

# THE TAX PICTURE

## Unlucky 5: The Top Taxpayer Mistakes

by Jeff Schnepfer

(NAPSA)—Here's a lineup of the five biggest mistakes taxpayers make—and what you can do to avoid them.

**1. Bad math.** According to the Internal Revenue Service, math errors are the number one mistake taxpayers make. If you receive a notice of a correction from the IRS, check the figures carefully. They too have been known to make math mistakes.

**2. Forgetting about interest and dividends.** Interest and dividend payments are reported to the IRS by financial institutions and are cross-checked in 96 percent of the cases. As a result of cross-checking, the IRS sends out notices for taxes and interest on overdue taxes. Unfortunately, many of these notices are incorrect or incomplete. You can contest an incorrect notice.

**3. Not properly tracking investment basis.** A basis is the original value of your investments. If you have mutual funds, for example, each year those funds will report to you the dividends and capital gains you earned. These dividends and gains will be taxable to you in the year reported.

**4. Losing track of receipts.** Always keep receipts and checks if



**Double checking your math and keeping your deductible receipts could save you some tax money.**

you want to deduct them. Deductible receipts and checks should always be kept for at least three years from the due date the year filed, or the actual date filed, if later. Once the three-year period elapses, the IRS is prohibited from even questioning these deductions.

**5. Failing to bunch deductions.** Some deductions are allowed only after you exceed a minimum amount. For example, only those medical expenses that exceed 7.5 percent of your adjusted gross income are allowed.

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