

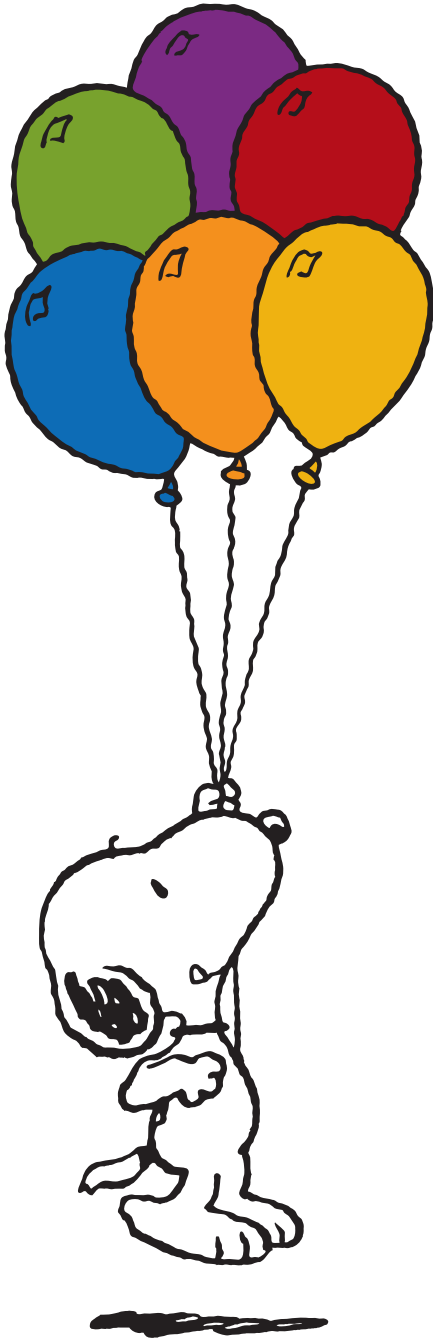
Doing Your Taxes

MetLife[®]

LIFE ADVICE

Tips and helpful information to help you prepare your tax returns





MetLife Consumer Education Center

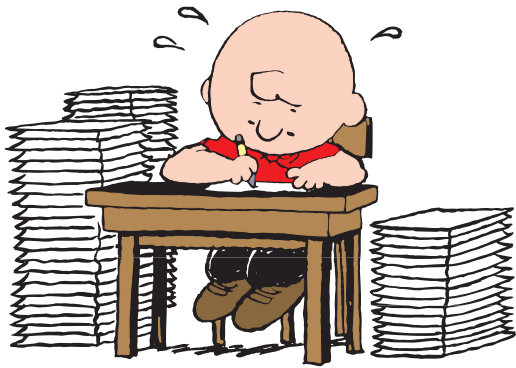
Taxes — one of life’s inevitabilities. The maze of tax rules and forms to wade through can seem overwhelming. Doing your taxes can be a challenge, but the Internal Revenue Service (IRS) has simplified the process for most taxpayers, and there are many organizations that offer free taxpayer assistance. Today, nearly 60 percent of the 140 million tax returns filed each year are filled out on a computer, either by a tax professional or by the individual taxpayer.* Very few people still fill out a tax return with a pencil.

*Source: IRS National Media Relations office

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This Life Advice® booklet about Doing Your Taxes was produced by MetLife Consumer Education Center and reviewed by the Internal Revenue Service. MetLife does not give legal or tax advice. This booklet, as well as any recommended reading and reference material mentioned, is for general informational purposes only, and is issued as a public service. Always consult a qualified tax or legal professional for specific, up-to-date information.



Doing Your Taxes

Because mistakes on your tax return can cost you—time *and* money—it's important to take advantage of all the available resources. You have some options. You may want to hire a professional to prepare your taxes. Using a professional can result in tax savings as well as confidence, knowing it is unlikely there will be mistakes on your return. If you prepare and file your own return, be sure to read through all of the directions and seek out answers for your questions (e.g., at the IRS website, www.irs.gov).

Generally, the IRS requires that you file a tax return every year. For most taxpayers, the *tax year* is the same as the calendar year. You will prepare and file your income tax return no later than April 15th of the year following the tax year, unless you request an extension using the IRS Form 4868. Saving and categorizing records of deductions throughout the year will help you be ready to file when the time comes.

