

Small Business Tax Checklist

Before you file your taxes:

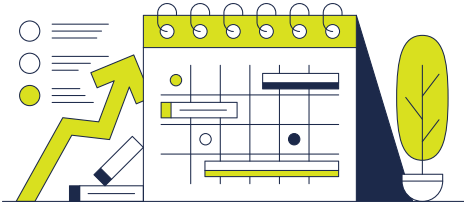
1. Use this checklist with your small business tax return form 1120 or 1120S **BEFORE** you file either your business or personal tax return. If your business uses form 1065, please email us at info@coregroupus.com with 1065 in the subject headline.
2. This is only a very high level checklist, and is not intended to be a substitute for professional advice about your specific situation. Use this checklist as a starting point to discuss your tax return with your tax professional.

OUTLINE

- Sole Proprietor (Schedule C, Form 1040)
- Form 1120 S (S-corporations)
- Form 1120 (C- Corporations)

KEY

- Dark blue = Red Flag
- Purple = Put amount on the line



Sole Proprietor (Schedule C, Form 1040)

PAGE 1

Section A

- Make sure there is a correct business activity code entered in Box A. This is VERY important because the IRS selects tax returns for audits based upon comparison to industry. Misclassify your business and you've created an audit red flag.

Section F

- Make sure that the correct accounting method has been checked. Incorrect information will lead to increased chance of audit. If your business has inventory then you MUST use the accrual method. Using the incorrect accounting method is a red flag and means that your expenses are incorrectly reported.

Section G

- If you did not materially participate in the business, losses are potentially limited. The rules around this are complex, so consult with your professional.

Part II, Line 9

- If you use your vehicle for any business use, make sure there is an amount on this line. There are generally two methods to deduct vehicle expense, mileage and actual expenses. Make sure that you're preparer has discussed your options with you.
- **Unless supervised by a CPA or EA, cannot prepare or file federal taxes**

Part II, Line 13

- If you purchased any equipment during the current year, make sure that there is an amount on this line. It is also possible there is an amount here even if you didn't make any current year purchases. Make sure your preparer has discussed all of your depreciation options with you.

Part II, Line 16

- If you have any business loans or credit cards, including a vehicle loan, make sure that there is an amount on this line.

Part II, Line 30

- Consider the business use of your home. Once this was considered a red flag for the IRS, but no longer.

PAGE 2

Part III

- If your business has inventory, make sure that Part III is properly completed with beginning and ending inventory amounts. Also, make sure that the "Accrual" box is selected on Page 1 Section F(See Above). If not, this means you are NOT reporting your income and expenses correctly.

Part IV

- If you are claiming vehicle expense for your business, make sure this section is completed correctly. Missing or incomplete information can cost you money and raise red flags.

FORM 3800

- There are 34 individual credits available to small businesses. Make sure that you're not missing out.
- Checkout the IRS website for a list.

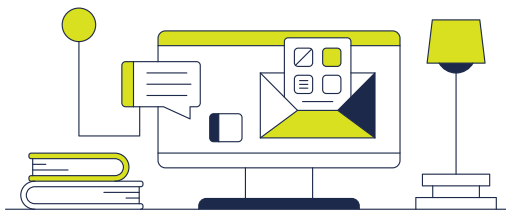
FORM 8995

- If your business shows a profit, make sure the form is completed to take advantage of the Qualified Business Income Deduction.

FORM 8829

- If you are deducting business use of your home, make sure form 8829 is completed and attached. The simplified calculation offered by the IRS generally doesn't maximize your deduction.





Form 1120 S (S-corporations)

PAGE 1

Section B

- Make sure there is a correct business activity code entered in Box B. This is VERY important because the IRS selects tax returns for audits based upon comparison to industry. Misclassify your business and you've created an audit red flag.

Section G

- If this is the first year for filing and you are electing "S-corporation" status, make sure that the "Yes" box is checked and that Form 2553 is attached, if not previously filed.

Line 7

- Make sure that compensation of officers is complete with a reasonable salary. Leaving this line blank is another HUGE audit red flag.

Line 13

- If your company has business loans, make sure there is an amount on line 13. You're missing a tax deduction if there is no amount here.

Line 14

- If you have purchased new equipment this year, make sure that there is an amount on this line. Again, you're missing a tax deduction if there is no amount.

Line 21

- If this amount is negative, make sure that shareholder basis schedules have been completed, and that the loss is deductible. Claiming a disallowed loss on your individual tax return will cause huge problems.

PAGE 2

Line 1

- Make sure that the correct accounting method has been checked. Incorrect information will lead to increased chance of audit. If your business has inventory then you **MUST** use the accrual method. Using the incorrect accounting method is a red flag and means that your expenses are incorrectly reported.

