

Business Tips

- Keep all receipts. Make copies of thermal receipts that fade over time.
- Do not co-mingle personal and business expenses. Make sure you have separate bank and credit card accounts for personal and business.
- Meals are generally 50% deductible. Make sure you document who you ate with and what business you discussed. You must show intent to earn an income from the meal. The only time meals are 100% deductible is if you ask employees to work overtime, coffee and water at the workplace, an occasional cocktail party or picnic or a holiday gift of food. Having lunch or Starbucks by your self is not deductible!
- Reconcile bank and credit card statements monthly. This will reduce the chances of forgotten or transposition errors.
- Print out a detailed Profit and Loss Statement. Look over the deposits and expenses to verify that they are in the correct category.
- The IRS has strict rules needed to substantiate expenses on the following categories: home office, business gifts, car & truck, travel, meals and entertainment.
- Business gifts are limited to \$25 per person per year. If you and your spouse both give gifts, you are jointly limited to \$25. It does not matter whether you have separate businesses or an independent connection with the recipient. Small gifts of \$4 or less are not included in the \$25 limit. They can be imprinted items like pens or desk sets. There is no limit if the gift is given to a corporation.
- All officer's of a corporation must receive W-2 wages. If an officer loans the company money, interest **MUST** be charged. There must be a repayment plan written.
- Remember, tax laws change annually and they can be complex. Always consult your CPA or Enrolled Agent for assistance, strategies and recommendations for your individual situation.
- Build a team around you that will provide the skills needed to succeed in business. Do not attempt to do it all. Hire a bookkeeper, an admin assistant, an attorney, marketing contractor, etc. Delegate!
- Do not wait until the end of the year to enter all the income and expenses for your business. If you do a little each month, tax season will not be stressful for you.
- Keep a log book in each vehicle to record business miles. Document date, beginning and ending odometer and the purpose of the trip.
- The following are **NOT** typically deductible: owners draw, credit card payments, dry cleaning costs, federal tax payments, clothing, or your morning coffee! Seek advice.

- Corporations are required to keep annual minutes. Anyone can sue for any reason. Do not be lazy in completing your minutes. Keep your liability veil strong.
- Business plans are crucial if you are serious about your business. They force you to focus on your business to achieve a destination. S.C.O.R.E. will provide FREE evaluation of your business plan.
- Budgets are not a four letter word. They allow you to know exactly what your costs are – do you know?? What are your break-even costs for your business??
- Being able to read and understand financial statements is huge to the success of your business. If you are not sure what they mean, ASK and get informed. You cannot make wise decisions if you do not know your financial position.
- Do you know how the IRS determines if a person is an employee or independent contractor?? Be careful on this. You will be subject to the highest penalties and interest if they find that you should have been paying someone as an employee, rather a contractor. Do it right!!
- Do not skimp on the costs of furthering your education. It is important to keep your skills sharp to set you apart from your competition. Also, invest in your employees for their professional development!
- Be careful if you extend credit to your customers. Make sure you're your business will not fail due to their uncollectible invoices.
- Shoeboxes are for shoes, not for business records. It is important to have clean, easy way of tracking your income an expenses, those you owe money to and those who owe you money. This is not a luxury, but a necessity in order to make good business decisions.

| Account Type | Debit | Credit |
|--------------|-----------|-----------|
| Asset | Increases | Decreases |
| Liabilities | Decreases | Increases |
| Equity | Decreases | Increases |
| Income | Decreases | Increases |
| Expense | Increases | Decreases |

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