



# 2018 Individual income tax return checklist

Form 1040 (long)

Client name and number \_\_\_\_\_

Prepared by \_\_\_\_\_ Date \_\_\_\_\_ Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

100) General	Yes/ Done	No/ N/A
▶ 101) Obtain a signed engagement letter.		
▶ 102) Consider asking the taxpayer to sign Form 2848, <i>Power of Attorney and Declaration of Representative</i> , and/or Form 8821, <i>Tax Information Authorization</i> .		
▶ 103) Ask the taxpayer to provide any correspondence, to or from the IRS or state tax authority, including any adjustments made to prior returns that could affect later returns.		
▶ 104) Review the prior year return and note the amount, source and character of any carryforward (capital loss, net operating loss, charitable contributions, Sec. 179 deduction, investment interest, passive activity losses, basis limitation, etc.).		
▶ 105) Confirm that there have been no unauthorized changes in an accounting method or if Form 3115 for an automatic consent change must be filed.		
▶ 106) Review the proforma or organizer for accuracy.		
▶ 107) Review any business financial statements and footnotes for relevant information, if applicable.		
▶ 108) Do any qualified disaster relief provisions apply to the taxpayer for 2018?		
▶ 109) Confirm the taxpayer's name, mailing address, email address, phone, birth date, Social Security number and occupation.		
▶ 110) Was the taxpayer legally married as of the last day of the tax year? Determine the correct filing status.		
1) Is head of household status claimed? If so, make sure the preparer due diligence requirements have been met and prepare Form 8867, <i>Paid Preparer's Due Diligence Checklist</i> .		

Yes/ No/  
Done N/A

▶ 111) Is the taxpayer legally blind?

▶ 112) Determine if gift tax returns are required (see the Form 709 checklist). Consider Form 8892, *Application for Automatic Extension of Time to File Form 709 and/or Payment of Gift/Generation-Skipping Transfer Tax*.

▶ 113) Did the taxpayer engage in any transaction involving virtual currency? If so, consider the tax consequences.

▶ 114) Does the taxpayer wish to designate \$3 (\$6 if filing jointly) to the Presidential Election Campaign Fund?

▶ 115) Consider federal and state e-filing requirements.

Comments/explanations

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## 200) Dependents

Yes/ No/  
Done N/A

Note that there is no personal or dependent exemption available in 2018. However, the Code retains the definition of "dependent," which continues to be relevant for purposes of the child tax credit and the credit for non-child dependents.

▶ 201) For each person meeting the definition of dependent, confirm the dependent's name, Social Security number, relation to taxpayer, age and months lived in the taxpayer's home in 2018.

▶ 202) Did the dependent provide more than half of their own support?

▶ 203) For potentially dependent children, determine:

1) If the dependent is 19 years old or older, were they a full-time student?

2) Is the dependent under the age of 17 at the end of the tax year?

3) Did the taxpayer and/or the child's other parent provide more than half of the child's support?

4) If the taxpayer is divorced or separated from their child's other parent, has a court order been issued or is a written separation agreement in effect?

5) Is either parent required by a written agreement or court order to provide Form 8332, *Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent*? If so, request a copy of any Form 8332 for 2018 provided to or by the taxpayer.

6) Has there been a revocation of a previous release of a claim to a child's exemption? If so, request a copy of the revocation.

Yes/ No/  
Done N/A

- ▶ 204) Determine if kiddie tax is applicable to any children of the taxpayer and whether they have a filing requirement. Note that the kiddie tax now applies the single rate to the child's earned income and the trust and estate's rates to the child's unearned income.

Comments/explanations

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### 300) Income

Yes/ No/  
Done N/A

Note: If a taxpayer has foreign activities or investments, see the international section of this checklist.

#### Wages

- ▶ 301) Request all Forms W-2 received by the taxpayer. Inquire regarding any Forms W-2G received by the taxpayer.
- ▶ 302) Did the taxpayer receive any unrestricted property as compensation for services? If so, request the fair market value of such property at the time of receipt.
- ▶ 303) Did the taxpayer receive any restricted property as compensation for services? If so, was a Sec. 83(b) election made?
- ▶ 304) Are all taxable employee benefits included on Form W-2, including any expense payments related to a non-accountable plan?
- ▶ 305) Does the Form W-2 reflect dependent care benefits? If so, prepare Form 2441, *Child and Dependent Care Expenses*.
- ▶ 306) If there are multiple Forms W-2 for the same taxpayer, consider whether there is excess Social Security withholding.
- ▶ 307) Did the taxpayer receive any tip income? If so, confirm that the income is properly reported on Form W-2.
- ▶ 308) Did the taxpayer receive any moving expense allowance or reimbursement in 2018?  
Note that moving expense allowances or reimbursements are fully taxable except for moves related to military service. Employer payments or reimbursements in 2018 for moving expense incurred prior to 2018 are excluded from an employee's wages under Notice 2018-75.
- ▶ 309) Is the taxpayer a beneficiary of a nonqualified deferred compensation plan? If so, determine if there is any includable income from such plan in 2018.

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**Interest**  
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▶ 310) Request all Forms 1099-INT and 1099-OID received by the taxpayer.  
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▶ 311) Did the taxpayer receive any mortgage interest on a residence sold by the taxpayer?  
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▶ 312) Did the taxpayer receive any interest from U.S. Treasury bills, notes or other bonds?

1) Did the taxpayer receive any U.S. savings bond interest on post-'89 bonds redeemed to pay higher education expenses?  
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▶ 313) Confirm the payors' name and the amount paid with respect to any other interest received by the taxpayer.  
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▶ 314) Was any interest received from a related party? If so, determine whether the loan was at a below-market rate and recalculate the interest if necessary.  
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▶ 315) Did the taxpayer purchase or sell any bonds in 2018?

1) Was the bond purchased at a premium or a discount?

2) Determine whether to elect to amortize the bond premium.

