AICPA

Initial business return filing checklist

Client name and number ______________________________

Prepared by ____________ Date ________ Reviewed by ______________ Date ________

Note: This checklist addresses federal filing considerations only. Remember to consider state and/or local requirements as each state or locality may have additional requirements.

100) General	Yes/ Done	No/ N/A
▶ 101) Determine the entity type of classification and ownership classification (foreign or domestic):		
1. C corporation (a copy of the articles of incorporation should be made available to the practitioner)	☐	☐
2. S corporation (a copy of the IRS approval letter of the S corporation status should be made available to the practitioner as well as the date the election was granted and the date it went into effect)	☐	☐
3. Partnership (a copy of the partnership agreement should be made available to the practitioner)	☐	☐
4. Limited liability company (LLC) (a copy of the articles of organization and operating agreement should be made available to the practitioner)	☐	☐
a) Single member treated as a disregarded entity	☐	☐
b) Multi-member filing as a partnership	☐	☐
c) Multi-member filing as a C corporation	☐	☐
d) Multi-member filing as an S corporation	☐	☐
▶ 102) Apply for a federal employer identification number (EIN).	☐	☐
▶ 103) Select the appropriate year-end. Note: Ensure the initial year covers the start date through the year-end and is for a period covering consecutive months (12 or fewer). If the entity existed previously as a different entity type, be sure to take into consideration prior year-ends.	☐	☐
▶ 104) Consider obtaining a Form 2848, *Power of Attorney and Declaration of Representative*, from the client.	☐	☐
▶ 105) Ensure that the “Initial Return” box on the initial return is checked.	☐	☐
▶ 106) Determine if the standard mileage rate method or the actual expense method should be selected for vehicle expenses (if applicable). If the actual expense method is used in the first year, it cannot be changed. Ensure the vehicle is covered by the business' insurance policy and is titled in the business' name.	☐	☐

100) General *(cont.)*	Yes/ Done	No/ N/A
▶ 107) Develop a method or system to track internal and external basis records for partners and corporate owners (if applicable). While the basis records do not affect the initial return directly, the records will be valuable at some point in the future if ownership interests change.	☐	☐
▶ 108) Discuss with the client the following items:		
1. Employee and employment taxes versus independent contractors and filing requirements	☐	☐
2. Foreign bank accounts	☐	☐
3. Other tax filings such as Forms 940, 941 and 5500 and information returns such as Forms W-2, 1099-MISC and 1095-C	☐	☐

Comments/explanations

200) Accounting method selections	Yes/ Done	No/ N/A
▶ 201) Determine if the entity is a small business as defined under Sec. 448(c) as that status has a bearing on choice of accounting methods and whether the entity is subject to the interest expense limitation of Sec. 163(j). Part of this determination requires a review of whether the new entity has a predecessor entity and whether the gross receipts of other entities are to be considered under the gross receipts aggregation rules (Sec. 448(c) and regulations). If the entity meets the definition of a tax shelter under Sec. 448(d)(3), it may not use the favorable methods for small businesses of Sec. 448, 471(c) and 263A(i).	☐	☐
▶ 202) Select either the cash or accrual accounting method. This must be indicated on the initial return filed. Subsequent changes may require additional filings. See IRS Publication 538 for further information. Note: Business and personal items may use different accounting methods. A different accounting method may also be selected for each separate and distinct business.	☐	☐
▶ 203) Select the appropriate method of inventory valuation (if applicable). This must be reported on the initial return filed. Subsequent changes may require additional filings. See IRS Publication 538 for further information. Note: If the LIFO method is selected, Form 970, *Application to Use LIFO Inventory Method*, must be filed (see the election filing grid shown on this checklist).	☐	☐
1. If the taxpayer has inventory and is not a small business as defined under Sec. 471(c), or is a small business and prefers to use the accrual method and account for inventory, various inventory methods must be adopted (such as cost or lower-of-cost-or-market). See Sec. 471.	☐	☐
▶ 204) Accrual-method businesses have additional method choices or elections. Consider the recurring item exception under Sec. 461(h)(3) and advance payments under Sec. 451(c).	☐	☐

Comments/explanations

300) Elections

	Yes/ Done	No/ N/A
▶ 301) Review the grid below to ensure elections are timely and appropriately filed.	☐	☐

Election	Applicable to*	How to make election
Form 8832, *Entity Classification Selection*	LP, LC, LS	Stand-alone filing
Form 1122, *Authorization and Consent of a Subsidiary Corporation to be included in a Consolidated Income Tax Return*	C	Stand-alone filing
Election to deduct and amortize organizational expenses	C, S, P, LP, LC, LS, LI	Attach a statement to the initial return
Election to deduct and amortize startup costs	C, S, P, LP, LC, LS, LI	Attach a statement to the initial return
Form 8716, *Election to Have a Tax Year Other Than a Required Tax Year*	C, S, P, LP, LC, LS	Stand-alone filing
Form 2553, *Election by a Small Business Corporation*	S, LS	Stand-alone filing or attach a statement to the initial return
Form 970, *Application to Use LIFO Inventory Method*	C, S, P, LP, LC, LS	Stand-alone filing
Election to adjust partnership basis for distributed property or transferred partnership interest	P, LP	Attach a statement to the return
Regs. Sec. 1.761-2(b) election to not be treated as a partnership for certain unincorporated entities with multiple owners	P, LP	Attach a statement to the initial return
Regs. Sec. 1.263(a)-3(h) business expense elections (capitalization threshold)	C, S, P, LP, LC, LS, LI	Attach a statement to the return annually
Regs. Sec. 1.1012-1(b) election to capitalize carrying charges	C, S, P, LP, LC, LS, LI	Attach a statement to the return annually
Sec. 351 tax-free transfer to corporation. Note: This is not technically an elective provision. Statements are required to be filed with the applicable returns of the transferee and transferor.	C, S	Attach a statement to the return

* C = C corporation; LP = LLC filing as a partnership; P = Partnership; S = S corporation;
LC = LLC filing as a C corporation; LI = Single-member LLC; LS = LLC filing as an S corporation

Comments/explanations

AICPA