

Small Business Owners - 5 Year-End Tips to Prepare for Tax Time

What should a small business owner do to best prepare for tax time? Follow these five tips to maximize deductions when completing your return - and to make more informed decisions when managing your business in the coming year.

TALLY EXPENSES

Do you have a pile of receipts in your desk drawer? Don't ignore them - come tax time, you may be able to deduct these charges as business expenses. Take the time to categorize your expenses: for example, meals with clients and vendors; travel to appearances and trade shows; and business use of your home and the related mortgage interest, insurance, utilities and repairs. Review the IRS's Publication 535 for more information on business expenses, and then consult with a professional tax advisor to maximize deductions.

UPDATE SERVICE AGREEMENTS

There's no better time than year end - with 12 months of data - to take a hard look at the service agreements you have in place for your business. Are you using all the bells and whistles that your company's Web hosting service provides? If not, consider downgrading to a simpler plan. Or cancel it and use a blog or social media - many platforms are free - as your online presence. Make sure you also review your advertising plans, bank account service fees and your credit card processing fees with an eye toward negotiating better rates, even if it means changing vendors.

RECORD INVENTORY

At year's end, confirm your inventory total and related cost, including inventory that you are having a difficult time selling. Your professional tax advisor will recommend how to address on your return. Moving forward, make sure to regularly review inventory counts so you can make smarter purchasing and promotion decisions.

BACK UP E-MAIL

Gone are the days where important business correspondence is printed on paper and placed in binders for safekeeping. Devote an afternoon - or two - to reviewing your e-mail over the past year. Create folders - for example, labeled by client or event - that best suit your business and that will make retrieving data easier. Then back up those folders to another software program or place on a DVD. For additional security, consider transferring your business communications to a distant commercial data center. This exercise of categorizing and storing data will help inform your decisions when preparing your taxes.

DOUBLE CHECK FILING DATES

For small business owners eager to stay on top of federal filing dates, the IRS's Publication 1518 details all due dates and actions by month. You can also find electronic filing and paying options at IRS.gov. For state-specific due dates, visit your state's Department of Revenue Services Web site. Once you reacquaint yourself with tax due dates, work with your professional tax advisor to best prepare your business filings.