

**TAX TALK**  
**BY JEFFREY D. SKOLNICK, CPA, M.S. TAXATION**

## **AMENDING TAX RETURNS – IS IT A GOOD IDEA?**

One question that I run in to quite often is I made a mistake on my tax return and I know I'm entitled to more deductions, but is amending my return going to raise a red flag?

My answer to this question would be if you have the proper support to your change by all means, file an amended return. This question of whether amended returns raise red flags has long been discussed by both tax payers and tax professionals. I have never seen any study that proves filing an amended return opens you to audit any more than filing any other return. For purposes of this article I will concentrate on amended returns filed with the IRS.

### **Under what circumstances should I file an amended return?**

Amended returns should be filed if you need to correct anything on a form previously filed with a taxing authority. Corrections may include changes to income, deductions, credits, filing status or dependents.

### **How do I file an amended tax return?**

An amended tax return is filed with the IRS Service center that processed your original return. The amended form is Form 1040X which shows amounts originally reported under income, deduction, tax liability and payment categories. This form will also show any changes that you are claiming. The key to this is to properly document your changes in narrative form and to attach any backup. An example would be that you are taking additional mortgage interest expense. You would attach a copy of form 1098 received from a bank showing the additional interest.

Please keep in mind when filing an amended return to claim a refund of previously paid taxes, the return is due within three years after the date you filed your original return or within two years after the date you paid the tax, whichever is later.

### **Are there any reasons to file an amended return other than to correct errors?**

The answer to this question is yes. A perfect example of this would be the first-time homebuyer's credit. As stated in a previous article, individuals that are considered first-time homebuyers and purchase a home between April 8, 2008 and December 1, 2009 are entitled to a credit. The IRS has made a provision to allow individuals that purchase a home before December 1, 2009 but after they filed their 2008 tax return to amend

**TAX TALK**  
**BY JEFFREY D. SKOLNICK, CPA, M.S. TAXATION**

their 2008 tax return and obtain a refund. This refund is limited to 10 percent of the purchase price of the home, but no more than \$8,000. A first-time homebuyer is defined as an individual or married couple that has not owned a home during the three-year period ending on the date of the purchase of their new home. Taxpayers do not have to amend their 2008 tax return. The credit may also be claimed on their 2009 tax return.

**Conclusion**

This article discusses very general questions relating to amended returns. Each situation is unique and as always if you're not sure of the rules, then check with a tax professional.