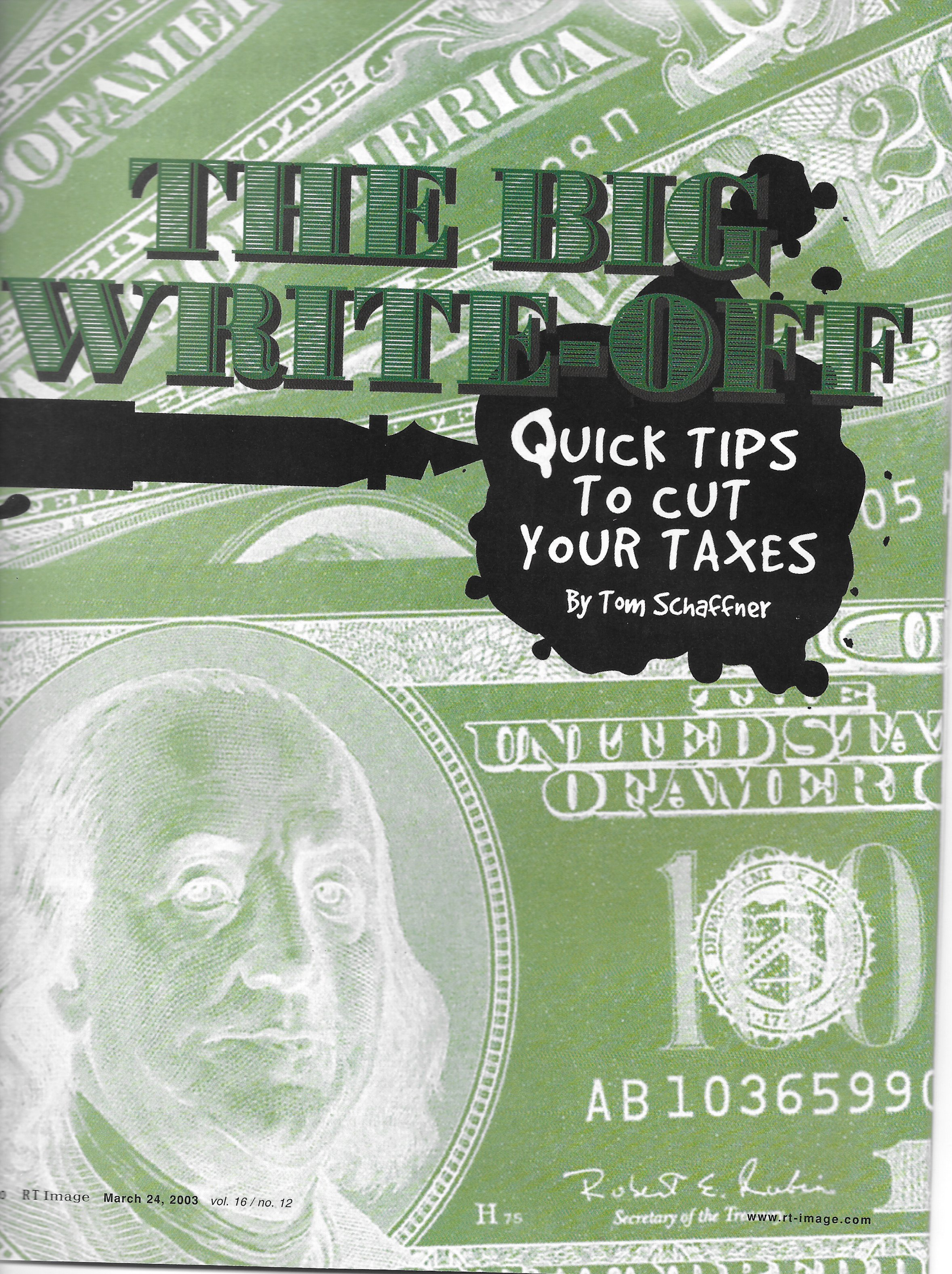

THE BIG WRITE-OFF

QUICK TIPS TO CUT YOUR TAXES

By Tom Schaffner

It's tax time … again! And as all law-abiding citizens scramble to find their receipts, calculators and proper tax forms, in the back of everyone's mind is the hope of finding that one big write-off that can save or make them a lot of money come April 15.

But what many people don't know is that it's often the little expenses that add up to save some dollars. For radiologic technologists (RTs) in particular, a few helpful tips for tax write-offs can be the difference between owing Uncle Sam money and receiving a fat refund check in a few months. The challenge lies in knowing what can be itemized and when to write it off.

"Many people don't write things off because they are afraid they will be audited if they do," says Kristina Sommerkamp, CFP, ChFC, owner of Sommerkamp Insurance and Financial Services, Boca Raton, Fla. "If you are going to write something off, you should definitely have the documentation to prove it."

THE ROAD TO HIGHER EDUCATION

Like many medical professionals, RTs sometimes are required to travel for their jobs. Conventions, seminars and annual meetings of their affiliated organizations often offer attendees continuing education (CE) courses. Some classes are even offered by mail or via the Internet. But no matter how the CE credits are obtained, if the employer is not paying for them, these courses — and any expenses associated with taking them — can be written off on the technologist's taxes.

