1. Mastering Tax Season: Bench x Side - YouTube

<https://www.youtube.com/watch?v=dGLNsmq20Pg>

Transcript:

hello hello as people are filing in all right I see some folks starting to pop in welcome please use the chat tell me where you're calling in from it's going to default to host in panelists but if you change it to everyone we can all act like we're in the same room together because just me staring at myself it's always a little bit funky you're out your computer and you can type in tell me where you're calling in from I'm from Vancouver Canada New York City hi Jeff Bakersfield just south of me hopefully

it's sunny where you are ash amazing I should have had some music playing or something but don't worry it gets more interesting I swear okay amazing lots lots in California I know the side Community is is pretty heavy in in the state of California so it's it's great to have you okay so I can see we've got quite a few participants in so I'm going to go ahead and make sure we we make good use of our time because all of you are very very busy people with a tax deadline around the corner so I want

to give you some tips and help you get on with your day for anyone who hasn't seen my face before my name is Alison and I manage Partnerships over at bench accounting bench is a bookkeeping and tax filing firm um that supports business owners through uh navigating bookkeeping and tax filing and we partnered specifically with the side community because so many of you um either are on teams or you work as individual agents and navigating uh how to get your bookkeeping done and your tax deductions maximized is just such a pain in the

butt um for the entire Side Community and so we we handle bookkeeping for a lot of side real estate agents and teams um you know and and we operate as as sides a main bookkeeping partner myself specifically I've worked at bench for more than three years and I'm extremely passionate about this space I get to help my favorite kind of people Entre R preneurs like you you're the backbone of our society you drive the economy um you know I went through my own first kind of like home buyer process last year um I

didn't end up purchasing anything but I made a few offers and I just can't tell enough you know as a consumer of of real estate how important the work that you do is um and I also hear all the time from folks like you that you didn't start these businesses or these Journeys because you're passionate about back office tasks that are required by the US government like bookkeeping and tax filing you also don't know what you don't know um I very rarely speak to business owners that actually studied

Accounting in or outside of school and this totally impacts how you can use your financials to better your business and and grow your client base so my goal today is to shed some light on how you can master master your tax season by filing things correctly on time and most importantly paying less to the IRS so let's take a minute and appreciate the fact that all of you are here today this content makes people go cry side even me and I do this for a living so you're taking an extremely critical step to

show up for yourself and show up for your businesses so thank you so so much so um I said this a little bit already but bench is a bookkeeping and tax filing service we focus specifically on small business owners independent contractors all the way up to teams of real estate agents of like you know 25 or more um bookkeeping is a low margin product Most accountants don't actually want to spend their time doing the books for small businesses instead they either offer like a year-end cleanup which leaves you without Financial Insights

throughout the year um or they ask you to do your books yourself in a DIY software whether that's like Excel or QuickBooks and then your CPA would just take care of the accounting and filing at the end of the year at bench we do it a little bit differently I strongly believe that no business owner or contractor should be spending their evenings and weekends pouring over bank statements payroll documents receipts Merchant reports um around the dining room table we prare a team of human being bookkeepers with a simple software

to do this for you and I think that this is especially relevant in the real estate industry because all of you are already sacrificing so much of your personal time to be there for your clients in the home buying process so a couple of things that we're going to cover today with some housekeeping first of all this session is being recorded I'm going to email it out to you afterwards so take notes but just know you're going to have access to this information again any resources that we talk about today will also be linked

afterwards um and if you have questions that are on your mind please use that Q&A Fe feature I've got my eyes on the chat I'll try to you know pepper things throughout but if you've got questions if you're sitting there I can guarantee that somebody else has them too so please don't be afraid to use that section and I will have you know 15 20 minutes for Q&A at the end anything that we don't get to you just come and talk to my team here at bench and we make sure we get those answers um so what are

we going to cover today we're going to talk about um how tax filing actually works so we'll touch on the dates and the forms that you need to be aware of the impact of your entity type and what that means for filing um we're also going to talk about what it means to file an extension which many of you are going to want to do given how close the upcoming tax deadline is and some tips on how to best use bookkeeping to prepare your tax filing from there I'm going to talk deductions what they are

what ones are commonly missed in your industry and how to make sure that you're capturing them all to lower your tax bill um at the end like I said we're going to do Q&A so if we run out of time I will see those questions and we will follow up to get you some answers let's dive into it so I just want to take a second to acknowledge that this stuff feels scary and confusing for a reason like straight up the tax filing system in the United States is complicated it almost feels like on purpose people end

up paying way more in taxes and in penalties than they need to often times just to make the problem go away and this couldn't be more true than in the real estate industry because um so many of your like Revenue opportunities are few and far between it feels like you have low overhead low expenses and therefore your tax uh bracket is really high in a lot of cases so the US government is a revenue generating organization and I want you to get your typing fingers ready because I have a a little question for you I want you to

guess how much money and revenue the IRS made in 2021 and it's a a big number it's across personal and business tax returns so go ahead and and pop a guess in the chat for me 21 billion that's a big number 100 trillion holy a bajillion three trillion love it any other guesses there's no prize other than my adoration okay they made $4 trillion do in one tax year alone they're always making investments in how to improve this and now look taxes are a necessary part of society right we we make no

