

New Release

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10 COMMON TAX FILING MISTAKES

Washington, DC (March 27, 2006)—As this year’s tax filing deadline approaches, the American Institute of Certified Public Accountants reminds taxpayers of 10 of the most common mistakes made each year by individual taxpayers on their federal tax returns. These avoidable errors can affect your tax bill, delay the processing of your return and draw the attention of the Internal Revenue Service.

- Mistake #1:** *Leaving Off Attachments* – Make sure you’ve completed and attached to your Form 1040 all required schedules and forms. You should attach them using the “Attachment Sequence Number” shown in the upper right corner of each schedule or form. Attach other statements and schedules at the end of your return, even if they relate to another form or schedule. Also, it’s a good idea to include your name and Social Security number on every page of each form you submit.
- Mistake #2:** *Forgetting About Carry-Forwards from Prior Years* – Make sure to check prior year returns to see if there are any items to be carried forward to this year, such as capital losses or charitable deductions that exceeded the amount you were able to deduct in previous years.
- Mistake #3:** *Reporting Investment Income in the Wrong Place* – Some taxpayers mistakenly report earnings from money market funds as “interest income” when, in fact, the IRS considers such earnings to be dividends.
- Mistake #4:** *Overpaying Your Social Security Taxes* – If you worked at two or more jobs in 2005 and your total earnings exceeded \$90,000, you may have overpaid your Social Security taxes. The instructions that come with your Form 1040 will tell you how to claim a credit.
- Mistake #5:** *Unnecessarily Declaring Your State Tax Refund as Income* – Do not declare your state tax refund as income on your federal return if you did not receive a tax benefit from deducting the taxes. Many people make the mistake of automatically reporting state tax refunds as income. If you took the standard deduction instead of itemizing in 2004, you don’t have to show your state tax refund as income for 2005.

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- Mistake #6:** *Failing to Document Charitable Donations* – For charitable donations of \$250 or more, written acknowledgment from the charity is required. A canceled check is not sufficient. If your gift was one of property rather than cash, the acknowledgment must describe the property. When your noncash contribution exceeds \$500, you also are required to file IRS Form 8283, *Noncash Charitable Contributions*, giving details of the donation.
- Mistake #7:** *Omitting Social Security Numbers of Dependents* – You MUST include on your tax return the Social Security number for all dependents. Also, to claim a child or dependent care credit, you must complete Form 2441 and indicate the care giver's name, address and taxpayer identification or Social Security number.
- Mistake #8:** *Making Math Miscalculations* – Review your return to make sure that your math is correct. If you find a mistake, remember to recalculate other figures that are affected by the error.
- Mistake #9:** *Failing to Calculate the Alternative Minimum Tax (AMT)* – With every passing year more and more taxpayers discover, often to their great surprise, that they are subject to the alternative minimum tax (AMT). But many of the 16 million taxpayers who are predicted to become subject to the AMT for the first time over the next two years will not fill out the AMT form 6251 because they think it is only applicable to the very wealthiest individuals and couldn't possibly apply to them. The result can be a nasty note from the IRS informing them they owe more money and, of course, interest on the underpayment.
- Mistake #10:** *Assuming Itemizing Deductions Will Reduce Tax Bite the Most* – Many taxpayers assume that itemizing deductions is going to result in the lowest federal tax. However, that may not be true. For example, if you've paid down most of the interest on your home mortgage, which is the largest deduction most taxpayers have, you may be better off taking the standard deduction. The standard deduction increases each year because it's indexed for inflation. For 2005 returns, the standard deduction for married taxpayers filing jointly is \$10,000, and for single taxpayers it is \$5,000.

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