There are four ways you can prepare your income tax return.

1. You can prepare it manually with pencil and paper.
2. You can prepare it yourself using tax preparation software on your own computer.
3. You can pay a fee for a tax professional to complete your return using their computer and software.
4. If you meet certain income and other requirements, you can have your tax return prepared free by using IRS Free File.

This booklet will give an overview of the tax forms the IRS provides, and checklists to help you complete your return. It also explains the differences between doing your return with paper and pencil (manually) and with the help of a computer. It will tell you how to file your form electronically, if you choose to do it that way, and familiarize you with the audit process should the IRS have questions about your return.

Getting Ready

What Is Your Filing Status?

The IRS requires that you identify your tax status in one of five ways: single, married filing jointly, married filing separately, head of household, or qualifying widow(er) with dependent child. In every case, your filing status refers to your situation on the last day of the *tax year*.

- Your filing status can be single if, on the last day of the tax year, you are unmarried or legally separated.
- Your status can be **married filing jointly** if you and your spouse report your incomes on one tax return. You are both required to sign the return.
- If you are married, you and your spouse may choose **married filing separately** if it reduces your tax bill. You and your spouse file separate returns and are each responsible for your own taxes.
- **Head of household** is a special status that is taxed at a lower rate. You may be able to file as head of household if you are single or legally separated on the last day of the tax year. You must also have paid more than half the cost of keeping up a home for the year, and a “qualifying person,” such as a child, must have lived with you in the home for more than half the year.
- **Qualifying widow(er) with dependent child** status may apply if your spouse died in either of the preceding two tax years, you have a dependent child, and you meet certain other requirements.

Choose Your Form

If you decide to submit your return using paper and pencil, you will have to determine the specific forms that are appropriate in your situation. If you use a computer to prepare your tax return, the software will complete the forms you'll submit. Either way, you need to understand the forms the IRS requires in your situation.

Everyone must file the basic tax **Form 1040** (or 1040EZ or 1040A). Descriptions of these forms appear below. Depending on the type and amount of income you report and the deductions you take, you may need to file additional forms. The list on page 4 describes additional forms (called schedules) filers use most commonly with the 1040.

- **1040.** Everyone can use this form to report all types of income. You must use this form if your taxable income is more than \$100,000 and if you itemize deductions instead of taking the standard deduction. The standard deduction is the amount the government allows each person to claim instead of itemizing deductions. The amount changes annually and is listed in tax form booklets.

- **1040 EZ.** You will use this form if you:
 - Are single or married filing jointly
 - Have no dependents
 - You and your spouse are under 65 and not blind
 - Your taxable income (which can only be from certain sources) is less than \$100,000
 - Your earned taxable interest is \$1,500 or less, and
 - You do not itemize deductions.
- **1040A.** You may be able to use this form if your taxable income is less than \$100,000 and you do not itemize deductions, but you have some adjustments such as retirement contributions or child tax credit.

Additional Tax Forms

Form Name	What's It for?
Schedule A	Itemized deductions, e.g., mortgage interest
Schedule B	Report taxable interest or dividends in excess of \$1,500
Schedule C or C-EZ	Report profit or loss from a business
Schedule D	Report capital gains and losses e.g., from sale of stock
Schedule E	Report supplemental income and losses, e.g., from rental real estate, partnerships
Schedule EIC	Claim earned income tax credit, i.e., for low-to-moderate income filers who meet certain requirements
Form 1040V	Voucher for submitting payments by mail

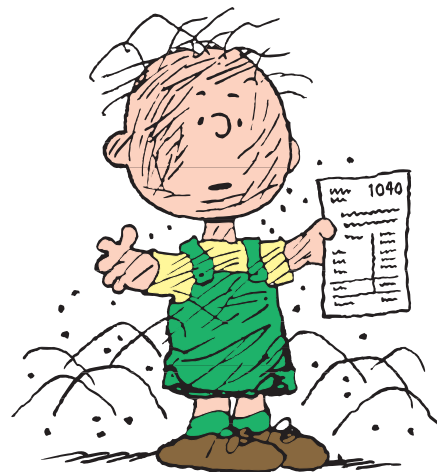
Get All Your Tax Information Together

If you gather the right information, you'll save time and won't have to search for a missing document in the middle of preparing your return. Here's what you'll need:

