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1983

## Tax Return and Preparation Checklists, 1982

American Institute of Certified Public Accountants. Federal Taxation Executive Committee

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AICPA. Federal Taxation Executive  
Committee.

(Tax return and preparation  
checklists.)  
1983. cop. 2



February 28, 1983

Dear Practitioner:

I have enclosed drafts of return preparer checklists for your review and comment. These checklists have not been approved by the Federal Tax Division of the AICPA for practitioner usage. They are merely a consolidation of checklists which have been submitted by a number of practitioners, and which are being distributed to obtain comments for further refinement.

The enclosed checklists are in the early stages of development by the Scope and Management of a Tax Practice Subcommittee of the Federal Tax Division. When fully developed, we hope that they will help CPAs in preparing quality tax returns. Towards this end, we hope that you will send any comments you may have to:

Tax Checklist Comments  
AICPA  
1620 Eye Street, NW  
Washington, DC 20006

Thank you for your cooperation.

Sincerely,

William R. Stromsen  
Manager  
Federal Tax Division

Enclosures

**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
(1) Review the correspondence file.			
(2) Review prior years' returns, review memo and working papers.			
(3) Check whether there were any changes in the taxpayer's address, filing status or number of exemptions from that reported on last year's tax return.			
(4) Check for the following carryover items and limitations:			
- Investment credit			
- Net operating loss			
- Charitable contributions			
- Capital losses			
- Jobs credit			
- Foreign tax credit.			
(5) Compare sources of dividend and interest income with prior year's items.			
(6) Review dividends in order to segregate taxable, non-taxable and capital gain portions.			
(7) Determine if taxpayer had investment income from foreign companies and if tax was withheld at the source.			
(8) Designate and include income subject to self-employment tax.			
(9) Determine if taxpayer received any taxable employee benefits during the year (e.g., PS58 costs, club dues, auto allowances).			
(10) If a residence or other property was sold or involuntarily converted during the year, consider the provisions relating to:			
- Non-recognition of gain or loss			
- Capital gain or loss treatment			
- Section 1231 treatment			
- Recapture of depreciation and/or investment tax credit.			

INDIVIDUAL TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Two

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

	NOT		
	DONE	DONE	N/A
(11) Review reporting of any state tax refund(s) based on the tax benefit rule.			
(12) Consider the tax basis of a partnership or Subchapter "S" corporation interest before claiming a loss, also at-risk limitations on sole proprietor Schedule C.			
(13) If taxpayer is a Subchapter "S" corporation shareholder who made loans to the corporation to utilize loss(es), check for gain on repayment.			
(14) Consider electing the optional straight line method for ACRS property purchased during the year.			
(15) Consider Section 179 election to expense certain depreciable business assets (\$5000-1982 & 1983, \$7500-1984 & 1985, \$10000-1986 and thereafter).			
(16) Exclude interest on state and municipal bonds from the federal return.			
(17) 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.			
(18) Consider the effect of prior year(s) revenue agent adjustments on this year's income.			
(19) Review the possibility of the wash sale rules being applicable.			
(20) Inquire whether taxpayer has any worthless securities or other bad debts to be reflected in the current year return.			
(21) Consider vacation home limitations.			
(22) Consider limitations on construction period expenses and deductions.			

INDIVIDUAL TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Three

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

NOT  
DONE DONE N/A

- (23) Are accounting methods used comparable to the preceding period.
- (24) Determine taxability of unemployment or disability income.
- (25) 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.
- (26) Determine the applicability of a moving expense deduction and whether the reimbursement is properly accounted for.
- (27) Consider two-earner married couple deduction (5%-1982, 10%-1983, of the lesser of \$30,000 or the earned income of the lower earning spouse's income).
- (28) Did taxpayer pay or receive alimony during the year; insure that child support payments are not picked up.
- (29) Consider medical transportation deductions and medical and drug expense limitations.
- (30) Consider the deduction of Medicare premiums when taxpayer is over 65 years of age.
- (31) If medical insurance reimbursement for prior years has been noted, determine whether such reimbursement is properly reported as income.
- (32) Consider non-taxable income for increased sales tax deduction. Also, additional sales tax deduction for purchase of auto or home building materials.
- (33) Determine if all interest deductions are properly classified as either investment or non-investment interest.
- (34) If total investment interest exceeds \$10,000 complete Form 4952.

