1. Tax Advisory Tuesday Q & A | September 20, 2022 - YouTube

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Transcript:

hello everyone good morning and good afternoon it is tax advisory tuesday today is tuesday september 20th uh we're excited to welcome you to our edition of ask a tax advisor our live q a with our in-house tax advisors where we're going to be talking all about small business income taxes just a few quick housekeeping notes for today's session it is being recorded and the recording will be shared with you later today to the email address that you use to register for this session so if you want to re-watch an answer or

maybe share with a fellow small business owner you'll be able to grab that recording in your email in your inbox later today we will be taking questions via the q a feature at the bottom of your screen so if you can submit your questions you can do so at any time we'll be answering the questions on a first come first serve basis but again if you can submit your questions via that q a button at the bottom of your zoom panel screen there um and you're also welcome to use the chat feature um if you want to maybe add additional

context to any of your questions or just chat with our tax advisors while you're getting your question answered you're certainly welcome to do that you can either submit uh messages in the chat so that only the myself the host and our panelists our tax advisors can see your comments in the chat or you can also change your chat settings to allow everyone to be able to see your comments just be mindful if you're doing it where everyone can see your comments not to share any financial or personal information that you wouldn't want made

publicly available all right so let me introduce myself my name is allison i'm your host i'm the content manager here at bench and i work on developing all kinds of helpful small business resources and guides um which are available on the bench blog which is at bench dot co forward slash blog if you haven't been there to check out all of our resources we have over 700 of them i highly recommend heading over there to check it out and so for those of you who may not be in the know about uh what bench is uh

i'll do a uh a quick overview here so bench is america's largest full-service bookkeeping solution for small businesses we pair you with our in-house expert bookkeepers to get your books up to date and compliant to irs standards uh if you have questions about running your business that even go beyond the scope of your books or your bookkeeping our bench bookkeepers are backed by our client research team and they are able to provide you with informed answers to all kinds of complex business questions that you might have

and that could include things about payroll or maybe if you're applying for a loan or a grant or maybe you have an upcoming meeting with an investor and you just have some questions that you want some guidance on you're able to ask your bookkeeper those questions and then they have the support of our client research team to get you informed answers so what does bookkeeping look like here at bench every month your bookkeeper organizes your business transactions and prepares financial statements and this

makes it easy to stay on top of your finances and track the health of your business month over month if your bookkeeper ever needs anything from you they will get in touch and if you ever have a question you can easily book a call with them or connect with them via the messages feature of our proprietary bench platform then at tax time we prepare what's called our year-end financial package and you can use this package to send everything that your account would need let's say to file your taxes if your accountant is the one filing your

taxes for you but if you file your own taxes you can use this package to help you do so and if that's a task that you don't particularly enjoy we can actually take that off your plate and handle your tax filing for you and so uh what does tax support look like at bed so if you're a bench client and you're subscribed to our premium plan you actually receive support from a whole team of tax experts so that's a tax coordinator tax preparer and the tax advisor and they work with your bookkeeper to

get you filed ahead of the deadlines but this tax support isn't just limited to tax season and and tax filing time uh this tax support is actually year round and that's so you can receive unlimited support from our tax advisors um and just going into a little bit more about what this unlimited tax advisory really looks like what it means uh basically at any time of the year you can book there's no limit to the number of calls you can book with our tax advisors so these calls will typically last anywhere up to one hour

during that time our tax advisors will just familiarize themselves with your business and your finances and answer any questions that you might have but specifically they're going to offer you valuable advice that's really tailored to your business structure and finances and then most importantly they're going to educate you on methods to reduce your future income taxes and income taxes is likely one of your businesses largest expenses so it's really beneficial to get them to help you look at how you can optimize

