1. How to pay less to the IRS and file taxes correctly [for US Small Businesses] - YouTube

<https://www.youtube.com/watch?v=gdfnL9Z-xpw>

Transcript:

 hello my name is aah viero I lead Partnerships here at bench accounting I've worked at bench for almost a decade and have supported business owners throughout that time to navigate their bookkeeping and tax filing needs I'm really passionate about this space because I get to help people entrepreneurs are the backbone of our society you all drive the economy and what I hear all the time from folks like you is that you didn't start your business because you're passionate about back office tasks that are required by

 the US government like bookkeeping and filing your taxes um you also don't know what you don't know rarely do I speak to business owners that actually studied Accounting in or outside of school and this impacts how you prepare and use your financials I'm here today to hopefully shed some light on how you can truly Master tax season by filing your taxes correctly and more importantly paying less to the IRS I also want to take a moment to appreciate the fact that you are here today A lot of this content can

 make people go cross-eyed but you are taking this critical step to show up for yourself and for your business so thank you okay so we are bench uh we are a bookkeeping and tax filing Service uh Focus specifically on supporting small business entrepreneurs that Trad traditionally get left behind by the accounting industry well call a spade to Spade bookkeeping is uh transparently a low margin product so Most accountants actually don't want to spend their time doing the books for small businesses instead they typically offer a year-end

 cleanup uh leaving you without Financial Insights throughout the year or they ask you to do your books yourself uh in a DIY software like QuickBooks and then just kind of take care of that tax filing and any tax advice that you require at bench we believe that no business owner should spend their evenings and weekends alone pouring over bank statements payroll documents Merchant reports and countless receipts at their dining room table to compile their financials we pair a real human team of bookkeepers with simple intuitive

 software to do this bookkeeping for you so today I'm going to walk you through essentially unfortunately how the tax system is riged uh and the IRS is just waiting for you to slip through a crack so they can generate Revenue uh we're going to talk about how to actually action um these steps so that you do not pay a penny more to the IRS than you need to how you navigate this rigged system um there's a lot that you need to know and I do want to call out it can be overwhelming but my goal today is for you to leave with a list of

 things you're going to do to lower your your tax bill regardless of whether you're doing it yourself you're working with an accountant or you're working with a bookkeeper so we'll start with a look into how tax filing actually works uh as a part of that we'll touch on some dates and forms to be aware of the impact of your entity type what it means to fall for an extension and some tips for how to use bookkeeping to prepare for your tax filing then we'll get into deductions everyone's favorite topic um

 what they are which ones that we actually find commonly missed in small businesses and how to make sure that you're capturing them all uh in that tax filing because that's what's going to lower your tax bill and then uh we'll end with uh next steps and how uh we can potentially help cool so small business owners we see you uh the first thing that I want to call out here is just taking a minute to acknowledge that taxes feel scary and confusing for a reason straight up the US tax filing system is

 is complicated for a reason people pay more in taxes and penalties than they need to oftentimes just to make this problem go away the reality is the IRS is a revenue generating organization uh they made a wild four trillion in 2021 uh so there's actually an incentive for govern bodies to make this system hard to navigate for business owners because they generate revenue from the complexity so in short the system's raged the US tax code is also almost 7,000 pages long and would take over a week to read um that makes my head hurt

 just thinking about that how on Earth is the average business owner supposed to stay on top of this and we are also rarely ever taught these useful skills in school uh for tax filings and for financial management and how to navigate to taxes that's something that every single American is going to need to do throughout their lifetime so the fact that it's not taught to every single person in the US it's just mindboggling uh no one learns this in school unless they're an accountant um but I assume you're not an accountant

 and that's why you're here and I want to call out this is not business owner's fault again the system just isn't great for supporting people who want to do what they love you don't have time to master 7,000 pages of us tax code as much as I'm sure you want to uh and run your business and have a life and the reality is there are very real consequences uh for small business owners uh this is how business owners fall way behind or pay way more than they need to uh entrepr ERS fall through

 these cracks because the IRS wants you to fall through I speak with business owners every day and they often don't realize they need to file the taxes no matter what regardless of whether they operated at a profit or a loss that year they also don't know that to file for an extension uh this only pushes your filing date back by six months and you still need to pay those estimated taxes and subit the relevant extension forms to get that extension approved it's quite the process uh and it's important

 that you are aware of every single step to make sure that you don't fall into a position where you're getting charged find some penalties for not doing that correctly and again like if you don't do all these steps correctly the IRS is just sitting there waiting for you to slip so they can start charging you those fines and penalties and interest on those fines and penalties it's also a lot of work to do the bookkeeping and capture every single deduction that you are entitled to so business owners often leave some out I