	DONE	DONE	N/A
(23)			
(24)			
(25)			
(26)			
(27)			
(28)			
(29)			
(30)			
(31)			
(32)			
(33)			
(34)			

INDIVIDUAL TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Four

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

	NOT		
	DONE	DONE	N/A
(35) Consider the contribution limitations.			
(36) List all non-cash distributions separately.			
(37) Prepare Form 4684 for all casualty loss deductions and consider the individual limitation per casualty.			
(38) Consider office-in-home deduction.			
(39) Consider capitalizing carrying charges on non-productive property.			
(40) Consider the following tax credits:			
- Investment tax credit			
- Foreign tax credit			
- Child care credit			
- Political contribution credit			
- Credit for the elderly			
- Jobs credit			
- Residential energy credit			
- Credit for federal tax on gasoline, special fuels and lubricating oil.			
(41) Determine if there is an earned income credit.			
(42) Consider income averaging.			
(43) Consider the election to treat retirement plan lump sum distributions as ordinary income subject to ten-year averaging.			
(44) Based upon nature of income and deductions, is taxpayer subject to:			
A. Self employment tax			
B. Minimum tax			
C. Alternative minimum tax.			
(45) 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.			

INDIVIDUAL TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Five

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

NOT  
DONE DONE N/A

- (46) Determine if client has paid excess FICA tax for which credit should be claimed.
- (47) If withholding and estimated tax payments are less than 80% of the tax liability, file Form 2210.
- (48) 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.
- (49) 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 6661.
  - C. Advise client of proposed 10% penalty in writing.
- (50) Inquire if taxpayer made gifts in excess of \$10,000 to any individual during the year.

	DONE	NOT DONE	N/A
(46)			
(47)			
(48)			
(49)			
(50)			





**PARTNERSHIP TAX RETURN PREPARATION AND REVIEW CHECKLIST**

Client Name \_\_\_\_\_  
 Client Number \_\_\_\_\_ Year Ended \_\_\_\_\_  
 Prepared By \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_  
 Reviewed By \_\_\_\_\_ Date Completed/Hours \_\_\_\_\_

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

	NOT		
	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) Check 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 Two

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

	NOT		
	DONE	DONE	N/A
(10) If there has been a change in ownership by death of a partner, transfer between partners or sale of an interest, consider the optional adjustment to basis of partnership property under IRC Section 754.			
(11) Enter dividend income qualifying for exclusion under IRC Section 116 on Schedule K, Page 3.			
(12) Enter non-qualifying dividends on Page 1.			
(13) Enter interest income qualifying for exclusion under IRC Section 116 on Schedule K, Page 3.			
(14) Enter interest income from All-Savers certificates qualifying for exclusion under IRC Section 128 on Schedule K, Page 3.			
(15) Enter non-qualifying interest on Page 1.			
(16) Complete Schedule A or schedule of cost of operations and verify that beginning and ending inventory agree with Schedule L.			
(17) Determine if there were any wash sales of stock or securities during the tax year.			
(18) If assets were sold or exchanged during the year, consider investment credit and depreciation recapture.			
(19) Determine if there were any sales or exchanges during the year between the partnership and a partner and document.			
(20) If rental property is a net lease, do not deduct interest expense on Schedule H. Enter interest on Schedule K only, under investment interest.			
(21) Consider electing optional straight line recovery method available under ACRS.			
(22) Segregate all tax preference items and list on the appropriate line of Schedule K.			
(23) 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.			

