1. Tax Advisory Tuesday Q & A | August 30, 2022 - YouTube

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

Transcript:

 hello good morning and good afternoon uh welcome to tax advisory tuesday uh today we are excited to kick off our ask a tax advisor our live q a session where we're going to talk about small business income taxes i have some very quick housekeeping for today's session it is being recorded and the recording will be shared with you uh by email later today and that'll be sent to the email address that you use to register for today's session so keep an eye out on your inbox for that if you want to re-watch the recording and

 just listen to your answer again you'll be able to do that later today feel free to use the chat feature here in zoom uh just be sure to change the setting to panelists and attendees so everyone can see your comments but when using the chat just be mindful not to share any personal or financial information that you wouldn't want publicly shared in a video recording and lastly we will be taking questions via the q a button at the bottom of your screen and those will be answered on a first come first serve basis

 so please go ahead you can start submitting your questions at any time now and we will answer them on a first come first serve basis but again please submit your questions through the q a button not the chat that's just to make sure that we don't miss your questions all right so let me introduce myself my name is alison i work at bench on the content team uh i work on producing all kinds of helpful resources and small business guides which you can find on the bench blog and that's at bench dot co forward slash

 blog so if you haven't seen our blog please go ahead check it out after today's session uh there's lots of helpful information there available to you so for those of you not in the know let's just quickly cover uh what exactly is bench so bench is actually 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 with irs standards and if you ever have questions about running your business that even go beyond the

 scope of bookkeeping our bench bookkeepers are backed by our client research team and what they do is they provide you with informed answers to complex business questions so uh you know in addition to bookkeeping support as well as income tax support we can also help you with a whole number of other aspects of running your business uh we're really here to provide you with a full support team so what does bookkeeping look like here at bench so every month your bench bookkeeper organizes your business transactions and prepares financial

 statements and that makes it easy for you 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'll get in touch with you but if you ever ever have a question you can easily book a call with them then at tax time we prepare what we call a year-end financial package and you can use this financial package to either send to your accountant if they're the ones that are filing your taxes for you or you can use this package to file your

 own taxes if that's the way you go but if you don't like filing your own taxes it's a something that probably most of us don't particularly enjoy we can actually take that off your plate and file your taxes for you as well so what exactly does this tax support look like uh our tax services actually include a whole team of tax experts who work directly with your in-house bookkeeper to get you filed ahead of the deadline uh and this tax support i'll say it isn't just limited to tax season or tax

 filing time uh our tax advisors like uh kamiyah and mark who have joined me here today are actually on hand to support your business and answer your questions year round with uh um unlimited tax advisory consultations so our unlimited tax advisory is available to uh bench clients who are subscribed to our premium package and that package includes both bookkeeping and income tax services and so as part of that package you can actually book um an unlimited number of calls with our tax advisors at any time of the year and these calls typically

 will last up to one hour uh during that time they are going to familiarize themselves with your business ask you some questions about your finances your your filing structure and they're also going to answer any questions that you have and offer valuable advice that's really tailored specifically to your business and most importantly they're going to educate you on methods to reduce your future income taxes and this is likely one of your businesses largest expenses so it's really beneficial to get that

 expense optimized and reduced as much as possible and again this service is available year-round on an unlimited basis there are no limits to how many consultations you can book okay so let's go ahead and meet our tax advisors who have joined me here today so uh come here i'll let you kick off with introductions okay great hi hi everyone um my name is kamiyah franklin i'm an enrolled agent out of michigan united states i work directly with bench tax um advisory department i've been here for a little over a year

 um just a couple of things about what an enroll agent is so an enrolled agent is a similar designation to a cpa the only thing is we mostly handle things that are related to taxes and representing you in front of the irs whereas a cpa handles taxes as well as other things such as audits and being able to sign documents for you um you know and certify things in the testing so um in a snapshot way that's what an enroll agent is and it's nice to meet you and bring your questions on thanks and as kamiah mentioned uh cpa that is

