

Preparer Due Diligence – Income Documentation Assistance

Income

Does the income appear to be sufficient to support the taxpayer and qualifying children?

If "No," some additional inquiries might be needed.....  Yes  No

Taxpayers with self-employment income:

Not applicable

1. How long have you owned your business? .....

Brief description of business: .....

Where do you conduct business?.....

2. What services do you perform?.....

How much do you charge for them?.....

3. Approximately how many clients do you have? .....

How often do you provide services for each client?.....

4. What types of items do you need to operate?.....

How often are they replenished?.....

5. Do you travel for business?.....  Yes  No

How do you keep track of mileage?.....

When and where do you travel for business?.....

6. Can you provide any documentation to substantiate your business?

- Business cards  Business/occupational license (if required)
 Business stationery  Other tax returns (sales/excise, employment; etc.)
 Receipts or receipt book (with company header)  Advertisements (newspaper, flier, yellow pages; etc.)

Other (list any other documentation you can provide to substantiate your business):

7. Who maintains the business records?.....

8. Do you maintain separate banking accounts for personal and business transactions?.....  Yes  No

a. If "Yes," in what form were records provided?

b. If "No," how do you differentiate between personal and business transactions and monetary assets?

9. Were satisfactory records of income and expense provided?.....  Yes  No

a. If "Yes," in what form were these records provided?

- Accounting records  Computer records  Log books  Business bank accounts
 Paid Invoices/receipts  Car/truck expenses  Ledgers

List any other forms of income/expense documentation provided.....

b. If "No," how did you determine:

The amount of income?.....

The amount of expense?.....

10. Form 1099-NEC:

a. Do you have any Forms 1099-NEC to support the income?.....  Yes  No

b. If not, is it reasonable that the business type would not receive Form 1099-NEC?.....  Yes  No

11. Are the expenses consistent with the type of business?.....  Yes  No

12. Are the amounts of expense reasonable?.....  Yes  No

13. Are any expenses that are typical for this type of business missing?.....  Yes  No

14. If no expenses or low expenses, why are expenses so low?.....

15. If high expenses or overall loss, why are expenses so high?.....

16. If high expenses or loss, how are you able to pay these expenses and keep this business open?

17. List any other information you can provide related to your business.  

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