5 Common Tax Blunders to Avoid

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Amidst the flurry of tax-time madness, don't make an error that could cause you a world of trouble with the Internal Revenue Service. Haste is never a good thing when it comes to filing your taxes. Some mistakes are small and can be easily corrected, while others might just earn you an invitation to a very exclusive audit party.

If you decide to file your tax return electronically, a small safety net has been provided for you. When you choose to e-file, the form will be rejected if common errors (such as a misspelled name) are detected. That way, you'll have a chance to make corrections.

Be aware of these five tax filing blunders.

1. Forgetting health insurance marketplace benefits

If you were covered through the health insurance marketplace and you received premium tax credits, you'll need to report this. Parker says you can include marketplace benefits on Form 1095A.

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2. Lazy record keeping

The key to steering clear of avoidable errors is to be keep good records of your expenses throughout the year. Don't wait until April to start searching for crumpled receipts in the bottom of your desk drawer. Stay organized, and you will hopefully stay out of trouble.

"The most common error is waiting until tax season to think about taxes. Paying the least amount of taxes requires keeping good records throughout the year. For example, if you have a small (or large) business, and would like to deduct the expense of entertaining prospective clients, the IRS generally requires that a contemporaneous record be kept of the amount of the expense, the time and place of the meal or entertainment, the business purpose of the expenditure, and the business relationships of those in attendance," says Dennis Brager, founder of the Brager Tax Law Group, certified tax specialist, and former senior trial attorney for the Internal Revenue Service's Office of Chief Counsel.

Brager says the most efficient way to keep track of expenses is to stay on top of each spending event. "The easiest way to do this is as you're paying for a meal with that potential customer, simply write down on the back of the credit card receipt the person's name, the fact that they are a potential customer, and a short phrase such as "discussed Mr. Smith's need for a computer technician" (assuming you are a computer technician)," says Brager.

3. Wrong social security number

Check those numbers twice before submitting your tax return. An incorrect Social Security number will cause the IRS to return your forms. Make sure the number is right the first time to avoid delays.

A tax return may be rejected if anyone listed on return has an incorrect Social Security number. If your form was rejected but all of the Social Security numbers are correct, the IRS says it is possible that someone else may also be trying to file under the same number, or in the case of a dependent, someone else may also be attempting to claim the child. In addition, there may have been a typo in a previous tax return.

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4. Incorrect filing status

This is a common oversight made by estranged couples. “If you were still legally married at the end of the tax year but separated (and you can show proof) for the last 6 months, you can file as head of household if you have a dependent to claim,” says LaToya Parker, a certified financial planner and president of Infinity Financial LLC.

In order to qualify for this status, you have to be unmarried or considered unmarried by the last day of the year. A benefit of the head of household designation is that your tax rate will generally be lower than those who choose single or married filing separately. The IRS recommends using the Interactive Tax Assistant to help you with choosing the right status.

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5. Not taking education credits

The IRS allows you to receive credits and deductions for pursuing education, so take advantage of them. “Get tax Form 1098-T from university or colleges attended,” says Parker. Be aware that if you choose the married filing separately status, you will not be able to take a student loan interest tax deduction.

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