3) Was there any accrued interest received on bonds sold in 2018 before maturity?  
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▶ 316) What amount of accrued interest was paid in 2018? \_\_\_\_\_  
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▶ 317) If bonds were purchased prior to 2018, did the taxpayer elect to amortize the bond premium?  
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▶ 318) Compare the sources and amounts of interest income with prior year returns.  
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**Dividends**  
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▶ 319) Request all Forms 1099-DIV received by the taxpayer.  
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▶ 320) Determine whether any dividends received were paid by a domestic corporation on stock held by the taxpayer for the requisite holding period to be considered qualified dividends.  
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▶ 321) Compare the sources and amounts of dividends with prior year returns.  
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**Gain or loss on property**  
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▶ 322) Request all Forms 1099-B received by the taxpayer.

▶ 323) Request the Closing Disclosure (formerly known as the HUD-1) for any purchases or sales of real property. Request any Forms 1099-S received by the taxpayer.

▶ 324) For current year or prior year sales, do the installment method rules apply? If so, review the transaction documents and determine if payments were made and the amount of gain to be recognized.

1) Determine whether there is depreciation recapture that must be immediately reported.

2) Determine whether the installment obligation secures a loan which triggers taxation on the unrealized gain amount.

3) Determine if prior year installment obligations were disposed at less than face value.

▶ 325) Were there any sales of tangible property in 2018? If so, determine the sales price, the original cost basis, the amount of accumulated depreciation taken in prior years and the holding period.

1) Did the taxpayer have Sec. 1231 net gains in 2018? If so, verify if the taxpayer has any net Sec. 1231 losses in the previous five years.

2) Determine if there is a recapture of net Sec. 1231 losses.

▶ 326) Were any shares of stock or other securities disposed of during 2018? If so, request the following: the name of the issuer, the number of shares (stock) or the maturity date (bonds), the date acquired, the selling price and the basis.

▶ 327) Were any market discount bonds disposed of or did any such bonds become worthless in 2018? If so, calculate the accrued market discount.

▶ 328) Were any securities sold at a loss in 2018? If so, determine if the taxpayer purchased substantially the same security within 30 days before or after the sale.

▶ 329) Did any securities become worthless during 2018? If so, request the following: the name of the issuer, the number of shares (stock) or the maturity date (bonds), the date acquired, the basis, the date on which such securities became worthless and the facts demonstrating worthlessness.

▶ 330) Were there any short sales of securities in 2018? If so, request the following: the date of the sale, the date the short sale was closed and information about whether the taxpayer also held a long position in the security that was the subject of the short sale.

▶ 331) Were any assets other than securities disposed of during 2018? If so, request the following information: description; date acquired; date sold; whether personal use, rental or business use; selling price and basis.

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▶ 332) Did the taxpayer receive a grant of, or exercise any nonqualified stock options or restricted stock during 2018? If so, determine whether the value was reported to the taxpayer, the basis of the shares, and if the shares were disposed of during 2018. Also, review Forms W-2 for Code V in box 12 and reconcile to sales reported on Form 1099-B. Consider whether the taxpayer is eligible for the Sec. 83(i) deferral election and, if so, whether the taxpayer should make such election.

▶ 333) Did the taxpayer receive a grant of any incentive stock options? Consider the alternative minimum tax (AMT) implications. Did the taxpayer sell any securities in 2018 that were obtained through an incentive stock option plan?

▶ 334) Did the taxpayer sell a principal residence in 2018? If so, prepare Form 8949, *Sales and Other Dispositions of Capital Assets*, and verify the following: the taxpayer's period of ownership, the date on which it became their principal residence, and any periods of ownership when the home was not used as the taxpayer's principal residence. Confirm whether the taxpayer received a Form 1099-S. Calculate the taxpayer's realized gain/loss and determine taxable gain.

▶ 335) Did the taxpayer realize any losses with respect to the sale or other disposition of Sec. 1244 stock?

▶ 336) Did the taxpayer realize a gain on the sale of Sec. 1202 (qualified small business stock) which may qualify for a full or partial exclusion of the gain?

▶ 337) Did the taxpayer dispose of inherited property for which the basis was reported on Form 8971, *Information Regarding Beneficiaries Acquiring Property From a Decedent*, by the decedent's estate? If so, confirm that the gain or loss on the sale of such property properly reflects the reported basis. If Form 8971 was not required, determine the fair market value of the inherited property.

▶ 338) Did the taxpayer engage in any like-kind exchanges? If so, determine if there is any gain to be recognized and the basis of the replacement property. Note that like-kind exchange treatment is now only available to real property beginning Jan. 1, 2018.

**Rental income**

▶ 339) For each rental property, request a description of the type and location of property and the total rent received. Also, request expense amounts for advertising, auto and travel, cleaning and maintenance, commissions, insurance, legal and professional fees, management fees, repairs, supplies, taxes, utilities, wages and salaries, condo or coop fees and other expenses.

▶ 340) Determine the taxpayer's basis in each rental property.

▶ 341) Did the taxpayer rent any residential property? If so, request the number of rental days and the number of personal-use days (if any) during 2018. Determine if the vacation home rules apply.

▶ 342) Are any of the properties low-income housing?

▶ 343) Did the taxpayer actively participate in rental real estate activities?

▶ 344) Does the taxpayer meet the tests for a real estate professional? If so, determine if an election has been made to group rental activities, and if the taxpayer materially participates in one or more rental activities.

▶ 345) Determine the taxpayer's at-risk amount for each rental property.

▶ 346) Review any at-risk loss carryforwards to 2018.

▶ 347) Review the amount of any passive losses and credit carryforwards to 2018.

▶ 348) Consider making the repair election pursuant to Sec. 263.

***Pass-through income or loss***

▶ 349) Request any Schedules K-1 received by the taxpayer.

▶ 350) Calculate or request the taxpayer's basis with respect to each Schedule K-1 source.

