

# Last Minute Tax Mistakes: Five Things You Should Know



**By: Mary Kelley-Wilson and Jim Marner**

Between now and April 15, millions of Americans will scramble to pull together receipts, bank statements and a host of other documents in order to complete their tax returns on time. Yet even the most organized among us can overlook important details in the rush to complete our tax returns. And these mistakes can be costly. That's why it's important to be wary of five common filing mistakes:

**Mistake No. 1:  
Failing to Claim Tax Benefits That Don't Require Itemization**

Sometimes taxpayers don't realize that they qualify for tax credits and deductions that can help lower taxable income. As a result, they can miss out on potentially significant savings. The Saver's Credit, Child Care Credit, various education tax benefits and the deduction for IRA contributions are all available tax benefits even if the taxpayer doesn't itemize. Once the benefit has been identified, it's important to calculate and enter the credit and deduction amounts correctly on the return.

**Mistake No. 2:  
Not Itemizing Deductions**

Some people automatically take the standard deduction instead of looking closely to see if it's more advantageous to itemize. According to the Government Accountability Office (GAO), more than two million taxpayers use the standard deduction even though they could save more in taxes by itemizing. For example, nearly 1 million people fail to itemize mortgage interest. This results in an overpayment of more than \$470 million in taxes, according to a GAO report from 2002.

In addition to mortgage interest deductions, taxpayers should con-

sider itemizing the following:

- Medical expenses (health insurance premiums, prescriptions and other qualified medical expenses)
- State and local income tax and personal property tax
- Charitable contributions (to churches and other non-profit organizations)
- Out-of-pocket job expenses not reimbursed by employers

**Mistake No. 3:  
Missing Out on Last-Minute Tax Breaks**

Taxpayers have until the tax filing deadline to make a deductible contribution to a traditional IRA. For tax year 2007, the maximum IRA contribution that can be deducted is \$4,000 and \$5,000 for taxpayers who are 50 or older by year's end. Not only do contri-

butions help taxpayers save on taxes today, they also move them closer to a comfortable retirement. So, if you're looking for a last-minute tax tip, opening a traditional IRA is an attractive move between year-end and April 15. The maximum contribution amount for 2008 will increase to \$5,000 - \$6,000 for taxpayers 50 or older - and will be adjusted for inflation thereafter.

**Mistake No. 4:  
Omitting Key Documents**

Taxpayers must remember to attach to their returns copies of supporting documents, such as W-2s, 1099s, various schedule forms and any other relevant information to validate reported income. Otherwise, there may be a delay in processing their return if the IRS requests clarification.

In addition, the IRS may modify a refund if they can't verify the amount of taxes paid through withholding. So take an extra minute to be sure all supporting paperwork is attached to the return.

**Mistake No. 5:  
Making Simple Errors**

According to the Internal Revenue Service, incorrect Social Security numbers and numerical errors - such as miscalculations or typing mistakes - are the two most common mistakes on tax returns. Another common mistake is forgetting to sign the returns before mailing.

These simple errors often lead to delays, notices from the IRS and other problems that can be avoided by taking a few minutes to double-check all the numbers. Here are a few key points:

- Check that the correct marital status and number of exemptions is entered.
- Make sure the correct Social Security number is entered and that each Social Security number corresponds with the respective taxpayer and any dependents.
- Verify all income that is reported. Make sure the total amount is entered and that numbers aren't transposed.
- Double-check calculations to ensure that refund amounts are entered accurately. If a tax payment is due, be sure to enter the correct amount in the proper place and attach a check to the return.
- Finally, sign and date the return, affix the correct postage and mail by midnight on April 15 to avoid any penalties. Or, choose to electronically file the return and sign it electronically, too.

**Convenient, Accurate Filing**

On average, taxpayers overpay by about \$400 per return each year because of missed tax benefits, so it makes sense to seek the assistance of a tax professional. In addition, most tax preparers e-file returns to the IRS, which is another safety net to ensure the accuracy of your return and to reduce the time it takes to receive a refund.

**Got friends? Are they sure their tax return is accurate?**

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Mary Kelley-Wilson, Senior Tax Advisor 5  
Gravois Plaza, 3529 Bamberger,  
St. Louis, MO 63116 (314)771-0930  
mary.i.kelley-wilson@tax.hrblock.com

Jim Marner, Enrolled Agent  
71 Grasso Plaza,  
Affton, MO 63123 (314)631-1365  
james.b.marner@tax.hrblock.com