

Things to Watch Out for When Owning a Small Business

It seems lately that everyone is starting a small business or is at least considering the idea. There are many advantages to starting a small business, as well as some disadvantages. This is the second session looking at the ins and outs of starting a small business. Below are some of the things to watch out for when owning a small business.

Documentation is Crucial

When owning a small business it is easy to transfer money between the business checking account and your personal checking account. If this is being done it is very important to document all transfers, loans, gifts, etc. in the business checking account. Additionally, it is critical that all sales and expenses be recorded in the business' accounting software.

Receipts, invoices, deposit slips, and financial statements should be kept to properly support all entries in the business accounting records.

This supporting information is important to keep in case the IRS ever audits the business. If the IRS were to audit your small business, all unaccounted for deposits into the business checking account could possibly be treated as income to the self employed individual. This could mistakenly increase your taxable income and your tax liability.

This is just one issue to be aware of when owning a small business. There are many more ways to protect yourself from any unforeseen future problems, and we are more than happy to discuss them with you.

If this tax strategy is of interest to you or you are interested in any other tax planning strategies, please feel free to call The Ruboyianes Company.