

# Tax Guidelines

## Tips for Mutual Fund Record keeping

If you own shares in a mutual fund for investment purposes (not an Individual Retirement Account or IRA), it's especially important to carefully organize and retain the information received from each fund in which you participate.

- 1** If you've redeemed any or all of your shares, they will be subject to capital gains rules—even if you switch from one fund in a “family of funds” to another in the same family.
- 2** Mutual fund shares owned one year or less and then sold create short-term gains (or losses) while shares owned longer than one year generate long-term gains (or losses). Long term gains are taxed at a lower rate than short term gains.
- 3** Statements for each fund should be organized separately. Try using a three-ring binder for maintaining records received for each fund. If, however, all of a fund's yearly activity is provided in the year-end statement, keep it in your binder and you may discard the monthly statements.
- 4** If a fund's distributions are reinvested into your account at year end, statements are especially important. Such distributions are reported as income in the year granted but add to the Cost basis of the fund shares.
- 5** You are allowed a choice of methods to determine your actual gains or losses: specific identification, FIFO (first in-first out), and average cost basis. While many companies provide average cost basis, the FIFO method could be more advantageous. However it requires record keeping from the initial fund purchase to sale. You should also forward to us your statements as soon as you sell or switch funds.

## Tips for Stock Record keeping

If you own stocks, you should bear in mind that:

- 1** In 1998 and forward, there are only two “holding periods” for stocks: short-term (stocks held one year or less) and long-term (stocks held more than one year).
- 2** A holding period begins on the day after your stock purchase is executed and ends on the day your sale is executed—even if you don't receive payment until several days after the sale.
- 3** To determine your gains on a sale of stock, you must know the “basis” of the stock. Save all your “buy” and “sell” slips together to help determine its basis and put them with your current tax records.
- 4** If your stock has “split,” be sure to keep any information you received about the transaction.
- 5** Keep annual statements for stocks that have a “DRIP” (dividend reinvestment plan) showing the amount of the dividend, since these dividends can increase a stock's basis.— When sold, put the sell slips with the annual statement—even if not all shares are sold.
- 6** Keep all “option” information (“calls” and “puts”), even if the options expire without being exercised. Attach all option information to sell slips.

## **SALES TAX ALERT!** **SALES TAX ALERT!**

**If you are self-employed, a freelancer or own a small business and not registered with your state's Sales Tax Department, see pg 2.**

- 1) Are you self-employed, a freelancer or own a small business?**
- 2) Are you registered with your state's sales tax department?**

If the answer is yes to the first question and no to the second, then you should find out the requirements before the sales tax department finds you. Generally, if you operate a business whose product or service could be subject to sales tax, then you are required to register, even if you do not collect sales tax. However, registration without familiarization could prove to be costly in taxes and penalties. Once you register, you will be required to file sales tax returns quarterly or annually, depending on your state's requirements and amounts involved. By filing, you will start the statute of limitation clock. Three years after filing you will be free and clear. However, if you did not file, there is no statute of limitation and you may be in a very vulnerable position if you get audited. If you would like to register and find out what your obligations and responsibilities are, please call us to schedule an appointment soon at (212) 727-9811.

### **NYS is Looking for Sales Tax Non-Filers**

It has come to our attention that NYS Department of Taxation and Finance, Compliance & Audits Division has started a program to identify non filers and bring them into the fold. The department is using individual income tax information filed with NYS to identify potential non filers and is sending them a letter along with a questionnaire asking them if they are registered to collect sales tax. We therefore urge all our clients who may be subject to sales tax to register, before NYS finds you.

### **You Must Get a Receipt For Contributions of \$250 or More!**

Charitable contributions of \$250 or more require written acknowledgement of the contribution from the charitable organization. In other words, a valid receipt is required. You must have the receipt in your possession on or before the filing due dates,

including extension due dates. Most importantly, the receipt must have the statement *No goods or services were provided in consideration for the contribution* on it. In the event of an audit, without it the IRS will consider it insufficient and will disallow the deduction.

However, if the \$250 donation was made in two or more payments on two or more different days, a receipt is not required.

If your contributions were less than \$250 to each charity, on each day, then adequate documentation must be kept such as the name of the charitable organization, the date of the contribution, the amount of the contribution and either a receipt (especially for cash donations) or proof of payment such as cancelled check, bank records or credit card statement identifying the payment.

### **Making the Most of Non-Cash Charitable Donations**

If you donate used clothing and household goods to local non-profit organizations you may take non-cash charitable contributions and itemize your deductions on your federal income tax return, those donations can be tax-dollar savers. To determine the value of your non-cash donations, do the following:

- Use **Form NCC** to list donated property
- Complete a separate NCC form for each bag/ box of items with following information:
  - 1 **Description** of each item
  - 2 **Quantity** (number of shirts, items, etc.)
  - 3 **Condition** of item (new, good are the only conditions allowed for deductions)
  - 4 **Fair Market Value** at donation time
  - 5 **Date acquired** and cost basis (if known)

On our website under **Data Organizer** you will find the the NCC Form and guide. Click on **NCC (non-cash charitable contributions)**