 see this all the time especially with some folks who do DIY bookkeeping um but again that just means that you are going to be paying more to the IRS than you need to so how do we make sure that we complete all these steps correctly so if you are doing it yourself you are going to need to make sure that you understand at a minimum what it what is expected of you what forms to fill what to pay and when then to make sure that you don't pay more than more in taxes than you need to uh make sure that you are capturing every

 single transaction yes even that Amazon purchase for your home office that you made on your personal credit card that's a deduction you want to make sure that that is captured and if that sounds like a lot please knowe you're not alone most business owners try using a DIY software when they start the business uh even if they don't know the first thing about bookkeeping and this is the default because again accountants don't want to spend their time bookkeeping every single month especially for small

 businesses so if you are using a an accountant or a bookkeeper do yourself a favor and discuss with them in detail what your tax plan is and how to make sure that you're getting every single deduction that you're entitled to so regardless of whether you are diying or using a bookkeeper or accountant bookkeeping is the foundation of your tax filing and without accurate complete books you will pay more to the IRS than you need to which we'll unpack a little bit further today so let's talk about what you need

 to actually file your taxes correctly and we'll dive into everyone's favorite topic forms there's so many of them we could legit said here for the entire hour and I can list off all the possible forms you could need for Unique situations instead I'll say that it is just really important to first know your business's entity type because that will inform which forms you need to submit uh as well as the date you need to file by uh it's really really important to get this right because there can be

 fines for not completing a form uh and paying the uh Associated fee so for example we took this char from the IRS website for every form that is not filled or filed correct incorrectly there could be fines that they charge um to find this list you can honestly just Google it um Google your entity type and tax forms there are lots of resources available a bench also has a great uh bench tax uh guide uh that spells this out if you want to check out our blog so some key dates to be aware of at W2s if you have employees you will need

 to fill fill out those two copies of form W2 for each one one W2 must be submitted to the IRS the other must be sent to the employee if you are using a payroll provider uh they may be doing this for you uh $199 NEC so if you work with independent contractors you must file form 1099 NEC by January 31st copy a must be filed with the IRS by this date and copy B must be sent to the contractor by this date as well um if this date has passed by the time that you are watching this please just make sure that you do that as soon as

 possible and work with an accountant to make sure that you understand if any other steps were missed or any other forms uh filings need to be complete uh it's also worth calling out March 15th uh which right now it's January 19th when I'm recording this March 15th is around the quarter this is going to sneak up so quickly uh this is the date for S corporations and Partnerships uh April 15th if your business pays taxes on a quarterly basis that first 2024 estimated payment is due on the state uh as well as Soul props

 and uh C corporations also need to file their taxes by the state uh these are just a few of the dates to know again um consult that list of forms and their due dates to make sure that you are covered uh it's challenging to navigate all these forms and payments um if you are doing it yourself you need to make sure that you on top of it make a clear list and calendar for yourself now so you don't miss any of these uh deadlines you don't fall behind and get hit with one of those findes um and again if you're doing it

 yourself just have someone double check for you um that's an invaluable service better yet have someone do this uh all for you uh as it's just a huge time and stress saver and if you're working for with an accountant or bookkeeper make sure you to have uh a chat now to make sure that they have a plan to get all the information they need from you by the appropriate deadlines in order to meet these deadlines so quick note on entity type um ask an accountant if you have the best entity structure for your business

 uh if not what should you change it to and what are the extra rules that come along with with it um and I'll give you an example uh if you choose to incorporate to an S corporation s corporations have fantastic benefits um like lowering your personal tax uh for the business owners as they can pay themselves reasonable salaries key word there is reasonable uh and receive taxfree dividends um you can also save on self-employment taxes as the es Corp shareholders only pay a social social security and Medicare taxes on their

 salaries not on their dividends but you need to pay yourself as an employee uh if you are a shareholder of that ES Corporation so if you're an escort you haven't set yourself up on payroll reach out to a payroll company today Gusto on pay um just works set yourself up ADP um set yourself up with a conversation today to make sure that you uh are paying yourselves correctly and you don't get hit uh with an a with the from the IRS and and unlock those fines and penalties uh the secret to filling out form so if you haven't been regularly

