

## If This Is Your First Year with Us

New clients often ask what they should bring to their first appointment.

In addition to the documents we cite in “Getting Ready for Your Tax Appointment,” first time clients need to supply additional information. ***We prefer information in low resolution scanned .pdf files whenever possible. Please do not send .jpg, .gif, .png, or other “photo-files!”***

**Identification:** *At least one form of government issued identification (driver’s license, passport, etc.) and your spouse’s and dependents’ Social Security Cards or Taxpayer IDs. Provisions of the Patriot Act and various Anti-Money Laundering statutes require that we identify new clients even if we already know them. We can begin the engagement without this information, but we cannot file any return or represent you in any tax controversy until we receive confirmation.*

**Previous Years’ Information:** We must review what you reported on past tax returns.

**Returns:** At least your two most recent returns.

Complete copies of the federal return, including all schedules, statements, and elections.

Copies of each state return (especially if you filed a multi-state return), including any Federal-State adjustment schedules.

If you filed amended returns, copies of both the original and amended returns.

If it has been awhile since you last filed or if you lost your recent returns, you can usually get a copy from your former representative. You can also get copies from the IRS and the states, but only as a last resort (the agencies respond slowly, and their information may not be complete).

Financial reports on which the returns were based: 1. *Cash and Accrual Basis Balance Sheets* dated the last day of your accounting year. (A comparative Balance Sheet that shows last year’s information is often very useful. 2. *Cash and Accrual Basis Income (Profit & Loss)* Statements that cover your entire accounting year. 3. *Accrual Basis General Ledger Detail* that covers your entire year. If you don’t send us the General Ledger, we will bug you for details. 4. If you pay payroll or independent contractors: Copies of your *W3, W2s, 1096, and 1099s*. (If you want us to review your payroll, we’ll need your 941s and EDD reports as well.)

**Detail Schedules:** Often, you need to request this information from your former preparer. This data is seldom reported in sufficient detail on the return. In fact, the IRS requests that some of this detail be suppressed – even though it cannot be directly reproduced from summary information. (Most practitioners maintain a “Preparer Copy” or “Work Paper File” that includes this detail. Most will give you a copy if you ask nicely.)

**Depreciation Detail:** This schedule reports assets that have been capitalized and depreciated, the dates they were purchased, the assumptions applied, and any elections that were made. In complex returns, there may be as many as six schedules (Federal tax, Federal AMT, ACE, State tax, State AMT, and Book). Unfortunately, we need them all. (We can back-calculate the information by reviewing 5-10 years of tax returns and financial statements, but this is an expensive, time-consuming, and unnecessary exercise.)

**Refinance History:** If you have refinanced your principal residence several times or if you owe a great deal on your mortgage, some of your mortgage balance may not be qualified-residential-indebtedness (qualified-residential-indebtedness consists of purchase and improvement indebtedness.) Note: Many practitioners are unaware of, or ignore, this limit. You may be greeted by incredulous silence when/if you ask for this schedule.

## ***Steven J Roy Management—Cambyses Capital***

### **First Year Supplemental Data (Continues)**

**Straddle and Wash-Sale Detail:** Active stock traders often have suspended losses due to straddle and wash-sale activity (generated when loss positions are sold and the same position reacquired within a statutory time window). These sales affect gain calculations on subsequent sales of the reacquired position (usually “beneficially,” if a loss can be beneficial). If this affects you, the information may be in your trade record.

**Correspondence:** Bring any correspondence you received from any tax agency in the last year. The most common of these are “Notice of Proposed Adjustment” letters related to previous years’ returns. These adjustments often involve carry forward deductions and credits and may affect your current return. Short of time consuming and expensive review of every detail on the past returns, we are unlikely to be able to identify these adjustments without seeing the correspondence.

**Powers of Attorney (POA):** If you have granted powers of attorney to other tax representatives, bring a copy. POAs are usually granted in response to issues raised by a tax agency. They may imply unresolved issues that require attention when we prepare the current year’s return.

We maintain an active representation practice and will be glad to help resolve any outstanding issues.

**Entity Information:** If we are preparing corporation, S-corporation, partnership, LLC, trust, or estate returns, we need to review additional documentation.

**Organization Documents:** Bring copies of Articles of Incorporation (corporations or S-corporations), Partnership Agreements (partnerships), Articles of Association (LLCs and LPs), Trust Agreements (trusts and estates) or Wills (estate or trust). If you have amended these agreements, bring copies of both the original and conforming amended documents. Generally, we do not need copies of corporate bylaws. However, we need copies of operating agreements (LP, LLC, or partnership) and buy/sell agreements. For exempt organizations, bring a copy of your exemption application (Federal Form 1023 and any similar state applications).

**Identification Documents:** Bring copies of any IRS form that has the organization’s employer identification number (EIN). Ideally, bring a copy of Notice CP 575 A (subject line “WE ASSIGNED YOU AN EMPLOYER IDENTIFICATION NUMBER”). If you didn’t keep the notice, any subsequent IRS form or notice that includes the organization’s name and EIN suffices. We need similar documentation for state employer identification numbers and corporation identification numbers. (The latter two are not identical. State numbers are usually not the same as Federal numbers.)

**Elections:** Bring a copy of both the application and approval letter for any tax elections that you made. For example, if your corporation elected S-corporation status, bring copies of the original application, Form 2553 and the Service’s approval letter, Form 8489 (subject line “NOTICE OF ACCEPTANCE AS AN S-CORPORATION”). For exempt organizations, bring a copy of Form 1023 and a copy of the Service’s determination letter, Letter 1045, all four pages.

**Payroll Administration and Compliance:** We handle payroll tax issues and administration, and for those services, we require extensive documentation. This is not the place for that discussion, but please feel free to bring it up with us.

**Benefit Plan and Pension Administration and Compliance:** We handle benefit plan and pension tax issues and administration, and for those services, we require extensive documentation. This is not the place for that discussion, but please feel free to bring it up with us.