

## Filing for an Extension of Your Tax Returns

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I am always amused at all the hoopla associated with getting your tax returns mailed in to the government by midnight on April 15th each year. The media makes such a big deal about it, showing hundreds of “poor” taxpayers lined up at the various post offices around the country. Most taxpayers believe that their first-born will be taken away if they don’t send in their completed tax returns on April 15th. This is all nonsense! There really is no April 15th tax deadline on filing each year’s tax returns. In fact, everyone is entitled to an automatic four month extension (up to August 15th) and many people make a terrible mistake of filing “inadequate” tax returns, rather than using the extension time to prepare the best possible returns.

The only thing to remember about filing for an extension is, “it is an extension of time and not of money.” In other words you need to estimate if you’ll owe additional tax when you do file the return and then send that amount in with the extension form (both federal and state). You may say, “Well I have to basically know my tax situation in order to estimate my tax amount so I may as well just have the tax returns done.” No. An estimate is not exact, and you should take the extension time to make sure you do everything possible to lower your taxes and have a tax strategy for this year and future years. Don’t worry about paying too much money in with the extension. You’ll get it back when you correctly do the actual tax return. Tax preparation is an art, not a science.

It is much more important to make sure you have included all the correct information and taken advantage of all the “tax loopholes” than to get it done on time. Before you file an income tax return (federal or state) you need to be 100% sure you have included all your taxable income, and taken all the legal deductions, tax write-offs, and tax credits, you are entitled too. That may mean not being able to get it done by April 15th. For example, if you waited to this last minute to try and get an appointment with a “good tax accountant,” you may be out of luck. Any tax preparer worth their wait in salt is totally going to be booked up by March 20th each tax season. If they’re not you’re going to the wrong accountant or tax preparer. One of the biggest mistakes people make is going to the local national tax outfit (usually close to your block), waiting on line since you don’t need an appointment and then just cranking it out. Big mistake! The problem is that it’s a “hit or miss” proposition, depending on who you get. Then you’ll probably never see this tax preparer ever again. Even if you have a fairly simple tax return (which could change in future years), you will have no continuity with your financial tax situations and can never establish a tax, financial, and investment strategy to make more money and legally pay less taxes.

Tax preparation is not about numbers, it’s about tax and financial concepts. If you’re not sure about what’s on your tax return, file form 4868 (a tax filing

extension) and use the next four months to get it right. And, if you still don't have enough time by August 15th, you can file a second extension form and then you have until October 15th to file your returns. The second extension is not automatic, you need to put down a reason why you need more time, and most reason will do such as health, waiting for information, work related travel, etc. It is very rare for the IRS to deny a second extension, but again make sure you do not owe them any additional income taxes.

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