It’s Tax Time!

Here are a few tips from the pros to help you wrap up 2013 and prepare for 2014.

If you are new to the world of small businesses, then tax time can be daunting. We have all heard horror stories about business owners who have under-estimated their taxes or made big mistakes on their tax returns. One of the most important components of a business plan should include the assistance of an accountant who understands small business and is up-to-date with tax laws.

Keep Perfect Records

Last year, the IRS sent letters to thousands of small-business owners, questioning if they had underpaid their taxes in their 2012 returns. Taxpayers receiving a “Notification of Possible Income Underreporting” were requested to review and confirm the accuracy of their income. No doubt, receiving this letter ruined the day of more than one business owner.

Keep in mind that the burden of proof is on the business owner, not the IRS. Receiving a letter like this can be frightening, but it shouldn’t be if you understand the ins and outs of the tax laws that apply to you. The more confident you can feel after you file.

Prepping for Filing

American University professors Donald Williamson and David Kautter have a list of “Tax Best Practices for Small Businesses” that include a few things that may be helpful to pet sitters. One is to consider that when a client pays cash, this does not mean it can stay under the tax radar. The IRS has state-of-the-art statistical technology and models based on spending habits and bank accounts to build a case against alleged tax cheats.

Make sure you also have a conversation with your accountant about the Affordable Care Act. Even if you are a sole proprietor with no employees, if you haven’t had this conversation, it’s time. The information surrounding the changes can be confusing, so be sure to talk through them.

Williamson and Kautter also note that one of the biggest pitfalls of small business taxes is managing estimated taxes. If you have a business that is new or changing, be sure that your accountant knows the rules and helps you prepare. Miscalculating payments or underpaying can be a major headache.

If you don’t have an accountant who is familiar with the pet sitting business, you may benefit from finding a professional who knows the business. There are often favorable tax credits and deductions that are unique to your business. If you aren’t familiar with them, having an accountant who can spot them for you might make it worth finding the right accountant.

Tips for 2014

Start thinking ahead now and consider how to make filing taxes for 2014 easier. SurePayroll suggests that you keep close track of all business expenses as you go, inputting them into your accounting system in a timely manner. One of the easiest ways to miss deductions is to forget about the deductible expense or to lose the receipt before it can be accounted.

Outright, an online small business bookkeeping service, suggests that taking the mileage deduction can be a better deal than writing off actual auto expenses. If this is the right choice for you, there are mobile apps, including one provided by Outright, that can make it easy to log your mileage as you go.

Greg Jones, CEO of BookKeeping Express, suggests that in addition to maintaining a complete and accurate set of books and adequate documentation to back up claimed expenses, clients keep business and personal expenses separate. That means maintaining separate a checking account and credit card account for your business.

Jones also notes that small business owners can deduct educational expenses that maintain or improve required skills, including seminars, classes, and convention fees.

The IRS for Resources

If you a have a question and cannot get in touch with your accountant immediately, one of the best places to go for help is straight to the horse’s mouth. The IRS has a tremendous number of resources just a few clicks away.

The IRS resource for small business owners is available at www.irs.gov/Businesses/Small-Businesses-&-Self-Employed. This portal serves taxpayers who file Form 1040, Schedules C, E, F or Form 2106, as well as businesses with assets less than $10 million. This portal includes video and audio presentations, links to forms and publications, and an A-to-Z index.

Now is the time to not only wrap up your 2013 taxes, but to prep for 2014. Brush up on the new laws, check out apps that could make business accounting easier, and get organized!