Small Business Finance Guide

Crucial accounting and bookkeeping information for small business owners

Green Apple Resources

1st Edition

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10 Things to Look for in a Small Business Accountant

Accountants do not just prepare taxes. An effective accountant can and should take an interest in your business and offer multiple services that can help ensure your success. While these services will include tax preparation, other useful services include financial management advice, financial analysis, auditing if you need it, as well as representation of your company before the IRS for tax purposes.

There is an old adage that says, "If you don't know where you are going, any road will do". However, for your business, will just any road do? What direction will get your company where you want it to go? An effective accountant can provide a key set of skills that will help you along the road to success. To determine if your accountant stacks up, it helps to ask yourself these questions.

1. Has your accountant provided guidance on managing your tax records, which records to keep and how to organize them?

Accountants should take the time to offer effective ways of organizing your business records. In some cases, he/she may ask you to save tax-related information on a computer disk and possibly implement tools or procedures for sharing this data with him. Maintaining organized tax records also saves you money that you may otherwise have to pay your accountant, staff or others. Your accountant should always be interested in saving you money.

2. Are you satisfied with your accountant's ability to stay up-to-date on tax changes?

It is essential that your tax professional have a thorough understanding of the latest tax law changes and the impact of these changes on your business. If your accountant provides you with a newsletter and offers periodic seminars on tax law changes, this is a good indication that he or she is on top of things. Make sure your accountant knows

enough about the tax changes and can recommend new or different practices and procedures appropriate for your business.

3. Is your accountant doing everything possible within the law to lower your tax bill and offer you money-saving tax strategies?

A good accountant continually volunteers possible strategies, especially considering all the frequent tax law changes enacted through congressional legislation. You should not have to pull strategies out of him.

4. When your accountant offers advice and tax strategies, do you feel confident about them?

Your accountant's philosophy should match your own. For example, is he or she always suggesting aggressive strategies to minimize the tax burden, even if it means placing you at risk of an IRS audit? Conversely, you may feel your accountant is not aggressive enough and is ignoring deductions you may be able to take. If you are frustrated with your accountant's approach, he may be falling down on this test. It is important that your accountant be in-line with your philosophies.

5. Have you requested the results of your accounting firm's peer review report, which is supposed to be done every three years by an outside accounting firm?

When firms are willing to share the results of this audit with you, they usually have nothing to hide.. A lot of hemming and hawing may indicate a problem. Just ask for it and see what he/she says. Better yet, why isn't your accounting firm offering these reports to you already?

6. Are you comfortable with the accounting fees you pay?

Take a close look at what you're paying for accounting services and whether you're getting your money's worth. Of particular concern are accounting fees that go up every year, without fail. If this is happening to you, ask yourself whether the additional fees you pay are worth it. Make some calls and find out whether your accountant's fees are in line with his competitors.

7. Does your accounting firm assign you a new staff accountant frequently?

If that's the case, watch out. This kind of revolving door means trouble for your business. It takes time to get a new accountant up to speed on your business and how you do things. This may be an indicator of how well you accounting firm is managed.

8. Is your accountant familiar enough with your type and size of business?

Your accountant should be working with a fair percentage of businesses that are similar to yours. The more clients an accounting firm has that share attributes of yours, the more helpful your accountant can be to you. This shared experience across clients can signal how your business is performing vis-à-vis the other ones the firm deals with. When interviewing for a new accountant, try to determine whether he/she understands your industry and the particular needs of your business.

9. Is your accountant working for you as an individual?

Does your accountant offer 'canned solutions' rather than listening to your unique and specific needs? An accountant works for you, not the other way around.

10. Can you easily reach your accountant when needed?

You should receive a quick response anytime you request to speak with your accountant. If your accountant is too busy to speak or meet with you or if he/she is unwilling to take the time to educate you on the issues, you may want to consider finding a new accountant.

If, after answering these questions you do not think your accountant is measuring up, discuss your concerns with him or her. Give your accountant some time to work on areas that need improvement and keep the lines of communication open. In today's highly competitive marketplace, accounting firms, like most businesses, are making every effort to retain clients. Let this work to your advantage and make sure you get the most for your money.

