

# Income Due Diligence

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

**2022**

Name(s) as shown on return

Tax ID Number

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

If "No," some additional inquiries might be needed . . . . .  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?

- |   |  |
|---|--|
| <input type="checkbox"/> Business cards                                 | <input type="checkbox"/> Business/occupational license (if required)           |
| <input type="checkbox"/> Business stationary                            | <input type="checkbox"/> Other tax returns (sales/excise, employment, etc.)    |
| <input type="checkbox"/> Receipts or receipt book (with company header) | <input type="checkbox"/> 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?

- |   |   |
|---|---|
| <input type="checkbox"/> Accounting records     | <input type="checkbox"/> Log books              |
| <input type="checkbox"/> Paid invoices/receipts | <input type="checkbox"/> Ledgers                |
| <input type="checkbox"/> Computer records       | <input type="checkbox"/> Business bank accounts |
| <input type="checkbox"/> 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?

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

Your signature	Date	Spouse's signature. If joint return, BOTH must sign.	Date
Paid preparer's signature	Date		