

Taxes Hackses 101

One of my (many) pet peeves of the modern era is the evolution of the word "hack" from meaning what you do with a dull axe (OK), to then meaning trying to break into a computer (OK), to, now meaning any and every kind of "amazing" tip or trick or -- often -- just the way something is designed to be used (not OK). I came across this recently in a blog post about "ceiling fan hacks," which included the suggestion of adjusting the direction of the fan to blow up in winter and down in summer to save energy and money. Umm . . . that's great, but that's not a "hack," it's just how ceiling fans work.

So, I'm sorry (not sorry) to say it, but this post is not about hacking your taxes. There is no way to "hack" your taxes. You just have to do your taxes . . . sorry (not sorry). But 'tis the season, and there are some tried and true tips that I keep in mind to make the tax-reporting and paying process less painful:

1. Keep yourself organized throughout the year. While it might be too late to do this for 2015, start now for 2016. Keep a folder, either literal or digital, for each deduction you might claim next year. I have a "Taxes" folder in my email with sub-folders for donation receipts, house and mortgage expenses, education expenses, miscellaneous income, and financial questions. I have paper folders that I keep hard copy receipts in and track expenses for housing, rentals, healthcare, donations (like those easy-to-lose Goodwill postcards), retirement accounts, etc. Even if I don't successfully track every single expenditure real-time, I at least know that all the receipts are in one place for me to find when it comes time to corral them the following year.
2. Keep your receipts! You might think you'll remember what you spent your money on each year that warrants a deduction, but trust me, you won't. You don't need to keep all your receipts -- like that new sequiny shirt that is just perfect for Aunt Mary Lou's fourth wedding (not deductible, sorry!) -- just those that could support deductions later.
3. Take all the deductions you can. This is not "avoiding" taxes, this is how taxes work. The tax code is confusing as all get out, but the confusingness of it actually helps you in many cases. Depending on your specific circumstances, you can deduct expenses for retirement savings (max out your 401(k)s, people!), education expenses, moving and business-related expenses, some healthcare costs, depreciation, expenses related to maintaining rental property, donations, and even the cost of paying someone to do your taxes for you. (Note: if you have a simple tax profile, it might not be "worth" -- in time or money -- itemizing your deductions, but as soon as you have a complicating factor such as mortgage interest, it usually is.)
4. By all means, max out your deductible retirement accounts. If it's too late for 2015 (it is for 401(k)s, but not for IRAs -- you have until April 15!), start now for 2016. Literally, I mean by all means do this. Saving for retirement is one of the most important gifts you can give yourself.
5. Don't be afraid to pay someone to do your taxes for you. If you're reading this blog, this

might not immediately jive with your frugal sensibilities. However, a good tax planner/preparer/accountant can save you a lot of money, a lot of time, and a lot of headache. It doesn't save you from needing to be organized and understand your own financial situation, but it does take a big load off. My tax planner is one of my favorite expenses every year, and is, in effect, a luxury vacation for my brain for the entire month leading up to April 15.

6. Don't cheat. As tempting as it might be to skip declaring certain income or "round up" certain deductions, just don't. It's not worth the risk of committing tax fraud (hello, jail!) or paying additional penalties for late disclosures. Paying taxes is also something you can feel good about -- whatever side of the political aisle you fall on, there's no question that our tax dollars do great things (granted, some more efficiently than others, but I'm not gonna touch that one). Roads, parks, schools, social programs, VA hospitals, farm subsidies, disaster relief, medical research, whatever your fancy, I will guarantee you it's supported at least in part by tax dollars. If you're feeling skeptical, try [this](#) on for size.
7. Owing money is not a bad thing. Yes, it can sting, but if you're getting a refund from the IRS, it's your money you're getting back, which means you've effectively given the IRS an interest-free loan for the last year. Not cool.
8. Get the terminology right: a "return" is the document you file with the IRS; the "refund" is the money you get back. (Ok, this is not that important, but it's another pet peeve of mine, so while I'm preaching . . .)
9. Relax. Get organized, take it one step at a time, pour yourself a nice cup of tea, and you'll get there!

Good luck! What's your favorite thing about doing your taxes?