Insist your accountant help you figure out where you are going, so you will know which road to take.

What You Need to Know Employing Independent Contractors.

Your business is starting to grow. You have no employees, or perhaps a few, but you can no longer handle the workload yourself. You find yourself stuck in a difficult situation and there is insufficient budget to add employees to your team. One immediate option in addressing the work crunch can involve hiring independent contractors. Before taking this step, it is important to understand the tax rules and implications related to this option.

The costs of hiring regular employees can be considerable, including Worker's Compensation insurance, Social Security, and Medicare taxes to pay. Additional costs that may be required to attract good help might include health insurance, vacation time, and other benefits. There is also the added overhead to manage payroll, tax withholding, tax deposits, and quarterly tax filings, which is often outsourced to a payroll company or bookkeeper, but still time consuming.

When faced with these hurdles small business owners often decide to hire independent contractors. But you must acknowledge the difference between an employee and a contractor, as workers' rights are protected and enforced by Federal laws.

Employee or Independent Contractor?

Regardless of whether you consider a person who works for you to be an employee or an independent contractor it really does not matter. What's more important is how the Federal Government perceives that person's status. And that perception determines your tax-filing liability vis-à-vis withholding, social security and Medicare, and unemployment taxes. Knowing a worker's status up front will save you headaches down the road.
In general, someone who performs services for you is your employee if you control 1) what work is to be done and 2) how such work will be done.
If you wish to hire independent contractors as opposed to employees, the following tips help to ensure that the IRS agrees with you on the status of these workers.

- Be careful, when advertising for independent contractors. Do not place newspaper ads in the "Help Wanted" sections and try to avoid using phrases such as salary, wages, or steady work.
- When establishing the relationship, avoid setting a regular pattern of daily or weekly hours. A self-employed individual, such as an independent contractor, presumably has the opportunity to select when and where he or she will work.
- Allow contractors to supply their own tools, supplies, and equipment wherever possible in the performance of the services required. This will demonstrate that the contractor shares a risk of loss as well as an opportunity for profit.
- Retain on file any business cards, circulars, or even telephone directory ads.
- Permit contractors to hire their own assistants if necessary.
- If possible, compensate your independent contractors on a per-job basis rather than by the hour or week. Always ask for an invoice or statement before paying for any work that has been performed and, if possible, make checks payable to a company rather than to an individual.
- Do not directly reimburse contractors for any expenses they might have, for gasoline, meals, etc. Such expenses should be billed as part of the contractor's set fees.
- Ask the contractor to provide you a certificate of insurance, showing at minimum, business liability/umbrella coverage.
- Should you become dissatisfied with a contractor's work, do not discharge that contractor as you might an employee. If any dispute cannot be resolved businessperson-to-businessperson, you can discontinue the relationship by offering no more work. (Note: if a contract exists, any disputes should be handled in accordance with the terms of the contract.)

Try to always execute a contract between your company and an independent contractor. This can be a formal contract (many can be found on the web or in business books), or a more informal letter of agreement. Either way, both parties should sign the agreement, and keep an original signed copy in your files. This can be used on your behalf to illustrate the validity of an independent contractor relationship, should the IRS come knocking.

Serious Penalties

If you do not hold firm on how you manage your contractors and their employment status, you can open the door to difficulties later on. The IRS, as an agency, holds little sympathy and empathy for business owners who hire workers that should correctly be considered employees but are paid as independent contractors. And it has a whole arsenal of civil and criminal penalties it can impose upon employers, whether the misclassification is merely a misunderstanding of the law (negligent) or willful. Some, but not all, of these penalties are listed below.

- **Negligent Failures**

  Failure to withhold income taxes. The employer is subject to the penalty of 1.5 percent of wages paid, plus interest compounded daily.

  Failure to withhold FICA (Social Security) taxes. The employer is subject to the penalty of 20 percent of the FICA tax on the employee, plus interest compounded daily.

  Failure to report workers' wages or other payments on Forms W-2 or 1099-MISC. The employer is subject to the penalty of 3 percent of wages paid and 40 percent of the FICA tax.

