

Personal Tax Prep



Individual Tax Return Preparation

Posted Sunday, December 8, 2024

For individual tax returns (Form 1040), our fee starts at **\$800** with most being \$800 to \$1,000. However, we also have **FasTrac at \$525** and a fee range of \$250 to \$400 for children and students depending on your tax footprint (please see below).

We think of our fees as easy, medium and hard (we're from Colorado, so we think in green circles, blue squares and black diamonds). Having said that, we try to **maintain historical fees** for returning clients... but that is not synonymous with fees never increasing (sorry). Our amazing staff of accounting professionals is impacted by the increased cost of living just like anyone else.

Your tax preparation fee is not dependent on the number of forms used to prepare your tax returns. That's old school. Rather your fee will depend on the amount of time required to accurately and comprehensively prepare your tax returns. Let's not forget basic disorganization, advanced disorganization, disguised disorganization and misrepresented organization which can all increase your tax preparation fee.

We only have time on this earth to sell, and we cannot inventory it nor is it refundable. Therefore, our fees are an attempt to coincide with expected time spent. You can help by being organized and using our simple, customized **PDF forms**. Unlike other tax accounting firms, we are comfortable giving solid price quotes and guaranteeing our work. We've been doing this for a while, and we know what it takes.

You might also benefit from our **Tax Patrol Service** which is tax preparation + planning and periodic chats throughout the year. Check it out!

Taxable events that might increase preparation time include:

- Multiple jurisdiction tax returns (state, city)
- Complex K-1 investments, disposition of K-1s
- Rental properties, sales, AirBNB, VRBO
- Small Business, Home Office

- Stock and other asset sales
- Day trading, mark to market (Section 475)
- Crypto trading, mining, staking
- 1031 exchanges, primary house sale

- Foreign earned income exclusions (2555)
- FBAR, FATCA (8938)
- Non-U.S. citizens, tax treaty research

- Foreign entity ownership (5471/5472)

As mentioned, not using our simple, customized **PDF organizers and worksheets** to summarize your receipts, transactions, notes, etc. might significantly increase preparation time and subsequent preparation fee. We sound like your mother, but you truly are the most intimate with your financial and tax worlds- we only peer into your life for a limited amount of time in an attempt to know everything. So, please help us help you!

However, we don't mind organizing your stuff too if asked- that's what we do so you don't have to. Sipping on some coffee in our PJs watching re-runs of Law and Order, wondering if Jack is going to win the big case, all while tallying up receipts is no problem at all.

FasTrac 1040

WCG recently brought back the FasTrac 1040 tax return preparation designed specifically for those taxpayers who have a straightforward tax footprint yet want the expertise of a CPA firm to prepare the tax returns. Our fee for FasTrac 1040 tax returns will be a **flat \$525**.

A lot of children and students work, and at times they need a tax return prepared. Mom and Dad usually ask us to take care of the whole family, and we can certainly help. Our 1040 tax return fee range for children and students 24 and under is usually \$250 to \$400 depending on the complexity. WCG has several children or students with several brokerage and investment statements including K-1s and other madness. In those situations, these tax returns leap from children/student and over FasTrac and into the traditional 1040 tax return world.

Here is some more information:

K-1s

K-1s used to be only for the rich and shameless. However, with the rapid rise in various investments beyond mutual funds, ETFs, stocks and bonds, K-1s are becoming very common for the casual investor. There are two basic types of K-1s-

- Garden variety K-1s generated from closely-held partnerships and S corporations. These are typically straightforward but can occasionally be complex (e.g., complicated qualified business income deduction calculations).
- Publicly traded partnership (PTP) and private equity investment K-1s. These can be further divided to straightforward and complex (e.g., layered investments, multi-state apportionment, foreign subsidiary investments, disposition of the investment, just to name a few).

If you receive K-1s, please advise us so we can provide an assessment to determine if additional tax return preparation fees are necessary. We typically allocate 30 minutes of "K-1 bucks" as part of your tax return preparation fee. Afterwards, our additional fee is based on an hourly rate of \$250. This is the only additional fee that WCG adds based on time spent. We are not an hourly rate time billing sort of firm... our fees are based on value received or impact created. Over the years we've seen K-1s and their complexity dramatically increase, but given the variable nature of each investment, a hybrid method of fee range + hourly rate is prudent.

