The Original
Dental CPAs
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Lance Jacob of the Dental CPAs has compiled a list of the top ten most common tax filing mistakes that he sees his dental clients making.

1. **Filling out tax forms with an incorrect Social Security number.** The IRS computers will automatically reject your deductions and credits if your Social Security number is wrong.[i] This mistake seems careless and trivial, but it is paramount to have the right Social Security number when filing your taxes. Your social security number is your tax ID number, which is linked to numerous transactions such as income statements, savings account interest, and retirement plan contributions. It is also vital to claiming tax credits.

2. **Double dipping on dependents for divorced taxpayers.** Ill repercussions could result such as additional taxes, penalties, and interest charged.[ii] A child can ultimately meet the rules to be a qualifying child of only one person.[iii] Once divorced, your children do not duplicate out of thin air; therefore they cannot be claimed twice in taxes. The IRS does not allow both divorced taxpayers to claim a child as a dependent.

3. **Not reporting non-deductible IRA contributions.** Any contribution to an IRA, whether it is deductible or non-deductible, should be reported on Form 8606, so when you withdraw it you are not taxed on it. Plain and simple, all contributions to an IRA must be reported.

4. **Incorrectly reported estimated tax payments.** If your accountant instructed you to make quarterly estimated tax payments, be sure to let him or her know the details of the payment for each installment. Provide the check numbers, dates of payment, and the amount of each payment. What often happens is people claim they made the payments as their accountant told them, but did not keep any records and inadvertently forgot a payment or two. If the accountant includes all of the estimated payments on the return when they all were not really made, the IRS or state government will send a notice of tax due with penalties and interest.

5. **Incorrect Federal ID number used on 1099 MISC.** Although your accountant can easily fix this, the less the IRS has to contact you, the better it is. The IRS matches 1099MISC and the Social Security number or Federal Identification number used. If you provide services, and the client you did the work for issues a 1099MISC, be sure they know to use the federal identification number of your business and not your social security number. If they use the wrong number the IRS will send you a notice that you did not report income on your personal return, when in fact it was reported correctly on your business return.

6. **Exceeding the mortgage interest deduction limit on Mortgage and home equity debt in excess of $1.1million.** This error commonly falls as the fault of both the taxpayer and accountant. They only deduct the amount reported of the mortgage interest statement, Form 1098, and do not bother to check the amount of mortgage the taxpayer has. The tax laws limit the amount of deductible interest to the interest on the first $1,000,000 of home mortgage debt

and $100,000 of home equity debt[iv]. So if you have a mortgage of $2 million, you can only deduct mortgage interest related to the first $1.1 million in total debt.

7. **Standard mileage vs. actual expenses.** Mistakes in this area come from inconsistent use of methods. If your car is for business purposes only, then the entire cost of its operation can be deducted. However, if the car is used for both business and personal use, only the cost of its business use can be deducted. The amount of your deductible car expense can be found using either the standard mileage rate method or the actual expense method.[v] Some people will qualify for both methods but you must choose only one method when you start using the vehicle and continue with that method until you replace the vehicle. Be sure to figure your deduction with both methods initially to see which gives you the larger of the deductions.

8. **First-Time Homebuyer Credit recipients unaware of the fine print.** Those who received a First-Time Homebuyers' Credit towards their purchase of a home settled on prior to 12/31/08 must begin repaying that money on 2010 tax returns. Now is the time to take a good hard look at the details of this credit. Many who accepted the $7,500 credit may not realize that it was in fact a loan, and the government will begin not-so-politely asking for the money back over the course of the next 15 years starting with 2010 individual tax returns. As with any federal money however, there is a lot of fine print to read into on this one.[vi]

9. **Forgetting to tell your tax preparer you took an early distribution on an IRA; therefore, failing to calculate the early distribution penalty of 10%.** If you are under the age of 59.5, a distribution on an IRA (including employer matching and profit sharing) is considered early, and subject to a 10% additional tax. This tax is in addition of other taxes that apply to the distribution.[vii]

10. **Forgetting your signature on your return!** If you were an artist, you wouldn't forget to sign your masterpiece upon its completion, would you? You must sign your taxes for the IRS to process your taxes. Filing your taxes electronically is a foolproof way to ensure your taxes will not go unsigned. These software packages do not allow documents to be sent unless every step is completed.

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[i] http://www.walletpop.com/taxes/most-common-taxpayer-mistakes/
[ii] http://taxes.about.com/od/dependents/a/Dependents.htm
[iii] http://www.irs.gov/individuals/article/0,,id=218767,00.html
[iv] http://www.irs.gov/publications/p936/ar02.html
[v] http://www.irs.gov/taxtopics/tc510.html
[vi] http://money.cnn.com/2009/09/24/pf/expert/home_buyer_credit.moneymag/index.htm
[vii] http://www.irs.gov/faqs/faq/0,,id=199762,00.html

You can contact Lance Jacob with additional questions or comments at ljacob@dentalcpas.com or (800) DENTCPA. www.dentalcpas.com