judgment on how tax money is spent um but what we want is for each each of you to pay the right amount what you are legally obligated to pay not a penny more and unfortunately um there's just no gr area you either do the work right and you file the taxes properly and you pay the right amount or you pay more or heaven forbid you pay too little and now they're coming after you there is an incentive for these governing bodies to make the system hard to navigate for business owners because they generate

revenue from its complexity the system is rigged the tax code is 7,000 pages long I don't have time to read it how could you a business business owner keep uh track of all of the changes um when you're really just supposed to be supporting your your clients and helping them through their buying processes we're also very rarely taught this stuff in school right did anyone here study accounting I'm going to assume that you didn't and that's why you're here seeking support um you'd

also be surprised how many accountants show up to these sessions because they're looking for the most up-to-date information to help their clients through this challenging process shockingly this is not taught to every American citizen despite the fact that we are all interacting with the system in our lifetime um it's not your fault the system just is not great for supporting people who want to do what they love and in your case it's real estate so how do we make sure that we get all of this right if you are doing it yourself you

need to understand at a minimum what's expected of you so what forms you need to fill what you need to pay and when then to be sure that you don't pay more in taxes than you have to you have to be capturing every single transaction yes even that Amazon purchase for that home office pillow that you bought on your personal credit card six months ago if it sounds like a lot it's because it is and you're not alone most business owners that I speak to try DIY in the beginning even if they don't know the

first thing about bookkeeping um this is the default because like we said right accountants don't want to spend their time bookkeeping every single month especially for small businesses with low overhead and you know a few transactions every single month so so if you're an accountant uh if you're using an accountant or a bookkeeper you need to do yourself a favor and discuss with them in detail what your tax plan is um because they can't pull deductions from thin air and they're not going to hunt

these down for you right just like we would never expect a individual person to be successful in the home buying process doing it all on their own without professional support um we would never recommend DIY for something so complex and impactful as IRS compliance so regardless of if you are diying or using a bookkeeper or an accountant bookkeeping is the foundation of a quality tax filing experience so without accurate and complete books you are going to pay more to the IRS than you need to um and that's what we're going

to unpack a little bit further today so how do we avoid the Crocs we could sit here um you know for a whole hour and I could list off all the possible forms that you need to file for each unique situation but first i'm just just going to make you understand um you know the IRS is waiting for you to fall through these cracks so if you are doing it yourself you have to be capturing every single transaction there's a lot that you need to know and it can be overwhelming so my goal is for you to leave here today with a detailed plan

either how you're going to speak to your accountant about getting this stuff done the changes you're going to make to your di process to improve it or the ways that you can seek help if this is not something that you feel confident you can manage moving forward um when it comes to what you need to file it's all based on your entity type so that's the first most important thing to know because that informs what forms you need to submit by what date and when you need to file so does everybody here know their entity

type can you shout that out in the chat for me I think a majority of you are going to be Soul proprietorships could be some ESC Corps in the audience as well okay Ash is a so proprietorship yam's an es Corp okay so we do have a mix that's really good for me to know um I want to show you the the main theme that you need to come away from this is if there's a form to file there's a fee Associated either get with getting it wrong doing it late or not doing it at all so as an example a lot of you are 1099

contractors um on the right hand side here do you see this chart um it looks kind of scary but I'll break it down pretty Lightly for you yes Ash you can file an extension we'll talk about that in a sec um this chart is from the IRS website this is what businesses are find if they don't file their $ 1099 contractor forms on time and this is per contractor form so it's astronomical the fees that they can choose to charge you if you just aren't aware of what you're responsible for um and to find a list of

forms that your business is responsible for you just take your entity type and Google it and you add tax forms in there and there'll be tons of resources I actually have uh a guide that each of you are going to get emailed out but I just put it in the chat there if you open that up just keep it in a separate Tab and come back to the session because I have a lot more resources to share with you um this tax guide spells out all the forms and dates per filing type um and it's something that you will be

able to use for years to come so some key dates to be aware of these two have already passed so January 31st that's when all W2 forms are done for any inde uh any in-house employees that you have um and 1099 contractor forms are also do then as well so if you operate a team with inside and you have 1099 contractors you needed to have filed these forms already by January 31st if you didn't do it don't panic you're acre penalties but bench or another system can help you with that and the best thing that you do is just

block off some time to get that sorted out um the next form date uh deadline was March 15th and that's for S corporations and partnership tax returns so if you have an S corporation and you didn't yet file your taxes for 2023 you're late and you are AC crewing penalties on any balance owed but the best thing you do is just to find a solution to help you get caught up and filed quickly and then the upcoming tax deadline that's what most of you are here for any individual agents you're likely a 1099 contractor

or a sole proprietorship you are a business owner and so many real estate agents don't realize this if you're a individual realtor you pay a broker fee or you work with side you are a business owner and you're taxed as a business owner your tax return is coming up it's due at the exact same time as your personal tax return so any c corporations any sole proprietorships your taxes are due by April 15th and you have to file your taxes and you have to pay your taxes um also if you know that you file your taxes on a quarterly basis

