



2018 C corporation income tax return checklist

Form 1120 (short)

Client name and number _____

Prepared by _____ Date _____ Reviewed by _____ Date _____

100) General	Yes/ Done	No/ N/A
▶ 101) Identify the authorized officer who will sign the return.		
▶ 102) Obtain a signed engagement letter.		
▶ 103) Confirm the taxpayer's name, employer identification number, address, tax year and business code.		
▶ 104) Consider executing Form 2848, <i>Power of Attorney and Declaration of Representative</i> , and/or Form 8821, <i>Tax Information Authorization</i> .		
▶ 105) Request/review correspondence, to or from the IRS or state tax authority, including any adjustments made to prior returns that could affect later returns.		
▶ 106) Determine whether the taxpayer has made any change in an accounting method.		
▶ 107) Review the proforma or organizer for accuracy.		
▶ 108) Review financial statements and footnotes for relevant information.		
▶ 109) Review a copy of last year's return that includes all forms and supporting schedules.		
▶ 110) Reconcile income and expenses with book entries and review the prior year's Schedules M-1 or M-3.		
▶ 111) Obtain a copy of the federal and state Schedules K-1 from each partnership or LLC in which the taxpayer is a partner or member.		

Yes/ No/
Done N/A

▶ 112) Check for carryover items such as prior year deferred income and deductions, NOLs, charitable contributions, passive losses and credits, an AMT credit, an investment credit, installment sales, Sec. 481 adjustments, net Sec. 1231 losses from the previous five years, and Sec. 179 carryover or potential recapture amounts.

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

Comments/explanations

200) Income

Yes/ No/
Done N/A

▶ 201) Request all Forms 1099 received by the taxpayer.

▶ 202) Were there any related-party transactions? If so, determine the effects of Sec. 267 and Sec. 1239.

▶ 203) Did the taxpayer lease any vehicles for business use in the taxable year? If so, calculate the appropriate income inclusion for leased vehicles and property under IRS tables.

Financial transactions

▶ 204) Were any securities sold during the year? If so, determine:

(1) dates purchased and sold, cost basis and gain/loss,

(2) dealer status for Sec. 475 treatment (adjust assets to FMV and apply loss limitations to items not timely identified in the corporate books and records),

(3) wash sale rules applicability (Sec. 1091) and

(4) straddle rules applicability (Sec. 1092).

▶ 205) Were there any short sales of securities in the taxable year? If so, obtain the date of the sale, the date the short sale was closed and information about if the taxpayer also held a long position in the security that was the subject of the short sale.

▶ 206) Did any security become worthless during the taxable year? If so, obtain the facts demonstrating worthlessness.

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

▶ 208) Was any income deferred for book purposes? If so, determine whether such income must be included in the current year.

▶ 209) Was any income deferred for book purposes in the previous year, but included for tax purposes in that year? If so, determine whether to exclude such income for tax purposes in the current year.

▶ 210) Was the taxpayer relieved of any debt obligation in the taxable year? Determine if there is an exclusion of cancellation of debt income and file Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness*, if applicable.

Interest/dividends

▶ 211) Did the taxpayer receive any interest/dividends from U.S. Treasury bills, notes or other bonds? If so, address state tax reporting rules.

▶ 212) For cash basis corporations, address accrued interest received on bonds sold in the taxable year before maturity.

▶ 213) Report interest on tax-exempt state or local obligations on the Form 1120, Schedule K, item 9.

▶ 214) Determine the taxability of dividends received and complete Schedule C.

▶ 215) For stock that was sold and had not been held for more than 45 days during the 90-day period surrounding the ex-dividend date, reduce the dividend received deduction.

Gain or loss on property

▶ 216) To complete Schedule D (Form 1120) and Form 4797, *Sales of Business Property* obtain:

- (1) all Forms 1099-B and/or 1099-S;
- (2) the Closing Disclosures (formerly known as the HUD-1) for any purchases or sales of real property; and
- (3) the selling price, original cost basis, accumulated depreciation (if applicable), date purchased, and date sold for other tangible property.

