

11 most common tax mistakes

Being forgetful when completing a federal filing could cost you in the end



Tina Fineberg / AP

Did you remember to sign? Preparing federal tax forms can have their omissions and errors.

By Amy Fontinelle

Investopedia  INVESTOPEDIA

Updated 1/7/2011 7:39:57 AM ET

With all the records to gather, so many lines and boxes to fill out and most people's feeling of being overwhelmed when it comes to the tax code, it's easy to make a mistake on your [federal tax](#) return. But if you acquaint yourself with some of the most common errors people commit, you may be less likely to make them yourself.

1. Forgetting to sign and date your return

Especially if you use tax software, it's easy to forget that you need to sign and date your return. If you're married filing jointly, don't forget that your spouse also needs to sign and date the return. If you opt to e-File, you can eliminate the possibility of committing this error.

2. Forgetting to attach Copy B of your W-2 form to your tax return

Your W-2 form (or forms, if you have more than one job) is what your employer hands you or sends you in the mail stating your annual wages and tax withholding. Taxpayers filing paper returns should not forget to attach this form according to IRS instructions.

1. Where to get tax forms

The IRS will no longer be automatically mailing paper tax packages, due to the continued growth in electronic filing. But it still has free tax forms and publications on a wide variety of topics. Here's how to obtain them:

On the Internet

All forms and publications are available on the IRS site at www.irs.gov.

Taxpayer Assistance Centers

The IRS operates 401 centers nationwide where it offers face-to-face assistance and where taxpayers can pick up many IRS forms and publications. Locations are listed on the IRS website; go to Contact My Local Office on the Individuals page to find a list by state or enter your ZIP code to find the one nearest you.

Community locations

Many libraries and post offices offer free tax forms during tax filing season. Some libraries also have copies of commonly requested publications. Many large grocery stores, copy centers and office supply stores have forms you can make copies of.

By mail

You can call 1-800-TAX-FORM (800-829-3676) to order current-year forms. The IRS requests that taxpayers wait until after Jan. 17 to place requests.

3. Entering your Social Security number incorrectly (or not at all).

If you don't have your number memorized, it's best to look at your actual Social Security card when entering your number. No matter what, double and triple check what you enter before submitting your return.

[More from Investopedia.com: 6 tax breaks that anyone can claim](#)

4. Making mathematical errors

Avoid errors in math by using tax [software](#) to complete your return. If you are determined to complete your return by hand, at least use a calculator or spreadsheet program to perform your calculations.

5. Not making a copy of your signed and dated return

You should always keep copies of your tax returns for your records. Your previous year's return can help you file next year's return, will be indispensable if you get audited, and will be required if you apply for a mortgage or refinance.

6. Waiting until the last minute

As in all other areas of life, you are more likely to make a mistake if you put off preparing your tax return until you are under the gun. You are also less likely to have time to double check your return for any possible errors. Similarly, you should prepare

your return when you're alert and well-rested — you'll complete it faster and more accurately.

[Investopedia.com: 6 tax myths everyone should know](#)

7. Not reporting all of your income

Almost all income is taxable — even if your employer or financial institution did not send you a tax form reporting that income. If you're not sure if money you earned or received is taxable, consult IRS Publication 525, Taxable and Nontaxable Income.

8. Taking deductions you aren't entitled to

A common mistake, intentional or not, is for [small business owners](#) to claim deductions for business expenses that the IRS does not allow. If you're not sure if an expense is tax deductible, read IRS Publication 535, Business Expenses, or consult a tax professional.

9. Not taking all the exemptions and deductions you are entitled to

It is perfectly legal to reduce your tax bill as much as possible by taking advantage of all the exemptions and deductions that apply to your situation. This is called tax avoidance, and it should not be confused with tax evasion, which is the illegal nonpayment of tax that you really do owe. Don't forget commonly overlooked deductions such as certain fees you may have paid if you sold your home, the fee you paid to license your vehicle and any non-cash contributions you made to a charity. Make sure to keep documentation in your personal tax file in case you need to prove that you are entitled to these write-offs.

[Investopedia.com: States that pay the most taxes](#)

10. Preparing your return yourself when it would be more efficient to hire a professional

This mistake is common among small [business owners](#), whose time is generally best spent pursuing profits rather than completing paperwork. Even if you normally handle all aspects of your business yourself, it may be worth it to hire a tax professional. Taxes for small business owners can be very time consuming and time spent preparing taxes is time that could be spent earning more money. Of course, you will have to spend time gathering the documents and records related to your return no matter who prepares it, and in some cases, especially if you are adept at preparing tax returns, you may get more bang for your buck by saving the money you would have paid a preparer and doing the work yourself.

11. Forgetting to mail your payment

If you owe the IRS money, don't forget to send your check. On the check, you should write your Social Security number and what the check is for (e.g., "2010 Form 1040"). E-filers can avoid this mistake by paying electronically. If you are unable to pay everything you owe, you should send as much as you can currently afford to pay — this will reduce the penalties and interest you will owe.

The bottom line

If you need another reason to double check your tax return for these common errors, keep in mind that any mistakes you make on your federal return are more than likely to end up on your state return as well, increasing the pain of possible penalties and interest if you are audited. Don't let any mistakes that you could easily avoid trip you up this year.

[Investopedia.com: 4 more can't-miss health deductions](#)

[Investopedia.com: The history of taxes in the U.S.](#)