

Transcript Season 1: Episode 20 – Filing Your Taxes – Collecting Important Papers

Podcast Opener:

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This is Grown Up U, an adulting podcast to help you navigate the twists and turns of adult life. Listen and get life skills you didn't learn in school.

Podcast Script:

Rachel Chaney: Welcome to Grown Up U podcast. Thank you for listening. We are in the new year, and you know what that means. Tax season is upon us. It's time to get those important tax papers ready to go.

Hello, I'm Rachel Chaney, the Yell County Family Consumer Science Extension Agent.

Today, I'm with Dr. Laura Hendrix, Associate Professor for Personal Finance and Consumer Economics with the University of Arkansas System, Division of Agriculture, Cooperative Extension Service. Dr. Hendrix is an Accredited Financial Counselor and a Certified Volunteer Manager. She has a Ph.D. in Public Policy, specializing in family economics policy, and M.S. and B.S. degrees in Home Economics. The mission of Extension's financial education program is to give consumers the knowledge and skills they need to build financial security and improve quality of life.

Dr. Hendrix has joined me for a special two-part podcast about Filing Your Taxes. In the session today, we will talk about collecting important papers. Next week session will talk about tax preparation options. The deadline to file your 2021 taxes is April 15th and around the mid to end of January companies start sending out W-2's. So, Dr. Hendrix, what type of papers do you need for filing your taxes?

Dr. Laura Hendrix: Well, it really depends if you're going to take the standard deduction or itemize. A good way to kind of check is to see what you did last year. So, if you have your last year's tax records, you can kind of look and see what papers or what items you included on that so you can make sure you have those.

You'll need your Social Security number. You'll need W-2s and 1099s. The W-2s provided by your employer. And for people who are going to itemize, they will need records showing what those items are. For example, the big one is mortgage interest, but there are other things like charitable contributions and other deductible expenses. Qualifying child here. There are some education expenses. Any documents showing income.

So, in addition to those W-2s and 1099s, anything that you get from your bank or from investment accounts that show interest or dividends on savings or investments. And bank account numbers for direct deposit because that is one of the fastest ways to get your money back. To get your refund is to use the direct deposit. You can deposit in more than one account, and you'll need the routing and account numbers to do that.

Rachel Chaney: Okay, yeah, that to me is a lot of papers, for sure. So, what tips do you have for keeping track of those papers?

Dr. Laura Hendrix: Really, the best way to keep track of them is just to do it throughout the year and not wait until the last minute. So, I like to mark on anything that comes through my hands that could be a possible document that I might need for taxes. I'll just write "file-taxes" on it, and I have a folder for that, and I put that in there.

The other important thing for keeping track of papers that really helps is to get rid of things that aren't important. That really simplifies and cuts down on the clutter and makes it easier to find the things that you do need.

Rachel Chaney: And that actually segues right into my next question is, you know, with storing those papers and decluttering. How long do you need to keep these papers on hand?

Dr. Laura Hendrix: Well, for tax filing purposes three to seven years, depending on what the item is. So that's three years for sure and up to seven for some items. And storing and decluttering, you know, just have a system, but find a system that works for you and for your space. Just minimize as much as possible by only keeping those things that are really needed.

Rachel Chaney: Yeah, I'm sitting here thinking, you know, I have a tax drawer that I designate and probably about time I need to go through that myself. Something else with collecting papers is itemized deductions.

What about those? What do you need for those? And what about the standardized deduction? I've heard there's been, it's been raised, and so I'm curious what your recommendations are regarding that.

Dr. Laura Hendrix: Sure. So, for a single person filing, it's going to be \$12,500 this year and for married, filing jointly, it's going to be a little over \$25,000.

So really kind of depends on what your potential items are that you might be able to itemize and where your tax system. There is an online calculator on the IRS website that consumers can use to determine what their standard deduction would be.

The easy way to check and see if you should itemize or take the standard deduction is to look at those things that you could potentially itemize and add those up. And if those are not more than the amount you would get for your standard deduction, then go ahead and take the standard deduction.

If those things are more than the standard deduction, then you would want to itemize and then you would need all of those receipt. Usually, the biggest one for most people is going to be the mortgage interest. That's a pretty quick thing to look at. Your loan provider will mail you a statement that says it's for your tax filing that shows what your mortgage interest was for the year, and then you can look at that and compare it to your standard or your potential standard deduction.

Rachel Chaney: I was curious about that myself. So, it's good to know. I will definitely check out that online calculator. So, speaking of that resource, do you have any other resources that you want to recommend to our listeners that relate to collecting important papers?

Dr. Laura Hendrix: I will say that the IRS website is a great resource. I highly recommend using that. It has a very easy to use search engine.

Tax filers this year, you know, we had a little bit different, is we had that advanced child tax credit. So that's one thing that tax filers might want to be aware of. They may want to look back at what their advance payment that they receive, because that's going to be all kind of evened out in the tax filing season.

So, if you maybe didn't receive as much as you should have, you'll get that back as refundable tax credit. And if you received more than you should have received, then that will be added back into your taxes when you file. So, that was one thing.

And another great resource I'll mention is the county extension office. We have a couple of different programs that our county agents teach that are about managing clutter and storing papers, ways to store important papers, and record keeping tips. So, I would recommend that it's a great resource for Arkansas consumers.

Rachel Chaney: Yeah, that's a great point. I was actually thinking about that. We had an EHC lesson on keeping track of important papers. Well, this is all great information and that is all the questions I have.

So, I just want to say thank you so much to Dr. Hendrix for joining me today. For those listening, be sure to come back for part two of filing your taxes. This will be released next Wednesday.

And just make sure to get a system in place for collecting those important papers and it's important to do it all year around is when I'm hearing. Thank you for listening to us and see you next time.

Podcast Closer:

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