Rental income

▶ 217) For each rental property, obtain a description of the type and location of the property, the total rental income and expenses (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 any other expenses).

Comments/explanations

300) Deductions

Depreciation

- ▶ 301) Consider making a Sec. 179 election (on Form 4562) to immediately expense part or all of the cost of qualifying property. Note that the Sec. 179 deduction limit is \$1 million with the phase-out beginning at \$2.5 million of property placed in service. Lodging property, roofs, HVAC, fire systems and security systems are eligible.
- ▶ 302) Did the taxpayer acquire any property in the taxable year that qualifies for bonus depreciation? If so, determine if electing out of bonus depreciation and accelerating AMT credits is appropriate. Note that 100% bonus depreciation applies to acquisitions made after Sept. 27, 2017.
- ▶ 303) Determine the following for each asset: the MACRS life for each asset placed in service, appropriate depreciation method and applicable convention.
- ▶ 304) For qualified improvement property placed in service in the taxable year, determine if the special 15-year cost recovery period applies. Note that the statute would require a technical correction to include qualified improvement property as 15-year property.
- ▶ 305) For software acquired in the taxable year, determine whether the 36-month depreciation rules can be applied.
- ▶ 306) Determine if real property and equipment leases are operating leases or capital leases.

Interest expense

- ▶ 307) Calculate any disallowed interest expense related to tax-exempt income (Sec 265(a)(2)).

Travel, meals, and entertainment

- ▶ 308) For travel, meals or business gifts in the taxable year, advise the taxpayer that business gift deductions are limited to \$25 per recipient and that for any separate travel expenses exceeding \$75 both a receipt and a documentary evidence of the time and place, business purpose and business relationship with the person being entertained, etc., should be maintained.
- ▶ 309) Determine the disallowed portion of meal expenses as well as club dues.
- ▶ 310) Confirm that entertainment expenses are not deducted.

Charitable contributions

- ▶ 311) Did the taxpayer make any property contributions to charitable organizations in the taxable year? If so, obtain the information needed for reporting. Obtain a signed Form 8283, *Noncash Charitable Contributions*, from the charity, if applicable. Obtain a copy of the qualified appraisal, if required.
- ▶ 312) Verify that contributions to a college for athletic tickets or seating rights are not deducted.
- ▶ 313) Attach a supporting schedule if the taxpayer has or is using a charitable deduction carryforward deduction.

Uniform capitalization rules

- ▶ 314) Did the taxpayer produce or acquire property for inventory in the taxable year? If so, verify the correct application of the uniform capitalization rules under Sec. 263A. Note that most producers or resellers meeting the \$25 million gross receipts test (an aggregate test) are exempt from the uniform capitalization rules beginning in 2018.
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Long-term contracts

- ▶ 315) Did the taxpayer enter into any contracts for the manufacture, building, installation or construction of property in the taxable year that were not completed at the end of the year? If so, consider electing the simplified method of allocating costs or the modified percentage-of-completion method. Determine the percentage of completion based on costs incurred and verify that all required costs have been allocated to the contracts. Note that beginning in 2018 the completed-contract method may be used for contracts for the construction of real property that is expected to be completed within two years or less if the corporation meets the \$25 million gross receipts test (an aggregate test).
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Other deductions

- ▶ 316) Ensure lobbying expenses are not deducted.
 - ▶ 317) If the corporation has previously deducted expenses for employee parking and/or mass transit, verify that these expenses are not deducted in the taxable year.
 - ▶ 318) Verify that the specific write-off method is used for bad debts.
 - ▶ 319) Did any debts become partially worthless in the taxable year? If so, determine if a deduction is permissible under Regs. Sec. 1.166-3.
 - ▶ 320) Was there any inventory write-down for book purposes? If so, determine if there should be an adjustment for tax purposes.
 - ▶ 321) Review increases or decreases in reserve accounts for potential M-1 or M-3 items.
 - ▶ 322) Review any vacation pay policy to determine if an accrual-based deduction is available (vested at year end and taken or actually paid within 2½ months after year end).
 - ▶ 323) Determine whether officer's life insurance expense is deductible.
 - ▶ 324) Verify that retirement plan contributions were made using the eligible compensation limit.
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Net operating losses (NOLs)

