



IRS RED FLAG CHECKLIST

TOP MISTAKES THAT CAN TRIGGER THE IRS (AND HOW TO AVOID THEM) FOR WORKING-CLASS INDIVIDUALS (W-2 EMPLOYEES)

FOR WORKING-CLASS INDIVIDUALS (W-2 EMPLOYEES)

- Not Reporting All Income, Employers and banks send copies of your W-2/1099 to the IRS. If you don't include it, they know.
- Claiming Too Many Dependents You Can't Prove, Duplicate dependent claims across different households trigger audits.
- Excessive Charitable Contributions, Large donations disproportionate to your income raise suspicion.
- Incorrect Filing Status, Claiming Head of Household when you don't qualify.
- Not Reconciling Advanced Child Tax Credit Payments, Reporting the wrong amount received can cause IRS mismatches.
- Earned Income Tax Credit (EITC) Mistakes, Claiming a child who doesn't live with you more than 6 months of the year.



FOR SELF-EMPLOYED, SIDE HUSTLERS & SMALL BUSINESS OWNERS

- Not Reporting All Cash Income, Gig work, cash tips, and platforms like Venmo/Zelle are tracked.
- Too Many Unrealistic Business Expenses, Writing off 100% of personal-use items like car or meals.
- Excessive Home Office Deductions, Claiming non-exclusive spaces like kitchens or living rooms.
- Large Travel & Entertainment Deductions, Vacations disguised as business trips.
- Unusually High Mileage Deductions, Claiming unrealistic mileage without a logbook.
- Mixing Personal & Business Finances, Using business accounts for groceries or personal expenses.
- Reporting a Net Loss Year After Year, Businesses without profit may be reclassified as hobbies.



TIPS TO STAY SAFE

- Keep organized receipts and records (digital or paper).
- Use separate accounts for personal and business finances.
- Double-check dependent, credit, and deduction eligibility.
- File on time, even if you can't pay everything (avoid extra penalties).
- Work with a qualified tax professional to stay audit-proof. Want peace of mind this tax season?



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