

Tax MiniMiser®

20 Column Heading Guidelines for Business Income & Expense Record Envelopes

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DISCLAIMER: Tax laws are complex and constantly changing, so be sure to consult with a top-notch tax professional specializing in small & home-based businesses. This two-page summary is not intended as tax advice. It merely offers helpful plain-English reminders of some general concepts to keep in mind for recordkeeping purposes, to help your tax expert do your taxes for you. This simple guide helps explain "what goes where" in the 20 "Business Income & Expense Record" columns. These 20 column headings were taken directly from line items off of the 1040 "Schedule C" tax form, because they apply to most businesses. However, if your business is unique, you can customize your "Business Income & Expense Record" envelopes by writing in your own customized column headings that better fit your business entity. Be sure to read the one-page "SIMPLE-TO-FOLLOW INSTRUCTIONS FOR USING THE TAX MINIMISER" printed on the back of every "Business Income & Expense Record" envelope.

1-3: Business Income Record

1) All Income, Gross Receipts, Sales, etc: Record all business income earned from any source, including commissions; residual income checks; wholesale sales; and retail sales of goods and services including shipping & handling. Describe who, what, when, how much, and keep a copy of each sales receipt as proof of income. Record separately in Column "3" any STATE SALES TAX collected to be paid to your state retail taxing agency . . . OR, if you include the sales tax in the gross sales, then the sales tax will be a deductible expense when you pay it to the state. So be sure to tell your tax preparer how you recorded the sales tax. Record any other business income or value you receive such as barter income, awards, bonuses, business gifts, trips & cruises, etc. (Do NOT include deposits made to your bank account for loans to your business, credit card advances, personal non-business gifts, or any other non-income source of funds. The good news is, they are not taxable income!)

2) Returns and Allowances: Record items such as products returned for refunds, coupons redeemed, or price discounts granted after the original sale was completed. The total of this column will later be subtracted from your "Total Income" on the tax form.

3) State Sales Tax Collected: Use this column to record all revenues collected for state sales tax (don't record it twice in Column "1"). Be sure to pay it faithfully!

4-20: Business Expense Record

(\$\$\$) Write Check #, Cash, or Credit Card Used: Identify how you paid for each business expense — Which checking account & check # was used . . . or "cash" . . . or the credit card or debit card you used.

4) Inventory Purchases for Resale: Record the cost of all items purchased for resale, including the cost of shipping & handling charges, and any prepaid sales tax. (The "Schedule C" requires a written inventory count at the end of each year, which also becomes your beginning inventory for the new calendar year.)

5) Contract Labor: Record all wages and non-payroll payments made to contract labor and independent contractors. (For wages paid to employees of your business, including to your spouse and your kids age 7 and older, your tax professional can obtain these totals directly from the payroll tax reports, to include on your tax return. It's best to keep these two labor payment categories separate from each other). Also see Column "8".

6) Materials and Supplies: Record the costs of all raw materials and supplies needed as part of the final products or services received by your customers or clients.

7) Advertising and Promotion: Record the costs of ads, brochures, sales aids, gifts (limited to \$25.00 per individual per year), and promotional CD's, DVD's, videos, and audiotapes. Product samples from inventory will have already been recorded in Column "4" as an inventory expense at the wholesale value, but be sure to record the name and contact info of each potential customer in your *People Plan-It*, including which product samples (and the \$ value) you gave them, for future follow-up.

8) Employee Benefit Programs: Record all expenses paid toward Health Savings Accounts (HSA's); Section 105 Self-Employed Medical Reimbursement Plans; Section 529 College Education Plans; Education Expenses; Life Insurance (group only, and only up to \$50,000 each); IRA's and other retirement plans; etc., for yourself and any employees on your payroll. (Next to the entry of each benefit provided, write the name of the person for whom the benefit is provided.)

9) Business Interest Expense: Record the interest portion of payments for business loans, business credit cards, and business real estate. (For home mortgage interest, see Column "20"). If you don't know what amount of each payment is interest, put a *(star or asterisk) next to it, and then you can get a printout from your lender(s) showing the total interest at the end of the year.

