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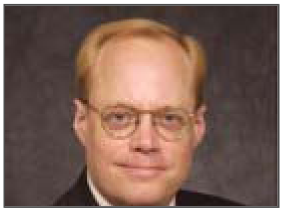

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THE TAX LAWYER

TAXES 2/13/2015

Nine Habits of Exceptionally Tax-Averse People

Thinking about taxes is a once-a-year affair for most people. Once a year, they make the annual slog down to the CPA, or as they download this year's hottest tax preparation software. They think about taxes fleetingly while they fill in forms on line, or even by hand the old-fashioned way. Sure, occasionally during the rest of the year, they have a dim awareness of taxes that enters into conversation when someone says something about a bonus or selling a house or unloading those shares you got from your uncle.

But it's all pretty random. When you think about how big a piece of *everything* taxes can take, it's worth thinking about them a lot. Maybe not every minute, but a lot. That's what exceptionally tax-averse people do. And their bank balance is usually high. Chicken or egg, I can't say, but exceptionally tax-averse people have these habits:

1. They Pay Attention to Every Form 1099. These little tax reports can come any time, but usually it is January or February when they show up in your mail. Each one bears your Social Security Number and will be matched to your tax return. Pay attention to them—the IRS sure does.

2. They Know Write-Offs Count. Many people don't understand tax deductions. Tax-averse people sure do. If you write off $100 and are in a 40% tax bracket, your cost is $60. Some people think the cost is $100. Some think it's nothing, like Kramer did in a 1996 Seinfeld episode as if "I'll just write it off," means the expense doesn't count.

3. They Know the IRS Has Power. The power to tax includes the power to destroy. Take taxes and the IRS seriously. In one Seinfeld episode Jerry says the IRS is "like the mafia. They can take anything they want." That may seem overstated, but it's true that the IRS has a lot of power. Never forget it.

4. They Know Timing Matters. Sure, the IRS has power, but there are limits. In some cases, how long can IRS audit depends on you, but there are plenty of procedural safeguards if you file on time, respond to notices promptly, and keep the administrative process going.

5. They Consider Taxes *Before* Signing Agreements. Leases, purchase agreements, settlement agreements, employment agreements, independent contractor agreements, and more. You name it, they have tax consequences. They needn't be mega-transactions for the tax dollars to be significant. Consider taxes before signing, since that's when you can still affect changes.

6. They Keep Good Records. Few people like keeping tax records, and playing catch up is the worst. For personal records or business, get organized. Keep a copy of each check, each payment, signed contract, lease, invoice and receipt, and the like. Good records make tax compliance and tax controversies vastly easier. What's more, if you have good records, the chances are that you are less likely to need to haul them out. If you don't have records, the IRS seems more likely to ask for them. Call it karma.

7. They Deal With Notices Promptly. Many tax lawyers and accountants make more money because clients tend not to deal with glitches and even major problems promptly. Often, tax professionals could achieve a better result if they were brought in earlier. For example, if you fail to respond to an IRS 90 day letter, it's no longer possible to go to Tax Court. Instead, you'll need to file a refund claim and then go to District Court or Claims Court. So if you get a notice and the IRS wants an answer within 30 days, hire someone right away, or deal with it yourself–within 30 days.

8. They Don't Fight Over Pennies. We all like to be right, but consider whether it makes sense to argue over small amounts with the IRS. Everyone has a different threshold for what amount is inconsequential. Don't invest time when inconsequential money is at stake. In some cases you can risk other issues arising. Complain about $67 and you could end up owing thousands.

9. They Run Numbers. Just because you *can* claim a deduction doesn't always mean you should. There may be no way to know if you're getting a tax benefit from a deduction without running numbers, whether you do your own return or have a preparer. Running multiple scenarios is especially helpful with AMT.

Whatever habits you have about your taxes, you can probably improve yours. Sometimes, small details can make all the difference.

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