to pay quarterly estimates this is a double whammy this is also the date that your first quarter of 2024 estimated tax payments are due um and if you don't know what that is come and talk to us so that we can help you navigate that so these are just a couple of dates to know um States individual states have different forms dates and penalties so you need to make sure that you're covered it's extremely challenging to navigate this and set internal deadlines and reminders to get this done on time um but you need a clear list and a

calendar for yourself so that you don't miss something or fall behind and miss the deadline you'll get hit with a fee if you do having someone double check for you is invaluable better yet invest in yourself and your happiness have someone do this for you that's the huge time and stress saver quick note on entity type a lot of you will start out as Sole proprietorships and then eventually you will elect to file as an S corporation under an LLC there are tons of great benefits to this oftentimes an S

corporation status will allow you to lower your personal income tax for the owners because as an owner you get to pay yourself a reasonable salary in the business business and then receive taxfree dividends on other Revenue that the company is earning so you save on self-employment taxes because an escorp shareholder only pays for Social Security and Medicare taxes on their salaries they don't pay those two taxes on their tax-free dividends but in order to take advantage of that you have to first elect as an es

Corp and then you have to take the step to pay yourself on payroll as a W2 employee so if you're an S corporation and you aren't receiving a W2 paycheck from your entity today you're probably not taking advantage of the tax breaks that come from being an S corporation so if you need help with that you come and talk to us so the secret to filling out forms is regular and accurate bookkeeping so if you're in a position where you didn't do this throughout last year and now you're playing catchup doing work for 12 plus

months of bookkeeping it is time to reevaluate your process for 2024 and Beyond doing it yourself is timec consuming and expensive is expensive and this is time that most business owners want to spend working with their clients but then you think further about it this stuff is you know it's way better for you to spend your time with family and friends or growing the business than it is on this tedious back office work um if you're in a position where you don't you know you might have an income statement you maybe you build yourself a

p&l but you don't really know what a balance sheet is income statements and balance sheets that's where you get the answers to most of the questions on all of your tax returns and those two documents what a CPA would use to inform filing those tax returns so if you don't have those two things and you expect the accountant to be able to maximize your tax deductions you're really starting from behind um and that's just a cycle that we want to stop we want to stop you from feeling always behind feeling like

you have to file an extension thinking about taxes constantly throughout the year um and with that in mind Ash I want to talk about filing an extension okay first off this is an extremely normal thing to do every single year one in eight American taxpayers will file for an extension and then another six out of those eight are just going to be late and incur uh penalties as a result so tax extensions are an amazing tool for you to use if you're in a position now where you know your taxes are due in five days and you just don't have time

to get it done file an extension set aside 30 minutes to do it you will be so glad that you did um this a tool that the IRS makes available to you if you need more time to file stuff accurately and get your docs together an approved extension Grant grants you an extra 6 months to get your taxes filed so for six extra months you will not be incurring a late filing penalty so it's too late if you're an escort or partnership to file an extension you need to move on filing your taxes quickly if you're still behind but Sole

proprietorships and C corporations that includes 1099 contractors under the so proprietorship bucket you would move your filing deadline um from April 15th which is in 5 days all the way to October 16th it gives you an extra six months to do the work sole proprietorships have a different process for filing an extension than other uh Corporation types so I'm going to drop a resource in the chat to walk you through how to file an extension um for the other three entity types but look at that uh just Google soulle

proprietorship tax extension and you're going to have um you know a million resources at your fingertips the other thing to think about too this is just for federal um state has totally different rules it depends on where you are if you pay income tax there the last thing I'll say about filing an extension this only extends your filing deadline there is no such thing as an extension for your payment deadline so this is unfortunate but you need to pay an estimated amount of how how much in taxes you think you will owe for last

year by April 15th and there's no getting around that if you don't pay an estimated amount and you end up owing a balance the penalty is is 0.5% interest per month owed on that tax bill and it's avoided just by paying an estimated amount when you file an extension there are uh estimated tax calculators online I'm going to put one of them in a chat this is from our website there's other options um a lot of people just pay like what they thought they owed last year plus a little bit on top if their

revenue was increased just do yourself a favor and pay something so that you avoid that late payment penalty and as always I recommend you hire a tax professional to look everything over just to be safe okay so this is the part that everybody is waiting for we're gonna talk about deductions and I've got a little bit of video to kick things off a new lamp can you hear me yeah I'm thinking of bringing home wear um into the store so that's a write off that's a write off yeah do you even know what a write off is uh yeah it's

when you buy something for your business and the government pays you back for it oh and who pays for it nobody you write it off who writes it off I don't know the Govern the write off people what why are we having this conversation so if I need booze to get through my day I can just write that off okay I don't know if any of you have seen that show but it's called shits Creek and I absolutely love this clip because there are so many misconceptions about what a tax deduction actually is and how to capture

it um and honestly there's so many people that come and speak to us that are business owners that employ people are extremely smart um extremely well read they do tons of research they know what they're doing but they don't understand tax deductions so I think too many people feel like inferior or like they're not doing a good enough job at managing their businesses if they don't get this tax system You Are Not Alone every single one of us feels these this pain around tax deductions but here's

