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Tax Returns – 7 Steps To Reduce Your Stress

By Pearl Deloria

The end of year tax return must be the most stressful part of running your own business. It is even worse if you have earnings abroad and have to fill in tax returns from those countries as well.

How can you make life easier?

1. Start an accounts system. This can be in a hardback ruled ledger that you can buy from any stationery store.
2. Keep receipts for everything. Enter these into your accounts once a week, or once a month
3. Enter any payments made to you in your accounts system as soon as you get them.
4. Look at the different software accounts packages. You will learn to use whatever package you buy, but try to avoid the over complex ones in the first instance. If you are comfortable with using spreadsheets and cell formulae you could keep your accounts in a spreadsheet program.
5. Open the tax return envelope as soon as it comes. Putting it off does not help. Check all the sheets you need are there. Download or send off for any missing sheets.
6. Aim to have your tax return filled in well ahead of the final deadline. That way the IRS or other government revenue department will check your figures and work out how much you owe them. This causes much less stress than having to do it yourself and worrying whether you have the calculation right.
7. As an alternative to steps 3–6, you can employ an accountant. You can pay the accountant to fill in your tax return and to do your accounts for you. The amount you will pay will depend on the amount of work involved. If you just take in a box of receipts and deposit slips you can only expect to pay a higher fee than the person who presents the accountant with neatly filed receipts and accounts.

Pearl Deloria has an SME management and company startup background. Read more of articles at

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Tax Records – What You Should Keep And For How Long

By Richard A. Chapo

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Many taxpayers are confused about how long they should keep tax records. The term "tax records" refers to your tax returns and the documents that support the information in the returns. These documents can include receipts, bank statements, 1099s, etc. If you are one of the unlucky few to be audited, these records will be vital to fending off the IRS.

Tax Returns

To protect yourself from a nasty audit, you should keep all of your tax returns indefinitely. The IRS has been known to lose or misplace tax returns. While conspiracy advocates argue that this is evidence of a nefarious scheme, the simple fact is that the IRS receives millions of returns over a three-month period and lost returns are inevitable. So how do you protect yourself? You keep copies of every single tax return.

A quick word on the IRS e-file program. If you file your returns electronically, make sure you get copies from the company that filed your return. All such entities are required by law to provide you with paper copies.

Records Supporting Tax Returns

You should keep supporting tax records for a period of six years from the date the returns were actually filed. In general the IRS only has three years to audit you from the

filing date. For example, if you filed your 2000 tax return on April 15, 2001, the IRS would have to start an audit by April 15, 2004. Keep in mind that if you filed an extension, the IRS will have three years from the date you submitted the return. As is always case with taxes, there are exceptions to this general time period.

If your tax return looks like the great American novel, the running of the three-year audit period may not save you. Failure to report more than 25% of your gross income gives the IRS an additional three years to pursue you. Using the previous example, the IRS would have until April 15, 2007 to

audit your 2000 tax return.

Property Records – Get A Filing Cabinet

You may need to get a filing cabinet if you hold property for an extended period of time. For example, assume that you purchased a home in 1980 for \$100,000 and made \$50,000 in improvements over the years. You need to keep the purchase records, mortgage statements and receipts that relate to the improvements. When you sell the home, you will need the records to determine the tax consequences of the sale, to wit, your basis (original cost plus improvements) and profit. If the IRS decides to take a closer look at the reported profit, you will need to provide your tax records to support your claims. Once you actually sell the property, it is recommended that you keep all of the tax records for an additional six years.

Divorce

Make sure you keep copies of all of your financial documents, tax returns and supporting documents if you get divorced. You should also keep copies of all divorce agreements and court orders that cover property and financial issues. When couples divorce, the tax and credit consequences can be nightmarish. If you don't keep records, you will have to ask your ex-spouse for them. Get the records now to avoid doubling your misery!

Hopefully, you will never need to show your tax records to the IRS. If you are one of the unlucky few that is audited, your tax records should keep your feet out of the fire.

Richard Chapo is CEO of <http://www.businessstaxrecovery.com> – Obtaining tax refunds for businesses by finding overlooked tax deductions and credits through a free tax return review.



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