


You Have The Power To Slay Your Own Taxes

Happy Tax Season!

This is a time of year that I both love and hate. I love it because it provides one final opportunity to review the year that was. I hate it because my blood starts to boil a bit when I see how much I have already paid in taxes. The strong likelihood that I will owe even more makes it hurt that much worse.

Don't get me wrong; I think that everyone should pay a fair share. As a citizen, I accept my part in that. The roads we all use are not going to build themselves. It's smart to maintain a military to protect our hard-won freedoms. Social programs for the less fortunate need funding, and we have a moral obligation to help those who can't help themselves (although I'm talking about a hand-up there, and not just a handout for anyone who would abuse the system). I get all that. But I think what peeves me so much about paying taxes (besides the obvious, that I would rather keep it all!), is what I see as wasteful spending and inefficiency in our government, and how I have no say in how well my tax money is used in the service of our country once it leaves my account.

Plus, we pay a lot more in taxes than just the deductions that get taken out of our paycheck automatically every month. Check out this list of all the taxes we pay (from [The Tax Racket](#)  recommended by a reader - thanks, JayCeezy):

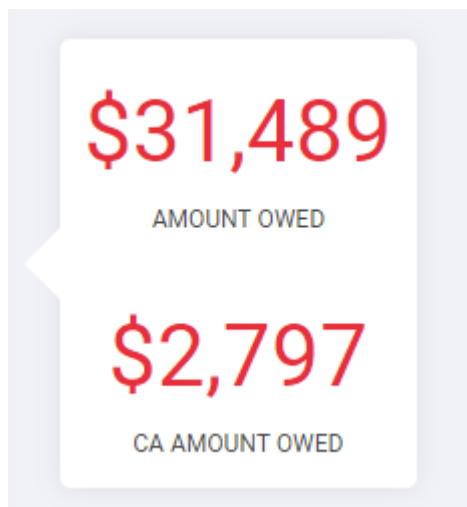
- Airline and Airport Taxes
- Bridge and Highway Tolls
- Capital Gains Tax
- County Taxes
- Dividend Taxes
- Environmental Taxes
- Excise Taxes
- Federal Income Tax
- Gambling Taxes
- Gasoline Tax
- Hotel and Travel Taxes

- **Income Tax (State & City)**
- Inheritance Taxes
- Junk Food Tax
- License Tax
- Luxury Tax
- Marriage Tax
- Options, Stock, and Bond Taxes
- Parking and Garage Taxes
- Penalties and Interest
- Personal Property Tax
- Personal Property (intangible) Tax
- **Real Estate Property Taxes**
- **Sales Tax**
- School Taxes
- Self-Employed Taxes
- Sin Taxes
- Small Business Taxes
- **Social Security Taxes**
- Telephone and Cable Taxes

[Nerd Wallet conducted a study in 2015 and found that California tax filers pay about 37% of their income in taxes](#), which only includes the taxes in **blue and bolded** above, and doesn't even count the rest. (I live in California, so I naturally focused on that state, but NW did share findings from other states as well.)

I STILL DO MY OWN TAXES

This past weekend I started the GYFG tax return for 2017. After entering our W-2s, which showed approximately \$81,000 already withheld in taxes (on gross income of \$343,000), I was greeted with a little box in the corner of my TaxSlayer screen that showed I still owed \$31,489 to the Federal Government and \$2,797 to the state of California.



The only adjustments this included were the \$18,000 I contributed to my 401K and the \$5,800 I contributed to my HSA (my company contributes \$750/year on my behalf, so I left \$200 of tax-free money on the table...bummer). That said, we still have to enter the rest of our income and then all of our deductions. I'm expecting our actual final tax bill to be less than \$10,000 if I planned properly.

2017 is an anomaly year for us, however, as our "tax shield" is unusually large due to several reasons:

(1) I will be claiming my brother as a dependent and [the \\$33,000 paid for his rehab](#) as a medical expense. Unusual to claim another adult, yes, but our situation fits the guidelines as I read them. **Update:** (Since writing this, I have added in all of our deductions, and this one expense is saving us about \$6,000 off our tax bill. The IRS allows you to deduct anything over 7.5% of your AGI for 2017 and 2018.)

(2) We sold our investment condo, technically at a loss on paper, even though we cashed out \$93,000 in equity that was mostly paid for by other people.

Update: (This resulted in substantial savings for 2017.)

