



COMMON

# X tax errors

TO AVOID

Form 1040A  
Department of the Treasury—Internal Revenue Service  
U.S. Individual Income Tax Return

Your first name and initial Last name

If a joint return, spouse's first name and initial Last name

Home address (number and street, if you have a P.O. box, see instructions)

City, town or post office, state, and ZIP code. If you have a foreign address, also give

Foreign country name

Filing status  
Check only one box.  
1  Single  
2  Married filing jointly (even if only one spouse is a U.S. resident alien)  
3  Married filing separately. Enter spouse's SSN full name here. ▶

Exemptions  
6a  Yourself. If someone can claim you as a dependent, see instructions.  
b  Spouse  
c Dependents:  
(1) First name Last name (2) Dependent's social security number

If more than six dependents, see instructions.

d Total number of exemptions claimed.

7 Wages, salaries, tips, etc. Attach Form W-2.

Taxable interest. Attach Schedule B.  
Tax-exempt interest. Do not include.

Ordinary dividends. Attach Schedule D.  
Capital gain distributions (see instructions).

11a  
12a  
compensation

For Disclosure, Privacy

**N**avigating the US tax system can be challenging. How you need to file depends on your income and filing status, as well as which tax deductions and credits you can claim. Your taxes are your responsibility, even if someone assists you in filing them.<sup>1</sup>

As you prepare your taxes, here are some common filing issues that you may be able to manage with a bit of preparation. Keep in mind that this white paper is for informational purposes only. It's not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals before modifying your strategy. Remember, tax rules are constantly changing, and there is no guarantee that the treatment of certain existing rules will remain the same.



## Error 1 Overlooked Side Income

Taxpayers must claim any income they've received in a tax year. One area that some taxpayers overlook is claiming side money that is in addition to their normal salaries. If you receive income from efforts outside your regular wages or self-employment, then you are obligated to report what you receive.

This money usually isn't reported on a 1099 or W-2 and can include income from the following sources (and more):<sup>2</sup>

- Hobbies that yield a profit
- Bartering for services or property
- Forgone interest from below-market loans
- Canceled debt, including discounts on mortgage loans
- Social Security benefits to spouses and dependents (subject to filing status and income)
- Unemployment compensation

But not all side money is considered taxable. If you receive a financial gift from someone, like a family member, you may not have to claim this money as taxable income.<sup>3</sup>



# SOME REASONS FOR IRS TAX PENALTIES

- Not filing by the tax deadline
- Not paying owed taxes on time
- Not paying quarterly taxes, when needed
- Your bank doesn't honor your check or other form of payment

Source: IRS.gov, 2024

## Error 2 Unrealized Tax Breaks

Tax breaks can help you manage the taxes you owe or change your liability, resulting in greater benefits for you. While deductions are one form of tax break, others include tax credits, exemptions, and certain tools designed to help you manage your tax burden.<sup>4</sup>

Here are some tax provisions worth keeping on your radar that could help you manage your taxable income:

- **Child and Dependent Care Tax Credit:** This credit allows you to claim childcare costs for children younger than 13. You can also claim expenses related to caring for a spouse or dependent who cannot physically or mentally care for themselves.<sup>5</sup>
- **Appreciated Stock Donations:** Donating stocks to nonprofits that you wish to support can help these organizations financially while potentially lowering your tax responsibilities.<sup>6</sup>

# BIGGEST TAX DAY CONCERNS for Americans

**19%**

Identity Theft

**28%**

Not Having  
Enough Money  
To Pay

**28%**

Getting  
Audited

**25%**

Making A  
Mathematical  
Mistake



## Error 3 Wrong Filing Status

Your filing status can greatly impact your taxes because it defines your standard deduction and tax brackets. A common reason people choose an incorrect status is that their status has changed during the tax year. Before filing your taxes, be sure that you've updated your tax paperwork to reflect any changes to your filing status.

The five tax filing statuses are:

- **Single:** Taxpayers who aren't married, are divorced, or are legally separated (as state law dictates).
- **Married Filing Jointly:** Taxpayers who are married and will file a combined joint return. Widow(er)s can typically file a joint return within the first tax year of losing their spouse.
- **Married Filing Separately:** Taxpayers who are married and choose to file separate tax returns, which may or may not decrease their tax liabilities.
- **Head of Household:** Taxpayers who are typically single and pay at least half of all home expenses for themselves and a qualified person.
- **Qualifying Widow(er) with a Dependent Child:** Taxpayers whose spouse has died within the past two years and who have a dependent child, assuming other qualifications are met.<sup>7</sup>