- **Social Security numbers** for yourself, your spouse (if filing jointly), and any dependents.
- **W-2 forms from all employers for yourself and your spouse (if filing jointly):** W-2 forms are wage/tax statements you receive from your employer. W-2s detail all income earned dur-

ing the tax year and itemize taxes withheld by your employer. You should receive a W-2 from every employer by January 31 of each year, for income earned the previous year. If you do not receive a W-2 form by the first week in February, contact your employer. It is your responsibility to obtain records of all your earnings.

- **1099 forms you received for dividends, retirement, or other income:** Generally, banks, mutual funds and other investment firms provide 1099 forms that show dividends and interest earned over the course of the previous year. You might also receive a 1099 to report money paid to you if you worked as an independent contractor. Interest and other income listed on these 1099 forms must be reported. Again, you are responsible for obtaining and reporting earnings listed on all 1099s.
- Receipts for expenses for itemized deductions you record on Schedule A, e.g., for clothes given to the Goodwill charity.
- Bank account numbers if you want a fast refund, or to pay electronically.
- Adjusted gross income for the prior tax year (you may need this if you file electronically.)



Tips for Avoiding Errors

People are human and make mistakes — the IRS knows this. If you prepare your forms manually, you may avoid errors if you are aware of the most common ones. They include:

- An incorrect Social Security Number.
- Incorrect math.
- No signature or, if you're filing jointly, only one signature.
- Failure to include W-2s.

Avoid mistakes by:

- Preparing your return using a computer.
- Filing your return electronically. See **e-file** on page 3.

- Choosing direct deposit for your refund.
- Making payments by Electronic Withdrawal, or by debit or credit card.
- If you use a tax professional, asking them to *e-file* your return.

Other areas prone to error are deductions for travel and entertainment, deductions for a home office and capital gains and losses.

If you do make a mistake — minor or otherwise — you should amend your return by filing a 1040X. Errors on a tax return can increase your chances of being audited, so check your return carefully.

E-File and the Advantages of Electronic Filing

If a computer is used, by you or by a tax professional, you will have the option to *e-file*. This means that, instead of mailing paper forms, the information is transmitted to the IRS electronically (over the Internet). According to the IRS, electronic filing is faster and more accurate (e.g., instant submission, easier to read, can't get lost in the mail). You get an immediate receipt that they have received your return (no need for certified mail). *E-file* refunds are fast, even faster with Direct Deposit to your bank account. When you e-file your return, the IRS says you are 99 percent less likely to receive any notices from them.*

If a tax professional files your tax return for you, they will either mail the completed paper return or *e-file*. If you e-file using your home computer, you'll file electronically through participating online services. Check the IRS website for e-file details at www.irs.gov.

E-file can be completely paperless if you:

- Make your payment to the IRS with a credit or debit card, or via electronic funds transfer.
- Have your refund deposited electronically to your bank account.
- Use a self-selected PIN (i.e., an electronic "signature"). For more information, the IRS website, www.irs.gov, has easy to use and easy to access information.

The IRS provides alternatives so you can e-file and still send your signature and/or payment through regular mail.

Prepare Your Return

If you choose to prepare your own tax return, you can do it manually or on a computer. You could also elect to pay a tax professional to prepare your return. If you qualify, you can have your tax return

prepared free by using IRS **Free File**. Except when you do your forms manually with paper and pencil, you can elect to file electronically and receive the benefits of *e-file*.

If You Prepare Your Return Manually

Use the checklist below to help you through the manual filing process.

Manual Return Preparation Checklist

- Collect all records, including W-2s, 1099s, receipts, etc.
- Obtain forms and schedules online from the public library or IRS.
- Fill in your return following the directions in the appropriate booklet.
- Check your return for accuracy.
- Sign and date your return.
- Attach all required forms.
- Include the payment voucher (Form 1040-V) with any required payment.

If You Prepare Your Return on a Computer

If you own or plan to purchase tax preparation software, make sure it is up to date. Remember, tax laws change every year, and you are responsible for the accuracy of your return.