 who i am my name is mark i'm a cpa been cpa for a number of years um and i've been a bench for exactly two weeks shorter than camilla has so uh me and her are kind of the uh original founder founding members of the tax advisory team at this point it's wonderful thank you both again so much for joining me today okay so we'll uh jump into the questions now so just a reminder again um please submit your questions via that q a button at the bottom of your screen we've got a couple questions in already

 which is great so we're going to answer these questions on the first come first serve basis as they come in so feel free to to go ahead now if you haven't already and submit your questions with that q a button okay so we will dive into the first question uh all right it says can you claim business expenses on taxes if you use your personal contributions particularly in the case of startups when you can't get business loans or you don't yet have business credit okay um i guess i can take that first

 yes you can um if your startup um what what the what the rule is um you should be active you know you should have declared uh your business is actually open and active for business and once that the cases you can claim any ordinary and necessary expenses so that's not to say if you have spent things prior to you know dating yourself or making your your business active you can claim those but um those are considered startup expenses which sometimes have to be amortized over a five-year period but you can still claim it long as they are

 ordinary and necessary and sometimes you can claim those uh in the same year in certain cases depending on what they are so yes um and if you use your personal contributions those will be considered um equity or uh money that you have put into the business and so that becomes a value to the business you know a way to start your basis or your value in your business um so it doesn't really go away um and it's used um to be able to value your business later if it's ever sold or there are things uh that we use that for

 you know for tax purposes so yes you can so um yes absolutely yeah as as to be mentioned you know it's the startup expenses are what what happens before you know your business starts right and those have special rules but in general you know lots of businesses have expenses that that happen you know before they have revenue coming in um and and those wouldn't necessarily be startup expenses right because startup expenses are before the business starts um but yeah you know ordinary necessary expenses it doesn't matter where you're

 getting the cash from you know you can deduct those um you know if it's a personal contribution whether that's equity it could be debt too if you want to you know structure it as a like a loan you know depending on what type of business you know entity structure you want to have maybe a loan would make more sense if it's a loan it probably should have you know terms and an uh an official loan agreement between you know you and and the business um but otherwise yeah exactly exactly what camilla said

 wonderful thank you both okay great uh the next question uh okay so this question is about form 7203 uh okay they said i had deducted losses in the past i did not put significant funds in the business originally does that mean that prior deductions were incorrect this individual is concerned about filling out the form and not being able to deduct losses this year because they were significant uh roughly around 25 000 um and they're concerned about being hit for past years uh then there's additional comment um

 that they have an llc who which is taxed as an s corp just to provide more context on the filing structure yeah i can take the first step at this one so form 7203 is a new requirement this year for s corporations um so there we've actually had quite a bit of discussion surrounding this forum you know internally and with our clients um but you know it it doesn't just keep track of contributions it also keeps track of essentially what your basis in that s corp is which includes contributions include basis includes you know income

 allocated to you from the s corp you know it would be subtracted you know the losses and distributions are subtracted off there to come up with what your total basis is so if you haven't contributed yet you have losses you know there's funding coming from somewhere or you know you've had income in the past in order to you know have that cash to cover those losses perhaps the 7203 isn't being filled out correctly as my estimation um because it you know it has to have that carryover value from the

 prior year um which wasn't necessarily filled out on a 7203 because that was new this year but you know you when you have an s corp when you're a shareholder and escort you you should be tracking your basis which is made up of all those things on the 7203 and now the irs is asking for that to be officially you know filed with i think the individual shareholders return who owns this corporation um you know without some more information it's tough to say you know whether or not you were able to deduct those losses

 in the past or you know the current losses um it kind of depends on the past performance of the business and where the funds would have come to cover those losses um you know if you're if they're personal funds and you know you're throwing money into the business then you probably have more basis than you think you do because that those would be contributions um does that sound correct i mean basically i mean i mean it's funny we were just talking about this but um for people that um are like just