- **Willful Failures**

  Failure to file tax return relating to employment taxes. The employer is subject to the penalty of paying the employer share of Social Security and unemployment taxes, as well as a penalty equal to 5 percent of the tax for each month of the failure to pay, up to a maximum of 25 percent of the tax.

  Failure to pay employment taxes. The employer is subject to the penalty of 0.5 percent of the tax, for each month of the failure to pay, up to a maximum of 25 percent of the tax.

- **Understatement of Employment Taxes**

  The employer who, either negligently or willfully, understates its liability for Social Security and unemployment taxes is subject to the penalty of 20 percent of the understatement.

- **Fraudulent Understatement of Employment Taxes**

  The employer who fraudulently understates its liability for Social Security and unemployment taxes is subject to the penalty of 75 percent of the understatement.

- **Criminal Penalties**

  Willful failure to collect and remit withholding taxes and the employee portion of FICA taxes. Each such failure is a felony that, on conviction, results in a fine up to $10,000 or imprisonment up to five years, or both.

  In addition to these Federal penalties, State and Local authorities may impose penalties of their own.

Thus, while it might be cost effective to hire workers as independent contractors, be sure to treat them as such, or it could end up costing you even more than having hired them as regular employees in the first place.

What You Should Consider When Engaging a Bookkeeper.

Most entrepreneurs, especially those just starting their venture, believe they can keep their own bookkeeping records. Given the plethora of robust accounting software packages available on the market, it is easy to see why this is the case. And controlling cash flow, the lifeblood of any business, is a natural and often very personal responsibility of every business owner, including the monitoring of expenses, writing checks, and balancing every account.

While these arguments are appealing, there is a point when it may be prudent for the business owner to consider shifting responsibilities to a professional bookkeeper.

A Valuable Member of Your Team

A bookkeeper can save you and your company money, by offloading any record keeping you have been doing yourself, and by making things easier for your independent CPA. By helping to prepare year-end documents needed by the CPA, the bookkeeper can format these reports in a way that is convenient for the CPA and his/her own systems. With an open dialog between your CPA and bookkeeper, you can determine those tasks that have been the most time consuming part of your CPA's work on your account. Moving forward, you can figure out the best ways to supply your CPA with the most complete information needed and in the most convenient format.

In fact, a good bookkeeper will help you make sure that you don't wind up paying your CPA firm to untangle or reconstruct potential accounting messes. Like the car mechanic said in an old Quaker State Oil television commercial, "you can pay a small amount now to change your oil, or," with a sly smile, "you can pay me later".

Finding a bookkeeper that is right for your business and determining those procedures which can be delegated to this new partner requires some thought.

Clearly defining what you expect from a bookkeeper is essential in guaranteeing a successful, productive relationship. And not doing so is certain fuel for failure. If you are not quite sure what to expect from your bookkeeper, discuss it with your CPA or other business advisor.

What Can A Bookkeeper Do For You?

Here are some examples of what a bookkeepers can do for you:

- Accounts Receivable
- Accounts Payable
- Credit Card Reconciliation
- Bank Reconciliation
- Payroll Services
- Payroll and Check Registers
- Payroll Check Writing
- Payroll Tax Returns
- Financial Statements
- Customized Reports
- Detailed General Ledgers
- Budget Preparation
- Monthly, Quarterly and Annual
- Federal, State and Local Tax Report

How Do You Know if Your Bookkeeper Is Doing a Good Job?

Now that you've engaged a bookkeeper, as with any vendor or staff person, it is recommended that you periodically check their work, assess their performance, and consider whether they're meeting your job expectations. Naturally this requires you have defined specific objectives and duties to be performed. For example,

- Bank reconciliations are to be completed within 3 days of receiving the bank statements
- Financial statements are to be completed and provided to management within 7 days of month-end
- Sales commissions are to be calculated and presented for review 3 days before payday

When assessing your bookkeeper's performance, there are simple benchmarks that you can test against. Below are a number of questions that will help you in gauging the effectiveness of the bookkeeper's work.