this expense all right so let's go ahead and meet our tax advisors today i'm thrilled to be joined by three of our tax advisors uh all in-house here uh we've got uh mark camilla and patrick so i'll let you uh three go ahead and introduce yourselves mark you can start sure uh as alison just said my name is mark i am a cpa i've been a cpa and a tax advisor for um a number of years now probably about seven um and i've i've worked at bench here for a little over a year and a half okay and hi everyone my name is camilla

franklin danny i'm an enrolled agent out of michigan i work directly with bench and just a little bit about enrolled agents enrolled agents are um it's a designation that the irs uh gives the people who apply for it uh there's a three-part test that you have to take and so we're similar to cpas in that we are able and authorized to do things in regards to tax whereas cpas are there to [Music] on a more broader range which includes tax and so i've been at bench maybe um one and a half years just a little bit

more than mark um and welcome we welcome your questions how's everybody doing my name is patrick i'm an enrolled agent out of dallas texas um i have about five years of tax experience um been in bench uh since october of last year wonderful thank you all right so uh we can now uh jump into some questions so again a reminder to please use the q a button at the bottom of your zoom panel to submit your questions and we'll just wait here a couple minutes for some questions to come in i know a common question we often get

asked here is about estimated quarterly taxes and we just passed that september 15th deadline a couple days ago one question that is often asked is what happens if you miss that deadline maybe you can uh start off with with that while we're waiting for some questions to come in well no worries i mean i don't want to say no worries but um you know we were just talking about this yesterday where um estimated taxes aren't as scary as you think you know if you have um amounts that are due okay first of all if you're a sole proprietor

as a corporation or partnership business you pay taxes with your personal uh return because those types of businesses are flow through entities and so the advent of um estimated tax starts uh when you expect all more than a thousand dollars in a prior year um personally so if that hasn't occurred then you really don't have an estimated tax requirement you know first of all and then okay second of all so if you have established that you have an estimated tax requirement um what you can do is just pay that amount

that you owed last year or you can estimate how much you can expect to owe usually um you will get vouchers uh with your prior year return that will expel out exactly how much you're supposed to pay that may or may not be correct depending on how much you know your your tax and how much um your business have done good or bad this year so if it's done worse then you may not owe as much as you owed in the prior year versus if you you know did really well you might owe more you know and it is a good idea you

know if you want to stay on top of it um to go ahead and pay more uh which these type of things are some type of things that we talk about um in our tax advisory call so that you can get a better understanding of what should be paid but if by chance you said oh well i didn't know i had to pay and so now it's past september 15th and now you only have the one uh due date which is january 2023 you can go ahead and just catch up all your payments at that time and for the most part you should be okay yeah and you don't need the only thing

i'll add is you don't need to wait until january 15th you can certainly pay paid now right that the irs in the states they're they're really good i just i i'm sure both of you have viswell but i've talked to my clients a lot about this the past couple weeks always telling the irs and the states are really good at accepting tax payments and they'll do it whenever whenever and however often you want um so you know even if you owe estimates and you want to make payments don't wait till that january 15th they

make it as soon as possible to avoid you know those underpayment penalties hey great thank you very much both um so we have a question from gary and this is uh seems like it's more of a bookkeeping question but i accidentally paid for an invoice with my personal card for a business expense how do i clear that up in my bookkeeping i'm not sure if that's something i mean there's there's tax expects of it too um you know the irs always wants to see cash moving to backup transactions right so i mean we could

just make it make a journal entry there to to fix it um you know by having it be like a contribution it depends on what type of entity obviously if it's a c corp it's a different whole different ballgame but you don't assuming this is a sole prop or a partnership or a s corporation you know you could just make a journal entry to like contributions and for the expense but it what the what really should happen is the company should reimburse you for that expense so you know if it was a hundred dollars for gas or something

like that you paid any personal card have the company pay you that hundred dollars for you know to reimburse that expense and then the company you know gets that expense on their on their financials and then you can take it on your tax return as a deduction and usually because uh bookkeeping is automated with the bank accounts that are set up um on the account connections if there's a transaction that um isn't a part of those connections then usually we'll ask for like a receipt or paid invoice that shows that

