

Chapter 1 : Social Security For Dummies: Graphically Explained [DOUBLE UPDATE]

I thought I ordered the tax deductions for dummies, which would make sense right now, but what I got was the edition which I have no use for. No where in the description did it say edition and my search was for

Do you really think you can outfox the IRS? Unfortunately, you can never be sure what will trigger an audit. Here are five to watch out for.

Itemized deductions The IRS is more likely to scrutinize returns with itemized deductions than those that take only the standard deduction. The agency keeps a range of "normal" deductions for each tax bracket based on the average claim taken. Eric Tyson, co-author of "Taxes for Dummies," says that if you can legitimately claim those deductions, by all means take them. But hold on to your receipts.

Hobby losses If you are holding down a full-time job but are running a side business, you may be targeted for an audit if your pet project posts a loss year after year. Schedule C is used to report income or loss from sole proprietorships, but some businesses are little more than a cover-up for a loss-producing hobby. And the IRS agrees. Even if that hobby generates a few bucks, it may be in your best interest to stay far, far away from Schedule C because the IRS may not be satisfied with a modest profit. Schedule C filers are among the highest audit risk group so be prepared to justify your claims. Kent advises his clients to draft a business plan and to enlist expert help, if needed. Also, carefully record your business expenses and keep them separate from your personal expenditures. The goal is to present yourself as a professional, not an amateur.

Home office deductions If your place of business is also your residence, be careful with that home office deduction. So if your office takes up square feet in a 1, square foot apartment, then only 20 percent divided by 1, of your total housing expenses are eligible for that deduction. Your total housing expenses includes any rent or mortgage, insurance, utilities, and maintenance associated with the residence. Tyson notes in his book that a home office deduction cannot result in a loss. You can, however, carry that deduction over to the next year provided you have sufficient income.

Casualty losses The rules regarding casualty losses are very specific. Next, your loss must be attributed to a sudden event such as theft, fire, or hurricane damage. Losses that result from a gradual wearing down of conditions -- erosion for example -- do not qualify. Also note that your deduction is limited to the actual cost of the item, not its value. Luckily, none of that applies to me

You may not fall into any of those categories, but a few careless errors may cause the IRS to take a second look at your returns. Using tax preparation software could alleviate some of the drudgery and cut down on simple mathematical errors. If your math is off, the IRS will likely re-compute your taxes. Also, be sure to sign and date your return once it is completed.

Chapter 2 : Taxes For Dummies by Eric Tyson

I recommend "Taxes for Dummies" to people who want to prepare their own taxes, either by hand or by computer. Read more. Published on January 8, Pamela.

Estate tax Alternative minimum tax Instead, the government would generate tax revenue by instituting a national sales tax on most purchased items. Businesses would collect the tax at the point of sale and send the revenue to the federal government. The IRS would become obsolete, and your net income would no longer have anything to do with how many exemptions you can claim. Instead, your paycheck would simply be exactly how much money you make: Moreover, related legislation would repeal the Sixteenth Amendment, which means the federal government would no longer have the right to levy income taxes. States and local governments, however, would still be able to collect revenue via income and sales taxes at their discretion. This is called an inclusive tax. Further, the Fair Tax plan attempts to solve the issue of double-taxation. Currently, businesses must pay sales tax on the materials they use to create the goods they sell, which then get taxed again. In effect, the same material gets taxed twice. But under the proposed legislation, items purchased directly by businesses could avoid the sales tax and thereby avoid being double-taxed. This should bring the wholesale cost of your purchase down, and, in theory, it should reduce the retail price as well. Lastly, used items would not be subject to the federal sales tax. The amount of the allowance would be based on poverty-level guidelines and would increase for larger families. Though the prebate is geared toward poorer families, everyone would receive monthly checks, regardless of income. The prebate brings up yet another point of contention between critics and supporters. It is the most expensive element of the entire plan, would be the largest entitlement program in American history, and would constitute a welfare payment, even for those without a need. Advantages The Fair Tax Plan may be advantageous in the following ways: Favoring High Income Earners. Currently, our tax system is based on tax brackets: The more you make, the more you pay in taxes. Under the Fair Tax plan, only the amount of income you spend gets taxed. Because the capital gains tax would be eliminated, individuals who can afford to invest will enjoy tax-free compound growth. Making Tax Revenues Easier to Predict. Because consumption rates have been much more stable than incomes, figuring out tax revenues will likely be simpler, and estimates will be more accurate. Along with eliminating double-taxation, the proposed plan would get rid of payroll taxes and taxes on capital and investments. This change could substantially benefit businesses and buyers, because prices could fall due to increased spending power and lower production costs. Requiring More Disciplined Spending Habits. The Fair Tax would put an end to this problem, since the more you spend, the more you pay. Eliminating Tax Administration and Filing. Disadvantages Scratch the surface of this plan and it falls apart, at least for many of us. Penalizing the Lower and Middle Classes. Individuals and families that are above poverty level and considered middle-class will bear the brunt of the tax burden for the country. This is a progressive tax, which means that the wealthy pay more and the poor and middle class pay less as a percentage of their income. Taxpayers " especially wealthier citizens " are not likely to choose to live paycheck-to-paycheck. Increasing Potential for Tax Evasion. Such a high sales tax rate would undoubtedly lead many to evade the tax , possibly through trade and purchasing goods in other countries. Under this proposal, the best way to lower your tax burden will be to spend less. Too little spending is not good for any capitalist economy. In fact, while many current tax incentives are specifically created to drive consumer spending, the large sales tax could discourage consumers from spending freely, thus hurting the economy. Eliminating Tax Deductions and Credits. The cost of home ownership, then, could significantly rise for homeowners who currently itemize and have large interest payments. Renting would become even more appealing, and an already ailing real estate market could be devastated. Making State Income a Bigger Burden. Though federal income tax would go away, state income tax would remain, and of course it would no longer be deductible against federal taxes. The effect would be a great burden on residents of high income tax states like California. Depending Too Much on Spending. Paradoxically, this tax is dependent on spending, but at the same time discourages it. Plus, since many wealthy individuals already invest on their own and in other businesses, they may be further

