

Are You Prepared for Tax Season?

Debie Leonard, Tax Shareholder
Thomas Howell Ferguson, P.A.

As the April 15 deadline for filing individual income tax returns is rapidly approaching, it is important to be on the lookout for tax information in the mail, get your tax records in order, and address a few key tax questions.

Do I have to file a tax return in 2007?

Whether or not you have to file a tax return depends on several factors, such as your filing status, age and the gross income you received for the year. For example, if you are age 65 and older and single, you don't need to file a tax return unless your gross income for the year is \$10,050 or more. If both you and your spouse are age 65 and older and you are filing a joint return, the return should be filed only if your joint gross income is \$19,600 or more.

Even if you do not have to file a return, you should still file one to get a refund of federal income tax withheld, request earned income credit (if eligible), or receive an economic stimulus payment from the federal government.

As you can see, a very important factor that will determine whether or not you have to file a return is the amount of "gross income" you received for the year.

What is included in "gross income"?

Gross income is all the income you received in the form of money, goods, property and services, with the exception of tax-exempt items such as interest from municipal bonds, welfare benefits, veterans' benefits, and federal tax refunds, etc. Do not include Social Security benefits in your gross income unless you are married, filing a separate return and you lived with your spouse at any time in 2007. Remember, this is a very narrow definition of gross income and is used only for purposes of determining whether or not you are required to file a tax return.

Let's assume you are single and age 65 and older. Your income in 2007 consisted of the following: dividends of \$5,000, taxable interest of \$3,000, tax-exempt interest of \$3,500, and Social Security benefits of \$12,000. Your gross income for purposes of determining whether or not you need to file a return is \$8,000 (\$5,000 dividends + \$3,000 taxable interest). Since \$8,000 is less than \$10,050, you don't need to file.

If you've determined that you do have to file your income tax return, the next step is to decide whether you will do it yourself or receive outside assistance.

Here are a few helpful pointers:

File Form 1040, your 2007 individual income tax return, by April 15, 2008. If you are unable to file your return by this date, you may extend it for six months (until October 15, 2008). To do so, you will have to file Form 4868 by April 15, 2008, requesting an

automatic six-month extension. Remember, the six-month extension to file your return does not extend the time to pay your tax.

- Make sure that your Social Security number (SSN) is written correctly on your Form 1040. An incorrect or missing SSN can increase the processing time for your return and delay your refund.
- You may be able to claim Credit for the Elderly or the Disabled if, by the end of 2007, you were age 65 and older, or you retired on permanent and total disability and you had taxable disability income.
- If you are filing a 2007 return to receive an economic stimulus payment from the Federal Government, you must have at least \$3,000 in qualifying income. Qualifying income includes Social Security benefits reported in box 5 of Form 1099-SSA.
- Don't forget to sign your return. If your adjusted gross income was \$54,000 or less in 2007, you can use FreeFile to prepare and e-file your taxes online free of charge. FreeFile can be accessed through the IRS Web site at www.irs.gov.

Who can help?

You can always use a tax professional, which would involve paying a fee. Another option is to use services offered by various government programs. IRS-sponsored Tax Counseling for the Elderly (TCE) Program offers free tax counseling and basic income tax return preparation to individuals who are age 60 and older. To find the location, dates and hours of the closest TCE site, call the IRS toll-free number at 1-800-829-1040. Also, AARP offers the Tax-Aide counseling program at thousands of sites nationwide during the filing season. To locate the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit AARP's Web site at www.aarp.org.

Regardless of whether you will prepare your tax return yourself or have someone assist you, you need to make sure that you have all your tax information ready.

For additional information regarding preparation of your 2007 income tax return, visit the IRS Web site at www.irs.gov.

Economic Stimulus Package

Simplified filing requirement. For eligible individuals (or married couples filing jointly) who are not required to file an income tax return, but who had qualifying income in 2007 that equals or exceeds \$3,000, IRS will treat a Form 1040A for 2007 prepared in the manner shown below as a valid claim for refund in the amount of the 2008 economic stimulus payment.

Eligible individuals should:

- Write the words "Stimulus Payment" in the blank space at the top of page 1 of Form 1040A above the title of the form.
- Enter names, mailing address and Social Security numbers on the appropriate lines of Form 1040A and enter filing status and exemption information on lines 1 through 6d of the form.

Common Tax Statements

Below is a list of the most common tax statements that you may need for preparation of your tax return:

Form W-2 (wages)

Form 1099-INT (interest income)

Form 1099-DIV (dividend income)

Form 1099-R (retirement income)

Form 1099-SSA (Social Security income)

Form 1099-MISC (miscellaneous income)

Form 1098 (mortgage interest and real estate taxes paid)

Acknowledgement of charitable contributions made

Thomas Howell Ferguson P.A. is a full-service professional certified public accounting firm located in Tallahassee, Florida. For more information on their services, please visit www.thf-cpa.com.