

TOP 4 WAYS

to Remove Tax-Time Stress for Business Owners

Do you scramble at tax time to gather all of your business expenses? Do you file extensions every year because you didn't keep your records up to date throughout the year? If it's too late for last year's taxes, apply these tips throughout this year to make next year's tax time easier on yourself.

GET ORGANIZED AND KEEP ACCURATE RECORDS

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Getting and staying organized throughout the year is the key to being ready at tax time. Here are some great ways to streamline your organization system:

- Use an accounting software and a payroll software to stay organized and avoid payroll tax penalties.
- Go paperless – Set up a filing structure on your computer or server that works for your business. Then as documents come in, save and file them accordingly.
 - Take photos of your receipts and go paperless – your accountant does not want the shoebox of receipts and you want to make sure that you included all of them. So, find an app (I use Scanner Pro by Readdle) to scan, track and manage your receipts so that after the business lunch all you have to do is snap a picture of the receipt and get rid of the paper copy. Scanner Pro has integrations with Box, Dropbox and Evernote that will automatically upload scanned receipts to a designated folder for accurate record-keeping.
 - Download electronic bills from vendors.
 - Ask your vendors to email your receipt instead of giving you a paper copy.
 - Download and save your bank & credit card statements.
- Group your vendors into expense categories for easier tracking. For example, a category for Office Supplies, a category for Utilities, a category for Meals and Entertainment, etc.
- Keep your business accounts separate from your personal accounts. If you don't have separate bank accounts for your business and personal, at least have a separate credit card for your business so you can more easily track your business expenses.
- Stay on top of your bookkeeping throughout the year by making sure to categorize expenses (or have your bookkeeper do it) – this will help not only at tax time, but also with strategic business planning throughout the year.
- Review your bookkeeping, financial and investment account statements each month.
- Never delegate bill payment. While bookkeepers should be empowered to pay small bills, set an amount like \$250 that they cannot go over without your approval.

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FILE AND PAY YOUR TAXES ON TIME TO AVOID INTEREST AND PENALTIES

By keeping accurate records throughout the year, this should be no problem. Put reminders in your calendar to pay these before the deadline each quarter. The penalty for filing late is 5% of the unpaid taxes for each month or part of the month that a tax return is late. And, if you don't pay your taxes by the tax deadline, the penalty is ½ of 1% of your unpaid taxes. If you owe both, the maximum you'll pay is 5%.

As a business owner, you file quarterly income taxes because taxes are to be paid as you receive income and no one else is withholding those taxes and paying them for you throughout the year. If you owe self-employment tax, make sure that's included in your quarterly estimated tax payments too.

TAX DEDUCTIONS AND CREDITS

Work with your tax preparer to educate yourself on what deductions and credits you may be eligible to utilize. There are over 300 potential tax deductions available for business owners.

Don't wait until the end of the year to make sure you're maximizing and doing everything necessary to qualify for these deductions!

Some of the most common deductions for businesses include:

- Home office deduction or Rent on the business property
- Vehicle expenses
- Salaries & Wages
- Contract Labor
- Insurance
- Repairs

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KEEP A FORWARD-LOOKING APPROACH

After tax time, schedule a time to meet with your tax preparer (who should be either a CPA or an EA, Enrolled Agent) to review your return and to ask the following:

- Is my business operating in the most appropriate business structure? (Should it be an S Corp, LLC, C Corp, Sole Proprietorship - this is a question your tax preparer can answer based on your business type and revenue model?)
- Am I properly paying myself from the business? For most entity types, the federal government expects you to pay yourself via payroll so you don't avoid payroll and Social Security taxes. I use Gusto for payroll.
- Should I run the accounting on the cash or accrual basis (another question for your tax preparer or bookkeeper)?
- Are there other expenses I could deduct?
- Do all of my freelancers actually qualify to be 1099 vs W2?
- Should I set up a company retirement plan to save on taxes, as well as attract and retain employees?

Implement these strategies today so you don't get lost in the shuffle of tax time!

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