

taxCPAdirect – Your Online CPA Firm

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INSTRUCTIONS
eOrganizer for the 2008 Tax Year

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INTRODUCTION

The purpose of this document is to provide a detailed explanation of each line item in the taxCPAdirect 2008 eOrganizer and information on supporting documents clients should send us for each item checked “Yes” in the eOrganizer.

For your convenience, all supporting tax documents you should consider sending us are marked with an ✉. You can send your supporting tax documents to us in one of three ways:

1. Scan your documents and send them as attachments to taxdocs@taxcpadirect.com,
2. Fax them to 925-226-4032, or
3. Mail them to:

taxCPAdirect
P.O. Box 20835
Castro Valley, CA 94546

If you have any questions, do not hesitate to contact us at info@taxcpadirect.com.

Security and Confidentiality of Your Personal Information

Safeguarding your financial and personal information is one of our most important priorities. That's why we encrypt all sensitive information sent between your computer and our servers. In particular, all information entered into the eOrganizer is protected by a technology called SSL Encryption. We use industry standard SSL Certificate.

All data collected is for the exclusive purpose of preparing your tax returns and will be protected. In compliance with AICPA Code of Professional Conduct, your information is kept strictly confidential. See our Privacy Policy for more information.

ABC's of Our Performance Standards

Accuracy – We guarantee the accuracy of our work. If we make a mistake, we will correct it at our cost.

Best – We are committed to providing the best quality service and achieving the lowest possible tax for our clients.

Communication – We will communicate openly and honestly as we build a long-term relationship with our clients.

ONLY FOR NEW CLIENTS

Please send us a copy of your 2006 federal and all state tax returns ☒.

LINE-BY-LINE INSTRUCTIONS

PERSONAL INFORMATION

Name, Social Security Number, Birth Date, Occupation, Address, and Contact Information

Enter your personal information as indicated. If you are married, please enter your spouse's information. Note your response to all items marked with an asterisk, "*", are required.

Lived Overseas?

Please indicate whether you lived in a foreign country in 2008. If "yes" you may qualify for the foreign earned income exclusion, and we will contact you separately to provide a list of documents/information we need to complete your tax returns.

Dependents

Enter each dependent's name, date of birth, social security number, and his/her relationship to you.

A dependent can be either a 1) qualifying child or 2) qualifying relative. A taxpayer cannot claim any dependents if he, or his spouse if filing jointly, can be claimed as a dependent by another taxpayer. To claim a person as a dependent, that person must be:

- 1) Unmarried or if married, does not file a joint return.
- 2) A U.S. citizen, resident or national or a resident of Canada or Mexico.
- 3) Either a qualifying child or a qualifying relative.

Qualifying Child

The person must:

- a) Be the taxpayer's child, brother, sister, stepbrother, stepsister or descendant of any of them.
- b) Be either under age 19, a full-time student under age 24 or any age if totally and permanently disabled.
- c) Have lived with the taxpayer more than half the year.
- d) Not have provided more than half of his or her own support.

Qualifying Relative

The person must:

- a) Not be the taxpayer's or anyone else's qualifying child.
- b) Either 1) have lived with the taxpayer all year as a member of his household or 2) be related to the taxpayer.
- c) Have gross income less than \$3,500 for 2008.

The taxpayer must:

- a) Provide more than half of the person's total

- e) Not be a claimed qualifying child of another taxpayer with higher priority under the tiebreaker rules. support for the year.

Filing Status

Single – A taxpayer is single if unmarried or separated from a spouse, either by divorce or a separate maintenance decree, on December 31. A widow(er) whose spouse died before 2008 is single unless he or she meets the tests for qualifying widow(er).

Married Filing Jointly – Taxpayers may file jointly if on the last day of the tax year they are:

- a) Married and living together,
- b) Married and living apart, but not legally separated or divorced,
- c) Separated under an interlocutory (not final) divorce decree, or
- d) Living in a common-law marriage, if common-law marriage is recognized in the state where they currently reside or in the state where the marriage began.