PARTNERSHIP TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Three

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

NOT  
DONE DONE N/A

- (24) Review taxpayer's procedure for reporting vacation pay in light of recent accounting changes.
- (25) 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.
- (26) 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.
- (27) Verify that construction period interest and taxes have been properly capitalized and amortized.
- (28) Prepare a detail schedule of taxes deducted.
- (29) Consider the election to expense up to \$5,000 property placed in service rather than using ACRS.
- (30) Prepare supporting schedule for amortization expense deducted.
- (31) Verify that retirement plan contributions are within allowable limits and are properly reported on Schedule K.
- (32) Prepare a schedule of other deductions.
- (33) Exclude from deductions premiums on partners' life insurance.
- (34) Separate recourse from non-recourse debt when preparing the balance sheet, Schedule L.
- (35) Verify that beginning and ending total partners' capital figures on Schedule L agree with the reconciliation of partners' capital accounts, Schedule M.
- (36) Compute net earnings from self-employment and enter on Schedule K.
- (37) Determine if any partners' addresses have changed.

	DONE	DONE	N/A
(24)			
(25)			
(26)			
(27)			
(28)			
(29)			
(30)			
(31)			
(32)			
(33)			
(34)			
(35)			
(36)			
(37)			

PARTNERSHIP TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Four

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

	NOT DONE DONE N/A		
(38) Prepare schedules that reflect each partner's share of property eligible for investment tax credit.			
(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 proposed 10% penalty in writing.			

Comments or Explanations: \_\_\_\_\_

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**CORPORATION TAX RETURN PREPARATION AND REVIEW CHECKLIST**

Client Name \_\_\_\_\_  
 Client Number \_\_\_\_\_ Year Ended \_\_\_\_\_  
 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		
(1) Check 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:			
- 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.			
(5) Determine the taxability of dividends received.			
(6) Exclude interest on state or local obligations from federal taxable income.			



CORPORATION TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Three

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

NOT  
DONE DONE N/A

	DONE	DONE	N/A
(19) Verify officers' compensation and expense account data and complete Schedule E.			
(20) If assets were sold or exchanged during the year consider investment credit and depreciation recapture.			
(21) Make adjustments for depreciable assets which are obsolete, abandoned and/or out of service.			
(22) 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.			
(23) Consider the election to expense up to \$5,000 property placed in service rather than using ACRS.			
(24) Consider switching to the reserve method of reporting bad debts.			
(25) 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>			
(26) Determine the method(s) of inventory valuation used by the taxpayer.			
(27) Determine that all contributions are to organizations recognized by the Treasury.			
(28) Consider the contribution limitation.			
(29) 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>			





CORPORATION TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Five

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

	NOT DONE	DONE	N/A
(43) Set up estimated tax payments for the following year.			
(44) Prepare state tax returns.			
(45) Compile apportionment data.			
(46) Attach extension requests to the tax returns.			
(47) Prepare filing instruction letter to client.			
(48) Prepare Form 1139 for carrybacks.			
(49) If this is a consolidated tax return:			
- Attach Form 851			
- Attach Form 1122, only for member's first year			
- Attach master apportionment schedule.			
(50) If this is a first-year return, make the following elections:			
- Method of accounting for bad debts			
- Method of accounting for organization expense			
- Cash vs. accrual method			
- Election to amortize business start-up costs.			
(51) Cross reference the following items to the prior period return:			
- Schedule L beginning balances to prior year's ending balances			
- Schedule M-2 beginning retained earnings to prior year's ending balance			
- Detail listings Schedule L beginning balances to prior year's detail listings ending balances			
- Beginning balance bad debt reserve to prior year's ending balance			
- Page 1, Line 32(a) current year to Page 1, Line 35 prior year.			
(52) 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			



CORPORATION TAX RETURN PREPARATION AND REVIEW CHECKLIST

Page Seven

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

(53) continued:

return, or (b) \$10,000. 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 6661.
- C. Advise client of proposed 10% penalty in writing.

	NOT		
	DONE	DONE	N/A

Comments or Explanations:

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