 beginning their businesses or if they haven't really made a lot of money and have had losses the thing of it is probably um you know your book to tax basis probably was never reconciled and it may have never ever been um recorded on a tax return and so um i mean you would think well i don't want to say you would think but what's probably supposed to happen is um if you do have losses that is necessary for whoever is filing a tax return to go into your books and see what kind of bases you have in order for

 you to be able to deduct the the losses properly now if this occurred or not you would need to look at your tax return to see or go back to your tax preparer to see if that's happened i mean um and you need to like people saying you're turning into your individual tax return to determine you know what income you've had in the past what distributions and contributions you've had in the past and then what you've taken on your individual tax return it it's very you know it could you could have maybe taken more

 losses than you're you know subject to and you know the that doesn't happen too much in a in a one-person s-corp unless you have you know a lot of i guess loans out there which would you know cover those operating expenses that would create the loss um but you know this is a it's a tough question to answer without without some more detailed information i mean if you had a lot of distributions that's my only thought like if you were doing a lot of personal transactions which you probably shouldn't do if you

 have a business and you um rs corporation you know but i have seen where people do personal a lot of personal transactions with the s corporation so that generates um distributions that you don't realize you have you know and so if that's the case and you don't have enough and now you have all these big losses you know it's like maybe not but then again you might have put the money in too so we would have to see yeah exactly it could generate distributions that maybe you didn't know about but it also

 could generate you know contributions that you weren't keeping track of as well it you know so it goes both ways um and as camia mentioned you know keep those business and personal funds as separate as you can and well as separate as they need to be which is essentially separate and making sure you're keeping track of your money you put in the money you take out because it's all important for for uh you know reconciling your basis which is you know the whole point of form 7203 okay great thank you lots to think about

 there uh all right we've got another question here this one is from dan when you start your business um uh he's saying a c corp if you start with say ten thousand dollars will that initial funding be taxed no um okay so if you're a c corporation i'm assuming if you're a one person c corporation you're the like hundred percent shareholder you know so it becomes again kind of like what i said to the person with the s corporation it be becomes you know equity or money that's available to the business

 um there could be maybe there's a loan or some type of note like i don't know how um the funding would be structured but i mean if it's a general just contribution you may um no it won't it won't be taxed um yeah i don't think it'll be taxed anyway that you whether it's you know the initial payment that you make for the stock or whether it's additional paid in capital on top of you know that that stock transaction or if it's you know a loan from you to the business none of those you know sources of

 revenue are taxable to the business but they all live on the balance sheet and they don't really touch the income statement um so you know that that would be a way where the you know the business could have losses where it doesn't have any revenue right especially in a c corps type of situation which and then that loss would you know it doesn't get passed through to you with a c corp it just rolls over into the next year um and is able to offset you know future revenue okay great thank you okay so this next question um

 is a long one i'll read it out here uh i'm not a citizen or a resident of the u.s i've been operating a sole member llc in software as a service since february 2020. i am now planning to move to the u.s in 2023 and want to know if bench has helped such businesses and non-us residents in tax advising in the past and what form of support i could expect to minimize and optimize my taxes uh will i always be dealing with the same tax consultant with that change over time okay so yeah this question is more i guess about our tax services

 um yeah yeah i can take a stab at this one i guess to start international is kind of my specialty um but you know we don't dabble in international too much here at bench at this point it's something that you know we hope to expand on um as we go um but we don't do much international taxation or even you know u.

 s taxation for international individuals um non-us residents or our citizens um right now we i don't think we even let them into into bench tax at this point um likely you would have had to file you know probably an 1120 if you were you know a foreign person operating an llc in in the us um if you become a us person or a us citizen you could change that to become an s corporation if if the income you know supports that um because you know s corporation shareholder holder has to be a u.