Married Filing Separately – Any taxpayer who is married at the end of the year can elect to file separately. Under certain conditions, married taxpayers may benefit from filing separately. If you indicate your preferred filing status as Married Filing Separately, we will analyze your situation to recommend the best tax strategy.

Head of Household – To qualify as head of household (HOH), the taxpayer must meet all of these tests.

- a) The taxpayer is not married at the end of the year (a married taxpayer can qualify for HOH status under special rules).
- b) The taxpayer paid more than half the cost of keeping up his or her home.
- c) The home was the principal residence for more than half the year of either:
 - a. The taxpayer's qualifying child or
 - b. The taxpayer's qualifying relative who is the taxpayer's dependent but not if the person is unrelated to the taxpayer or is a qualifying relative by reason of a multiple support agreement.
- d) The taxpayer is a U.S. citizen or resident during the entire year.

Qualifying Widow(er) – All the following tests must be met.

- a) The taxpayer's spouse died in 2006 or 2007.
- b) The taxpayer was entitled to file a joint return for the year spouse died.
- c) The taxpayer did not remarry before January 1, 2009.

- d) The taxpayer paid more than half the cost of keeping up his or her home. The taxpayer's home was the main home for the entire year of the taxpayer's dependent child or stepchild.

Select "Don't Know" if you need help with choosing the correct filing status.

Direct Deposit of Refund

If you wish to have your refunds deposited directly to your bank account, please enter your account number, bank's routing number, and whether it's a checking or savings account.

The routing number is usually found at the far left of the row of digits and symbols on the bottom of your check (see the sample check below). The account number usually appears to the right of the routing number.



Presidential Election Fund

This fund helps pay for presidential election campaigns. The fund reduces candidates' dependence on large contributions from individuals and groups and places candidates on an equal financial footing in the general election. If you want \$3 to go to this fund, check "Yes".

INCOME INFORMATION

W-2 Wages

Wages reported on Form W-2's are taxable. Please send us a copy of all your Form W-2s .

Interest

Send us a copy of Form 1099-INT's for all taxable and non-taxable interest income received in 2008. If Form 1099-INT's are missing, send us year-end statements from your banks showing the total interest earned in 2008.

Dividend

Send us a copy of Form 1099-INT's ✉ for all dividends received in 2008. If Form 1099-DIV's are missing, send us year-end statements from your financial institutions showing the total dividend earned in 2008.

Sale of Stocks, Mutual Funds, or Bonds

If you sold stocks, mutual funds, or bonds during 2008, you should have received Form 1099-B's from your financial institutions. Send us a copy of all your Form 1099-B's ✉. Form 1099-B's generally provide descriptions of investment sold, date of purchase, purchase price, date of sales, and sales proceeds. If your Form 1099-B's do not include the purchase price (cost) information, please make sure to add that information to the forms you send us. Let us know if you are not able to find the purchase price information.

Social Security or Disability Benefits

If you received Social Security or disability benefits from the Social Security Administration during 2008, send us a copy of Form SSA-1099's ✉.

Retirement Benefits

If you received any retirement benefits including IRA distributions, pension payments, or payments from annuities, send us a copy of Form 1099-R's ✉.

State & Local Tax Refunds Received in 2008

State and local income tax refunds are taxable if the refunded tax was deducted in a prior year and the taxpayer received a tax benefit from the deduction. Refunds are not taxable if the taxpayer did not itemize deductions in the prior year or elected to deduct state and local general sales taxes instead of state and local income taxes.

Send us a copy of Form 1099-G's received ✉ or, if they are not available, confirm the amount of any state and local tax refunds received in 2008.

Self Employment Income

Business income from a sole proprietorship must be reported on Schedule C of Form 1040. Any income earned as an independent contractor (reported on Form 1099-MISC's) is also considered self employment business income that should be reported on Schedule C. Send us your business' profit and loss statement as well as a list of any assets acquired and disposed during the year ✉. If you do not such statement, use our [Business Income Worksheet](#) to calculate and document your business income (available for download in either the Excel format or PDF at our [Download](#) page).

