

University of Mississippi

eGrove

---

Guides, Handbooks and Manuals

American Institute of Certified Public  
Accountants (AICPA) Historical Collection

---

1984

## Tax Return Preparation and Review Checklists, 1983

American Institute of Certified Public Accountants. Federal Taxation Executive Committee.  
Management of a Tax Practice Subcommittee

Follow this and additional works at: [https://egrove.olemiss.edu/aicpa\\_guides](https://egrove.olemiss.edu/aicpa_guides)



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

---

AICPA. Federal Taxation Executive Committee. Management  
of a Tax Practice Subcommittee.

(Tax return preparation and review checklists.), 1984.



**American Institute of Certified Public Accountants**

1211 Avenue of the Americas, New York, New York 10036-8775 (212) 575-6200

Telex: 70-3396

February 15, 1984

Dear Practitioner:

The enclosed drafts of tax return preparation and review checklists are being sent to you at cost for your comments. These checklists have not been approved by the AICPA for practitioner usage and are merely a consolidation of checklists which have been submitted and reviewed by a number of practitioners.

These checklists were prepared by a working group headed by Richard Simma of New Richmond, Wisconsin, under the direction of the Federal Tax Division's Management of a Tax Practice Subcommittee. To assist in further improving future checklists, we hope that you will take a few moments to send your comments to:

Checklist Comments  
AICPA  
1620 Eye Street, N.W.  
Washington, D.C. 20006

We hope the checklists will be helpful to you and thank you for your comments.

Sincerely,

Kenneth F. Thomas  
Director  
Federal Tax Division

Enclosure



**INDIVIDUAL TAX RETURN PREPARATION AND REVIEW CHECKLIST**

Client Name \_\_\_\_\_ Client Number \_\_\_\_\_  
 Interviewed by \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_  
 Prepared by \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_  
 Reviewed by \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_

"DONE" or "NOT APPLICABLE" answers are the desired answers.  
 "NOT DONE" answers require comments or explanation.

	NOT DONE	DONE	N/A	COMMENTS OR EXPLANATIONS
(1) Review the correspondence file.				
(2) Review prior years' returns, review memo and working papers.				
(3) Verify the accuracy of the taxpayer's name, social security number, address, occupation, filing status and number of exemptions. Obtain children's birth dates for the file.				
(4) Inquire if any of the taxpayer's prior returns have been examined by federal or state authorities during the current year.				
(5) Consider the effect of prior year(s) revenue agent adjustments, if any, on this year's income.				
(6) Check for the following carryovers and limitations:				
- Investment credit				
- Net Operating loss				
- Charitable contributions				
- Capital losses and IRC Section 1244 losses				
- Jobs credit				
- Foreign tax credit				
- Investment credit.				
(7) Determine if taxpayer received any taxable employee benefits during the year (e.g., PS58 costs, club dues, auto allowances). Determine whether other income is reported on Form W-2.				
(8) Compare sources of dividend and interest income with prior year's items.				
(9) Review dividends in order to segregate taxable, non-taxable and capital gain portions.				
(10) Update the taxpayer carryforward data schedule for any non-taxable dividends or dividends reinvested.				
(11) Determine if taxpayer had investment income from foreign companies and if tax was withheld at the source.				

INDIVIDUAL TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Two

Client Name \_\_\_\_\_

	NOT		COMMENTS OR EXPLANATIONS
	DONE	DONE N/A	
(12) Exclude interest on state and municipal bonds from the federal return.			
(13) Exclude interest on United States securities from the state return(s). Consider whether municipal bond interest excluded on the federal should be added back to the state return.			
(14) Review reporting of any state tax refund(s) based on the tax benefit rule.			
(15) If taxpayer was divorced or separated during the tax year, obtain a copy of the corresponding agreement.			
(16) Did taxpayer pay or receive alimony during the year; insure that child support payments are not picked up.			
(17) If taxpayer files a Schedule C, consider paying and deducting a salary to the spouse to reduce self-employment tax and allow spouse to make an IRA contribution.			
(18) Consider electing the optional straight line method for ACRS property purchased during the year.			
(19) Consider Section 179 election to expense certain depreciable business assets (\$5000-1982 and 1983, \$7500-1984 and 1985, \$10000-1986 and thereafter).			
(20) If a residence or other property was sold or involuntarily converted during the year, consider the provisions relating to: <ul style="list-style-type: none"> <li>- Non-recognition of gain or loss</li> <li>- Capital gain or loss treatment</li> <li>- Section 1231 treatment</li> <li>- Recapture of depreciation and/or investment tax credit (home office and related equipment).</li> </ul>			
(21) Review the possibility of the wash sale rules being applicable to stock sales.			
(22) Inquire whether taxpayer has any worthless securities or other bad debts to be reflected in the current year return.			
(23) Determine if taxpayer's rollover of a qualified retirement plan distribution was in accordance with the 60-day rule.			
(24) Determine if taxpayer received pension/annuity basis and review non-taxable portions.			

