

# Now's the Time to Start Thinking About Taxes

By Candy Beauchamp

Oh, yes, I'm going to do it. I'm going to start bothering you about taxes—already.

I promise I can make it less painful this year—no, really, I can!

First, take a deep breath. Uncle Sam is, contrary to popular belief, not really out to get you. Yes, he requires a mountain of paperwork and constantly wants money but well, he is a relative so we have to keep him around.

## Employees and subcontractors

If you are a subcontractor you can make your clients' lives a lot easier by going ahead and mailing them a W-9 Form. Just fill it out, sign it and drop it in the mail. Their accountant will thank you! If a client pays you more than \$599 in any given calendar year, they will need this information to send you a 1099 form.

If you have employees you should already have a [W-4](#) and [I-9](#) form. If you don't have these, get them immediately. It's also a good idea to go ahead and have your employees verify their mailing address and social security number. Most accounting programs have an employee report you can print out that will have this information. I generally put this information in their last paycheck of November with a little note asking them to verify their information. This information is used when you generate payroll checks but it's also useful when you fill out their W-2s.

If you have subcontractors you should already have a W-9 form from them. If you don't, now is the time to ask them to complete one for you. In my experience, it is always better to get this information as you pay the subcontractor. Some are reluctant to give it out and I have a "Substitute W-9 Form" that I've used for years with good results. It lays out the regulations and rules as to WHY this information is required—drop me a note if you want a copy of it. Again, most accounting programs have a standard report you can print and give to your subcontractors with their next payment asking them to verify their information.

*Note: If you use QuickBooks, make certain that the "Vendor Eligible For 1099" box is checked in the "Additional Information" tab of the Edit Vendor window.*

## Tax Considerations

There are a few things you can do to get things ready for your tax preparer. First, do a review of your books to make sure that all of your transactions are being coded correctly. Make certain that your rent is going to the rent expense account. If you have had any travel/entertainment/meals, it's always a good idea to write on the back of the receipt what the purpose of the item was, who

attended and what was discussed. This doesn't have to be anything overly descriptive; it's just a quick reminder so that you can substantiate that charge in case of an audit.

If you are a sole proprietor or LLC, you should be taking "Owner's Draws" and should not be on payroll. If you are a corporation, you should be on the payroll. It's always a good idea to reconcile your payroll at the end of the year. Show the totals of who was paid what, what taxes were withheld and/or paid by the company. Use this for a reality check and see that the numbers all match up to what you have on the books. You may have to make adjustments or you may not!

If you have been late in paying taxes, the penalties are NOT deductible. Make sure these are broken out from the interest/finance charges (which are deductible). I usually suggest having two accounts, one called "Late Fees/Penalties" and another called "Interest Expense/Finance Charges." The same rule applies to credit card fees.

If you have a home office, some of those expenses may be deductible. The area you use for your office must be used exclusively for your business. You'll want to measure this area and give this information to your tax preparer along with the total square footage of your home and the associated utility bills from your home.

## **Filing Your Taxes**

I always suggest getting a qualified tax preparer to file your tax return. I give this example: I'm a bookkeeper, I'm good at accounting. I am not a plumber; therefore, I would never dream of trying to replace a pipe under my sink. I hire a professional, someone who knows about pipes. If you don't understand taxes and the ever-changing tax laws, it's always preferable to hire someone with that knowledge to do it for you. A good CPA is not cheap, but I've found that the money you save in both time and deductions you may miss, make it a worthwhile investment.

I do not prepare taxes for clients (beyond the payroll tax forms and associated filings) but if you are insistent on doing your own taxes, do the research and get a good computerized program to help you out. I have heard TurboTax is a good alternative for small businesses.

Again, not "everyone" can do what you do, you are a professional in your field. I highly recommend hiring a professional in their field to do what they do best as well.

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*Candy Beauchamp owns and operates OffAssist, a Virtual Assistance firm specializing in [bookkeeping for business](#). They offer a free monthly newsletter with business tips and information. Visit their website for more information.*

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