how it actually works okay when you have an expense you take the amount of that business expense and subtract that from your overall taxable income but like everything with the IRS it's not straightforward there's rules and nuances for different expense categories that you have to be aware of to make sure that you're writing off the right amount um that you're not overdoing it in any of these kind of gray areas that CPAs and accountants talk about um my favorite example is business meals expense so generally you can deduct 50%

of any qualifying food or beverage costs when you're working but if it's a meal that you're providing for employees like maybe pizza or dinner when the team is working late or you're having an event or a party those costs are 100% deductible now does that mean that you can just put all food and beverage under you know oh this was an event oh this was providing meal to an employee of course not that's one of the easy cracks that the IRS wants you to follow through to flag you for an audit um and getting

audited is just something that we want you to avoid at all costs if you can't avoid an audit you want to be ready with documentation to prove that the claims on the deductions you're making are correct um and if that sounds scary it it's because it is you shouldn't be left to do this on your own so some commonly missed deductions specifically in the real estate industry the first one I'm going to talk about is commissions paid forward so ask me questions about this in the chat if my explanation is not

clear but if you are working with a different agent or another brokerage and you end up sharing your commissions with them that share is a taxable expense especially if you're new to this type of ownership uh business ownership and in the process of expanding your network you're probably taking on some revenue and then passing forward a a percentage of that Revenue earned to uh share in those commissions as you're expanding your network if that's something that you've done you need to be recording

these payments against the amount of Revenue that you keep because that's a tax deduction that you get to earn on that overall Revenue okay the next uh one is brokerage fees otherwise called desk fees we can't talk about brokerage or desk fees without also talking about home office deductions and the reason for that is the government the IRS only lets you write off one or the other so desk fees um this trips up so many diyers so your brokerage fees or your desk fees are 100% tax deductible so if you're an

agent check with your side team check with the team that you follow under make sure that you know exactly what your brokerage or desk fees are if you have them now if you're a team and side as your broker of record you uh do not have desk fees with side and the reason for that is because side doesn't provide office space they provide software tools and resources for you to run your business but you're not working out of their office so they don't charge a desk fee so any agents again that are on a

real estate team through side that you pay brokerage fees I just want you to know that you can write this off caveat with home office deductions you have to choose one or the other so you can't write off home office deductions and desk fees the IRS assumes that you have one primary workspace related to a set of tax deductions so it's either the space that you pay pay for inside your brokerage that you work out of or the home office space that you use all the time and we will talk more about home office in the Q&A because

that's everybody's pinpoint sides platform by the way it's 100% tax deductible that the fees that you spend to operate under side it's a software that you need in order to run your business successfully so it's just like any bookkeeping fees or professional service fees bench's fees are 100% tax deductible too so it's not just an expense that you kind of like pay for and it goes into the abyss it comes back to you at your tax time okay so if you are a team with side you're going to want to focus on office related

tax deductions and if you work from home um that that's what we'll we'll touch on in a minute here okay um continuing education you all work so hard to stay competitive stay up to-date on any changes in the industry and just kind of making sure that you have the best advice locked and loaded to support each of your clients the costs of those are typically totally tax deductible I say typical because there's some things you can't write off um but the way that I like to break it down is like this the

training or education can't be there to qualify you for a different trade or business so if you run a real estate business and you go back to medical school you can't write off your medical school because it's taking you into a totally different um industry it also can't be for the purposes of meeting like minimal education requirements meaning you know you're a real estate agent you want to get into home flipping so you go to you know try to learn something about the trades those are two unrelated things

that would be minimum education for trades and not a write off under your real estate business so the real estate specific training courses that are uh 100% tax deductible are any of those that help you maintain or improve the skill related to your field of real estate if you pay for a course if you pay for Consulting these types of continuing education pieces are 100% tax deductible and too many people miss them another one that I cannot let you leave here without knowing about is the value of capturing interest fees for any

payments that you make to a business loan or a business line of credit so these interest payments are 100% tax deductible in order to capture these correctly so that you pay the right amount to the IRS you have to manually split those payments made so let's say you've got a loan under the business um that you pay down every single month you have to split it into two transactions the first transaction is the payment made to pay down the principal of the balance owed this pays down the liability on your

balance sheet the second portion is solely interest and we have to capture that under a category called interest fees expense on your income statement way too many business owners just make their one lump some payment they don't break it out into interest in principle um and luckily with this audience I know that you're very familiar with this when it comes to mortgages but just make sure that you're applying that to any business related debt that you have as well another one that gets people tripped up is the uniform expense so a

uniform expense is a piece of clothing that's company branded and can be considered a uniform that is a write off but that new suit that you bought to you know impress a potential new commercial client that would not be a write-off because theoretically that can be worn in places outside of your business so the key here is optimizing the type of clothing items that you have that put your company logo on it um and a reserved for business use and a a CPA or a tax professional is the best person to help you decide what's possible and

what's not um independent contractors every single payment that you make to a contractor is 100% tax deductible where people start to miss this is if you have like a one-time contractor they do one marketing job for you and you only pay them you know under $600 in a year if you pay them under 600 in a year you do not have to file a$ 1099 form for a lot of business owners independent contractors Etc if you pay a contractor less than 600 you still get the tax write up for it and that's the key piece that people Miss especially if

