

# Six Common Misconceptions About Filing Taxes

When it comes to filing taxes, it might as well be brain surgery. It may not require forceps or retractors, but on the complexity scale -- tax law ranks pretty darn high. The U. S. tax code is so dense, the tome could be a deadly weapon in the right hands.

Suffice it to say, filing your taxes is confusing, and where confusion leads, misconceptions are sure to follow.

To shed some light on common misconceptions about taxes, we consulted the National Association of Enrolled Agents -- a group of federally-licensed tax practitioners who specialize exclusively in taxes. Here are six tax myths the association encounters frequently.

**Myth:** I'm filing an extension this year, so I don't need to pay anything yet.

**Fact:** Tax extensions only extend the time you have left to file, not the time you have to pay taxes owed. If you owe a certain amount and file an extension, you have until April 15 to pay regardless of the new filing deadline. Otherwise, interest and penalties begin to stack up.

**Myth:** I had a really big loss in the stock market this year, so I won't owe any income taxes.

**Fact:** Deduction of capital losses against ordinary income is limited to \$3,000. Also, whether you reinvest or receive dividends, they are technically still income and must be taxed as such.

**Myth:** They paid me in cash, so I don't have to report it.

**Fact:** If it's income, you must report it. You always report income, regardless of whether it's cash, tips, bonuses or dividends.

**Myth:** I'm too young to have to pay taxes.

**Fact:** Even dependent high schoolers must file a tax return if they earn more than \$5,800.

**Myth:** Income earned in a foreign country is not taxable.

**Fact:** The operative word is income, which means it's taxable. The IRS requires taxpayers to report all earned income, even if it's earned abroad.

**Myth:** Tax preparers only fill out forms that you can do yourself.

**Fact:** Paid preparers know the intricate (and constantly changing) tax laws, regulations and codes, including how they can be applied for your benefit -- i.e., to save you money. Enrolled agents, America's tax experts, receive annual ongoing education and they have unlimited representational rights before the IRS.