

Business Tips

- See downloads tab showing our business worksheet that can also be used for your accounting and the types of categories of business expenses This worksheet is ideally how your accounting should be organized. It downloads into excel to easily use for your accounting records.
- Keep a separate bank account to track your business expenses and income. Make sure your bank sends you copies of the checks back with your bank statements, they are needed in a potential audit. If you are paperless and don't get your bank statements be sure and save them on your computer and/or print them with the copies of the checks. It is very expensive to be called into audit and to have to reproduce these records.
- Use a sheet of accounting paper with many columns, make a new column for each expense, never make a miscellaneous category. All expenses will have a purpose and should be assigned to that category.
- Notebook method - keep each page as a different expense or income category and record then add pages at year end.
- Computer software - keep track by using different categories and balance to the bank account each month - print profit and loss statement and balance sheet. Excel, QuickBooks and there are many online apps that do accounting very well.
- If bookkeeping has become too time consuming or overwhelming for you, then we provide accounting services for you at our office.

Income:

- You are required by IRS to keep track of your income by either copies of invoices or record it in some way by listing customer and amount received. Just adding your business deposits is not enough for record keeping.
- Keep track of all money put into business account i.e. loans from you or refunds of insurance, otherwise they could mistakenly be classified as income that you will be taxed on.
- Even if you don't receive a 1099 from someone or W-2 does not mean you don't report it. You are the one who is responsible for tracking and claiming your income.

Expenses:

- Receipts **need** to be kept for all expenses, the IRS will call these into audit and often if you do not have track of things or no receipts they will simply throw out your claim of expenses. Even if you have bank statements and credit card statements the receipts are still required.
- Have a good system to keep these receipts, manila folders are cheap and with current technology you could scan in your receipts and be paperless.

- Car and Truck expenses – One of the biggest questions we are asked is in regard to auto expenses. There are two separate ways to deduct auto costs. One is the “mileage method” and the other is the “Actual method”. Mileage must be tracked no matter the method you use. Keep a mileage log with amount, time and place, date, client visited or reason, miles driven to and from. There are great apps that track your mileage right on your phone. The car need not be in the business name to be deductible. People often ask is it better to lease or buy, compare out your costs and see by both methods. But remember just putting a car in a business name doesn’t make it 100% deductible, it goes by the BUSINESS use of the vehicle.

1) Mileage Method: Just track the business mileage and let us know what it is. Most people use the mileage method, it is simple, and most vehicles do not exceed the govt assigned rate for their business use. To find the current years mileage rate you can search on www.irs.gov. (IRS rate X's business miles). For example: 10,000 miles X's 53.5 cents = \$5,350 deduction.

2) Actual Method: If the car/truck you own is expensive and 100% business then it may be better to take the standard deduction. Most large pick up trucks/SUVs that are brand new and/or heavy in gross weight fall into this category. Keep track of all of its ACTUAL costs: gas, insurance, maintenance, registration and interest on payments/lease payments. You will also have to know your personal mileage driven so a business use percentage can be established. Using all the actual costs is the actual method, this is compared to the standard method to see which is better. For example, actual costs \$20,000 and 5,000 business miles were driven and 5,000 personal for a total mileage of 10,000, the vehicle is 50% business and your write off will be \$10,000 under the actual method.

- The other area we are often asked about is the “home office” deduction: Must use it 100% for business purposes. It is highly audited and not advised if just used casually. The IRS does not allow it if your business is a loss. You must know the square feet used vs. total square feet to determine a business percentage, Keep track of insurance, utilities, heat, repairs, mortgage interest, real estate taxes and cost of the building as separate from the land. See our worksheet for what to track on business worksheet in downloads. For example, if your home costs total are \$5000 and your business use room is 100 square feet with a total home square footage of 1,000 then your business use is 10% so you have a write off of \$500.
- Equipment you purchase for business is a write off. Startup equipment and things brought into business are allowed to be written off as well. For example, someone gave you a piece of art that is now in your office, or tools you had previously for working on your own home and now you are a carpenter, you are able to turn those into business property and write them off.
- Parking & Tolls are not part of auto and are deductible for business travel. Parking tickets are not deductible.

- Travel - away from home, train, bus, plane, taxi and hotel, rental car and rental car gas.
- Interest: charge cards from business purchases, and other business loans are deductible.
- Phone: cell phone for just business is 100% deductible, personal cell figure business percentage by business calls. Home phone if 100% business or just record business calls by percentage or actual cost.
- Meals: Overnight, Long day, and with clients, staff meals (IRS only allows 50%) Staff parties are allowed at 100%.
- Other related expenses such as advertising, professional fees, supplies, liability insurance, dues and subscriptions, office supplies, cell phones, equipment, repairs and maintenance, commissions, professional development (education) laundry (i.e. uniforms), license, and bank service charges.

Remember the business worksheet on the website has helpful tracking information and that we are here to help!