Rental Income

If you had income from rental properties, send us a schedule of income and expenses as well as any assets acquired and disposed during the year ✉. If you do not such schedule, use our

[Rental Income Worksheet](#) to calculate and document your rental income (available for download in either the Excel format or PDF at our [Download](#) page).

Income from Partnership or S-Corporation

If you were a partner or a shareholder of a partnership (LLC, LP, LLP, etc.) or S-Corporation, respectively, send us a copy of all Schedule K-1's received from the partnership and/or the S Corporation.

Unemployment Compensation

Unemployment compensation is taxable and reported to the taxpayer on Form 1099-G. Send us all Form 1099-G's or year-end statement from your state's unemployment agency .

Sale of Primary Residence

The sale of a principal residence is generally not reported on a taxpayer's return unless the taxpayer has a gain. For a qualifying sale of primary residence, a taxpayer can exclude from income up to \$250,000 for singles and \$500,000 for married couples.

If you sold your primary residence in 2008, send us all pertinent information including Form 1099-S's, closing statements showing your initial purchase price and sales price, and a list of improvements made .

Canceled Debt

Generally, amount of debt canceled is taxable to the taxpayer to the extent of her/her solvency. Send us a copy of Form 1099-A's or 1099-C's received . Taxable canceled debt includes credit card debt cancellations.

Alimony

Payments that qualify as alimony are taxable to the payee spouse. Send us a copy of the divorce decree, name of former spouse (payer), payer's social security number, and amount received .

Gambling Winnings, Prizes, and Awards

Send us a copy of Form W-2G's or other forms supporting gambling winnings, prizes, and awards .

Other Income

Tell us about any other 2008 income and send us relevant supporting documents. Other income may include:

- Gifts and inheritance
- Insurance claims and lawsuits

- Life insurance proceeds
- Bartering
- Foster care payments
- Farm income
- Jury duty

DEDUCTIONS & CREDITS

Home Mortgage Interest and Real Estate Taxes

Home Mortgage Interest

A home mortgage is any loan that is secured by your main home or second home. It includes first and second mortgages, home equity loans, and refinanced mortgages. In addition to home mortgage interest, the “points” paid on loans to finance the purchase of a main home are deductible. Send us a copy of all Form 1098's from your mortgage lenders ☒.

Real Estate Taxes

Real estate taxes paid in 2008 on properties you own, including your home, that was not used for business are deductible. Send us a copy of annual property tax statements showing the amounts paid in 2008 ☒. If you do not have the statements, enter the amount of real estate taxes paid in 2008 in your eOrganizer.

Charitable Contributions

Deductible contributions include money or property given to:

- Churches, synagogues, temples, mosques, and other religious organizations.
- Federal, state, and local governments, if contribution is solely for public purposes.
- Nonprofit schools, hospitals, and volunteer fire companies.
- Public parks and recreation facilities.
- Public charities
- War veterans' groups

For cash contributions, enter the name of the organization and the amount donated in your eOrganizer. For noncash (property) contributions, enter the name of the organization, description of the item donated, and the date of contribution.

Substantiation Requirements

To ensure that you can claim the charitable deductions to which you're entitled, here are the new recordkeeping rules effective 2008:

Cash Contributions of Less than \$250 in Single Donation: Keep a bank record (most likely a cancelled check, wire transfer acknowledgement, or credit card record) or written acknowledgement from the charity (donee) showing the name of the donee organization, the date of the contribution, and the amount of the contribution.

Cash and Property Contributions of More than \$250 in Single Donation: Keep a written acknowledgement from the charity, showing the description of the property or amount of cash donated and a statement as to whether the donor received any goods or services (with a good faith estimate of value) for the property donated. A canceled check or other reliable records are not sufficient proof.

Contributions of Used Clothing and Household Items: The items must be in “good condition or better” to be deductible. Protect yourself in case of an IRS audit, you should, at a minimum, document that the donations were in good condition.