motivated to do so. Those moves could benefit the economy overall, but since these activities would be non-taxable, the national burden shifts to the lower economic classes. Increasing Costs for Immigrants. It could also deter highly educated foreign workers with great careers, such as doctors, engineers, and technology sector workers, from immigrating. The Fair Tax Act and Inclusive Taxation The Fair Tax Act may attempt to improve the current system, which favors the wealthy with loopholes and big deductions, by replacing it with a more equitable system of taxation. However, this may not be the case. While the downsides are troubling, what is most disturbing is how advocates present the plan. This means we see how much an item costs and then calculate the tax on top of that price. This would be an exclusive tax. However, the Fair Tax plan calculates their tax as inclusive. And this makes me wonder, what else are they spinning, and why do they misrepresent a crucial aspect of their plan in the first place? On the other hand, if the ruse is intentional which seems like the rational explanation, what else are they trying to sneak past us, and why? What Does It Mean for You? The Fair Tax is gaining traction because many people feel that our current system of taxation is unfair. But though it claims otherwise, this plan is no different. I have a five-person family: Our effective tax rate was 8. Of course, we have a mortgage and private mortgage insurance, plus one child in college, two in elementary school, and plenty of student loan interest. In other words, we have a lot of deductions to lose if the Fair Tax goes through. Take a look at your tax return to find your effective tax rate. How much more or less would you pay under the Fair Tax plan? But do you ever plan to have a mortgage or children? Final Word A lot of us are looking for change – the kind of change that will bring our country back to its glory days, or at least give more of us a fair shake at being comfortable and successful. And because of that, it can be easy to believe whatever our favorite politician says without properly evaluating the facts. As responsible citizens, we need to examine the facts of the Fair Tax ourselves. This can give you an idea of their motivations and who they really serve – the people or special interests. The best way to create a truly equitable system of taxation is to demand hard facts over catchy soundbites and empty promises. What are your thoughts on the current system of taxation? Do you think the Fair Tax will effectively address these problems?

Chapter 3 : FATCA for Dummies | Dave Wolf & Co. Law Offices

I recommend "Taxes for Dummies" to people who want to prepare their own taxes, either by hand or by computer. Excellent advice and strategies for dealing with the IRS. Table of contents lists each line of the tax form, making information easy to find.

I have a small printing business, and the income from this business is about 30K. At my other fulltime job I get paid 80K. My wife makes 40K. I do my taxes with all 3 incomes combined. I would like to know how the depreciation known as the SUV tax deduction applies to my situation. You might want to review this Bankrate. The deduction is claimed as a Section expense, meaning you must be in business, filing a Schedule C or corporate tax return, to claim it. It is not a dollar-for-dollar write-off. Kerstetter January 6, The following article points out a variety of factors you should consider before embarking on such a purchase, especially the high operating costs of these types of vehicles. Also, it is possible that even the current more favorable tax treatment will be eliminated as soon as the end of the year. Therefore, you will want to investigate your situation and act accordingly as soon as possible. You will also need to be able to prove to the government your percentage of business use by keeping a mileage log in the event you are audited. Furthermore, in order to claim the full deduction, you must only use the vehicle for business purposes. Sincerely, Wonko Search terms: Section deduction; married filing jointly tax bracket. I have one follow up question; what happens if I sell my vehicle after 2 years of use? Do I need to pay back the IRS for anything? Depending on the sales price, you may have a capital gain or loss on the amount that exceeds your cost basis your purchase price less accumulated depreciation and the Section deduction. If you have a gain, some of it may be treated as ordinary income. The amount of the gain will be taxable. These articles describe this situation: Include the excess depreciation in your gross income and add it to your basis in the property. For information on the computation of excess depreciation, see chapter 4 in [IRS] Publication If the business use of an asset falls below 50 percent or the property is disposed of, part of the section deduction must be recaptured. The recapture does not affect the total income that would be reported when the asset is disposed of, but may affect the income that is considered a capital gain versus ordinary income.

