

It's the New Year and Time to Get Organized! ...

Well, it's the New Year; have you resolved to get better organized? If so, the first thing you might want to consider organizing are your books. After all, tax season will be here before you know it.

We've got some simple tips on helping you organize your books for the year and make your life much easier come tax day. Candy Beauchamp, owner of [OffAssist](#), provided these helpful tips for organizing your bookkeeping.

"The new year has officially begun and realtors all over the land are panicking because tax time is right around the corner."

Start by getting your receipts in order

Let's talk about getting all those receipts from last year in order, and then we'll go into what you can do in the new year to maintain your business' financial health and your sanity.

Don't panic

My first word of advice is, 'don't panic.' That may sound extreme, but panic is actually a common reaction to the words 'tax time' among the self-employed and business owners. No matter what state your paperwork is in, I can guarantee you that your bookkeeper or tax preparer has seen worse.

Don't let the fact that you aren't organized keep you from taking action

For the purpose of this article, I'm assuming you are going to hire a professional bookkeeper and just need some guidance on how to make things go smoothly.

First things first, gather the evidence ... errr, I mean documents

Gather all of your supporting documents, statements, receipts, vendor invoices, etc., in one place. Then group receipts together and put them in folders or manila envelopes organized by expense category (meals, office supplies, marketing, etc.) and label them. If you're not sure what categories to use, check with the person you've hired for recommendations.

Find all lost statements or order copies now

Now is the time to make sure you aren't missing any bank or credit card statements for the year – this is the biggest time-waster in my practice, waiting for clients to get additional copies of a lost statement. If you are missing anything, order an extra copy now.

If all your expenses are on a bank or credit card statement, make notes on the statements so that your bookkeeper knows where to categorize each entry.

Categorize your income

Sort your income data the same way, noting what category (commissions, rent proceeds, referral income, etc) it belongs in and consult your professional for information on how to categorize anything you're not sure about.

Did you hire any independent contractors in 2006?

If you used independent contractors last year make sure you have a W9 on file for each one and give these to your bookkeeper. If you have employees, make sure all their payroll data is available to your bookkeeper.

All W2s and 1099s are required to be sent by January 31st. Lastly, try to get all your paperwork to your bookkeeper as early as you can; the law is not flexible about W2s and 1099s, and financial professionals are working under a very tight deadline. Failure to file accurate and timely reports can result in stiff IRS penalties.

Going forward – this is one task you'll probably want to outsource

Now that you've handed off last year's paperwork, it's time to consider hiring a bookkeeper on a regular basis. Having someone periodically review and update your accounts during the year can reduce tax time panic. An up-to-date picture of your business' financial health also shapes how you make decisions during the year.

Look for a bookkeeper that has real estate experience

Check potential bookkeepers' references and ask your colleagues for recommendations. Whomever you choose will have a preferred way of working and should guide you through getting started and working out the logistics of sharing financial data. Remember to ask about data security when interviewing bookkeepers.

What's the alternative?

If you decide not to hire someone to handle your bookkeeping until your practice grows, consider having a qualified professional review your work every three months and ask them for advice. Purchase a good accounting program; QuickBooks and PeachTree are both good choices, but you should definitely get some training and help setting it up. Proper account set up is crucial; an economical alternative is to have a professional set up the software and do the entries for the first six weeks until you get up to speed.

The bare minimum for accounting is a spreadsheet

I'd recommend a sheet for income and one for expenses with columns indicating things like Payee, Description, Payment Method, Date, and specific categories like the ones used to sort income and receipts above (office supplies, rental income, etc.).

Additional tips to help you throughout the year

1. When paying for a business meal, write on the back of the receipt whom you had lunch with and the purpose of the meeting. In an audit, you'll want something to jog your memory.
2. If you have investment properties, make a note on each receipt/invoice/check memo which property it relates to.
3. Don't mix personal funds with business funds. Keep your bank/credit card accounts separate and avoid commingling of funds.
4. Don't throw away receipts. The IRS requires copies of the actual receipts; statements usually aren't enough in case of an audit.

Remember, you can write off fees and dues

Michelle Carley, founder of [Big E-Z Bookkeeping Company](#), sent in some real estate-specific tips for bookkeeping. She advises, "keeping clear, concise records. You'll want to track income and expenses like advertising, board fees and dues, closing gifts, entertainment expenses, etc. so you're organized and ready at tax time."

To make it easy to find what you're looking for when you need it, Michelle recommends, "keeping all receipts by month or by category in a receipt storage book or envelopes with labels on the outside noting what is contained within it."

Save thousands by keeping track of your mileage

"Mileage is another biggie. With the current Standard Mileage Rate of 48.5 cents (44.5 cents for 2006) per mile for 2007, realtors can see reimbursements in the thousands of dollars. So it makes good sense to keep accurate records in a mileage log or notebook that you keep readily accessible in your car."

Michelle says, "The new year is a great time to start using a new bookkeeping program but if you need to spend more than 10 minutes setting up your bookkeeping software then it is too difficult to use. Try to find a program that is reasonably priced, industry-specific or customizable and is simple to use but, more importantly, one that is simple to correct because we all make mistakes."

Additional tax and bookkeeping resources for your use

Two valuable resources for additional tips and information can be found on Candy's and Michelle's sites at <http://www.offassist.com/newsletters/dec06.html> and <http://www.bigez.com/24besttips.txt>, respectively.

Taking the time to set up and organize a bookkeeping system is well worth the effort – whether you do it or pay one of these VAs to set it up and maintain it for you. That's just one more task you can mark off your "To Do" list and move on to more productive work.



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