

ACCURATE BOOKKEEPING & ACCOUNTING

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February, 2008
Accounting & Tax Tips

Dear Business Owners & Interested Parties,

It's that time of the month and I am once again sending along some helpful tips. If I can answer any questions or be of further assistance, feel free to let me know. For a point of interest, I have made several changes to my website, www.accuratebooks-ca.com.

Personal Tax Tips:

To insure you aren't forgetting anything, use last year's taxes as a guide for this year's income and deductions. It's very easy to miss deductions if you haven't a checklist and this is the simplest one.

For non-cash charitable contributions, make a list of what you are giving prior to turning it over to the charity. The IRS has tightened up the detail needed and the days of simply writing down "4 bags, \$60.00" are over. If you have large non-cash donations (golf clubs, tools, etc.), it is best to try to determine a fair market value of these items. Pricing them by thrift store prices is one of the best ways and the IRS will accept these estimates. Lastly, in the case of smaller items (including clothes, toys, etc.), exceeding \$500.00 can create a great deal of extra work for you. That is the level at which the IRS requires full documentation including when and where all items were purchased. So, unless you have major donations, it is sometimes best to stay slightly under the radar.

Business Tax Tip:

Keep good records of your personal auto for business use. Keeping actual records of all expenses and attributing the business portion to these expenses is one method to expense the business use portion of your auto. An easier method is to simply keep a journal in your vehicle and track all mileage utilized for business purposes. Be certain to note who you saw and where, plus the purpose for the trip and the mileage driven. The rate for 2007 was \$.485 per mile and for this year is \$.505 per mile. For the simple reason of bookkeeping alone, many people choose to use the standard mileage rate.

Vehicle expenses which can be claimed in addition to the standard rate include parking fees and tolls, interest and personal property taxes. Remember, this is business use of your personal auto. If you are already expensing the vehicle as a business auto, you cannot use this additional deduction. Regardless of method, you will need total mileage driven for the year. The IRS bases deductions on percentage of total use.

Accounting Tip:

There are places to save money and places not to save money. Obviously, it is a good idea to keep an eye on your business for areas of waste. Wasted materials, labor and overhead items can take a business from a viable concern to closed doors. But, when does saving money cost you money?

Buying materials or supplies in bulk only is a savings if it won't take up permanent residence in your storeroom. Do you use it? Another area is gifts and entertainment expenses for possible customers (versus those who are customers). Does this translate to sales or not? Cash spent on current customers is marketing money well spent. On people who never become customers can be highly suspect.

Another area is, of course, the area of bookkeeping. It makes complete sense to understand the bookkeeping end of your business. That is how you keep track of your numbers and percentages to head off problems before they become insurmountable. Several hours a week to have a handle on your business and whoever is doing your bookkeeping is the smart thing to do. If, however, you are spending 5, 10, 15 and more hours per week doing your own bookkeeping instead of building your business, you likely are not utilizing your time properly. Granted, there are times in all businesses when it becomes necessary, but those should be temporary.

Quite simply, it is much easier to find someone to do bookkeeping at a level similar to what you can do yourself than it is to find someone who can promote your business as well as you can. Lost sales, poor customer service, poor quality workmanship, and poor relations all hurt your business and add to your already stretched time.

Until next month, good business!

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