

# Tax Return for Business

Each business is different and has unique income and expenses, the list below will give you a general idea of what items you should be tracking to assure a complete tax return for your business, farm or rental property.

Your list will need to be categorized similarly to the list below, please feel free to ask for clarification if you are unsure about a category.

Keep track of **ALL income** related to your business; for instance:

Sales of your product

Sales of your service

Interest earned from business bank accounts and investments

Sales of business equipment and property

Rental of business equipment or property

Keep track of **ALL expenses** related to your business; some common expenses include:

\*\* Mileage, parking and tolls

Wages you pay to employees you hire (and provide with a W-2)

Payroll Expenses (taxes & benefits for your employees)

Contract labor: for those engaged in occasional work for you

Supplies you purchase to create, produce or resell your product

Office supplies (stamps, invoices, printer ink, etc.)

Advertising

Accounting, Legal and Training

Rent paid for equipment or space

Interest paid

Repairs & Maintenance (not related to vehicle, see below)

Insurance

Taxes

Utilities

Phone and Internet

Travel (Hotel, Airlines, rental car)

Meals while on the road or for client entertainment

\*\* You have the **option of either using mileage driven during the course of your business or actual expenses of operating your vehicle**. Williams Business Solutions will work with you to determine the best option for you. In both cases you will need to provide the year, make and model of your vehicle and when you began using it for business purposes. Parking and tolls are computed separately for both options.

- If you choose to use the mileage option you should keep an accurate calendar of every trip that you make that is business related. Don't forget those trips to the post office, to purchase supplies or meeting with potential clients, every mile that you drive related to business should be counted.

- If you choose to use the actual vehicle expenses option you must save all receipts from gas, maintenance, auto repair and insurance. You will need to provide the purchase price of your vehicle and the percentage that it is driven for your business.

**Depreciation** is an income tax deduction that allows a taxpayer to recover the cost of more expensive purchases over a period of years. It recognizes the wear and tear, deterioration, or obsolescence of the property over time. In order for a taxpayer to be allowed a depreciation deduction, the property must meet all the following requirements:

- The taxpayer must own the property. Taxpayers may also depreciate any capital improvements for property the taxpayer leases.
- A taxpayer must use the property in business or in an income-producing activity. If a taxpayer uses a property for business and for personal purposes, the taxpayer can only deduct depreciation based only on the business use of that property.
- The property must have a determinable useful life of more than one year.

Most types of tangible property (except, land), such as buildings, machinery, vehicles, furniture, and equipment are depreciable. Likewise, certain intangible property, such as patents, copyrights, and computer software is depreciable.