 bookkeeping every month throughout the year and have to now do this catchup and do this work for all those prior months it might be time to reevaluate your process for this upcoming year doing it yourself is incredibly time consuming it's expensive because yes your time is uh worth worth a lot um this is time that could be much better spent on growing your business or spending time with your friends or family um but you need to make sure however it's getting done that it is getting done every single month uh the secret to filling

 out these forms is having that accurate complete bookkeeping for the year all right let's talk about filing for an extension uh this is a first of all totally normal and okay thing to do every year approximately one in eight American taxpayers file for an extension so if you're in that bucket you're in good company uh tax extensions are a tool that the IRS makes available to taxpayers who need more time to file uh their tax returns accurately so an approved extension application grants you an extra six months to get your

 taxes filed without acing those late filing penalties so if you're an escorp or partnership that that filing deadline would move from March 15th to September 15th if you are a soul prop or C Corp it would move from April 15th to October 16th it is worth noting that for soul props uh they do have a different process for filing an extension so uh make sure that you work with your accountant uh or do your due diligence and do that research to to make sure that you are following that process correctly and key reminder here is you

 still have to pay even if you get that tax extension you still have to pay by either March 15th or April 15th uh filing for an extension extends that deadline for filing but again not for paying uh you will need to estimate how much you owe the IRS and pay that amount the IRS late penalty is 05% per month uh this can be avoided by paying that estimated amount when you file for an extension and if you're having having trouble calculating that amount which again you're not alone it's complicated it can be confusing um we recommend just

 check out our blog or you can do a Google search um on how to calculate and pay estimated quarterly taxes uh blog. bench.co we have a great resource there and as always just I always like to recommend here just hire a tax professional to look everything over just to be safe great okay let's talk about lowering your tax bill uh lowering your tax bill it all comes down to capturing these deductions that a new lamp 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 okay so as we saw with David uh from shitz Creek highly recommend that show if you haven't seen it before there is a lot of misconception about what a tax deduction or a tax write off actually is so how it works is you actually take the amount of

 the expense and subtract that from your taxable income but like anything with the IRS it's not always straightforward There are rules and nuances for different expenses to be aware of so for example business meal expenses you can generally deduct 50% of qualifying food and beverage costs but you can deduct 100% of the cost of providing meals to employees such as buying Pizza for a team dinner uh when your team's working late or having a party so some commonly missed deductions we see this all the time especially from

 the folks that are doing DIY so I want to make sure if that's you take these notes and make sure that you are capturing these in your books because I don't want you missing out on a single deduction that you're entitled to so the first one up is Merchant fees uh this is one that business owners often Overlook but it has huge ramifications for the tax filing um so have you ever noticed uh that some Merchants like stripe or Square uh take their fee for processing your Revenue before placing it in your

 bank account the reason why it's important to capture uh this fee is because you will be Under reporting your Revenue otherwise and that's a big red flag to the IRS you always want to make sure that that you're captur capturing your Revenue accurately so you'll actually need to adjust your Revenue to the gross revenue amount before the merchant took took their cut and then adjust and break out the fee uh as 100% tax DED deductible Merchant fee expense on your income statement so again you're

 going to want to gross your Revenue up to reflect the full amount that was collected before that Merchant like stripe or Square took their fee uh and then make sure that you are capturing that Merchant fee as a tax deductible expense it's 100% tax deductible on the income statement uh another commonly missed deduction is interest interest is a tax deduction uh I cannot leave you let you leave here without um understanding the value of making sure that you're capturing this correctly for any payments you make to a loan or line of

 credit um so these are actually 100% tax deductible and to capture these correctly so you pay less to the IRS uh you must manually split any payment made to a loan or line of credit into at least two separate uh components of that transaction uh the first is the payment made to pay down the principal balance owed uh this pays down the liability listed on your balance sheet the second portion of that payment uh this is so solely the interest and that must be captured under interest fee expense on your income statement so single transfer

 let's say from your checking account to this loan provider you need to split that transaction into two separate parts the part that's break that's paying down that liability on your balance sheet and the part that is tax deductible that interest on your income statement another commonly missed deduction is uniform expense uh so a piece of clothing that is company branded can be considered uh a uniform and is a write-off uh but that new suit that you bought to impress a potential client when you're taking them out for

 dinner uh would not be considered a write off because it can theoretically be worn in places outside of your business so you want to make sure that you are not um adding those incorrectly to your income statement unless you're tax filing uh because that could be a red flag for the IRS but for uniforms absolutely add those on and write that off another one I want to make sure you are all aware of is independent contractors uh every single payment that you make to an independent contractor is 100% tax dedu deductible but you only

