



Should your business consider a fiscal year end?

Most businesses close their books for tax and accounting purposes on December 31 because it aligns with the calendar year. But a calendar year isn't always the best option. For some companies, choosing a fiscal year end that better reflects their business cycle can improve financial reporting and simplify year-end procedures and tax filing. Here's what you should know when deciding on the right tax year end for your business.

Fiscal-year basics

A fiscal year is a 12-month accounting period that doesn't end on December 31. For example, a company might operate on a fiscal year running from July 1 through June 30.

Some businesses use a 52- or 53-week fiscal year. These periods don't necessarily end on the last day of a month. Instead, they may close on the same weekday each year, such as the last Friday in March. This approach is common in industries where weekly activity cycles are more meaningful than monthly reporting.

Using a fiscal year also changes tax filing deadlines. Pass-through entities — including partnerships, limited liability companies and S corporations — generally must file their tax returns by the 15th day of the *third* month after their fiscal year ends. For example, a business with a June 30 fiscal year end would file its return by September 15. Fiscal-

year C corporations generally must file by the 15th day of the *fourth* month following the fiscal year close. (These correspond to the calendar-year deadlines of March 15 for pass-throughs, which is the 15th day of the third month after December 31, and April 15 for C corporations, which is the 15th day of the fourth month after December 31.)

When a fiscal year makes sense

Not every business can choose its own tax year. Sole proprietorships typically must use a calendar year because the business isn't legally separate from its owner, who files an individual tax return based on the calendar year.

Other businesses may be able to adopt a fiscal year if they can demonstrate a valid business purpose or qualify for certain IRS elections. In practice, this usually means aligning the tax year with the company's operating cycle. For seasonal businesses, a fiscal year can provide a clearer view of performance. Construction companies, farms, accounting firms and retailers often experience significant fluctuations throughout the year.

Consider a snowplowing company that earns most of its revenue between November and March. A December 31 year end divides one winter season into two tax years, making it harder to evaluate profitability for that period. A fiscal year ending after the winter season may present financial results more accurately than a calendar year would.

Businesses that restructure or significantly change their operations may also consider changing their tax year. Doing so generally requires IRS approval by filing Form 1128, "Application to Adopt, Change or Retain a Tax Year." Companies that change their tax year usually must also file a return for the short period created during the transition.

Beyond taxes

The benefits of adopting a fiscal year aren't limited to tax reporting. Choosing the right year end can also make financial reporting and planning easier.

If a company's busiest months fall late in the calendar year, closing the books on December 31 can disrupt operations and strain accounting staff during an already demanding period. Moving the year end to a slower time can make it easier to perform inventory counts, review contracts and complete financial statements. This can be especially helpful for businesses that rely on detailed job costing or inventory management. Completing year-end accounting tasks when operations are less hectic

can reduce errors and improve the financial data that business owners and stakeholders rely on for decision-making.

We can help

Selecting a fiscal year end involves more than choosing a convenient date. The right year end can streamline reporting, provide more meaningful insights and support better planning. If you're thinking about a change, contact us. We'll help you determine the best fit for your operations and guide you through the IRS approval process.

© 2026