Tax-Time Stress? We've Got Tips for Business Owners

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As business owners, you understand the hard work, dedication, and focus that goes into running your business. You also know that the day-to-day responsibilities of running your business can take priority over focusing on your taxes. So, when Tax Day looms, and you haven't done your business taxes, the last-minute scramble to track down paperwork and crunch numbers can feel overwhelming - especially if you are new to running a business.

If you are one of the many last-minute tax filers out there, we want to help by sharing a few tax planning strategies to help you save time, reduce the stress of filing, avoid costly mistakes, and make the process easier next time around.

Maximize Deductions. A hefty tax bill can lead to cash flow issues, so don't let your sense of urgency stop you from taking advantage of tax strategies that could lower your taxable income. Identifying the proper deductions can make a big difference. Ensure each reported expense is accurate to avoid potential penalties if you are audited.

Business tax deductions may include the following:

- Rent
- Mortgage interest and property taxes
- Expenses related to your phone/internet service
- Office supplies
- Costs and depreciation related to equipment or vehicles
- Qualified meal and travel expenses
- Employees' salaries, benefits, and continuing education
- Professional services
- Insurance
- Marketing and advertising

One of your best tax moves could be to make last-minute retirement plan contributions, such as to a 401(k), SIMPLE IRA, or Simplified Employee Pension Plan (SEP IRA). Along with supporting your and your employees' retirement savings, employer contributions may lower your taxable income. You have until your tax filing deadline to make retirement savings contributions that count toward the tax year.

FUB Tip: *Did you know First United can help you with 401(k) and IRA planning today? Start the process online at* ***Retirement Planning | First United Bank***.

Safeguard Your Data. Theft and fraud are year-round risks but can be especially rampant around tax time. Criminals work to obtain and use sensitive financial information like your Social Security or business tax ID number to commit identity theft, such as by filing fraudulent tax returns in your name.

- When storing or sending financial documents digitally, ensure that your computer's operating system and firewall are up to date and that you've installed the latest antivirus and anti-malware software.
- Back up documents on an external hard drive or in the cloud so you don't lose them in the event of a ransomware attack.
- Keep hard copies of financial documents secured in a locked cabinet and shred documents you no longer need. Remember to keep your tax records for a minimum of seven years.
- Don't send sensitive information over public Wi-Fi.
- Never respond to surprise phone calls or emails from "the IRS" – they're a scam.

FUB Tip: *Theft and fraud can cause financial loss and damage to you and your business. Learn more about identity theft and how First United can help you and your business prevent it >* ***The Facts About Identity Theft | First United Bank***.

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Stay on Top of Your Quarterly Taxes. Since small business owners don't have income tax withheld year-round as employees do, they usually need to pay estimated taxes quarterly. If you underpay during the current year, you could wind up with a big tax bill next tax season and a penalty from the IRS. Your small-business accounting software should be able to help you calculate quarterly tax payments.

File Electronically. Returns only need to be postmarked (not received) by your applicable tax deadline but filing online has other benefits besides expediency. Digital tax returns tend to have fewer errors than paper returns, which helps reduce processing delays. Filing online also keeps your sensitive financial information out of the mail stream. Make sure you look up the deadline for filing each year.

Request an Extension if Necessary. If you can't file your return on time for one reason or another, you can file for an extension of six months - giving you some breathing room and helping you avoid a potentially steep penalty for filing late. If you're a sole proprietor, you'll need to submit Form 4868; for corporations and partnerships, it's Form 7004.

FUB Tip: *Before filing, be sure to visit IRS.gov for 2023 updates >* ***https://www.irs.gov***.

Be Smart About Business Expenses. Although it's not uncommon for business and personal finances to be intertwined, keeping them separated is considered a best practice. Ensuring your business and personal expenses are clearly separated gives you a better picture of your business's financial health and avoids confusion and extra work at tax time. Having separate bank accounts and credit cards for personal and business use is key.

Stay Organized Year-Round. Improved bookkeeping may not create new tax savings but could help your tax planning. Consider setting up more robust bookkeeping policies or investing in new accounting software. Also, be vigilant about keeping and organizing records of business expenses, which can help you maximize tax savings next year.

Work With a Professional. Is the hassle and complexity of doing taxes distracting you from your day-to-day business? It may be time to hire a professional to help. Consider the benefits of relying on an outside bookkeeper or CPA – especially having the expertise that helps you avoid costly tax mistakes – it's probably worth your money.

Filing taxes is an unavoidable chore for many business owners, and the thought of the nearing tax season can induce anxiety, panic, and worry. But have no fear - carefully going through these tax tips will make you better prepared to file your tax return this tax season.

For more tips on Faith, Financial Well-Being, Health and Wellness, and Personal Growth contact a local banker or read more First United Bank articles.

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