

BUSINESS TAX PREPARATION CHECKLIST



Your bottom line (total income - total expenses and other deductions) on your income statement is what defines your taxable income for the year. Use this checklist to build your financial statements and get ahead of your business's taxes. If you have set up your accounting software as advised, business income and expenses will be easy to track.

For the life of your S-Corp you will file a 1040 and an 1120S report. The 1120S will generate a K-1, which will be reported on your 1040 as capital gains. Capital gains income is taxed at a much lower rate than Ordinary Income, which you would have if you were a Single Member LLC or sole proprietorship utilizing a Schedule C. You will also save money on self-employment taxes.

PERSONAL INFORMATION

This information tells the IRS exactly who's filing, who is covered in your tax return, and where to deposit your tax refund.

- Social Security numbers and dates of birth for you, your spouse, your dependents
- Copies of last year's tax return for you and your spouse (helpful, but not required)
- Bank account and routing number, if depositing your refund directly into your account

INFORMATION ABOUT YOUR INCOME

- W-2 forms for you and your spouse
- 1099-C forms for cancellation of debt
- 1099-G forms for unemployment income, or state or local tax refunds
- 1099-MISC forms for you and your spouse (for any independent contractor work)
- 1099-R, Form 8606 for payments/distributions from IRAs or retirement plans
- 1099-S forms for income from sale of a property
- 1099-INT, -DIV, -B, or K-1s for investment or interest income
- SSA-1099 for Social Security benefits received
- Alimony received
- Business or farming income - profit/loss statement, capital equipment information
- Business or farming percent ownership, ownership acquisition date and distribution details for you, your spouse, any dependents and any other business owners
- Rental property income and expenses: profit/loss statement, suspended loss information
- Prior year installment sale information - Forms 6252, principal and interest collected during the year, SSN and address for payer
- Miscellaneous income: jury duty, gambling winnings, Medical Savings Account, scholarships, etc.

ADJUSTMENTS TO YOUR INCOME

This following items can help reduce the amount of your income that is taxed, which can increase your tax refund, or lower the amount you owe.

- Form 1098-E for student loan interest paid (or loan statements for student loans)
- Form 1098-T for tuition paid (or receipts/canceled checks for tuition paid for school)
- Form 1095 Affordable Care Act Insurance Tax Credit Information
- For teachers: Canceled checks or receipts for expenses paid for classroom supplies, etc.
- Records of IRA contributions made during the year
- Receipts for any qualifying energy-efficient home improvements (solar, windows, etc.)
- Records of Medical Savings Account (MSA) contributions
- Self-employed health insurance payment records
- Records of moving expenses
- Alimony paid
- Keogh, SEP, SIMPLE, and other self-employed pension plans

DEDUCTIONS AND CREDITS

The government offers a number of deductions and credits to help lower the tax burden on individuals, which means more money in your pocket. You'll need the following documentation to make sure you get all the deductions and credits you deserve:

- Child care costs: provider's name, address, tax ID, and amount paid
- Education costs: Form 1098-T, education expenses, tuition, books, lab fees, downloads
- Adoption costs: SSN of child; records of legal, medical and transportation costs
- Forms 1098: Mortgage interest, private mortgage insurance (PMI), and points you paid
- Investment interest expenses
- Charitable donations: cash amounts, official charity receipts, canceled checks; value of donated property; miles driven and out-of-pocket expenses
- Medical and dental expense records, medical miles driven, copays, parking, prescriptions
- Casualty and theft losses: hurricane, fire, amount of damage, insurance reimbursements
- Records/amounts of other miscellaneous tax deductions: union dues; unreimbursed employee expenses (uniforms, supplies, seminars, continuing education, publications, travel, etc.)
- Rental property income/expenses: profit/loss statement, rental property suspended loss

TAXES YOU'VE PAID

- State and local income taxes paid
- Real estate taxes paid
- Personal property taxes
- Vehicle license fees based on value of vehicle
- Estimated Taxes

GENERAL BUSINESS EXPENSES

Examples of common business-expense categories:

- Purchases - Inventory, supplies, licensing
- Advertising - digital marketing, social media marketing, business cards, website, ads, billboards, flyers
- Professional Fees - legal, accounting, marketing, software development, web development
- Lease - Equipment, storage, shared office space, meeting space, and office rent
- Travel - hotel, airfare, transportation, meals, uber, taxi, lyft, train, subway, public transportation, etc.
- Software - accounting, marketing, word processing, virtual office, cloud storage
- Insurance - Business, Vehicle, property
- Professional Fees - associations, subscriptions, dues
- Business license, and permit fees
- Administrative - office supplies, laptops, tablets, cameras, lights
- Communication - Internet, cell phone, PBX systems, answering service
- Bank fees, merchant fees, bad check fees
- Business loan interest
- Utilities - security, gas, electricity, water
- Employer quarterly payroll taxes, unemployment taxes, excise taxes, sales tax, state taxes, property tax
- Vehicle - mileage, fuel, repairs, insurance, parking, toll, lease payments, oil change, service, cleaning
- Maintenance - lawn, gardening, repairs, janitorial, trash service

HOME OFFICE DEDUCTION

If you work out of your home, there are many tax deductions you can take advantage of. The following are examples of expenses you can report on Form 8829, which is attached to Schedule C of your 1040:

- Square footage of the home
- Square footage of the office space
- Utilities plus repairs
- Homeowner's / renter's insurance
- Form 1098s for mortgage interest
- Property taxes

VEHICLE DEDUCTION

If you use your car for business, keep a logbook of your mileage for business use. You cannot deduct the following business-related expenses without a logbook and itemized receipts:

- Mileage
- Fuel and oil costs
- Lease payments
- Insurance and tax payments
- Parking fees and toll charges.
- Repair and maintenance fees

SOLD OR PURCHASED ASSETS

Keep proper documentation of all business-related assets you've bought or sold during the year (purchase orders, invoices, receipts or checks, etc.).

ASSET DEPRECIATION

Keep record of the cost and acquisition date of key business assets along with the sales price and disposition date of assets sold within the calendar year.

SALARIES AND WAGES PAID TO EMPLOYEES

You'll need copies of W-2 and W-3 forms along with federal and state payroll returns (Form 940).

- Commissions to Subcontractors
You will have to issue a Form 1099-MISC to anyone you paid for services of \$600 or more (installation, bookkeeping, etc.).

FRINGE BENEFITS

Keep records of any benefits offered to employees. This could include:

- Employer-based pension/profit sharing contributions
- Employer-paid HSA contributions
- Employer-paid health insurance premiums

SELF-EMPLOYMENT EXPENSES

Keep records of any additional self-employment-related expenses, including:

- Pension plan contributions
- IRA contributions (Form 5498)
- Health insurance payments
- Health Savings Account contributions (Form 5498-SA) Job-hunting and job-related educational expenses

OTHER INFORMATION

- Estimated tax payments made during the year (self-employed)
- Prior-year refund applied to current year and/or any amount paid with an extension
- Foreign bank account information: location, name of bank, account number, peak value of account during the year.