Completing your return on a PC or Mac is not difficult. You collect information in the same way you would if you were filing manually. Then, using the tax software, you answer the questions and provide the requested information. When you've entered all required information, the software will complete the necessary forms, and print a copy for your records. You can either send a copy to the IRS via mail or transmit your return electronically. If you *e-file*, you can make your payment with a credit card or have the IRS electronically deduct your payment from your bank account.

If a Tax Professional Does Your Return

If you choose a Tax Professional to prepare your return, you may choose to *e-file* or mail paper forms. Keep in mind that there are fees associated with tax preparation and that some Tax Preparers charge an additional fee to *e-file*.

More than 57 million returns were e-filed by Tax Professionals last year.* To find a Tax Professional offering *e-file* in your area, use the Authorized IRS *e-file* Provider Locator Service on the IRS website.

*Source: <http://www.irs.gov/efile/article/0,,id=118450,00.html>

*Source: <http://www.irs.gov/efile/article/0,,id=118450,00.html>

If You Free File

Many taxpayers are eligible for Free File. Free File is an online tax preparation and electronic filing service arranged by the IRS. If you meet the requirements, an authorized provider will prepare and *e-file* your return...free. Check the Free File homepage at the IRS website.

If You Prepare Your Return Yourself Using a PC or Mac

- Collect all records, including last year's return, W-2s, 1099s, receipts, etc.
- Be sure your tax preparation software is up to date and review the instructions.
- Answer the questions from the tax preparation software and complete the preparation of your return.
- Check your return for accuracy.
- Print copies of your return.

To Mail Your Return...

- Sign and date your return.
- Attach all required forms.
- Include the payment voucher (Form 1040-V) with any required payment.
- Use the envelope provided by the IRS to send your forms to the appropriate IRS processing center. Certified mail is not required, but will provide you with proof that you submitted your return on time.

To e-file Your Return...

- Decide how you want to get your refund or make a payment, e.g., electronically with a credit card or Electronic Funds Withdrawal, or mail payment with a voucher (Form 1040-V).
- Decide how you'll sign your return, i.e., PIN number or mail.
- Identify an *e-file* transmitter on the IRS website; transmit.
- Save & file acknowledgement that IRS received your return.

Tax Filing Tips

Following these suggestions should help your tax return receive prompt, accurate (and not too much) attention:

- *Always file on time even if you don't have the money to pay.* At the very least, file for an extension using Form 4868. When requesting an extension, you must estimate the taxes due. You will pay interest on any tax not paid by April 15.
- Use last year's forms as a guide so you don't forget sources of income or deductions. Watch out, though, for changes in exemption and standard deduction amounts.
- Keep a copy of your tax return and other documents for your records.
- Get help if you have questions. See a tax attorney, CPA, IRS representative, visit a commercial tax preparation office, or contact an "enrolled agent."

- Get organized for next year. Set up folders for your records and receipts.
- Keep your records three years after the filing deadline. Generally, this time frame is consistent with the three-year statute of limitations for the IRS to audit a return. The statute of limitations may be longer in some situations, such as when you own a home or rental property, are an investor, or are involved in a business.
- **Additional tips if you file manually:** Your return should be neat (e.g., readable, not smudged). Also, round money amounts to the nearest dollar—it makes calculations easier and reduces the chances for errors. Include a check if you owe money. The check should be made payable to the United States Treasury and include your Social Security number. Submit Form 1040-V with your payment.

Help Is Available

The IRS is your best source of information. They have many publications including two favorites: *Your Federal Income Tax* and *Tax Guide for Small Business*. IRS information is available to you in many forms:

- Obtain a list of publications produced by the IRS by calling 1-800-TAX-FORM (1-800-829-3676).
- Call the IRS recorded information service—TeleTax at 1-800-829-4477—with messages covering more than 140 tax topics.
- Call the live assistance line at 1-800-829-1040 for answers to your federal tax questions.
- Access extensive information at the IRS website at www.irs.gov.