- Are my financial statements consistently prepared and presented in a timely and professional manner? Are my financial statements ever more than two periods behind with no justification?
- Is the bookkeeper's workspace organized such that others can quickly determine the status of any work in progress?
- Are all bank reconciliations in written form and prepared for each and every bank statement and for each account?
- Do the bank reconciliations show a balance that differs from those on the financial statements or general ledger?
- Do the accounts receivable or payable aging reports or listings show an amount that differs from those on your financial statements?
- Does the bookkeeper appear secretive or does he/she try to keep others from knowing what they do or how they do it?
- Does the bookkeeper continually cart files and company records home (is this a no-no)?
- Do computerized accounting reports consistently contain hand written corrections and notations?
- Do customers frequently complain about payments not properly posted to their accounts?
- Do vendors complain of late payments that result in the business paying interest and penalty fees?

Tips to Ensure Success & Security

Clearly, there are benefits to working with a bookkeeper. While most entrepreneurs have learned, by hook or crook, that no one is going to watch out for their money better than themselves, it is also easy to become so absorbed in the day-to-day activity of building your business, creating products, winning sales, and marketing promotion, that you might take your eyes away from the books. But there is also a risk, especially when considering handing access to your businesses financial records and procedures to someone else.

The following tips will help protect against potentially underhanded activities from a bookkeeper or others with similar access to your records:

- Only grant signature authority on business checks to officers of the company
- Limit access to on-line banking and accounting system passwords, and change these passwords frequently
- Avoid frequent telephone or on-line transfers between your bank accounts or credit lines
- Require that financial records remain on office premises at all times
- Look for, and be wary of any behavior on the part of the bookkeeper that suggest a defensiveness when responding to questions from you or your CPA
- Limit access to your credit card information
- Notice if unexpected mail-order packages are received at work
- Review the appearance of your accounting records looking for disorganization or other errors
- Question any and all late payment notices or tax delinquency notices.

In the end, your bookkeeper will become a vital member of your business team. Having current and accurate financial records will help boost and sustain your confidence and knowledge about your business performance. Information is power, and having a good bookkeeper maintaining your books gives you the power to keep your business on the right track.

Record Retention Guide

You must keep your records as long as they may be needed for the administration of any provision of the Internal Revenue Code. Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the IRS can assess additional tax. Table 3 contains the periods of limitations that apply to income tax returns. Unless otherwise stated, the years refer to the period beginning after the return was filed. Returns filed before the due date are treated as being filed on the due date.

How Long Do You Need to Keep Records?

Table 3. Period of Limitations

IF you…		THEN the period is…
1	Owe additional tax and (2), (3), and (4) do not apply to you	3 years
2	Do not report income that you should and it is more than 25% of the gross income shown on your return	6 years
3	File a fraudulent return	no limit
4	Do not file a return	no limit
5	File a claim for credit or refund after you filed your return	The later of 3 years or 2 years after tax was paid.
6	File a claim for a loss from worthless securities	7 years

- **Property**

  Keep records relating to property until the period of limitations expires for the year in which you dispose of the property in a taxable disposition. You must keep these records to figure your basis for computing gain or loss when you sell or otherwise dispose of the property.

Generally, if you received property in a nontaxable exchange, your basis in that property is the same as the basis of the property you gave up. You must keep the records on the old property, as well as the new property, until the period of limitations expires for the year in which you dispose of the new property in a taxable disposition.

- **Keeping records for nontax purposes**

  When your records are no longer needed for tax purposes, do not discard them until you check to see if they should be kept longer for other purposes. Your insurance company or creditors may require you to keep certain records longer than the IRS does.

Why Keep Records?

There are many reasons to keep records. In addition to tax purposes, you may need to keep records for insurance purposes or for getting a loan. Good records will help you:

- **Identify sources of income.**
  You may receive money or property from a variety of sources. Your records can identify the sources of your income. You need this information to separate business from nonbusiness income and taxable from nontaxable income.

- **Keep track of expenses.**
  You may forget an expense unless you record it when it occurs. You can use your records to identify expenses for which you can claim a deduction. This will help you determine if you can itemize deductions on your tax return.

