

DON'T PANIC!

LAST-MINUTE TAX TIPS FOR LAST-MINUTE FILERS

Procrastination may be the American way at tax time, but the longer you wait to prepare your return, the more likely you are to make critical, costly mistakes – or, worse yet – overlook money-saving tax breaks. For the millions of Americans who wait until the last few days to file their tax returns, the danger of making critical, costly mistakes – and overlooking eligible tax breaks – increases as the tax filing deadline of April 15 nears. Here are some points to consider before you file:

1. Get your records in order. Get a folder or file drawer ready to save W-2s, 1099s, 1098s, K-1s, and all other relevant receipts and documents. Even if you don't plan to file until the last minute, you will save time and worry – and maybe even tax preparation fees – if you are well-prepared and organized.

2. IRA contributions. You can make contributions to your IRA through April 15 for the 2003 tax year. For 2003, the contribution limit is \$3,000. If you were at least 50 years old on December 31, 2003, you may make an additional catch-up contribution of up to \$500. Your contribution cannot exceed the lesser of (1) the maximum allowed or (2) your earned income.

If your IRA deduction is limited because you or your spouse is an active participant in an employer plan, consider contributing to a Roth IRA instead. The same increased contribution limits apply. Why a Roth IRA? Why not just make a nondeductible contribution to a traditional IRA? Roth contributions aren't deductible, but qualified distributions, including earnings, are not taxable.

“The danger of making careless and costly mistakes increases dramatically for the millions of Americans who wait until the last minute to prepare and file their tax returns.”

— Jackie Perlman,
CPA, Senior Tax
Research Analyst

Catch: If your modified adjusted gross income (MAGI) for 2003 is \$150,000 or more, you don't qualify to contribute to a Roth. If you believe your MAGI may be over the limit, you should want to wait until your return has been completed before you determine if you are eligible to contribute to the Roth.

If you can't deduct your IRA contributions and you aren't allowed to contribute to a Roth IRA, you may still want to contribute

to a traditional IRA. If you do, be sure to file Form 8606, Nondeductible IRAs and Coverdell ESAs, to establish your after-tax basis in the IRA.

3. Even though you are rushed. . . Take the time to double-check your return. Check your math and all Social Security numbers. According to the IRS, these are the two most common mistakes. For example, suppose your W-2 shows gross wages of \$47,991 and you enter \$47,199 on your return. This simple transposition error will lead to delays, IRS notices, and other problems that could have been easily avoided by taking the time to double-check.

If you are a do-it-yourselfer and are missing a form, you can download the form and its

instructions from the IRS at <http://www.irs.gov/formspubs/lists/0,,id=97796,00.html>. Most state departments of taxation have web sites that allow you to download forms and instructions as well.

Also, make sure you have attached all necessary forms and schedules before mailing your tax return. You do not need to attach worksheets. If you'd like to explain an entry on your return, attach a statement with your explanation.

Make a copy of everything for yourself. Keep this copy in a safe place.

4. Consider using a tax professional.

Although you may be a “do-it-yourselfer,” if you are filing at the last minute, you may not have time to bone up on the many tax changes that took effect in 2003. Every year taxpayers overpay by an average of \$400 per return. This might be a good year to put your trust in a tax professional who will ensure that you are taking advantage of the new laws and getting every benefit you deserve.

5. Try e-filing this year - you'll like it! Just because you've waited until the last minute to file doesn't mean you have to wait a long time for your refund. On average, a refund on an electronically-filed return will come in a few days (if electronically deposited) or weeks, as opposed to a paper-filed return, which may take several weeks or even months to receive. In addition,

- you'll avoid post office lines,
- you'll know that the IRS received your return, and
- you'll make fewer errors.

Electronically-filed returns have an accuracy rate of 99% vs. 81% for paper returns. Problems (such as an incorrect social security number) can be handled immediately; the IRS computers will bounce the return back to you, via e-mail, usually within 24-48 hours, with an explanation as to why your return was rejected.

6. Request an extension. If it is just not reasonable to get everything done by April 15, you can get an automatic extension of time to August 15 by submitting Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. Your request must be mailed or

phoned in by midnight, April 15. (Check your state filing requirements. Some states accept the federal extension. Others do not.)

There are several ways to request an extension. See H&R Block's *EXTENSIONS – WHAT YOU NEED TO KNOW BEFORE YOU APPLY*, H&R Block Tax Facts, for more information.

Remember, filing Form 4868 is an extension of time to file, not to pay. You should estimate your tax liability and send in a check for the anticipated balance due with the extension to avoid additional penalties and interest.

Check your state instructions regarding extensions. In many states, if there is no balance due, a state extension is not necessary.

7. Amended returns. It is estimated that American taxpayers overpaid the government as much as \$311 million in a recent tax year* by neglecting to claim the mortgage interest deduction. Missed deductions and credits are two reasons why taxpayers overpay. The Internal Revenue Service allows taxpayers to file amended tax returns originally filed within the last three years (1999-2001).

As part of H&R Block's Double Check Challenge, taxpayers can bring in tax returns prepared by a professional or themselves from 2000-2002 to any of H&R Block's participating offices nationwide. An H&R Block tax professional will then review the return at no charge to make sure no deductions were overlooked, credits were missed, and the tax has been calculated correctly.**

* General Accounting Office April 2001 Tax Deductions Report

** Re-filing fees apply