▶ 351) With respect to each trade or business activity for which a Schedule K-1 is received, determine if the taxpayer is a limited partner or if the taxpayer materially participated in the activity.

▶ 352) Determine if there has been an election to group activities for the material participation test. Consider whether this election should be made for the current year.

▶ 353) Determine the at-risk amount for each activity.

▶ 354) Determine if there are any partnership or S corporation losses in excess of basis carryforwards, at-risk loss carryforwards, passive losses or credit carryforwards to 2018.

▶ 355) Did the taxpayer own any publicly traded partnership interests? If so, determine whether there is any loss carryforwards.

▶ 356) Are there any accounting method change adjustments? Consider if Form 3115 is necessary.

▶ 357) Did the taxpayer make any shareholder loans or receive a repayment of any shareholder loans from an S corporation in 2018? If so, determine the basis of the loan and whether the loan was documented.

▶ 358) Did the taxpayer have any unreimbursed partnership expenses? If so, determine if the expenses are deductible and whether these amounts reduce self-employment income.

▶ 359) Did the taxpayer have interest expense that is allocable to the pass-through entity as an expense under Notice 89-35? If so, consider whether the interest reduces self-employment income.

▶ 360) Did a liquidating distribution of a partnership in which the taxpayer owned an interest occur in 2018? If so, consider both the allocation of basis rules under Sec. 732(c) and Sec. 751(c) and making a Sec. 732(d) election.

***Schedule C businesses***

▶ 361) Request the following: employer identification number (if any), business name, principal business, business address, accounting method and inventory method (if any).

▶ 362) Did the taxpayer participate in the activity on a regular, substantial and continuous basis?

▶ 363) Did the taxpayer begin or acquire the business during 2018?

▶ 364) Request the amount of gross receipts or sales, returns and allowances and other income from this business. Request the expenses of this business (cost of sales, advertising, car and truck expenses, commissions and fees, contract labor, etc.). Determine if the uniform capitalization rules apply to inventories. Note that most producers or re-sellers meeting the \$25 million gross receipts test (an aggregate test) are exempted from the uniform capitalization rules beginning in 2018.

▶ 365) Consider whether the taxpayer meets the standards for for-profit activities under the Sec. 183 hobby loss rules.

▶ 366) Consider making the repair election pursuant to Sec. 263.

**Business assets**

▶ 367) Were any capital assets, other than leasehold improvements, created or acquired in 2018? If so, request the description, the percentage of business use, the date the business use began and the cost.

▶ 368) Did the taxpayer acquire any business property in 2018? If so, determine the property class, recovery period and depreciation method for each asset. Consider the Sec. 179 deduction and/or Sec. 168(k) depreciation. Note that the Sec. 179 deduction has been expanded to include lodging property, HVAC, fire and security systems. Also, note that Sec. 168(k) depreciation applies to used and new equipment. Note that the 100% expensing provision applies to acquisitions made after Sept. 27, 2017.

▶ 369) Were there any leasehold improvements made in 2018? If so, request the date that the lease terminates. Determine if the improvements are qualified under Sec. 168 (e)-(k) for depreciation purposes. Note that the statute would require a technical correction to include qualified improvement property as 15-year property.

▶ 370) Were any improvement costs (for betterments, adaptations or restorations) made to capital assets? If so, request the date and cost.

▶ 371) Were any repairs and maintenance expense related to capital assets? If so, request the amount. Determine if elections should be made pursuant to the repair regulations of Sec. 263.

▶ 372) Was a cost segregation analysis conducted for building components?

▶ 373) Did the taxpayer incur expenses related to disabled access to the business property? If so, determine if expenditures are eligible for the Sec. 44 disabled access credit or consider making the Sec. 190 election to expense the costs.

▶ 374) Did the taxpayer make an “applicable asset acquisition” in 2018? If so, determine that applicable reporting requirements regarding the allocation of purchase price have been met and that Form 8594, *Asset Acquisition Statement*, has been prepared.

**Condemnation proceeds**

▶ 375) Did the taxpayer receive any proceeds from the condemnation of investment property or business property as a result of a disaster for which a presidential declaration was made or any other condemnations?



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**Distributions from IRAs, retirement plans, etc.**  
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▶ 376) Request any Forms 1099-R and/or SSA-1099 received by the taxpayer. Did the taxpayer receive any railroad retirement benefits?

▶ 377) Is the taxpayer a retired public safety officer? If so, consider the election to exclude from income distribution amounts that were used to pay insurance premiums.

▶ 378) Was the taxpayer age 70½ on the last day of the previous tax year and did he or she have a traditional IRA or an interest in a qualified retirement plan? If so, determine whether the taxpayer received the minimum required distributions for 2018. If not, prepare Part IX, Form 5329, *Additional Taxes on Qualified Plans and Other Tax-Favored Accounts*.

▶ 379) Was a distribution from an IRA made directly to a charitable organization? Consider whether the taxpayer meets the qualifications to exclude the distribution from income. Ensure that the Form 1040 indicates "QCD," if applicable.

▶ 380) Did the taxpayer receive a taxable distribution from a retirement plan/annuity before the age of 59½? If so, determine if an exception to the early-withdrawal penalty applies, such as:

1) Did the taxpayer receive an IRA payment that was part of a series of substantially similar periodic payments?

2) Were any retirement plan payments received because of a permanent and total disability?

3) Did the taxpayer receive a distribution to pay for unreimbursed medical expenses?

4) If the taxpayer was unemployed, did the taxpayer receive distributions that did not exceed health insurance premiums?

5) Did the taxpayer make a withdrawal to pay for first-time home buying expenses or qualified higher education expenses?

6) Did the IRS levy a retirement plan/annuity?

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▶ 381) Did the taxpayer receive a lump-sum (non-periodic) retirement plan distribution in 2018?  
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▶ 382) Did the taxpayer receive a distribution from an annuity? If so, determine the following: the amount received in 2018, the non-taxable portion of the distribution, the annuity start date, the amount of any after-tax contributions, and the amount of any basis recovery in prior years.

