

## Business Tips

- See our website “Forms and Information” for business worksheet that can also be used for your accounting and the types of categories of business expenses that you should be tracking. 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 includes copies of the front and back of your checks with your bank statements, they are needed in the event of a potential audit. If you are paperless and don't get your bank statements be sure and save the statements 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, you will record the income received or expense paid by date and include a description.
- Computer software - Excel, QuickBooks and other brands of software are available to meet your needs for tracking expenses, assets and income. Most software programs also allow for ease of month end account reconciliations and preparation of financial reports.
- 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 up 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 or W-2 does not mean you don't report it. You are the one who is responsible for tracking and claiming all of your income.

## Expenses:

- Receipts **need** to be kept for all expenses, the IRS will request these at audit. If you are not able to provide receipts, they will disallow the expenses. Even if you have bank statements and credit card statements the actual 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 most frequently asked questions is about 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 the number of miles to and from, time and place, date, and the client visited or reason. There are available apps that track your mileage right on your mobile phone. The car need not be in the business name to be deductible. People often ask is it better to lease or buy a vehicle, use an online comparison calculator and see what works best for your business. Remember that registering a car in a business name doesn’t make it 100% deductible, it goes by the BUSINESS use of the vehicle.

1) Mileage Method: Track the business mileage and report it. Most people use the mileage method, it is simple, and most vehicles do not exceed the government assigned rate for their business use. To find the current years mileage rate you can search on [www.irs.gov](http://www.irs.gov). (IRS rate X's business miles).

2) Actual Method: If the car/truck you own is expensive and 100% business then it may be better to take this 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 an expense. Startup equipment and things brought into business are allowed to be expensed 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 deduct them.
- Parking & Tolls are deductible for business travel. Keep this separate from auto expenses. Parking or speeding tickets are not deductible.

- Travel - away from home, train, bus, plane, taxi and hotel, rental car and rental car gas.
- Interest on credit cards for 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, equipment, repairs and maintenance, commissions, professional development (education) laundry (i.e. uniforms), licenses and permits, and bank service charges.

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