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, 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

  Not optional. Last year's closing figures are this year's opening ones: the ending balance sheet becomes the opening balance sheet, and the ending capital accounts — or the accumulated adjustments account on an 1120-S — become the opening owner balances. Until those two tie out the return will not reconcile, and the software will not let it go. The depreciation schedule carries each asset's remaining basis; without it the year's depreciation has to be rebuilt from scratch.
- [ ] 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 change of method is not something you simply start doing: it needs Form 3115 and an adjustment spread over the following years.
- [ ] 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. Form 1125-A adds opening inventory, purchases less anything withdrawn for personal use, direct labour, materials and other production costs, then subtracts closing inventory. That is why all of it is needed: what you spent on stock says nothing until we know what was left on the shelf, and goods taken for yourself or family come out of purchases or the deduction is overstated.
- [ ] 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, with Form 1096
- [ ] 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 look identical, and the difference is expensive. A draw only reduces that partner's capital account. A guaranteed payment is deductible by the partnership, is ordinary income to the partner whether or not the partnership earned anything, and carries self-employment tax. It is not payroll — no W-2, no withholding — it lands on the partner's K-1. The partnership agreement and your instructions during the year are what decide which is which.
- [ ] 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

  Groceries are not a business meal, and neither is lunch on your own between jobs. A deductible meal has someone else at the table — a client, a supplier, an employee — and a business reason you could say out loud. Keep the date, the place, who was there and what was discussed; the card statement on its own proves nothing. Meals are generally 50% deductible, and entertainment is not deductible at all.

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

  Transport is the exception to the 50% rule: drivers, and crews moving people or goods by truck, bus, train, ship or air, deduct 80% of their meals. Instead of collecting every receipt they can claim a flat per-day allowance — $80 inside the continental United States and $86 outside it for 2025 — so what matters is the log of nights away from home, not a shoebox. The method chosen has to be used for every trip that year.

- [ ] 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 home overnight. Keep the itinerary and what you actually did each day: on a trip that mixes work and holiday, lodging and meals count only for the business days, and the airfare follows the main purpose of the trip. A conference agenda or badge is the easiest proof there is. Taking the family along does not make their tickets deductible.

- [ ] Professional fees, insurance, software and subscriptions

- [ ] An accountable plan for a partner's own car, home office and other costs paid personally

  This is the route most partnerships miss. Under a written plan the partnership reimburses the partner against a log or receipts, deducts the reimbursement as its own expense, and the money is not income to the partner — nothing lands on a K-1 or a W-2. Without a plan, unreimbursed costs are deductible only where the partnership agreement requires the partner to bear them; otherwise they are simply lost.

- [ ] 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 amortised 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 each can be deducted in the first year and the rest is amortised on Form 4562. The costs count even though they were paid before the business opened.

- [ ] 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 agreement decides whether it is rent or a purchase financed over time — only one of the two goes on Form 4562.
- [ ] 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 certifications for eligible new hires

  Form 8850 has to reach the state workforce agency within 28 days of the hire — miss that window and the credit is gone no matter how eligible the employee was. The credit itself is claimed 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 corporation with a 25% foreign owner files Form 5472; the penalty for not filing it is $25,000. Foreign accounts may require FinCEN Form 114.

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

  Withholding is reported on Forms 8804 and 8805, and it is due whether or not any cash was actually distributed to the partner.

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

  The state workaround is still worth running: the individual SALT cap for 2026 is $40,400 and it shrinks at higher incomes.

- [ ] Annual report and registered agent filings

- [ ] Local business licences 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.