▶ 383) Did the taxpayer receive an IRA or a qualified plan payment as the beneficiary of a decedent?  
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▶ 384) Did the taxpayer receive an IRA or qualified plan distribution that the taxpayer rolled over to an IRA or other qualified plan within 60 days of receipt?  
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▶ 385) Were any retirement plan payments made to a spouse or former spouse pursuant to a qualified domestic relations order (QDRO)?  
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▶ 386) Was the amount distributed from a qualified plan in 2018 equal to the full amount the employee had in the plan?

▶ 387) Verify that any distributions from an HSA, Sec. 529 plan or ABLE account were used to pay for qualifying expenditures (note the recent change allowing up to \$10,000 for tuition of public, private or religious elementary and secondary schools).

**Non-death benefits from life insurance or long-term care insurance**

▶ 388) Request any Forms 1099-LTC received by the taxpayer. If the plan is non-tax qualified and reimburses expenses, determine whether any of the benefits are taxable.

▶ 389) During 2018, did the taxpayer either receive money with respect to a life insurance policy that the taxpayer owned, or leave with the life insurance company dividends that the insurance company would otherwise have paid to the taxpayer? If so, did the taxpayer have the insurance company buy more insurance with all of the dividends or were all of the amounts received as a result of an insured person dying?

▶ 390) Were any accelerated death benefits from a life insurance policy received on the life of an insured due to a terminal illness? If so, prepare Form 8853.

**Miscellaneous income**

▶ 391) Request any other Forms 1099 that were received by the taxpayer (Forms 1099-A, 1099-G, 1099-C, 1099-Q, etc.).

▶ 392) Did the taxpayer receive any refunds of state or local taxes in 2018? If so, determine the amounts that are includable in income.

▶ 393) Was the taxpayer relieved of any debt obligation in 2018, other than by means of payment?

1) Does the taxpayer qualify for any exclusion of cancellation of debt income in 2018? If so, prepare Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness (and Sec. 1082 Basis Adjustment)*.  
Note: Student loans discharged on account of the student's death or total and permanent disability are now excluded from gross income (includes PLUS loans taken out by parents).

▶ 394) Did the taxpayer receive any of the following?

1) Any gambling winnings in 2018? If so, request the total amounts wagered in 2018 and the wager amounts related to any winnings (see Notice 2015-21). If the taxpayer claims itemized deductions, determine the deductible amount of gambling losses.

2) Any damage or injury awards? If so, determine what portion (if any) of such awards relate to a personal physical injury.

3) Any revenue from an activity that does not meet the for-profit activity rules of Sec. 183? If so, report the revenue as "other income" rather than on Schedule C.

4) Any scholarships, fellowships, or grants? If so, were any such amounts remuneration for services or payment for room and board?

5) Any disability payments in 2018? If so, determine what amount of such payments, if any, is excludable from income.

Yes/ No/  
Done N/A

6) Any awards and prizes, director's fees, estate or trust fiduciary fees, jury service fees or royalty income?

7) Any income from virtual currency transactions, such as Bitcoin?

8) Any payments from a former spouse or a spouse from whom the taxpayer is separated? If so, determine if such payments constitute a property settlement, alimony or child support. Note the rules regarding the inclusion of alimony received change regarding agreements entered into (or modified) after Dec. 31, 2018.

▶ 395) Was the taxpayer unemployed at any time during 2018? If so, did the taxpayer receive any unemployment compensation?

▶ 396) In 2018, did the taxpayer recover any expenses or losses deducted on prior returns?

▶ 397) Did the taxpayer barter for any goods or services in 2018? If so, request the details of the transaction, including the value of the goods and/or services exchanged.

Comments/explanations

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#### 400) Deductions and losses

Yes/ No/  
Done N/A

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##### **Qualified business income (QBI) deduction (Sec. 199A)**

▶ 401) Did the taxpayer have any income from any sole proprietorships or pass-through entities?

1) If so, determine the amount of gross income, gain, deduction and loss that were effectively connected with the conduct of a U.S. trade or business and included or allowed in determining taxable income for the year.

2) Do not include:

- Short-term and long-term capital gains and losses
- Sec. 1231 gains and losses that are capital gains or losses
- Dividends or income equivalent to a dividend
- Non-operating interest income
- Interest income attributable to working capital
- Gain or loss relating to transactions in commodities
- Excess foreign currency gains
- Income from notional principal contracts
- Annuity income not in connection with a trade or business
- Qualified real estate investment trust (REIT) dividends and publicly traded partnership (PTP) income

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- Reasonable compensation received by an S corporation shareholder
  - Any guaranteed payment received by a partner for services
  - Sec. 707(a) payments received other than in capacity of a partner
- 3) Determine the taxpayer's allocable portion of W-2 wage payments made by the qualified trade or business.
  - 4) Determine whether the trade or business is a specified service business.
  - 5) Determine the taxpayer's allocable share of the unadjusted basis of qualified property owned by the trades or businesses.
  - 6) Did the taxpayer have any REIT dividends that were not capital gain dividends or qualified dividend income?
    - a. If so, was the REIT stock held for at least 45 days?
  - 7) Did the taxpayer have any income from a PTP that is not taxed as a corporation and that constitutes ordinary income under Sec. 751(a) or is attributable to U.S. trades or businesses conducted by the partnership?
  - 8) Determine whether the sum of 20% of the taxpayer's QBI, 20% of the taxpayer's qualified REIT dividends, and 20% of the taxpayer's qualified PTP income exceeds 20% of the amount by which the taxpayer's taxable income exceeds his or her net capital gains.
  - 9) Determine if the taxpayer should elect aggregation of qualified trades or businesses to overcome the W-2 wage limitation.
  - 10) If aggregation is elected, attach a statement to the return containing:
    - a. A description of each trade or business
    - b. The name and EIN of each entity in which a trade or business is operated
    - c. Information identifying any trade or business that was formed, ceased operations, was acquired, or was disposed of during the taxable year
  - 11) If the taxpayer's taxable income is above the threshold amount, (\$315,000 for married filing joint returns and \$157,500 for others) compute the applicable percentage.
  - 12) Consider if married filing separately would provide a QBI deduction benefit.

