

Working with an Accountant

By Carol Topp, CPA

Small business owners might delay working with an accountant until they think they can afford it, but this can be harmful to a new business. Knowledge that is too little or too late can be very expensive.

Recently, a friend was audited by the IRS. She had been running a small business for three years and had prepared her own tax returns. Unknowingly, she had made several mistakes that any CPA (Certified Public Accountant) could have caught. The audit was an unpleasant and expensive experience and I wish that she had used a professional to prepare her tax return three years earlier.

Allot some of your first expenditures toward getting good business advice and asking a professional to prepare your tax return. In addition to tax preparation, a professional accountant or CPA can help your business in several ways.

- Calculate estimated taxes which are payments made to the IRS and state during the year.
- Assist with accurate record keeping.
- Explain the pros and cons of forming a partnership or becoming a corporation.
- Help you take all the deductions to which you are entitled.
- Determine eligibility for the business use of the home deduction.
- Calculate depreciation of business equipment as a tax deduction.
- Assist you in preparing payroll taxes and filing payroll reports.

No one is an expert at everything, so I encourage you to focus on what you do best—running your business—and leave tax and accounting matters to those who know them best. To keep accounting fees down, you can hire a bookkeeper at a lower rate than a CPA or do all the data entry yourself and only meet with your accountant when needed.

Get a clear understanding of what the accounting fees will be. Many accountants charge a set monthly fee or will work on a project basis. You should be able to accurately budget what the accounting and tax preparation fees will cost your business. If your accountant is vague about fees, you may need to work with someone that can be specific about their fees so that you can plan for the expense.

Seek out an accountant that has the ability teach you the financial side of your business. You should feel comfortable with him or her and be free to ask questions. If you leave a meeting with your accountant feeling confused, you need to find another accountant. To find a helpful professional, ask other small business owners in your area for their accountant's contact information or call

your state CPA society. Find a listing at <http://www.taxsites.com/cpa-societies.htm>.

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Carol Topp, CPA (www.CarolToppCPA.com) consults with small business start-ups, work-at-home moms, and teenagers launching micro businesses. Her website has articles, links and ebooks on starting a small business.