Tax Facts

Four Tax Filing Tips For Investors

(NAPSA)—Having investments means reporting some additional information on your tax return, but it doesn't mean you need a CPA. The step-by-step, easy guidance in digital tax filing solutions makes it easy for investors to prepare and file their own taxes with confidence.

"Simply knowing what investment information you need to report on your tax return from the start will save you time and money," said TaxACT spokesperson Jessi Dolmage. "Knowing that will also help prevent you from overpaying or underpaying taxes on your investments."

Be Prepared

Having all your forms and information beforehand makes tax time easier and faster for everyone, but especially for investors. Gather all your Form 1099-Bs from brokerages, other tax forms (W-2s, other 1099s, etc.), plus any documentation about your transactions.

If you're still waiting for 1099s or other investment information, Dolmage recommends preparing as much of your return as possible now but wait to file until you receive it to avoid amending your return.

DIY tax filing solutions often import transactions directly from brokerages or provided data files. TaxACT also offers a spreadsheet-style entry tool for Form 1099-Bs for fast entry and review of up to 2,000 transactions.

Investors with a lot of transactions can also obtain Form 8949, Sales and Other Dispositions of Capital Assets, from their brokerage or a service that generates the form. Simply submit it with your return.

Double-check Your Form 1099s

Depending on how long you've held the asset and where it originated, your Form 1099-B may not list your cost basis and date acquired. If your cost basis and acquisition date aren't on your Form 1099-B, you still need to report it on your return. Without a cost basis, proceeds are taxed as a capital gain.

Verify Your Cost Basis

The cost basis is the purchase price of an asset adjusted for stock splits, dividends, return of capital distributions and any other basis adjustments. Using the correct cost basis is key to accurately reporting and calculating a capital gain versus a loss, the difference between the asset's sales proceeds and the cost basis.

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Even if your cost basis is reported on Form 1099-B, check your investment records to verify that it's correct. Your reported amount is based on the information available to your brokerage, which may not include all the data needed to calculate the true cost basis.

For instance, the sale of certain employer stock options may be reported on your Form W-2 and Form 1099-B. If you don't adjust your cost basis for this, your sale may be taxed as ordinary income and as a capital gain.

To report adjustments to cost basis amounts on your tax return, enter the adjusted amounts and an adjustment code for each that explains the reason for the change.

Purchase Date Matters

Assets held for more than 12 months are considered long-term and benefit from reduced capital gains tax rates of 0 percent, 15 percent and 20 percent based on your tax bracket. Conversely, short-term gains for assets held for less than 12 months are taxed at ordinary rates.

Verify the asset's purchase date before selecting the short-term or long-term reporting category for the transaction on your tax return. (Remember, the date acquired may not be on Form 1099-B.) Incorrectly reporting the term may result in overstating or understating your total tax liability.

Visit www.irs.gov for more investment tax tips, and www.taxact.com to learn how TaxACT makes tax time easier for investors.