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Money Sense: Answers to some common tax preparation questions

By Marc A. Hebert
Mar 7, 2020

AS WITH ANY professional, a tax adviser is asked a lot of questions, but there is no such thing as a dumb question. Even quick questions that seem easy may not be so. The tax code is complicated, and the answer may require a bit of research.



Nevertheless, while clients differ, the same questions arise over and over. Here are a few of the most common to consider:

If I take a certain deduction, will I be audited?

The IRS uses a discriminate information function (DIF) system to determine which returns to audit. If the information on the return doesn't make sense, the return will be flagged. The return then may or may not be chosen for audit. If a deduction is legitimate and supported by evidence, then there should be no

worries as to whether an audit is on the horizon.

When will my tax return be ready? Once the information is in the tax preparer's office, the taxpayer usually breathes a sign of relief and then asks this question, which is fair and one your preparer will usually be able to answer. Be aware though, many preparers have deadlines as to when your tax information needs to be received by or an extension will be prepared. The earlier the information is provided to a preparer, the earlier your return may be ready.

How much will the tax return preparation cost me? Most tax preparers will be happy to explain how and why they bill the way they do. This is an important question to ask before engaging a preparer to do the work. If the fee seems high, ask the preparer to explain the benefits of the service offered. It might be worth paying a bit more in fees. This can be especially true if you need specialized services. The benefits of hiring an experienced preparer can save both time and money.

Do I have to pay tax on a certain transaction or piece of property? Sometimes taxpayers will walk into an office and ask this. The answer is likely yes, but every situation is different. Keep in mind this is a question that is best asked before any transaction is entertained. Tax surprises can sometimes be avoided.

How long do I need to keep my tax records? There are no set rules to this question. The very minimum that records should be kept is until the statute of limitations has expired. This is generally three years from the date the return is filed. If the IRS finds income was underreported by certain amounts, the statute can be extended to six years. The IRS has a pamphlet called "How long should I keep records?" on **IRS.gov** that gives some guidance to taxpayers on record retention. Taxpayers might also address the topic with their preparer to get suggestions.

Is there a retirement plan that would be right for me? Saving for retirement and reducing taxes can go hand in hand. Your tax professional or a certified financial planner should be able to explain your options. If eligible, retirement accounts like an IRA or Simplified Employee Pension (SEP) can still be established and funded before the return is filed.

How can I pay less in tax? This question generally comes after a taxpayer receives his or her return and checks the tax liability. Depending on the return, there may be little that can be done to reduce taxes. But with an eye toward the 2020 tax year, it doesn't hurt to ask.

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