THE TAX SHOP E-BOOK

the taxshop

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WELCOME TO THE TAX SHOP CLIENT GUIDE.

This guide is designed to empower you as a taxpayer in navigating the complex world of tax returns. This eBook aims to simplify the process of identifying and recording your 2023 activities for optimal tax benefit.

Whether you're a seasoned taxpayer or a newcomer to this annual task, this guide is designed to provide clarity and guidance for what can often feel like an overwhelming process.

Use this resource to confidently prepare your paperwork and make informed decisions that can potentially maximize your returns. Always stay informed, organized, and proactive in your tax planning. Here's to a smoother tax season and to your continued financial success.

the taxshop
A CSMG CAPITAL SOLUTIONS COMPANY

DATE _______

Client Data Sheet

(New Clients, please include a copy of your last year's return)

TAXPAYER NAME______________________________________ SPOUSE NAME ____________________________________

OCCUPATION____ OCCUPATION_____________________________________

SSN________________________BIRTHDATE_______________ SSN_____________________BIRTHDATE_______________

EMAIL____ EMAIL____

MAIN PHONE_____________________EXT.__________ ☐CELL MAIN PHONE____________________EXT._________ ☐CELL

ALT. PHONE__________________________________ ☐CELL ALT. PHONE_________________________________ ☐CELL

ADDRESS____APT #_______CITY_______________STATE_______ZIP_____

How did you hear about us? ____

Would you like information about our TUITION FREE Tax School in the Fall? ☐ Yes ☐ No

Dependents: (List Youngest First) Name (First, Initial and Last Name)	Month, Day & Year of Birth	Dependent's SSN	Relationship to you	Months lived in your home this tax year?

CHECK ALL THAT APPLY

- ☐ Did you or a family member receive a 1095A for insurance received through the State or Federal Marketplace? ☐Yes ☐No
- ☐ Someone else can claim you as a dependent.
- ☐ You and your spouse lived apart during the year. If yes, did you live together at any time after June 30? ☐Yes ☐ No
- ☐ You paid *estimated* Federal or State taxes last year. Federal $___________State $________State $________
- ☐ You itemized last year. If yes, amount of Refund from / Balance Due to State $______________.
- ☐ You or your spouse were a resident of another state or earned income in another state during the last year.
- ☐ You purchased a home in 2008 and received the up to $7,500 First-time Home Buyers credit.
- ☐ You were a student, had education expenses, or made student loan payments.
- ☐ Your child did not live with you but is claimed as your dependent.
- ☐ You or someone in your household is disabled.

Are you self employed? ☐ Yes ☐ No If yes, please fill out the Self Employed Income Data Sheet.

CHECK ALL THAT APPLY

- ☐ Wage Statements – W-2s_____(#)
- ☐ Tips / Other Income
- ☐ 1099s__________(#)
- ☐ Received Interest
- ☐ Received Dividends
- ☐ Sold Stocks or Bonds
- ☐ Pension or Retirement Income
- ☐ Social Security Income
- ☐ Received Unemployment
- ☐ Alimony (Paid or Received)
- ☐ Buy or sell a home
- ☐ Own Rental Property
- ☐ Mortgage Interest
- ☐ Mortgage Points (i.e. closing points)
- ☐ Paid real estate taxes
- ☐ Sell, Receive or Trade Cryptocurrency
- ☐ Property Tax
- ☐ Sold a business asset
- ☐ Farm Income
- ☐ Paid qualified education expense
- ☐ Medical Expense
- ☐ Lottery or Gambling Winnings
- ☐ Cancellation of Debt
- ☐ Bankruptcy
- ☐ Charity or Religious Contributions
- ☐ IRA Contributions
- ☐ Significant Loss or Theft (federally declared disaster areas)
- ☐ Have foreign bank account, trust or business
- ☐ Gave a gift of more than $15,000

CHILD CARE INFORMATION (Note: This information is required for <u>each</u> provider. Use the back of this sheet if more space is needed.)