### Changes to Filing Status

As your life changes, you can revise your filing status to match. However, if you're amending previous years' tax returns, there are limitations. For example, if your status is married filing separately, you can amend your previous returns to be married filed jointly but not the other way around.<sup>8</sup>

## Error 4 Incorrectly Claimed Dependents

As stated earlier, taxpayers can claim dependents for whom they are financially responsible during a tax year. The IRS defines a dependent as a “qualifying child” or “qualifying relative.” Taxpayers can no longer claim personal exemptions for each dependent, and they can miss out on other tax benefits by incorrectly claiming or forgetting a dependent. Be aware that if you have a blended family in which you share children with another taxpayer, you could end up accidentally claiming children when only one parent would be able to do so.<sup>9,10</sup>

Here are some tips to help you claim dependents:<sup>9,11</sup>

- **Age Cap:** Dependents must be under the age of 19 (or, for full-time students, under the age of 24) at the end of the tax year.
- **Claims Cap:** Only one taxpayer at a time can typically claim a dependent.
- **Same Residence:** The claimed dependent must live with the taxpayer for more than six months of the same year.
- **Proof of Records:** Having school and medical records on hand will help prove that you live at the same address.

### New Credit for Dependents

To claim the New Credit for Dependents tax credit, taxpayers must demonstrate eligibility by supporting the following:

- Their children, aged 17 years or older at the end of the tax year
- The taxpayer’s parents
- Anyone else living with the taxpayer who meets federal qualifications

However, remember that this tax credit is not for those who have claimed the Child Tax Credit. Contact your tax professional for more information.<sup>12</sup>

## Error 5 Not Having Proof of Purchases

Your paperwork is crucial for filing taxes correctly and includes everything from your pay slips to receipts. Beyond helping you file taxes, your documents also serve as proof of the claims you make on your return. Should the IRS find any errors or choose to audit you, you’ll need these records to back up the numbers.

Here is a partial list of items to have on hand for verifying your financial records:<sup>13</sup>

- **Receipts:** You’ll need receipts to prove any tax breaks you’re claiming, including transportation and any volunteer work.
- **Mileage:** Keep track of the miles you spend driving for things like volunteering, business meetings, or medical appointments. You’ll also want to document any parking fees, bus or taxi fares, and tolls that you pay for these efforts.
- **Documents on Life Events:** Store important documents relating to any life events you’re including in your tax claims, such as:
  - Child adoption custody arrangements
  - Divorce
  - Marriage
  - Spousal death
- **Medical Records for Home Improvements:** If you renovate your home for medical reasons, such as by installing a wheelchair ramp, be sure to keep any relevant medical and expense records.

The suggested timeframe for storing your records will vary depending on your individual situation. The IRS recommends that you keep your records for three years from the date you filed your original return or two years from the date you paid the tax, whichever is later, if you file a claim for a credit or refund after you file your return. If you file a claim for a loss from worthless securities or bad debt deduction, the IRS recommends you keep your records for seven years.<sup>14</sup>

## Error 6 Not Accounting for Income Changes

Your or your family's income is the key determinant of how much you'll pay in federal taxes. The IRS will tax you at a rate depending on the total you report.

Here are the income brackets for the 2024 tax year:<sup>15</sup>

2024 rate	single filers	married filed jointly
10%	\$0 - \$11,600	\$0 - \$23,200
12%	\$11,601 - \$47,150	\$23,201 - \$94,300
22%	\$47,151 - \$100,525	\$94,301 - \$201,050
24%	\$100,526 - \$191,950	\$201,051 - \$383,900
32%	\$191,951 - \$243,725	\$383,901 - \$487,450
35%	\$243,726 - \$609,350	\$487,451 - \$731,200
37%	\$609,351+	\$731,201+

Some quick calculations can help you learn your tax bracket. Identify your taxable income using these two steps:<sup>16</sup>

1. First, add together your earned and investment income.
2. Then, using that total, subtract any adjustments or deductions.

### In Conclusion

Filing your taxes can be a complex responsibility, and accidental errors can be easy to make. By being diligent, carefully strategizing, and keeping tight records, you can improve your ability to file taxes in a timely fashion while attempting to follow all of the federal and state guidelines. Even if you're choosing to work with a tax professional, you are responsible for making sure you correctly file your financial details.

Remember, if you have any questions about your financial life, we're here to help you navigate this complicated landscape. We always welcome collaborating with your tax professionals to align the strategies you take across your financial priorities.

## Endnotes & Disclosures

This material is for information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Past performance does not guarantee future results. Consult your financial professional before making any investment decision.

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### SOURCES

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