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Small Business Owners: Be Diligent in Filing Your Taxes This Year

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Diahna Husbands, a 28-year-old hair restoration salon owner, was usually one to request an extension to file her taxes. This year, she plans to do things differently. (Source: Lawrence Luk)

Small business owners nationwide usually find themselves waiting with bated breath for their tax filings' completion, keeping their fingers crossed that they're in good standing with the federal and state revenue departments. This is especially true for last minute filers.

Diahna Husbands, a 28-year-old hair salon owner, usually found herself in that category: anxiously requesting an extension to file at the last minute. But she's sticking to a vow she made last year to do things differently in 2009.

"So hopefully this time around I won't be so stressed out ... Filing ahead of time helps with anxiety," says Husbands, who in July 2006 opened Silver Spring, Maryland-based Diahna Lynn Hair Enhancement Studio, which services women and

children experiencing hair loss.

While Husbands is working with an accountant to get her taxes filed by early March, she does have a few tax-related questions. David A. Lopez, a Philadelphia-based certified public accountant and managing member of David A. Lopez & Co. L.L.C., says it's typical for many business owners to have questions about their filings.

Here's what small business owners should consider before last minute filing this year:

Determine which legal formation is best for your business. Depending on what a business owner wants to accomplish, they can elect to structure their company as a sole proprietorship, partnership, corporation, S corporation or limited liability company. Lopez says there are tax advantages and disadvantages associated with each business entity. Visit [IRS.gov](https://www.irs.gov) ^[1] to find out more information on business structures and what might be best.

Choose a certified public accountant to do your taxes. Hiring a CPA will make a business owners' life easier, Lopez says. Business owners may contact organizations such as the National Association of Black Accountants or the [American Institute of Certified Public Accountants](#) ^[2] to find a CPA.

Use corporate credit cards and debit cards to keep track of expenses. Lopez says the best way to keep up with expenses is to use a corporate credit card or a debit card associated with the business account. "The IRS has taken a position that the details provided on corporate credit card and bank statements can serve as substantiations for disbursements," Lopez says. Why? Because receipts are small and sometimes hard to keep up with and the ink tends to fade, Lopez explains. He also recommends that all small business owners utilize an accounting software package such as [QuickBooks](#) ^[3] or [Quicken](#) ^[4].

If you find old receipts after you've filed, you have three years to file an amended tax return that could include the recovered receipts.

[IRS Publication No. 583](#) ^[5] includes record keeping tips for small business owners. You can view it [online](#) ^[5] or call 800-TAX-FORM to request a copy.

Realize that write offs are necessary business-related expenses. A write off for a small business owner is any expense that's ordinary and necessary for the operation of the business, Lopez explains. Items typically expensed are office equipment and business-related traveling expenses such as gasoline, airline tickets, hotel stays, meals, and rental cars.

Make estimated tax payments throughout the year. Estimated tax payments are made at the end of each quarter, which eliminates business owners having a large tax payment at the end of the year and any possible penalties associated with underpayment, Lopez says. "Work with your CPA at least quarterly. Don't wait until

tax season to get things in order,” he advises.

Filing estimated tax payments does three main things: It keeps small business owners in compliance with the IRS regulations. It also breaks down your liability into four payments, reducing the burden on the taxpayer. And if you calculate them correctly, it eliminates the business owner from coming up with a large payment at the end of the year when the taxes are completed and filed.

The [American Recovery and Reinvestment Act of 2009](#) ^[6], part of the stimulus package that President Barack Obama signed into law on Feb. 17, includes a number of incentives for small businesses such as tax credits for hiring certain categories of workers and the ability to spread business losses over more years and realize tax savings more quickly, according to IRS spokesman Eric Smith.

WEB RESOURCES

[IRS for Small Business](#) ^[7]

[The Cutting Edge: Tax Tips For Small Businesses](#) ^[8]

[The Cutting Edge: Tax Tips For Small Businesses: Part 2](#) ^[9]

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URLs in this post:

[1] IRS.gov: <http://www.irs.gov/businesses/small/article/0,,id=98359,00.html>

[2] American Institute of Certified Public Accountants: <http://tax.aicpa.org/>

[3] QuickBooks : <http://quickbooks.intuit.com/>

[4] Quicken: <http://quicken.intuit.com/>

[5] IRS Publication No. 583: <http://www.irs.gov/pub/irs-pdf/p583.pdf>

[6] American Recovery and Reinvestment Act of 2009: <http://www.recovery.gov/>

[7] IRS for Small Business: <http://www.irs.gov/businesses/small/article/0,,id=99198,00.html>

[8] The Cutting Edge: Tax Tips For Small Businesses: <http://www.blackenterprise.com/blogs/2009/02/25/the-cutting-edge-tax-tips-for-small-businesses/>

[9] The Cutting Edge: Tax Tips For Small Businesses: Part 2: <http://www.blackenterprise.com/blogs/2009/02/26/the-cutting-edge-tax-tips-for-small-businesses-part-2/>

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