

**ACCOUNTING ISSUES  
FOR SMALL BUSINESSES  
AND START-UPS**

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**for Job Assist  
Silver Spring, MD**

Featuring

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## TYPES OF BUSINESS AND REQUIRED FORMS

Type	Required Forms
Sole Proprietorship	File Schedule C/C-EZ and Schedule SE along with Form 1040
Independent Contractor	
Partnership/LLC	Partnership files 1065, Partners Receive K-1 and File Schedule E
S-Corps	Corporation files Form 1120S and Individual Files Schedule E
C-Corps	Corporation files Form 1120

## UNDERSTANDING THE TAX STRUCTURE: EMPLOYEE VS. SELF-EMPLOYED

Employee	Self-Employed
Taxes withheld from paychecks	Estimated payments due quarterly to taxing authorities
Federal tax	Federal tax
State tax	State tax
Social Security and Medicare	Self-employment tax

## GETTING STARTED, GETTING ORGANIZED, STAYING ORGANIZED

- Employee Identification Number (Federal: SS-4)
- Valuation of personal property, home office brought into business
- File system, shoe boxes, photo evidence
- Manual accounting or computer-based accounting
- Separate bank accounts and credit cards
- Don't spend it yet! Setting aside for taxes

## INCOME

- Gross receipts or sales from services and inventory
- Bartering or exchange of goods

## DIRECT EXPENSES

Advertising	Car and truck (mileage logs)
Commissions and fees	Contract labor
Amortization/depletion/depreciation (Form 4562)	Employee benefit programs
Insurance other than health	Interest (mortgage, other)
Legal and professional services	Office expense
Pension and profit-sharing plans	Rent/lease (vehicles, machinery, equipment)
Repairs and maintenance	Supplies
Travel (per diem), meals, entertainment	Utilities
Wages	Other

## **RECORDS**

- Receipts
- Mileage logs
- Gift logs
- Travel logs
- Standard per diem rates and other actuarial rates
- Depreciation Logs

➤ Tests: Reasonable, Ordinary

## **ASSETS**

Business Property

## **HOME OFFICE EXPENSES (INDIRECT, DIRECT)**

- The Home Office Deduction (Form 8829)
- What's new: The 2013 Safe Harbor

➤ Tests: Exclusively and regularly

## **CAR EXPENSES**

Keeping a journal of mileage vs. actual expenses

## **AVOIDING AUDITS**

- Report all income
- Maintain accurate records and audit trail
- Put it in writing; take a picture of it
- File all required forms and returns accurately and timely
- Don't ignore the IRS