



2018 Individual income tax return checklist

Form 1040 (short)

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) Review the proforma or organizer for accuracy.		
▶ 106) Confirm the taxpayer’s name, mailing address, email address, phone, birth date, Social Security number and occupation.		
▶ 107) 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> .		
▶ 108) Determine if gift tax returns are required (see the Form 709 checklist). Consider Form 8892, <i>Application for Automatic Extension of Time to File Form 709 and/or Payment of Gift/Generation-Skipping Transfer Tax</i> .		
▶ 109) Did the taxpayer engage in any transaction involving virtual currency? If so, consider the tax consequences.		
▶ 110) Does the taxpayer wish to designate \$3 (\$6 if filing jointly) to the Presidential Election Campaign Fund?		

Yes/ No/
Done N/A

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

Comments/explanations

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) 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

300) Income

Yes/ No/
Done N/A

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

- ▶ 301) Request all Forms W-2 received by the taxpayer. Inquire regarding any Forms W-2G received by the taxpayer.
- ▶ 302) Does the Form W-2 reflect dependent care benefits? If so, prepare Form 2441, *Child and Dependent Care Expenses*.
- ▶ 303) If there are multiple Forms W-2 for the same taxpayer, consider whether there is excess Social Security withholding.

Interest

- ▶ 304) Request all Forms 1099-INT and 1099-OID received by the taxpayer.
- ▶ 305) Did the taxpayer receive any interest from U.S. Treasury bills, notes or other bonds?
- ▶ 306) Compare the sources and amounts of interest income with prior year returns.

Dividends

- ▶ 307) Request all Forms 1099-DIV received by the taxpayer.
- ▶ 308) Compare the sources and amounts of dividends with prior year returns.

Gain or loss on property

- ▶ 309) Request all Forms 1099-B received by the taxpayer.
- ▶ 310) 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.
- ▶ 311) Were there any sales of tangible property in 2018? If so, request the necessary information.
- ▶ 312) Were any shares of stock or other securities disposed of during 2018? If so, request the necessary information.
- ▶ 313) Did any securities become worthless during 2018? If so, request the necessary information.
- ▶ 314) Did the taxpayer sell a principal residence in 2018? If so, prepare Form 8949, *Sales and Other Dispositions of Capital Assets*. Confirm whether the taxpayer received a Form 1099-S. Request necessary information to calculate the taxpayer's realized gain/loss and determine taxable gain.

Rental income

- ▶ 315) For each rental property, request a description of the type and location of property and the total rent received. Also, request expense amounts for each property.
- ▶ 316) Determine the taxpayer's basis in each rental property.
- ▶ 317) 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.

Pass-through income or loss

- ▶ 318) Request any Schedules K-1 received by the taxpayer.
- ▶ 319) Calculate or request the taxpayer's basis with respect to each Schedule K-1 source.

Schedule C businesses

- ▶ 320) Request the following: employer identification number (if any), business name, principal business, business address, accounting method and inventory method (if any).
- ▶ 321) Did the taxpayer participate in the activity on a regular, substantial and continuous basis?
- ▶ 322) Did the taxpayer begin or acquire the business during 2018?
- ▶ 323) Request the amount of gross receipts or sales, other income and expenses from this business.
- ▶ 324) Consider whether the taxpayer meets the standards for for-profit activities under the Sec. 183 hobby loss rules.

Business assets

- ▶ 325) 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.
- ▶ 326) Did the taxpayer acquire any business property in 2018? If so, determine the necessary information. Consider the Sec. 179 deduction and/or Sec. 168(k) depreciation.
- ▶ 327) 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.
- ▶ 328) 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.

Distributions from IRAs, retirement plans, etc.

- ▶ 329) Request any Forms 1099-R and/or SSA-1099 received by the taxpayer. Did the taxpayer receive any railroad retirement benefits?
- ▶ 330) 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*.
- ▶ 331) 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.
- ▶ 332) 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.
- ▶ 333) 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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- ▶ 334) 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).
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Non-death benefits from life insurance or long-term care insurance

- ▶ 335) 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.
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Miscellaneous income

- ▶ 336) Request any other Forms 1099 that were received by the taxpayer (Forms 1099-A, 1099-G, 1099-C, 1099-Q, etc.).
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- ▶ 337) Did the taxpayer receive any refunds of state or local taxes in 2018? If so, determine the amounts that are includable in income.
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- ▶ 338) Was the taxpayer relieved of any debt obligation in 2018, other than by means of payment?
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- ▶ 339) Did the taxpayer receive any of the following?

