kids' brokerage accounts.
- **Set up a folder in your filing cabinet**, a large envelope conveniently located or a desk drawer to put all your tax info as they arrive. Some companies now send their 1099s with the fourth quarter dividend checks (for those that still own stocks in their individual names). This will ease the gathering of the info when you are ready to have your return prepared.

- **If anything unusual either occurs or will occur during the year, call your tax preparer or accountant** to discuss the tax ramifications and whether you will need to pay estimated tax or for a heads up on what you will have to pay when your return is filed. Also, unusual transactions are best worked on when they occur and not during “tax season” when most preparers’ resources are stretched to the limit. Further, working on something in September or October is a lot easier and will get a lot more attention than if the transaction needs to be worked on the beginning of April; and can also eliminate the need for an extension. These types of transactions include marital separation agreement payments, sale of a residence, vacation home, business, partnership interest, valuable artwork or a hobby collection, tax free exchanges, sale of certain employer stock or exercising options, or sales of stock and property that was inherited or received as a gift. You should also consult with your advisor if you make or want to make gifts during the year.
- If your income is substantially greater than last year or if you won the lottery or have large gambling gains, **meet with your accountant before the year ends to see if there is anything that can be done to save taxes.** Once the ball comes down for the New Year it will be too late.
- **It is a good practice to keep in touch with your tax advisor** to discuss anything new that arises to determine if there are taxes that somehow can be saved.

The above are some things you can do that will make preparing your return easier, less costly if you use a professional and can make you more aware and proactive in reducing your taxes as much as possible.

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