Provider's Name________________________________ Provider's SSN/EIN ______________________________

Provider's Address______________________________ Amount Paid to Provider $__________________________

Would you like your refund deposited into your bank account? ☐ Yes ☐ No

☐ Checking ☐ Savings Routing Number________________________ Account Number ___________________________

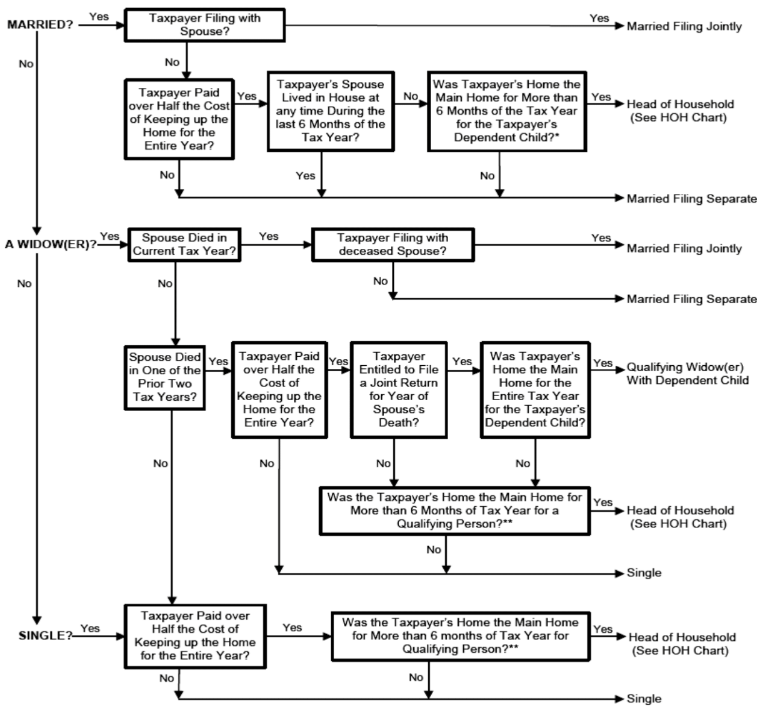
I CERTIFY THAT I WOULD LIKE MY TAXES PREPARED ACCORDING TO THE INFORMATION I SUPPLIED ABOVE

Taxpayer's Signature__________________________________ Date ____________

Spouse's Signature___________________________________ Date ____________

Filing Status Flow Chart

Is the Taxpayer……



*Includes a child for whom the taxpayer has signed a Form 8332, *Release/Revocation of Release Claim to Exemption for Child by Custodial Parent* allowing the noncustodial parent to claim the exemption. An eligible **Foster** child is any child placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

**If qualifying person is dependent parent who does not live with the taxpayer, the home maintained must have been the principal residence of the parent for the entire year.

A qualifying person can be either a qualifying child or a qualifying relative. **A person who is the taxpayer's relative only because he/she lived with the taxpayer all year as a member of the household is NOT a qualifying person. (See HOH Chart)**

Taxpayer's Signature____ Date ______________________

Spouse's Signature____ Date ______________________

Ever look around at your family and friends and wonder,
"Can I claim any of these people as dependents on my taxes?"

You're not alone!

Here, we unravel the mystery of who qualifies as a dependent, making sure you don't miss out on valuable tax benefits.

Think of it as a treasure hunt, where identifying the right dependents can lead to a pot of gold in tax savings.

DEPENDENTS

For tax purposes, a dependent is someone you support financially. This can include a Qualifying Child or a Qualifying Relative. The IRS sets specific criteria for each type.

A Qualifying Child must meet the following requirements:

1. Relationship Requirements

- Your children or step-children by marriage
- Siblings (including half and step-siblings)
- Nieces and nephews (descendants of your siblings)

2. Age Requirements

- Under 19 years old
- Under 24 if a full-time student

3. Residence Requirements

- Lived with you for more than half the year

4. Income Requirements

- Did not provide over half of their own financial support

*Special rules apply for children of divorced or separated parents.

What is considered a Qualifying Relative:

1. Has this person Lived with you for the entire year?
    - Parents are an exception to this. They do not have to reside with you.
2. Did the person make less than $4,300 in 2023?
3. Did you provide more that half of this person’s financial support throughout the year?

If you answered YES to all 3 questions, this person qualifies as your dependent.

