The top 10 tax filing mistakes and how to avoid them.

1. **Math and spelling mistakes.** According to the IRS, this is the biggest issue that they find. It used to be even worse when people filled out and mailed paper returns, but computers are still only as accurate as the people working them. Numbers can be transposed, left off, or botched, while names can be misspelled or changed inadvertently. Tax return data is matched with other data the government keeps, and any mismatch sends the return into rejection or limbo. Any other input errors give rise to the "garbage in, garbage out" adage, making the end result invalid. **How to avoid:** Take your time, work in a quiet, uninterrupted setting, and always double check your entries and results.

2. **Miscommunication.** Communication is key in tax filing, (and everywhere else in life). It can be very hard to get hold of the Internal Revenue Service, but timely communication with them is vital. Most communication from them comes in the form of notices in the mail, and sometimes those are ignored or overlooked. Employer, spouse, dependent, contractor, and preparer communication problems can also lead to omissions or mistakes. **How to avoid:** Respond to all letters from the IRS or state department of revenue promptly. Set up an online account with the IRS and your state, where you can see notices, transcripts, balances, and make payments. Make sure to communicate with your tax preparer and don't be afraid to ask questions. Some tax professionals can even communicate on your behalf with a power of attorney.

3. **Timing errors.** Filing season runs from January through Mid-April. Filing too early can result in leaving out important information that arrives later on. Filing too late after the deadline can result in substantial late filing penalties, plus interest, if tax is due. Missing deadlines on quarterly estimated payments can result in penalties. **How to avoid:** Make quarterly estimated payments on time if required. Consider extending past the due date if necessary. File amended returns up to 3 years later if facts change after you've already filed.

4. **Incorrect filing status.** There are five filing statuses, and each one comes with its own tax table and set of rules. Head of Household filing status is sometimes claimed incorrectly or missed when it could be used. Married-separate is usually worse than married-joint, and technically married but separated spouses can often file single or head of household. **How to avoid:** Educate yourself on the five filing statuses and update them as your life situation changes.

5. **Dependent mistakes.** You can generally claim as a dependent anyone that you supported for the year, but there are many rules and exceptions. Claiming a dependent prevents them from claiming themselves, and sometimes there's a conflict. Missing a dependent or claiming an ineligible one can make a big difference in your bottom-line results. **How to avoid:** Learn the rules regarding residency, relationship, age, and income, or ask your tax preparer if a dependent qualifies.

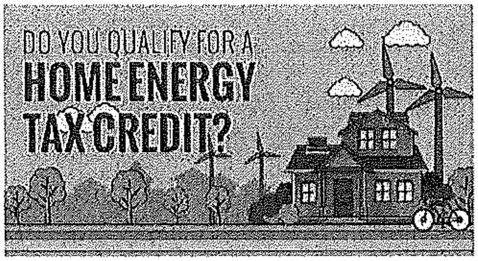
6. **Missed tax credits and deductions.** There are dozens of money-saving credits and deductions built into the tax code, but you have to claim them. Commonly missed ones include home energy credits, education credits, savers credit, self-employed health insurance deduction, IRA deduction, itemized deductions, and state-specific deductions and credits. **How to avoid:** The rules on the many credits and deductions change frequently. Follow the financial news or find someone who does.

7. **Using snail mail and paper returns.** Communicating with the IRS through the US Postal Service is still an option, but it can take months to get answers. Plus it puts your information out there where it can be stolen. Math mistakes are more common on paper returns. **How to avoid:** File electronically whenever possible. It's much quicker and more secure.

8. **Identity theft and security issues:** Tax identity theft is still an issue, and once a thief gets hold of your birth date and social security number, they can cause a lot of grief by impersonating you and filing false tax returns, among other things. **How to avoid:** Secure all tax information and shred when done with it. Avoid giving out your social security number unless required. Beware of online hacking attempts, suspicious emails and texts. Consider credit freezes and identity PIN numbers from the IRS if you suspect problems.

9. **Cheating and carelessness.** Unclaimed income can often result in IRS letters and penalties. Making up deductions or dependents is considered fraud and could result in criminal prosecution. **How to avoid:** Honesty is the best policy. Keep good records and be prepared to back claims up. Make a pre-season checklist of all forms that you expect to receive and don't file until you think you have them all.

10. **Incompetent or unethical tax preparers.** The tax preparation industry is unregulated- anybody can do taxes for pay with little or no training. Prepared returns, including self-prepared returns, can contain many errors if the person doing them isn't qualified. And preparers who emphasize the biggest refunds are often willing to skirt ethical rules to get there. **How to avoid:** Look for professionalism- people available year-round, credentialed (CPA, EA, JD, AFSP), with good reviews and recommendations. If self-preparing, double-check everything, and don't be afraid to ask for help when needed.



The Inflation Reduction Act of 2022 greatly altered the energy tax credits that the federal government offers going forward. This is a summary of the three types of home energy credits that affect all homeowners starting in **2023**. If you've been considering any home improvements, you might qualify for thousands of dollars in new tax credits starting with that year. As with the previous credit, there are no income limitations, and anybody can claim them that qualify.