you made that expense on behalf of the business and that brings up a good point patrick too is you know record-keeping um you know i don't know that's not part of the question but but it's it's important to keep those receipts um you know i i think the irs tells you the business receipts you got to keep for what three three years i typically say seven years just to just to be safe yeah okay great thank you that was very helpful so gary we hope that answers your question uh and as of right now we have no other

questions we'll wait just a couple more minutes to see if you'd like to submit any other questions otherwise we can uh wrap up a bit early for today and again a reminder you can use that q a button at the bottom of your screen feel free to submit multiple questions if you have them yes we've got time today to cover them allison i just wanted to add that estimated tax question because we didn't talk about c corporations so they are slightly different in that um the threshold is 500 and you are supposed to pay uh estimated

tax in that case and you have to take a closer look at what your estimated taxes so we like to encourage everyone to if you are a bench tax client looking at this to go ahead and schedule your advisory calls which you can schedule at any time and we can talk about it you know at a more in a more personal level okay great okay great and for those who have joined late uh feel free to use the q a button at the bottom of your zoom panel to submit uh questions we will answer them as they come in uh but at this time we're still waiting

on some questions so we'll give you uh just a couple minutes here to submit any questions if you have them we've got three tax advisors here who can give you some great advice all right uh but i guess uh if there's no other questions then we can wrap up early today um i'll just say thank you everyone for dropping by oh great cardron we got it good question okay we'll pop back okay it looks like we only only got part of that question too coder can you continue on with the question maybe uh gordon just wanted to flag that he is

forming his question no yeah no no rush you're fine we'll stick around right uh while we're waiting for that question to come in i'll um i'll just uh walk everyone through if you're interested in trying out benches services we do offer a no commitment no credit card required free trial and during our free trial we actually have one of our bookkeepers will complete a prior month of your books in just one business day and they'll also put together a set of financial statements for you to keep and you can

take those away with you and so with our free trial basically what we're aiming to do is to give you a really quick understanding of whether benches services um are a good fit for you and if it's going to be the right solution for your bookkeeping and income tax needs and so you can start a free trial by visiting bench.

co uh and right now we are actually offering um a promo until september 29th and that promo is again available at bench.co so you're able to check that out there and so um after oh okay we've got uh the question here okay okay so kodran is saying i has a he has a long standing s corp um thinking of converting to an llc uh he's wondering if there's any drawbacks uh the issue has been real estate holding laws in ca i believe that's california versus tax reasons does that question make sense or do you

need any clarification on that sounds like he wants his escort election to be revoked so he wants to go back to becoming a regular llc or partnership i'm not sure what his uh previous entity structure was um but he could revoke that s corp election um i i didn't get the last part of it what was the reason for it uh the issue has been real estate holding laws in california i believe that is versus tax reasons okay um yeah well he is the short answer to that is he is able to um revert back to his former entity type as long as it is in a c corp

um but he if he was an llc or soul member llc or partnership he is able to revoke that escort election that he had um and then there would there be any drawbacks to doing so yeah i don't i don't know if any of it oh sorry go ahead i didn't i was going to say the only drawback to that is that he would have to go back to paying um self-employment taxes which is that 15.

3 of um business income that he would have to pay for um and he wouldn't be able to pay himself any salary if he was a sole member llc or um a partnership um well if he was a partnership he would pay himself what's called a guaranteed payment and not a reasonable owner salary that he would have to if he was an escort yeah of course so specifically with the real estate holding laws i guess i'm not super familiar and i did a quick search here and nothing nothing popped up so i don't know if there's anything specific

related to california and holding real estate um in a corporation or an s corporation but typically i would advise my clients not to put appreciable property which includes you know like a rental real estate in into any sort of corporation or an s corporation because you know if you were to do this revocation or if you were to you know liquidate the company um if the real estate had you know a pre increased in value by distributing it distributing it to the shareholder it would create a taxable event um on that