 s person um you know for dealing with the same tax consultant you know as long as we are with the company um you know we we maintain our you know profile or you know our book of clients um you know obviously sometimes that there's turnover that happens people leave or people you know come on so you know clients sometimes get redistributed but we we work tightly with the team so you know if if you're working in a lot with you know a consultant you'll probably not get moved in in one of those situations unless you're you

 know unless your advisor left or something like that um tax preparation wise you know we try to pick people up with the same preparer every year we actually don't do the preparation here in advisory we we do everything you know everything but the preparation we talk to you all year solve your problems you know consult with you but then we have a different group of people that does the the filing so we try to have the same person do the filing year after year sometimes they're not available sometimes you know the

 timing doesn't work out but you know you're going to have someone competent and someone who's familiar with your your your items great thank you um and then there is a um uh i'm wondering if this is a related question um it says specifically we'll have access to folks like kamiah and mark uh throughout my journey with ventura will be transferred to other junior folks so sort of a short answer i mean clients are assigned as you you know on board as you come on with us and then we we take you on and and have that one-on-one

 relationship with you you know as you would with you know your cpa at a different firm or whatever you know that's it's not like you're you're brought on under me and then i pass you off to someone else once whatever said it you're on with the advisor like me or come here you know we're both you know practicing tax advisors with bench tax here so yeah you would stay unless there's a change in personnel i would assume you know yes generally yeah and um maybe you could speak to um the uh

 the other tax advisors on the team uh i my knowledge and understanding it you know everyone is either an enrolled agent or a cpa you can actually i was going to bring that up when camilla was explaining that earlier i you know we we do have a a a breath of different credential you know professionals on the team and that's the strength of our team right we have cpas i'm i'm one of i think a couple of the cpas on the team we have enrolled agents we have someone i believe judah is a tax attorney um so we have you know

 a number of highly you know highly knowledgeable attacks um [Music] yeah for sure yeah with diverse backgrounds so you know a lot of people ask about specialties you know trucking or whatnot you know we have a diverse um skill set when it comes to tax because obviously you know taxes is the internal revenue code is extremely large so we can't know everything that's there verbatim so you know it is good to have people that um know different things about different areas of tech so i will i will say that we have diverse

 backgrounds for sure and and we you know as clients are coming on if they have special needs like that you know they'll get distributed according to the needs you know the most basic example is you know time zones right everyone has different times and if you can only meet i just did this this morning someone could only meet at 8 00 am you know eastern time i work at 9 9 a.

 m central time so i i moved this person you know i hadn't talked to them yet but i moved them to a different tax advisor because it was going to work out with them rather than me it works the same way for you know things that we don't necessarily specialize in but maybe we have a better knowledge of yeah yeah wonderful so when you hire bench uh you really get more than just one tax advisor you get access to a whole breadth of it and that's a good that's a good point too right and we're always consulting with the team to you know get

 second opinions or you know to get a a consensus on on issues or you know posing questions to the team it it you you face to face with the one advisor typically um but it really is a team that's that's working for you all right okay um another question from dan so uh he says i partnered with bench because i don't know or understand taxes that's great that's what we're here to help you with uh will bench inform me when there's a particular form or deadline that i need to fill out in other words can i rest

 assured that bench will help me not miss any tax related tasks that i need to do i know uh um you know what you both can maybe speak to um what you do on the tax advisory side but i know that um in terms of tax filing deadlines we do uh you know communicate and send out reminders and deadlines and your bookkeeper is going to work with you um and the tax preparer uh and that you know the whole tax team that i showed on an earlier slide is going to help you make sure that you do not miss those deadlines right for sure

 yeah one thing i do want to uh mention though like we we do try our best very best to get the deadlines and that's one thing that we do discuss on the cost you know uh as far as income taxes related now there are some things that aren't necessarily related to tax that have deadlines as well if we know about it we can generally give you a high level um consensus on what you're supposed to do with filing it such as like uh needing to uh renew your um llc for instance with your state that's something that

