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# 8 TAX-SAVING TIPS FOR SMALL BUSINESSES

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Personal taxes can be complicated. Business taxes can be even more difficult. If you own a small business, tax time can be challenging. The livelihood of any company is at least partially dependent on its ability to minimize its tax liability while meeting the requirements of the IRS.

While taxes are rarely enjoyable or an interesting topic, they're a part of any business owner's life. Getting a handle on your business taxes can increase your income and help you avoid legal issues.

### Check out these tax tips that are helpful for any small business:

**Keep your tax and financial documents** for at least 7 years. If you're ever audited, you'll need those records. Any claims made at tax time require supporting documentation. Keeping good records is an excellent idea for any small business because it encourages organization. It is very difficult to reconstruct records at a later date.

**Know your deadlines.** It isn't all about April 15th. While most business entities can wait until "tax day," C-corporations are required to file within 10 weeks after the fiscal year ends, which is normally December 31st.

**Understand your loans.** The IRS doesn't classify most business loans as income. But the interest paid on loans is generally a deductible expense. It's important to have records regarding the use of any loans. It might be for equipment or to finance some other activity.

**Know the different types of audits.** There are several types of audits and some are more intimidating than others.

- **Office audit:** Generally this is a simple audit. You'll be requested to report to your local IRS office to resolve some discrepancies.
- **Correspondence audit:** You'll just be asked to send in a document via mail or fax.
- **Field audit:** These tend to be very thorough audits and they are conducted at your place of business.
- **Criminal investigation audit:** Consult your lawyer. You're suspected of tax evasion.

**Pay your quarterly tax bill.** This is a common mistake. If you have an employer, your taxes are regularly taken out of your paycheck. If you're self-employed, you're required to estimate your tax each quarter and pay it. Failure to pay this can result in a significant tax penalty.

- You might also end up with a bigger tax bill than you can handle in a single payment. Make a habit of setting aside a portion of your profit each month in anticipation of paying your quarterly taxes.

**Prepare early.** The vast number of tax filers wait until the last minute. If you're expecting a refund, this can be the worst time to file. The IRS is overwhelmed with all the tax returns that pour in. However, this can also be the best time to avoid an audit. Preparing your tax return early leaves you time to find any missing documents and answer any questions.

**Get help.** Depending on the complexity of your business's finances, hiring an expert to prepare your tax return might be a good idea. In theory, the money you spend ought to result in a smaller tax burden. It's also helpful if any legal issues arise.

**Avoid using taxes collected from employee payroll to pay business expenses.** This common practice upsets the IRS greatly. When you withhold taxes, send them to the IRS!

Taxes are a large expense for any business that shows a profit. It only makes sense to minimize that expense. Consult a tax professional if you have any questions or concerns regarding your business's tax situation.