

Record Keeping Is Vital for Business Owners

Income tax filing season can be a trying time for small business owners and with the current state of the economy, there are even more things to worry about.

One reoccurring problem for most business owners is poor record-keeping. This creates a two fold problem. First, it makes completing their tax returns difficult and time consuming. But a bigger problem, it hides just where the business stands financially.

With unorganized books and ledgers, a business owner will not know how much money they have on hand, how much they owe and what their customers or clients owe them.

To understand your business you must

know where the money is coming from and where it is going. Control this flow is vital to a successful business.

Some business owners use their check-books and credit card bills as their records. But it's a problem when they can't locate all their check registers or all of their bank statements. Others are even more disorganized, with boxes or piles of invoices, receipts and canceled checks that need to be sorted. These owners are in danger of missing out on important deductions and can end up overpaying the government. Or, if the government questions a deduction, you could lose it if you don't have documentation.

Badly kept records are a particular problem for owners with home offices or who use cell phones and/or vehicles for both personal and business reasons. They need to keep good personal as well as

business records.

The IRS allows owners of home businesses to deduct a portion of expenses including mortgage interest, repairs, utilities and insurance, and unless taxpayers have invoices and receipts, they can't compute the deduction accurately. Similarly, you can deduct a portion of what you pay out on cars, cell phones and other items with dual purposes, but you need to keep track of when a car, for example, is driven on personal errands or to meetings with clients. At this point, after the year has ended, it's hard to reconstruct that information.

The solution for many owners is to get help. A bookkeeper to take care of ledgers, a tax professional to handle returns, or even both. It may be too late for 2008, but it's still early in the year for 2009, and a good time to get organized.

A Simple Solution To A Complex Problem

A potential headache for many business owners, and individuals, is keeping up with all the changes in the tax laws. Changes occur at all levels not just at the federal level. Many states have laws that are different from the federal tax and owners need to be aware of them.

The easiest way to keep up with those changes is to have a good tax professional whose job it is to follow the tax laws. There are some federal changes for 2008 that owners need to be aware of. For example, that if partnerships choose to get extensions of the April 15 filing deadline, they have to file their returns by Sept. 15, not Oct. 15 as in the past.

Many more changes are likely for the 2009 tax year, since the government is expected to have an economic stimulus plan in place, and many states are also likely to enact changes in their own tax codes.

Tips for Taxpayers Making a Move

If you changed your home or business address, you'll want to remember these tips to ensure you receive any refunds or correspondence from the IRS.

1. You can change your address on file with the IRS in several ways:
 - Correct the address legibly on the mailing label that comes with you tax package
 - Write the new address in the appropriate boxes on your tax return;
 - Use Form 8822, Change of Address, to submit an address or name change any time during the year
 - Give the IRS written notification of your new address by writing to the IRS center where you file your return. Include your full name, old and new addresses, Social Security Number or Employer Identification Number and signature. If you filed a joint return, be sure to include the information

(Continued on page 2)

(Continued from page 1)

for both taxpayers. If you filed a joint return and have since established separate residences, both taxpayers should notify the IRS of your new addresses

- Should an IRS employee contact you about your account, you may be able to verbally provide a change of address

2. Be sure to also notify your employer of your new address so you get your W-2 forms on time.

3. If you change your address after you've filed your return, don't forget to notify the post office at your old address so your mail can be forwarded.

4. Taxpayers who make estimated payments throughout the year should mail a completed Form 8822, Change of Address, or write the IRS center where you file your return. You may continue to use your old pre-printed payment vouchers until the IRS sends you new ones with your new address. However, do not correct the address on the old voucher.

Special Note from our friends, Brenda and Lori at BLM Paper Works:

Even though we would like to ignore the times we live in, we don't want to ignore the people we know. We need to stay in touch with them, be it family, friend or business acquaintance. Send them a card to let them know you are thinking of them, because receiving cards in the mail is special to everyone.

BLM PaperWorks Handmade Greeting Cards
www.blmpaperworks.com

Laugh Out Loud

Combination Prayer

I needed some supplies from a Sunday school cupboard that was seldom used and was secured with a lock. I didn't know the combination, but our clergyman offered to give it a try.

Pastor Jack placed his fingers on the lock's dial and raised his eyes heavenward for a moment. Then he confidently spun the dial and opened the lock.

Seeing how impressed I was with this demonstration of faith, he smiled and confided, "The numbers are written on the ceiling."

Tax Problems in Government?

In recent days there have been some troubling news stories from Washington. At least three of the people that President Obama has selected for appointed to governmental positions have tax problems. All have failed to report taxable income and/or to pay the taxes that were owed in a timely manner.

At least two of these people have offered up excuses as "I did not understand Turbo Tax" and "I just let my accountant handle it". While these may be true and accurate statements of their behavior, it does not excuse this flagrant violation of the law.

The standard IRS response for these situations is that the taxpayer is responsible for their taxes. This means that ignorance of the tax law is no excuse. Similarly, having a tax professional or accountant handle the situation is still not a valid excuse. Ultimately, the taxpayer is responsible for the accurate reporting of income and the payment of taxes.

When getting your taxes prepared there are some common sense things to do to avoid this type of situation:

- Look over your finished returns. If something does not make sense, ask about it.
- Never sign a blank return or one done in pencil, even when e-filing your return.
- Beware of tax preparers that promise huge refunds without looking at your information first.

At SWTC our goal is your peace of mind. We work hard stay current with the tax law changes. Plus, we are here year round to answer your questions and to stand by our work.

Just an odd thought

Rich bachelors should be heavily taxed.
It is not fair that some men should be happier than others.
Oscar Wilde