

REQUIRED DOCUMENTATION TO SUPPORT GROSS RECEIPTS REPORTED ON TAX RETURN

Q: What supporting documentation is required to be filed with the tax return to show gross receipts?

A: Federal tax returns and schedules constitute supporting documentation, including the following:

- Schedule C for sole-proprietorships or single member limited liability companies,
- Schedule E for rental real estate owned by an individual or jointly,
- Form 8825 for rental real estate owned by a corporation or partnership,
- Form 1120 for corporations or limited liability companies with more than one member,
- Form 1120S for subchapter S corporations,
- Form 1065 for partnerships or limited liability companies with more than one member,
- Schedule K-1 for partners or shareholders of a subchapter S corporation

If Federal tax returns and schedules are not available, worksheets will be accepted as supporting documentation so long as they reasonably verify the information reported on the Business Privilege and Mercantile Tax Return. Such supporting documents include, but are not limited to the following:

- Form 1099,
- internal worksheets,
- financial statements,
- accounting software reports,
- excel spreadsheets

Q: What schedules would be deemed appropriate if my business has a fiscal year (12-month year different from January 1 – December 31)?

A: Verified copies of internal worksheets, financial statements, accounting software reports, etc., covering the calendar year from January 1 – December 31 will serve to validate the gross receipts reported on the Business Privilege and Mercantile tax returns.

Q: What is the consequence if I fail to include supporting documentation with my return?

A: If a return is filed without supporting documentation, many consequences are possible:

1. The taxpayer may be contacted and asked for more information. If additional information is not then provided, the return may be rejected and both the return and payment may be sent back to the taxpayer. If a return is rejected for this reason the return and is then refiled with supporting documentation and payment after the April 15 deadline, the return and payment will be considered late and penalty and interest will be added.

2. The taxpayer may be audited to determine compliance with the Tax Code.
3. The District may seek to have a fine in the minimum amount of \$300 per return imposed against the taxpayer by the Magisterial District Justice for failure to comply by submitting the necessary documentation. If the District is required to file a complaint in Magisterial District Court, by law, the taxpayer becomes liable for the District's attorney fees and other collection costs.