

Deduct Everything!



Deduct Everything!

Save Money with Hundreds
of Legal Tax Breaks, Credits,
Write-Offs, and Loopholes

EVA ROSENBERG, EA

Humanix Books

Deduct Everything

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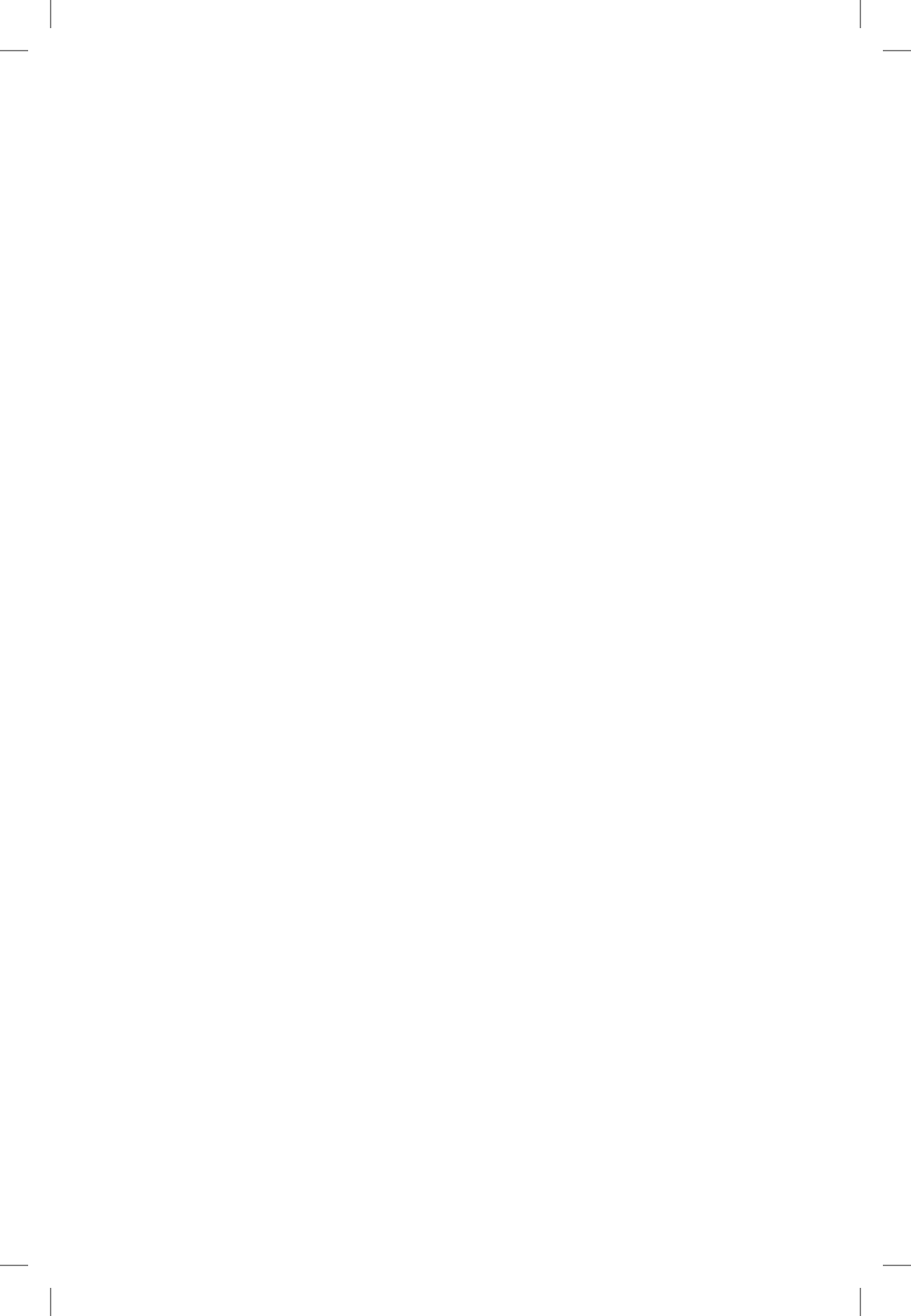
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CHAPTER 1

Introduction

FOR MORE THAN A decade, I have been known as the “TaxMama®”—the “Dear Abby” of the tax world—fielding questions from Americans and visa holders the world over through my website, www.TaxMama.com. It’s been a lot of fun. The questions people ask, the glimpses into people’s lives, their ideas and perspectives are fascinating. I am privileged to be trusted with such intimate details. Some people have been part of TaxMama’s family from the beginning. And some pitch in and help out, providing insights and tips from their own rich store of knowledge.

The fact is the Internal Revenue Code (IRC) is bloated. According to Nina Olson, your National Taxpayer Advocate, by 2012, the IRC had grown beyond four million words—more than double the size of the IRC in 2001. Imagine how much it’s grown in the last three or four years! In fact, just as we were about to publish this book, Congress passed the “Protecting

Americans from Tax Hikes Act of 2015” on December 18, 2015. That gave us time to make notes about the last-minute changes before we went to press. See Bonus Tip #270 for more details.

Absolutely no one can be expected to know everything in the Tax Code. Not you, not your tax professional (or tax expert), not the IRS—no one. We’ve all heard the phrase, “Ignorance of the law is no excuse.” So what’s the secret to getting it right?

TaxMama’s Secret is *R & R*—Reliable sources and Research. We know who to ask. We know where to look.