they're smart and they're like I don't want to do$ 1099 work so I'm going to get a different contractor for each small job that I need done but if you don't write those off you're missing you know 600 times however many contractors you have so I always highlight that as well um the last one here business transactions that occur on personal accounts I know that a lot of you think that your business is too small for a regular bookkeeping solution so you just have your One credit card maybe it gets

you like some good points um and you don't separate anything personal and business the amount of effort that it takes to parse through your personal accounts to go back and find your business expenses at the end of the year it's painful and people always miss stuff it doesn't matter how you know tight to attention to detail we think we have this is not your primary business function so there's just no way that you're set up for success to do this properly on your own the key here is to make the most out

of these deductions and never feel guilty y for claiming them especially for people who love what they do there's way too many business owners that I speak to that are like well you know what you know I met with that other broker and and they they were you know gave me a lot of good advice like definitely it helped me more than it helped you know them so I'm not going to write that off because I really enjoyed that conversation don't do this you deserve the deduction if you don't take the deduction the IRS is just going to

collect that in the form of Revenue and in my opinion they deserve the exact dime amount that's legally necessary and nothing more okay so vehicle deductions we saw a few questions about vehicle deductions leading up to this event so I want to touch on this for a second and then we're going to move into how to capture this stuff okay so when you are deducting your vehicle if your car is only used for business purposes it's listed under the business it's 100% business use you get to deduct the

entire cost of its ownership with some classic IRS caveats if it's only partial business and you also use this car for personal use then you can only deduct the portion of this business uh vehicle use not the whole amount so there's two methods in how to do it you can generally figure out um the amount of your deductible car expenses using either the standard mileage rate or another rate called the actual expense method many of you will qualify for both methods if you have 100% business use uh on a vehicle in order to

know which one's best you have to know how to calculate both and see which set of deductions is larger and I highly recommend you ask a tax professional to do that for you so for self-employed uh business owners it's 65.5 cents in a mile if you qualify for the standard mileage rate okay if the vehicle is fully owned you have to use this standard mileage rate method in your first year of business use for the vehicle and again this is for 100% business use if the vehicle is leased you must use the standard mileage

rate for the entire lease period if you choose this method the first go around so it's hard to know what's legally required of you um versus what's the option you should choose based on the best deductions and it could change year to year that's why it's really difficult to set the step on autopilot know you do it right once your business grows a little bit and now suddenly you have a new set of considerations so the other method is the actual expenses rate so to use the actual expense method you have to

determine what it actually costs to operate your business um to operate the car for the P portion or percentage of the overall use that's business and then um you deduct those expenses so some expenses are are you you know gas oil repairs tires insurance registration fees lease payments depreciation um so once you figure out the percentage then you can attribute that percentage to all of these costs throughout the year so then you write off these applicable expenses if this is sounding confusing it's because it is there's

just way too many kind of like there's a different tree method you could follow based on how you do your spending what's possible for you to track whether you've been tracking your mileage or you're just using your gas receipts um and it's impossible for me to tell you which meth is best because I'm not your tax professional I don't have all the context so there's tons of reading you can spend hours on the IRS website to try to get this right or you can pay somebody to support you any depreciation

on vehicles yeah if you own the vehicle you can write off a portion of that depreciation that's uh equal to the portion of your business use I see a Q&A I'm just going to see travel expenses for Real Estate conferences yes absolutely travel expenses for Real Estate conferences that's a question from Naomi so vehicle deductions we'll leave it there for now and if we need to talk about this again during our Q&A period we can okay so how to capture your deductions this is where bookkeeping comes in to claim these

deductions you have to have accurate records and stay on top of this on a monthly basis do you remember that restaurant expense that you incurred in January of last year I certainly don't and you probably don't either most people miss this stuff and then they miss a tax write off so if you add all those individual expenses up that's hundreds if not thousands of dollars in tax savings that business owners Miss every single year so then you make sure that every single transaction is recorded with receipts saved and you

make any manual adjustments that are necessary like the loan payment interest that we talked about a couple of slides ago there's no sugar coding this it sucks it takes time it takes effort especially if you're doing this on your own and most especially if you're in a position where you've saved this for the entire end of the year most real estate agents that I talk to right now are basically out of commission every weekend from you know a couple weeks ago to the end of April 15th to try to get

this stuff slammed together quickly um and it's worth it to do it properly so that you can save money it's also really important to know that even if you work with an accountant who's going to be filing for you you just can't expect them to pull these transactions from thin air to deduct you have to make sure that they're all recorded and categorized properly giving them every single credit card and bank account statement every single receipt that they need to properly capture these transactions and deductions right okay

accountants don't want to do this for you they will maybe try if you've got a really good one or someone that's been in your family for a long time but most times they're going to ask you to hunt these down then they'll clean up and categorize so it's like your tax return is only as good as the information that you give your CPA so I'm not calling into question the skill set of your accountant at all it's more just the huge variance in information transfer on the work that you did to properly

describe how money moves in and out of your business and how your spending works so you're just either way you're still doing a lot of work if you don't have a book keeper you got to update your QuickBook so keep track of the spreadsheet download your bank statements every time and highlight the personal and business transactions submit invoices Etc and then the CPA will review and clean up at the end so I've got some questions for you if you do have a CPA that I want you to be asking your accountant to make sure that

