How to Make Business Taxes a Breeze

1. **Keep books.**

   Maintaining accounting records is absolutely essential for any business owner, large or small. Though entrepreneurs might overlook setting up an accounting system when they start their business, it's very important to note that the Internal Revenue Code section 6001 actually requires that every person liable for tax maintain accounting records.

   Records should be maintained accurately in "forms and systems of accounting" so that the IRS can determine if tax is incurred and the correct amount. The burden of proof falls on the taxpayer and it's next to impossible to prove you don't owe tax if you have no substantiating records. If you've failed to maintain accurate and complete accounting records, essentially you're at the mercy of the IRS if you're audited. It's that simple.

2. **Don't mix and mingle.**

   Don't commingle personal and business expenses or records. Talk to an attorney, CPA or tax professional to determine what business structure works best for you and your type of business. Make sure you have a thorough understanding of what the tax as well as legal implications of that business structure is.

3. **Store it away for a rainy day.**

   Keep your accounting records for an appropriate period of time. It's important to understand the statue of limitations rules. The general statue of limitations is three years, since the IRS can always do an audit examination for three years back, although there are some situations when it can become six years. If a tax payer hasn't filed a tax return or has committed fraud, there's actually no statute of limitations.

4. **Understand and use your accounting records.**

   Don't just keep accounting records, learn to understand and use them. Accounting records serve a purpose, which is to give you data that's useful in managing your business. It's more than just information to fill out a tax return. Understand and know what those records are telling you. Use them to prepare a budget and use it. Learn and understand the difference between accrual accounting and cash accounting, and don't rely on the balance of your bank account to tell you what the net income or loss for your business is.

5. **Hire a professional.**

   Use a competent accounting and tax professional. Get referrals from friends, family and other business owners to find the right professional. When engaging that individual, ask questions, find out about their background, whether they have any specialty areas, and don't just accept what they tell you. Review any information they give you and if anything doesn't look proper or correct, ask questions. The bottom line is, it's your responsibility.

6. **Be proactive.**

   Read business publications including the *Wall Street Journal*, *Entrepreneur* magazine and the business section in your newspaper. Be constantly looking for tax changes, new developments and strategies. Any new information you find you can take back to your accounting and tax professional and they can help you discuss it and find out if it's something that applies to your business.

Source: Entrepreneur.com

7. **Understand your responsibilities.**

   It's critical that you understand your responsibilities as a taxpayer. If you've ever looked at your tax return, the place where you sign the return actually constitutes a declaration under penalty of perjury that you've examined the return along with all of the accompanying schedules and statements, and that to the best of your knowledge and belief, they're true, correct and complete. It's your responsibility when you sign your tax return to ensure that your tax information is correct. It's not just the responsibility of the individual who prepares it.

8. **Don't ignore the IRS.**

   Always respond to IRS notices and correspondence in a timely manner. If there's an issue they're contacting you about, it's not going to go away if you ignore it. Very often there are time constraints and it ends up being a very expensive problem if it's not corrected immediately.

9. **Forward your withholdings.**

   Be especially mindful of your obligations regarding employee tax withholdings. When you have an employee and you withhold federal income tax, state, local, income tax, social security, Medicare tax, etc., you're holding somebody else's money and those funds have to be remitted in a timely manner to the appropriate governmental body. The penalties for delinquency or failure to do so are severe and the IRS will act on it quickly.

Source: Entrepreneur.com