

## Small Businesses: 3 Year-Round Tax Tips

By Rachel Alexander, CPA

It's easy to let 'urgent' take priority over 'important.' But, you certainly want to avoid the time and financial implications of having the IRS on your 'urgent' list. Making the following three suggestions a priority for your business will go a long way toward preventing unwanted IRS attention.

- 1. Document, document, document!** Remember these four critical areas for record keeping:
  - **Business equipment, vehicles** – Note amount paid and date placed in service. You can purchase fixed asset software to help you keep track and report acquisition and depreciation correctly.
  - **Vehicle use** – Keep records for company-owned and/or personal vehicles regarding business vs. personal use.
  - **Employees vs. independent contractors** – Your end-of-year reporting demands that you know and report accordingly.
  - **Tax documents** – Keep records for at least three years, and for real property, keep records for three years past the time of disposing of the property.
- 2. Don't borrow from Uncle Sam.** Find another source if you need short-term cash, but NEVER use employee payroll tax fund set-asides as a loan. Also, be sure to set up your fiscal year so that you have seasonal cash flow available for paying taxes due.
- 3. Hire experts.** Small businesses are often tempted to do as much as they can themselves to save money. However, for expertise and even legal protection, it's a good idea to rely on at least two types of outside help:
  - **Third party administrators** for your employee benefit plans, such as 401(k) and healthcare. Such expertise is especially valuable with help figuring out compliance for the Affordable Care Act.
  - **Accountants with expertise in your type of business** – A CPA with many clients in the same business sector is current on the regulations and tax implications you need to know. They can also help you accurately calculate estimated taxes and guide you with regard to safe harbors that protect you from underpayment (and thus, penalties). You, the business owner, hold the burden of proof for all tax-related issues, not the IRS. Having an accountant who is current on the latest IRS and other agency rules and regulations can save money, time, and headaches in the long run.

The above descriptions are brief; please [let me know](#) if you want more detail.