State / Local Tax Returns

Additional state or local income tax returns might be required because of changing residency and / or various business activities including K-1s. **It is common for an investment into an entity to create a state income tax return filing obligation for its owners (investors)**. For example, you invest \$100,000 into some project. Fun! Big Bucks No Whammies! However, you didn't realize that the investment had interests in 9 different states. Depending on your investment and the eventual return on that investment, you might have a filing requirement in states other than your resident state. Yeah, bummer. What makes matters worse is that we have to apportion the income according to the K-1 data and verify the income tax calculation, and in some cases we determine that a state tax return is not required based on the calculations and tax return filing thresholds. But we still had to do the math!

We expect 1-2 state or local income tax returns as a normal course of tax return preparation. Should additional tax returns be required or if complex state income apportionment is required, additional tax return preparation fees will be necessary. Generally this fee is \$100 to \$250 per state or local income tax return.

What the heck is a local income tax return? Anyone in Ohio or Pennsylvania can tell you. Heck, if you live in Portland, Oregon you might have an Oregon state income tax return, and two additional Portland income tax returns depending on your location. Multnomah county certainly loves Multnomah county!

Example Time!

Here are some examples of various individual (Form 1040) tax return preparation fees...

- One state, two rentals. \$1,000.
- Two states, no rentals. Higher side of \$800 to \$1,000 (multiple states can be a pain since they don't play nice... not naming names on some particularly difficult ones, but one rhymes with dork and the other had a lot of gold at one point).
- One state, five rentals. \$1,300 to \$1,500.
- High volume brokerage or trading activity including cryptocurrency. \$1,000 to \$1,200.
- One state, one city (e.g., NYC), some investment K-1s. Higher side of \$1,000 to \$1,200.
- A bunch of investment K-1s. \$1,500 or more depending on states and income apportionment (again, darn states)... see hourly fee hybrid above.
- One state, two rentals that were sold. \$1,000 + about \$300 to \$500 to dispose "sell" the assets properly minimizing gain.

Each state or tax jurisdiction (county, city or local) beyond one usually adds \$100 to \$150 to the tax preparation fee depending on the apportionment rules and time spent sorting it all out.

Each rental beyond 2-3 usually adds \$100 to \$150 depending on the number of rentals (the more you have, the lower fee per rental) and the quality of the accounting records.

Investment K-1s (such as a publicly traded partnership) can be quite complex especially if held in a brokerage account since the activities are reported twice (1099-B and K-1), and several adjustments are needed. Yuck! And to make matters worse, some K-1s are straightforward and some are down right nasty.

Unsure? Let's review last year's tax return, discuss the differences for this year, and develop a plan that make sense to everyone. **One thing is for sure!** We are not in this for the quick buck... we believe in authentic and sustainable relationships. At the same time, we only have time to sell on this earth and we cannot inventory it nor is it refundable. As such, we must balance all these interests.

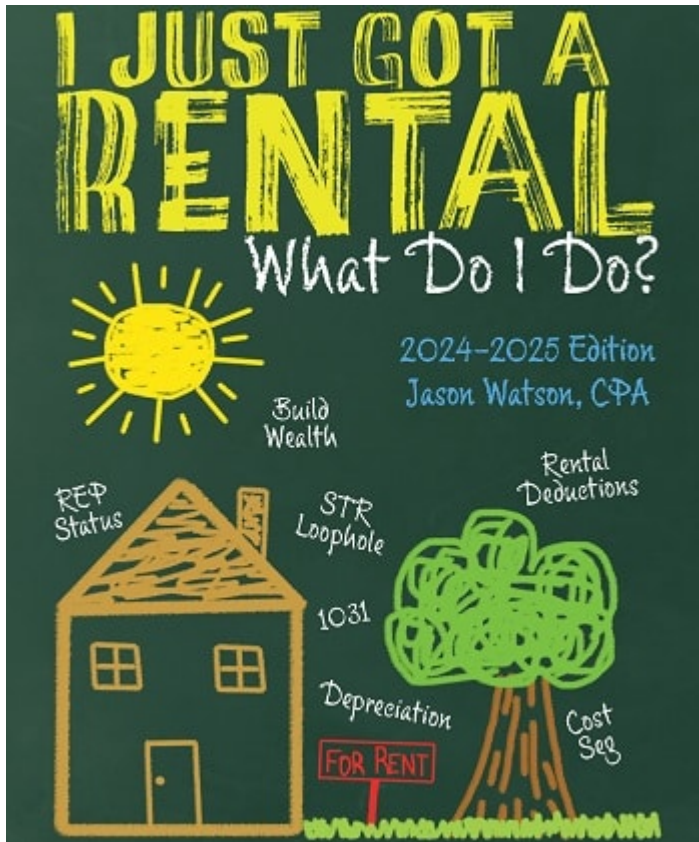
Small Business Owners and Rental Properties

