



# FACTS & FIGURES

## SPECIAL REPORT

Smart tax, business and planning ideas from your trusted CPA and Tax Expert

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Year-End Tax Accounting and Reporting for Small Businesses



#### YEAR-END TAX ACCOUNTING AND REPORTING FOR SMALL BUSINESSES

Each year, every business is required to prepare financial records for its fiscal year accounting period and report income to US tax authorities.

Large corporations and publicly traded companies must follow financial accounting procedures to report income. Conversely, small businesses with annual sales of \$5 million or less may opt to prepare tax accounting records for tax purposes. The difference between the two methods is the timing in which sales and purchases are recorded.

Under financial accounting, a company's accounting profit could exceed taxable income in certain reporting periods due to accrued revenues. The decision of whether to use financial accounting or tax accounting can have a significant impact on the taxes that a business must pay for the current tax year.

While some businesses may be inclined to undertake complicated tax accounting work internally, there are advantages to outsourcing year-end tax accounting and tax reporting to a qualified CPA firm.

First, changing tax laws and other factors that impact business reporting requirements present challenges for internal staff that are not fully versed in current tax legislation. Additionally, preparing year-end tax reporting records and accompanying tax returns is more often than not overburdening for internal staff that must simultaneously process the businesses' financial transactions, manage accounts payable and accounts receivables, reconcile bank and credit card accounts, process and track payroll and prepare other reports as part of their standard business activities.

Proper preparation of tax accounting records and accompanying tax returns requires skill sets often not possessed by internal staff. These skill sets include work experience as a Tax Accountant, Tax Analyst or Tax Preparer, knowledge of both financial accounting and tax accounting procedures, and comprehension of the current IRS regulations and tax laws.

For businesses wishing to outsource their year-end tax accounting and reporting needs to a CPA firm it is highly recommended that the business begin this process prior to the end of the fiscal accounting period, typically in the early part of the fourth quarter.

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Business owners will want to ensure that the CPA firm is provided all of the documents and information that the CPA firm will need to complete the tax accounting work and to maximize any tax deductions. The CPA firm will need to receive well organized business documents and records well in advance.

**Business documents and information to provide to the CPA firm for your tax needs:**

- Digital copies of the businesses' filed tax returns for the past two years
- Financial records for the business including profit-loss statements, income statements, balance sheets, and cash flow statements
- Payroll information (if you have employees)
- Business expenses (travel expenses, advertising expenses, rent, utilities, office supplies, maintenance, telecommunications, internet costs, raw materials, shipping expenses, etc.)
- Vehicle expense and usage records for any automobiles used for business (VIN, Make, Model and Year, vehicle operating expenses, vehicle driving log with business miles driven, etc.)
- Asset additions or disposals during the year such as land, buildings, vehicles, machinery, etc.
- Business use-of-home details — if your home is your principal place of business, or you use the workspace in your home to earn your business income and use it regularly to meet with clients, customers, or patients.
- Other tax related documents relevant to particular business operations.

As a standard practice, businesses should maintain all receipts, bank statements, invoices, payroll records, and any other documentary evidence that supports an item of income, deduction, or credit shown on the business tax return. Most supporting documents need to be kept for at least three years. Employment tax records must be kept for at least four years. Other business records may need to be maintained longer or even indefinitely. The CPA firm can help the business owners to determine these requirements.

For assistance with your business financial accounting, reporting and tax needs visit our firm's website at <https://bas.cpa> or contact us by telephone at (571) 495-2227.



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## About BAS Certified Public Accountant Firm (BAS CPA)

As a licensed CPA firm, BAS CPA provides business clients critical expertise and assistance in preparing required U.S. financial statements and tax filings in accordance with the standards stipulated by U.S. accounting regulators and U.S. tax authorities.

Our firm assists domestic and multinational businesses and not-for-profit organizations to more easily and effectively manage the following accounting, tax, financial reporting, and compliance needs:

- Financial Accounting
- Tax Accounting
- Preparation of financial statements
- Compilation of financial statements
- Consolidation of parent company and subsidiary financial statements
- Foreign bank and asset reporting (FBAR)
- Translation of IFRS financial statements to US GAAP
- Preparation and filing of business income tax returns

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