

4 Ways to Stay Ahead of Tax Issues

Don't let your small business suffer unnecessarily. Save valuable time and money by staying ahead of tax issues with these practical tips.



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As a small business owner, your time is too precious to spend it unraveling tax problems that could have been avoided. Consider these tax issues that can trip up small business owners and follow the useful tips to avoid them so that your time and money are protected.

4 Ways to Stay Ahead of Tax Issues



Don't Mix Business & Pleasure

Keep business and personal expenses separate to avoiding record-keeping issues. This isn't always easy, but it can pay off big when tax time rolls around. You want to be sure to be able to identify all the appropriate business expenses, so that you do not lose valuable deductions. To help keep business and personal accounting separate, be sure to have a separate business checking account and separate business-only credit card. Separate your receipts and keep track of "shared" expenses. For example, cell phones, cars, and home office space are often shared by small business owners for their personal and business use.



Do Track Expenses

Keeping track of business expenses can be a challenge. However, proof of purchase is a must for expenses you plan to deduct. Proof can be a canceled check (or a legible image) or a credit card, debit card, or electronic funds transfer (EFT) statement showing the payee, the amount of the purchase or transfer, and the transaction date. You may also consider snapping an image of receipts with your smart phone. Also, retain invoices or receipts that identifying the purchase with an obvious description or explanation of the purchase as related to your business. If this is not available, consider attaching a note of explanation to or on the invoice or receipt. Remember, there are specific substantiation requirements for business travel and entertainment expenses, so be sure to check with us if you have questions.





Don't Make the IRS Wait

The employment taxes you collect should always be remitted to the IRS in a timely manner without exception. As an employer, you're responsible for withholding federal income tax and FICA (Social Security and Medicare) taxes from your employees' wages and remitting them, along with your company's FICA contributions, to the IRS. Failure-to-deposit penalties can be up to 15 percent, so be sure to determine your payment schedule at the beginning of the year. Deposit schedules are either monthly or semi-annual. All deposits must be made on time via electronic funds transfer.



Do Classify Workers Properly

Misclassifying workers as independent contractors when they are employees can be troublesome. That's because these employees are treated differently for income-tax withholding and employment-tax purposes.

For example:

Employees: You must withhold federal income tax and FICA taxes, pay your share of FICA taxes, and pay unemployment taxes.

Independent contractors: You are not required to withhold income tax. The worker is liable for their self-employment taxes. FICA and unemployment taxes do not apply.

Misclassifying workers can result in penalties.

Stay one step ahead

Whether you need individual or business tax advice, we have the answers you need. Do not hesitate to call us today at **(402) 932-8815** or visit us online **westevens.com**. We're here to help.



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