

Face it: The tax fairies aren't going to file your tax return for you. Here's a step-by-step guide to finding and filing those tax forms you've been avoiding.

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MSN Money

It's time to start thinking about getting those taxes done. Maybe you're in a panic. Not to worry. Just follow Schnepper's 15 steps to getting your taxes done, and you'll be much happier. Ready? Here they are:

- 1. Get serious.** Unless you're focused, you're going to see that receipt six times rather than the once you need. This is all mental now. Schedule a time to get to work and commit to that time. Then . . .
- 2. Get started.** Remember that commitment to get to work? Keep it! This step requires action. Get your pencil and take the blank forms out of the envelope where you've been hiding them, praying that the tax fairies would make them go away. My father reminds me of the old Brooklyn proverb, "A trip of a thousand miles begins with a traffic jam." Get in that "jam," and your tax return will begin to jell. Now . . .
- 3. Get organized.** Something has to go on those returns. Get your W-2s together to report wages, your 1099s to report interest and dividends, your 1099Bs for reporting stock and bond sales, and your 1098s for deducting your interest and taxes. The Internal Revenue Service and your accountant both want final numbers. It makes it easier for them and less painful financially for you. Bring either one a shopping bag full of receipts and you're going to feel the pain . . . especially in your wallet.

Year-end tax planning tips

- 4. Get informed.** Have you been following all the changes the U.S. tax code has seen in the past decade? How about the multiple new tax bills passed just this year? The adoption credit has been made refundable and extended. 2010 is the last year you can use your flexible spending money for nonprescription medications. Get them in while you can. Bush tax cut expiration anybody?

Even better, have you looked at the new [American Opportunity Tax Credit](#), which can give you as much as \$2,500 in tax savings? If not, get educated! While you're getting enlightened, don't neglect the tax credits on energy-efficient improvements to your home. And if you're a new homebuyer (one who hasn't owned a principal residence for the last three years), you can get a refundable credit of 10% of the purchase price, up to \$8,000, on a new principal residence. If you've been in your home for five of the last eight years, you can purchase a new principal residence and qualify for a 10% credit of up to \$6,500. But to qualify for either homebuyer credit, you had to be under contract by April 30, 2010, and close by September 30, 2010.

If you're "tax simple," the IRS can actually do the return for you, or you can have your return done online -- sometimes even for free. Alternatively, if you're tax-savvy, do your own return after learning the new rules. A good place to start: the [IRS' absolutely free Publication 17](#). It's hundreds of pages of everything you need to know about your 2010 tax return and your planning for 2011. If that's too much, go to a professional.

- 5. Get help.** You might remove a splinter from your own finger, but you wouldn't perform heart surgery on yourself. A trip to a tax professional should at least tell you what you're missing. Don't hesitate to ask for help; it's deductible. But call for

an appointment now! The later your accountant does your return, the more tired that tax preparer will be. You want your return done when she's at her best.

6. Get status. Decide how you're going to file. The lowest rates are with joint returns, but if there are potential high medical or miscellaneous deductions, married filing separate may yield a lower total tax. Do it both ways. Alternatively, a single mother may qualify for the head-of-household rates, which are better than the rates for filing as a single. Sometimes, when a joint return isn't practical, even a married person with a dependent child can qualify for head-of-household rates, which are much better than married filing separate. You need to know the rules.

7. Get adjusted. There are certain deductions that are allowed regardless of whether you itemize. Such deductions include IRA and qualified pension contributions, student loan interest, moving expenses, alimony, medical savings account deductions and, for the self-employed, the health insurance deduction and deduction for half the self-employment taxes paid. These are known as "above the line" deductions. The infamous "line" is your adjusted gross income -- line 37 on Form 1040.

8. Get itemized. Which is bigger -- your standard deduction or the sum of your itemized deductions? We're now "below the line." The chart to the left of line 40a on your 1040 form for 2010 lists your standard deduction. Compare this amount to your total allowable itemized deductions. That's the sum of your allowed medical expenses, taxes, interest, charitable contributions, casualty and theft losses, and miscellaneous itemized expenses. Always do it both ways . . . and, subject to the alternative minimum tax (and don't even try to get into that), always take the higher amount.

9. Get exemptions. For 2010, you get to take off as much as \$3,650 from your income for each qualified exemption you have, the same as 2009. Despite myths to the contrary, these include children who are full-time students under age 24, regardless of how much income they may have. For 2010, increases in income will no longer decrease your exemption deduction. Back in 2009, on a joint return, your exemption deduction was phased out between adjusted gross income of \$250,200 and \$372,700. For singles, the numbers were between \$166,800 and \$289,300.

10. Get credit. A tax credit is the best expense to have. It's a dollar-for-dollar reduction in your taxes. A deduction reduces your tax by your marginal rate. For example, at a 25% rate, a \$100 deduction reduces your tax by \$25. A credit would reduce your tax by the full \$100. Review the potential credits you may be eligible to claim. If you have children, you may qualify for the child tax credit or the child and dependent care credits. Did you adopt? There's an adoption credit. With or without children, you may qualify for education credits and a credit for foreign taxes paid (check your 1099Bs). Don't forget the credit you get for estimated taxes paid, withholding and, if you worked for two or more employers, excess Social Security withheld. Remember the new credits for energy improvements and education.

11. Get cash. Decide how you're going to file. That's going to affect how quickly you're going to get that refund. If you e-file, and make the IRS happy, you're going to get your money back faster. Alternatively, if you file on paper, direct depositing your refund eliminates mail delay and speeds your access to cash. It also eliminates checks lost in the mail. The only reason I can see for not choosing direct deposit with a paper filing is if you just don't have a bank account.

12. Get filed. None of this matters if you don't actually get your return to the IRS. If you owe money, interest and penalties accrue for not filing, in addition to interest and penalties for not paying. You've done the hard work, now get it off your desk! Or file for an extension.

13. Get receipts. If you filed on paper, get a receipt. I always mail my returns certified, return receipt requested. If the IRS doesn't get your return, it wasn't filed. It may have been lost in the mail or lost by the IRS itself. But unless you can prove that it was filed, if the IRS doesn't have it, legally it wasn't filed. Prudence today can avoid disaster tomorrow.

14. Get planning. It's not too early to start your planning for the 2011 tax year. You can check out [tax brackets, standard deductions and exemptions for 2011](#). Once tax season is over, your financial adviser is going to have the time to review your wealth accumulation strategies. Don't put it off. People don't plan to fail; they merely fail to plan.

And finally . . .

15. Get real. It's only your taxes -- not life or death! Do your best, but don't obsess. Even the IRS understands that only those with tombstones over their heads never make mistakes. Remember, it's the new, friendly IRS. But it will charge interest and penalties.