

Getting ready for tax season.



Highlights

Create a Checklist to Get Ahead During Filing Season

- Meet with your bookkeeper or accountant early
- Gather your bank statements and receipts
- Separate business from personal expenses
- Verify sales taxes paid
- Validate your account balances
- Provide your yearly mileage log
- Include any home office expenses
- Consider meal expenses
- Identify any 1099s to be issued
- Budget for both annual taxes and quarterly estimated taxes

In its first two years, the Tax Cuts and Jobs Act has been good for small businesses. According to a National Federation of Independent Business (NFIB) Research survey, 67% of small business owners reported that the tax law had a “positive” or “very positive” impact on their business, while 65% said it has positively impacted their personal taxes. However, many business owners are discovering how much more complex their tax filing has become, which is all the more reason to prepare early.

With two tax years under their belt since the enactment of the Tax Cuts and Jobs Act (TCJA), small businesses may be starting to gain their footing on a new foundation of tax cuts and changes. While there is much to celebrate in the new tax law—i.e., lower corporate taxes, the pass-through deduction, enhanced expensing and bonus depreciation on equipment purchases, etc.—it has ratcheted up the complexity of tax preparation for many small businesses.

Your Tax Preparation Checklist

To get a jump on tax filing season, here’s a checklist you can follow to not only ensure you file an accurate return, but also to ensure you can take full advantage of the new tax law.

Meet with your bookkeeper now. You need to get your ducks in a row early in the year. That

starts with meeting with your bookkeeper or accountant to review your accounting records and verify all of your entries. Meeting early on gives you time to resolve any potential discrepancies. It will also give you more time to review your financials, including your General Ledger, Profit & Loss Statement and Balance Sheet before handing them over to your tax preparer.

Gather your bank statements. Your tax preparer will want to reconcile your bank statements to ensure that your income deposits match your reported income. To make their job easier and less time-consuming, gather your bank statements and compare them with your Profit & Loss Statement.

Separate business from personal expenses. You may have used personal funds to pay for business expenses during the year. You don’t

want to miss out on any deductions, so review your personal bank account and credit card statements to identify business expenses.

Gather your receipts. Did you purchase any equipment during the year? Any asset costing more than \$500 that's expected to be in use for more than a year may be eligible for a deduction. Your tax preparer can determine how it is to be expensed.

Verify sales taxes paid. If your business is required to pay sales taxes, you need to collect the documentation that shows those calculations and payments and provide it your tax preparer.

Validate your loan balances. Review your business loan statements to verify the balances match the balances on your Balance Sheet.

Make sure your yearly mileage log is current and correct. If you use your vehicle for business travel, make sure your mileage log is complete and accurate. You don't want to miss out on the mileage deduction, but the IRS requires that you have a mileage log. Your log should include any other operating expenses for the vehicles used for business, including tolls and maintenance.

Add up any home office expenses. If you use a space in your home exclusively for business purposes you can deduct a percentage of your mortgage or rent, utilities, repairs, insurance and maintenance. You'll need to provide your tax preparer with those expenses and the square footage of your home office space as a percentage of your home's total square footage.

Double check your meal expenses. You can still deduct 50% of the cost of meals you buy for clients and 100% of the meals you buy on the road (for you or your employees). But you need to have accurate records of the meals with receipts to back them up.

Issue your 1099s. If you paid out more than \$600 to any non-employee, you need to send them a 1099-MISC form before January 31. Your bookkeeper can tell you who needs to receive one. These are deductible expenses that should be recorded on your Profit & Loss Statement.

Set aside enough money for tax payments. If you anticipate owing taxes, set aside enough money to pay both your annual taxes as well as your quarterly estimated taxes.

Prepare for Next Tax Season

Preparing for tax season can be time consuming and frustrating, especially if you wait until it's time to file your taxes. If you develop the mindset that tax season for business owners is actually year round, you can save time and resources while minimizing your frustration. Here are a few ways to make tax preparation less daunting:

Actually separate your business and personal expenses. Try to refrain from paying for business expenses with personal money. Open a separate business checking account and obtain a business-only credit card.

Get a mileage tracking app. There are free or low cost apps you can download to your phone which makes it much easier to track your mileage.

Digitize your banking. Link your business bank and credit card accounts to an accounting software program like Quicken Books or FreshBooks. It can track your expenses and reconcile your accounts in real time, saving you time. It can also provide key reports that can be used in your tax preparation. Online reporting by your business bank makes it very easy to track expenses for both budgeting and tax filing purposes. With online record-keeping tools, it makes it much easier for a bookkeeper to track, categorize and manage expenses. ■

Additional resources and products that can be helpful when filing your business taxes

Internal Revenue Service

<https://www.irs.gov>

Business Advantage Checking Account

<https://www.peoples.com/business/small-business/checking-and-savings>

Business Online Banking/Treasury Management

<https://www.peoples.com/business/small-business/treasury-management>

Business Credit Card

<https://www.peoples.com/business/small-business/commercial-cards>

Business Deposit Products

- Business Advantage Checking
- Premier Business Checking
- Business Money Market, Savings and Certificates of Deposit (CDs)
- Treasury Management
- E-Treasury+ Online Banking
- Remote Deposit Capture
- Business Mobile Banking

Business Credit Products*

- Business Credit Lines and Term Loans
- Commercial Mortgages
- Equipment Financing
- Asset-Based Lending
- Business Credit Cards with Rewards

Business Financial Services




- Merchant Card Processing¹
- Business Insurance²
- Retirement/401(k) Plan Services³
- Business Succession Planning
- Workplace Banking

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We recognize that successful businesses require a variety of financial services, and we deliver these services locally. Our business banking experts serve as your key point of contact. All of which sets the stage for a relationship based on trust and expertise.

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-  www.peoples.com

*Application and credit approval required.

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² Insurance available through People's United Insurance Agency, a subsidiary of People's United Bank. All accounts are subject to underwriting approval.

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- Not insured by FDIC or any Federal Government Agency
- Not a Deposit or Guaranteed by a Bank or any Bank Affiliate
- May Lose Value

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