Line 2

- Similarly to Line 1 on Page 1, incorrect business activity description can increase your chance of audit. Make sure the description accurately describes your business.

PAGE 3 | SCHEDULE K

Line 2

- If you own rental property, make sure there is an amount on Line 2. If this line is blank, that means that our income is incorrectly reported.

Lines 4 and 5

- If your company owns stocks or bonds make sure that there are numbers on Lines 4 and/or 5. Zero amounts are potential errors in reporting of income.

Lines 7-9

- If you sold, scrapped, or traded business equipment during the year, make sure that there are numbers on at least one of these items. Again, zero amounts here signify incorrect reporting of income/losses.

Line 12

- If you gave cash or in-kind charitable contributions, make sure there is an amount on Line 12. Don't miss a tax deduction!

Line 13

- There are 34 individual credits available to small businesses. Make sure that you're not missing out. Checkout the IRS website for a list.

PAGE 4

Line 16c

- Did you pay for life insurance from your company or have business meals? Then there should be an amount on this line. Zero amount means an OVERSTATEMENT of deductible expenses. Big liability if you're audited.

Schedule L

- Make sure this section is completed for both the current and prior year. Make sure that Lines 15 and 27 are EQUAL.

PAGE 5

Schedule M-2

- If you took distributions from the company other than salary, there should be an amount on Line 7. Many business owners do not properly account for loans to/from the company, repayment, and dividend repayments.

FORM 1125-A

- If your business has inventory, make sure that form 1125-A is properly completed with beginning and ending inventory amounts. Also, make sure that the “Accrual” box is
- selected on Page 2 Line 1(See Above). If not, this means you are NOT reporting your income and expenses correctly.





Form 1120 (C- Corporations)

PAGE 1

Line 2

- If your business has inventory, make sure there is an amount on Line 3 and that form 1125- A is properly completed with beginning and ending inventory amounts. Also, make sure that the “Accrual” box is selected on Page 4 Line 1. If not, this means you are NOT reporting your income and expenses correctly.

Lines 4 and 5

- If your company owns stocks or bonds make sure that there are numbers on Lines 4 and/or 5. Zero amounts are potential errors in reporting of income.

Line 6

- If you own rental property, make sure there is an amount on Line 6. If this line is blank, that means that your income is incorrectly reported.

Lines 8 and 9

- If you sold, scrapped, or traded business equipment during the year, make sure that there are numbers on at least one of these items. Again, zero amounts here signify incorrect reporting of income/losses.

Line 12

- If your company owns stocks or bonds make sure that there are numbers on Lines 4 and/or 5. Zero amounts are potential errors in reporting of income.

Lines 7-9

- If you sold, scrapped, or traded business equipment during the year, make sure that there are numbers on at least one of these items. Again, zero amounts here signify incorrect reporting of income/losses.

Line 12

- If you gave cash or in-kind charitable contributions, make sure there is an amount on Line 12. Don't miss a tax deduction!

Line 13

- Make sure that compensation of officers is complete with a reasonable salary. An unreasonable or blank amount here is another HUGE audit red flag.

Line 18

- If you're company has business loans, make sure there is an amount on line 18. You're missing a tax deduction if there is no amount here.

Line 19

- If you gave cash or in-kind charitable contributions, make sure there is an amount on Line 19. Don't miss a tax deduction!

Line 20

- If you have purchased new equipment this year, make sure that there is an amount on this line. Again, you're missing a tax deduction if there is no amount.

Line 29

- If you've lost money in prior years, make sure that you've completely utilized all of your net operating losses (NOL's)

PAGE 3

Line 5

- There are 34 individual credits available to small businesses. Make sure that you're not missing out. Checkout the IRS website for a list.

Lines 13 and 14

- Make sure any overpayments from prior year and current year tax estimates are properly reflected.

PAGE 4

Schedule K, Line 1

- Make sure that the correct accounting method has been checked. Incorrect information will lead to increased chance of audit.

PAGE 5

Schedule K, Line 2

- Make sure there is a correct business activity code entered in Box B. This is VERY important because the IRS selects tax returns for audits based upon comparison to industry. Misclassify your business and you've created an audit red flag.

Line 11

- If the company had a loss for the current year, discuss with your tax professional how to use those losses. Failure to mark this election now requires you to first carry back your losses before you carry them forward to future year's income.

PAGE 6

Line 13

- If you company has more than \$250,000 in assets AND total receipts, make sure this box is checked, and that Page 5 is completed.

Schedule L

- Make sure this section is completed for both the current and prior year. Make sure that Lines 15 and 28 are EQUAL.

Schedule M-1

- Make sure that charitable contributions are properly accounted for as taxable or non-taxable.

Schedule M-2

- If you had distributions during the year, make sure that they are properly reported on line 5a.