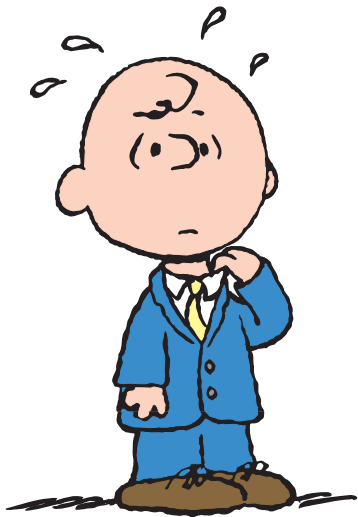
Locally, programs such as Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) (designed to assist older, disabled, low-income or non-English speaking persons) may be available.

If you are required to file a state or local income tax return, again you can check your library for forms and assistance guides. Check also the Government and Municipal Guide, or "blue pages," in your phone book for state and local taxpayer offices and assistance numbers.

Dealing with an Audit

Occasionally, the IRS may uncover errors in your return, or seek additional information or clarification, known as an audit. Of course, it's important to be truthful when filing your taxes. It's just as important to be prepared to substantiate your return with complete records if the IRS contacts you.

An IRS audit is generally an impartial review of your tax return to determine its accuracy. It is not an accusation of wrongdoing. But you, the taxpayer, generally have to provide documentation for the entries on your return. For example, if you gave \$300 worth of old clothing to a charity but you don't have a receipt or other proof that such a gift was made, you might be in trouble if you're audited. If the IRS questions the deduction and you cannot provide reasonable evidence that a charitable gift, in such amount, was made, the deduction may be disallowed.



Why Me?

All tax filers face a slim chance of being audited. Each year the IRS reviews a random sample of 13,000 returns representing a valid cross section of all returns and examines those returns carefully for compliance. As there are 140 million tax returns filed annually, the odds of your return being picked in a random audit are small. You are much more likely to be audited, however, if you are in one of the following categories of people:

- People in cash businesses are easy targets for the IRS. Many people in these businesses don't declare all their income, and the IRS knows it. If, for example, your occupation is listed as a hairdresser, waiter or bartender, it may raise a red flag. If you regularly receive cash for your work, be sure to report all the money you earn, including tips.
- Professionals such as doctors, lawyers and accountants are also targeted. That's because they generally run their own businesses and do their own bookkeeping. The IRS may want back up of claimed deductions and expenses.
- The IRS may choose to examine carefully the returns of people taking unusually large deductions and people who are involved in

questionable investments or abusive tax shelters. Although such deductions or investments are often justified, they may raise a red flag.

Deductions the IRS Are Likely to Challenge

Tax law mandates that certain deductions must exceed a minimum percentage of your income before you can claim them. For example, medical deductions must exceed 7.5 percent of your income, and casualty loss deductions (e.g., a fire loss) must exceed 10 percent before you can claim them. Only a small number of taxpayers qualify, so if you claim these deductions, keep careful records.

The IRS is also likely to look at your contributions to charity. If you deduct more than the IRS's statistical norms, you may be audited. You must have a receipt containing certain specific information (not just a canceled check) for any single donation of \$250 or more. If you don't have a receipt, the IRS may disallow the deduction.

A home office deduction may also increase your chances of being audited. Keep accurate records if you deduct expenses related to a home office.

The IRS may also audit if they receive a tip that you are cheating on your tax returns.

The Different Kinds of Audits

If you are notified that you will be audited, take it seriously but don't panic. First, read the letter from the IRS carefully and figure out what you are being asked to do. It may be as simple as signing your return. There are three basic types of audits, and the letter will explain which one applies to you:

- A **Correspondence Audit** is for minor mistakes. A letter from the IRS will tell you what documentation to send through the mail. Once the IRS is satisfied that it has the correct paperwork, the matter will be closed.
- A **Field Audit** is one in which the auditor comes to your business or home to verify the accuracy of your return. This type of audit is usually done if the return is complicated and involves business operations. If your records are neat and in order, it will suggest to the auditor that you are a conscientious businessperson.
- An **Office Audit** requires that you physically appear on a specific date and time at an IRS facility and bring your documentation. Bring only the documents asked for. Otherwise, you will leave yourself open to an examination of all your records, even if they are not in dispute. If you are unable to keep a scheduled audit appointment, phone and reschedule as soon as possible.