To Do:
List your dependents

Dependents Name	Month, Day, & Year of Birth	Dependents SSN	Relationship to you	Months lived in your home last year

"Money, Money, Money, Money" It makes the world go 'round, and it certainly makes the tax world spin!"

INCOME

What Does the IRS categorize as income?

Let's dive into the different types of income, from wages that fill your wallet to investments that sweeten the deal, we'll unwrap the layers of income and how they impact your tax situation.

The IRS categorizes income into several types:

1. **Earned Income:** Wages, salaries, tips, and other taxable employee pay.
   - Reported on IRS Form W-2

2. Unearned Income: Interest, dividends, capital gains, pensions, rents, and royalties.

- Interest and dividends are reported on Form 1099-INT and 1099-DIV, respectively. Capital gains are reported on Schedule D, and other types like pensions and rents on relevant sections of Form 1040.

3. Business and Self-Employment Income: Income from operating a business or practicing a profession as a sole proprietor.

- Report using Schedule C: Profit or Loss from Business, form 1065, form 1120S, form 1120, etc.

4.Other Income: Includes various less common types such as alimony, certain inheritances, or income from illegal activities.

- Various forms may apply depending on the type, such as alimony or inheritances, generally reported on Form 1040.

What type(s) of income did you earn last year?
Check all that apply

☐	**Wage Statements – W-2s**
How many W2's did you receive?	
☐	**Tips / Other Income**
☐	**1099 NEC**
How many 1099 NEC's did you receive?	
☐	**Interest Income**
☐	**Dividends Income**
☐	**Sold Stocks, Bonds, or Cryptocurrency Income**

- [ ] Pension or Retirement Income
- [ ] Social Security Income
- [ ] Unemployment Received
- [ ] Alimony (Paid or Received)
- [ ] Rental Property Income
- [ ] Sold a business asset
- [ ] Farm Income
- [ ] Lottery or Gambling Winnings
- [ ] Cancellation of Debt
- [ ] Business Income: Request our Business Income and Expense Excel Worksheet

WITHHOLDINGS AND ESTIMATED TAX PAYMENTS

The age-old wisdom of 'pay now or pay later' truly comes into play. Understanding how to manage your tax obligations throughout the year is important. Whether its money withheld from your paycheck or estimated tax payments you make yourself, we're here to navigate you through these crucial decisions.

Withholdings refer to the portion of an employee's wages that is not included in their paycheck because it is sent directly to the government as a prepayment of the employee's income tax. This process reduces the amount of tax that may be owed at the end of the year.

Employers calculate the amount to withhold based on the employee's earnings and the information provided on their W-4 form, including marital status and any additional withholding amounts. Withholdings help ensure that taxpayers meet their tax obligations progressively throughout the year.

Estimated federal or state tax payments are periodic payments made to the IRS and state tax authorities, respectively, by individuals who expect to owe tax for the year, particularly when that tax is not covered by withholding.

This often applies to self-employed individuals, investors, or those with significant income not subject to regular withholding. These payments are typically made quarterly, and their purpose is to cover taxes on income not subject to automatic withholding, thus avoiding underpayment penalties when filing annual tax returns.

What happens if I did not withhold enough throughout the year?

This can lead to owing taxes when you file your return. Tax withholding is typically based on your earnings and the information you provide on your W-4 form. If your withholdings are too low, either your W-4 doesn't accurately reflect your tax situation, or your income increased without any adjustments to your withholdings. The result of this is in not enough taxes paid throughout the year. Consequently, you'll have to pay the difference when you file your tax return.

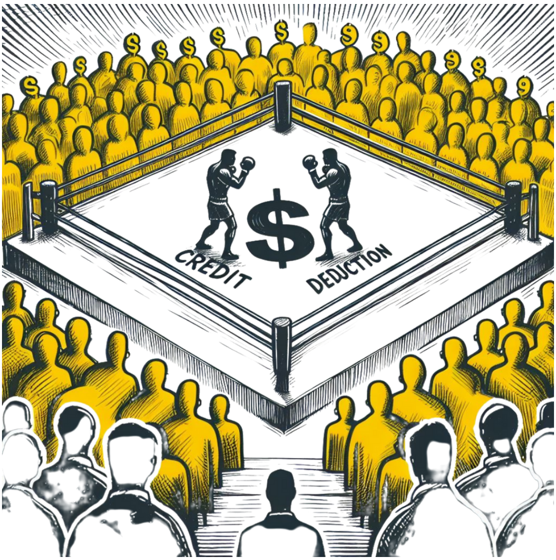
To Do:
Record any estimated payments you made throughout the year