INDIVIDUAL TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Three

Client Name \_\_\_\_\_

	NOT DONE	DONE	N/A	COMMENTS OR EXPLANATIONS
(25) Consider the tax basis of a partnership or Subchapter "S" corporation interest before claiming a loss, also at-risk limitations and hobby loss rules on sole proprietor Schedule C.				
(26) If taxpayer is a Subchapter "S" corporation shareholder who made loans to the corporation to utilize loss(es), check for gain on repayment.				
(27) Designate and include income subject to self-employment tax (Schedule C, Partnership and Other Income).				
(28) Consider vacation home limitations.				
(29) Consider limitations on construction period expenses and deductions.				
(30) Are accounting methods used comparable to the preceding period.				
(31) Determine taxability of any social security benefits received.				
(32) Determine taxability of unemployment or disability income.				
(33) Determine the applicability of a moving expense deduction and whether the reimbursement is properly accounted for.				
(34) Determine if taxpayer is entitled to a deduction for contributions to an IRA, a Keogh or other qualified retirement plan and review possible alternatives with taxpayer before the return due date.				
(35) Consider two-earner married couple deduction (5%-1982, 10%-1983, of the lesser of \$30,000 or the <u>earned income</u> of the lower earning spouse's income). <u>If taxpayer does not itemize deductions, qualified charitable contributions may be deducted from adjusted gross income.</u>				
(36) Consider medical transportation deductions and medical and drug expense limitations.				
(37) Consider the deduction of Medicare premiums when taxpayer is over 65 years of age.				
(38) If medical insurance reimbursement for prior years has been noted, determine whether such reimbursement is properly reported as income.				





INDIVIDUAL TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Five

Client Name \_\_\_\_\_

	DONE	NOT DONE	N/A	COMMENTS OR EXPLANATIONS
(53) Confirm with the client the amount(s) and date(s) of any federal (and state and local, where applicable) estimated tax deposit(s) for the year.				
(54) Determine if client has paid excess FICA tax for which credit should be claimed.				
(55) If withholding and estimated tax payments are less than 80% of the tax liability, file Form 2210.				
(56) Inquire whether the client can substantiate by adequate records, as required under IRC Section 274(d), expenses claimed for entertainment, entertainment facilities, gifts, travel and conventions.				
(57) Recent legislation provides for a penalty to be imposed where a taxpayer makes a substantial understatement of his or her tax liability. For individual taxpayers, a substantial understatement exists when the understatement for the year exceeds the greater of (a) 10% of the tax required to be shown on the return, or (b) \$5,000. Taxpayers may seek to avoid all or part of the penalty by showing (1) that they acted in good faith and there was reasonable cause for the understatement, (2) that the understatement was based on substantial authority, or (3) that relevant facts affecting the item's tax treatment were adequately disclosed on the return. All items of income and deductions shown on the return should have the required substantiation in order to answer any questions if audited by the taxing authorities. Consider if a substantial understatement of income tax could result from a disallowance of any deduction of loss item on the return. If so, A. Does substantial authority exist for the deduction or loss item in question. B. Is the item a tax shelter for purposes of Section 666l. C. Advise client of 10% penalty in writing.				
(58) Inquire if taxpayer made gifts in excess of \$10,000 (or any applicable state minimums) to any individual during the year.				
(59) Consider changes needed in estimated tax for the forthcoming year and set up estimated tax payments.				
(60) Prepare state income tax return(s). Review each state's modification requirements.				
(61) Attach extension requests to tax returns.				
(62) Prepare filing instruction letter to client.				
(63) Note any tax planning suggestions below.				



