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Tax Insights & Commentary

# A Guide to Completing Your Organizer This Tax Season

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A huge part of tax preparation during tax season for taxpayers is completing a tax organizer. Many taxpayers find it confusing, frustrating tax professionals who work with them. Jody Padar of April walks taxpayers through the process, and offers a look at what tax preparers need to get the job done—and why.

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Does completing your taxes make you anxious? Is it as scary as a trip to the dentist? If you feel that way, you are not alone. The good news is that it doesn't have to be that way!

Many taxpayers consider completing their tax organizers one of the most painful parts of the tax process. After all, you're paying a tax professional, so why do you have to deal with all these questions? But this exercise, whether completed online or via paper, is key to a more productive and rewarding process – ensuring you get every credit and deduction available to you. If this information is not provided upfront, it could lead to a delay in the completion of your return.

Filling out your organizer is all about communication. It ensures your tax preparer understands what occurred over the past year that could impact your tax situation. The more information your tax preparer has, the more they can ask the right questions to ensure your tax situation is reported correctly, accurately, and to your best advantage.

Let's walk through the process for completing your tax organizer.

## Start with the Basics

First, you are asked to provide basic information like name, address, and Social Security number. You will be asked about your dependents, typically your children, and for their information, too. This is vital information since it allows your tax return to connect to IRS computers, and the information must match the respective Social Security cards exactly.

And your most up-to-date contact information will help both your tax preparer and the IRS contact you.

## **Pay Attention to Prior Year Information**

Any numbers in your organizer from last year are there to remind you of a deduction you may have again this year. This is helpful since many people's financial lives are pretty similar from year to year.

If you have a new tax preparer, it's important to provide your prior year's tax return. Certain items carry forward, such as capital losses, and you don't want to lose out.

## **Note Major Financial Events**

The next section is typically a long list of yes or no questions that go through tax law updates as well as major financial events you may have experienced. These questions are very detailed and sometimes seem almost ridiculous, but they help jog your memory on things that could have a tax implication.

For example, one question is probably around casualty losses. This relates to whether you were impacted by something like a tornado and had a major loss. For 99% of people answering that question, it has no effect. However, if you were impacted by one of those storms, you want to claim that loss. Without answering that question, you might lose the opportunity. That's why it's important to read through these questions!

## **Check for Needed Documents**

This checklist includes a series of documents third parties may provide you showing amounts reported to the government. Collect all of them you received before submitting them to your tax professional. If it's early into tax season, wait until you have all your documents before saying your organizer is finished.

Typically, investment brokerage houses are the last to send out their statements. If it's late March and you're still waiting, submit what you have. Just let your tax preparer know you're waiting on one more. This helps your preparer start your return in case that document comes in at the last minute. It also allows your tax preparer to provide you with a solid estimate if you have taxes due and need to go on extension.

If you haven't received tax documents by mail, check any websites where you could potentially receive them online. It's becoming common for companies to require you to go to an online portal to retrieve your documents rather than mailing them.

Don't skip this step! Your tax preparer may not start, and cannot complete, your tax return until they get everything needed.

## **Include Business and Rental Income**

If you have self-employment income, a Schedule C, or rental property, you will be required to fill out additional information about the income and expenses allocated to that business. This gives your tax preparer a complete picture of your taxable income and related tax deductions.

If you use online software, like QuickBooks Online, or another accounting program, you can print a profit and loss report. It's best to make sure that all your income is accounted for before providing it to your tax preparer. Be sure to note any major purchases like furniture or new computers so those assets can be depreciated.

### **List Deductions**

If you itemize your deductions, you will have another section to complete where you share information about taxes paid or any charitable contributions made. There is also a spot for your mortgage interest and any significant medical expenses.

### **Provide Payment Related Information**

Finally, there might be a special section related to stimulus payments and Covid 19-related taxes. This is another important area. You want to make sure this information is reported correctly on your tax return so that it does not hold up your refund.

### **Income-Related Data**

Depending on your income level, you may have additional questions to determine if you're eligible for certain tax credits. This helps your tax preparer complete the required due diligence before reporting to the government as a way to prevent fraud.

### **Share Banking Information**

Last but not least, don't forget your banking information. You'll need to provide accurate information, so your refund is deposited into your account.

### **Organizers Save Time And Increase Accuracy**

If you take the time to prepare your tax organizer thoroughly, it will eliminate much of the back and forth between you and your tax adviser. You may think you're saving time by leaving these questions unanswered, but you aren't. So take a deep breath, grab all the documents you have been collecting throughout January, and get started.

*This article does not necessarily reflect the opinion of The Bureau of National Affairs, Inc., the publisher of Bloomberg Law and Bloomberg Tax, or its owners.*

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