

10 TAX MISTAKES THAT COST YOU MONEY

A practical guide from Richard Johannsen, CPA — helping you keep more of what you earn

Every year, millions of taxpayers leave money on the table — not through fraud or complex schemes, but through simple, avoidable mistakes. Whether it's a missed deduction, a filing error, or a misunderstood rule, these oversights can add up to hundreds or even thousands of dollars.

At Johannsen CPA Tax & Advisory, we've seen these patterns repeatedly. The good news: most are easy to fix once you know what to look for. This guide covers the 10 most common and costly tax mistakes — and exactly what you can do about them.

#1 Missing Deductions You're Entitled To

Many taxpayers overlook legitimate deductions simply because they didn't know they qualified. Common missed deductions include home office expenses, student loan interest, educator expenses, health savings account contributions, and job search costs.

What you can do:

- Keep receipts and records for all potential deductible expenses throughout the year
- Review IRS Publication 17 or ask us about deductions specific to your situation
- Don't assume you don't qualify — many deductions have broader eligibility than people realize

TIP

Even small deductions matter. At a 22% tax rate, a \$2,000 missed deduction costs you \$440 out of pocket.

#2 Not Contributing to Tax-Advantaged Accounts

Failing to maximize contributions to 401(k)s, IRAs, HSAs, or 529 plans is one of the most expensive tax mistakes. These accounts reduce your taxable income today — or grow completely tax-free — and many people never use them to their full potential.

What you can do:

- Maximize your 401(k) — the 2024 limit is \$23,000 (\$30,500 if age 50+)
- Open and fund a Health Savings Account if you have a high-deductible health plan
- Consider a Traditional IRA for a current-year deduction, or Roth IRA for tax-free growth

TIP

Contributing \$6,500 to a Traditional IRA in the 24% bracket saves you \$1,560 in taxes — this year alone.

#3 Filing Status Errors

Choosing the wrong filing status — such as filing Single instead of Head of Household, or Married Filing Separately instead of Jointly — can significantly increase your tax bill. Head of Household offers a larger standard deduction and more favorable rates.

What you can do:

- If unmarried and paying more than half the cost of a home for a qualifying person, you may qualify for Head of Household
- Married couples should run both Joint and Separate scenarios — though Separate is usually more costly
- Recently divorced or widowed? Your filing status may have changed — verify before filing

TIP

Head of Household gets a \$21,900 standard deduction vs. \$14,600 for Single filers in 2024 — a \$7,300 difference that directly reduces your taxable income.

#4 Ignoring Investment Tax Strategies

Many investors pay more tax on investment gains than necessary. Short-term capital gains (assets held under one year) are taxed as ordinary income — up to 37%. Long-term gains are taxed at just 0%, 15%, or 20%. Timing your sales matters enormously.

What you can do:

- Hold investments for more than one year before selling to qualify for lower long-term rates
- Use tax-loss harvesting — sell losing positions to offset gains elsewhere in your portfolio
- Be aware of wash-sale rules when repurchasing recently sold securities

TIP

Selling a \$50,000 gain just one month early (short-term vs. long-term) could cost \$8,500+ in extra taxes at the 37% vs. 20% rate.

#5 Neglecting Self-Employment Taxes

Freelancers, gig workers, and small business owners often underpay quarterly estimated taxes, leading to penalties at year-end. The self-employment tax alone is 15.3% on net earnings — on top of regular income tax.

What you can do:

- Pay quarterly estimated taxes by IRS deadlines (April, June, September, January)
- Deduct the employer-equivalent portion of self-employment tax on Schedule 1
- Open a SEP-IRA or Solo 401(k) to dramatically reduce taxable self-employment income

TIP

A Solo 401(k) lets self-employed individuals contribute up to \$69,000 in 2024 — potentially saving over \$15,000 in taxes depending on your bracket.

#6 Missing the Charitable Contribution Rules

Charitable donations are deductible — but only when you follow the documentation rules. Cash donations over \$250 require written acknowledgment. Non-cash donations over \$500 require Form 8283. Many taxpayers either miss documentation or over-value donated items.

What you can do:

- Always get written acknowledgment from the charity for any donation of \$250 or more
- Value donated goods at fair market value, not original purchase price
- Consider bunching multiple years of donations into one year to exceed the standard deduction threshold
- Explore Qualified Charitable Distributions (QCDs) from IRAs if you're age 70½ or older

TIP

A donor-advised fund lets you take a large deduction now while distributing donations to charities over multiple years — a powerful planning tool.

#7 Not Reporting All Income

Unreported income is a leading cause of IRS audits and penalties. This includes freelance income, rental income, side gig earnings, gambling winnings, and even forgiven debt. The IRS receives copies of most 1099s — they already know.

What you can do:

- Report all 1099-NEC, 1099-MISC, 1099-K, and 1099-B forms received
- Track cash income from freelance work, tutoring, or other informal arrangements
- Canceled debt is often taxable income — check for Form 1099-C
- Foreign bank accounts over \$10,000 require FBAR filing

TIP

Failing to report income can trigger a 20% accuracy penalty plus interest — far more costly than simply paying the tax owed from the start.

#8 Overlooking Education Tax Benefits

Education tax benefits are frequently missed. The American Opportunity Tax Credit (up to \$2,500/year for the first 4 years of college) and the Lifetime Learning Credit (up to \$2,000/year) can substantially reduce your tax bill for eligible taxpayers.

What you can do:

- Claim the American Opportunity Credit for the first four years of post-secondary education
- Use the Lifetime Learning Credit for graduate school or professional development courses
- Student loan interest up to \$2,500 is deductible (subject to income phase-outs)
- 529 plan distributions used for qualified education expenses are completely tax-free

TIP

The American Opportunity Credit is partially refundable — you can receive up to \$1,000 back even if you owe no federal taxes.

#9 Forgetting to Account for Life Changes

Marriage, divorce, a new child, a home purchase, a job change, or retirement all carry significant tax implications. Many people file as if nothing changed — and miss valuable credits and deductions tied directly to these events.

What you can do:

- Update your W-4 withholding with your employer after any major life event
- Claim the Child Tax Credit (\$2,000 per qualifying child) and Dependent Care Credit when applicable
- A new home purchase brings mortgage interest and property tax deductions
- Retiring? Understand Required Minimum Distribution rules and how Social Security is taxed

TIP

Having a baby? The Child and Dependent Care Credit covers up to 35% of qualifying childcare expenses — worth up to \$1,050 per child annually.

#10 Not Working With a Tax Professional

The U.S. tax code spans over 70,000 pages. DIY software works for simple returns — but it can't replace a professional who knows your full financial picture, proactively identifies planning opportunities, and keeps you compliant as laws change year to year.

What you can do:

- Work with a CPA for any situation involving self-employment, investments, real estate, or business ownership
- Review your tax situation mid-year — not just at filing time — to make proactive adjustments
- Ask about multi-year planning strategies, not just current-year minimization
- Maintain organized records year-round to reduce preparation time and risk of errors

TIP

Taxpayers who work with a CPA typically pay less in taxes than those who file on their own. The fee often pays for itself many times over.

Ready to Stop Leaving Money on the Table?

Schedule a tax planning review with Richard Johannsen, CPA. We'll analyze your complete financial picture, identify missed opportunities, and build a personalized strategy — so you keep more of what you earn this year and every year after.

Contact Johannsen CPA Tax & Advisory Today

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