Chapter 4 : SUV Tax Deduction for Dummies | Self Employed Web

Get this from a library! Taxes for dummies. [Eric Tyson; David J Silverman; Margaret A Munro] -- Provides information and advice on preparing and filing a tax return, dealing with the IRS, and planning for future tax years.

March 13, By Dave Wolf, Esq. With tax season coming up, US taxpayers living abroad or with financial interests abroad are hearing the term "FATCA" accompanied by threatening stories about how their information will be given by foreign banks to the IRS without their knowledge. In this article we will try and simplify this rather complicated subject to make it easier to understand. What does this mean? Under FATCA, foreign financial institutions banks, hedge funds, pension funds, insurance companies etc. In addition, a new form was created under FATCA legislation, Form 8878, which needs to be filled out and attached to the annual income tax return. This form needs to be filed by U.S. The FBAR requirement also applies in case you just have signatory rights over a foreign account, such as a bank account, brokerage account, mutual fund, trust, pension plan even if you do not have any beneficial interest in the account. I have been living out of the U.S. Since FATCA is imposed on foreign financial institutions, the institutions are required to report the fact that you have a bank account, thus handing over to the IRS the knowledge of your non-compliance with your U.S. Can the banks report my accounts without my consent? The banks are requesting from all their U.S. clients to sign Form W-9 This is a form that requests US citizens to provide their identification number and other personal information for U.S. This information is then provided to the IRS. Once the IRS has the information provided they can check and see if you have complied with your tax duties according to their files. Refusing to sign such a form can result in the bank freezing your account. Nevertheless, the IRS may also request from the tax authority of the foreign country information regarding Non-Consenting U.S. When will the banks in Israel start reporting my accounts? In Israel no agreement has yet been signed but it is most likely that one will be signed in the next few months. When this happens, and starting on July 1, 2011, participating Foreign Financial Institutions will have to report to the IRS all their clients who are U.S. It is not yet sure if they will have to report earlier years as well as is in Switzerland where the requirement is for all U.S. What are the implications of my non-compliance? Not complying with your U.S. The civil penalties can be very high. How can I fix this? There are several options, but the two main options are either participating in the Offshore Voluntary Disclosure Program or participating in the Streamlined Filing Compliance Procedure. The voluntary disclosure period is the most recent eight tax years for which the due date has already passed. At the moment the program includes years through 2008 and there is no set deadline to apply. This procedure has a few stages, and can take a year or two until you reach a final agreement with the IRS after which it closes your file. If you are accepted into the program, you will be cleared from any criminal prosecution. Once that occurs, you will need to prepare and submit income tax returns and FBAR forms for the last 8 non compliant years currently through 2008, together with some other documents that need to be submitted as well. In addition, there may be a requirement to amend state tax returns and report the undisclosed foreign income. Each state has its own rules regarding the procedure that needs to be followed in order to be compliant. Streamlined Filing Compliance Procedures for non-resident U.S. Through this program you will need to file delinquent tax returns, only for the past three years and to file delinquent FBARs for the past six years. If the IRS agent accepts the case brought before him as appropriate for the Streamlined Procedure, the review of the case will be expedited and the IRS will not assert penalties or pursue follow-up actions. This means that there is a chance the FBAR penalty will be waived. This procedure is much shorter and less "painful" to your wallet but take note that the IRS has full discrepancy to decide to accept the case into this streamline procedure or not. What should I do now? This compliance issue is now even more pressing as the foreign banks are under extreme pressure to identify their U.S. Dave is a partner in Hacohe Wolf Law Offices and head of the tax department. The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances. Our tax department regularly advises taxpayers in connection with voluntary disclosure of foreign accounts, assets, and income.

Chapter 5 : What Is the Fair Tax Act Explained - Pros and Cons

Taxes For Dummies cuts that down to size and helps you discover how the tax system works and how to legally make it work for you. Legally is a key word. Written by Eric Tyson, MBA, financial counselor, syndicated columnist, and bestselling author, and David J. Silverman, EA, tax advisor, it shows you how, through careful planning, you can.

Chapter 6 : Wills, Probate, and Inheritance Tax For Dummies - Julian Knight - Google Books

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Chapter 7 : 5 audit red flags - Nov. 3,

Taxes For Dummies (Taxes for Dummies) (1st Edition) by Eric Tyson, Margaret Atkins Munro, David J. Silverman Paperback, Pages, Published

Chapter 8 : Editions of Wills, Probate And Inheritance Tax For Dummies by Julian Knight

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Chapter 9 : Ebook Taxes For Dummies (Taxes For Dummies)

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