"If you're taking a continuing education class, not only is the class itself deductible but so is the trip to the class," says Sandy Botkin, CPA, attorney, consultant and president of the Tax Reduction Institute, Germantown, Md. Botkin, a former trainer of Internal Revenue Service (IRS) attorneys in the corporate tax division and author of numerous books, including *Lower Your Taxes — Big Time* (McGraw Hill, 2003), says that if you are on the road for business, then your travel expenses are deductible as well.

Transportation, hotel and meal expenses all fall under itemized deductions while traveling for business purposes. Sommerkamp suggests putting travel expenses on a credit card for recording purposes. The credit card company will have a record of your expenses that you can convert to a printed receipt at tax time.

FOR ENTERTAINMENT PURPOSES ONLY

In both business travel and daily office circumstances, it may be necessary for medical professionals to take associates or clients out to dinner or other functions.

"If you take someone out to lunch and talk business during that time, you can deduct 50 percent of that lunch," Botkin says. "If you play golf, you can deduct 50 percent of the golf costs." He says that, according to the "Associated Entertainment Rule," a person can write off 50 percent of the entertainment expenses, as well as their associate's, if they talk business within 24 hours of the meeting.

Botkin stresses the importance of recording all expenses in a notebook or diary and recommends using his "Four Ws and an H" system for keeping proper documentation:

- *Who* did you entertain?
- *Where* did you go?
- *Why* did you go there?
- *When* did you go?
- *How* much did you spend?

"If you leave out any one of those five things," Botkin says, "your deductions will be disallowed and the IRS can hit you with a 75 percent (of the additional taxes) civil fraud penalty for not having the right documentation."

The IRS supplies tips and documentation for recording expenses on their Web site (www.irs.gov) in Publication 463, "Travel, Entertainment, Gift and Car Expenses."

OTHER DEDUCTIONS

Sommerkamp notes that there are other deductions technologists can write off on their taxes that are not as well-known. For stock losses, she says, up to $3,000 can be offset against ordinary income (earned income). For example, if you make $50,000 a year and have a $10,000 stock loss, you can deduct $3,000 against that $50,000 and only pay taxes on $47,000. You can then carry over the remaining $7,000 you didn't use to the next year. Many people don't consider stock loss a deduction since they actually lost money, she says.

Sommerkamp also advises tax payers with investments to write off the interest on their margin (stock brokerage) accounts.

In addition, RTs may consider writing off personal equipment and services used in business settings like cell phones, long-distance calls, beepers, answering services and attaché cases — even if they're used for personal things as well.

Vehicle expenses incurred during the course of business — other than commuting from the home to the office — can be used as itemized deductions, Botkin says. When technologists must travel from hospital to hospital for business purposes or from their hospital to the school where they teach, these expenses can be itemized, he adds.

PARTNERSHIPS

For technologists involved in medical partnerships, Botkin jokingly advises them to "take three aspirin and lie down."

"Partnerships have more litigation than anything that I have ever seen," says Botkin. "But in the event that they do form a partnership, always have a buy-sell agreement with the other partners." The agreement will help avoid many arguments among the partners, as well as money spent on lawyers if one of the partners wants to leave the group or is kicked out, he says.

If you're in private practice though, Botkin says deductions are dollar-for-dollar, with no threshold.

For "self-employed" techs in private practices, their businesses can elect to write off up to $24,000 ($35,000 in underprivileged areas) of any equipment that is purchased that year in lieu of the normal depreciation, Botkin says. He explains that if the practice buys a piece of equipment for $104,000, $24,000 can be deducted right off the top. Then a bonus depreciation of 30 percent (in this case, another $24,000) can be made on the remaining $80,000. The remaining amount is depreciated, generally, over the next five to seven years.

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DOCUMENTATION

So how long do you need to keep receipts and other transaction records? The IRS advises tax payers to retain their receipts, canceled checks and other documents that prove an item of income or a deduction appearing on their return at least until the statute of limitations expires for that return. The statute is usually three years from the date the return was due or filed, or two years from the date the tax was paid, whichever is later. There is no period of limitations when a return is false or fraudulent or when no return is filed, according to the IRS.

Employers should keep all employment tax records for at least four years after the tax is due or paid, whichever is later.

Some records, such as property records, should be kept indefinitely since you may need them to prove the amount of gain or loss if the property is sold. For more details on retaining documentation, refer to Publication 552, "Recordkeeping for Individuals" or Tax Topic 305 on "Recordkeeping" on the IRS Web site.

"The IRS is an administrative organization," Botkin says. "The better your documentation, the better you'll sleep at night. Always have the right documentation for entertainment, for travel and for expenses. If you have everything documented, you'll never have to worry about an IRS audit."

WRITING OFF THE IMAGING CENTER

Philip Goldfarb, CPA, partner with Weisberg, Molé, Krantz & Goldfarb, LLP, a certified public accounting firm in Hicksville, N.Y., represents several leading imaging centers in the tri-state New York area. He says that two common write-offs that imaging centers should examine at tax time are their receivables and equipment.

