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?Books Aligned to Your Tax Return?

Most small business owners don't care about financial statements until they:

1. Need to get a loan
2. Need to prepare a tax return

This month, we ask: ***"Do your books make preparing your tax return easy?"***

Most small business owners will complete a Schedule C or K-1 for use in their personal return. But in parallel, most feel lost or incompetent when it comes to completing those documents.

Most tax returns change little from one year to another. As a result, the line items one must complete change little, especially not the titles of those items. Thus, most small business owners should have a 95% understanding of what they need to report to federal and state authorities.

So, why not make the names of your accounts the same as those used on the return you have to file?

Almost every piece of accounting software allows you to number and rename all accounts. This enables you to order your accounts in the same sequence, with the same name required by the tax return.

Additionally, by careful use of account numbers, you can create groupings for financial reporting and still maintain the 1:1 correlation you need for inputting data into your tax return, e.g.,

"Schedule C Part I Income 1. Gross receipts or sales" can be input from

400.0 SALES

400.1 Widget A Sales

400.2 Widget B Sales

400.5 Widget Service and Repair

400.6 Widget Warranties

400.9 Other Income

By using this simple tip, you can complete your own tax return with confidence, reduce "tax return stress," get more useful financial statements, and put tax return preparation fees (\$\$\$) back into your pocket.

Call us if you'd like to pursue this approach further.

If you are a startup, small business, or nonprofit, MyAdvisor LLC is here to help you with bookkeeping, accounting, and tax services at value-priced rates.



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