If this were our 2018 tax return, the initial TaxSlayer assessment of taxes owed would reflect something close to reality. That is because in 2018, with the new tax bill recently passed, not only do we lose the two items above, but we will also be losing about \$20,000 in deductions (based on our 2017 income) due to the \$10,000 cap set on the deductibility of both state income taxes and property taxes (what they are referring to as "SALT" in the media). With our projected income in 2018 of \$431,000, I estimate a loss of around \$35,000 in deductions next year due to the new cap. Some of this will be offset by the new lower tax brackets, but I don't know how much yet (a post for another day after we

completely close out 2017).

Regardless, I soldier on to continue filling out our 2017 tax return. I have two goals: (1) complete our return by the end of February, and (2) reduce our liability to as close to zero as possible.

Update: I started our taxes on 1/27/18 and have made a lot of progress since then. Although I am still missing a few items, I have managed to input most of our income and deductions. Our additional liability for 2017 currently sits at \$4,249 as of 2/4/18 (down from \$34,286).

GOING TO DIY YOUR TAXES THIS YEAR?

Doing your own taxes isn't nearly as hard as it may seem, especially when you use a very robust piece of tax filing software like [TaxSlayer](#). I have been using TaxSlayer to file my own taxes since 2005, and I'd encourage any of you to give it a try. Here is a simple checklist of items that you will want to collect before sitting down to do your own taxes:

Personal Information

- Social Security or Tax ID Number (for you and spouse if applicable)
- Dependents' Information

Income Related

- W-2s
- 1099s
- Rental Income

Deductions

- 1098s or other mortgage interest statements
- Real estate property tax records
- Charitable donations
- Medical expenses
- Retirement contributions


This is just a very high-level overview of the information you will need to gather. I have put together a more comprehensive list that you can download by clicking the

link below.

[Click Here to Download The GYFG 2018 Tax Prep Checklist](#)

Most people's tax situation is very simple and with the help of software guiding you through, I think the majority of the population (not just the PF peeps) are more than capable of completing their own tax return. It really is as simple as transferring numbers from the tax documents you receive from various sources into the right boxes in the online software (it walks you through the whole process). Best of all, if you have a very simple return (i.e., you only use the 1040-EZ form), you can file it for free with [TaxSlayer](#):

Choose the TaxSlayer version that's right for you

 <p>TaxSlayer gives you the tools you need to file your return online.</p> <p>COMPARE</p>	<p>SIMPLY FREE</p> <p>\$0</p> <p>✓ STATE INCLUDED</p> <hr/> <p>SIMPLE TAX RETURN FORM 1040EZ ONLY</p> <p>FILE FOR FREE</p>	<p>CLASSIC</p> <p>\$17</p> <p>+ STATE ADDITIONAL</p> <hr/> <p>ALL MAJOR FORMS W-2 IMPORT</p> <p>START FOR FREE</p>	<p>PREMIUM</p> <p>\$35</p> <p>+ STATE ADDITIONAL</p> <hr/> <p>LIVE CHAT SUPPORT AUDIT ASSISTANCE</p> <p>START FOR FREE</p>	<p>SELF-EMPLOYED</p> <p>\$55</p> <p>✓ STATE INCLUDED</p> <hr/> <p>BEST FOR SELF-EMPLOYED & FREELANCERS</p> <p>START FOR FREE</p>
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Although my taxes have increased in complexity over the years, I have continued to do my own since 2002, and I have been using TaxSlayer since 2005. Beyond the obvious dollar savings of doing my own returns, I think the DIY process has also been great in terms of my financial education, empowerment, and self-reflection, which enables me to make economic choices throughout the subsequent year with my tax consequences in sight.

This is also a good time to remind you that it's not too late to reduce your tax bill for 2017. Although many of the tax-saving options are limited after December 31, you still have an option available to decrease your tax bill before the April 17 filing deadline.

Do this by making any contributions to retirement accounts right up to filing. Depending on your situation you can contribute \$5,500 for the 2017 calendar year or \$6,500 if you're 50 or older. [Here is a link to the IRS website with more detail](#). Let's assume you do make a contribution of \$5,500 to an IRA. At an example

25% marginal tax rate, you would save \$1,375 in taxes. Additionally, you have shielded money for decades to compound uninterrupted.

