

Business Credit Cards

- Charges incurred on major credit cards for business expenses should be deducted in the year that the CHARGE was made, NOT when the credit card payment is made. Many clients do not realize this.
- We recommend matching and attaching the charge slips and receipts to the credit card statements each month.

The charges made should be summarized just as the common expense categories listed above. Many clients will add these to the expense category totals for expenses that were paid by cash, debit card, or check.

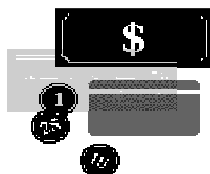
Store Credit Cards

- The expenses are deductible in the year the invoice/ statement is paid, NOT when the charge incurred.
- We recommend matching and attaching the charge slips and receipts to the credit card statements each month.

The charges made should be summarized just as the common expense categories listed above. Many clients will add these to the expense category totals for expenses that were paid by cash, debit card, or check.

Leases, Loans, or Notes

We will need to be provided with any contract information related to a lease arrangement or loans for business asset purchases or general cash flow purposes. The information we would need include the purchase price/loan amounts, interest rate, payment amount, # of periods, etc. Normally, this information is in the top pages of the paperwork.



Bank Account

- Open a separate bank account for business transactions:
- We recommend using a separate account to deposit all income and to pay all vendors.
- At the end of the year, it makes the organization time much easier because all of your business activity is contained in one bank account.
- It provides an easy way to ensure that you have not “missed” any transactions that are to be summarized for tax preparation.
- It also would assist in the event that you are ever selected for audit.



As you can see, the organizing of paperwork can be very time consuming. There is more to this than some business owners realize. If you have a lot of activity with your business, we recommend establishing a filing system that works for you as well as deciding if you need to use a spreadsheet program such as Microsoft Excel or an accounting program such as QuickBooks to track your business activity. Laura is certified as a “QuickBooks Proadvisor” and assists many businesses with setting up and training on QuickBooks. If you are too busy to keep up with the accounting of your business or do not want to do it, we do offer services during the year to assist you in keeping your books current so when tax season arrives you will be ready to file with very little additional time needed.



Infobites *Schedule C Businesses* *Organizing Tax Paperwork*



Each year, gathering paperwork to be used to report income and expenses for a business can be tedious. Tax preparation fees can be reduced by organizing information to reduce the time required to prepare your tax return for your Schedule C (Sole Proprietorship) business.

Tax return preparation fees can include fees to prepare the tax return as well as time that we have to spend to add up receipts, sort through information, or compile data to be able to arrive at totals for the actual tax return service.



LAURA R. PADGETT, LLC
CERTIFIED PUBLIC ACCOUNTANT



TIPS THAT WE RECOMMEND TO HELP YOU REDUCE YOUR FEES:

Tax Organizer

We send out a tax organizer for each client. This organizer can be used to gather information and enter onto the appropriate area. Some clients use the organizer as a tool to ensure that they do not forget an item as there is a column that populates the amounts reported on prior years. We encourage business clients to use the business section to complete the income, expenses, and assets purchased for the business.

Summarize Tax Information

If you prefer not to use the organizer, then we recommend to summarize your business income, expenses, asset purchases, year end inventory (if applicable), and other information into totals by category on a sheet of paper. This will greatly reduce the tax preparation fee because we will not have to spend time organizing your receipts and adding up to arrive at the figures to be used for the tax return.

COMMON EXPENSE CATEGORIES

- Office supplies
- Rent
- Equipment rental
- Advertising
- Material (used as part of a job where it becomes a permanent part of a job)
- Supplies
- Small Tools (these are normally not assets because the costs is small)
- Licenses & Taxes
- Repairs & maintenance (not for auto)



- AUTO EXPENSES (provided BY VEHICLE)
- Gas & Oil
- Repairs and maintenance
- Tags
- Insurance
- Interest paid on vehicle loan
- Auto Mileage
- For first year vehicles to be claimed, we will need the cost of the vehicle purchased so we can calculate depreciation expense.
- Business mileage driven for business BY VEHICLE (we do have mileage logs available so just ask us for one if you need it)
- Personal mileage driven for the year (note: we recommend writing down your beginning mileage each year so you can easily back into the personal mileage by subtracting the business portion tracked.)
- Travel (hotels)
- Meals & entertainment for out of town work or local entertainment of clients/customers/potential clients
- Telephone – If you operate your business from your home the first local phone line is not deductible even if it is your ONLY line. Business long distance calls are deductible.
- Cell phone
- Internet for business (if there is a personal use then this amount should be fairly adjusted to represent the business portion only)
- Dues and Subscriptions
- Insurance (not auto) – general liability, workman’s comp
- Contract labor – anyone you paid for labor that is paid at least \$600 should be issued an annual Form 1099-misc to support your deduction or the IRS cannot allow the deduction.
- Utilities



HOME OFFICE EXPENSES

- If you are electing the home office deduction, shared expenses (indirect) should be broken out separate from expenses that are 100% related to the square foot (SF) use for business (direct).
- SF of area used for business; SF of total living area of home
- Utilities (electric, water, heat)
- Cost of home (excluding land value)
- Repairs & maintenance
- Home insurance
- Real Estate taxes paid
- Interest expense paid for mortgage
- Any other costs that are incurred at the home

Asset Purchases

- **cost and date of purchase needed**
- Examples:
- Office furniture
- Chairs
- Equipment
- Machinery
- Computer
- Printer
- Cell phone
- Tools (i.e. saw, drills) that will last more than a year & cost at least \$100
- Vehicles
- Trailers