My goal is to teach you those two things: who to ask and where to look for accurate answers.

I want the tax process to be a fun experience for you, one that challenges you to use your wits to dream up your own ideas on how to “beat the system.” Legally, of course! Sometimes your far-fetched ideas might actually turn out to be the perfect solution. (In fact, I won my Dow Jones column by trying to sell a far-fetched idea a reader had sent me—an idea that turned out to actually work! More about that in “A Few Last Words.”)

Along the way, you’ll get tips, ideas, and strategies that you can implement immediately.

We’ll try to make the book as user friendly as possible, with a Resources section that will take you directly to the information you need.

First, I want to offer you my hard-won insights and truisms to help guide you throughout your tax journey.

— TaxMama’s Tax Truisms —

Philosophy about taxes: Lower taxes, achieved ethically = higher profits and increased joy.

Mantra about tax return records: Document, document, document! In other words, get a backup for everything!

Philosophy about people in general: There's never a bad time to be nice to someone. There's never a bad time to say something nice to someone. In fact, say or write something nice to someone right now!

Philosophy about dealing with IRS and state officials: Always be gracious and polite to IRS, state, and other tax officials. They can either help you or do you great harm. While it's illegal to give gifts to government officials, you are welcome to write a letter of commendation to thank them for helping you. Send it to them with a copy for their superiors. These letters go into the employee's file and help with promotions, commendations, and other advancements. Besides, it always feels good to get a compliment.

Philosophy about getting even: What's the best way to get even with someone who is really mean and nasty? Smile and be super nice to them at all times. It will totally confound them.

Philosophy about burnout: Sometimes, even when you love doing something, too much of a good thing becomes a burden. Take a break.

Philosophy about tax filing when you think you have no taxable income: Always file a tax return whether you need to or not. Why? Because TaxMama said so. You never know what future trouble you will forestall. If you don't file, you will find out in about five years—and it will be hell. If you do file, you will never know the trouble you've missed.

Philosophy about not filing when you have refunds due: Never leave money on the table. Not filing because you have a refund coming and will collect it later is . . . how can I say this diplomatically? I can't. It's *stupid!* After three years, you lose

your refund. I actually had a client who lost more than \$100,000 because he didn't file his tax return for more than ten years and had five-figure refunds each year. It can happen to you, too!

Philosophy about caregivers who don't want to report their income: If a childcare facility is cheating on their taxes and lying to the IRS, do you really want them being your children's caregivers? If they refuse to provide a Social Security number to you, what will they teach your children about right and wrong?

Philosophy about someone who wants to work outside a system: If someone is ripping off their suppliers or marketers (like going around AirBnB's rules, or house cleaners who want you to hire them without their agency), can you trust them not to cheat you, too?

Philosophy about extending credit to someone who doesn't pay proper taxes: If someone has avoided paying the IRS for years, do you really think they will be afraid of your bill collections efforts?

Philosophy about finding treasure: Search the Unclaimed Money site at least once a year (<https://www.usa.gov/unclaimed-money>). You never know what treasures you will find. I found money for my cousin that had been left unclaimed by her deceased mother.

How to Use This Book

This book is designed to give you some tips you probably won't find anywhere else.

It isn't intended to regurgitate the tax laws and deductions that you already know and are, quite frankly, bored with.

I try not to use any acronyms in a chapter without explaining it in that chapter. Once explained in the chapter, I will probably use it relentlessly.

Except one.

AGI—you will see this one acronym throughout the book, used mercilessly. It is the heart of the entire income tax computation. It stands for Adjusted Gross Income. This is a specific amount that you will find at the bottom of page one of your long-form 1040. (The same number is found at the top of page two of the long-form 1040.)

Regardless, if you encounter a term or acronym that is unexplained, please turn to the Glossary at the back of the book. You will find all the explanations there.

Part of TaxMama's philosophy is, "If it's too good to be true, it probably isn't true."

So when I give you a tip or guidance that is too good to be believed, you will find a reference. In the print book, you will be given an IRS publication number, a code section, a Tax Court case, or some other useful reference. In the electronic version of the book, you will find links directly to that part of the publication or links directly to the specific source of the information.

You would be wise never to take advice on faith. Please look things up, research them. Learn how to read and understand what is happening in your tax life. After all, when you sign a tax return or other tax form, you are attesting that you have read it, understand it, and are responsible for the contents.

Naturally, researching, reading, and learning take a lot of time. That's what tax professionals do—often, because we think it's fun. But perhaps you are like Isaac Asimov. Remember him, the famous scientist and mathematician best known for having written more than five hundred books? He is known for his "Three Laws of Robotics," and many of his books have become films—including *I, Robot*, *Bicentennial Man*, and his chilling short story "Nightfall."

One April, he devoted an entire editorial column in *The Magazine of Fantasy & Science Fiction* to tax season. The Good Doctor, as Asimov was known, explained why he uses a tax professional: “I am sure I could understand income taxes if I put my mind to them. But if I took the time to do that, the world would be deprived of many of my books.”

If a genius like Isaac Asimov needed us, perhaps you do, too.

Please make notes in this book. Dog-ear the pages, or use Post-it® notes all over. When you’re done, make a list of all the things you want to discuss further with your tax pro. Get a good tax professional who understands the tax laws related to things you want to accomplish. And most importantly, get a tax pro who will listen to you—as long as you are willing to pay for the time.

Now let’s get started on your journey to explore the Internal Revenue Code and its related body of law, in all its glory!