



## **A Taxing Season**

By Channon Collins

As April 15<sup>th</sup> draws near, more and more shopping bags and shoe boxes are stuffed with crumpled receipts and scribbled notes on cocktail napkins. While this is one of the more popular methods of record-keeping, it is not the most efficacious way to itemize your activities.

The year is still young and it is never too late to organize your documents and your personal constitution. One of the reasons most people have such a jumble of records is that most are unsure of what items are necessary to keep. The first and foremost item that must be retained year after year is copies of your tax return. These are official documents which will be used to prepare future returns and stand as a record of your assets and activities.

When organizing your records, use basic groups to identify the nature of the item – income, expenses, home, and investments. Keep any income records dealing with bank and brokerage statements and W-2 and 1099 forms. Expenses are easily tracked by retaining sales slips, invoices, receipts, and canceled checks. To identify all home expenses, keep any purchases and sales invoices, insurance records, and home improvement records. For investment records, keep all brokerage and mutual fund statements, and any 1099 and 2439 forms.

Most of our lives do not fit neatly in a file folder with only four files. With this in mind, certain records must be maintained for those additional activities. The receipt and payment of alimony requires that you should keep a copy of any legal documents in reference to the amount and type of payment. If you use any area of your home for business purposes, specific records must be kept to allocate expenses between your personal and business use.

It will also be useful to keep a log of out-of-pocket expenses for any activities involving non-profit organizations. Documentation is also needed for contributions of \$250 or more to any organization. If you wish to claim a child care credit, you must have documentation from the care-giver. You should also maintain records in reference to medical and dental expenses, information on a medical savings account, mortgage interests, and any pensions or annuities received.

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If your occupation requires travel, you must maintain information regarding mileage, entertainment expenses, and any gifts given to prospective clients. Remember to include the date, purpose, and amount of each expense related to business activities. And if you receive tips as part of your income, you are required to report all amounts over \$20 per week.

The list may seem daunting, but if you begin with the end in mind, you will find that organizing your documents and your activities will be a highly rewarding experience – especially when it comes time to fill your shoe boxes...

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