gain so you would likely have capital gains um you know if there's a building for example or a house in there um or multiple ones you know that that's why we like to you know i tell my clients to you know keep keep those in llc's you know as disregarded enemies so we don't don't down the line have you know right because the the ownership went from the corporation which is owned by you back to you so it's you you have control of it the whole time but you're passing ownership so back and forth

there there can be tax effects when there wouldn't be if it was not a corporation like i said i don't know california specifically if there's anything that that modifies that he's saying he doesn't want to revert he just wants to convert um it just seemed like if you're going to convert it and keep the s corporation standard it doesn't seem like there would be any what converted to back to a llc i don't know if that's possible i mean he said he's done it but not on entities with lots of history

yeah i think we might need to know like the facts of the case a little bit to in order to get you know give a tailored answer to that um but i i would certainly talk to a you know your tax professional before you did anything like that just to make sure you're completely aware of how those whatever that decision or whatever you know transactions you make would affect you uh your personal tax liability okay great so yes so sorry god and we don't have a specific answer for you i'm sorry yeah that's all right he says thank you

uh it does seem like a fairly complex case um so that's good advice mark to speak with a tax professional so gary has a question here i'm currently a sole proprietor but thinking of creating an llc for personal asset protection would this be beneficial for that purpose and will my taxes still be combined with my personal taxes that's a great question um so i mean you definitely can create a llc so you're saying that you're a sole proprietor you just started a business but you never went to any state um

uh municipality and uh create a llc so that's definitely possible um and it is beneficial for you know not uh the corporate veil being peers but you you do want to you know separate things as far as like having a bank account and things like that um that are in the business name and but at the same time for taxes purposes uh yes it will still be combined with your personal taxes so it'll be claimed on a schedule c uh the same way um as it would as a sole proprietor because llcs are either uh depending on how many members you

have they would be either single member which means one person or if there's more than one it would be a multi-member llc which defaults for tax purposes as a partnership so if it's just you and you're just adding the llc uh with your state it your tax situation would not really change you'll probably just be adding your ein number if if you had not have had one and um you know legally if and when i speak illegally let me just give that disclaimer but i'm just saying as far as um personal asset protection it it's more

than just having an llc that's basic but you do have to prove certain um things to determine you know that uh legally if something can happen or not but for tax purposes yes it would be the same and also ted if they're looking to um register an llc depending on the state that they're in they'll have um obligations of paying certain franchise taxes to have you know privileges businesses there yeah for example california you you have to pay 800 bucks for an llc no matter what your activity is essentially so it

is i think that's probably the most expensive one out there but there there are additional like patrick said additional responsibilities with having an llc compared to having a sole prop and i guess you can also elect to have that llc if you're eligible to be for example an s corporation or ad at a member or partner for for a partnership so each of those entities is still eventually combined with your personal taxes but you know if you chose to be one of those other entities they would have a separate tax return and then

issue you like a reporting statement called a k1 which then you would report on your taxes as you you know do a w-2 or other 1099s for example right all right thank you everyone for your insights there we hope that answers your question gary uh and so um with that there's no more questions but let us know if you're wanting to submit one we can certainly give you another minute or two to answer your questions um all right well it looks like then we can wrap up there so thank you again everyone for your questions uh we hope you've found uh the

sneak preview of our tax advisory services helpful and insightful today uh and again uh uh if you think that um having a you know a call like this with either patrick mark or kamiah unlimited throughout the year would be beneficial to your business uh reach out to either your bench bookkeeper if you're already a bench client or you can do a free trial with us at bench.

co and if you found today's submission helpful please share our website with a fellow small business owner who you think might also benefit from receiving some help with their income tax questions we'd love to see how we can help them and thanks again everyone for your time and we hope you enjoy the rest of your day take care