

ANSWERS TO FREQUENTLY ASKED TAX TIME QUESTIONS

When you think about filing your tax return, do you have more questions than answers? The entire process can be confusing and frustrating, but a little information can make the experience a lot more bearable. Here are some common tax season questions, along with practical answers, from the Texas Society of CPAs.

HOW CAN I LOWER MY TAX BILL?

CPAs recommend that you make tax-savvy choices such as participating in your company's 401(k) plan or contributing to an individual retirement account. Consider turning to a professional, such as a CPA, for the advice you need to make sound decisions designed to improve your financial situation. Your CPA may be able to help you reduce your tax bill by pointing out deductions you have missed.

HOW CAN I MAKE THE MOST OF TAX SEASON?

Although many people dread tax time, it does provide a great opportunity to get a perspective on your financial situation. Once you've done the hard work of gathering your financial records and receipts, all of that information provides a great snapshot of your financial situation. Are you making the right investments to meet your long-term goals? Are you getting the best mortgage rate? Now's the time to consider these and other important financial questions using the data you've put together to compile your tax return.

WHAT INFORMATION DO I NEED?

When you're gathering tax records, at a minimum you will need to have the W-2 forms you've received from your employer and any other form documenting your income (such as a 1099 interest or 1099 dividend form). You'll also need records of mortgage interest and property taxes you have paid and receipts for items that you plan to deduct, such as unreimbursed business expenses. You should also have information about deposits you've made in a traditional individual retirement plan so that you can report those on your return.

WHAT IF I'M NOT READY ON TIME?

It is possible to get an automatic six-month extension on filing your return. You will have to estimate what you might owe and pay any taxes due with the extension by the April 17, 2012, deadline. If the balance of the tax due is paid with the filing of your income tax return, no penalty for failure to pay will apply unless the unpaid amount is more than 10% of the total tax liability (unless you can show reasonable cause). You will have to pay interest on the balance due. However, the extension does give you and your CPA more time to review your situation and file an accurate return.

WHAT IF I CAN'T PAY MY TAXES?

A late filing penalty will not be imposed if you fail to make a payment with your extension provided you make a good-faith estimate of your tax liability based upon the available information at the time of filing. Of course, you will be subject to interest and possible penalties. You may request a monthly installment arrangement if you can't pay the full amount due on your tax return when you file by filing Form 9465. The IRS will usually tell you within 30 days if your payment plan is accepted. You will still have to pay interest and possibly a late payment penalty. Your CPA can advise you on how to use an extension and help you negotiate a payment agreement with the IRS.

WHEN WILL I GET MY REFUND?

If your return is complete and correct, you should receive your refund in about six to eight weeks from the time your return is received by the IRS. The wait should be about half that time for those who file electronically, according to the Service. For an update, you can go to the IRS Web site, www.irs.gov, and click on "Where's My Refund?," or call the toll-free IRS Automated Refund Information number 800-829-4477 or call the IRS at 800-829-1040.

If you have further questions, or want more details on any of these topics, be sure to consult your local CPA for expert tax advice.