

Everything You Need to Know

# About Tax Prep

*A Comprehensive Checklist*



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# *Let's face it—*

Taxes aren't exactly the most exciting topic, but here's the good news: tax planning doesn't have to be boring or intimidating! Think of it as a financial cheat code that helps you keep more of your hard-earned cash and puts you on the path to achieving your goals.

Whether you're a young professional figuring out your finances or someone who loves finding savvy ways to save, tax planning is your secret weapon.

With proper preparation, you'll breeze through the process and maximize your refund or minimize what you owe. Our comprehensive tax planning checklist ensures you're fully prepared to tackle taxes like a pro this year.

# What is Tax Planning, and Why is it Important?

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## First things first: What exactly is tax planning?

Simply put, tax planning is the strategic approach to organizing your finances to maximize tax efficiency. It involves analyzing your current financial situation, understanding tax laws and regulations, and taking proactive steps to minimize your tax burden. It may not sound like fun, but effective tax planning enables you to do amazing things like:

- **Reduce Your Tax Liability:** By leveraging deductions, credits, and exemptions, you can lower the taxes you owe and retain more of your income.
- **Maximize Savings:** Strategic planning ensures you take full advantage of tax-advantaged accounts like IRAs, 401(k)s, HSAs, or 529 plans, helping you grow your savings while reducing your taxable income.
- **Help You Achieve Financial Goals:** Whether it's buying a home, starting a business, or planning for retirement, aligning your financial plans with tax strategies helps you meet these objectives efficiently.
- **Ensure Compliance:** You don't want to get on Uncle Sam's bad side. Staying informed about tax laws and regulations helps you avoid penalties, audits, or other legal complications.

Ultimately, tax planning is a proactive tool that empowers you to take control of your finances and make informed decisions that benefit your overall financial health.

# The Ultimate Tax Prep Checklist: 8 Steps To Tax Prep Perfection



Here's what we'll cover today.

- Gather all personal information
- Break down income (see details below)
- Identify applicable deductions and credits
- Collect business expenses from the year and organize it (i.e. spreadsheet or reports from your accounting software).
- Reference last year's tax return
- Record any estimated taxes paid
- Keep your records

## 1. Gather Up Any and All Personal Information

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Every taxpayer will need the following documents to complete their taxes:

- Social security number or Tax ID number
- Date of birth
- If applicable, your spouse's full name, social security number (or tax ID number), and date of birth
- If applicable, the full name, social security number (or tax ID number), and date of birth of any dependents you have

If you're working with the same tax accountant you did for 2023, you're in luck because they will already have this information. The only exception is if there's a new member of your family, such as a new baby or an elderly parent becoming a dependent. You'll also want to include notes on any other major life changes, such as marriage, a home purchase, or move to another state.



## 2. Grab Last Year's Tax Return (It Can Come In Handy!)

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Again, your previous tax accountant will already have this, but it's useful to have it on hand to reference last year's numbers quickly.



## 3. Identify Applicable Deductions and Credits

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The deductions you take will significantly depend on your unique financial situation. You'll have two options: take the standard or itemized tax deductions. The standard deduction lowers your taxable income by a fixed amount based on your filing status (Single, Married Filing Jointly, Married Filing Separately, or Head of Household).

Meanwhile, itemized deductions comprise a list of eligible expenses that could put you above the standard deduction. If this is the case, it would be more beneficial to itemize your deductions to reduce your taxable income by a larger amount.

You may not need all of these documents, but here are some that may apply to your tax situation and count toward itemizing your deductions:

- Forms 1098 or other mortgage interest statements
- Real estate and property tax records
- Charitable donation receipts.
- Out-of-pocket medical expenses above 7.5% of your AGI.

