**TOP 12 TAX RETURN PREPARATION ERRORS**

1. **Number transposition and spelling errors**. This includes income and deduction amounts and client Social Security numbers, addresses and zip codes. Spelling errors should also be avoided – they indicate a lack of attention to what you are doing
2. **Unreported 1099 income**. Clients frequently leave out 1099s, but the preparer should make sure all 1099 items from last year are accounted for. Missing 1099s that were not final for last year should be accounted for
3. **Tax payments**. Entering incorrect and unpaid amounts can be avoided by requiring the client to provide “proof” of the payments. Entering “incorrect” amounts provided by the client is a major cause of tax notices
4. **Keeping review notes after the return is completed**. This can create liability issues if there is ever a controversy over the return. Review notes usually deal with errors and omissions and the type and quantity of them can indicate a lack of training or adherence to processes or care, or improper procedures. Retaining these notes cannot ever help you
5. **Not correcting reason for tax notices for prior year on this year’s return**. This is a no brainer, but for many preparers there is a disconnect between a notice for last year’s return and the preparing of this year’s return
6. **Not questioning numbers that stretch the imagination**. My imagination is likely to be different from yours, but a client with high debt indicated by mortgage and home equity loan interest usually won’t be making cash charitable contributions equal to 8 percent of their gross income. Likewise for maximum allowable IRA contributions. Explain the requirements for substantiating these deductions and ask client if they have it
7. **Not following up enough with clients to get missing information**. This could create last minute rushes and unhappy clients, even though it was because of client’s lack of response
8. **Not specifically asking clients** if they have, can sign or control a foreign bank account
9. **Not telling client about items that aren’t on return** such as traditional and Roth IRAs, SEPs, making charitable contributions with appreciated stock, claiming a grown child with minimal income who lives with client as a dependent, or signing up for an employer’s 401k plan and/or flexible spending account, partial exercising of ISOs to avoid AMT or potential for a Section 83(b) election for restricted stock or ISO awards
10. **High mortgage interest deductions**. Excessive amounts (usually over $50,000) are a red flag for the IRS. Make sure the interest is not from excessive mortgages, that the funds were used for proper purposes or that the interest tracking rules have been complied with and if mortgage proceeds were used for investment purposes, it is properly reflected on the return
11. **Alternative minimum tax.** Watch forunapplied AMT credits and AMT NOLs, and state tax refunds reported as income even though not deducted in prior year because of AMT
12. **Not calling a client to relay unexpected (and especially bad) final results**

*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.*