Payment Date	Payment Amount	This payment was made towards which quarter? Q1, Q2, Q3, Q4	Check if this payment was made to the IRS?	Check if this payment was made to the state?
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐

TAX CREDITS VS TAX DEDUCTIONS

Welcome to the Tax Credits vs. Tax Deductions showdown!

In one corner, we have the mighty Tax Deductions, slicing your taxable income like a ninja.
And in the other corner, the superhero of savings, the Tax Credits, knocking dollars off your tax bill!
It's a fiscal face-off where understanding the difference can lead to a wallet win.



A tax credit is like a coupon that reduces your tax bill dollar for dollar. For example, if you owe $1,000 in taxes and have a $300 tax credit, you only pay $700.

A tax deduction lowers how much of your income is taxed. If you earn $50,000 and have a $1,000 deduction, you're taxed on $49,000 instead. Credits directly cut your tax bill, while deductions reduce the income you're taxed on.

Tax credits

Can be refundable or non-refund. What does this mean?

Refundable credits can result in a refund if the credit exceeds your tax liability, and non-refundable credits can reduce your tax liability to zero.

Refundable Credits: These credits can reduce your tax liability below zero and can result in a refund.

Below are some of the most common refundable credits:

Child Tax Credit

- The Child Tax Credit is designed to help families with the cost of raising children. For tax year 2023, it offers up to $2,000 per qualifying child under the age of 17. A portion of this credit is refundable through the Additional Child Tax Credit. The credit begins to phase out at higher income levels. Eligibility depends on the child's age, relationship, support, dependent status, citizenship, and residency.

Earned Income Tax Credit (EITC)

- The Earned Income Tax Credit (EITC) is a refundable tax credit for low- to moderate-income working individuals and families with children. The amount of EITC benefit depends on the taxpayer's income and number of children. The credit increases with each additional child, but there are income limits and qualifying criteria.

Non-refundable Credits: These credits can only reduce your tax liability to zero but won't result in a refund.

Below are some of the most common non-refundable credits:

Child and Dependent Care Credit

- The Child and Dependent Care Credit is a tax credit for expenses incurred in the care of children under age 13 or disabled dependents, allowing taxpayers to work or look for work. The maximum expenses eligible for the credit are $3,000 for one qualifying individual or $6,000 for two or more.

Adoption Credit

- The Adoption Credit is a non-refundable tax credit that helps offset some of the expenses associated with adopting a child. This includes adoption fees, court costs, attorney fees, traveling expenses, and other expenses directly related to the legal adoption of a child. The credit amount can vary each year and has income limits. The credit applies per child and not per year, meaning you can carry forward any unused portion of the credit to future tax years until it is fully used.

Education Credits

- American Opportunity Tax Credit
  - The American Opportunity Tax Credit (AOTC) is a credit for specific undergraduate education expenses. It is designed to make the first four years of college more affordable. It offers up to $2,500 per student per year for a maximum of four years. It covers costs like tuition, required enrollment fees, and course materials (books, supplies, equipment) necessary for attendance. What's beneficial is that 40% of the credit (up to $1,000) is refundable, meaning you could get it back even if your tax bill drops to zero. However, expenses like room and board, transportation, and non-required fees aren't eligible for this credit.

- Lifetime Learning Credit
  - The Lifetime Learning Credit is a tax credit for qualified tuition and related expenses paid for eligible students enrolled in an eligible educational institution. This credit can help pay for undergraduate, graduate, and professional degree courses, including courses to acquire or improve job skills. It's worth up to $2,000 per tax return (not per student), calculated as 20% of the first $10,000 in eligible expenses. There's no limit on the number of years you can claim the credit, but there are income limits affecting eligibility.

Tax deductions

Lower your taxable income, which indirectly reduces your tax liability.