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**Automobile expenses**

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- 402) Request the total and non-personal mileage for 2018 for all automobiles.
- 1) Request a breakdown of the non-personal mileage between self-employment, investment activity, rental activity and charitable activity.
  - 2) Request the average daily round trip and total 2018 commuting miles.
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▶ 403) If the taxpayer owned an automobile used for business purposes in 2018, determine:

- 1) Whether it was used for business purposes in the previous year and, if so, what method was used to determine the deductible expenses (standard mileage rate method or actual expense method).
- 2) The year the car was purchased, the date business usage began, the purchase price and the fair market value on the date the business usage began.
- 3) Determine if the vehicle was available for personal use during off-duty hours.
- 4) Determine if the vehicle was used primarily by a more-than-5% owner or related person.
- 5) Determine if another vehicle was available for personal use.

▶ 404) Request the amount of parking, tolls and personal property taxes for business in 2018.

▶ 405) Request the operating expenses of any business-use vehicles (gas, oil, repairs and maintenance, insurance, tags and licenses, etc.).

▶ 406) Did the taxpayer receive any employer automobile or mileage reimbursements in 2018? If so, were they included on Form W-2?

▶ 407) If the taxpayer leased a car used for business purposes in 2018, request the date the lease began, costs associated with the lease and the car's fair market value at the beginning of the lease period.

**Home office**

▶ 408) Determine whether the taxpayer's office-at-home qualifies him or her to be able to deduct expenses for the business use of their home.

- 1) Determine the self-employment activity with respect to the taxpayer's use of the office. Note that for 2018 miscellaneous itemized deductions are not deductible.
- 2) Was the area used exclusively on a regular basis as their principal place of business for this business, or to conduct administrative or management activities for this business?
- 3) Was the area used exclusively on a regular basis for meeting and conducting business with customers or taxpayers?
- 4) Was the area used on a regular basis to store inventory or product samples and was this the sole fixed location of the taxpayer's business?
- 5) Was the space a separate structure, not attached to the taxpayer's dwelling unit, that was used exclusively on a regular basis in the taxpayer's business?
- 6) Was the taxpayer's home used on a regular basis to provide day care?

▶ 409) Request the square footage of the home used for business and the total square footage in the home.

▶ 410) Request the total amount spent in 2018 for the following: rent, utilities, insurance, repairs, maintenance and condo or co-op fees. Of the total amount spent for repairs and maintenance in 2018, determine the amount that relates solely to the in-home office.

▶ 411) Request a description and dollar amount of any improvements made to the house in 2018 and, if the house is leased, the date the lease terminates.

▶ 412) Consider the effect of depreciation recapture upon the future sale of the residence.

▶ 413) Consider using the simplified method of calculating the deduction.

***Nonbusiness bad debts and worthless investments***

▶ 414) Were there any nonbusiness receivables or investments that became uncollectible or worthless in 2018? If so, request the basis of the debt or investment, a description of the debt or investment, the date it became uncollectible or worthless, the factual basis for uncollectability or worthlessness and the date acquired.

***Retirement plan contributions***

▶ 415) Request the amount of any contributions to traditional or Roth IRAs for 2018, including any contributions that will be made by the initial due date of the return. Confirm that the taxpayer qualifies to make contributions. Consider recharacterization of contributions if necessary.

▶ 416) Determine whether a traditional IRA has been converted to a Roth IRA during 2018. Note that starting in 2018, the conversion cannot be reversed by the due date of the tax return as previously allowed.

▶ 417) If a 2018 contribution to a traditional IRA is fully or partially nondeductible, request the taxpayer's basis for earlier years and confirm that Form 8606, *Nondeductible IRAs*, has captured all previous nondeductible contributions.

▶ 418) With respect to SEP IRAs, SIMPLE IRAs and Keogh plans, determine the total amount allowed to be contributed for 2018 and the contributions the taxpayer will make before the extended due date of the return.

***Miscellaneous above-the-line deductions***

▶ 419) Was any interest paid on education loans used entirely for post-secondary school tuition of an eligible student?

▶ 420) Did the taxpayer pay any forfeited interest penalty for a premature savings deposit withdrawal?

▶ 421) Did the taxpayer pay any alimony in 2018? If so, request the amount paid and the recipient's name and Social Security number. Note that the rules regarding the deduction of alimony change with respect to agreements entered (or modified) after Dec. 31, 2018.

▶ 422) Did the taxpayer make any contributions to an Archer MSA in 2018?

▶ 423) If the taxpayer is an "eligible educator," did the taxpayer pay any classroom or professional development expenses in 2018?

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- ▶ 424) Confirm that the one-half of self-employment paid for 2018 is deducted.

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  - ▶ 425) If the taxpayer had self-employment income, did the taxpayer pay any health insurance costs for the taxpayer and their family? Consider including Medicare and long-term care premiums for these costs, if applicable.

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  - ▶ 426) Was the taxpayer a reservist, performing artist or fee-basis government official during 2018? If so, does the taxpayer have any expenses related to these activities in 2018?

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  - ▶ 427) Did the taxpayer make any contributions (other than employer contributions) to a health savings account in 2018? If so, complete Form 8889, *Health Savings Accounts (HSAs)*.
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**Itemized deductions**

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- ▶ 428) Request the amount the taxpayer paid for medical expenses (including insurance premiums) for the taxpayer, dependents and persons who would be dependents had they met the income test.
    - 1) Determine the number of miles the taxpayer used his or her car for medical care-related purposes, if any.
    - 2) Did the taxpayer receive any medical expense reimbursements in 2018? If so, was the expense incurred this year or in an earlier year? If in an earlier year, was the expense deducted in that year?