**CORPORATION TAX RETURN PREPARATION AND REVIEW CHECKLIST**

Client Name \_\_\_\_\_ Client Number \_\_\_\_\_  
 Interviewed by \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_  
 Prepared by \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_  
 Reviewed by \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_

"DONE" or "NOT APPLICABLE" answers are the desired answers.  
 "NOT DONE" answers require comments or explanation.

	NOT			COMMENTS OR EXPLANATIONS
	DONE	DONE	N/A	
(1) Verify corporate name, address, fiscal year, incorporation date, business code and identification number.				
(2) Examine all correspondence, point sheets and other memoranda in the prior year's tax file and current year's tax file for items of which you should be aware.				
(3) Check the following carryover items:				
- Net operating loss				
- Capital loss				
- Investment credit				
- Charitable contributions				
- Installment sales				
- Jobs credit				
- Foreign tax credit				
- Retirement plan contribution				
- ESOP tax credit				
- R & D expenditure tax credit.				
(4) If taxpayer has been examined by the Internal Revenue Service:				
- Obtain copies of the Revenue Agent's Reports				
- Verify that the agent's adjustments have been entered on the taxpayer's books				
- Determine if any of the agent's adjustments affect income tax returns of years other than those audited				
- File amended state tax returns to reflect adjustments.				
(5) Determine the taxability of dividends received.				
(6) Exclude interest on state or local obligations from federal taxable income.				
(7) Exclude interest on Federal obligations from state and local taxable income.				

CORPORATION TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Two

Client Name \_\_\_\_\_

	DONE	NOT DONE	N/A	COMMENTS OR EXPLANATIONS
(8) Determine that payments received during the year on installment sales have been properly reflected.				
(9) If taxpayer recovered amounts previously deducted, determine if the full tax benefit was received from prior years' deductions.				
(10) Determine if payments received in advance by the taxpayer are included in taxable income although they may be treated as deferred income for book purposes.				
(11) If there were any accruals at year end of interest, compensation or other expenses payable to an individual who owns more than 50% of taxpayer's stock directly or indirectly, instruct taxpayer that these items must be paid within 75 days after year end.				
(12) Review deferred charges and prepaid expenses for currently deductible items.				
(13) Determine if there were any wash sales of stock or securities during the tax year.				
(14) Determine if any stocks or bonds held by the taxpayer become worthless during the year.				
(15) Consider electing the optional straight line method for qualifying ACRS property purchased during the year.				
(16) Determine if property/equipment leases are operating leases or capital leases.				
(17) Determine if there were any losses during the year between related taxpayers under Section 267(a)(1), such as between the corporation and a more than 50% stockholder.				
(18) Review the taxpayer's vacation pay policy to determine if a deduction is allowable on the accrual basis.				
(19) Exclude from deductions premiums on officers' life insurance or other life insurance, the proceeds of which are payable to the corporation.				

CORPORATION TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Three

Client Name \_\_\_\_\_

	DONE	NOT DONE	N/A	COMMENTS OR EXPLANATIONS
(20) Verify officers' compensation and expense account data and complete Schedule E.				
(21) If assets were sold or exchanged during the year consider investment credit and depreciation recapture.				
(22) Make adjustments for depreciable assets which are obsolete, abandoned and/or out of service.				
(23) Inquire whether the client can substantiate by adequate records, as required under IRC Section 274(d), expenses claimed for entertainment, entertainment facilities, gifts, travel and conventions.				
(24) Consider the election to expense up to \$5,000 property placed in service rather than using ACRS (\$7,500 for tax years beginning in 1984 and 1985, \$10,000 for tax years beginning in 1986 and thereafter).				
(25) Consider switching to the reserve method of reporting bad debts.				
(26) If taxpayer maintains a pension and/or profit sharing plan: <ul style="list-style-type: none"> <li>- Review the plan(s) to determine if they are in compliance in light of changing corporate circumstances and the recent tax law changes</li> <li>- Determine if the maximum deduction was taken under the terms of the plan</li> <li>- Determine if the contribution was made prior to filing Form 1120</li> <li>- Complete the required Form 5500.</li> </ul>				
(27) Determine the method(s) of inventory valuation used by the taxpayer.				
(28) If officers used company automobiles personally, determine if reimbursement has been made to the company and document how the amount was computed.				
(29) Determine that all contributions are to organizations recognized by the Treasury.				
(30) Consider the contribution limitation.				