All this said, the GYFG household does plan to consult a CPA in 2018 for the first time. Our income has grown to a point where we're starting to feel the tax pain and we want to be sure we are still paying the legal minimum. I'm estimating that our 2018 taxes, doing what we have always done, will be about \$120,000 (up from about \$86,000 in 2017). That's a serious chunk of change. It's time to bring in the big guns, so as to not save pennies and leave dollars on the table. We plan to reach out to [The Wealthy Accountant](#) (who currently has a net worth in the \$14M to \$15M range).

So, will you be filing your own taxes for 2017? How long have you been filing your own taxes? If you don't file your own taxes, why not? Have you ever "found" deduction\$ left on the table by a tax preparer or a preparation software?

- Gen Y Finance Guy

Oh, you're still reading. (hands clapping)

In that case, I have a few tips on safety during this year's tax season. I thought this would be helpful given all of the data breaches constantly in the news and the increased threat of identity threat during tax season particularly. Not to mention the hassle of dealing with someone stealing your identity and filing taxes in your name. (Read Michael's story of how this [happened to him in 2016](#) and [what he had to do to fix it.](#))

5 Tips to Stay Safe This Tax Season:

(1) **Regularly Check Your Credit Report.** A lot of individuals stray away from doing this with the fear that it will lower their score. That is not the case and it is actually encouraged to check your credit report often. You checking your credit score results in a different type of mark than if a potential creditor is checking (that kind actually can lower your score). [Not only is it free](#), but it is also an important step in maintaining good credit. Making this a habit will help to monitor any suspicious activity that could indicate the possibility of [identity theft as well](#). (Note to parents: do this for your kids - even babies - as well. Theft of children's identity

has become more common.)

(2) **Use a Secure or Private Wifi Network.** A common and convenient way to file your taxes is via online. If you choose to e-file your taxes, [it is important to be on a secure Wifi network](#). Private networks can prevent scammers from hijacking your personal information and committing tax fraud under your name.

(3) **IRS Regulations.** If the IRS needs to contact you they will almost always reach out via mail. **Beware of phone calls, emails and home visits claiming to be the IRS as [these are most likely scams](#).** The IRS will never demand you use a certain method of payment or threaten to get your local police involved- these are things to look out for.

(4) **Shred Personal Documents.** Dispose of any personal documents that hold sensitive information once you no longer have a need for them. An easy way for a scammer to commit tax fraud is by snatching your personal files right out from the trash bin. A simple solution is to get into the routine of shredding your needless files.

(5) **File Early.** There are many perks to filing your taxes early. Some include a faster refund, more time to pay what you owe, and the chance to avoid a [tax extension](#). The most important perk, however, is that filing early can also decrease your chances of becoming a victim of tax fraud, which in the end saves you both time and money.



STAYING SAFE

THIS TAX SEASON

TAX SEASON IS CHALLENGING ENOUGH—

worse if you're a victim of tax-related identity theft. Criminals may have your personal info from recent data breaches. They can use it to make your tax season more taxing by filing a fake tax return using your Social Security number to obtain a fraudulent tax refund.

DID YOU KNOW?

the facts

400%

Increase in tax-related phishing and malware attacks in 2016 filing season

969,000

Number of IRS-identified tax returns claiming around \$6.5 billion in potentially fraudulent refunds

183

Number of screening filters that the IRS implemented to prevent fraud in 2016

100,000

Number of taxpayer records compromised when the IRS was breached in 2015

TIPS FOR STAYING SAFE



When initially contacting a taxpayer, the IRS will generally send several letters through regular mail. Beware of a house visit, phone call or email from someone who says they're with the IRS. It could be a scam.



Use a secure, private Wi-Fi network if you're e-filing



File early to beat out crooks who might file with your info



Beware of emails from the Taxpayer Advocacy Panel (TAP). These are a phishing scam



Ignore any tax payment demands for gift cards or other specific payment type



Shred all documents with sensitive info



Regularly check your credit report for suspicious activity, a possible indication of identity theft

THE IRS WOULD NEVER

Demand payment in a specific way (credit, cash, etc.)

Ask for credit or debit card numbers over the phone

Demand payment without giving you time to review the owed amount

Make threats about involving the police or arresting you

You may be unaware that you're a victim of tax-related identity theft until you try to file your taxes and the IRS tells you something's wrong. Respond immediately to any IRS notice. And check your credit reports for other fraudulent activity.

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Gen Y Finance Guy

Hey, I'm Dom - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)