Better Business through Better Records

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Recordkeeping Uses

- Monitor progress of business activity
- Prepare financial statements
- Identify receipt sources
- Track deductible expenses
- Prepare tax returns
- Support items reported on tax returns
Recordkeeping Uses

- Income
- Expenses
- Recordkeeping system
- Supporting business documents

Whether you cut hair or cut lawns, keep good records as part of running a successful business
Supporting Business Documents

- Invoices
- Receipts
- Payroll
- Sales
- Canceled checks
Business Bank Account

- Establish separate business account
- Reconcile account regularly
- Retain deposit information and receipts
- Use business account for all business transactions
Gross Receipts

- Establish separate business account
- Reconcile account regularly
- Retain deposit information and receipts
- Use business account for all business transactions
Purchases

- Canceled checks
- Cash register tape receipts
- Credit card sales slips
- Invoices
Expenses

- Canceled checks
- Cash register tapes
- Account statements
- Credit card sales slips
- Invoices
- Petty cash slips for small cash payments
Pub 463, Travel, Transportation, Entertainment, and Gift Expenses

Proof of certain business expenses:

- Travel
- Entertainment
- Gifts
- Transportation
Documents for Assets

- Purchase price
- Cost of any improvements
- Deductions taken for depreciation
- How you used the asset
- When and how you disposed of the asset
- Selling price
- Expenses of sale
Employment Records

- Specific employment tax records
- Maintain for four years
- Resources
  - About Publication 15, (Circular E), Employer's Tax Guide
  - IRS.gov, Search keyword “Recordkeeping”
Employment Tax Records

- EIN
- Employee information
- Employment dates
- Wage, annuity, and pension payments
- Tips reported
- FMV of in-kind wages paid
- Deposits
Small Business Recordkeeping System Examples

- Business checkbook
- Daily summary of cash receipts
- Monthly summary of cash receipts
- Check disbursements journal
- Depreciation worksheet
- Employee compensation records
Recordkeeping Timeframes

The length of time you should keep a document depends on the action, expense, or event which the document records.

- Period of limitations that apply to income tax returns
- Records connected to property
- Records that are no longer needed for tax purposes
Electronic Records

- Same recordkeeping requirements
- Electronic records are generally accepted by the IRS
- Always check with the auditor assigned before submission
- Submit on CD, DVD, or a flash/jump drive, but do not send via e-mail – for security reasons
- Saves time & money
IRS Resources

Recordkeeping | Internal Revenue Service (irs.gov)
Publication 583, Starting a Business and Keeping Records
Small Businesses Self-Employed | Internal Revenue Service
Publication 463, Travel, Gift, and Car Expenses
Publication 583, Starting a Business and Keeping Records
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Questions

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