Form 1040 allows for various deductions, including:

1.**Standard Deduction:** A flat amount based on filing status, age, and blindness.

2. **Itemized Deductions:** Detailed on Schedule A

- To qualify for claiming itemized deductions on Schedule A, your total itemized deductions must exceed the standard deduction amount for your filing status. To find out which is best for you involves calculating specific allowable expenses. If the sum of these itemized deductions is greater than the standard deduction, it's beneficial to itemize. Otherwise, it's generally better to take the standard deduction.

Itemized deductions on Form Schedule A include:

- Medical and Dental Expenses: Expenses exceeding 7.5% of your adjusted gross income (AGI).
- State and Local Taxes: Including state income or sales tax and property taxes, capped at $10,000.
- Interest Expense: Mortgage interest on the first $750,000 of indebtedness and investment interest.
- Charitable Contributions: Donations to qualified organizations.
- Casualty and Theft Losses: From federally declared disasters.
- Miscellaneous Deductions: Gambling losses to the extent of gambling winnings.

3. **Adjustments to Income:** Also known as "above-the-line deductions" are detailed on the Schedule 1 attached to Form 1040.

On Form Schedule 1, deductions include:

- Educator expenses
- Certain business expenses
- Health savings account deduction
- Moving expenses for members of the Armed Forces
- Deductible part of self-employment tax
- Self-employed SEP, SIMPLE, and qualified plans
- Self-employed health insurance deduction
- Penalty on early withdrawal of savings
- Alimony paid
- IRA deduction
- Student loan interest deduction

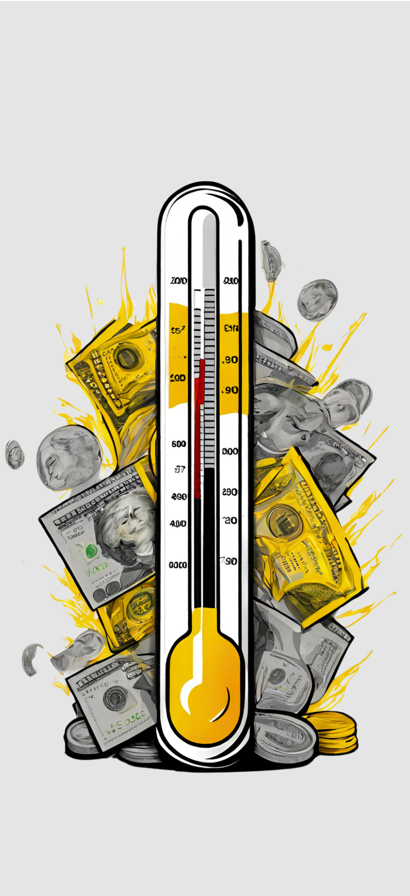
To Do:
Check off the deductions that apply to you

- [ ] Mortgage Interest
- [ ] Mortgage Points (i.e.closing points)
- [ ] Paid Real Estate Taxes
- [ ] Property Tax
- [ ] Paid Qualified Educational Expenses
- [ ] Medical Expense
- [ ] Lottery or Gambling Losses
- [ ] Charity or Religious Contributions
- [ ] IRA Contributions
- [ ] Significant Loss or Theft (federally declared disaster areas)

HEALTH INSURANCE AND IT'S EFFECTS YOUR TAXES

Let's decode how your health insurance choices can make or break your tax return.

Health insurance affects your taxes in several ways:



Premiums: Premiums paid for health insurance can sometimes be tax-deductible, especially if you're self-employed.

Employer Contributions: If your employer pays part of your health insurance premiums, it's generally tax-free for you.

Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs): Contributions are tax-deductible or pre-tax, and withdrawals for qualified medical expenses are tax-free.

Form 1095-A- Also known as the Health Insurance Marketplace Statement, is a form sent to those who purchase health insurance through the Health Insurance Marketplace. It provides information about the insurance policy, coverage dates, and the amounts of any advanced premium tax credits received. This form is crucial for preparing your tax return, as it is used to reconcile any advance payments of the premium tax credit and to claim the premium tax credit on your tax return. It's essential for those who have Marketplace coverage and want to ensure they receive the correct credit.