- **Keep track of the basis of property.**
  You need to keep records that show the basis of your property. This includes the original cost or other basis of the property and any improvements you made.

- **Prepare tax returns.**
  You need records to prepare your tax return. Good records help you to file quickly and accurately.

- **Support items reported on tax returns.**
  You must keep records in case the IRS has a question about an item on your return. If the IRS examines your tax return, you may be asked to explain the items reported. Good records will help you explain any item and arrive at the correct tax with a minimum of effort. If you do not have records, you may have to spend time getting statements and receipts from various sources. If you cannot produce the correct documents, you may have to pay additional tax and be subject to penalties.

Kinds of Records To Keep

- **Basic records**
  Basic records are documents that everybody should keep. These are the records that prove your income and expenses. If you own a home or investments, your basic records should contain documents related to those items. Table 1 lists documents you should keep as basic records. Following Table 1 are examples of information you can get from these records.

Table 1. Proof of Income and Expense

FOR items concerning your...	KEEP as basic records...
Income	• Form(s) W-2 • Form(s) 1099 • Bank statements • Brokerage statements • Form(s) K-1
Expenses	• Sales slips • Invoices • Receipts • Canceled checks or other proof of payment • Written communications from qualified charities
Home	• Closing statements • Purchase and sales invoices • Proof of payment • Insurance records • Receipts for improvement costs
Investments	• Brokerage statements • Mutual fund statements • Form(s) 1099 • Form(s) 2439

- **Income**
  Your basic records prove the amounts you report as income on your tax return. Your income may include wages, dividends, interest, and partnership or S corporation distributions. Your records also can prove that certain amounts are not taxable, such as tax-exempt interest.

  Note: If you receive a Form W-2, keep Copy C until you begin receiving social security

benefits. This will help protect your benefits in case there is a question about your work record or earnings in a particular year. Review the information shown on your annual (for workers over age 25) Social Security Statement.

- **Expenses**
  Your basic records prove the expenses for which you claim a deduction (or credit) on your tax return. Your deductions may include alimony, charitable contributions, mortgage interest, and real estate taxes. You also may have child care expenses for which you can claim a credit.

- **Home**
  Your basic records should enable you to determine the basis or adjusted basis of your home. You need this information to determine if you have a gain or loss when you sell your home or to figure depreciation if you use part of your home for business purposes or for rent. Your records should show the purchase price, settlement or closing costs, and the cost of any improvements. They also may show any casualty losses deducted and insurance reimbursements for casualty losses. Your records also should include a copy of Form 2119, Sale of Your Home, if you sold your previous home before May 7, 1997, and postponed tax on the gain from that sale.

  When you sell your home, your records should show the sales price and any selling expenses, such as commissions.

- **Investments**
  Your basic records should enable you to determine your basis in an investment and whether you have a gain or loss when you sell it. Investments include stocks, bonds, and mutual funds. Your records should show the purchase price, sales price, and commissions. They may also show any reinvested dividends, stock splits and dividends, load charges, and original issue discount (OID).

- **Proof of Payment**
  One of your basic records is proof of payment. You should keep these records to support certain amounts shown on your tax return. Proof of payment alone is not proof that the item claimed on your return is allowable. You also should keep other documents that will help prove that the item is allowable.

  Generally, you prove payment with a cash receipt, financial account statement, credit card statement, canceled check, or substitute check. If you make payments in cash, you should get a dated and signed receipt showing the amount and the reason for the payment.

If you make payments by electronic funds transfer, you may be able to prove payment with an account statement.

Table 2. Proof of Payment

IF payment is by…	THEN the statement must show…
Cash	• Amount • Payee's name • Transaction date
Check	• Check number • Amount • Payee's name • Date the check amount was posted to the account by the financial institution
Debit or Credit	• Amount charged • Payee's name • Transaction date
Electronic funds transfer	• Amount transferred • Payee's name • Date the transfer was posted to the account by the financial institution
Payroll deduction	• Amount • Payee code • Transaction date

Account statements

You may be able to prove payment with a legible financial account statement prepared by your bank or other financial institution. These statements are accepted as proof of payment if they show the items reflected in Table 2.