Vehicle Contributions: Receive and attach to your tax return, a written acknowledgment ☐ from the charity within 30 days after the donated vehicle is sold (or within 30 days of the contribution if the charity uses the vehicle significantly in its exempt purpose, makes major improvements to the vehicle, sells it for a significantly discounted price, or gives it to a needy person in furtherance of the charity’s exempt purpose). The information needed in the written acknowledgement from the charity should include the (a) name and taxpayer identification number of the donor and (b) vehicle identification number (or similar number) of the vehicle.

The IRS has just issued new rules that require donors of vehicles valued at more than \$500 to attach a special form (Form 1098-C—Contributions of Motor Vehicles, Boats and Airplanes), which is received from the charity and reports the necessary information about the vehicle donation. (The form is optional for vehicle donations of \$500 or less.) To claim the deduction for the vehicle valued at more than \$500, you should attach Copy B to your tax return.

Property Contributions of More Than \$5,000. If you’re planning to contribute property (other than of publicly traded securities) valued at more than \$5,000 (\$10,000 for closely held stock), please discuss these plans with us as soon as possible. Although the rules for substantiating this type of property haven’t changed, there are now stricter rules for what is considered a “qualified appraisal” and who is considered a “qualified appraiser.” You must have the appraisal done not earlier than 60 days before the donation and received by the due date (including extensions) of your tax return.

Unreimbursed Employee Business Expenses (Form 2106)

If you were a W-2 employee and had unreimbursed job related expenses (e.g. unreimbursed auto expenses, travel expenses, education costs, home office, supplies, etc.), you may be

entitled to a deduction. Enter a summary of expenses by category in your eOrganizer and keep receipts for three years in case of an IRS audit.

Sales Taxes Paid

You can deduct the greater of state income taxes paid or sales taxes paid. For most taxpayers, the sales tax deduction is calculated based on your income. However, if you paid sales taxes on big ticket purchases in 2008, you may qualify for a higher deduction. Enter sales taxes paid on big ticket purchases in your eOrganizer, if any. Keep your receipts for at least three years in case of an IRS audit.

Child and Dependent Care Expenses

Taxpayers can claim a nonrefundable credit for a percentage of their dependent care expenses that enables them to work. Qualifying dependent care expenses include:

- Dependent care center. The cost of care provided outside the home generally qualifies if the care is for 1) a qualifying child under age 12 or 2) another qualifying individual who regularly spends at least eight hours each day in the taxpayer's household.
- Household services. Expenses for household services for the care of a qualifying individual qualify. Examples include costs of a maid, housekeeper, babysitter or cook.
- Household employee. Wages paid for household services may subject the taxpayer to paying the employer's portion and to withholding the employee's portion of Social Security and Medicare taxes.
- School costs. Expenses for a child in nursery school, pre-school, or similar program for children below the level of kindergarten qualify.

Maximum qualifying expenses for the child and dependent care credit is \$3,000 for taxpayers with one qualifying individual and \$6,000 for taxpayers with two or more qualifying individuals.

In order to claim the credit, enter the following in your eOrganizer:

- Child's name, each care provider's name, address, taxpayer identification (TIN) and amount paid.
- Amount of employer reimbursement under a DCB plan. This amount should be shown in box 20 of the employee's W-2.

If available, send us year-end statements from child care providers showing the total paid in 2008.

Medical Expenses

Only medical expenses in excess of 7.5% of your adjusted gross income are deductible as itemized deductions. For example, if your income is \$60,000, your medical expenses that were not covered by insurance or paid by another party must exceed \$4,500.

Medical expenses are deductible in the year paid, regardless of when the expenses were incurred. Deductible medical expenses include expenses paid for the taxpayer's spouse and for any person who qualifies as the taxpayer's dependent (for claiming an exemption).

Deductible medical expenses include:

- Prescription medicine and drugs (over-the-counter drugs purchased without a prescription are not deductible)
- Doctors, dentists, and nurses
- Hospital and nursing homes
- Health insurance premiums
- Medical care related lodging and transportation
- Home improvement costs if the main purpose of the expense is to provide medical benefits

Enter your medical expenses in the eOrganizer only if they are likely to exceed 7.5% of your adjusted gross income. Note that only medical expenses that you paid, not the amounts paid by insurance or by another party, are deductible. Hold on to your receipts for at least three years in case of an IRS audit.

