**Reviewer’s checklist for BUSINeSS tax returns**

**Client**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Year\_\_\_\_\_ Date Prepared\_\_\_\_\_\_\_\_\_\_\_ By\_\_\_\_\_\_\_\_\_\_\_\_\_

Following is a suggested checklist of things for the reviewer to do:

* Did partner or manager review the input and result Yes\_\_\_\_ No\_\_\_\_ (if No, do not review return until this is done)
* Review client’s name and address, business code, State of incorporation or organization and all EINs and owners[[1]](#footnote-1) Social Security numbers (if this is first year doing this client’s return)
* Pass through entities: managing owner should have submitted an updated address list
* Pass through entities with change in ownership: verify that the dates of change and income allocations were entered and allocated properly
* For first year, make sure all the proper elections have been made such as accounting basis, inventory method, Sections 263A and 409A, S Corporation (including States), mark to market for traders, depreciation and amortization. For later years make sure return is consistent with elections
* Make sure all questions on return have been answered
* Determine that accounting basis listed on the tax return is consistent with the income statement and balance sheet presentation on tax return (for example, if the cash basis is checked, make sure the balance sheet on the tax return is prepared using the cash basis; and that there are no A/R, bad debts or inventory for a cash basis company)
* Tie in retained earnings or capital accounts balances with trial balance[[2]](#footnote-2) and tax return
* Make sure the time spent by officers is reflected as a percentage and not as “all” or “part”
* Review book to tax adjustment reconcilaition and tie in totals to trial balance
* If financial statement was prepared, review note regarding income taxes for inconsistencies
* Determine that the individual amounts on book to tax reconciliation appear reasonable
* Check that cash balance on tax return agrees with year end bank reconciliations
* Check that totals of fixed assets and accumulated depreciation and amortization on balance sheet of tax return agrees with depreciation and amortization schedules
* Verify that gross payroll on tax return agrees with gross payroll on W-3
* Tie in total of all 1099s client prepared with amounts on return
* Reconcile sales on the client’s sales tax returns with the sales on the income tax return
* Have all applicable bonus and accelerated depreciation deductions been applied
* If company is on accrual basis, were accruals timely paid after year end
* Determine if pension accruals were properly calculated and timely and properly paid
* Was interest properly paid, received, or accrued on loans to/from related parties
* Obtain explanations for large variances, differences, inconsistent amounts, and surprise items appearing on tax return as compared to prior year and/or projections if prepared
* Were estimated tax payments entered properly on Tax Payments Worksheet
* Were estimated payments calculated properly for the current year (If a C Corp and earnings over $1,000,000 any one of last three years, different estimated tax payment rules apply)
* Are there unreasonable compensation or unreasonable accumulation of earnings issues
* Review K-1 input and tie in to distributions and investments during the year per the books
* Were carryforwards entered properly and accounted for
* Were gross sales from security transactions reconciled with 1099s (use form we have)
* Compare federal to state returns to see that add backs and reductions seem logical
* Address S Corporations that had distributions in excess of AAA or with negative capital
* Were there foreign relationships, transactions or ownership which require special forms such as 8804, 5471, 5472 or FinCEN Form 114
* Were items on flag sheets, notes based on discussions with client during the year, special instructions and knowledge points in tax control considered
* Look at client’s correspondence and notes that accompanied their tax information to see if applicable to the tax return preparation or if it requires separate follow up actions
* Address any notes or comments by a partner
* Look at tax notices for last year to see if they affect current year’s return
* Should be no diagnostics, open or unresolved items
* Were all questions on the preparer’s checklist (if one was required) answered. Should be no unanswered items
* Are filing and estimated tax instructions correct
* All penalties, interest, underpayment and late filing penalties should be calculated
* Look at every page of completed return and review for any obvious red flags or audit triggers
* Was there any follow through by client on tax or planning recommendations made last year. Report any comments:

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* Were opportunities identified for tax or planning for the client. This should be followed up after tax season. Put on tax calendar with date. List here:

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*This information was provided courtesy of Edward Mendlowitz, CPA, partner emeritus, WithumSmith+Brown, P.C. Ed was a speaker at the PSTAP Practice Management Seminar.*

1. The term owners used here refers to stockholders, partners or members, as the case may be [↑](#footnote-ref-1)
2. Even though “trial balance” is used in this check list, you can use the Company’s financial statements if that was what was used for the preparation of the tax return, or computer generated statements [↑](#footnote-ref-2)