Pay statements

You may have deductible expenses withheld from your paycheck, such as union dues or medical insurance premiums. You should keep your year-end or final pay statements as proof of payment of these expenses.

Specific Records

This section is an alphabetical list of some items that require specific records in addition to your basic records.

Alimony

If you receive or pay alimony, you should keep a copy of your written separation agreement or the divorce, separate maintenance, or support decree. If you pay alimony, you also will need to know your former spouse's social security number.

Business Use of Your Home

You may be able to deduct certain expenses connected with the business use of your home. You should keep records that show the part of your home that you use for business and the expenses related to that use.

Casualty and Theft Losses

To deduct a casualty or theft loss, you must be able to prove that you had a casualty or theft. Your records also must be able to support the amount you claim.

For a casualty loss, your records should show:

- The type of casualty (car accident, fire, storm, etc.) and when it occurred,
- That the loss was a direct result of the casualty, and
- That you were the owner of the property.

For a theft loss, your records should show:

- When you discovered your property was missing,
- That your property was stolen, and
- That you were the owner of the property.

Child Care Credit

You must give the name, address, and taxpayer identification number for all persons or organizations that provide care for your child or dependent. You can use Form W-10, Dependent Care Provider's Identification and Certification, or various other sources to get the information from the care provider. Keep this information with your tax records.

Contributions

You must keep records to prove the contributions you make during the year. The kinds of records depend on whether the contribution is cash, noncash, or out-of-pocket expenses. For information on contributions and the records you must keep, see Publication 526, Charitable Contributions.

Credit for the Elderly or the Disabled

If you are under age 65, you must have your physician complete a statement certifying that you were permanently and totally disabled on the date you retired.

You do not have to file this statement with your Form 1040 or Form 1040A, but you must keep it for your records.

If the Department of Veterans Affairs (VA) certifies that you are permanently and totally disabled, you can substitute VA Form 21-0172, Certification of Permanent and Total Disability, for the physician's statement you are required to keep.

Education Expenses

If you have the records to prove your expenses, you may be entitled to claim certain tax benefits for your education expenses. You may qualify to exclude from income items such as a qualified scholarship, interest on U.S. savings bonds, or reimbursement from your employer. You also may qualify for certain credits or deductions. You should keep documents, such as transcripts or course descriptions, that show periods of enrollment and canceled checks and receipts that verify amounts you spent on tuition, books, and other educational expenses.

Exemptions

If you are claiming an exemption for your spouse or a dependent (a qualifying child or a qualifying relative), you must keep records that support the deduction.

Employee Business Expenses

If you have employee business expenses, see Publication 463, Travel, Entertainment, Gift, and Car Expenses, for a discussion of what records to keep.

Energy Incentives

If you want to claim one of the tax incentives for the purchase of energy-efficient products, you must keep records to prove:

- When and how you acquired the property,
- The purchase price of the property, and
- That the property qualified for the credit.

The following documents may show this information.

- Purchase and sales invoices.
- Manufacturer's certification statement.
- Canceled checks.

Gambling Winnings and Losses

You must keep an accurate diary of your winnings and losses that includes the:

- Date and type of gambling activity,
- Name and address or location of the gambling establishment,
- Names of other persons present with you at the gambling establishment, and
- Amount you won or lost.

Health Savings Account (HSA) and Medical Savings Account (MSA)

For each qualified medical expense you pay with a distribution from your HSA or MSA, you must keep a record of the name and address of each person you paid and the amount and date of the payment.

Individual Retirement Arrangements (IRAs)

Keep copies of the following forms and records until all distributions are made from your IRA(s).

Form 5498, IRA Contribution Information, or similar statement received for each year showing contributions you made, distributions you received, and the value of your IRA(s).

Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., received for each year you received a distribution.

Form 8606, Nondeductible IRAs, for each year you made a nondeductible contribution to your IRA or received distributions from an IRA if you ever made nondeductible contributions.

For a worksheet you can use to keep a record of yearly contributions and distributions, see Publication 590, Individual Retirement Arrangements (IRAs).

