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## Tax Tips

### Keeping Good Records

You can avoid headaches at tax time by keeping track of your receipts and other records throughout the year. Good record-keeping will help you remember the various transactions you made during the year, which in turn may make filing your return a less taxing experience.

Records help you document the deductions you've claimed on your return. You'll need this documentation should the IRS select your return for examination. Normally, tax records should be kept for three years, but some documents — such as records relating to a home purchase or sale, stock transactions, IRA and business or rental property — should be kept longer.

In most cases, the IRS does not require you to keep records in any special manner. Generally speaking, however, you should keep any and all documents that may have an impact on your federal tax return:

- ◆ Bills
- ◆ Credit card and other receipts
- ◆ Invoices
- ◆ Mileage logs
- ◆ Canceled, imaged or substitute

checks or any other proof of payment

- ◆ Any other records to support deductions or credits you claim on your return.

Good record-keeping throughout the year saves you time and effort at tax time when organizing and completing your return. If you hire a paid professional to complete your return, the records you have kept will assist the preparer in quickly and accurately completing your return.

For more information on what kinds of records to keep, see IRS Publication 552, Record keeping for Individuals, which is available on IRS.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

#### Links:

Publication 552, Record keeping for Individuals

### Choose Your Correct Filing Status

Your federal tax filing status is based on your marital and family situation. It is an important factor in determining whether you must file a return, your standard deduction and your correct

amount of tax.

Your marital status on the last day of the year determines your status for the entire year. If more than one filing status applies to you, you may choose the one that gives you the lowest tax obligation.

There are five filing status options:

- 1. Single.** Generally, if you are unmarried, divorced or legally separated according to your state law, your filing status is Single.
- 2. Married Filing Jointly.** If you are married, you and your spouse may file a joint return. If your spouse died during the year and you did not remarry, you may still file a joint return with that spouse for the year of death.
- 3. Married Filing Separately.** Married taxpayers may elect to file separate returns.
- 4. Head of Household.** You must be unmarried and paid more than half the cost of maintaining a home for you and a qualifying person.
- 5. Qualifying Widow(er) with Dependent Child.** If your spouse died during 2003 or 2004, you have a qualifying child and meet certain other con-

ditions; you may be able to choose this filing status.

For more information about filing status see publication 501, Exemptions, Standard Deduction, and Filing Information available on the IRS website at IRS.gov or by calling 1-800-TAXFORM (1-800-829-3676).

**Link** — Publication 501, Exemptions, Standard Deduction, and Filing Information

## Should You File a Tax Return?

You must file a tax return if your income is above a certain level. The amount varies depending on filing status, age and the type of income you receive.

For example a married couple, under age 65, generally is not required to file until their joint income reaches \$16,400. However self-employed individuals generally must file a tax return if their net income from self employment exceeds \$400.

Check the “individuals” section of the IRS Web site at IRS.gov or consult the instructions for form 1040, 1040A or 1040EZ for specific details that may affect your need to file a tax return with IRS this year.

Even if you do not have to file, you should file to get money back if Federal Income Tax was withheld from your pay, or you qualify for any of these credits:

- ◆ **Earned Income Tax Credit.** The Earned Income Tax Credit is a federal income tax credit for eligible low-income workers. The credit reduces the amount of tax an individual owes, and may be returned in the form of a refund.

- ◆ **Additional Child Tax Credit.** This credit may be available to you if you have three or more qualifying children or if you have earned income that exceeds \$10,750. The Additional Child Tax Credit may give you a refund even if you do not owe any tax.

- ◆ **Health Coverage Tax Credit.** Limited to certain individuals who are receiving certain Trade Adjustment Assistance, Alternative Trade Adjustment Assistance, or pension benefit payments from the Pension Benefit Guaranty Corporation.

For more information about filing requirements and your eligibility to receive tax credits visit the IRS Web site at IRS.gov.

## Advice for Choosing a Tax Preparer

Taxpayers who pay someone to do their taxes should choose a preparer wisely. If you choose to use a paid tax preparer, it is important that you find a qualified tax professional. Taxpayers are ultimately responsible for everything on their return even when it's prepared by someone else. While most tax return preparers are professional and honest, taxpayers can use the following tips to choose a preparer who will offer the best service for their tax preparation needs.

- ◆ **Ask about service fees.** Avoid preparers who claim they can obtain larger refunds than other preparers, or those who guarantee results or base fees on a percentage

of the amount of the refund.

- ◆ **Plan Ahead.** Choose a preparer you will be able to contact after the return is filed and one that will be responsive to your needs.
  - ◆ **Get References.** Ask questions and get references from clients who have used the tax professional before. Were they satisfied with the service received?
  - ◆ **Research.** Check to see if the preparer has any questionable history with the Better Business Bureau, the state's board of accountancy for CPAs or the state's bar association for attorneys. Find out if the preparer belongs to a professional organization that requires its members to pursue continuing education and also holds them accountable to a code of ethics.
  - ◆ **Determine if the preparer's credentials meet your needs.** Are they an Enrolled Agent, Certified Public Accountant or Tax Attorney? Only attorneys, CPAs and enrolled agents can represent taxpayers before the IRS in all matters including audits, collection actions and appeals. Other return preparers may represent taxpayers only in audits regarding a return they signed as a preparer.
- Report suspected tax fraud and abusive tax preparers to the IRS on Form 3949-A, Information Referral, or by sending a letter to Internal Revenue Service, Fresno, CA 93888. Download Form 3949-A from IRS.gov or order by mail at 1-800-829-3676.

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