

10 YEAR-END TAX TIPS FOR SCHOOLS

Careful tax planning prior to year-end can help minimize unnecessary cash outlay, as well as streamline the tax filing process for your company. Here are some great last minute tax tips that will help lower your school's tax liability:

1. Perform a thorough analysis of your inventory, expensing any items that are either obsolete or unusable.
2. Analyze student receivables and expense any questionable accounts.
3. Determine your equipment needs for the first quarter of the upcoming year, and purchase those items prior to year-end.
4. Award bonuses to employees and shareholders, remembering that shareholders having a 5% or more ownership in the school must be paid by year-end. Cash basis companies must pay all bonuses prior to year-end to claim this additional deduction. Accrual basis taxpayers may delay payment to both employees and shareholders (having less than 5% company ownership) for 2 ½ months, or March 15th for a December 31 year-end taxpayer.
5. Cash basis taxpayers: pay all accounts payable by year end, and delay the receipt of payments, including federal fund draw-downs, until next year.
6. Accrual basis taxpayers: defer income by delaying billings until the next year, and pre-pay expenses which are due in the first month of the upcoming year (payments made via credit card are fully-deductible).
7. Make contributions to employee retirement plans, or accrue the contributions, making payment by the extended due date of the tax return for full deductibility.
8. Analyze travel and entertainment expense accounts to ensure the proper separation of the two activities, remembering that meals and entertainment expenses are only partially deductible.
9. Ascertain that all expenses paid by company owners are fully-reimbursed before the end of the year.
10. Determine whether your company may need to issue 1099s. If your school paid \$600.00 or more in fees, commissions, or other compensation to non-employees, including individuals or partnerships, you must issue these workers a Form 1099-MISC (it is generally not necessary to report payments to corporations on 1099s, with the exception of medical payments, attorney fees, or payments made to federal agencies). 1099s must be issued to the recipients by January 31st of the upcoming year, and copies must be filed with the IRS no later than February 28th (March 31st if filed electronically).



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