

Targeted Area of Concern Schedule A, Itemized Deductions

As a paid tax return preparer, you must take all necessary steps to file accurate federal tax returns on behalf of your clients. These steps include reviewing the applicable tax law, and establishing the relevancy and reasonableness of income, credits, expenses, and deductions to be reported on the return. In general, a tax return preparer may rely in good faith without verification upon information furnished by the client. You may not, however, ignore the implications of information furnished to, or actually known by you, and you must make reasonable inquiries if the information as furnished appears to be incorrect, inconsistent with an important fact or another factual assumption, or incomplete. Additionally, a tax return preparer must make appropriate inquiries to determine the existence of facts and circumstances required as a condition for claiming a deduction or credit.

A review of the tax year 2010 individual income tax returns you prepared reveals that these returns contain a high percentage of attributes of returns typically found to have significant errors on Schedule A, Itemized Deductions.

To prepare accurate Schedules A, you should ask your clients sufficient questions to determine that the expenses claimed are correct. Taxpayers may not fully understand the tax laws and may incorrectly believe they are entitled to claim deductions on Schedule A for non-qualifying expenditures. The most common Schedule A issues are:

- Unreimbursed Employee Business Expenses claimed on Form 2106. Taxpayers may only claim allowable unreimbursed expenses.
- Mileage claimed on Form 2106. Taxpayers should have documentation to support business miles claimed.
- Travel, meals and entertainment expense. Taxpayers must have documentation of business purpose, as well as receipts to support expenses claimed.
- Charitable contributions. Taxpayers must have receipts for all cash contributions and adequate documentation for all non-cash contributions.

For more information on issues related to Schedule A, please visit www.irs.gov and review Tax Topics 501 through 514.