

TAX GUIDE

30 million

Taxpayers who claim the charitable contributions deduction a year

\$38 billion

Annual cost of deductions to taxpayers

The cost of charity

Gifts to charity are itemized deductions. Individuals can cut their tax bills by a portion of their total deduction roughly equal to the top tax bracket into which they fall, which rises in line with rising taxable income, so wealthy people benefit more than others. The charitable giving deduction is one of the 10 costliest so-called tax expenditures, or provisions of the tax code that favor certain groups or activities with preferential treatment.

\$21

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WHAT TO GIVE YOUR TAX PREPARER



BY ROBERT D. FLACH
THE STREET

So you have chosen a tax professional to prepare your 2012 Form 1040. What information should you give him or her?

Begin with all copies of all W-2s, 1099s, 1098s and K-1s from all sources. Make and keep a photocopy of your W-2s, as you may need it for college financial aid or other applications.

Include a detailed listing of itemized deductions, rental income and expenses, self-employment income and expenses and child-care expenses. Your preparer doesn't need to see the individual bills, receipts or canceled checks — a detailed list or work sheet with specific numbers is sufficient.

"Claim the maximum" or "Whatever I am allowed" or "Same as last year" won't cut it. The maximum is what you actually paid, and you are allowed what you actually paid! Give your tax pro actual, specific numbers.

It is important to list the Social Security or Employer Identification Number for all child care providers. The IRS will disallow the Credit for Child and Dependent Care Expenses if you do not provide an identifying number on the Form 2441.

Provide your preparer with all year-end state-

ments, reports, booklets and other literature received from brokerage accounts and mutual funds.

The statements will contain details on cost basis, purchases, dividend reinvestment, margin interest, management fees, etc., and booklets often include information on income from U.S. government obligations useful in preparing your state return. Also give the final pay stub for the year for each employer.

And be sure to give him or her the dates of birth for yourself, your spouse and all dependent children.

You will need to provide your tax preparer with additional information if certain special situations apply:

If you sold shares of stock or a mutual fund: The date of purchase and cost of the shares sold. If you bought the shares through dividend reinvestment, the amount of dividends reinvested each year. If the investment was inherited, the number of shares you inherited and the date of death of the person from whom they were inherited.

If you sold real estate: The Closing/Settlement Statements for the purchase and sale of the property, plus the cost of capital improvements made over the years.

If you bought real estate: The Closing/Settlement Statement for the purchase of the property.

If you refinanced a mortgage: The Closing/

Settlement Statement for the refinance and the term of the new loan.

If you are getting IRA distributions: The year-end statements for all IRA accounts.

If you have dependents in college: All Form 1098-Ts received, the "Bursar's Reports" for the year (you may be get a printout from the college's website) and the amounts paid for books and supplies.

If you got a distribution from a pension plan: Whether you rolled-over the distribution to an IRA.

If you donated a car to charity: All the paperwork you got from the charity, especially the Form 1098-C, plus the original cost and date of purchase of the car.

If you bought a car, motorcycle, boat or airplane: The sales tax paid.

If you are paying alimony: The Social Security number of your ex-spouse, the amount of alimony paid and any other required payments (for instance, health insurance premiums or real estate expenses) you made on behalf of your ex-spouse.

It is better to give your preparer too much than too little, so include anything else you think may be of help.

Robert Flach is an expert with almost 40 years of experience as a tax professional and also blogs as The Wandering Tax Pro.

Standard deduction and exemptions

The standard deduction for 2012 has been adjusted higher for inflation: to \$11,900 for married couples filing jointly, \$8,700 for heads of households and \$5,950 for single taxpayers. About two-thirds of taxpayers claim the standard deduction, according to Barbara Weltman, an author of J.K. Lasser's Tax Guide 2013.

Each personal exemption is worth \$3,800 for 2012: up from \$3,700 in 2011. Look expansively at dependents beyond your children under 19, or 24 if in college. For example, if you're paying more than half the support for your parents and their taxable income is less than the \$3,800 exemption, you might be able to claim them as dependents, even if they're not living in your own home. "If a parent's only income is Social Security, chances are little or none of the Social Security will be taxable. Otherwise, very few people would get to claim a parent," said Jackie Perlman, principal tax research analyst with H&R Block's Tax Institute.

Single taxpayers with qualified children or relatives as dependents: may be able to use head of household filing status, which is more advantageous to the taxpayer.