CORPORATION TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Four

Client Name \_\_\_\_\_

	NOT			COMMENTS OR EXPLANATIONS
	DONE	DONE	N/A	
(31) Consider the following restrictions on: <ul style="list-style-type: none"> <li>- Contributions of appreciated ordinary income property</li> <li>- Contributions to private foundations</li> <li>- Contributions of property unrelated to the charity's exempt purpose.</li> </ul>				
(32) Obtain copies of minutes authorizing accrual of charitable contributions.				
(33) If a net operating loss deduction is claimed, prepare a supporting schedule to be attached to the return.				
(34) If there is a net operating loss in the current year, consider the election to forego the carryback.				
(35) Determine if alternative tax is applicable.				
(36) If corporation is not on a calendar year, consider the changing tax rates when computing income tax.				
(37) If taxpayer has tax preference items, complete Form 4626.				
(38) Determine if taxpayer is eligible for the following tax credits: <ul style="list-style-type: none"> <li>- Foreign tax credit</li> <li>- Investment credit</li> <li>- ESOP credit</li> <li>- Alcohol fuel credit</li> <li>- Jobs credit</li> <li>- Credit for increasing research activities.</li> </ul>				
(39) Obtain copies of elections by lessors to pass the investment tax credit through to lessees of qualified investment credit properly.				
(40) Reconcile fixed asset acquisitions for the year to Form 3468.				
(41) For investment tax credit purposes, consider the "at risk" limitation provisions.				
(42) Determine if taxpayer is subject to personal holding company tax.				
(43) Determine if taxpayer is subject to accumulated earnings tax.				



CORPORATION TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Six

Client Name \_\_\_\_\_

	NOT DONE	DONE	N/A	COMMENTS OR EXPLANATIONS
(54) Cross reference the following items within the current year return:				
- Total assets from Schedule L to Page 1, Item F				
- Dividends from Schedule C to Page 1				
- Officers' compensation from Schedule E to Page 1				
- Bad debts from Schedule F to Page 1				
- Depreciation from Form 4562 to Page 1				
- Taxable income to Schedule D, alternative tax computation				
- Tax per Schedule D to Schedule J				
- Tax per Schedule J to Page 1				
- Taxable income from Page 1, Line 28 to Schedule M-1, Line 10				
- Net income per books from Schedule M-1, Line 1 to Schedule M-2, Line 2				
- Schedule of other income to Page 1				
- Schedule of other deductions to Page 1				
- Schedule of other current assets to Schedule L				
- Schedule of other investments to Schedule L				
- Schedule of other assets to Schedule L				
- Schedule of other current liabilities to Schedule L				
- Schedule of other liabilities to Schedule L				
- Total gain per Schedule D to Page 1				
- Total per Form 4797 to Page 1				
- Schedule J, Line 4(a) to Form 1118				
- Schedule J, Line 4(b) to Form 3468				
- Schedule J, Line 4(d) to Form 5884				
- Schedule J, Line 4(c) to Form 8007				
- Schedule J, Line 4(e) to Form 6765				
- Schedule J, Line 4(f) to Form 5735				
- Schedule J, Line 4(g) to Form 6478				
- Schedule J, Line 8 to Form 4255				
- Line 32(d) to Form 7004 and 7005				
- Line 1, Schedule A to Schedule L				
- Line 6, Schedule A to Schedule L				
- Line 7, Schedule A to Page 1.				
(55) Recent legislation provides for a penalty to be imposed where a taxpayer makes a substantial understatement of his or her tax liability. For corporations other than Sub "S" corporations and personal holding companies, a substantial understatement exists when the understatement exceeds the greater of (a) 10% of the tax required to be shown on the				







**PARTNERSHIP TAX RETURN PREPARATION AND REVIEW CHECKLIST**

Client Name \_\_\_\_\_ Client Number \_\_\_\_\_  
 Interviewed by \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_  
 Prepared by \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_  
 Reviewed by \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_

"DONE" or "NOT APPLICABLE" answers are the desired answers.  
 "NOT DONE" answers require comments or explanation.

