



Robert W. Wood

THE TAX LAWYER

Jan. 1 2012 — 8:50 am

Taxing New Year's Resolutions

“I will pay less tax” might sound like a good New Year's resolution. But resolutions should be manageable and concrete. Here are five that shouldn't be hard to keep but could make a difference in your tax posture this year.

1. Pay Attention to Every Form 1099.

These are important slips of paper and their importance is [increasing](#). January is the time to think about them in earnest. It's almost time for the ubiquitous tax reports to show up in your mail, so get ready. See [Ten Things You Should Know About 1099s](#). Each one bears your Social Security Number and is matched to your tax return. Pay attention to these forms. See [Three Tax Mistakes You Make Every Day](#). They really count.



Image by Kenteegardin via Flickr

2. Consider Taxes Before Signing Agreements. Most agreements you sign in business have a tax angle, and many in your personal life do too. Settlement agreements resolving litigation are a good example but there are many others. A purchase agreement for a company, a lease agreement for office space, an option agreement to buy property, or a license agreement allowing use of your property all can have a tax impact. Consider taxes *before* signing, since that's when you can still affect changes. See [Your Pain, The IRS' Gain](#).

3. Consider Taxes Before Hiring an “Independent Contractor.”

Few consumers consider whether a plumber doing a one-time task is an

employee or independent contractor. But if you're in business and have continuing relationships with workers you pay without withholding taxes, consider whether that will stand up. See [10 Reasons to Worry About Worker Status Disputes](#). 2012 could be a big year for reform. See [White House On Contractor Vs. Employee: There Will Be Blood](#).

4. Keep Good Records. Few people like keeping tax records. It can be difficult to keep a copy of each signed contract, lease, invoice, receipt, check transmittal, and the like. But good records make any tax matter, whether it's simply tax compliance or a tax controversy, vastly easier. See [Keep Tax Records In The Vault!](#) Even if you are wealthy, good records are important. See [Richie Rich Tax Audits](#).

5. Deal With Tax Notices Promptly. Many tax lawyers and accountants earn larger fees because clients tend not to deal with things promptly. Often, tax professionals could achieve a better result if they were brought in earlier. To take an extreme example, if you fail to respond to an [IRS 90 day letter](#) and miss the deadline, 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. See [Received An IRS Notice? 10 Simple Tips](#).

Whatever tax resolutions you make, have a great year.

*Robert W. Wood practices law with [Wood LLP](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009, [Tax Institute](#)), he can be reached at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*