Some other situations that may apply to you and affect other tax deductions and credits include:

- Energy-saving home improvement receipts (such as solar panels or geothermal heat pumps)
- Form 1095-A for Premium tax credits from a healthcare marketplace plan
- Student loan interest paid
- IRA contributions made
- After-tax HSA contributions made
- 529 contributions (some states offer a state tax deduction for these contributions)

You can check out a complete list of deductions and credits on the [IRS website](#).

## 4. Collect All Income

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Any income you receive, whether earned or passive, is taxed, and you need to collect documents to record it on your tax return. Typical income sources and documents to collect include:

- Earned Income: W2 vs 1099
- Unemployment Income: 1099-G
- Interest Income: 1099-INT
- Gambling income: W-2G
- Income from the sale of stock or property: 1099-B and/or 1099-S
- Certain Bond Income: 1099-OID
- Dividend Income: 1099-DIV
- Trust Income: K1

In short, if you made money from something, you need the applicable forms or records as you complete your taxes!

## 5. Collect business expenses

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If you work for yourself or own a small business you can deduct expenses incurred from operating your business against your business income. Some common business expenses include:

- Office rent
- Utilities, including phone and internet
- Advertising and marketing
- Payroll (employees and contractors)
- Employee benefits
- Maintenance and repairs
- Bank fees and interest
- Postage and delivery
- Legal fees
- Office supplies: Such as printers, paper, markers, pencils, pens, computers, and software
- Business insurance: General liability, professional liability, commercial property, commercial car insurance, and workers compensation insurance
- Travel expenses: Such as hotels and flights for business travel, but also keep track of miles you drive for business purposes as well as total miles driven on your vehicle.
- Home office expenses: If you have a designated office space at home you can deduct a portion of your home expenses (such as mortgage interest and utilities). You will need to know the total square footage of your home as well as the square footage of your office space.
- Dues & subscriptions: This includes dues for business organizations, subscriptions to business software. Don't forget about your subscription to a music playing software so you can play tunes at the office!
- Business meals: Although you can no longer deduct business entertainment, business meals are still deductible at 50% with one exception: if the meal is celebratory (i.e. office celebration with your employees, celebrating the close of your biggest quarter, etc) then these meals are 100% deductible! Keep records of what you were celebrating.



## 6. Record any estimated taxes paid

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Include any payments made throughout the year, especially if you're self-employed.

## 7. Dust Off These Miscellaneous Documents

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Yes more documents, but you need to be as thorough as possible regarding tax prep. These forms are often forgotten about:

- Roth conversion 1099
- Company stock exercised (NSOs & ISOs)
- Medical, dental, and long-term care insurance premiums
- List of overseas assets & income

### **International Accounts :**

- If you have \$10,000 or more in your non-U.S. account during the tax year, you must file a Report of Foreign Bank and Financial Accounts (FBAR) with the IRS. The penalty for failing to do this is a steep \$10,000 per account.
- Also, if you work abroad, you still need to file a tax return in the U.S. that reports your worldwide income. Deductions and tax credits are available, but you won't be eligible for them if you don't file.



## 8. Last (But Not Least) Keep Your Records

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Store all tax-related documents in a secure location for at least three years in case the IRS has any questions. This includes:

- Copies of filed tax returns
- W-2s, 1099s, and other income documents
- Receipts and proofs for deductions and credits



## Getting the Help You Need Is Never a Mistake

The older you get, the more complicated your taxes can become. What used to take you 15 minutes on TurboTax might be a confusing mess now that you're a married 35-year-old homeowner with a kid and your own small business.

There might come a time when hiring a tax accountant is 100% worth the expense (often as you make 6 figures and your tax situation becomes more complex). The more complicated your tax situation is, the more you stand to benefit from the help of a knowledgeable tax professional.

Besides, IRS Publication 17 is nearly 300 pages long; leave sifting through that behemoth to the experts.

*Remember: we're here to help too!*

Taxes are part of any holistic financial planning strategy. If you have questions about what documents you need, or would like for our team to review your return when your tax accountant completes it, don't hesitate to reach out

