BUSINESS TAX CHECKLIST

What to gather for your 2026 partnership return.

For partnerships and multi-member LLCs filing Form 1065. Every partner gets a Schedule K-1, and the return is only as good as the capital accounts behind it.

TAX YEAR 2026

FILING DEADLINE — **15 MARCH 2027 FOR A CALENDAR-YEAR FILER, OR 15 SEPTEMBER WITH AN EXTENSION**

The entity itself

The paperwork that establishes who is filing. Most of it does not change from year to year, but the year it does change is the year it matters.

- [ ] EIN and the legal name exactly as it appears on the IRS notice (CP 575)

  A name on the return that does not match IRS records is a common cause of e-file rejection.

- [ ] Formation documents: articles, operating or partnership agreement, bylaws and any amendments
- [ ] Form 8832 entity classification election, if one was filed
- [ ] States where the business is registered, qualified or has filed an annual report
- [ ] Prior-year federal and state returns, including the depreciation schedule and every K-1 issued

  Essential for an accurate return. Last year's closing figures become this year's opening figures, and the depreciation schedule carries each asset's remaining basis. Some small entities may qualify not to complete Schedules L and M-1 on the filed return, but the books, capital or equity rollforward and depreciation still need to reconcile.

- [ ] Every notice received from the IRS or a state during the year
- [ ] Changes during the year: new owners, a change in ownership percentages, a new state, a name change, a merger, a sale or a closure

  Tell your preparer about these before the return is started, not after.

Books and financial statements

Everything below comes out of the accounting system. If it is already reconciled, the return takes days instead of weeks.

- [ ] Year-end trial balance, profit and loss statement and balance sheet
- [ ] December statements and year-end reconciliations for every bank and credit card account
- [ ] Loan statements showing the year-end balance and the interest paid during the year
- [ ] Merchant processor annual summaries and any Forms 1099-K the business received

  Processor deposits are net of fees; the 1099-K reports gross. The books have to show both.
- [ ] Accounting method — cash or accrual — and whether it changed during the year

  A tax accounting method cannot always be changed simply by starting to report differently. IRS consent and Form 3115 may be required, and any section 481(a) adjustment may be taken into account immediately or over several years depending on the change.
- [ ] Inventory at the beginning and end of the year, the year's purchases, and the valuation method

  Cost of goods sold is a calculation, not a figure you can look up. When Form 1125-A and inventory accounting apply, the computation generally starts with opening inventory, adds purchases and production costs, and subtracts closing inventory. Small-business inventory rules may permit a different method, so bring the records even if the books treat inventory as materials and supplies. Goods withdrawn for personal use cannot remain in deductible purchases.
- [ ] Accounts receivable and accounts payable at year end
- [ ] Owner draws, contributions and anything personal that ran through a business account

  These are not expenses. Left unlabelled they distort both the return and the owner's basis.

Income

The IRS matches most of this against what other people reported paying you. Gross receipts that fall short of the forms on file is the fastest way to draw a letter.

- [ ] Gross receipts, returns and allowances
- [ ] Forms 1099-NEC, 1099-MISC and 1099-K received by the business
- [ ] Interest and dividend income earned in business accounts

  Forms 1099-INT and 1099-DIV issued to the business EIN. On a 1065 or an 1120-S these are stated separately on each K-1 rather than folded into ordinary business income, so they cannot simply sit in revenue.

- [ ] Other income: rebates, insurance proceeds, grants, forgiven debt, legal settlements

  Forgiven debt usually arrives as Form 1099-C and is taxable unless an exclusion applies.

- [ ] Sales or disposals of business assets, with dates, proceeds and the original cost

  Reported on Form 4797. Depreciation taken in earlier years is recaptured on the sale, so the original cost alone is not enough — the asset's history has to come with it.

- [ ] Rental income from property the business owns

  A partnership or S corporation reports this on Form 8825, separately from trading income.

Payroll and contractors

The area that generates the most notices, because three separate filings have to agree with each other and with the books.

