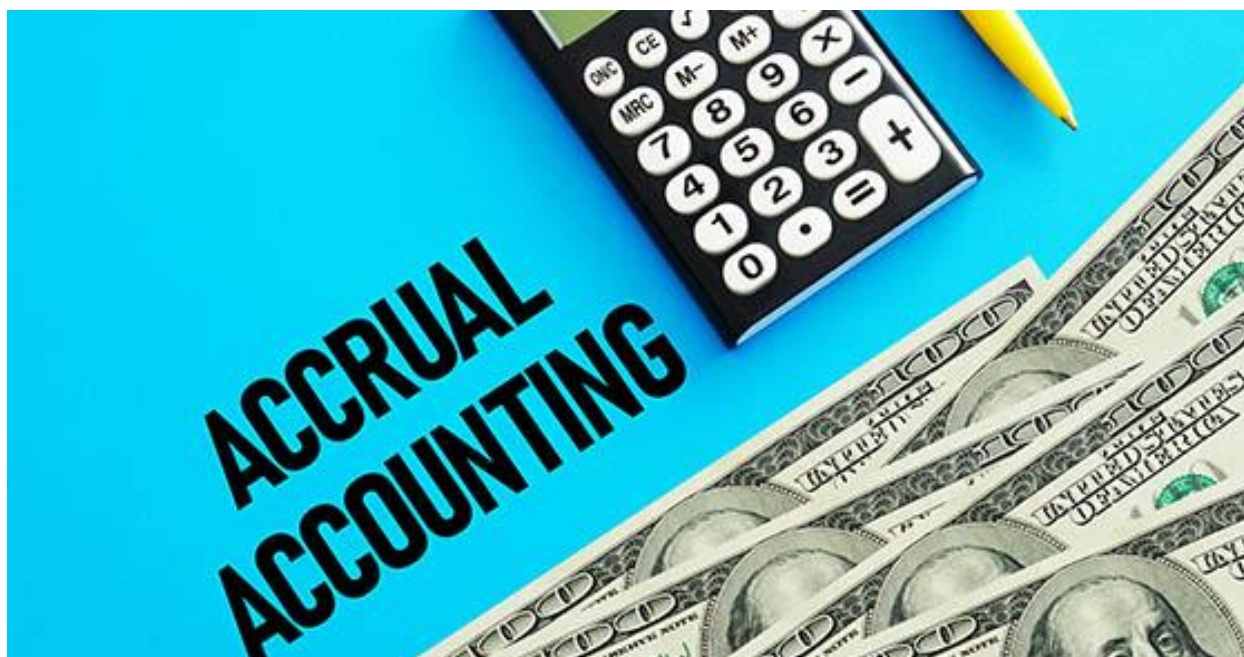




Year-end tax planning for accrual-basis taxpayers

Projecting your business's income for this year and next can allow you to time income and deductible expenses to your tax advantage. It's generally better to defer tax — unless you expect to be in a higher tax bracket next year. Timing income and expenses can be easier for cash-basis taxpayers. But accrual-basis taxpayers have some unique tax-saving opportunities when it comes to deductions.

Review incurred expenses

The key to saving tax as an accrual-basis taxpayer is to properly record and recognize expenses that were incurred this year but won't be paid until 2026. This will enable you to deduct those expenses on your 2025 federal tax return. Common examples of such expenses include:

- Commissions, salaries and wages,
- Payroll taxes,
- Advertising,
- Interest,
- Utilities,
- Insurance, and
- Property taxes.

You can also accelerate deductions into 2025 without actually paying for the expenses in 2025 by charging them on a credit card. (This works for cash-basis taxpayers, too.)

Look at prepaid expenses

Review all prepaid expense accounts. Then write off any items that have been used up before the end of the year.

If you prepay insurance for a period of time beginning in 2025 and ending in 2026, you can expense the entire amount this year rather than spreading it between 2025 and 2026, as long as a proper method election is made.

More tips to consider

Be sure to review your outstanding receivables and write off any that you can establish as uncollectible. Also, pay interest on shareholder loans. For more information on these strategies and to discuss other ways your business can reduce 2025 taxes, contact us.

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