Medicare Taxes: High earners may pay an additional Medicare tax.

To Do:
Do you have health insurance through your state marketplace?

- If Yes, form 1095-A will be mailed to you. Make sure to give it to your tax professional.

DEDUCTIONS FOR LANDLORDS

Let's explore some deductions hidden under the roof and within the walls of your properties.

A landlord is an individual or entity that owns real estate property and rents it out to tenants. This includes rental of residential and commercial properties. As a landlord, you're considered to be engaged in a trade or business, especially if you're involved in rental activities with the intention of making a profit. Income received from these rental activities must be reported, and landlords can also claim relevant expenses to offset the rental income.

Deductions for landlords include:

- Mortgage Interest: Interest paid on a loan for the rental property.
- Repairs: Costs for property maintenance and repairs.
- Depreciation: Depreciation of the property and improvements over time.
- Insurance: Premiums for insurance on the rental property.
- Property Taxes: Local and state taxes on the property.
- Travel Expenses: Costs incurred for travel related to managing the property.
- Legal and Professional Fees: Fees for legal and professional services, like accountants or property managers.

- Utilities: If paid by the landlord and not reimbursed by tenants.
- Advertising: Costs for marketing the rental property.
- Home Office Expenses: If there's a specific area of the home used regularly and exclusively for rental activities.
- Local Travel Expenses: Costs for local travel to manage the rental property.
- Depreciation on Appliances/Furniture: For items provided with the rental.

These deductions help further reduce the taxable income generated from rental properties.

To Do:
Identify which deductions you are entitled to and request our Landlord Income and Expense Excel Sheet

Common Forms Tax Payers Receive

	W2: Wage and Tax Statement
	K1: Individual's share of income, deductions, credits, and other financial information from a partnership, S corporation, trust, or estate

Here's a list of common 1099 forms:

	1099-NEC: Nonemployee Compensation
	1099-MISC: Miscellaneous Income
	1099-INT: Interest Income
	1099-DIV: Dividends and Distributions

- [ ] **1099-G: Government Payments (i.e., Unemployment)**
- [ ] **1099-R: Distributions from Pensions, Annuities, Retirement, etc.**
- [ ] **1099-B: Proceeds from Broker and Barter Exchange Transactions**
- [ ] **1099-S: Proceeds from Real Estate Transactions**
- [ ] **1099-K: Payment Card and Third-Party Network Transactions**
- [ ] **1099-SA: Distributions from an HSA, Archer MSA, or Medicare Advantage MSA**

The 1098 forms include:

- [ ] **1098: Mortgage Interest Statement**
- [ ] **1098-C: Contributions of Motor Vehicles, Boats, and Airplanes**
- [ ] **1098-E: Student Loan Interest Statement**
- [ ] **1098-T: Tuition Statement**

The 1095 forms are:

- [ ] **1095-A: Health Insurance Marketplace Statement, used for reporting information on health insurance obtained through the Marketplace.**
- [ ] **1095-B: Health Coverage, issued by insurance providers and certain employers to report information on individuals covered by minimum essential coverage.**
- [ ] **1095-C: Employer-Provided Health Insurance Offer and Coverage, issued by employers to report information about health insurance offered to their employees.**

To Do:
Check off the forms you received and remember to give them to your tax preparer.

DOCUMENTATION AND RECORD RETENTION

The IRS guidelines on documentation and document retention emphasize the importance of keeping detailed records. These records should clearly support the income, expenses, deductions, and credits you report on your tax returns.

The general rule for keeping documents is at least three years from the date you file your tax return. However, in certain situations, such as when you file a claim for a loss from worthless securities or bad debt deduction, you should keep records for seven years. For assets like your home or investments, keep records for as long as you own the asset plus three years. Detailed records are crucial in case of an IRS audit, as they provide evidence for your tax return entries.

DISCLAIMER

Please note that the information provided in this eBook is intended as a general guide and does not constitute professional tax advice. Tax laws and regulations are complex and subject to change. Therefore, this eBook should be used as a resource to aid in understanding various tax concepts and should not replace professional advice tailored to your specific situation. For personalized tax advice, please consult a qualified tax professional.

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