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  - ▶ 429) If the taxpayer incurred a disaster loss or had any property involuntarily converted during the tax year, consider the special rules pertaining to federally-declared disasters, involuntary conversion rules and elections, and the option to deduct current year qualifying disaster losses on a preceding year's tax return by filing an amended return.

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  - ▶ 430) Qualified mortgage interest
    - 1) Request all Forms 1098 from the taxpayer.
    - 2) Did the taxpayer pay qualified residence interest? If so, request the amount and the name of the payee. Determine that the limits for acquisition indebtedness have been considered. Consider indebtedness incurred prior to Dec. 15, 2017 subject to a \$1 million limitation and indebtedness incurred after Dec. 14, 2017 subject to a \$750,000 limitation. Note that home equity indebtedness may be considered acquisition debt to the extent the principal amount was used to build, acquire or substantially improve a qualified residence.
    - 3) Did the taxpayer (or the seller of a home the taxpayer bought) pay any mortgage interest points in 2018 to buy a principal residence that is not shown on Form 1098?
    - 4) Did the taxpayer refinance the principal residence in 2018? If so, request the amount of points and loan fees paid and the length of the loan. If the amount of the loan is in excess of the original outstanding debt, determine the applicable limitation.
    - 5) Were any points paid but not fully deducted prior to 2018? If so, request the year paid, amount paid and length of the loan.
    - 6) Did the taxpayer pay any other interest on loans secured by real property that was not reflected on Forms 1098? If so, request the recipient's name, address and tax identification number.
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► 431) Other interest paid

- 1) Did the taxpayer pay any interest on loans related to business activities? If so, request the amount of interest traceable to loan proceeds used for business activities. Consider the limitation on the business interest deduction if the taxpayer has more than \$25 million in average annual gross receipts.
- 2) Did the taxpayer pay any interest on loans related to rental property? If so, request the amount. Using the interest tracing rules, determine whether this should be expensed on Schedule E or Schedule A, or if it is nondeductible personal interest.
- 3) Did the taxpayer pay interest related to any investments? If so, request the separate amounts for interest incurred to purchase or carry market-discount bonds or short-term debt obligations; make sure to add any investment interest carryforward to 2018.
  - a) Consider the election to treat qualified dividends and net long-term capital gains as investment income.
- 4) Did the taxpayer pay any interest to a related party? If so, determine whether the loan was at a below-market rate and recalculate the interest on the loan, if necessary.

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► 432) Taxes paid

- 1) Request the amounts paid in 2018 for estimated state and municipal income taxes this year.
- 2) Request the amounts paid in 2018 for state and municipal income taxes for previous years.
- 3) Request the amounts paid for state and local general sales taxes (either actual taxes paid or the amount from optional tables shown in the instructions to Schedule A, Form 1040) to determine if they are higher than state and local income taxes paid.
- 4) Request the amounts paid for real estate taxes.
- 5) Request the amounts paid for personal property taxes.
- 6) Request the amounts paid for any other taxes (except federal income taxes).
- 7) Note that the deduction for non-business state and local taxes (or sales tax in lieu of income taxes) and property tax is limited to \$10,000 (\$5,000 for married taxpayers filing separately).

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► 433) Charitable contributions

- 1) Did the taxpayer make any cash contributions to charitable organizations in 2018? If so, request the following: the total dollar amount contributed, the name of the charities to which the contribution was made and the date of the contribution.
- 2) Determine if the amount of any charitable contributions should be reduced due to receiving state credits for the donations.
- 3) Consider the percentage deduction limitations and any contribution carryovers. Note the change in the adjusted gross income (AGI) threshold for 2018 is 60% for cash contributions.
- 4) Confirm that no charitable deduction is allowed for payments made to college institutions for the right to purchase tickets or seats at athletic events.



Yes/ No/  
Done N/A

5) Did the taxpayer make any property contributions to charitable organizations in 2018? If so, request the name and address of the donee organization, information about whether the donee is a public charity or private foundation, a description of the property contributed, the date of the contribution, the value of the property on the date of the contribution, the method used to determine the value, the date the property was acquired, how the property was acquired, the taxpayer's basis in the property and information about whether the charity used the property in a manner unrelated to its charitable purpose. Prepare Form 8283, *Noncash Charitable Contributions*, as necessary. Attach a signed page two of Form 8283 and the appraisal, if required.

6) Determine the number of miles driven related to volunteer work for a charitable organization, if any.

7) Request the amount of any out-of-pocket expenses incurred by the taxpayer for charitable work

**Use of listed property**

▶ 434) Did the taxpayer use any vehicles or any phonographic, photographic, communication, video recording or other similar equipment (i.e., listed property) for business purposes in 2018? If so, does the taxpayer have written evidence supporting the business-use percentage?

**Meals and business gifts**

▶ 435) Did the taxpayer have any expenses for meals or business gifts in 2018 related to a business or rental property? Consider the \$25, per recipient per year, limit for gifts.

1) If so, advise the taxpayer that, for any separate travel expenses exceeding \$75, he or she must maintain both a receipt and a documentary evidence of the time and place and business purpose.

2) Confirm that expenses classified as entertainment are not deducted.

Comments/explanations

**500) Credits**

Yes/ No/  
Done N/A

▶ 501) Did the taxpayer pay any costs of qualified education expenses? If so, determine if the costs were for the education expenses of the taxpayer or the taxpayer's dependent or spouse, and the years of postsecondary education to which the expenses relate.

1) Is the taxpayer eligible for the American opportunity tax credit? If so, make sure the preparer due diligence requirements have been met (Form 8867, *Paid Preparer's Due Diligence Checklist*).

▶ 502) Did the taxpayer have a qualifying dependent who did not meet the definition of a qualifying child? If so, determine whether the family credit applies.

▶ 503) Did the taxpayer receive benefits from a dependent care assistance program during 2018? If so, determine how much was received.

