

# business

## Avoid small business tax prep mistakes

**T**ax time brings with it a sense of urgency and pressure, and mistakes can follow. Here are tips on avoiding some of the most common tax preparation mistakes from the Small Business Administration.

**Be aware of new business expense.** New business owners can write off the expense they incurred before technically opening their doors for business. Don't overlook this important deduction.

**Be clear on car deductions.** A lot of confusion exists about what constitutes a legitimate business driving deduction. When you travel from your office to see a customer or vendor, this constitutes business driving. If you commute from home to your office (and back), this is a nondeductible personal expense.

If, however, you work from a home office for which you claim a tax deduction, then travel from home to any business location (and back) is treated as deductible business driving.

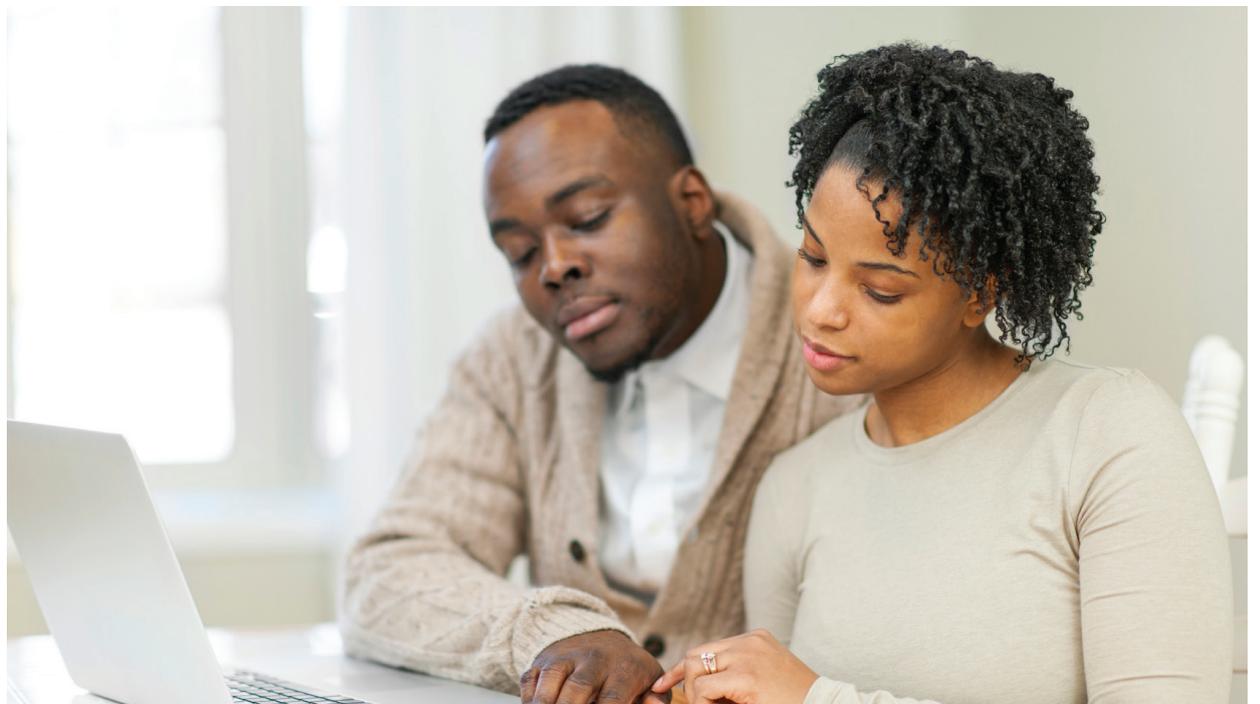
Also, the mileage deduction for tax year 2014 is 56 cents per mile.

Another big mistake that business owners make is to limit their deductions to mileage. If you can prove that they are business expenses, you can also deduct other costs including gas and oil, tires, insurance, lease payments, tolls and parking fees.

**Don't forget the small stuff.** Petty cash purchases, magazine subscriptions, educational classes and more – these “small” expenses can add up quickly. Make sure you track all your expenses and check with your tax advisor about what you can and can't deduct.

**Don't exaggerate your deductions.** Your accountant can ensure you don't overdo or exaggerate your deductions – something that can raise the possibility of an IRS audit. For example, many small business owners mistakenly assume that they can deduct 100 percent of meal costs while traveling or client gifts. They are actually only partly deductible.

**Likewise,** if your expenses are a lot higher this year than last or not considered typical for your in-



dustry or business type, the IRS may get inquisitive.

It's not all about the IRS. The IRS is only one piece of the tax pie. Don't forget about your other tax obligations – property, payroll, local taxes, excise tax, self-employment taxes, etc. These can all come back to bite you if you aren't compliant in a timely manner.

**Separate personal and business.** Intermingling your personal and business bank accounts is a big cause of confusion around tax time, making it hard to track income and expenses. Furthermore, if you operate a home business, make sure you keep that space distinct and separate from the rest of the home so that you can correctly claim the home office deduction.

**Avoid payroll mistakes.** Payroll tax compliance is something that many small business owners struggle with. The financial consequences of get-

ting it wrong aren't pleasant either. Statistics show that approximately 40 percent of small businesses incur an average of \$845 per year in IRS penalties. To make sure that your payroll taxes are deposited correctly, outsource your payroll function to a payroll company. The benefits often far outweigh the fees.

**Keep your records up to date.** This is a common problem for small businesses and often leads to missed opportunities for reducing your taxable income for the year. Make sure your expenses are reconciled, tracked and supported with receipts (the IRS requires it).

**Spend time each week to review your accounts** – receivable, payable, credit card transactions, cash flow, etc. if your business is growing, consider accounting software (which synchronizes all your financial transactions and activities in one centralized dashboard) or retain the services of an accountant.

## Young Professionals host seminar

The Houston Area Urban League Young Professionals (HAULYP) will present the annual Know Your Money seminar during Houston Money Week. It will be held Thursday, April 16, at 6 p.m. at the Federal Reserve Bank of Dallas, 1801 Allen Parkway.

Guest speakers are Willie Miles, owner of Miles Wealth Management, and Irving Moses Jr., regional vice president of Primerica.

Houston Money Week is a community-wide initiative to empower families and individuals with financial education. The seminar will provide insight about the wealth disparities in America and equip attendees with basic tools of wealth building.

“Know Your Money is about understanding wealth disparities, and how we as a community can close that gap and achieve our financial goals,” said Deion Dorsett, HAULYP professional development chair and event organizer.

HAULYP is an auxiliary group of the Houston Area Urban League. Its mission is make a positive impact on the local community through service and advocacy.

To register for the free seminar visit <https://haulyp.org/event/know-your-money/>.

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