they're maximizing your deductions but I see Emily has a question about receipts and I want to talk about that next okay so you have to keep every receipt you need receipts on hand everybody tries to get around this you don't need receipts to submit with your tax return but the reason that you need to keep receipts is in the event of an audit these receipts are what backs up the deduction claims right now it might seem silly because your credit card statement shows what you spent what you spent it on how much

and the date the IRS wants receipts or invoices as well it's just to create some protection in the event of an audit to back up your claim because if the IRSC is an expense for a restaurant and you don't have a receipt attached to it to show that you've been documenting this as a business owner they could easily say I don't really believe you I think that that was a personal business expense and then boom you're out the tax deduction so it's just not worth screwing yourself over in the long run um to not hang on to these

receipts so I recommend that you first off have a business bank account business credit card you run businesses even if you're 1099 contractor even if you think you only have like 10 or 15 expenses in a month you're saving future you the pain of having to go back through this and try to make stuff up and collect receipts that don't exist anymore most of bench's customers they either use like a Google drive folder a Dropbox there's a company that I really like it's called shoeboxed and shoeboxed

is basically there to replace your manual shoe box method of storing receipts it's a digital storage method it's specifically built for receipts they cool specifically for business owners of course there's a cost associated with it um but think of it like an investment in your own sanity versus just a business expense right business transactions that are happening on personal credit cards will get lost just don't do it you miss risking out uh you risk missing out excuse me on these deductions um and you you're asking for

more pay down the line when it's time to either you know you get audited and you've got to come up with something um or your accountant's asking for some proof or something like that if you don't have a business bank account set up already set one up now um I've got a recommendation for you yes Aon you can use pictures of receipts keep them take a picture submit them digitally to whatever storage uh method you're going to use whether that's shoe box or Google drive or whatever works for you but

digital copies are way better because first of all you can search through them at the drop of a hat you can send them all in one file um but also if the Sun hits a receipt we know that that information disappears right away and now I'm not saying that the irs's method is um efficient but it's their choice right if they do an audit of you the IRS is the one determining your deductions and you want to do everything you can to set yourself up for success as a realtor you don't have an EIN number so how can

we open up a business account um I highly recommend that you open an LLC that is something that that side can can help you with or you can talk to bench about um but also jacine asked uh how to get a bank account because you don't have an EIN number doesn't need to be a business specific bank account it could just be a separate bank account that you would do all your business transactions on the point of it is really just keeping all of that stuff separate so that you don't have to go back and separate it later and uh I want

you to check out relay if you do have an EIN number uh if you use that link to sign up for business bank account you'll get $150 from bench as a partner bonus if you set that up but truthfully bench as a company we don't care what bank account you use we just want it to be separated to protect your own sanity can I use my LLC for multiple businesses like real estate and Consulting for example so you can it would be like having two different revenue streams under one entity but to all my friends in the business that are

either already doing flipping or starting to think about it any time that there is Investments related to your Revenue like purchasing a home increasing the value through Renovations and selling it you need to keep that separate ideally it's in a separate entity all together the accounting style that's necessary to track capital gains and losses is different than what just an agent needs or just a Consulting Revenue needs um and there's just way more protection in having any of those investment properties under their own

llc's so that the rest of your wealth is protected and separate so again I'm not your tax attorney but that's generally the best route that we we see okay getting support this tax season before we dive in I want to acknowledge that we've covered a lot right so the IRS is a revenue generating organization there's an incentive in the form of taxes penalties and fees that come from the system being complicated and accountants have to spend years of training in order to conf confidently navigate this stuff the training that's

out there is really reserved for CPAs and accountants shockingly how to file your taxes and interpret the IRS code that changes every year is not something that's trained in school even though we all have to interact with this In Our Lifetime the sheer number of forms and deadlines how to figure out your estimated taxes what's actually needed for an extension how to bookkeep there's way too much to learn when your primary focus should be running and growing your business spending time with your clients

and then spending some time with your family and friends too so if you've put this off and you're feeling overwhelmed You Are Not Alone the system is rigged and it's critical for you to know how to get support I want you to have uh success whether you do it yourself with an accountant or you work with a bookkeeping firm like bench okay so oftentimes when working with an accountant this stuff happens in a black box you hand off all your reports and documents and then they work their magic and come up with a a tax

return you don't really have insight into the process so you need to make sure that you're booking a call with them and ask questions uh to make sure that they're truly maximizing your return so some questions that I like um I don't know why I didn't list this on here but ask your accountant how can I become your favorite client what can I do to make sure that you are able to maximize my deductions on time every year ask them that they'll give you a list and then you have kind of like a

to-do to work backwards from another question that's really important to ask is my current entity structure the best one for my business if you're making over like $40,000 a year as a sold proprietorship or a 1099 contractor it is really time to think about making some changes any other changes I should think about making this year what deductions did you not see in my books this year that are common for your other clients are there any other tax law changes or accounting standard changes that might impact me this next

year these types of questions will show your CPA that you're serious about making changes and it's going to allow them to see a return on the investment that they're going to make in you with their time too so um that screenshot this if you have an A CP and you have a meeting upcoming with them the next section is bookkeeper if you've got a bookkeeper I want you to be particularly cautious and particularly curious about the process in the United States there's no accreditation anyone can be a bookkeeper