 need to file form uh$ 1099 NEC if you paid that contractor over $600 in that tax year so make sure that you're actually capturing and tracking how much should I pay this this contractor in this tax year that will tell you whether you need to file those 1099s or not the last one I want to call out here is business transactions that occur on personal accounts uh this is just critical to make sure that you are capturing um if you use your personal uh credit card that's attached to you know your online Walmart account or Amazon or anything

 that you're purchasing online or at the store um make sure that you are then going into your personal credit card statement going through highlighting which transactions were actually for business purposes and then manually extract those transactions to capture them in your business financials this is so critical and if it sounds like a lot of work it is unfortunately it is um but it's worth it because those are deductions that you would be missing out on otherwise even if it's just $10 here $15 here

 throughout the year it's wild how quickly that adds up so please do yourself a favor capture all of those transactions and make sure that you're manually including them in your business financials so that you can use those deductions to pay less to the IRS or better yet don't use personal cards for business transactions I always like to recommend um this doesn't work as well now there's so many virtual cards but if you're still like me someone who uses the plastic cards uh just use a little

 sticky like color code which one is business which one's personal like blue for business and green for personal this way when you take your card out you can easily see which card this is and switch it up if needed cool so that's a lot of that's a lot of deductions um the key here and what I want you to take away from this is there are a lot of deductions that you are entitled to and uh there are some nuances to each one so make sure even if you're doing DIY books that you're working with an

 accountant to go through audit clean that up make sure that you are capturing these correctly and don't feel guilty about claiming every single one that you can again the IRS is a revenue generating organization and they don't deserve a die more than legally necessary from you cool okay let's talk about how to capture deductions because we talked about commonly missed deductions but okay once you find them how do you actually capture them in your financials uh this is where bookkeeping comes in to claim these deductions uh

 you'll need to keep accurate records and stay on top of your monthly bookkeeping like remember that restaurant expense you incurred last January most people don't and therefore they miss this tax write off so make sure that you're adding them all up uh and you are not missing out on those tax savings and also make sure that every single transaction from the year is recorded and receipt saved the IRS expects you to keep those receipts for at least three years and you make those manual adjustments again think about that loan

 payment you want to be able to write off that interest but you need to split that transaction into what is paying down the principal amount to that loan or line of credit and what's interest so again make sure every single transaction from the year is recorded um make sure you're keeping those receipts and make sure you're doing those manual adjustments I'm not going to sugarcoat it this absolutely takes a lot of time and effort especially if you're doing your own books and have saved it all for

 the end of the year but it's worth it to do it properly so you can save money it's also really important to know that even if you work with an accountant who will be filing for you you can't expect them to pull transactions out of thin air to deduct you still need to make sure that you are recording and categorizing every single transaction throughout the year um by giving them or working through every single statement and receipt through that year uh so that you can capture those transactions and

 deductions Most accountants don't want to do bookkeeping or or hunt down your transactions so they might ask you to hunt these down and then they'll just like clean up and do some categorization adjustments at the end of the year which means you're still doing a lot of work like updating your DIY software so updating like your QuickBooks or your zero submitting invoices uh Etc and then they just review and clean that up at year end um so later I'm going to share some questions that you can ask your

 accountant to make sure that they're maximizing your dedu uctions even if you are doing those books yourself okay um I also want to give you some tips on how to capture these deductions so I mentioned this uh on the previous slide but you want to keep every receipt for three years in the event of an audit you'll be able to um you'll need to be able to back up these deduction claims so we recommend uh a Google drive folder or Dropbox or shoe box uh to digitally store those receipts since physical ones can get lost if you

 aren't using cash for any transactions and I'd say that's probably the norm these days then don't worry about it you don't actually need to keep that separate uh receipt as long as your bank is uh keeps your bank and credit card statements for three years which most banks do and then you should be fine but for any cash transaction you need to make sure you're keeping that receipt and then business and personal SE separate those transactions separate those accounts uh it is so much work to parse

 business versus personal expenses um on these statements it's such a headache business transactions will get lost in personal accounts so just don't do it do me a favor don't do it you risk missing out on so many deductions uh and it's just such a pain to go through down these personal bank statements put them in a PDF go into the annotate tool highlight all the uh business transactions manually pull those transactions out and manually adding them into your uh bookkeeping software it's a nightmare um and I don't think

 that uh or my experience is that for those that do uh do this even if they're willing to put in that work you're relying on your memory and that's if you're trying trying to go back like multiple months at a time you're going to not be able to remember if that Amazon purchase was for your home or for your business and if you don't have a uh business account set up we always like to recommend relay Financial your fantastic Bank to check out so okay that was a lot uh before we dive into how to get support for your

