

# Tax Time

Steps to ease your filing fears BY EMIL J. BELVIN, CRTP

**A**FTER I GRADUATED AS A CERTIFIED RESPIRATORY therapist, I couldn't wait to go to work. Even before I graduated, I remember checking out local job fairs trying to find out who would hire me as a student RT. I did my homework to find out which employers were paying top dollar and figured that was a good place to start. One of the last things on my mind at the time was income taxes and tax deductions. Inevitably, I had to face the task of dealing with my taxes and I was lost.

I can still recall that first year of filing my taxes because I was so disappointed. After assuming I would get back thousands of dollars, I barely received a tax refund. It was at that moment I wanted to empower myself for years to come, so I began to read and learn about taxes as they pertained to healthcare professionals. I had no idea it would lead me to owning my own tax practice, which allows me to help educate others.

## Step 1: Where to Start

From the time we start working until we file our first income tax return, most of us have no idea where to start when it comes to our taxes. The process starts with the W-4 form. This is the form we get from our employer when hired. It helps payroll determine how much federal and state tax to withhold from our paycheck.

Even though filling out this form is a fairly simple task, it has huge consequences if filled out incorrectly. For example, I can recall a client who mistakenly left her allowances too high for the entire year. This resulted in her owing the IRS more than \$5,000 and the state more than \$1,500. I've seen clients fill out this form incorrectly time and time again and it has cost them big. I recommend if you've never filled out a W-4 form, work more than one job or work as an independent contractor, consult with a tax professional.

## Step 2: Keep Good Tax Records

When it comes to taxes, it's quite similar to medical charting because good record keeping is imperative. I tend to notice that clients who keep track of their spending often increase their refunds by several hundred dollars more when compared to those who don't keep good records.

Keeping good tax records simply means keeping up with what

you spend money on. One way to facilitate this is to use a check card or credit card for purchases. A card of some type is preferred because it creates a paper trail. When we spend cash we often don't get receipts, so there is usually no way to go back and validate our purchases.

I'm frequently asked, "Should I keep my receipts?" Yes. I recommend you do, and for back up you have your statements for all purchases you made using that card.

## Step 3: Know Your Deductions

The problem with keeping receipts is it oftentimes gets too messy. That's why it's important to know which receipts to keep. Once you know which receipts to hold on to, it's OK to discard the irrelevant ones. As a tax professional I'm often asked, "What can I write off or what receipts should I keep throughout the year?" These are good questions because knowing which receipts are relevant helps us keep good tax records and can ultimately increase our refund.

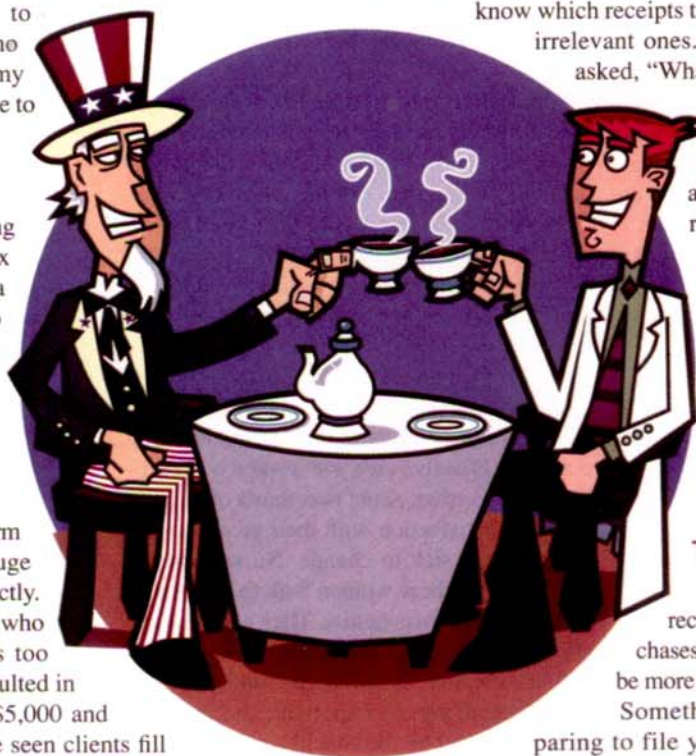
A few common unreimbursed employee expenses (tax deductions) for healthcare professionals include: uniforms, uniform cleaning, malpractice insurance, business cards, job education, medical equipment and union dues, just to name a few.

