

Seminole Chronicle

By Bel Huston
THE CHRONICLE

Barbara Watkins is a diva. She may not grace the stage and perform in front of sellout crowds, but in the eyes of many, she's a star. From now until April 15, it'll be her time to shine.

Watkins has been a practicing CPA for the past 33 years, specializing in taxes, small business consulting and QuickBooks and Peachtree setup and training.

"I call myself 'the diva of deductions' because I do so much reading on court cases, so I know the deductions that are out there and the ones that people miss," Watkins said.

Her expertise, as well as those of other CPAs and tax professionals, is highly sought after this time of year in particular, as receipts, check stubs and W-2s are gathered in preparation for the tax filing deadline.

Watkins said there are a number of common deductions that are missed by the average taxpayer, such as the office in the home deductions. Though you may not see clients in your home, she said, a home office still may be eligible for a deduction on your tax return.

One such example, she said, comes from one of her clients, a hair stylist. Though the client works in a salon, administrative tasks such as ordering products and scheduling are conducted at her home.

"A home office works best if you have a specialized room that you just use, if you've got your desk in there. Then you can take a percentage of your utility bill, your homeowner's insurance, maid service. Things that are normally not deductible," Watkins

NAVIGATING YOUR TAXES

Tackle tax season with pointers from local pros



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TAXING WORK: CPA Barbara Watkins, the self-proclaimed "Diva of Deductions."



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Not all donations are tax deductible

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said. She added that by having a home office, the mileage from commute from the home office to the office outside the home can now be deducted, as well as a portion of the home Internet service.

Jeff Martin, a tax adviser in the Oviedo office of H&R Block, said another commonly missed deduction lies in claiming deductions related to dependents. Parents cared for by their adult children may be claimed as dependents, for example, as can grandchildren being cared for by grandparents.

On the other side of the coin, some deductions that

may seem clear cut, such as those in the area of charitable donation, can't always be claimed on your return.

"Not every single plea for money, where someone gives money, would qualify for a deduction," said Jane Callahan, a tax attorney at Dean Mead in Orlando.

Callahan, who represents charities and other tax-exempt organizations, said a group must be designated by the IRS as a 501c3 organization for donations to count as deductions on its return.

"If someone's raising money, say for a specific person in the community who had a real hardship, and perhaps a plea goes out to help this particular

person or this particular family, it's probably not deductible," she said.

In addition, when tax time comes around, Callahan said it's crucial that the taxpayer have a receipt in hand from the 501c3 that specifically states the amount of the donation, with the language "no goods or services were received" from the funds.

With some returns, particularly those that go beyond requiring a mere W-2, it may be advantageous to enlist the help of a professional to file a return.

At H&R Block, a 1040EZ can be filed free of charge as part of a promotion being run until Feb. 15. After that, the cost of filing

a 1040EZ is \$39.99.

Martin said the next simplest form, a 1040A, ranges anywhere from \$100 to \$200, depending on factors like the number of dependents claimed and what credits and deductions the taxpayer is eligible for.

He said H&R Block often finds deductions that were missed on previous returns prepared by others, whether it be by other professionals or those self-filed with the aid of tax filing software.

"Around 85 percent of the time, we find mistakes," Martin said. "We have the knowledge and the expertise of the tax laws to be able to find deductions and credits for our clients that they may not be aware of and that the software you can buy off the shelf just isn't sufficient to get them the deductions."

Watkins said that it's a "big myth" that returns prepared by CPAs cost more than those prepared by a non-CPA.

"You'll find that CPAs are very competitively priced," she said.

She added that she charges by the complexity of the return versus the form filed.

"We look at what the time involved is," Watkins said. "And because we do this all the time, we know that we can do this pretty fast."

Should you decide to use tax preparation software, Callahan urges taxpayers to make sure the software is up to date. Because of the recent legislation changes from the American Taxpayer Relief Act of 2012, she said, the IRS has delayed filing on tax returns to get its systems up to date.

"[The IRS has] Jan. 30



Ed Ruppel | The Chronicle

SAVING MONEY: CPA Barbara Watkins gets to work. Watkins said that many taxpayers miss certain deductions such as the home office deduction.

down as their earliest filing date. A lot of people don't even get their W-2s by then, but there is a delay on filing," she said. "And then certain taxpayers that have certain issues may find that a form's not ready or something like that. So this filing season is being impacted by the change in the law. For anybody using TurboTax or other tax preparation software, they should be really

careful to get the latest updates before they complete their tax return."

What hasn't changed, of course, is the April 15 deadline. This deadline, Watkins reminds taxpayers, is the same whether or not you file an extension if you owe the IRS money.

"It's an extension to file, not to pay," she said. "So you've got to at least pay in what you owe."



Who gets a tax hike?

The bill Congress passed to avert the fiscal cliff raises income tax rates for the wealthy, but most wage earners will see higher taxes because the Social Security payroll tax holiday is expiring.

Income level in thousands	% taxpayers affected	Average tax increase
Less than \$10	64%	\$68
10-20	61	153
20-30	73	297
30-40	78	445
40-50	80	579
50-75	84	822
75-100	86	1,206
100-200	90	1,784
200-500	93	2,711
500-1,000	99.5	14,812
More than 1,000	99.9	170,341

NOTE: Tax changes shown include the Social Security payroll tax increase. Bush-era tax cuts not extended for those with incomes higher than \$450,000 for couples, \$400,000 for singles, the new Obamacare taxes on high income groups

Source: Tax Policy Center
Graphic: Judy Treible

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