	NOT		COMMENTS OR EXPLANATIONS
	DONE	DONE N/A	
(1) Verify that a copy of the partnership agreement is in the permanent file or document why we think this is a partnership for federal income tax purposes and where authority for distribution of gain or loss originates.			
(2) Verify partnership name, address, fiscal year, business code, identification number and date business started.			
(3) Examine all correspondence, point sheets and other memoranda in the prior year's tax file and current year's tax file for items of which you should be aware.			
(4) Determine method of accounting - cash, accrual or other.			
(5) Determine if the partnership is a limited partnership.			
(6) If taxpayer has been examined by the Internal Revenue Service:			
- Obtain copies of the Revenue Agent's Reports			
- Verify that the agent's adjustments have been entered in the taxpayer's books			
- Determine if any of the agent's adjustments affect income tax returns of years other than those audited.			
(7) Review prior year's return Schedule M, columns c, d and e for items which may have an effect upon or require similar treatment in the current year.			
(8) Check if any of the partners' addresses changed during the taxable year.			
(9) Determine if there has been any change in partnership ownership during the year and document.			



PARTNERSHIP TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Three

Client Name \_\_\_\_\_

	DONE	NOT DONE	N/A	COMMENTS OR EXPLANATIONS
(24) Determine that all guaranteed payments, determined without regard to income, to partners for services or use of capital have been deducted in computing ordinary income.				
(25) Review taxpayer's procedure for reporting vacation pay in light of recent accounting changes.				
(26) Inquire whether the client can substantiate by adequate records, as required under IRC Section 274(d), expenses claimed for entertainment, entertainment facilities, gifts, travel and conventions.				
(27) If taxpayer paid or incurred interest on indebtedness to purchase or carry investment property, do not report this interest on Page 1. Enter the amount as investment interest on Schedule K only.				
(28) Verify that construction period interest and taxes have been properly capitalized and amortized.				
(29) Prepare a detail schedule of taxes deducted.				
(30) Consider the election to expense up to \$5,000 property placed in service rather than using ACRS (\$7,500 for tax years beginning in 1984 and 1985, \$10,000 for tax years beginning in 1986 and thereafter).				
(31) Verify that retirement plan contributions are within allowable limits and are properly reported on Schedule K.				
(32) Determine if property/equipment leases are operating leases or capital leases.				
(33) Prepare a schedule of other deductions.				
(34) Exclude from deductions premiums on partners' life insurance.				
(35) Separate recourse from non-recourse debt when preparing the balance sheet, Schedule L.				
(36) Verify that beginning and ending total partners' capital figures on Schedule L agree with the reconciliation of partners' capital accounts, Schedule M.				

PARTNERSHIP TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Four

Client Name \_\_\_\_\_

	DONE	NOT DONE	N/A	COMMENTS OR EXPLANATIONS
(37) Compute net earnings from self-employment and enter on Schedule K.				
(38) Prepare schedules that reflect each partner's share of property eligible for investment tax credit. Consider non-corporate lessor rules.				
(39) Prepare schedules that reflect each partner's share of jobs credit, credit for alcohol used as fuel and other credits.				
(40) Prepare schedules that reflect each partner's share of property subject to investment credit recapture.				
(41) Determine allocation of partnership liabilities and enter on each partner's Schedule K-1.				
(42) Distribute each item on Schedule K among the K-1's in accordance with the provisions of the Partnership agreement.				
(43) Complete each partner's reconciliation of capital. Run tapes of each column to verify that the total agrees to the corresponding column on Schedule M, Form 1065.				
(44) Reconcile income per books with taxable income.				
(45) Prepare an analysis of partner's tax basis.				
(46) Prepare the required state returns.				
(47) Consider if a substantial understatement of income tax could result from a disallowance of any deduction of loss item on the return. If so, A. Does substantial authority exist for the deduction or loss item in question. B. Is the item a tax shelter for purposes of Section 6661. C. Advise client of 10% penalty in writing.				
(48) Prepare state tax return(s).				
(49) Attach extension requests to the tax returns.				
(50) Prepare filing instruction letter to client.				







