

Gathering documents is half of the battle of tax preparation

As published in The Naperville Sun – January 21, 2009

It is the time of year again when many Naperville residents begin to gather the information needed to have their income tax returns prepared. The information gathering process can be tedious but is necessary to ensure that an accurate return can be prepared capturing all the deductions you are entitled to. Each taxpayer's circumstances are different, and some information may take a little extra work to obtain to ensure that everything is properly represented on your tax return.

Some of the more common items needed are W2 statements, form 1099 statements, information on stock sales, including specific data on the stock that was sold and when it was originally purchased, mortgage interest statements from banks or mortgage lenders, a listing of charitable contributions with proper values for noncash contributions, and the amount of real estate, state income and other taxes paid during the year. You can get information on the value of noncash donations, such as clothing, on the Internet.



*Christina Klein, partner
Klein, Hall & Associates LLC*

If you bought or sold a home during 2008, you will need the closing statements of both the home sold and the new home purchased so that the proper real estate taxes and the sale can be reported on the tax return. During this economic downturn, many people will have houses they cannot sell immediately. They might even move into the new residence while still owning their previous home. In this case, the mortgage interest and real estate taxes may still be fully deductible on their tax return depending on the circumstances. If the prior home is rented, all income and expenses pertaining to this rental home must be listed and reported on the income tax return. Whether the previous residence stands vacant or is rented for a period of time will also determine how much gain is recognized on the eventual sale. These laws changed for sales in 2009 or later. Be sure to consult your tax adviser if these circumstances apply to you.

Other types of documentation needed for your tax return include any business activity, including unreimbursed employee business expenses, certain legal costs, safe deposit box fees, IRA and other investment fees, certain educator expenses (for teachers), student loan interest paid along with college tuition payments (which may be eligible for tax credits or deductions), all contributions to retirement plans or any distributions from these plans.

A deduction some people are not aware of is the deduction for contributions to the Illinois college tuition programs. Bright Start, College Illinois and Bright Directions contributions made during the year are allowed as a deduction on your Illinois state

income tax return, subject to some limitations. You will need to know the amounts contributed to these plans in 2008.

You can call a local tax preparer if you are unsure which documents will be required to prepare your tax return. You can verify your tax preparer is licensed by contacting the Illinois Department of Professional Regulation.

Christina Klein is a certified public accountant and a partner in Klein, Hall & Associates LLC. Klein Hall is the recipient of the Naperville Area Chamber of Commerce Small Business of the Year Award in the professional category. She can be reached at cklein@kleinhallcpa.com or 630-898-5578.