## Tie it All Together

If you fill out the W-4 form correctly, keep records of all relevant purchases and know your deductions, you'll be more prepared when you file your taxes.

Something to keep in mind while preparing to file your taxes is that the tax year is all year long. This means you should be thinking about your taxes Jan. 1 through Dec. 31 — not only when it's time to file. Even though you won't file your tax return until the following year, what you do throughout the year will determine your tax fate. Once the tax year is over, there is very little to do, so planning throughout the year will help to ease your tax fears. ■

*Emil J. Belvin is the founder of EZXco., a Los Angeles-based tax service company, which specializes in taxes and financial services for healthcare professionals. For more information on tax deductions for healthcare professionals, visit [www.ezxc.com](http://www.ezxc.com).*





# Steps to Ease Your Tax Fears

By Emil J. Belvin, CRTP

**Has a coworker or family member ever revealed that their tax refund was more than yours?**

At that exact moment you thought to yourself, "How could they get back so much?" When this happens, the thing to understand is that to get back several thousand dollars for a tax refund generally you must first put in several thousand dollars. A big tax refund is not left up to chance or coincidence; it's left up to how much you pay into the system. What you put in largely affects what you can get back.

## WHAT'S YOUR TAX STRATEGY?

When it comes time for us to file our income taxes, we should be trying to achieve one of two tax strategies. Either we are trying to get back a big tax refund or we are trying to break even.

Keep in mind, your tax strategy should be chosen in the year prior to filing your income taxes. This is an important thing to remember because most of us only stop to think about our taxes when we file, but the year we're filing for has already past.

Also, to see the best results when implementing your tax strategy you must stick with the plan for most if not all of the calendar year. Having a strategy in place for only a few months may not give you the results you're hoping.

## BIG TAX REFUND VS. BREAKING EVEN

First, let's look at what it means to get back a tax refund. Generally, our tax refund is simply a return of the money we overpaid the government. Yes, that's correct. Typically, to get a tax refund you must first overpay the government (put too much in the pot). The amount you overpay is considered your refund. Next, let's look at what it means to break even. Breaking even is when you pay the government just enough money not to owe when you file your income taxes (put just enough in the pot).

The biggest determining factor in what and how much gets withheld (put in the pot) is the number placed on your W-4 form. The higher the allowances, the less tax withheld. The lower the allowances, the more tax withheld.

With that in mind, let me ask you some questions: Would you rather receive a check for \$250 per month for 12 months or would you prefer to get one check for \$3,000 a year from today? Would you rather have more money on your paychecks throughout the year or do you want to wait and get your money in a lump sum when you file your income tax return?

Most of my clients would rather wait because they like getting back

**Your tax strategy should be chosen in the year prior to filing your income taxes. This is an important thing to remember because most of us only stop to think about our taxes when we file, but the year we're filing for has already past.**



big tax refunds. They look at their tax refund like a forced savings and feel they can do more with a lump sum than they could with smaller increments throughout the year. However, a few clients see no need in letting the government hold on to their money. They'd rather have their money upfront instead of waiting to file their income taxes. So, by using this break-even strategy they have more monthly income to invest or pay bills. As a result, when it comes time for them to file their income tax returns their refunds are minimal.

## TIE IT ALL TOGETHER

I'm often asked if one tax strategy better than the other. There is no-one-size-fits-all when it comes to a tax strategy. It is simply a matter of preference to the individual. Each of us has different financial needs and that is what ultimately helps to determine which strategy will work best.

Your tax strategy may change from year to year because of changing financial needs. Just because you'd like to get back a big tax refund this year doesn't mean that you wouldn't want to break even next year. Again, to see the best results when implementing your tax strategy you must stick with the plan for most if not all of the calendar year to see the best results. Having a tax strategy will definitely help you feel more at ease when it comes time to file income taxes. ■

*Emil J. Belvin is the founder of EZXco., a Los Angeles-based tax service company, that specializes in taxes and financial services for healthcare professionals. For more information on tax strategies for healthcare professionals, visit [www.ezco.com](http://www.ezco.com).*