 business as tax season I do want to acknowledge that we covered a lot first that the IRS is a revenue generating organization they have an incentive to make things comp more complicated than necessary and accountants spend years of training in order to confidently navigate their clients through this system and this training is reserved for accountants shockingly how to file your taxes and interpret IRS code is not something that we train in school despite every single US citizen needing to engage and interact with the IRS

 throughout their lifetime and the sheer number of forms and deadlines and figuring out estimated taxes and what's actually needed for a tax extension and how to bookkeep that's so much to learn when your primary focus is running and growing your business so it's important to know that if you've put this off or if this information feels overwhelming You Are Not Alone the system is Rigg it's critical to know that you can get the support that you need to navigate it and not pay a penny more to the IRS than you need to so my

 recommendation is always to make sure you get help because this is really really hard to do alone so whether you're doing your own books or you're working with an accountant or bookkeeper uh or are in need of some help uh I want to make sure that you're set up for success so here are some questions that I want you to ask your accountant um oftentimes when working with accountants it happens in a black box um you hand off some reports and documents to them and then they work some magic to create that tax

 return um so you don't really have insights into the process the categorization Etc you just kind of trust that it's happening so make sure that you book a call and ask these questions to make sure that they are truly Max imizing your return uh there are also some questions to ask your bookkeeper so bookkeepers and accountants it's worth calling out these are different accountants go through years of training uh they have to be accredited they're tightly controlled uh and regulated a bookkeeper

 not so much anyone can theoretically go through some some training or You' hope they they've done some training um uh and can call themselves a bookkeeper they aren't regulated the same way that an accountant is so if you are working with a bookkeeper and there are many amazing bookkeepers out there you still want to make sure that you're doing your due diligence uh to make sure that they are setting you up for Success um so just be cautious be curious uh and we recommend asking these questions uh and make sure that you get

 some time on the books now um because it's tax season they're going to be busy and you want to make sure that things don't slip through the cracks or you're only finding out that some information or critical deductions were missing a couple days before that filing is due excellent and lastly some questions to ask yourself uh if you are doing DIY some people straight up love DIY bookkeeping and they're confident in their accounting knowledge and if that's you all the power to you um my only ask

 here is to make sure you are staying on top of the US tax code um you take training on how to use your DIY software so go through for example all those QuickBooks tutorials uh QuickBooks is an incredibly powerful incredibly robust software um but it's not the most intuitive uh and you are also working with an accountant who has agreed to do a full high quality review of your books to make sure as best as they can that you aren't Miss out on deductions but again remember that it's up to you to actually go through sift through any

 business personal transactions any relevant statements any cash transactions making sure you're keeping that receipt it's going to be up to you to actually make sure that every single one of those transactions are captured and then they can make sure that those are categorized correctly to optimize for deductions if that sounds overwhelming or if you don't love it or you aren't confident on how to do the books accurately my recommendation is to Outsource to a professional the stakes are just too high to risk getting these

 books wrong and this is where bench can help if you're looking for personal Hands-On support to pay the least amount of taxes possible this is what we do we have a professional team doing the books for you they'll even file your taxes if you uh don't have an accountant that you love uh we hunt down every single deduction possible so you aren't paying a dime more to the IRS than you have to you have unlimited access to your team so if you have questions on how to use these statements to make financial

 decisions or whether to incorporate and where to F this in corporation papers we got you and we do this for you every single month so you always have the financial information you need to make confident decisions so you can always learn more at bench.co and what makes this different is we have a team of bookkeepers and in-house accountants that are professionally trained that do this for you you have unlimited communication with that team and we leverage technology so this is all as automated as seamless as simple a

 process as possible so you can spend your time actually using these financials to make confident business decisions getting Financial advice uh from your team uh on you know again whether you should incorporate or whether you can afford to take out uh another loan to reinvest in your business um we do this for thousands of customers every single day uh we are North America's largest bookkeeping service so come talk to us today if you are feeling overwhelmed if you need some guidance or you don't have an accountant

 book a call with us at bench.co it doesn't matter if you end up using bench or not we'll point you in the right direction the end of the day we just want to help and if you are wanting help now is the best time we are offering 50% off six months of bookkeeping at bench just is almost $1,000 in savings so again check us out at bench.

 co and give yourself the gift this tax season of saving more of your money thank you everyone this has been an absolute pleasure thank you for showing up for you and your business and happy tax savings thanks everyone