Do I Need Professional Help?

For a field or office audit, professional assistance may be a good idea. Taxation is very complicated and technical, and you will benefit from having an expert on your side. If you had an attorney, CPA, or an enrolled agent prepare your return, you will most likely want to bring that person to the audit. Professional tax preparation services will sometimes send someone to accompany you to an audit. Weigh the amount of tax in question against the cost of bringing a professional with you.

You can either agree or disagree with the auditor's findings. If you agree, your experience with the IRS is finished upon completion of some paperwork and payment of any outstanding amounts. If you disagree with the auditor, the issues in question can be reviewed informally with the auditor's supervisor or you can appeal to the IRS appeals office, which is independent of the local IRS office that conducted the audit. If you do not reach an agreement with the appeals officer, you may take your case to the U.S. Tax Court, U.S. Claims Court or U.S. District Court. The Tax Court generally hears cases before any tax is assessed or paid. The Claims Court and District Court generally hear tax cases only after you have paid the tax and filed a claim for refund.

Audit Advice

- Don't rush. Respond promptly to a notification of audit, but don't hesitate to ask for a postponement if you need time to gather records.
- Answer questions truthfully, but don't volunteer information that isn't asked for.
- Be friendly. A positive attitude will go a long way.
- Keep good records. The burden of proof is initially on you.
- Keep records for at least three years.
- Educate yourself. Read IRS Publication 1, *Your Rights as a Taxpayer*. You can order this and other tax forms and publications by calling the IRS at 1-800-829-3676 or visiting www.irs.gov.
- Ask for help. Consider contacting a tax professional if the audit is extensive or complex.
- Don't let the auditor keep your original documents.
- Appeal the audit if you disagree with the findings.
- Come clean. If you know one of your deductions is unsupported, admit it and pay the tax.

Filing and paying taxes is part of life, but it doesn't have to be an unpleasant experience. The more organized you are and the more you learn about how to file your taxes, the easier it will become. Many happy returns!

For More Information

Note that new editions of many tax preparation guides, including the following, are published each year.

J.K. Lasser's Your Income Tax 2008:

For Preparing Your 2007 Tax Return

by the J. K. Lasser Institute

Published by John Wiley & Sons, Inc.

Taxes 2008 for Dummies

by Eric Tyson, David J. Silverman, & Margaret Munro

Published by For Dummies Press

Free Brochures

The quarterly Consumer Information Center Catalog lists more than 200 helpful federal publications. Obtain a free copy by calling 888-8-PUEBLO or on the Internet at www.pueblo.gsa.gov.

Helpful Websites

www.irs.gov

The Internal Revenue Service's official website.

www.irs.gov/advocate

An independent organization within the IRS that helps taxpayers resolve problems with the IRS and recommend changes that will prevent the problems.

www.aarp.org

AARP provides the nation's largest free, volunteer-run tax preparation and assistance service, Tax-Aide. They serve low- and middle-income taxpayers with special attention to those ages 60 and older.



For information about other Life Advice topics, go to **www.metlife.com/lifeadvice**.

To order up to three free Life Advice booklets, call **800-METLIFE (800-638-5433)**.

MetLife does not give legal or tax advice. This booklet, as well as any recommended reading and reference material mentioned, is for general informational purposes only, and is issued as a public service. Always consult a qualified tax or legal professional for specific, up-to-date information.

Pursuant to IRS Circular 230, MetLife is providing you with the following notification: The information contained in this booklet is not intended to (and cannot) be used by anyone to avoid IRS penalties. You should seek advice based on your particular circumstances from an independent tax advisor.

Neither MetLife nor its representatives or agents are permitted to give legal, accounting, ERISA or tax advice. Any discussion of taxes, ERISA, or accounting rules included in or related to this booklet is for general informational purposes only. Such discussion does not purport to be complete or to cover every situation.

ERISA and current tax laws are subject to interpretation and legislative change. Tax results and the appropriateness of any product for any specific taxpayer may vary, depending on the particular set of facts and circumstances. You should consult with and rely on your own independent legal, accounting, ERISA and tax advisors.

For the **if** in **life**.SM

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1-800-METLIFE

Or contact your local MetLife representative.

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