Medical and Dental Expenses

In addition to records you keep of regular medical expenses, you should keep records of transportation expenses that are primarily for and essential to medical care. You can record these expenses in a diary. You should record gas and oil expenses directly related to that transportation. If you do not want to keep records of your actual expenses, you can keep a log of the miles you drive your car for medical purposes and use the standard mileage rate. You should also keep records of any parking fees, tolls, taxi fares, and bus fares.

For information on medical expenses and the standard mileage rate, see Publication 502, Medical and Dental Expenses (Including the Health Coverage Tax Credit).

Mortgage Interest

If you paid mortgage interest of $600 or more, you should receive Form 1098, Mortgage Interest Statement. Keep this form and your mortgage statement and loan information in your records. For information on mortgage interest, see Publication 936, Home Mortgage Interest Deduction.

Moving Expenses

You may be able to deduct qualified moving expenses that are not reimbursed. For more information on what expenses qualify and what records you need, see Publication 521, Moving Expenses.

Pensions and Annuities

Use the worksheet in your tax return instructions to figure the taxable part of your pension or annuity. Keep a copy of the completed worksheet until you fully recover your contributions. For information on pensions and annuities, see Publication 575, Pension and Annuity Income, or Publication 721, Tax Guide to U.S. Civil Service Retirement Benefits.

Taxes

Form(s) W-2 and Form(s) 1099-R show state income tax withheld from your wages and pensions. You should keep a copy of these forms to prove the amount of state withholding. If you made estimated state income tax payments, you need to keep a copy of the form or your check(s).

You also need to keep copies of your state income tax returns. If you received a refund of state income taxes, the state may send you Form 1099-G, Certain Government Payments.

Keep mortgage statements, tax assessments, or other documents as records of the real estate and personal property taxes you paid.

If you deducted actual state and local general sales taxes instead of using the optional state sales tax tables, you must keep your actual receipts showing general sales taxes paid.

Tips

You must keep a daily record to accurately report your tips on your return. You can use Form 4070A, Employee's Daily Record of Tips, which is found in Publication 1244, Employee's Daily Record of Tips and Report to Employer, to record your tips.

2018 Tax Due Dates

January

- Tuesday, January 16
  Pay the final installment of your 2017 estimated tax - use Form 1040-ES.
- Tuesday, January 16
  Farmers and fishermen: Pay your estimated tax for 2017. Use Form 1040-ES.
- Wednesday, January 31
  Individuals: File your tax return if you did not pay your last installment of estimated tax by Jan 16th (see Form 1040-ES)
- Wednesday, January 31
  Furnish Forms 1098, 1099 and W-2G to recipients for certain payments during 2017. Furnish Form W-2 to employees who worked for you during 2017.
- Wednesday, January 31
  File 2017 Forms W-2, W-2AS, W-2CM, W-2GU, W-2VI, W-3 and W-3SS with the SSA whether you file using paper forms or electronically.
- Wednesday, January 31
  File Form 1099-MISC with IRS if you are reporting nonemployee compensation.
- Wednesday, January 31
  File Form W-3 with Copy A of all Forms W-2 issued for 2017.
- Wednesday, January 31
  File Forms 940, 941, 943, 944 and/or 945 if you did not deposit all taxes when due.
- Wednesday, January 31
  Applicable Large Employers provide Forms 1095-C to full time employees; For all other providers of Minimum Essential Coverage, provide Forms 1095-B to responsible individuals.

February

- Monday, February 12
  File Forms 940, 941, 943, 944 and/or 945 if you timely deposited all required payments.