Most rental property or small business owners can expect to pay between **\$900 to \$1,100** for tax preparation. If you are both a landlord and a business owner, you can expect our fee to be on the higher end of our range above (with a referral for a psych eval - just kidding). A lot of small business owners and rental property owners miss out on tax deductions for not knowing how to position themselves correctly. For example, deducting travel expenses to and from your rental. Or the optimized way to deduct cell phones, mileage and home offices. Please click on the buttons below for more information on rental property tax preparation and small business tax preparation... also check out our Tax Patrol Services which includes tax planning!

I Just Got A Rental, What Do I Do?

I just got a rental, what do I do? Purchasing a rental property is certainly challenging, but operating one to build wealth and find tax efficiency is equally challenging. This is our second book. Our first book, Taxpayer's Comprehensive Guide to LLCs and S Corps, was first published in 2014 and was well-received by small business owners and tax professionals, so we thought a book on rental properties and real estate investments would be equally helpful. So, here we are with our first iteration, or the

2024-2025 edition. We plan to update annually.



Our rental property book starts with entity structures and moves into asset management such as acquisition, cost segregation, rental safe harbors, repairs versus improvements, accelerated depreciation, partial asset disposition, and 1031 like-kind exchange. From there we discuss various rental considerations like passive activity losses, short-term rental loophole, real estate professional status, and material participation including what time counts, and what time doesn't count.

Finally, the good stuff! Rental property tax deductions such as travel, meals, automobiles, interest tracing, home office and common expenses. Fun!

We Are Real Estate CPAs

WCG CPAs & Advisors has a team of real estate CPAs ready to assist you with your rental property and real estate investments. Very few tax professionals and CPA firms specialize in real estate to provide you solid consultation, tax planning including tax reduction strategies, and tax return preparation. We are experts in-

- Entity Arrangements, Real Estate Holding Companies, Deal Structures
- Startup Expenses, Launching Your Real Estate Venture, Acquisition Costs
- Asset Setup On Your Tax Returns, Cost Segregation Studies
- Converting Your Primary Home Into a Rental
- Passive Activity Loss Limits
- Material Participation Rules, What Time Counts (and What Doesn't)
- Real Estate Professional Status (REPS)
- Short-Term Rental (STR) Loophole
- Vacation Home Rules, Bolton Method
- State Problems With Your Rental
- Travel, Meal, Automobile and Home Office Deductions
- Common Rental Property Deductions, Allocation of General Expenses Across Multiple Rentals
- Rental Property Repairs Safe Harbors, Improvements
- Accelerated Depreciation, Section 179 Expensing, Partial Asset Disposition

- 1031 Like-Kind Exchange, 721 Exchange
- Selling Your Rental Property, Buying Out Your Partner

This book is written with the general rental property in mind. Too many resources tell you the general rule but don't bother to back it up with Internal Revenue Code, Treasury Regulations and Tax Court cases. Our book lays it all out, explains the madness, adds some humor and various conundrums.

