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Avoid Costly Tax Reporting And Filing Mistakes

While self-help products like TurboTax and the like are helpful, effective tools for taxpayers with very basic returns. These products were not designed for taxpayers with more “sophisticated” affairs, even as simple as having a rental house or a trading account. Some of the most common mistakes to avoid include:

- Filing status errors - especially for divorced or separated taxpayers.
- Dependency exemptions - not knowing who has the right to claim the exemptions - especially students with part-time jobs.
- Business expenses - they either claim personal expenses as business or fail to claim legitimate business expenses because they are not familiar with what is allowed.
- Vehicle expenses - either overstating or understating - claiming the same deductions on more than one schedule (Sch C, Sch E and Form 2106).
- Failure to report dividends properly - qualified vs nonqualified capital gain distributions etc.
- Failure to report stock/mutual fund sales properly or failure to track cost basis.
- Failure to report all income where a 1099 wasn't received.
- Failure to track basis in non-deductible IRAs and Roth IRAs.
- Depreciation - not knowing how or where to report - using incorrect asset life or cost basis.
- Failure to follow passive activity rules for rental real estate.
- Failure to properly report items or limit losses from pass-through entities (i.e. S-Corps, Partnerships and LLCs).
- Deducting hobby losses as business losses.
- Failure to report contributions to and distributions from HSA accounts properly.
- Failure to report college education deduction or credits properly.
- Overstating or understating medical expenses.
- Failure to claim sales tax deduction or properly compute the deduction.
- Failure to report the proper home mortgage interest deduction (for example, not abiding by limitation or failure to report interest on a second home).
- Failure to follow vacation home rules.
- Failure to properly report investment interest expense.
- Failure to properly report charitable contributions.

- Claiming personal expenses as itemized deductions (such as home repairs and improvements).

Careful attention to these “dirty dozen (or so)” mistakes could save you from considerable tax liabilities, including penalties and interest for underreporting of income or the underpayment of tax. Contact me for a brief consultation to make sure your affairs are handled properly this tax year!

Very Truly Yours,

Ari