

When is the Dog Deductible?

Telling the IRS that your dog ate your return won't get you off the hook for paying and filing your tax return. And even though she depends on you for all of her support, you are really asking for trouble if you try to claim the pooch as a dependent. Nevertheless—in the right circumstances, they may be eligible for some dog-related tax deductions.

The costs of buying, training, and maintaining a guide dog or other animal to assist a visually-impaired or hearing-impaired person, or a person with other physical disabilities, is a valid medical deduction.

Sometimes there are allowable deduction for the pup's moving expenses! If your client is moving for a job, the cost of moving their personal belongings, including a dog, cat or other pet, may be deductible.

What about those animals that provide a real service to businesses? There is precedent for writing off pet food when the animal in question is fending off unwanted rodents in order to make a place of business safer for customers. And, expenses relating to guard dogs have been successfully claimed as deductions. Tax experts maintain that the IRS is more likely to accept these claims if the dog is of one of those intimidating breeds that is most successful in frightening off crooks and vandals (no Chihuahuas need apply) and it's important that the dog is guarding inventory, such as cars at a dealership.

What about animal adoption? The adoption fee paid when adopting a dog from a rescue group, even one that is recognized as a 501c non-profit entity, is not deductible. Transactions in which you receive goods and services in exchange for payment seldom are. But, if you throw in an extra donation to support the good works of the rescue organization, this may well qualify as a charitable contribution for which you could rightly claim a tax deduction. Just be sure to get a donation acknowledgement letter or other form of receipt proving that no goods or services were provided in exchange for your donation.

Bottom line: to avoid winding up in the dog house with the IRS, to make sure your taxes are prepared by a professional.

Tax Quiz

When it comes to taxes, most of us could afford to plan a little better. Some small business accountants gave us a few key questions to think about at tax time. How do you stack up against the best?

(Score your answers as follows: 1 = Yes, 0 = No)

Does your business bookkeeping system easily give you the answers you need concerning your finances?

Do you regularly look at your financial statements (once a month) to track progress in your business?

Do you meet with your accountant on a regular basis during the year?

Do you know what financial reports are important to your business, and what they mean?

Do you set goals for your business each year and convey them to your accountant and staff for planning purposes?

Are your financial records (statements, invoices, receipts, government correspondence) well-organized and accessible?

Do you have a systematic way of filing your records?

Have you properly saved your accounting records for the past seven years (in case of an audit)?

Do you ensure that your employees (or you) track expenses in a detailed manner for reporting purposes?

Do you keep an accurate list of what goes into each deposit you make (vs. just recording a lump sum amount)?

Scoring on the back.

Tax Calendar for May

Business

5/16	Monthly Payroll Taxes Due
5/20	Monthly Sales Tax Due

Travel Away From Home

Generally, a taxpayer is allowed to deduct as travel expenses, ordinary and necessary paid or incurred during the taxable year for carrying on a trade or business. This includes meals while away from home on business. However, the taxpayer must satisfy the requirements of Section 274(d) before the IRS allows such expenses as deductions.

The amount of travel and meal expenses stated separately:

- The timing of each expense including the date of departure and return for the trip, and the number of days the taxpayer is traveling for business:
- The place of each expenditure, describing the city or town where the business was conducted; and
- The business purpose of each expenditure.

Taxpayers can use the standard mileage rate for all auto business miles, and the standard meal allowance for the days away from home on business.

The IRS will deny all deductions based on lack of substantiation of the expenses if the taxpayer does not have written information on meals to substantiate time, place, cost or relation to his job. All expenses must be an ordinary and necessary expense of the business.

A Note From Jean

As a tax preparer, it seems that our life is controlled and revolve around one specific date each year. This includes our families' life – Stephanie, our daughter, works in our office so we couldn't dive into her wedding plans until now. Jon, our son, knows too well this time of year – all three of his children were born during tax season and I cannot help out much. Our 7 year old grandson, Josh, says he hates "busy season" and thinks it is "stupid".

For me, the last day, April 15 is a happy day but it also brings a touch of sadness. I look forward to the tax season on a social level as well as a business one. Many of my clients started out as clients but have become much more. When Karen and I meet – we have to decide when and where is the best place to meet because I MUST see and love on Elvis. Elvis is a lovable 120lb Rottweiler. Rob started out as a client of Jay's and the first year I worked on their tax return their daughter was a dependent now their daughter is out on her own and I am pleased to be her tax preparer. Another family adopted their granddaughter. I love getting emails, phone calls or drop in from clients telling me what is or will change in their businesses or lives through out the year. I could go on how our clients bringing lots of joy to our lives.

April 17 – I arrive early on that last day. I walk through the door and look around – the office cleaning as slipped a bit, mail that hasn't been looked at, emails and phone calls late being answered. There are piles of files needing to be filed, updated, organized or prepared to work on during the summer. At least we didn't lose one plant this year – they all got enough water and survived tax season.

After being on an adrenaline high for about 10 weeks there is an eerie feeling of slowly down both physically and mentally. The last few months my mind doesn't stop – making notes at home when thinking of something I forgot or question to ask. Then it just stops – it is over tax day as come and gone. Thankfully we still have extensions to work on and bookkeeping to keep us busy and of course preparing for next tax season.

Tax Quiz Scoring

- 8-10** Well Done: You stay on top of your books, are organized and always seem to be looking ahead.
- 4-7** Take Some Notes: You have a little room for improvement. Some small changes can make a big difference and save you time and money in 2007.
- 1-3** You're in the Dark: You may be making tax time harder than it needs to be, wasting time and money in the process. Set up some time with me to get a better system in place for 2007.

Motivational Quote

"You miss 100 percent of the shots you never take."

Wayne Gretzky

Hockey Player and Coach

a.k.a "The Great One"

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