Inc. Branded Content / Tax PreP

Tax filing season is fast approaching, and many small and midsize businesses are scrambling to gather everything they need to complete the task. The mad dash is a yearly ritual for many business owners, but it really shouldn’t be. “The truth is, tax preparation is a year-round commitment,” says Frank Fiorille, vice president of risk, compliance, and data analytics at Paychex, a provider of outsourced payroll, human resource, and benefits services.

He’s right, of course, but for SMB owners who fall into the “I’ll do better next year” camp, it’s important to get all those records and documents together as soon as possible. Providing your tax preparer with a comprehensive package makes his or her job easier, reduces the likelihood of audit-triggering errors, and may even save you some money.

Emilio Escandon, managing principal at MBAF, a top 40 public accounting firm, suggests focusing on these areas:

- General ledger, year-end bank statements, and annual credit card summaries for details on expenses and deposits.
- Payroll tax returns and fixed asset schedules, which are even more important this year to determine the new qualified business income (QBI) deduction.
- Documentation for travel and meal expenses. It’s important to note that the IRS no longer allows any deduction for entertainment expenses, which were 50 percent deductible in the past.
- Records of payments made to independent contractors, including copies of any 1099s issued.

“Source documents should be maintained in an organized fashion throughout the year so they are readily accessible,” Escandon advises. “The ideal situation is to have a very organized bookkeeper who facilitates the gathering, storing, and processing of all relevant material.”

Avoiding payroll pitfalls

One area where business owners need to be particularly vigilant is payroll-related documents and records—not only at year end tax filing time, but throughout the year. “Incomplete information is one of the most common payroll tax errors,” Fiorille says. “This risk is especially high if a business owner is processing payroll on their own, as records may not be stored efficiently, and all regulations may not be considered.”

Businesses that partner with an outsourced payroll provider have a leg up in this area, since their payroll information is securely housed in one place, typically online, and is readily accessible for all future filing needs. “Providers with online and mobile capabilities give business owners the flexibility to run reports on their own, anytime, anywhere,” Fiorille notes.

He adds, however, that owners still have a responsibility to share all relevant information with their payroll provider, including things like off-cycle paychecks and bonuses. “Business owners need to be forthcoming about year-end adjustments, fringe benefits, and anything that will cause their final reports not to reconcile correctly with past quarters and year-to-date records.”

The importance of keeping good records in all areas cannot be overstated, says Scott Peterson, vice president of tax policy and government relations at Avalara, a provider of automated solutions for transaction tax compliance. “If you’re audited, bad records can make an already daunting prospect even worse.” The average audit lasts more than 30 days, and many SMBs find it difficult to keep afloat during an audit, due to already limited resources, he says.


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Make Tax Filing Easier with the Right Records

Providing your tax preparer with the most comprehensive set of records and documents can take some of the sting out of tax filing.

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