

Tax Tips You Can Use



Simple Tools to Help Reduce Your Taxes
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There are many publications that talk about year-end tax planning, but few that talk about start-of-year tax planning. What you do in January will affect your taxes just as much as what you do in December. In this article I will talk about the two tools that will help you minimize your taxes next year: a pocket calendar and a shoe box.

Many companies will sell you files, boxes or bound products to use as tax organizers. There is nothing wrong with those items, but a shoe box is free and just as useful as any commercial product. The purpose of the shoe box is to capture your receipts. Your receipts are the way you document your deductions. While the government knows what most of us make, because of the wage, interest, pension and brokerage reporting requirements, each taxpayer must be able to produce receipts to support his or her deductions. If you don't save your receipts, it is hard to remember and document your deductions. Purchased tax organizer products have the advantage of organizing the categories during the course of the year. I find that most people, including myself, start slipping in February or March. I recommend a shoe box because most of us will continue to do the simple task of throwing all of our receipts in one place. Sitting down at the end of the year to sort through the box or paying your tax preparer to do it for you, is an easy way to ensure that all of your deductions end up on your tax return.

The other important tool you need to minimize your taxes is a pocket calendar. This is the item a taxpayer uses to record mileage and notes during the year. The first task for the year is to record the starting mileage for all personal and business vehicles. It is best to do this on New Year's Day, but any day is helpful. The IRS would like for each of us to record our starting and ending mileage and the purpose and time of each business, charitable, or medical use of a vehicle. In reality, the important thing is to substantiate the trip. For example, I know that each of my prescription receipts represents a trip to the pharmacy but when I volunteer I need to note purpose of the trip and miles in my date book so I have documentation. For people who do not use a PDA or daily planner book, I recommend one of the small free pocket calendars given out at the stores of the famous greeting card company.

As you can see, the tools that will help you minimize your taxes do not have to be expensive or time consuming. It is important to retain the deduction information so it can be used on your tax return. Receipts and a mileage log are the records used to document the deductions that will lower your income taxes and a shoe box and pocket calendar are the tools you need to collect them.

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The fine print: This article is for information only. Please see your tax professional for questions about your individual tax situation.