- [ ] Forms 941 for all four quarters and Form 940 for the year
- [ ] Form W-3 and copies of every W-2 issued
- [ ] State unemployment and withholding returns
- [ ] Copies of the Forms 1099-NEC you issued, and Form 1096 if the returns were filed on paper
- [ ] A signed Form W-9 for every contractor you paid **CHANGED**

  For payments made in 2026 the reporting threshold rises from $600 to $2,000. Collect the W-9 before the first payment anyway — chasing one in January is how deadlines get missed.

- [ ] Guaranteed payments to partners: the total for the year, per partner, separate from draws

  On a bank statement a draw and a guaranteed payment can look identical. A draw generally reduces the partner's capital or basis and is not itself an expense. A guaranteed payment is generally deductible by the partnership and ordinary income to the partner whether or not the partnership earned a profit. Payments for services generally enter the partner's self-employment tax computation; payments for the use of capital can be treated differently. It is not W-2 payroll and is reported through the K-1.

- [ ] Retirement plan contributions — the employer share and the Form 5500 if one is required
- [ ] Confirmation that every payroll tax deposit for the year was actually made

Deductions and expenses

A deduction is only as good as the record behind it. The categories below are the ones examiners open first, because they are the ones where personal and business spending blur.

- [ ] Rent paid for premises, and the Form 1099-MISC issued to the landlord if one was required

- [ ] Vehicles: make and model, the date each went into service, and the year's mileage

  Total miles, business miles and commuting miles are reported separately, so a log or a mileage app is what makes the deduction defensible. Personal use of a company vehicle belongs on the user's W-2. If you claim actual expenses instead of the standard rate, bring fuel, insurance, repairs and the lease or loan statements.

- [ ] Business meals, kept separately from entertainment

  An ordinary personal lunch between jobs is not deductible. A qualifying business meal generally needs a documented business purpose and, when it involves a client, supplier or employee, a record of who attended and what was discussed. Meals during qualifying overnight business travel may also count even when the traveler eats alone. Meals are generally 50% deductible; entertainment is generally nondeductible.

- [ ] Days on the road, if drivers are subject to the DOT hours of service rules

  Certain transportation workers who are subject to federal hours-of-service limits may deduct 80% of qualifying away-from-home meal costs. The optional special transportation-industry meal allowance can replace meal receipts, but the applicable federal rate depends on the travel date and is updated on 1 October. Keep a log of the location and each night away from your tax home.

- [ ] Travel, lodging and conference costs, with the business reason for each trip

  A trip qualifies when business is the reason you went and you were away from your tax home long enough to require sleep or rest. Keep the itinerary and what you actually did each day. On domestic travel mixing work and holiday, transportation generally follows the trip's primary purpose while lodging and meals are allocated to business days; international travel has additional allocation rules. A conference agenda or registration record helps establish the business purpose. A family member's travel is generally not deductible unless that person is an employee, has a bona fide business purpose and would otherwise qualify.

- [ ] Professional fees, insurance, software and subscriptions

- [ ] A written reimbursement policy for a partner's own car, home office and other costs paid personally

  With proper substantiation, a partnership can reimburse a partner for partnership expenses and deduct the qualifying expense. Unreimbursed partner expenses generally belong on the partner's return only when the partnership agreement or established policy requires the partner to pay them personally. The written agreement and the actual reimbursement practice should match.

- [ ] **Domestic research and development costs** CHANGED

  Domestic research can be deducted again in the year it is paid, for tax years beginning after 2024, rather than amortized over five years.

- [ ] **Business interest expense**

  If gross receipts are above the small-business threshold, the limit is computed on Form 8990 — and since 2025 it is measured on earnings before depreciation and amortisation again.

- [ ] **Charitable contributions made by the business**

- [ ] **Startup and organisational costs, if this is the first year**

  Up to $5,000 of startup costs and up to $5,000 of organizational costs may be deducted when the business begins, with each $5,000 amount reduced when that category exceeds $50,000. The remainder is generally amortized over 180 months.

- [ ] **Bad debts written off during the year**

  Deductible for an accrual-basis business; a cash-basis business never recorded the income.

Assets and depreciation

Anything with a useful life beyond this year lands here rather than in expenses. The decisions made now follow the asset for years, so they are worth making deliberately.

