

Tax-related anxiety is normal - and surmountable

NANCY CARR

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Most people will agree: Doing your taxes is no fun. Yet the majority of us hunker down each spring, T-slips in hand, to reconcile how much we owe the government – or how much of a refund we’re owed.

However, there’s always a small subset of people who are so paralyzed by the idea of rounding up receipts and acknowledging the past year’s earnings and expenditures, that they simply ignore the April 30 filing deadline.

There are lots of reasons why people feel anxious around tax time, according to Randi McCabe, director of anxiety treatment at St. Joseph’s Healthcare Hamilton. The inability to find time to do one’s taxes can be stressful in itself, and there’s the fear of facing long and daunting government forms, plus the concern of being audited or of owing money that hasn’t been saved, to name a few.

“I think anxiety around tax time is pretty normal,” Dr. McCabe said. “But anxiety, in this case, can be beneficial because the purpose of anxiety is to motivate you, to prepare for some challenging or threatening or stressful event.”

For several years, that anxiety wasn’t enough to make Ken Wilson-Harrington file his taxes. As a self-employed artist in New York, and then as a stay-at-home dad in Toronto, Mr. Wilson-Harrington has foregone filing for a few years here and there.

“After we had [our daughter] Lucy we didn’t file for two years because we were too exhausted,” Mr. Wilson-Harrington said. “But the longer you don’t do it, the more daunting it is. It just becomes bigger every second.”

If a person owes money, the penalties become bigger, too.

The late filing penalty is automatically five per cent of the amount owed, with an additional one per cent added for every month that payment is late. If a person is a repeat late-filer, penalties jump again, to a maximum of 50 per cent of the amount owed. There are also hefty late filing penalties for people with more than \$100,000 in foreign investments, which could be a vacation home in France, Apple shares or an American bank account.

Even people who are pretty sure they don’t owe the Canada Revenue Agency any money should file a return every year, according to Jamie Golombek, managing director of tax and estate planning with CIBC Private Wealth Management. A person has to file a return if he or she wants to apply for such things as the GST/HST credit, carry forward tuition expenses or report income on which they want to make an RRSP contribution in the future.

“These are all reasons to let the CRA know what you’ve earned,” Mr. Golombek said.

Both Mr. Golombek and Dr. McCabe stressed that one of the best cures for tax terrors is to hire a professional. That’s what Mr. Wilson-Harrington did, after overcoming the fear of being judged by his accountant.

“If you hire an accountant it’s somewhat embarrassing,” he said. “You feel full of shame and loathing that you can’t manage this very simple part of life. It’s like you’re failing at being an adult.”

But Mr. Golombek insists that accountants and other tax-preparation experts aren’t judging their clients.

“No good accountant would ever judge you,” he said, comparing a fear of accountants to a fear of dentists.

“People don’t want to go to the dentist, especially if they haven’t flossed in a long time. You’re always afraid that you’re going to go and they’re going to yell at you. But at the end of the day, they just want you to be healthy. It’s the same thing with accountants: They just want to help get you back on track.”

How to get over the anxiety that keeps you from filing your taxes on time:

- 1) Start early.** Start thinking about the current year’s taxes during the current year – not in April of the following year, when you’re due to file.
- 2) Create a filing system.** As receipts arrive in the mail – or online – file them immediately, so that they’re easy to access come tax time. This can be as simple as a shoebox or as complex as an accordion file.
- 3) Make a date to do your taxes.** Put it in your calendar and plan a tax night with your spouse or a friend. If two of you plan to tackle your taxes together, you’re less likely to break the date.
- 4) Break the job into small tasks.** If your tax preparation is going to take more than a few hours, don’t do it all at once. Your plan could be: Day one, gather receipts; Day two, review investments; Day three, fill out forms.
- 5) Hire a professional.** You’ll pay less than \$100 for a simple tax return at a place such as H&R Block. An accountant, who might offer advice as well, will likely charge upwards of \$200. You can minimize your costs by doing some of the work yourself, such as categorizing and subtotaling expenses and donations.
- 6) Be honest.** If you’re honest about everything on your return, you’ll worry less about being audited.