**SMALL BUSINESS CORPORATION ("S" CORPORATION)  
TAX RETURN PREPARATION AND REVIEW CHECKLIST**

Client Name \_\_\_\_\_ Client Number \_\_\_\_\_  
 Interviewed by \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_  
 Prepared by \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_  
 Reviewed by \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_

"DONE" or "NOT APPLICABLE" answers are the desired answers.  
 "NOT DONE" answers require comments or explanation.

	NOT DONE	DONE	N/A	COMMENTS OR EXPLANATIONS
(1) Verify the corporate name, address, fiscal year, incorporation date, business code, Sub S election date and identification number.				
(2) Examine all correspondence, point sheets and other memoranda in the prior year's tax file and current year's tax file for items of which you should be aware.				
(3) If taxpayer has been examined by the Internal Revenue Service:				
- Verify that the agent's adjustments have been entered on the taxpayer's books				
- Obtain copies of the Revenue Agent's Reports				
- Determine if any of the agent's adjustments affect income tax returns of years other than those audited				
- File amended state tax returns to reflect adjustments.				
(4) Review the prior returns and/or carryforward information summaries for the following carryover items:				
- Capital loss				
- Charitable contributions				
- Retirement plan contribution.				
(5) Determine that for the first taxable year beginning after December 31, 1982, carryovers of capital losses and charitable contributions from the last year while the corporation was an S corporation are treated as arising in that year and accordingly flow through to the shareholders.				
(6) Determine that a disqualifying event has not occurred during the year thereby terminating the S corporation status of the taxpayer. For tax years beginning prior to January 1, 1983, the revocation is retroactive to the beginning of the tax year. For tax years beginning after December 31, 1982, the revocation is effective as of the day on which the disqualifying event occurs.				

SMALL BUSINESS CORPORATION ("S" CORPORATION) TAX RETURN PREPARATION AND REVIEW

CHECKLIST

Page Two

Client Name \_\_\_\_\_

	DONE	NOT DONE	N/A	COMMENTS OR EXPLANATIONS
(7) For tax years beginning after December 31, 1981, if the corporation has more than 25% of gross receipts from passive sources in three consecutive years, <u>and</u> it has accumulated C corporation earnings and profits at the end of each year, note that the Sub-S election is terminated beginning at the end of such three year period.				
(8) Note that if more than 50% <u>cumulatively</u> of the shares of stock on December 31, 1982, have changed ownership, note that the corporation is subject to the calendar year rule or loses its S corporation status.				
(9) Document and review the method(s) of inventory valuation used by the taxpayer.				
(10) Review the taxability of dividends received.				
(11) Determine that payments received during the year on installment sales have been properly recorded for tax purposes.				
(12) Review payments received in advance by the taxpayer for inclusion in taxable income noting they may be treated as deferred income for book purposes.				
(13) Inquire as to the existence of any wash sales of stock or securities during the tax year.				
(14) Inquire as to whether any stocks or bonds held by the taxpayer become worthless during the year.				
(15) Determine if there were any losses during the year between related taxpayers under Section 267(a)(1), such as between the corporation and a more than 50% stockholder.				
(16) Verify officers' compensation and expense account data and complete Schedule E.				
(17) For tax years beginning before January 1, 1983, determine the existence of any year end accruals of interest, compensation or other expenses payable to an individual who owns more than 50% of taxpayer's stock directly or indirectly, and instruct the taxpayer that these items must be paid within 75 days after year end.				

SMALL BUSINESS CORPORATION ("S" CORPORATION) TAX RETURN PREPARATION AND REVIEW  
 CHECKLIST  
 Page Three  
 Client Name \_\_\_\_\_