Other Expenses

Significant & Unreimbursed Casualty or Theft Losses

A casualty is the damage, destruction or loss of property resulting from an identifiable event that is sudden, unexpected or unusual, including car accidents, fires, floods, storms, thefts, vandalism, etc. Losses from progressive deterioration or accidents/fires caused willfully by the taxpayer are not deductible. Generally, your unreimbursed casualty losses must exceed 10% of your adjusted gross income to be deductible. Select "Yes" and enter the amount of casualty losses only if you expect the losses to be greater than 10% of your adjusted gross income.

Energy Efficient Home Improvements (Not available for improvements made in 2008 but will be available for those made in 2009)

Homeowners can claim a tax credit equal to the sum of:

- 10% of expenditures for "qualified energy efficiency improvements" installed during the year plus

- 100% of “residential energy property expenditures” paid or incurred by the taxpayer during the year.

For more information, visit the [Energy Star](#) website. If you made energy efficient home improvements, please select “Yes” in the eOrganizer and provide a description of improvements made and the amount spent . Keep your receipts for at least three years in case of an IRS audit.

Moving Expenses Resulting from Change of Job

The following job related moving expenses are deductible:

- Costs of moving household goods and personal effects and
- Travel expenses (including lodging but not meals) for one trip by the taxpayer and each member of the household.

General rules for moving expenses:

- Distance test. To deduct moving expenses, a taxpayer’s new job location and former house must be at least 50 miles more than the old job location and former house.
- Time test. For employees, moving costs are deductible only if the taxpayer works as a full-time employee at the new location for at least 39 weeks in the 12-month period following arrival. For self-employed individuals, moving costs are deductible only if they work full time for at least 39 weeks during the first 12 months and a total of at least 78 weeks during the first 24 months after arriving at the new job location.

If you incurred any job related moving expenses, please select “Yes” in the eOrganizer and we will work with you to calculation your deductions.

Purchase of Hybrid Vehicles

If you purchased a hybrid vehicle in 2008, select “Yes” in the eOrganizer and enter the make, year, and model in the eOrganizer. We will calculate your Hybrid Vehicle Credit.

Higher Education Expenses (Tuition)

Two nonrefundable tax credits are available to persons who pay higher education costs: the Hope credit and the lifetime learning credit. The credits are available for qualified tuition and/or related expenses of the taxpayer, the taxpayer’s spouse or a dependent of the taxpayer claimed on the taxpayer’s return.

Qualified expenses include tuition and fees required for the student’s enrollment or attendance at an eligible educational institution. Expenses qualify in the tax year paid. An eligible institution is any accredited college, university, vocational school or other accredited post-secondary

education institution eligible to participate in a student aid program administered by the US Dept. of Education.

If you had any qualified higher education expenses, select “Yes”, enter the amount of qualified expenses paid in 2008, and, if available, send us year end statements from the educational institution showing the total tuition and fees paid .

Student Loan Interest

Taxpayers can deduct up to \$2,500 of interest paid on qualified education loans for college or vocational school expenses as an adjustment to income. The deduction is available on qualifying loans for the benefit of the taxpayer or the taxpayer’s spouse or dependent at the time that the debt was incurred. Send us a copy of Form 1098-E’s, Student Loan Interest Statement or year-end statements from your student loan lenders .

Personal Property Taxes – Auto & Boat

Personal property taxes are deductible if they are a state or local tax:

- 1) Charged on personal property
- 2) Based only on the value of the personal property and
- 3) Changed on a yearly basis

Typical deductible personal property taxes include yearly licenses fees paid on autos and boats.

Investment Interest Paid

Interest paid on money borrowed (including margin interest) to buy investment property including stocks, bonds, and mutual funds is deductible each year up to the amount of net investment income received. If you incurred such investment interest expense, select “Yes” in the eOrganizer and send us year end statement from financial institution supporting your interest expense . Many financial institutions include investment interest expense information as part of the 1099-B reporting.