- Thursday, February 15
  Furnish Forms 1099-B, 1099-S and certain Forms 1099-MISC to recipients.
- Thursday, February 15
  File a new Form W-4 if you claimed exemption from income tax withholding in 2017.
- Friday, February 16
  Begin withholding on employees who claimed exemption from withholding in 2017 but did not file a W-4 to continue withholding exemption in 2018.
- Wednesday, February 28
  File Forms 1096, 1098, 1099 (except Form 1099-MISC reporting non-employee compensation), and W-2G if you file paper forms.
- Wednesday, February 28
  File paper Forms 1094-C and 1095-C with IRS if you are an Applicable Large Employer; For all other providers file paper Forms 1094-B and 1095-B with the IRS

March

- Thursday, March 1
  Farmers and fishermen: File Form 1040 and pay any tax due. However, you have until Apr 17 to file if you paid your 2017 estimated tax payments by Jan 16.
- Thursday, March 15
  S Corps: File Form 1120S for calendar year & pay any tax due. Furnish copy of Sch. K-1 to each shareholder. For automatic 6-month extension, file Form 7004 & deposit estimated tax. File Form 2553 to elect S Corp status beginning with calendar year 2018.
- Thursday, March 15
  Electing Large Partnerships: File Form 1065-B calendar year return. Furnish Sch. K-1 to each partner. For automatic 6-month extension File Form 7004.
- Thursday, March 15
  Partnerships: File Form 1065 and furnish a copy of Sch. K-1 to each partner. For automatic 6-month extension, file Form 7004.

April

- Monday, April 2
  Electronically file Forms W-2, W-2G, 1098, 1099, 8027, 1094-C, 1095-C, 1094-B, and 1095-B. (see F.I.R.E.)

- Tuesday, April 17
  Corporations: Deposit the first installment of your 2018 estimated tax.
- Tuesday, April 17
  Household Employers: File Sch. H with Form 1040 if you paid $2,000 or more to a household employee.
- Tuesday, April 17
  Corporations: File Form 1120 for calendar year and pay any tax due. For automatic 6-month extension, file Form 7004 and deposit estimated tax.
- Tuesday, April 17
  Individuals: File Form 1040, 1040A, or 1040EZ. For automatic 6-month extension file Form 4868 and deposit estimated tax. Pay the first installment of 2018 estimated tax - Use Form 1040-ES.
- Monday, April 30
  Employers: File Form 941 for the first quarter.
- Monday, April 30
  Deposit FUTA tax owed through Mar if more than $500.

May

- Thursday, May 10
  File Form 941 for the first quarter if you timely deposited all required payments.

June

- Friday, June 15
  Individuals living outside the U.S.: File Form 1040. For automatic 4 month extension file Form 4868 and deposit estimated tax.
- Friday, June 15
  Pay the second installment of 2018 estimated tax -Use Form 1040-ES.
- Friday, June 15
  Corporations: Deposit the second installment of your 2018 estimated tax.

July

- Tuesday, July 31
  Deposit FUTA owed through June if more than $500.

- Tuesday, July 31
  File Form 941 for the second quarter.

August

- Friday, August 10
  File Form 941 for the second quarter if you timely deposited all required payments.

September

- Monday, September 17
  Corporations: File calendar year Form 1120S if you timely requested a 6-month extension.
- Monday, September 17
  Partnerships: File calendar year Form 1065 if you timely requested a 6-month extension.
- Monday, September 17
  Individuals: Pay the third installment of your 2018 estimated tax - Use Form 1040-ES.
- Monday, September 17
  Corporations: Deposit the third installment of your 2018 estimated tax.
- Monday, September 17
  Electing Large Partnerships: File Form 1065-B if you timely requested a 6-month extension.

October

- Monday, October 15
  Individuals: File Form 1040, 1040A, or 1040EZ if you timely requested a 6-month extension.
- Monday, October 15
  Corporations: File calendar year Form 1120 if you timely requested a 6-month extension.
- Wednesday, October 31
  File Form 941 for the third quarter.
- Wednesday, October 31
  Deposit FUTA owed through Sep if more than $500.

November

- Tuesday, November 13
  File Form 941 for the third quarter if you timely deposited all required payments.

December

- Monday, December 17
  Corporations: Deposit the fourth installment of your 2018 estimated tax.

Contact Us

Stop spending 10-50 hours a month on bookkeeping tasks, and focus on the activities that give you the highest ROI (return on investment). Our service offers the knowledge and support you need to be assured your books are perfectly in order.

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There's absolutely no obligation. Your only cost for this initial consultation is your time. And that's something we take very seriously. So, we're determined to make it worth your while.

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