- ▶ 325) Prepare an NOL supporting schedule to be attached to the tax return.
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Yes/ No/
Done N/A

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- ▶ 326) If an NOL is anticipated for next year, consider filing Form 1138, *Extension of Time for Payment of Taxes by a Corporation Expecting a Net Operating Loss Carryback*.
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Comments/explanations

400) Credits

Yes/ No/
Done N/A

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- ▶ 401) Consider whether the taxpayer qualifies for any tax credits.
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- ▶ 402) Determine the amount of income taxes paid to a foreign country or U.S. possession and consider whether the holding period is met for taxes paid on dividends. Consider credits for foreign taxes (including an election of the simplified computation of the credit limitation).
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Comments/explanations

500) Elections

Yes/ No/
Done N/A

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- ▶ 501) Determine if the taxpayer should make the safe harbor election to expense the acquisition costs of materials and supplies and other tangible property.
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- ▶ 502) Consider making an election to expense repairs and maintenance under the safe harbor rules.
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- ▶ 503) If the business began this tax year, consider an election to deduct up to \$5,000 of organizational expenses and up to \$5,000 of business start-up costs.
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- ▶ 504) Consider whether to adopt the recurring items exception and 3½ month rule with respect to the economic performance rules.
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Comments/explanations

600) Tax payments

Yes/
Done No/
N/A

- ▶ 601) Obtain the date and amount of (1) 2018 estimated tax payments, (2) payments made with the 2018 extensions, (3) prior year overpayments credited to 2018 and (4) any back-up withholding.
- ▶ 602) If estimated tax payments applicable to the tax year are less than the tax liability, consider filing Form 2220, *Underpayment of Estimated Tax by Corporations*.
- ▶ 603) Determine the proper amount of estimated tax payments for the 2019 tax year.

Comments/explanations

700) Foreign investments and transactions

Yes/
Done No/
N/A

- ▶ 701) At any time during the tax year, if the corporation or its officer(s) had an interest in, or a signature or other authority over, financial account(s) in a foreign country (such as a bank account or securities account) having an aggregate balance of at least \$10,000 at any time during the year, file FinCEN Form 114 (and 114a, if applicable) (due April 15 with an automatic extension to Oct. 15).
- ▶ 702) For closely-held corporations, does the taxpayer have specified foreign financial assets? If so, prepare Form 8938, *Statement of Specified Foreign Financial Assets*.
- ▶ 703) If the taxpayer has foreign business activity, consider reviewing other international filing obligations shown in the Form 1120 long checklist.

Comments/explanations

800) Other issues

Yes/
Done No/
N/A

- ▶ 801) Is the taxpayer an accrual basis taxpayer? If so, consider deferral of state or local income or franchise tax refunds.
- ▶ 802) Does the taxpayer have financial statement disclosures under FASB ASC 740 (Accounting for Uncertainty in Income Taxes)? If so, determine the need to include Form UTP.
- ▶ 803) Determine if health plan(s) and/or reimbursement arrangements are compliant with the Affordable Care Act (ACA). If applicable, file Form 1094/1095-C.
- ▶ 804) Determine if the taxpayer has filed all required Forms 1095, 1098, 1099 and 1042.

Yes/ No/
Done N/A

▶ 805) 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.

▶ 806) Consider checking the box allowing the IRS to contact the preparer.

▶ 807) Prepare filing instructions and a transmittal letter.

▶ 808) If filing an extended paper-filed return, attach the extension request.

▶ 809) If total assets exceed \$10 million, complete Schedule M-3, as well as Form 8916 and Form 8916-A (reconciliation schedules), if applicable.

Comments/explanations

900) State aspects

Yes/ No/
Done N/A

▶ 901) Determine state and local filing requirements.

Comments/explanations