	NOT			COMMENTS OR EXPLANATIONS
	DONE	DONE	N/A	
(18) For tax years beginning after December 31, 1982, determine that the corporation is on the cash method of accounting for purposes of deducting expenses to cash basis shareholders who own at least 2% of the corporation's outstanding stock.				
(19) Consider using the reserve method of reporting bad debts.				
(20) Determine that all contributions are to organizations recognized by the Treasury.				
(21) For tax years beginning before January 1, 1983, review the contribution limitation.				
(22) Consider the following restrictions on: <ul style="list-style-type: none"> <li>- Contributions of appreciated ordinary income property</li> <li>- Contributions to private foundations</li> <li>- Contributions of property unrelated to the charity's exempt purpose.</li> </ul>				
(23) Obtain copies of minutes authorizing accrual of charitable contributions and attach to the return.				
(24) Consider electing the optional straight line method for qualifying ACRS property purchased during the year.				
(25) Consider the election to expense up to \$5,000 property placed in service rather than using ACRS (\$7,500 for tax years beginning in 1984 and 1985, \$10,000 for tax years beginning in 1986 and thereafter).				
(26) Determine if adjustments are required for depreciable assets which are obsolete, abandoned and/or out of service.				
(27) If taxpayer maintains a pension and/or profit sharing plan: <ul style="list-style-type: none"> <li>- Review the plan(s) to determine if they are in compliance in light of changing corporate circumstances and the recent tax law changes</li> <li>- Determine if the maximum deduction was taken under the terms of the plan</li> </ul>				

SMALL BUSINESS CORPORATION ("S" CORPORATION) TAX RETURN PREPARATION AND REVIEW  
CHECKLIST

Page Four

Client Name \_\_\_\_\_

	DONE	NOT DONE	N/A	COMMENTS OR EXPLANATIONS
- Determine if the contribution was made prior to filing Form 1120S				
- Complete the required Form 5500.				
(28) Review deferred charges and prepaid expenses for currently deductible items.				
(29) Review the taxpayer's vacation pay policy to determine if a deduction is allowable on the accrual basis.				
(30) Review the premiums on officers' life insurance or other life insurance to determine tax deductibility.				
(31) Inquire whether the client can substantiate by adequate records, as required under IRC Section 274(d), expenses claimed for entertainment, entertainment facilities, gifts, travel and conventions.				
(32) Determine if taxpayer is eligible for the following tax credits:				
- Foreign tax credit				
- Investment credit				
- Credit for increasing research activities				
- Credit for sale/use of alcohol fuel.				
(33) Obtain copies of elections by lessors to pass the investment tax credit through to lessees of qualified investment credit properly.				
(34) Reconcile fixed asset acquisitions for the year to Form 3468.				
(35) For investment tax credit purposes, consider the "at risk" limitation provisions.				
(36) If assets were sold or exchanged during the year review for investment credit and depreciation recapture.				
(37) Recent legislation provides for a penalty to be imposed where a taxpayer makes a substantial understatement of his or her tax liability. For "S" corporations, a substantial understatement exists when the understatement exceeds the greater of (a) 10% of the tax required to be shown on the				



SMALL BUSINESS CORPORATION ("S" CORPORATION) TAX RETURN PREPARATION AND REVIEW  
 CHECKLIST  
 Page Six  
 Client Name \_\_\_\_\_

	NOT DONE	DONE	N/A	COMMENTS OR EXPLANATIONS
- Net gain (loss) from involuntary conversions due to casualty or theft				
- Expense deduction for recovery property under Section 179				
- Jobs credit				
- Credit for alcohol used as fuel				
- Preference items.				
(40) For tax years beginning before January 1, 1983, determine that items of income, deductions, credits, etc. are allocated pro rata to the shareholders of the corporation as of the last day of the tax year, except in the case of a net operating loss, which is allocated to the shareholders pro rata on a per share, per day basis.				
(41) For tax years beginning after December 31, 1982, determine that items of income, deductions, credits, etc. are allocated to the shareholders of the corporation on a per share, per day basis.				
(42) For tax years beginning after December 31, 1982, if there are transfers of stock during the year, consider the option to allocate items of income, deductions, credits, etc. according to when the items were actually incurred with the consent of all shareholders at any time during the year.				
(43) Determine that the shareholder's allowable pro rata shares of loss do not exceed the shareholder's adjusted basis for his stock and indebtedness owed to him. For tax years beginning before January 1, 1983, losses in excess of basis are permanently lost. For tax years beginning after December 31, 1982, losses in excess of basis can be carried forward and allowed in any subsequent year in which the same shareholder has adequate basis in such stock or debt.				
(44) Instruct the taxpayer that all indebtedness owed to shareholders should be evidenced by written instruments so that in the event a shareholder's basis in the debt is reduced by his share of losses, the subsequent repayment will produce capital gain rather than ordinary income.				
(45) For tax years beginning after December 31, 1981, if the corporation has accumulated earnings and profits from Subchapter C years <u>and</u> passive investment income				



