

**“You must pay taxes. But there’s no law that says you gotta leave a tip.” –Morgan Stanley**

overreaction but I called an attorney friend for advice. He calmly gave me several pieces of advice: your best defense is a clear conscience, only answer what they ask, provide all the documents they ask for but no more, and be friendly but don’t talk too much. Because of my



electronic and paper filing system it was easy to run a report of the areas they were questioning.

I gathered all the receipts and attached them to the report in order. After an hour of the auditor adding up receipts and comparing her totals to those on my return, she gave me a clean report. I passed!

Just a couple of years ago I got a similar letter from the California

Franchise Tax Board. This time I knew what to do. I compiled what they requested and mailed it to them according to their instructions. I received a phone call a couple of weeks later from a very nice man thanking me for my organized records and asking me to send him one more item which I was happy to do. In a couple more weeks I received another clean audit letter.

### Conclusion

Taxes can be scary and challenging but just like most things in life they are much simpler if you break them down into smaller tasks. By organizing your finances around your taxes, you can make the job easier for yourself or your tax preparer, ensure better accuracy, and have less worry.

#### About the Author:

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**Distributed by:** Southern Union Conference Stewardship Ministries  
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# The STEWPOT

A POTPOURRI OF PRACTICAL IDEAS  
to help you become a better steward

April 2016 | Volume 21, Issue 4

## OH, NO! IT’S NOT TAXES AGAIN!

By Edward W. Fergusson, M.Div.



Well, tax time is here again and it strikes fear in the hearts of many Americans. In the late 1980’s I purchased my first tax software. The box contained a large chart which I carefully spread on the floor. It had small icons representing every single Internal Revenue Service tax form that existed that year, with lines running all over showing how a specific line on one form was linked to a corresponding line on another form. I looked at the chart and turned to my wife and said, “We’re all going to jail. No one can understand this mess.”

Maybe you aren’t worried about your taxes but you probably have to admit that this is still not your favorite time of year. Taxes can be overwhelming. Even if you

have someone else do your taxes, you still have to pull together all your records and spend significant time on the task. It may be too late for last year’s taxes since they will probably be completed by the time you read this, but I want to talk with you about planning for next year’s taxes.

### Do It Yourself or Not?



Probably the first question to ask is, “Should I have someone else do my taxes or do them myself?”

How complicated are your taxes? What is your level of competency? If you don’t have many investments or sources of income you may have no problem filing on your own. If you have a complex financial

*Stewardship is a total lifestyle. It involves our health, time, talents, environment, relationships, spirituality, and finances.*

situation but you also have sophisticated knowledge on taxes, then doing them yourself can be appropriate. Of course, it could be that you just don't like doing taxes or that the expertise of another person gives you peace of mind.

If I am going to have someone else do my taxes, then who? Realize that there are different types of tax preparers. Many places are only open during tax season and are staffed by people who only do taxes that time of the year. On the opposite end of the spectrum are the CPAs who do taxes full-time, year-round. Whomever you choose, make sure to examine their credentials and question them to see if they are truly equipped to handle your specific needs. You may also want to check references and the Better Business Bureau.

If you decide to file yourself and you have simple circumstances, tax software is almost a must. However, you do not even have to purchase one. The Federal Government and many, if not all states with income taxes, offer free online resources to file your

taxes. They are quite sophisticated and fairly easy to use.

### Organize Your Finances Around Tax Time



“Just one more reason to hate you,” my carpool buddy said, referring to the fact that I had completed my taxes in less than two hours. I suppose one could say that it took me all year to do it because I process my finances each week, planning toward doing my taxes. For me, the key to doing taxes as easily as possible is organizing and keeping track of finances regularly. Even if you have a tax preparer, an organized record makes it easier and more accurate. Delivering that shoebox full of receipts increases your costs and the likelihood of your tax preparer not fully understanding a particular transaction.

I organize my finances by tax form. If you keep your finances manually you can set up folders according to form. For example, you can have a Medical Expense folder. If you have various

medical expenses, you can have subfolders for the lines on the tax form for medical expenses: Bus, Parking Taxi, Glasses and Contacts, Lab, X-ray, Lodging, Pharmacy, Professional Fees, Supplies and Equipment, etc. The value of this is that you can then categorize your receipts so that when tax time comes, you can simply add up what is in each folder and put that amount on the appropriate line.

I use a computer to track my finances but I do not use the default categories that are built into my finance program. I am sure that accountants could explain to me the logic of the default settings but I organize my categories according to the tax forms that I use. When I write a check to my doctor I use the Medical: Professional Fees category, and then my finance program can quickly generate a report of expenses by category at the end of the year, and I am ready to fill out my tax return in no time at all. Another advantage of using a computer finance program is that as I enter a check to Dr.

Smith, if I have written a check to her before, the category is automatically selected based upon the prior check. That saves time each month and at the end of the year.

Because of my computer system, my paper filing system is very simple. For receipts, I have twelve folders—one for each month. When I need to find a receipt I first search for it on my computer and then look for it in the appropriate month. I do have another set of folders alphabetically organized that list such categories as Bank Accounts, Credit Cards, Insurance, Utilities, etc. where I keep the paper statements and other documents. More and more I am getting things electronically so I have created folders on my computer, similar to the paper folders, to store those electronic documents.

### Oh, No! Not an Audit!

I stared at the dreaded letter from the IRS; I was being audited. I had visions of grueling questions, close scrutiny, and then being hauled off to jail. I know it was an