Yes/ No/  
Done N/A

▶ 504) Did the taxpayer incur adoption expenses in 2018? If so, request the following: information regarding whether the adoption was domestic or foreign and whether the child is a special-needs child, whether the adoption was finalized in 2018, the nature and amount of the qualified adoption expenses, and whether the taxpayer's employer reimbursed any of the adoption expenses.

▶ 505) Determine whether the taxpayer has one or more qualifying children for the child tax credit. If so, make sure the preparer due diligence requirements have been met (Form 8867).

▶ 506) Was the taxpayer 65 at the end of 2018, retired on permanent and total disability and receiving taxable disability income?

▶ 507) Did the taxpayer have any income earned from a foreign source or from a U.S. possession in 2018? If so, request the amount of income taxes paid to the foreign country, its political subdivisions or to a U.S. possession.

▶ 508) Is the taxpayer eligible for the earned income tax credit? If so, make sure the preparer due diligence requirements have been met and prepare Form 8867.

▶ 509) Did the taxpayer have an eligible small business that paid or incurred amounts to comply with applicable requirements under the Americans with Disabilities Act of 1990? If so, prepare Form 8826, *Disabled Access Credit*.

▶ 510) Consider whether the following additional credits may apply to the taxpayer: alcohol fuel credit, enhanced oil recovery credit, energy credit or credit for qualified rehabilitation expenditures with respect to a certified historic structure, work opportunity tax credit, low-income housing credit, mortgage interest credit, credit from Form 2439 (from a mutual fund), nonconventional source fuel credit, research and development credit, alternative motor vehicle credit or alternative fuel vehicle refueling property credit, credits for qualified tax credit bonds, plug-in electric drive motor vehicle credit, credit for small employer health insurance premiums or the qualified retirement savings contribution credit. Also, consider the nonbusiness energy property credit for qualified energy saving items installed in connection with the taxpayer's home.

Comments/explanations

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**600) Additional taxes**

Yes/ No/  
Done N/A

▶ 601) Did the taxpayer pay any household employee cash wages of \$2,100 or more in 2018 or more than \$1,000 or more in any calendar quarter? If so, prepare Schedule H.

1) Did the taxpayer withhold any federal income tax during 2018 at the request of a household employee? If so, prepare Schedule H.

▶ 602) Determine whether the taxpayer is subject to the additional 0.9% Medicare tax, which applies on earned income above \$200,000 (\$250,000 for married couples filing jointly and \$125,000 for married couples filing separately).

Yes/ No/  
Done N/A

▶ 603) Did the taxpayer have any net investment income? If so, determine the applicability of the 3.8% net investment income tax.

Comments/explanations

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**700) Alternative minimum tax (AMT)**

Yes/ No/  
Done N/A

▶ 701) Did the taxpayer receive any interest from specified private activity bonds exempt from the regular tax?

▶ 702) Did the taxpayer realize any excludable gain from Sec. 1202 qualified small business stock?

▶ 703) Did the taxpayer exercise any incentive stock options? Consider whether the taxpayer is eligible for the Sec. 83(i) deferral election and, if so, whether the taxpayer should make such election.

▶ 704) Did the taxpayer receive a Schedule K-1 from an estate, trust, partnership or S corporation showing an AMT adjustment?

▶ 705) Determine the amount of the minimum tax credit that can be used in 2018 and any carryover to 2019.

▶ 706) Determine any AMT differences related to:

1) Dispositions of property

2) Depreciation

3) Passive activities

4) Loss limitations

5) Circulation costs

6) Long-term contracts

7) Mining costs

8) Research and experimental costs

9) Intangible drilling costs

Yes/ No/  
Done N/A

10) Qualified housing interest

11) Net operating losses

12) Foreign tax credits

Comments/explanations

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**800) Tax payments**

Yes/ No/  
Done N/A

▶ 801) Request the date and amount of any 2018 estimated tax payments.

▶ 802) Does the taxpayer have amounts related to the prior year's income that qualify him/her under the Claim of Right Doctrine Law for tax credits in 2018?

▶ 803) Based on discussions with the taxpayer, determine the taxpayer's need to make estimated tax payments for the forthcoming year, considering:

1) Estimated income/deductions for 2019

2) Non-recurring items in 2019

3) Withholding changes for 2019

Comments/explanations

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**900) Affordable Care Act (ACA) individual health insurance mandate**

Yes/ No/  
Done N/A

***Minimum essential coverage (MEC)***

Note that the new law reduces the individual shared responsibility payment (ISRP) to zero for tax years starting Jan. 1, 2019. However, MEC and the ISRP are still in effect for the 2018 tax year.

▶ 901) Did all members of the taxpayer's household maintain MEC for all months in 2018?

1) If yes, is there documentation to support that they have MEC (such as Form 1095-A, Form 1095-B or 1095-C)?

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2) If the taxpayer and/or members of their household did not maintain MEC for all 12 months of 2018, determine if they are eligible for an exemption from health coverage.

a. If they qualify for an exemption, complete Form 8965, *Health Coverage Exemptions*.

i. Consider that certain exemptions can be applied for directly on the federal income tax return by filing Form 8965 including exemptions for unaffordable coverage, short coverage gap, household income below the filing threshold, and noncitizens/citizens living abroad.

ii. Consider that other exemptions must be applied for through the Marketplace including exemptions for members of certain religious groups, homelessness, eviction, foreclosure, domestic violence, death of a family member, unpaid medical bills, and Medicaid ineligibility. Obtain the Exemption Certificate Number (ECN) to be reported on Form 8965.

iii. Consider that some exemptions can be applied for either on the federal income tax return or through the Marketplace including exemptions for incarcerated individuals, members of a Health Care Sharing Ministry and members of federally-recognized Indian tribes.

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**Individual shared responsibility payment (ISRP)**

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► 902) If the taxpayer and/or members of his or her household did not maintain MEC or qualify for an exemption, calculate his or her ISRP using the shared responsibility payment worksheet found in the instructions for Form 8965.

