



Ten Tax Preparation Disasters


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#10 – Stupid Mistakes

- Bad Math
 - “My 10-Key broke”
 - Transpositions, etc
- Incorrect Information
 - Name, SSN, address, bank information
 - Filing Status
- IRS Matching
 - 1099’s
 - K-1’s



#9 – Verifying Payments

- Overpayment carryovers
- Estimated payments!
- Withholdings
 - W-2’s, 1099’s and sometimes K-1’s

#8 – Getting Married

- Here are some examples in recent legislation:
 - 2010 AMT Exemption proposed patch: (S) \$47,450 (MFJ) \$72,450
 - Currently in 2011 law is the phase out of itemized deductions/personal exemptions for those over \$250,000 MFJ, \$200,000 Single
 - .9% additional Medicare tax in 2013 on (S) over \$200,000 and (MFJ) over \$250,000
 - 3.8% Medicare surtax on investment income in 2013 the same as above



#7 - Not keeping up on new tax legislation

- What is the estate tax law today?
- 3 different versions of the homebuyer credit
- 3.8% Medicare surcharge on home sales?
- \$1.1 million limit on mortgage interest
- Health care credit

#6 - Capital v. Ordinary Losses

- Business related or investment related
- §1244 Stock
- Worthless partnership interests
 - Abandoned vs. Sold
- Accelerating Installment Sales
- Write off of bad debt
 - Business bad debt v. non-business bad debt



#5 – Improper Accounting Method

- Cash v. accrual
 - \$10 million+ for 3 years
 - Too much inventory
 - Building rentals
 - Restaurants
 - Farmers

#4 – Tax traps in electing S Corp Status

- The 10 year waiting game
- LIFO reserves for a business like an auto dealer
- BIG Tax and cash basis taxpayers
 - How to avoid?
 - Losses for 10 straight years
 - Declare and pay bonus on election

#3 – Roth IRA Conversions

- Q: How do you NOT get sued?
 - A: Don't convert anyone!
- Extend return until October
 - Will your client want to "un-convert"?
- Only for the super wealthy (\$5-\$10 million net worth)
- 2010 is last year – A myth!
- Convert??
 - If you don't plan on spending retirement money after 70 1/2
 - In the maximum tax bracket in retirement
 - Low market valuation at conversion

#2 – Choosing the wrong entity!

- Which entity should you advise your new client set up? LLC, S Corp, C Corp, Partnership, etc?
 - Hotels in S Corporations
 - Farms in C Corporations
- Airplane tax disaster story



#1 – Complex Partnership Returns

- If you don't regularly prepare complex partnership returns, you shouldn't start now!
 - Technical terminations
 - Allocation of income – drafting issues
 - §754 elections and §754 Basis adjustments

Questions

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Ms. Konvalin joined Ketel Thorstenson in August 2006 after practicing in public accounting for eight years in Idaho. She was promoted to Jr. Partner at her firm in Idaho, and was named Tax Manager at Ketel Thorstenson in January, 2007. Effective January 1, 2011 she will be a Tax Partner for Ketel Thorstenson, LLP. She specializes in business and individual tax returns. Since moving to Rapid City, she has worked extensively with the medical industry, has a substantial background in agriculture related industries, and has worked on various litigation support projects including deposition preparation assistance and testifying in court. Jennifer attended Montana State University and graduated in 1999 with a Bachelor of Science in Business with an emphasis in accounting. Jennifer is a former member of the Idaho CPA Society and a current member of the South Dakota CPA Society and the American Institute of Certified Public Accountants.



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