Alimony Paid

Payments that qualify as alimony are deductible by the payer spouse. Send us a copy of the divorce decree, name of former spouse (payee), payee’s social security number, and amount paid. Note that child support, property settlements, and voluntary payments are not deductible alimony.

IRA/Keogh/SEP Contributions

Did you make contributions to Traditional IRA, Roth IRA, Keogh, or SEP? If yes, select “Yes” in the eOrganizer and enter the amount of your 2008 contributions (contributions must be made by April 15, 2009).

HAS/MSA Contributions

Did you make contributions to a Health Savings Account (HSA) or a Medical Savings Account (MSA)? If yes, select “Yes” in the eOrganizer and enter the amount of your 2008 contributions (contributions must be made by April 15, 2009).

Adoption Expenses

Adoptive parents may be able to take an adoption expense tax credit and/or exclude adoption assistance payments from income. Both a credit and exclusion may be claimed for the same adoption; however, both cannot be claimed for the same expense.

A qualifying child must be 1) under age 18 or 2) physically or mentally incapable of caring for himself/herself. Qualified adoption expenses include reasonable and necessary adoption fees, court costs, attorney fees, traveling expenses and other expenses directly related to the legal adoption of an eligible person. Expenses incurred in carrying out a surrogate parenting arrangement or in adoption a spouse’s child do not qualify.

If you incurred adoption expenses in 2008, select “Yes” in the eOrganizer and we will contact you to gather required information.

Household Worker (Nanny, Maid, etc.)

A household worker such as a babysitter, nanny, maid, health care provider or other domestic worker may be an employee of the homeowner. The worker is generally an employee if the homeowner can control not only what work is done, but also how the work is done.

If a worker controls how the work is done, the worker is generally not an employee. For example, a self-employed worker who provides his or her own tools and offers services to the general public is usually an independent contractor, not an employee.

For each household worker employed hired in 2007, household employer must file Schedule H of Form 1040 and pay FICA, FUTA, and any withheld federal income tax. If you employed a household worker in 2008, select “Yes” in the eOrganizer and we will contact you to gather required information.

Other Expenses/Deductions

Tell us about any other 2008 expenses that might be deductible on your tax returns. Examples of additional deductions include:

- Teacher’s out-of-pocket classroom expenses
- Hobby expenses, up to the amount of hobby income
- Job-hunting expenses

- Legal fees for collecting or producing taxable income, keeping a job or obtaining tax advice
- Professional and union dues
- Safe deposit box fees or cost of installing a safe in a home
- Tax preparation or other tax assistance expenses
- Trust administration fees
- Uniforms

If any one of the items applies to you, select “Yes” in the eOrganizer and provide us as much information as possible.

Estimated Tax Payments

Enter all federal and state estimated tax payments made for the 2008 tax year. Do not include your Form W-2 withholdings here.

Further Questions & Information

If you have any questions or tax related information we should know about, please enter them in the box. We will review your questions and answer them before finalizing the tax returns.

ENGAGEMENT LETTER

CPA firms use an engagement letter to state the CPA and the client’s understanding of the professional relationship. The letter outlines the nature of the engagement and the responsibilities of the CPA and the client.

Please read and accept the engagement letter before submitting your eOrganizer.

FINAL REMINDERS

After submitting your eOrganizer, you will see a confirmation screen with instructions on where to send your supporting tax documents. Please send us your supporting documents as soon as possible as we are not able to complete your tax returns without them. There are three different ways you can send us your documents:

- a) Scan your tax documents and email them as attachments to taxdocs@taxcpadirect.com
- b) Fax them to 925-226-4032
- c) Or mail them to:

taxCPAdirect
P.O. Box 20835
Castro Valley, CA 94546

We will start preparing your tax returns upon receipt of your eOrganizer and supporting documents. While preparing your returns, we may contact you to ask questions and, at the same time, answer any of your questions. If certain tax information or supporting document is missing, we will be sure to let you know. Once we have all required information, we will process and finalize your returns and make them available for your review within two business days.

Again, do not hesitate to contact us with any questions at info@taxcpadirect.com. Thank you for your business.