

TIERNAN & ASSOCIATES

Tax Consultants

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ADDITIONAL INFORMATION CONCERNING BOOKKEEPING AND RECEIPTS FOR YOUR BUSINESS

IMPORTANT INFORMATION FOR OUR CLIENTS

This pertains to any home based business.

First, you need to keep a separate checking account for the business. Be sure to deposit money you earn into this account. DO NOT PAY PERSONAL BILLS OUT OF THE ACCOUNT, NOR DEPOSIT PERSONAL FUNDS INTO IT.

You MUST have a receipt for EVERY expense. When buying gifts, such as when you go to Wal-Mart, etc., you must get a separate receipt for each gift. Also, keep business transactions on a separate receipt from your personal.

Mileage – You must have your odometer read, at least, once a year. Such as when you get an oil change or have other work done on your car.

Phone – Keep all phone bills. Your home phone is not deductible. You must have 2 lines coming into your home, so that the second line can be deductible.

Meals – Within a 50 mile radius of your home, you cannot deduct meals unless you are buying a meal for someone else specifically for business. You must also put on the receipt how it is related to your business, such as a recruiting lunch and the person's name, etc.

Receipts by category – Every expense must have a calculator tape attached to each category of expenses of receipts. Such as receipts for advertising - add all the receipts and staple the tape to the top. If you only have one bill you still need to attach a tape to it.

Business trips must have a business purpose for them to be deductible. If you go to a company sponsored event, the day of the event is deductible. A non-company sponsored event, the travel cost must be documented with an itenary and income must be earned while there or shortly after.

These recommendations are the result of our experiences with the latest upswing in IRS audits of home based businesses. These cover the major areas they are targeting when doing an audit.

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