

Income Due Diligence

(This page is not filed with the return. It is for your records only.)

2021

Name(s) as shown on return

Tax ID Number

Test T Tester efile

XXX-XX-XXXX

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

If "No," some additional inquiries might be needed . . . . . [X] 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 these services? . . . . .

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 these items replenished? . . . . .

5. Do you travel for business? [ ] Yes [ ] No How do you keep track of mileage? . . . . .
When and where do you have to travel for business? . . . . .

6. Can you provide any documentation to substantiate your business?
[ ] Business cards [ ] Business/occupational license (if required)
[ ] Business stationary [ ] Other tax returns (sales/excise, employment, etc.)
[ ] Receipts or receipt book (with company header) [ ] Advertisements (newspaper, flyer, 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," what form of records were 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 [ ] Log books
[ ] Paid invoices/receipts [ ] Ledgers
[ ] Computer records [ ] Business bank accounts
[ ] Car/truck expenses

Other (list any other forms of documentation you can provide to support your business):

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

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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 (or low) expenses, why are they so low?

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

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

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

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Your signature	Date	Spouse's signature. If joint return, BOTH must sign.	Date
Paid preparer's signature	Date <b>01-10-2022</b>		

Client Copy