



GLB Financial Group
Helping Others Achieve Success - One Day at a Time!

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Business Tax Preparation Checklist

Business tax preparation can seem daunting, especially for small-business owners filing for the first time. To ensure that you're ready when tax time comes, start early! Follow this checklist to prepare for your small-business taxes and know how to maximize your business tax deductions.

Collect the Necessary Financial Documents

Among the most important steps of business tax preparation is collecting pertinent financial information for your taxes. Having the following essential documents readily available will help to make filing your taxes less time-consuming:

General information:

- Federal tax ID number, also known as an EIN
- Business Registry Number for Oregon
- Social Security number
- NAICS Code for your business
- Previous year's tax return

Business documentation:

- Income statement (be sure to provide information either as cash-based or accrual)
- Balance sheet (be sure to provide information either as cash-based or accrual)
- Transactional supporting documents, such as bank and credit card statements, invoices received and paid, and bank deposit slips
- Accounting documents
- Asset purchase information, including the sale of facilities, vehicles, equipment, and stock or inventory
- Sale of assets (provide the date of sale and net book value to determine gain or loss) Depreciation schedule of assets
- Mileage log for each vehicle
- A statement on capitalization criteria for assets
- Information on any fringe benefits paid to employees

Employment and vendor tax documentation:

- Employee forms: W-9, I-9, W-2
- Subcontractor forms: 1099, 1099-MISC, 1099-NEC
- Payroll documents

Home office documentation:

For business owners who use part of their home for business purposes, expenses may be deductible for the business use of your home. Document the square footage of your home office and the total square footage of your home, as well as how much you paid for mortgage interest or rent; utilities; homeowners or renters insurance; property taxes; repairs to the home; and any separate phone line you maintain. Also, if you use the internet and/or cable, such as for watching YouTube videos or to communicate with customers, include this with your home office documentation.

Understand Tax Deductions and Tax Credits

As a small-business owner, you have access to advantageous tax deductions and tax credits to reduce how much you owe, but you will need to prove that you qualify for them. A tax deduction reduces a business's taxable income, while a tax credit reduces the business's tax bill.

Some of the deductions that small-business owners may qualify for include:

- Supplies
- Professional fees, such as attorneys, accountants, and bookkeepers
- Operational costs, such as rent and utilities
- Home office expenses (not deducted directly on the P&L; done on your tax return only)
- Marketing costs to promote your business
- Entertainment and travel expenses
- Mileage
- Healthcare and employee benefit expenses
- Company vehicle insurance
- Asset depreciation
- Loan amortization of points
- Goodwill deduction if you purchased the business
- Employee salaries and benefits
- Training and education expenses
- Qualified business income (QBI) deduction, up to 20% reduction in net income

Tax credits are awarded to businesses that engage in a particular type of business action that is helpful to the economy or society. Some common small-business tax credits include:

- Small-business health insurance premiums, for businesses with fewer than 25 employees
- Employer credit for Paid Family and Medical Leave
- Investment credit for qualifying environmental and energy projects
- Disabled access credit, for expenses to make your business more accessible to those with disabilities
- Work Opportunity Tax Credit, applying to businesses that hire employees from underserved populations, such as veterans, ex-felons, or recipients of family assistance or food stamps, among others
- Alternative motor vehicle credit, for electric and hybrid vehicles used for business purposes
- Information on all grants, PPPs and other incentives provided during COVID