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Organizing Chaos: A Taxing Situation

Keeping finances in order through the year is just one way of making your home neater and tax time easier

By Heather Greenwood Davis

A show of hands, how many of you know where all your tax receipts are for the year? What about where to find last year's income tax notice of assessment? Does your accountant cringe when they see you heading their way with a box of unsorted receipts in hand?

Chances are if you aren't aware that you are disorganized now, you'll figure it out somewhere around March.

If there's any time of year that the disorganized come to light, it's tax time. "Most people generally leave tax-time preparation to the last minute," explains professional organizer Deanne Kelleher.



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If your tax files involve a shopping bag or a shoe box and a lot of unsorted receipts, you may need some help from a professional before you see your accountant.

"That's not necessarily a bad thing if you've put the steps in place ahead of time," adds Kelleher, whose company the Kaos Group offers residential and business organization services and is frequently called upon at this time of year.

"Half of the battle in getting your finances under control is knowing what you've got and what you don't," she says. "Once you've got that under control it's clear sailing." Not quite there yet? Then these quick tips might be just what you need to get into your accountant's good books.

Step One: Compile the stuff you already have

You remember that donation receipt you received from work six months ago? The one that is stuffed in the back of your closet? Dig it out. Then head to the rest of your common stash-in-a-dash places (kitchen drawers, folders at work, car glove compartments and coat pockets) and find all the bits of paper that you'll need to prove you earned and spent what you said you did. Kelleher points out that having receipts for purchases that you are claiming on your income tax is important. A credit card statement alone is often not going to be good enough.

"If you pay for parking on your credit card you still need that little annoying backup receipt," she says, adding that you'll also need a place to store it for long after

you've received your refund. "The government requires you to keep your back-up documentation for up to seven years."

It's important to track down all of your miscellaneous financial receipts and statements and put them in one place, says Kelleher. Even if you're not ready to take the full organizational plunge, simply having a designated folder or box where you put all of your tax related items as they come in throughout the year is a good place to start.

Step Two: Give papers a permanent home

You could just divide all of your tax information into a bunch of piles that you paperclip together for your accountant, but that won't go too far towards helping you avoid this mess next year. Instead, make a time commitment and create a permanent home for your papers that will help you avoid the situation altogether. "By going the next step and actually putting hanging files in a cabinet and labelling them, you'll be 75 to 80 per cent of the way there," says Kelleher.

Start by creating a hanging folder that you label "Taxes 2007." Within that folder place one legal sized folder for each of the items you typically include in your claim. Label them with words or phrases that mean something to you, says Kelleher.

Don't call the folder for your gas receipts "Automobile Intake Fluid" call it "Gas."

If you don't like folders, try inbox trays or catchall bins. The more intuitive you make the system, the more likely you will be to follow it, says Kelleher. "Then next year you can simply take out the hanging folder and hand that over to your accountant."

Step Three: Don't neglect your computer

"A lot of people receive bills online that are fully legitimate business expenses or invoices for money spent on items that they should be claiming," says Kelleher, "but come tax time they can't find them."

She suggests creating folders both in your computers "documents" area and in your email inbox to make sure you collect these electronic receipts and invoices in one spot. She also reminds you to back-up your computer regularly using a jump drive or external hard drive. Showing up at an audit with a hangdog look and the excuse that your computer ate your receipts likely won't make the grade.

You might also consider investing in software that will help you keep track of your expenses throughout the year. Quicken software, which retails for about \$100, operates like a chequebook and will tally your spending as often as you enter in the data. Alternatively, computer templates (office.microsoft.com) are free for the using at the Microsoft Office website.

Choose the ones that are best for you, but as Kelleher points out "the programs only work if you are willing to put in the time and effort."

Step Four: Get Help

There are some people who are closet income tax accountants and are quite good at doing it on their own, if you're not one of those people, don't pretend to be.

"Personally I think if you have a handle on it that's great but you need to be up to date on the new laws or you risk getting yourself into trouble," says Kelleher.

Instead, she suggests asking friends and family for a referral and don't be afraid to leave one that isn't a good fit.

"There's nothing wrong with changing accountants if you need to. You want to work with the best person for you."

Step Five: Make it personal

Sure these are your taxes but why not make it fun? Brightly coloured folders and funky storage boxes can give this ho-hum task a bit of pizzazz. Kelleher, who is no stranger to storage solutions and business supply stores, agrees that the right system can get you enthused about a less than sexy project. Some of her favourite products for 2007 include:

- Debbie Travis's metal bins: These groovy bins are the perfect size to keep receipts and if labelled correctly will keep you on the right track, says Kelleher. (canadiantire.com)
- Gracious Living 3-drawer mini-chests: Just the right size for dropping in the smaller cash receipts we collect every day. Put it in an area where you are likely to empty your coat pockets. (canadiantire.com)
- 3M Post-It durable index tabs: These angled plastic Post-It tabs are the right size for labelling hanging file folders and allow you to write, erase and reuse while you're figuring out where it all should go. (staples.ca)
- Ikea Skubb organizer: Pick up this hanging organizer and it's insert drawer companions and suddenly you've got a mail centre for the family that can be tucked away in a closet. (ikea.ca)
- For more information on the new laws and regulations related to income tax filing visit www.taxtips.ca.

Heather Greenwood Davis is on the path to home and office organization. This is the fifth instalment in the Organizing Chaos series. Reach her at heather@greenwooddavis.com