Note: For 2018, the penalty is the greater of a flat dollar amount or a percentage of household income as follows:

a. \$695 per adult and \$347.50 per child under age 18, or

b. 2.5% of household income above the filing threshold for a person's filing status

c. Overall limit: the penalty cannot be more than the average premium for a bronze level plan purchased from the Marketplace.

The ISRP payment will be made on the federal income tax return. It will reduce any refund or increase any tax payment otherwise due.

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**Premium tax credit (PTC)**

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► 903) Did the taxpayer and/or members of their household purchase insurance through an Exchange?

1) If yes, use Form 8962, *Premium Tax Credit*, to determine if they are eligible for the PTC.

a. Obtain Form 1095-A, *Health Insurance Marketplace Statement*, from the client.

2) Determine from Form 1095-A if any advance credit payments were received.

a. If yes, calculate the amount of the credit and reconcile the advance payments to the allowable credit on Form 8962, which must be filed with the Form 1040.

Yes/ No/  
Done N/A

b. If the reconciliation shows excess advance payments, the overage (subject to a maximum amount) must be repaid on the return.

c. If the reconciliation shows that additional credit is due, it will increase any refund or decrease any taxes due. The PTC and any advance credit will be taken into consideration when calculating the underpayment of estimated tax penalty.

d. If no, calculate the amount of the credit.

▶ 904) If the taxpayer was divorced in 2018, an allocation of the credit may be necessary – complete Section 4 of Form 8962.

▶ 905) If the taxpayer was married during 2018, and there are excess advance credits, he or she may benefit from the alternative calculation for marriage; complete Section 5 of Form 8962.

Comments/explanations

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### 1000) International issues

Yes/ No/  
Done N/A

Note: See the [AICPA's international taxation resource page](#) for additional resources.

▶ 1001) Did the taxpayer have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account) with an aggregate balance of at least \$10,000? If so, prepare FinCEN Forms 114 and 114a (due by April 15 and automatically extended to Oct. 15 for the preceding calendar year).

▶ 1002) Determine if Form 8938, *Statement of Specified Foreign Assets*, is needed.

▶ 1003) Did the taxpayer receive any foreign gifts or have a transaction with a foreign trust? If so, determine if Form 3520, *Annual Report To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts*, should be filed.

▶ 1004) Consider if an overseas taxpayer qualifies for the automatic two-month filing extension, the foreign earned income exclusion, the housing exclusion or the housing deduction (note exclusions are indexed for inflation).

▶ 1005) Is the taxpayer a shareholder which owns 10% or more of the vote or value of a controlled foreign corporation (CFC)? If so, has the inclusion of global intangible low-taxed income (GILTI) been considered (Sec. 951A)?

▶ 1006) Did the taxpayer make a valid installment payment election on their 2017 return to pay the repatriation tax (Sec. 965) over eight installments? If so, the second installment (8% of the total repatriation tax) is due with the 2018 return.

Yes/ No/  
Done N/A

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- ▶ 1007) Is the taxpayer a shareholder in an S corporation that was subject to the repatriation tax (Sec. 965)? If so, was a valid election made with the 2017 return to defer the payment of this tax until a specified triggering event occurred? Consider whether a triggering event occurred and, if so, consider making an election to pay the tax over eight installments.
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Comments/explanations

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### 1100) Other issues

Yes/ No/  
Done N/A

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- ▶ 1101) Provide the taxpayer with complete federal and state returns, including copies of any disclosure consent form(s), and advise the taxpayer to retain copies for at least six years.
  - ▶ 1102) Determine if the taxpayer has a net operating loss (NOL) from prior years. Note that NOLS now carry forward indefinitely and are available to reduce taxable income by no more than 80%.
  - ▶ 1103) Note the limit on the deductibility of business losses: \$500,000 for married individuals filing jointly and \$250,000 for other taxpayers.
  - ▶ 1104) Determine if the requirements for avoiding penalties for improper disclosure or use of taxpayer information by tax return preparers imposed under Sec. 6713 and Sec. 7216 have been met, including any Sec. 7216 requirements under the ACA (for example, the disclosure is required to solicit and facilitate health care enrollment services and any input of tax return information into the online health coverage application or to request information from the Exchange for the taxpayer).
  - ▶ 1105) Consider direct deposit for refunds and automatic withdrawal for payments. Consider whether to apply a refund to an IRA (Form 8888, *Allocation of Refund (Including Savings Bond Purchases)*).
  - ▶ 1106) Determine if Form 56, *Notice Concerning Fiduciary Relationship*, or Form 1310, *Statement of Person Claiming Refund Due a Deceased Taxpayer*, is required.
  - ▶ 1107) Consider checking the box to allow the IRS to contact the preparer.
  - ▶ 1108) Determine if all tax positions meet the “substantial authority” standard. Determine if all positions disclosed on Form 8275, *Disclosure Statement*, meet the “reasonable basis” standard.
  - ▶ 1109) Are there any tax shelters and reportable transactions? If so, prepare Form 8886, *Reportable Transactions Disclosure Statement*, and determine if the “more likely than not” standard has been met.
  - ▶ 1110) Prepare filing instructions and a transmittal letter.
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Comments/explanations

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**1200) State filing requirements**

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▶ 1201) Determine state and local filing requirements.

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▶ 1202) Consider the following:

- 1) Nexus issues
  - 2) State returns filed in a previous year (still have nexus, final return required, etc.)
  - 3) Taxpayer doing business in new states
  - 4) Apportionment and allocation (considering each state's rules)
  - 5) Each state's modifications requirements (due date, conformity with the Tax Cuts and Jobs Act, depreciation provisions, etc.)
  - 6) State tax adjustments/credits. Review state specifics regarding items that may not conform to federal law and note any allowable state tax credits.
  - 7) Estimated tax payments. Note any amounts paid during 2018 and determine whether they are required for 2019.
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Comments/explanations

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