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The key to lowering your taxes and saving money is good record keeping. Most small businesses don't have a full time accounting staff on payroll so it is up to the business owner to maintain their books. In some cases, this can be a daunting task. Here are a few tips that can keep you in compliance and/or save you a little time.

## **Create Separate Accounts for Business and Personal Transactions**

All businesses, no matter the size, should have separate bank accounts for their business and personal transactions. If you use credit cards, you should have separate credit cards for business and personal as well. Not doing this is the biggest mistake small businesses make. When you mix business and personal transactions, it is much more difficult to record the transactions properly and under audit, the IRS will presume that expenses are personal unless proved otherwise. If you have personal expenses that you need to pay, you should transfer money from your business account to your personal account and then pay the expenses from your personal account.

## **Use QuickBooks To Record Transactions**

We recommend to use QuickBooks or a similar program to track and record your business income and deductions. Many clients believe that it is easier to use the shoebox method or an excel spreadsheet to record their transactions. When QuickBooks is set up properly, the quick fill and other automation built in to the program can make data entry faster and more accurate than other "shortcut" methods. If you have separate business accounts set up, you can also use bank feeds to record your transactions making data entry even faster. The real benefit that programs like QuickBooks can offer though is interim accounting reports throughout the year to help you better manage your business and plan for taxes.

## **Change Your Statement Closing Dates**

There is a growing trend for banks to set the monthly closing date to a date other than the end of the month. Credit card statements are always set to close in the middle of the month. This can be frustrating when you are closing your month but the statement dates don't match up. Most banks and credit card companies will allow you to change your month end date to the end of the month (or for credit cards a date near the end of the month) so all of your statements are available at the same time. While you are changing your statement dates, you may also consider changing the due dates of your utility and other bills to better fit into your bill paying system.

## **Request W-9s From All New Vendors**

The rules for issuing 1099s are confusing and change every year. And when you are ready to prepare them in January, there are always some vendors that you've paid that you can't locate to request a W-9 from. With penalties for not preparing 1099s increasing to over \$1,000 for each 1099 not issued, it is important to file these forms correctly. We recommend [requesting a signed W-9 form](#) from every new vendor the first time they are paid no matter what the amount is (utility, insurance and large corporations excepted). It is easier to get the W-9 upfront when payment is being held up.

## **Request That Check Copies Be Included on Your Bank Statements**

Banks don't return check copies anymore because they post copies online – for a limited time. If you are behind on your bookkeeping, it can be very time consuming to look up each check individually if you can't locate your check register. Having the checks print out on your statement gives you instant access to them.

## **Save The Proper Receipts**

You have to save every receipt, right? Surprisingly, the answer is no. To simplify record keeping, expenses [under \\$75](#) don't need a receipt (except for lodging, meals & entertainment) as long as you can prove you paid the expense another way – like paying for it out of a business bank account or credit card account. Eliminating the need to keep small receipts, you now just have to set up a system to save copies of receipts for larger expenses. We recommend scanning those receipts instead of saving the original because many times the original will fade over time and become unreadable.

## **Store Your Statements**

Once you start scanning your receipts, the next logical step is to scan all of your bank and credit card statements. Or better yet, download your statements in PDF form directly from the bank. Downloaded PDFs are smaller in size and in many instances, are key-word searchable. When it is tax time and your tax preparer asks about a statement during the year, they will all be in one place and easy to find.

## **Reconcile Your Books Monthly**

Reconciliation is sometimes thought of as a bad word. The last thing you want to do with your free moments in life is balance your checkbook. There is an interesting piece of banking law that may change your mind. While banks have an unlimited amount of time to correct errors in transactions, you only have 60 days. Many business owners, while preparing their books at the end of the year, find fraudulent charges or mistaken charges on their statements. If you only reconcile once a year, the best you can do is get two months of those charges reversed. If you use QuickBooks and enter your transactions as they occur, the reconciliation of standard bank accounts only take a few minutes.

## **Keep A Mileage Log for All Your Business Vehicle Usage**

The question we are most often asked about is the best way to deduct vehicle expenses. There are many options to choose from but they all require a [mileage log](#). If you use the standard mileage deduction, you need to substantiate miles, locations and purpose. If you deduct actual expenses, you still need a mileage log to determine business use percentage. Commuting miles are not deductible so nearly every business vehicle that goes home at night has some personal usage.

## **Make A Periodic Review of Recurring Bills**

Now that you are recording your expenses at least monthly in QuickBooks, you can start using the monthly reports to manage your business. One thing to look at is your recurring bills. Many business owners put their bills on autopayment so that they don't miss the payments. Over time, you may find that you are no longer using the services that you are being billed for or that there are other service providers that can provide what you need at a better price. Reviewing these payments periodically can possibly save you money or you may find a higher level of service for the same price.

**If you have any questions about how to implement these Best Practices into your business, please contact our office.**