which is great for Supply um but you got to make sure that you're protecting yourself by asking questions to get confident that they know what's best for you and are truly maximizing your returns you know did they capture your loan repayments did they capture those interest expenses that we talked about have they ever asked for receipts for your cash payments all that a bookkeeper can see on your bank account is an ATM withdrawal for cash they have no idea what you spent that on so if they're not

asking you for those cash receipts and you don't have a previously set rule with them about what your cash expenses are for it's kind of a good indicator that they might be missing some deductions right and again this is all to make sure that you're paying the right amount in taxes doing your due diligence is necessary okay the next group I'm going to speak two are my diyers okay some people love DIY they're confident in their accounting knowledge and if that's you all power to you that's amazing but my ask here is you

have to make sure that you're staying on top of the US tax code you have to make sure that you took some training in your DIY software right like going through hundreds of hours of QuickBooks tutorials online to be sure that you're doing it right and I want you to be working with an accountant who has agreed to do a full high quality review of your books so that you're not missing out out on deductions if you don't love it or you're not confident in how to do it accurately my recommendation is to

Outsource to a professional the stakes are just too high to risk getting these books wrong and paying for a bookkeeper is a 100% tax deductible expense under your business okay so if you are looking for support bench could be a great fit we do bookkeeping we do tax filing we do tax advice which means we can be that all inone bookkeeping and CPA Services um to help you pay the least amount in in taxes possible this is exactly what we do we have a professional team involved doing the books for you and like I said they'll file your taxes if

you don't have an accountant that you love um we are really close to the deadline now so we're not in a position to be able to do all of last year's books and file on time but we can walk you through filing an extension and then worked with you over the next couple months to get it all done accurately um and you know we're still the fastest in the Market at this short of notice um the best thing about bench for a real estate agent or an independent contractor especially is you have unlimited communication with them

there's a message feed that you get to use you can ask as many questions as you want and there's no extra fees for it you can meet directly with your bookkeeper meet directly with your tax professional we try to do these meetings you know monthly with the bookkeeper if possible but it does depend on your availability um but you should feel like you have access to your team if you're paying for them and that's something that bench could give you um a couple of things that make us different we will automate the dot

collection as much as possible we leverage technology to make sure that we can seamlessly receive all the information about your transactions um we want you to spend your time getting guidance on how to pay less in taxes how to set up yourself for success and what to um use these reports for to help you make critical financial decisions like when should I incorporate how should I treat my vehicle for business use maybe when can I afford to take on another loan um this is what we do for thousands of customers every

single day so we are North America's largest bookkeeping service that's our bread and butter um and if you're feeling overwhelmed I want you to come and talk to us so side community members always get 30% off of their first 3 months with bench but right now because you showed up to this webinar or you're watching the recording you get 50% off your first six months with bench so this calendar will book you in directly with the team and you can speak to them about your specific situation if you're not

sure if bench is the right fit you don't know if you're big enough to take on a bookkeeping solution we can help you make that decision we'll walk you through exactly what bench does how our bookkeeping solution would be impactful for you based on your situation um and if you don't end up working with us you'll at least Come Away with some concrete next steps on how to pay less in taxes so come and speak with us um but I want to migrate now over to some Q&A okay so I see a message in the chat from

Kelly you mentioned the ability to claim interest paid for an investment property as a deduction can the monthly mortgage principal payment be claimed as well so interest on business debt that is a tax deduction um when it comes to investment properties it totally depends on how you're going to turn around and use it so I don't want to give you advice that doesn't match your specific situation and anyone who's working in the investment property space especially flipping I really want you to have a

professional Tax Solution in place that's going to help you um you know make these decisions so uh when it comes to like monthly mortgage principle versus interest um it's it's just it's outside investment properties is outside of bench's scope um but we have a recommendation for you on a better solution for that if that's your main source of of Revenue um okay sylvana asked are there good apps to keep track of receipts and expenses we talked about that I'm going to um I answered this live but I'm going

to also just put shoe box as a great recommendation as well um okay travel expenses for Real Estate conferences absolutely that uh would absolutely be a tax deduction of course if there's personal travel um outlined in that you may need to make some determination about the expenses and the food purchases especially that you do include or don't um but those would be the two biggest things okay I see a question in here about uh the benefits of married filing jointly or single if you're a married couple caveat that every

situation is different right but typically we see that filing jointly with your spouse Nets you a bigger tax break this comes in the form of like education credits or IRA contributions but it also means that generally you'd be able to claim a bigger standard deduction if you file jointly versus separately this is especially true if you're a family with high medical expenses or only one of you um in that spouse coupling has a taxable income if only one of you has an income it's typically better to file together but

there are cases where filing separately is better and a tax professional is the best person to guide you through these scenarios sometimes in the first couple of years as you're parsing through your different assets um there can be you know higher tax um implications of that in the beginning and so you want to work with a tax professional in that transition okay I okay we see a question about home office let's talk about it so home office tax deductions um it's hard to do I'll tell you that right now um for

people who use the space for another purpose throughout the week you might not be able to write it all off okay so how home office deductions are calculated it's different depending on your entity if you are a sole proprietorship which a lot of you are if you have 1099 income or you're a real estate agent you can usually use the simplified method so you take the the total area of the home and the business portion so the home office specifically that you have you know specific for business use it's you

take that as a fraction and then you deduct any direct or indirect expenses for the property so direct would be specific to the business and that's 100% write off um that would be like you know your cell phone bill or something like this indirect utilities would be fractional based on that percentage that you uh your your full full square footage so usually a tax software or a tax professional can help you calculate this but it's like maximum up to 300 square feet at 500 $5 per square foot so it's a Max write off of