Expats and Ex-patriates

Most expats can expect to pay between **\$1,000 to \$1,200**, and this includes your physical presence or **bona fide residency tests** to compute your foreign earned income exclusion. We also determine your foreign housing allowance or exclusion, and help with Social Security and retirement planning issues. Please click on the button below for more expat tax preparation information including additional fees for FBAR, Form 5471 and Form 5472-Non-resident aliens or anyone who has a United States tax filing requirement or obligation who are not citizens, our tax preparation fee range increases slightly to \$1,200 to \$1,500. This usually involves extensive tax treaty research, overnight mailings, Power of Attorney documentation and a slew of special handling to ensure your tax consequence is correctly handled.

Tax Planning

WCG offers a lot more than just a tax return. Tax returns are boring. Most CPAs are boring and are not forward-thinkers.

Tax planning strategies are commonly addressed in December as small business owners and other taxpayers start to freak out about bringing in the New Year. However, tax planning is an ongoing and fluid dynamic, and it should be performed methodically throughout the year. The uneasiness of not knowing your tax obligations is avoidable! Got a big fat raise (booyeah!)? Just sold a rental? Your spouse is going back to work?

Sure, we can slam things together on December 31, but that is operating in crisis mode. Rather, operating in planning mode throughout the year allows for better decisions and better tax savings. Tax planning is a valuable service that most tax professionals don't readily offer... but WCG does! It is included in our Business Advisory and Tax Patrol Services, including standalone Tax Plans. Click the buttons below for more information. Riveting!

Let's do some tax planning and see if you should spring for the new car, or stick with the lightly used one.

Lots of Moving Parts

Most of our clients fit into the buckets above. Then again we have several clients with a ton going on. We have a handful of clients that have over 30 rentals each. We have day-traders with Schedule D entries that rack up 15 pages. We have investors who flip 10-12 homes per year... nuts! These clients are the minority, not just to WCG but to the general taxpaying public. But if this is you, we can offer a competitive fee range based on your previous tax returns to give you peace of mind of your tax preparation fee. We are not out for the quick money grab and maintain a long-term vision with our clients.

Our fees always include a joint tax return with a state tax return, and of course eFiling (who the heck charges for that anymore?). We can also do a married filing separate analysis to determine the tax benefit if any, and also determine how each taxpayer contributed to the tax consequence (for example, for divorcing couples).

Leverage Your Tax Returns

WCG is not just a bunch of tax preparers who shuffle some numbers and plop them into a 100-page PDF. We want to help you understand the nuts and bolts of the numbers so together we can leverage more out of your tax returns. How are you affected by AMT? What can be done? What does allowing your child to claim themselves and take education credits do for the "family unit?" What are the rules for making a rental property a primary residence and saving some capital gains tax upon subsequent

sale? What about cost segregation for your rental properties to accelerate depreciation? Do we call grandma's house a rental or a second home? IRA versus Roth, and the effects of each.

Reviewing what-if scenarios and tax planning is critical to maximizing your wealth.

Tax Return Review

Every client is different. So, we default to not reviewing tax returns with clients unless a) you request it or b) we feel there are material items in your tax returns that require some highlighting and reviewing with you. You are the most intimate with your financial world so your review is essential to the tax return preparation process. Also, we want you to be comfortable with your tax liability; we are not asking you to be happy, but at least comfortable knowing the the numbers are accurate.

As such, we welcome an opportunity to review your tax returns with you, answer any questions you might have, and ensure a comprehensive and accurate tax return is being submitted to the IRS. We never want to stray away from this level of access and customer service. We live in a virtual world, and we use technology as a tool in the tool box, but WCG (formerly Watson CPA Group) never wants to lose focus on our clients' traditional needs.

Value Proposition

WCG are tax and business consultants, not just number crunchers. Anyone can balance a checkbook. Anyone can put the right number in the right blanks. But we take a consultative approach to tax preparation. You can always find someone to do it for less- of course. However consider the solid back-end support which you will get with WCG that other tax preparation companies might not provide. Read more about our **Value Proposition** here.

We are Colorado Springs CPAs but over 80% of our clients are outside Colorado. We can provide excellent service through modern technology and our client portal. If you live somewhere really cool like Seattle or Madison, our team is more than willing to travel. Even LA has its moments.