

Get Ready for Tax Time

By Carol Topp, CPA

If you have been keeping an organized record of your income and expenses, you will find tax preparation easy. If you are unsure how to organize and record your business income and expenses see my related articles on “Keeping Business Records Organized” and “A Simple Bookkeeping System.”

Gather your bookkeeping records and the summary spreadsheet I discussed in “A Simple Bookkeeping System” for your tax preparer. Give him or her keeping printouts of all the backup sheets as well. In addition to the records of your income and expenses by category, your tax preparer will need the following information:

- Miles driven for business. The IRS requires a written record, not an estimate. Often a calendar with the destination and mileage works well, although some business owners prefer a mileage log they keep in their car.
- Business use (as a percent of total use) for shared expenses such as cell phone and Internet use. Only the business portion is tax deductible.
- Date and purchase price of equipment that will be used for more than one year such as computers and printers
- Information on your home office (if it is used *exclusively* and *regularly* for your business) such as the square footage of the entire home and your office space, the purchase price, cost of utilities, mortgage interest, insurance, etc.
- Sales tax you collected and paid to your state government
- Contributions to IRAs and self-employed retirement plans (SEP IRA, Keogh, etc.)
- Value of your inventory at the end of the year. Do an inventory count close to the end of the year. Record the quantity of each item and its cost to purchase (not the amount you hope to charge for the item).

Do your record keeping and filing in small bits all year long, instead of waiting until tax time to gather all your information. Start a simple record keeping system now and you will have a better idea of how your business is performing and will find gathering information for your tax preparer much simpler.

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