

## Part III – Administrative, Procedural, and Miscellaneous

### Common Mistakes on Tax Returns

#### Notice 2004-13

The purpose of this notice is to alert taxpayers about common mistakes made by individuals while preparing their federal income tax returns. These mistakes may result in taxpayers failing to fully pay their correct tax liabilities. In addition, these mistakes may result in delays in processing returns and receiving any refunds. Taxpayers should carefully read all the instructions to the tax forms and schedules and review their entire return before filing. In addition, e-filing, either through the Service's Free File Program at [www.irs.gov](http://www.irs.gov) or through a tax professional, will help reduce errors and speed refunds. Taxpayers who e-file and use direct deposit will receive their refunds in as little as two weeks.

Additional taxpayer resources, including answers to frequently asked questions, also can be found at [www.irs.gov](http://www.irs.gov). Taxpayers can learn more about common mistakes and find an error checklist on page 60 of the Instructions to the 2003 Form 1040 Federal Income Tax Return; this information also is available at TeleTax Topic 303 on the internet at [www.irs.gov](http://www.irs.gov) and from the toll-free TeleTax number, 1-800-829-4477.

**1. Choosing the wrong filing status.** Taxpayers should confirm that the filing status (*i.e.*, single, married filing jointly, married filing separately, head of household, qualifying widower) selected on the return is correct. For example, taxpayers often incorrectly claim "head of household" filing status without meeting the requirements for that status. In addition to delaying the processing of the return and any refund, designating the wrong filing status on a return also may affect a taxpayer's eligibility for the Earned Income Credit. The Instructions to the 2003 Form 1040 provide detailed information to assist taxpayers in choosing their correct filing status.

**2. Failing to include or using incorrect social security numbers.** The names and social security numbers for the taxpayer, taxpayer's spouse, dependents, and qualifying children for the Earned Income Credit or Child Tax Credit must be included on the return exactly as they appear on the social security cards.

**3. Failing to use the correct forms and schedules.** Taxpayers should review the instructions to all applicable forms and schedules to be sure they have correctly used, and accurately completed, each form or schedule.

**4. Failing to sign and date the return.** Taxpayers must sign and date their return under penalties of perjury. If the return is not signed, it will not be accepted as filed by the Service. Both spouses must sign a joint return.

**5. Claiming ineligible dependents.** Taxpayers may claim a person as a dependent only if that person meets the legal definition of a dependent. Taxpayers should consult the Instructions to Form 1040 to confirm whether a person qualifies as a dependent. Each dependent must have a valid social security number, which must be included on the tax return. The failure to include a dependent's name and social security number, or claiming an ineligible dependent, may result in an underpayment of tax and/or a denial of the Earned Income Credit.

**6. Failing to file for the Earned Income Credit.** Taxpayers should review carefully the eligibility requirements for the Earned Income Credit, including income limits, before filing returns. For example, many military families may qualify for the Earned Income Credit because supplemental payments and combat pay are exempt from the income calculations. Detailed instructions for claiming and computing the Earned Income Credit are contained in the Instructions to the Form 1040, Fact Sheet 2004-8, in Publication 596 and through links at 1040 Central at [www.irs.gov](http://www.irs.gov).

**7. Improperly claiming the Earned Income Credit.** Taxpayers must have a qualifying amount of earned income to claim the Earned Income Credit. For example, a taxpayer whose sole income is from the receipt of disability payments does not have qualifying earned income and is ineligible for the Earned Income Credit. Detailed instructions for claiming and computing the Earned Income Credit are contained in the Instructions to the Form 1040, Fact Sheet 2004-8, and Publication 596, and through links at 1040 Central at [www.irs.gov](http://www.irs.gov).

**8. Failing to pay and report domestic payroll taxes.** Taxpayers employing household workers, such as a house cleaner, an in-home caregiver, or a nanny, must pay and report payroll taxes for those individuals where the payments exceed certain threshold amounts. Failure to pay and report payroll taxes may result in the assessment of additional tax due, interest on the unpaid amounts, and penalties. The Instructions to the Form 1040, Publication 926 (Household Employer's Tax Guide), and Publication 15-A (Employer's Supplemental Tax Guide) contain detailed information to assist taxpayers in determining whether an individual providing household help is a household employee for whom the taxpayer must pay and report payroll taxes.

**9. Failing to report income because it was not included on a Form W-2, Form 1099 or other information return.** Taxpayers must report all income, even if the income was not reported on a third-party reporting statement such as a Form W-2, Form 1099, or other similar statement. Failure to report all income may result in the assessment of additional tax due, interest on the unpaid amounts, and penalties.

**10. Treating employees as independent contractors.** Employers may not treat an employee as an "independent contractor" to avoid paying and reporting payroll taxes. Employers who improperly treat an employee as an independent contractor may be liable for additional tax due, interest on the unpaid amounts, and penalties. Publication 15-A (Employer's Supplemental Tax Guide) contains detailed information to assist taxpayers in determining whether an individual is an employee or an independent

contractor.

**11. Failing to file a return when due a refund.** Taxpayers must file a return to claim a refund of withheld taxes when a refund is due. Taxpayers will forfeit refunds of withheld tax if a return requesting a refund is not filed within three years of the due date.

**12. Failing to check liability for the alternative minimum tax.** Taxpayers should determine whether the alternative minimum tax, or AMT, applies. If the taxpayer is liable for AMT, the Service may reduce or deny a requested refund or may assess any additional tax due, interest on the unpaid amounts and penalties.

This notice was authored by the Office of Associate Chief Counsel (Procedure and Administration), Administrative Provisions and Judicial Practice Division. For further information regarding this notice, contact that office on (202) 622-7800 (not a toll-free call).