



February 2014

Start Planning Now for 2014 Income Taxes

You may not have even completed your 2013 taxes yet, but now is an ideal time to start getting ready for your 2014 returns.

We know that you're in some stage of preparation for your 2013 income taxes. It may seem odd to start thinking about 2014 taxes just now, but actually, this is the ideal time to start planning and making business decisions with their tax implications always in the back of your mind.

As you look at the data that will be entered in your 2013 tax forms, you're likely to come across some expenses that you might have handled differently, or some income that should have been deferred. If you begin your planning process for 2014 while 2013 is still in the works, you can start making smarter, more tax-advantageous business decisions *now*, instead of late in the year when everyone is rushing to take actions necessary to lower their tax obligation.

Here's how QuickBooks can help you with this new approach.

Overhaul your Chart of Accounts. The mechanics of doing this in QuickBooks are fairly uncomplicated, but changing this critical list – the backbone of your company file – requires solid knowledge of which accounts should be added, deleted or changed. You also need to know which accounts and subaccounts will have impact on your income taxes. They must be structured accordingly.

Figure 1 (Right): QuickBooks' default Chart of Accounts can be easily modified to meet your company's unique needs. Let us help you with this task.

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For these reasons, we ask that you consult with us if you think your Chart of Accounts could use an overhaul. Our early involvement will be much more economical for you than if we have to come in down the road when your accounts have become dangerously tangled.

Devise an effective system for estimated taxes. As you well know, there's no magical formula for estimating how much income tax you'll owe when all of your income and expenses have been tallied. We can make this an ongoing task by creating monthly or quarterly financial reports for your business and working from those.

If you're self-employed, you might want to open a low-fee checking account that will serve solely as your tax fund. Because you have no employer to pay a portion of your Social Security and Medicare obligations, it's critical that you're putting enough away. Consider putting one-third of your taxable income into that account and see how it goes. You may get a pleasant surprise at tax prep time, or you may have to dip into other savings to be compliant.

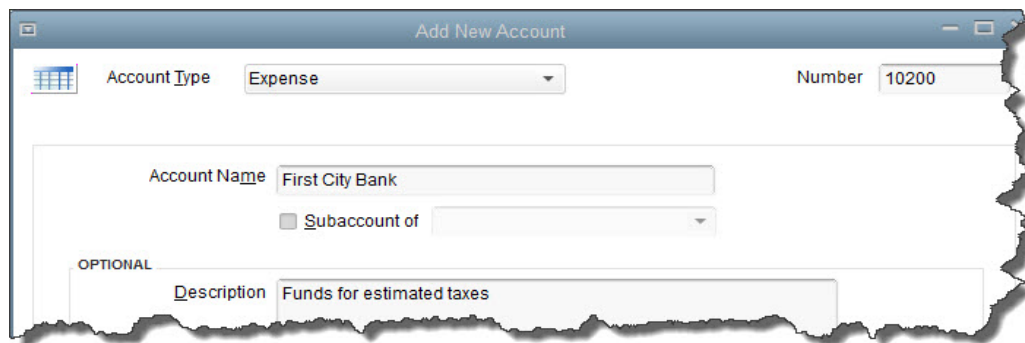


Figure 2: You may want to set up a separate bank account to park estimated tax funds, so you know they're committed. Ask us about numbering new accounts.

You can submit federal payments online on the [Electronic Federal Tax Payment System](#) site. Check with us to see if your state has an electronic system. Of course, the IRS will accept a check.

Run reports on everything. And keep running them. We already mentioned that we're happy to create and analyze your most critical financial reports on a regular basis. You may have tried to understand the Trial Balance, Statement of Cash Flows, etc. in QuickBooks and been puzzled. Don't feel incompetent because of that: It often takes an accountant-level individual to understand what they mean for your business.

You can define and build your own reports using QuickBooks' customization tools. If you have employees who travel, consider bringing in an automated expense report application (we can help you find one and implement it). Stress the importance of adhering to IRS rules about travel. Same goes for your local salesforce, off-site technicians and other service providers, etc.

Profit & Loss Budget vs. Actual			
January 1 through December 15, 2018			
\$ Over Budget	% of Budget	Feb 18	Budget
		3,150.00	
		0.00	
8,729.00	202.7%	12,420.00	8,500.00
-7,881.16	34.3%	6,539.00	12,000.00
-16,900.00	3.4%	2,738.00	17,500.00
-100.00	0.0%	0.00	100.00
		0.00	
-13,152.16	65.5%	24,847.00	38,100.00

Figure 3: Help your staff help you by involving them in budgeting and expense management.

For employees who come into the office every day or are telecommuting, you can give them some ownership of their contribution to expenses by bringing them into the budget process and/or requesting that they submit their own monthly mini-reports on any company funds they spend. The more employees are aware of and accountable for expenses, the easier it will be for you to work toward minimizing your tax obligation. And having some information about the considerable sum you pay in taxes may help staff understand your tightening of the purse strings.

Consider retraining accounting staff if necessary. You may be paying a portion of your taxes unnecessarily, simply because your company's bookkeeping is less-than-precise. Nip that in the bud.

The more you micro-manage your reporting, stay aware of the consequences of every expenditure and bring employees into the process, the more prepared you'll be for 2014 taxes.



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