

ARE YOUR BOOKS READY FOR THIS UPCOMING TAX SEASON?

It's important to plan ahead! Your tax return is only as accurate as your bookkeeping records. There are several things you can do to ensure your books are complete, accurate, reconciled, and ready for tax preparation. This checklist includes items we find most helpful. Don't worry, if there is anything you aren't sure about, we have your back!

- Confirm that your prior year's balances haven't changed since your tax return was prepared last year.
- Reconcile all bank, credit card, and loan accounts. Make sure to resolve any uncleared/unreconciled transactions that are more than 3 months old. Also, make sure to capture interest for the year on your profit loss for all loans.
- Review Accounts Receivable/Accounts Payables reports to resolve any inaccuracies
- Verify the ending inventory balance reflects the actual cost value based on the physical count.
- Review any new assets to make sure they are recorded properly. Purchases of \$500 or less can be recorded as expenses. *(Note: some businesses may report purchases of \$2,500 or less as an expense in compliance with the IRS safe harbor rule.)*

- Use a Comparative Profit & Loss Report to show both the current year and the prior year and look for significant variances, which can be an indication of bookkeeping errors. For example, insurance rate increases or loan payments being posted as expenses.
- Review the General Ledger report to look for any anomalies in transactions that may need correcting. *For example, equipment purchases are being reported as expenses (see reconciliation tip on this checklist).*
- Verify that revenue is reconciled to point-of-sale, billing, or other revenue tracking systems. This is particularly important for restaurants to be sure sales tax and tips are not being reported as income.
- Verify payroll expenses (wages & taxes) agree with the year-end payroll reports and payroll tax returns and that all quarterly reports have been filed.
- For corporations, verify that officer wages are reported in their own expense account.
- For partnerships, verify that compensation to partners for services is reported as guaranteed payments.
- Verify charitable contributions are reported correctly. Only those donations that have a business purpose are deductible. Other charitable contributions are not tax-deductible in a business but can be reported as sales promotion, contact your accounting professional for more information.
- Add any owner reimbursements for items paid personally (*consider things like mileage, cell phone, home office, etc.*)