- a. 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.
 - b. Any damage or injury awards? If so, determine what portion (if any) of such awards relate to a personal physical injury.
 - c. 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.
 - d. Any scholarships, fellowships or grants? If so, were any such amounts remuneration for services or payment for room and board?
 - e. Any disability payments in 2018? If so, determine what amount of such payments, if any, is excludable from income.
 - f. Any awards and prizes, director's fees, estate or trust fiduciary fees, jury service fees or royalty income?
 - g. Any income from virtual currency transactions, such as Bitcoin?
 - h. 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.
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Yes/ No/
Done N/A

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

Comments/explanations

400) Deductions and losses

Yes/ No/
Done N/A

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. Exclude items that are specifically not included as qualified business income.
- 2) Determine the taxpayer's allocable portion of W-2 wage payments made by the qualified trade or business.
- 3) Determine whether the trade or business is a specified service business.
- 4) Determine the taxpayer's allocable share of the unadjusted basis of qualified property owned by the trades or businesses.
- 5) Determine whether the sum of 20% of the taxpayer's QBI, 20% of the taxpayer's qualified real estate investment trust (REIT) dividends, and 20% of the taxpayer's qualified publicly traded partnership (PTP) income exceeds 20% of the amount by which the taxpayer's taxable income exceeds his or her net capital gains.
- 6) Determine if the taxpayer should elect aggregation of qualified trades or businesses to overcome the W-2 wage limitation.
- 7) 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.

Automobile expenses

▶ 402) Request the total and non-personal mileage for 2018 for all automobiles.

▶ 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.

▶ 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.

Retirement plan contributions

▶ 414) 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.

▶ 415) 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.

▶ 416) 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.

▶ 417) 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

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

▶ 419) 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.

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

▶ 421) 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.

▶ 422) 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)*.

Itemized deductions

▶ 423) 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.

▶ 424) 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.

▶ 425) 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.

► 426) Other interest paid

1) Did the taxpayer pay any interest on loans related to business activities (such as investment or rental)? 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.

► 427) Taxes paid

1) Request the amounts paid in 2018 for the following: estimated state and municipal income taxes this year and previous years, 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), real estate taxes, and personal property taxes.

2) 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).

► 428) 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.

5) Did the taxpayer make any property contributions to charitable organizations in 2018? If so, complete Form 8283, *Noncash Charitable Contributions*, as applicable.

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.

Meals and business gifts

► 429) 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.

Yes/ No/
Done N/A

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) 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).

▶ 504) 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.

▶ 505) 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.

Comments/explanations

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

700) Alternative minimum tax (AMT)

Yes/ No/
Done N/A

- ▶ 701) Determine any AMT differences related to the following: dispositions of property, depreciation, passive activities, loss limitations, qualified housing interest, incentive stock option exercise, excludable gain from Sec. 1202 stock or other differences.
- ▶ 702) Determine the amount of the minimum tax credit that can be used in 2018 and any carryover to 2019.

Comments/explanations

800) Tax payments

Yes/ No/
Done N/A

- ▶ 801) Request the date and amount of any 2018 estimated tax payments.
- ▶ 802) Based on discussions with the taxpayer, determine the taxpayer's need to make estimated tax payments for the forthcoming year.

Comments/explanations

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?

Yes/ No/
Done N/A

Individual shared responsibility payment (ISRP)

- ▶ 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, *Health Coverage Exemptions*.
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Premium tax credit (PTC)

- ▶ 903) Did the taxpayer and/or members of their household purchase insurance through an Exchange? Determine whether the taxpayer is eligible for the PTC and consider if advance credit payments were received.
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Comments/explanations

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).
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- ▶ 1002) Determine if Form 8938, *Statement of Specified Foreign Assets*, is needed.
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- ▶ 1003) If the taxpayer has foreign business activity, consider reviewing other international filing obligations shown in the Form 1040 long checklist.
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Comments/explanations

▶ 1100) Other issues

Yes/ No/
Done N/A

- ▶ 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.
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- ▶ 1102) Consider direct deposit for refunds and automatic withdrawal for payments.
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- ▶ 1103) Consider checking the box to allow the IRS to contact the preparer.
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Yes/ No/
Done N/A

▶ 1104) Prepare filing instructions and a transmittal letter.

Comments/explanations

1200) State filing requirements

Yes/ No/
Done N/A

▶ 1201) Determine state and local filing requirements.

Comments/explanations