- [ ] **Every asset bought, sold or scrapped during the year: description, date, cost and the invoice**

- [ ] **Last year's depreciation schedule, including assets that are fully depreciated but still in use**

- [ ] **Decisions on Section 179 and bonus depreciation** CHANGED

  100% bonus depreciation is back for qualified property acquired and placed in service after 19 January 2025. The Section 179 limit for 2026 is $2,560,000, reduced once purchases pass $4,090,000.

- [ ] **Equipment and vehicle lease agreements**

  The tax treatment follows the agreement's economic terms and the facts, not merely its title. Some arrangements are true leases; others are conditional sales or financed purchases. Provide the complete contract, payment schedule, purchase option and any trade-in so the asset and deductions are reported consistently.

- [ ] **Improvements to real property, with the invoices split between land, building and equipment**

- [ ] **Assets converted from personal to business use, with the fair market value on the conversion date**

Partners and capital accounts

The part of a partnership return that cannot be reconstructed later. Every number here follows the partners for as long as they hold their interest.

- [ ] Each partner's legal name, address, SSN or EIN and ownership percentage, with the date of any change
- [ ] Capital account activity for each partner: contributions, distributions, transfers of interest
- [ ] Partner basis, at-risk amounts and passive activity information

  A partner who takes distributions above basis has a taxable gain — better to know in February than in April.
- [ ] Liabilities allocated to each partner: recourse, nonrecourse and qualified nonrecourse
- [ ] Any special allocations the partnership agreement requires
- [ ] Whether the partnership is subject to the centralised partnership audit regime, and who the partnership representative is
- [ ] Health insurance and retirement contributions made on behalf of partners

Credits, elections and reporting to owners

Credits are rarely claimed by accident: they need paperwork gathered during the year, not reconstructed in March. The foreign items below carry penalties that apply even when no tax is owed.

- [ ] The figures owners need for the qualified business income deduction: W-2 wages and the basis of qualified property **CHANGED**

  The deduction is permanent now. For 2026 it starts to phase out above $403,500 of taxable income on a joint return ($201,750 for others), and there is a $400 minimum deduction for owners with at least $1,000 of qualified business income.
- [ ] Research credit documentation, if the business develops products, processes or software (Form 6765)
- [ ] Work opportunity credit paperwork for employees certified before 2026

  The credit does not apply to anyone who began work after 31 December 2025, and Form 8850 is no longer in use, so there is nothing to certify for a 2026 hire. What is still worth keeping is the paperwork for employees certified earlier and any unused credit carried forward, computed on Form 5884.
- [ ] Employer-provided child care credit, if the business helps employees with child care

  Claimed on Form 8882.
- [ ] Any credit carryforwards from earlier years

- [ ] **Foreign owners, foreign accounts and foreign transactions**

  A 25% foreign-owned U.S. corporation generally files Form 5472 when it has a reportable transaction with a related party; a foreign-owned U.S. disregarded entity can also have a pro forma Form 1120 and Form 5472 filing duty. The initial failure-to-file penalty is $25,000. Foreign financial accounts may separately require FinCEN Form 114.

- [ ] **Foreign partners, and any withholding required on income allocated to them**

  Section 1446 withholding on effectively connected taxable income allocable to foreign partners is generally reported on Forms 8804 and 8805 and can be due even when no cash was distributed. Other payments to foreign partners may follow different withholding rules.

State and local

Federal filings are the visible half. State obligations follow employees, property and sales, and they usually start before anyone notices they have.

- [ ] **Every state where the business has employees, property, inventory or economic nexus**

  Remote employees create filing obligations in their state, often before anyone notices.

- [ ] **Sales tax returns filed during the year and any new state registrations**

- [ ] **Franchise, excise or gross receipts tax filings**

- [ ] **Pass-through entity tax elections and the payments made under them**

  Eligibility, election dates, payment timing, owner credits and federal treatment vary by state. Model the entity-level deduction and the owners' state credits before making or renewing an election.

- [ ] **Annual report and registered agent filings**

- [ ] **Local business licenses and city or county tax returns**

> This checklist is general information for the 2026 tax year, not advice about your business. Amounts and rules are current as of the date of publication and can change. Your own return may need documents that are not on this list.