 they would have to do independent of us but we can support them in that you know talking them through it or telling them you know giving them the website or giving them things like that but those type of things they would have to do so we try our best you know and as long as we know what states um that you're operating in as long as you're forthcoming and really giving us a good idea of where you're operating in we can um make sure we're encompassing all of the states that you deal with because that sometimes does um

 come up where you know someone might not realize that they need to be a foreign um entity and pay taxes somewhere else other than where they are a resident of or where the business is registered you know so and by foreign there i think community probably means other states which is how the states um describe that not necessarily foreign to the united states although you know there are different deadlines for it for that as well um right foreign meaning you're not actually a resident or do business there so they just call that foreign but that

 doesn't mean you're out of the united states right absolutely and and yeah you know we we're experts at what we do and we're really good at what we do but we can only be as good as what we know about you so it's like you said it's important for for clients to be forthcoming you know we'll try to ask all the right questions but you know if you if you never let us know that you file in you know wisconsin and and we never never somehow pick up on that right that's something it's just part of the conversations that

 we have with our clients that help to help them not you know miss those type of things right it's important for us to to know everything that's going on with your business and and half of that is you telling us that yep that's true okay um and dan has one quick follow-up thing which i can address so this is super helpful we're we're glad um how often are these webinars so these webinars are actually held every tuesday um there is one exception uh on tuesday september 13th we will not be hosting

 this live q a session because we're going to be hosting a uh a different webinar with um one of our partners but other than september 13th uh the this session runs every tuesday at the same time that's 10 a.m pacific and uh um 1 p.m eastern and you can always um head over to the bench blog so bench dot co forward slash blog and you can register there okay and there's another question here which we uh have time for i'm sure um from uh asanka so which software do you use for bookkeeping uh do we have access to directly update

 and submit the transactions or how does this work so this is a great question and we get it often our software is actually proprietary so it's been built specifically by our teams here at bench but that doesn't mean that you um don't have access to it essentially your your bench bookkeeper is going to manage um uh all of the you know up you know taking your transactions and things like that um there when you onboard with bench you get all of your um financial accounts connected so that those uh transactions come in uh

 automatically so you don't have to do the work that's what we're here to do we're here to take that work off your plate um but every once in a while we get some concerns about whether the software uh will be compatible so for instance if one day you know you decide to move on from bench what happens to your information it is when you're a bench client you actually get lifetime access to your account so even if you decide down the road to leave bench you can log into your account at any point in

 the future that information will always be there available to you but you can also easily export all your financial statements and information if you need to for instance if you want to take that information maybe you hire an accountant or you take it to another provider it's not you know held back you're you're definitely able to take your information uh with you when you leave um it's just a simple export actually so i don't know if either of you have any other points to add to that uh so i mean it's a very typical accounting

 software it behaves just like quickbooks you know when you're inside of it you see you know transactions and and financial statements and that sort of stuff yeah perfect um but again the difference between us and quickbooks is that uh with bench you don't have to do any of the work we take that work off the qb that's okay everyone is familiar with quickbooks all right well with that um that is uh the end of our questions here so i'd like to thank everyone for your questions today we hope you found our

 tax advisory services helpful um if you are a bench client and you are considering um upgrading your subscription to our premium package and you think that this service would be helpful to have uh for your business on a larger scale um you know talk to your bookkeeper um you can learn more about our premium services and if you uh want to give bench a free try if if you're not a client of bench we actually offer a free trial so it's a no commitment no credit card required trial we do a complete month of

 your books within just one business day and then we give you a set of financial statements to keep you can see what our software looks like and this allows you to really quickly get a sense of whether bench is a good fit for your business or not um and so uh yeah with that i would just like to say thanks again everyone for your attendance and participation and your great great questions uh if you found today's session helpful please share our website with a fellow business owner who you think might also benefit from receiving some small

 business income tax uh advice we'd love to meet them and see how we can help so thank you again everyone and enjoy the rest of your day thanks everyone