10) Accounting, Legal, and Professional Services:

Record fees related to your business that are paid to tax professionals, attorneys, consultants, graphic designers, computer trouble-shooters, and other experts.

11) Business Equipment, Furniture, and Assets:

Record the cost of office and business-related furniture and equipment such as desks, chairs, filing cabinets, computers, printers, cameras, and qualified business vehicles, etc. Most of these could fall under the annual Section 179 deduction (consult with your tax professional regarding depreciation schedules). Be sure to save all the receipts of these costs in the Tax MiniMiser envelopes, or in an annual tax file kept in your business filing cabinet.

12) Office Expenses and Supplies: Record the cost of all the daily expenses and supplies used in your office or for your business such as: Small tools & equipment, postage, stationery, business cards, printing & copy expenses, ink jet printer cartridges, pens, pencils, paper, paper clips, cleaning supplies, file folders, binders, calendars, day planners, Tax MiniMisers, People Planners, etc.

13) Rented or Leased Equipment and/or Office

Space: Record the cost of renting or leasing machinery, equipment, vehicles, or office space for your business.

14) Repairs and Maintenance: Record expenses for the repair and maintenance of equipment, furniture, and facilities used for your business.

15) Licenses, Fees, Dues, and Subscriptions: Record the cost of business license fees; professional licenses; membership fees and assessments of professional organizations that relate to your business; dues and subscriptions; etc.

16) Lodging and Travel: For overnight business trips, record the cost of hotels and tips. Record all public transportation expenses such as by plane, train, or boat. Record baggage cart rentals, tips, taxis, and auto rentals. While on overnight business trips you may also write off the cost of shoe shines, hair cuts, manicures, pedicures, etc.; and cleaning expenses for your business clothing used during the business trip immediately upon returning home. (Do not include the cost of meals in this column—use Column “17” to record the cost of meals and entertainment, even if they’re charged on the same hotel room invoice).

17) Meals and Entertainment: For overnight business trips, while only 50% of the actual expense is deductible on the tax form, you still record 100% of the cost of all your personal meals, tips, and business-related entertainment, as well as for any business associates for

whom you also pay. Another great option is to claim the “per diem” rates, which can be found at www.gsa.gov.

While conducting daily business not requiring overnight travel, you may only write off business meals and entertainment actually spent with or for customers, potential clients, or business associates. Unfortunately, this does not include a business meal with just your spouse, even though you may be in business together.

You can generally write off 100% of food costs provided in your office for employees on a non-regular basis, and in your home at an event designed to sell your product(s).

18) Business Phones & Utilities: The first phone line coming into the home is personal, so you may only deduct all long-distance business calls made on that line. Other lines you add for your business may be up to 100% deductible (but only to the extent they are used for business) such as additional phone lines, fax lines, business computer DSL lines, and even business cell phones with a record of all your business calls. If you rent office space, here is where you could also record the cost of utilities and other similar overhead expenses.

19) “All Other” Expenses: This is sort of a “catch-all” category for whatever business expenses might not fit neatly into any of the other categories, such as freight & shipping expenses to ship products to your customers. You might also include all other ordinary and necessary business expenses such as the cost of business seminars and convention registrations; business training & materials; professional books, publications, magazines, & newspapers; business property taxes; employer taxes; levies; etc. Then your tax preparer can include on your tax form some written notes explaining each of these unique categories.

20) Home Office and Business Use of Your Home:

Use “Tax Form 8829” to claim these expenses. The “Business Use Percentage (BUP)” of the following home expenses generally are deductible for business use: The “BUP” of your rent (if you are renting your home or apartment) . . . OR . . . the “BUP” of your mortgage interest and real estate taxes. (The unused remainder of your mortgage interest deduction and real estate taxes can flow to Schedule A as an itemized deduction.) Also keep track of depreciation on the home (let your tax preparer handle the recording of depreciation expenses), property taxes, home insurance, home repairs & maintenance, home utilities, home security, water, sewer, garbage removal, professional home-office cleaning, lawn & yard service, snow plowing, etc. (Yard work and snow removal are only allowed if you have regular business guests visit your home.) These expenses are multiplied by the “Business Use Percentage” of the combined square footage areas in your home & garage that you use exclusively and regularly for your business.