

## Transcript Episode 21: Filing Your Taxes-Tax Preparation Options

### Podcast Opener:

Adulting – Thinking of all the things adults have to do can be intimidating. Maybe you are realizing just how much you don't know about living on your own. If this sounds familiar, join us today to learn the skills you need and take some of the stress out of being an adult.

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:** Hello, everyone. Welcome to the Grown Up U podcast. Thank you for listening! Tax season is right around the corner. It's time to decide what tax preparation options you are going to use.

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 certified volunteer manager. She has a Ph.D. in public policy specializing in family economics policy and a M.S. and B.S. 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 on filing your taxes. During the last podcast, we talked about collecting important papers, and in this session, we will talk about tax preparation options. So now that you have all your important papers ready to go, it is time for you to file. From what I've read, you can start filing your taxes around February 1st and this will depend on the IRS and when they decide to start accepting returns. The deadline to file your taxes is April 15th. It's important to decide what tax preparation options you are going to use. Everyone's situation is different. So, Dr. Hendrix, what tax preparation options are available to me or to those listening?

**Dr. Hendrix:** So, the main choice is filing in person and by mail or filing electronically. Electronically is going to be your fastest way. And then deciding if you're going to file on your own or if you're going to use some kind of service or a tax preparation. Paid services can be expensive, but for a more complicated tax return, that might be the better route to go for the consumer. If it's something really simple and straightforward, for example, if you're going to take the standard deduction, that's pretty straightforward and probably would be pretty easy for you to do on your own. For anyone with adjusted gross income of \$72,000 or less, they can use IRS free file and for people who make \$57,000 or less, they qualify for free in-person filing with VITA (Volunteer Income Tax Assistance Program). And the IRS website has a list of VITA sites as well as the link for IRS free file. And then beyond that for anyone who decides to use some other

method, just make sure it's a reputable tax prep service. You can just check that the way you would any other company that you want to do business with.

**Rachel Chaney:** That's some great options there, and I know there's a lot out there. You talked a little bit about this, but how do you pick? When should I follow my own taxes and when should I look at maybe having a tax professional file?

**Dr. Hendrix:** So, to me, it really depends on how complicated your tax return is. So, for most of us, if we take the standard deduction, that's going to be really easy to do, and most people can probably do that themselves online. And again, if they make adjusted gross income less than \$72,000, they can do that for free online or use a reputable either online tax prep software or go to a reputable tax preparer. Now, people who have more complicated tax returns, maybe if they own a business and they have maybe business and farm and personal income then that can get a little more complicated. Itemizing deductions can seem complicated to some people, but some people might actually have a good handle on that. You can read up on that on the IRS website. IRS.gov is really easy to search. You can just put that in the search bar and look up and see if you think you'll be able to do itemized on your own or not. That those are some options.

**Rachel Chaney:** I will say for myself, when I first started out trying to do it myself, I decided to go with someone because I didn't really feel comfortable. And it was just a whole thing to me because before my parents did it for me and now, I'm out on my own and it was scary. So, I had someone who I went to do it and I did have school stuff and so is a little bit more complicated. But then once I graduated with a masters and was done with all that. After talking with Dr. Hendrix, actually. I decided to look into the free file options, and I went with the company, and I do pay a little bit, but that's for peace of mind because they go in and check to make sure everything, I've done is correct. It's definitely important to kind of decide what works best for you and your situation may change, so it's good to maybe reevaluate that. So, what should I know before I file or what are some things I need to think about before I file?

**Dr. Hendrix:** So, you're exactly spot on there, Rachel when you talked about it is unique to the individual. So, it's your comfort level and your understanding of what's needed for filing taxes and then your options that you have available. And a lot of the software do a great job of with their question prompts in guiding consumers through that. So, before you file, we talked about this a little bit in your earlier podcast. What to know before you file is to have all of the documents that you might need handy: your Social Security number, your bank account routing and account numbers for that direct deposit, Social Security numbers of any dependents, and then your W-2s and 1099s and any documents that you might need for itemizing so amounts and documentation.

**Rachel Chaney:** I will say to just to add something I thought about is also scheduling your appointment. If you're going to use a tax professional, they get really busy really quick with this. So, think about that with time and how quickly you want to file and maybe get the refund or have to pay. So, what tips do you have for managing your refund? Or maybe you have to owe money? What tips do you have for that?

**Dr. Hendrix:** Well, now is a good time to think about preparing for 2022 tax seasons. So, if you think you might owe some now, then you may want to start having more withheld from your check for next year or for people who are self-employed, they may want to start putting more back for taxes for the next time. So, they will have a source for paying those. The IRS does provide some payment option plans for people who are in dire circumstances. But for most of us, those who are getting a refund, the fastest way to get that is to file electronically and then use direct deposit. So, most tax preparers have an electronic option, and then if you use direct deposit, it can go straight into your bank checking and/or savings accounts. You can split that up between more than one account.

**Rachel Chaney:** Awesome. I know it kind of can go either way. You're excited about maybe getting a refund or you're like, oh no, I got to pay. So that's some good tips there. And do you have any resources that you want to recommend to our listeners related to filing your taxes and tax preparation options?

**Dr. Hendrix:** The IRS website is a great resource, so that's one of the first ones that I would recommend. (<https://www.irs.gov/>)

**Rachel Chaney:** Awesome. That is all the questions I have, and I just want to say thank you so much to Dr. Hendrix for joining me for the Filing Your Taxes podcast sessions. If maybe you missed part one, it is available on our website so you can go back and listen to that one. Get those papers ready and decide how you're going to file. And once again, thank you for listening and we'll see you next time.

#### Podcast Closer:

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