Goldfarb says that after examining a company's financial records, it is necessary to determine whether the center is a cash basis or an accrual tax payer. "Most of the time, the center will want to be a cash basis tax payer because then they're only going to pay tax on the cash they receive and can get deductions on cash that they spend," he says.

"At any given point in time, the center will have a huge amount of receivables due from third-party payers and managed care contracts," Goldfarb continues. "The obvious benefit is that you don't have to pay taxes on all of the receivables that you generate." If the center is not a cash basis taxpayer, they will have to pay tax on that revenue.

Goldfarb says for accrual basis taxpayers, he would look into the company's reserves against uncollectable accounts because they need to be written off for tax purposes. To deduct uncollectable accounts, the company needs to first be able to write them off. "If you're just keeping it on your books and still attempting to collect, you cannot write it off," he says.

"Most smaller imaging centers are going to be cash basis tax payers," Goldfarb continues. "We advise them toward the end of the year (or in January or February while their books are still open) to write off any uncollectable accounts so they can get a tax deduction for them."

In addition to receivables, Goldfarb advises centers to focus on their equipment. "There are new tax benefits from the 2002 Job Creation Workers Assistance Act that provide for accelerated depreciation on certain qualified equipment," he says. "You can get 30 percent right off the top and [an additional] one-fifth of the remaining 70 percent. That makes it very attractive for a lot of centers to spend money on new equipment. It actually costs [the center] less when you figure out the tax situation."

Goldfarb says the special depreciation rule applies to any equipment purchased up until September 10, 2004, "so it's not too early to think about 2003 tax planning if you want to go out and buy a piece of equipment."

— T.S.

PREPARING FOR THE FUTURE

Sommerkamp says the best advice she can give people is to do their planning during the taxable year — not after January 1. "There are things that maybe you could have done last year, but didn't know about until it was too late — like setting up a pension plan," she says. "You need to have a good financial advisor who will work with you during the tax year, instead of looking back and saying, 'Gee, I wish I could have done that.'"

> **"IF YOU HAVE EVERYTHING DOCUMENTED, YOU'LL NEVER HAVE TO WORRY ABOUT AN IRS AUDIT."**
>
> **— Sandy Botkin, CPA**

"Get knowledge," Botkin says. "There's a huge myth in this country that costs most people more money than any myth in the United States. That myth is: 'My accountant takes care of my taxes.' Nothing can be further from the truth."

The accountants Botkin has surveyed say that it's the client's responsibility to know everything about their taxes, while the client assumes the accountant will tell them everything they need to know. "Nobody is telling anybody anything," he says. "Know that your accountant doesn't take care of you. You have to read tax planning books to take care of yourself."

HOW TO AVOID COMMON TAX RETURN ERRORS

Before filing your return, review it to make sure it is correct and complete. The following checklist may help you avoid errors:

- Did you use the peel-off label and enter appropriate corrections? If you used the label, did you enter your Social Security number in the space provided?
- If you do not have a label, or there are too many corrections, did you clearly print your name, Social Security number and address, including zip code, directly on your return?
- Did you enter the names and Social Security numbers for yourself, your spouse, your dependents and qualifying children for earned income credit or child tax credit exactly as they appear on the Social Security cards? If there have been any name changes, be sure to contact the Social Security Administration at 800-772-1213.
- Did you check only one filing status?
- Did you check the appropriate exemption boxes and enter the names and Social Security numbers exactly as they appear on the Social Security card for all of the dependents claimed? Is the total number of exemptions entered?
- Did you enter income, deductions and credits on the correct lines and are the totals correct?
- If you show a negative amount on your return, did you put brackets around it?
- If you are taking the standard deduction and checked any box indicating either you or your spouse were age 65 or older or blind, did you find the correct standard deduction to enter on line 24 of Form 1040A or line 38 of Form 1040?
- Did you figure the tax correctly? If you used the tax tables, did you use the correct column for your filing status?
- Did you sign and date the return? If it is a joint return, did your spouse also sign and date the return?
- Do you have a Form W-2 from all of your employers and did you attach Copy B of each to your return? File only one return, even if you have more than one job. Combine the wages and withholding from all Form W–2s on one return.
- Did you attach any Form 1099-R that shows tax withheld?
- Did you attach all other necessary schedules and forms in sequence number order given in the upper right-hand corner?
- If you owe tax, did you enclose a check or money order with the return and write your Social Security number, tax form and tax year on the payment? Refer to Tax Topic 158 for more information on the IRS Web site.
- Did you make a copy of the signed return and all schedules for your records?

For more information, visit www.irs.gov.

— Internal Revenue Service

Editor's note: The information in this article is for guidance only and is believed to be correct. However, RT Image *strongly recommends that you speak to an accountant or financial consultant before taking any action based on this information. Also, visit www.irs.gov for specific questions on tax preparation.*

— Tom Schaffner is the editor of* RT Image*. Comments on this article are encouraged and can be directed to tschaffner@valleyforgepress.com.