The three biggest changes:

1- **Instead of a lifetime cap of $500 for most credits under the old system, that has been removed and taxpayers can qualify for a variety of credits up to $3200 each year.**
2- **Renters (but not landlords) can now qualify for many of these credits, even if they don't own the home where the energy improvements were done.**
3- **Many of the energy credits are now available on second homes or vacation homes, as long at the family uses the home as a residence occasionally.**

Now let's look at the three new energy tax credits and how they can save you money on taxes and utility bills in the future.

$1200- Energy Efficient Home Improvement Credit

This credit includes:

- **Exterior doors- 30% of the cost up to $250 per door, up to total of $500 per year**
- **Exterior windows and skylights- 30%, up to $600 total maximum.**
- **Insulation materials – 30% up to $1,200.**
- **Home energy audits- 30% up to $150.**
- **Gas water heaters, central air conditioners and furnaces- 30% up to $600.**
- **Electric panel upgrades associated with other energy work- 30% up to $600**

This credit is slightly confusing, because each item has different rules, and the total of all the items cannot exceed $1,200 in any one year. If someone is planning on doing multiple improvements, they may want to space them out to maximize the credits. Any credits earned above the $1,200 do not count. Also, if the taxpayer owes less than the $1,200 in tax on their return, none of it rolls over to future years or is refundable. The first three items must be owned and used by the taxpayer as their primary residence. The last three items can be used in second homes and by renters as well.

$2000- Energy Efficient Home Improvement Credit

This is a different energy credit that is calculated separately and limited to $2,000 per year. Again, it is non-refundable and does not roll over to future years. It is available for renters, vacation homes, and principal residences. It covers:

- **Heat pump water heaters- 30% of cost or $2000 total credit.**
- **Biomass stoves and boilers- 30% up to $2,000**
- **Air source heat pumps- 30% up to $2,000**

Unlimited- Residential Clean Energy Property Credit

This credit is a straight 30% credit and is not limited by total amount. It applies to the following

Solar Energy systems

Wind turbines

Geothermal heat pumps

Battery storage technology

These four can be used for renters, principal residences, and vacation homes. There is a fifth item that can only be used for principal residences:

Residential fuel cells

Even though these credits have no limit, they cannot be more than the actual tax owed on each year's return. Any excess is rolled over to future years and applied to the taxes then.

A few other stipulations that go along with the new energy tax credits

- The costs for installation of each property can include labor costs but must be adjusted for any rebates or incentives that are received.
- Items must be new, not used, and generally must be Energy Star approved as energy efficient.
- Roofing materials that were once included in the credit are no longer eligible.
- Appliances like refrigerators, washers, or stoves are not eligible for any credit, but sometimes the qualify for rebates from Ameren or the manufacturers.
- Business properties are not eligible for the credit, but if you run a business from your home but still use at least 80% of the home for residential purpose, you can take the full credits.
- Credits can only be taken in the year the property is installed, even if paid in advance or years later.

2023

Schedule C - Profit or Loss from Business

Name: SSN:

Expenses

TS ____

Business name ____

Profession or product ____

	2023	2022
Advertising		
* Car and truck expenses 65.5¢/mi		
Commissions and fees		
Contract labor		
Depletion		
Employee benefit programs		
Insurance (other than health)		
* Interest - mortgage (paid to banks, etc.)		
Interest - other		
Legal and professional services		
Office expenses		
Pension and profit-sharing plans		
Rent or lease (vehicles, machinery, and equipment)		
Rent (other business property)		
* Repairs and maintenance		
Supplies		
* Taxes and licenses (including real estate taxes)		
Travel		
Total meals		
* Utilities		
Wages		
Family health coverage payments for taxpayer, spouse or dependents		

Other expenses (list):

BANK FEES	
CREDIT CHARGES	
DUES & SUBSCRIPTIONS	
* INTERNET	
POSTAGE/SHIPPING	
* SOFTWARE/COMPUTER	
* TELEPHONE	
MISC	

* MAY NEED TO SEPARATE BUSINESS/PERSONAL

Schedule C - Profit or Loss from Business

Name: SSN:

General Business Information

TS ____ Professional product or service ____ Business code 711510

Employer ID number ____

Business name ____

Business address ____

City ____

U.S. only State, ZIP ____

Foreign only Province / state, Country, Postal code ____

Accounting method, if not cash ☐ Accrual ☐ Other ____

☐ This business was started or acquired during 2023.
☐ Some investment is NOT at risk.
☐ This business was disposed of during 2023.

Select if this business is for:
☐ Professional gambler ☐ Newspaper delivery and you are under 18 years of age
☐ Exempt Notary income ☐ A clergy

Yes	No	
☐	☐	Payments of $600 or more were paid to an individual, who is not your employee, for services provided for this business.
☐	☐	If "Yes," did you file Forms 1099 for the individuals?
☐	☐	Did you receive a Paycheck Protection Program (PPP) loan for this business prior to June 1, 2021?
☐	☐	If "Yes," was any portion of the loan forgiven in 2023?

Income

	2023	2022
Gross receipts or sales		
Returns and allowances		
Other income		

Cost of Goods Sold

Inventory method, if not cost ☐ Lower of cost or market ☐ Other

Change of inventory method ☐ Yes ☐ No

	2023	2022
Inventory at beginning of year		
Purchases (less cost of items withdrawn for personal use)		
Cost of labor		
Materials and supplies		
Other costs (list on detail worksheet)		
Inventory at end of year		