

# Top Five Mistakes in Preparing Tax Returns

Everyone makes mistakes. But making mistakes on your tax return can lead to an IRS-sized headache later in the year. Make sure you don't make these common mistakes:

## 1. Filing as Head of Household if Not Eligible

You may think you're head of household if you support yourself, but you're not. For tax purposes, head of household has a very specific meaning. In order to qualify as head of household, you have to be unmarried AND support dependents. You cannot take head of household if you are married. There can also be only one head of household per address. Two people living together and supporting children cannot both take head of household.

## 2. Claiming a Dependent That Has Already Been Claimed

This situation happens most often when couples are in the middle of a divorce and have not agreed who gets to take the child as a dependent.

As a general rule, the parent who has custody gets to take the child as a dependent. However, there can be other agreements worked out through the courts. Both parents cannot claim the dependent in the same year, and the return filed first will get accepted. However, if you took a dependent that you are not entitled to take, you will have to pay the money back to the IRS.

## 3. Forgetting to Include Self-Employment Income

Income from self-employment or contract work comes on a 1099. Some taxpayers have no idea what to do with this form, so they throw it away. This is a bad idea because the IRS receives copies of all 1099 forms. You have to report this income on a Schedule C and pay tax on the income. Unlike a W-2, no tax has been withheld from the income.

## 4. Overlooking Moving Expenses

Many taxpayers do not realize they can take moving expenses if they move more than 50 miles. You do not have to move specifically for a job, but you have to work for at least 39 weeks as a full-time employee in the year after you move. If you move to go to school, it is not deductible. Moving expenses include mileage, gas and lodging if you drove. Costs to move furniture and possessions are also deductible.

## 5. Not Taking Education Credits

Omitting education credits can be costly. The Lifetime Learning Credit can give you a \$2,000 credit towards taxes paid. If you are a full-time student without outside employment, the credit will not help you because you have to pay taxes during the year. However, if you work full or part-time while in school, the credit gives you an automatic increase in your refund. The \$2,000 is the maximum amount of the credit, which is calculated based on tuition paid during the year.

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**The information mentioned here in above is of general nature and cannot be regarded as legal or tax advice. For more information, please contact Anne Tahim at 714-772-4744**