$1,500 right utilities would be a great example of an indirect expense because some of that is personal use and some portion of it can be attributed to the business okay so you need to determine what percentage of your home is dedicated as office space and then you multiply that by the applicable home expenses for that year it's portions of your rent your mortgage payments utility Insurance costs depreciation repairs um unless you are super sure in your calculations check this with an account okay a simpler method another method is

to use Safe Harbor that's the method that I mentioned earlier where it's like up to 300 square feet up to a maximum of $1,500 per year but if you use this method you cannot claim the deeci value of the portion of your home used in trade and business so if depreciated is really important to you and you know that your tax accountant set things up where you get a big deduction based on that then the Safe Harbor the simplified method is not going to work for you to claim home office expenses as a tax deduction it truly needs to be your

primary place of business so that portion of your home needs to be exclusively and regularly used for business so if you work from home only a few days a week this likely doesn't count I'm in my office right now sometimes on the weekend I do yoga in here I still write it off as home office deduction so it's uh it's not like uh someone's coming and watching what you're doing to try to test it but it's let's be honest about how we're actually you know working inside of our homes and

anytime that you can have a dedicated office space that's what you want to do if you're a home office is like inside a bedroom or whatever um there's just risks associated with that if you have a small square footage home you're going to be wanting to claim a small square footage of office space that you know actually could be a dedicated Office Space okay so that's for Sole proprietorships and C Corps and yes I know it's so confusing if you are an es Corp and you have home office expenses

like utilities stuff like this that you're paying for on a personal card you have to use something called an accountable plan it's a reimbursement plan and you have to settle these expenses where business reimburses you personally for these either monthly or quarterly um and the payments have to actually be reimbursed so we have to able to show the money movement activity from the business back to you to cover these expenses that you're going to be claiming it's really complicated to do um if you have no skill set in that um

so it's kind of like what's more worth it paying for professional advice to get this done which like an accountable plan for example is something that bench would put together for you if we were your tax professional or is it you know are you someone that has an abundance of time and you want to spend the research uh and do it yourself and you're confident that you can get it right okay so should you take the maximum amount of Section 179 expenses what are the benefits of taking less or more Section 179 expenses Emily I would love

to answer that question more thoroughly for you but it's just too nuanced student loan payments tax deductible Devon that it depends it depends on what the student loans were for um and traditionally that the student loan repayments like you get different Credits based on education it's not necessarily under the BS business so that's one where we would want your CPA who's doing your personal and your business tax return to weigh pros and cons of how you're going to write certain things off but typically a

student loan payment would not be tax deductible under the business because that was like a personal education expense there are some cases where the interest can get involved but again I'm not going to guide you wrong I'm just going to tell you you got to speak with a professional okay I see a question in here about cash versus acral bookkeeping most of you will use cash basis this is Cash in cash out when you make a sale of a home and that Revenue comes in from your commission that's when we recognize the revenue when you

pay for a latte and a business meeting as soon as that transaction comes in that's when we recognize it acral is needed in certain situations it's more expensive to do acral bookkeeping it's more complex it's harder to maintain but certain types of businesses require it the first is a publicly traded company which I'm very confident that none you run if you're publicly traded you need to file in a rule if you've earned 25 million or more of annual recurring revenue for the last three years you

need to file an acral I'm pretty confident that's not the scope here those of you who do Real Estate flipping you have to do acral acrel is what Ma uh tracks your capital gains and your losses on your investment properties it's totally different for your personal home ownership so don't worry about that on your personal tax return if you operate business that makes Investments improves the value or unfortunately accidentally reduces the value of that asset and has capital gain or a lost to report you need a cruel style

bookkeeping and if you're not sure just come and ask us our our reps will speak to you about that okay we're coming up on time I just want to reiterate I know how painful this stuff is I got to file my own taxes too um and I'm sorry that the system is this way but you deserve help you deserve support and side has pre-negotiated some discounts for you to make this easier and more accessible as a part of the side Community um and to drop that calendar link again and I highly encourage you to come and speak

with us that initial call five 10 minutes we'll make sure to see what you need um and if bench could be the good fit for you we will go ahead and make sure you see a software demo if it doesn't seem like a good fit for any number of reasons we will set you up with a recommendation on where to go forward whether that's taking care of it DIY for a little while longer while you build up some profit or finding an acrel solution that can handle the depreciation of those assets you can consider bench like step one that

conversation is a huge step forward in understanding your needs and then we can funnel you out either make an accounting recommendation that's not bench set you up with a different solution refer you out to a payroll company whatever you're thinking about we probably have at least a way to point you in the right direction so good luck to you this tax return Season and thank you so much for your time I really appreciate it all righty we'll see you soon