**Ask the CPA 2020 - Tax Advice for Small Businesses**

Yeah, thank you for having me. We do a fair number of webinars but I think this one is my favorite because we are getting to insert, the whole thing is questions people have asked and not just me going on and on about what I think people might want to hear and that we are doing it live so there is so much interaction with the audience. I look forward to doing this every year. So, we will get started with these questions in just a second. There were two little disclaimers that I wanted to put out and one is why we are answering everyone's questions, just by definition, this is generalized advice. For your specific situation, if you have anything complicated, you should be consulting another tax professional in your area or you can reach out to us if you want to but generalized advice and the second thing that ties into that is the questions that will be asked here. I think we already have about 50 questions and we have a finite answers because of time so the more general the questions are, the more they will appeal to and be helpful to everyone in the audience. The more likely they will actually get answered. Sometimes we will get these situational specific things word only really applies to the person asking and it is just unlikely that if you do that your question will be one the ones that were chosen but aside from that, I am really looking forward to beginning.

Sounds great. Let's jump into our questions here. The first few questions come from the registration process and we will take a few here and then we will move over and take some questions live. Or, that are happening in real time. This question comes from Ruth and Anna and I compiled these questions since they are similar in nature. Ruth asking how will the tax changes affect business owners in 2020 and can you talk about pros and cons and then Anna is asking if you have seen any new changes for small business.

There have been a few changes to the tax code that happened in December 2019 but they were related to individual deductions and there were several things that lapsed with the tax reform and one of them was the mortgage insurance deduction and the tuition and fees deduction for higher education, that had lapsed and they brought that back. A few things like that were brought back since February 2019 and of course you have index changes were the standard deduction went up a couple hundred dollars in retirement plan contributions that brought those limits a little bit but all those mostly go to the individual. For small businesses, nothing big changed in 2020 but what we are still feeling the effects of is the tax reform that happened back in 2017 effective for the 2018 tax year. That was the biggest tax reform that we had seen in over three decades. It was over 1000 pages long and it totally overhauled major parts of the tax code and we can talk a little bit about that. They added 20% business seduction for certain types of business incomes and they did a ton of things and again, we are still dealing with and changing strategies based on all those things but we did a webinar on that back in 2018 when this happened that is on SCORE so just to go over that for anyone who is still wondering about the changes, we cover that for an entire hour and just to avoid duplicating the efforts and something we have covered so in depth, that is where I would prefer everyone to look at that for the major small business tax changes.

Okay, sounds good. If you are not familiar with those recorded webinars, simply go to www.SCORE.org and you can key in the search for the webinar that Micah just mentioned. Let's take our next question from Angela. Angela is asking when first establishing your business, what are key areas to really consider for tax breaks and incentives or credit?

The biggest decision you will make is your corporate set up. I think that comes up in a couple of slots where we will talk about the differences between different ways you can have the LLC tax and the corporation so setting up an entity will be a major thing that we will cover more depth in a minute and the other thing we run into is that it is really key to be spreading your expenses out evenly and the way you are choosing to have things can have a real benefit versus taking it all the same time. A lot of times, people want to show the biggest loss they can as soon as they can and a lot of times that might be the right approach because we want to get that deduction sooner rather than later but especially when you are starting out a business and especially if you don't have another source of income that you have toffs set, those years, you don't have a lot of income to contend with so because of that, the tax rate will be really low. What can make a lot more sense sometimes is choosing to spread out and appreciate the assets and the startup cost that you have over time versus taking them in the first year. Also, for things that have to be expenses, sometimes deferring them into a future year when you might already have that income and more income to offset, make a lot of sense. So, that is one of the biggest things we run into is we want as much as possible to level out what your income levels are going to be year-over-year and not have you end up with the huge peaks and valleys that you have to deal with and over time would be losing a ton of money.

Okay, turning to the next question from Lina and Jai, I'm still trying to understand the differences between entities and how each art tax. If you can touch upon the different types such as LLC, LLP and S Corp. and C Corp. in particular.

Okay, she is not alone in this. This is a question that we get asked and go over probably more than anything else than any other question we have received. So, we will start with LLC. Actually, no, let's start with sole proprietor. If you are a sole proprietor, you are doing everything under your personal name and you don't have a separate entity or tax return. So, all that you do is report the income with the 1040 or individual tax return. Those are good because they are really simple and you don't have a lot of administrative costs. They are pretty straightforward but the major sound downside is that every dollar of profit you make is subject to self-employment tax. Self-employed tax is the employer with Social Security and Medicare. Since you are an employee, you pay half and your employer will be half and being self employed, you get the privilege of paying both sides and like it's expensive with 15.2% on any profit you make. So, if you're making any sort of profit, that gets really expensive really quickly and that is when it can make sense to go to an S-Corp. With that, all those earnings, and all will be subject to Medicare but the only thing that is subject to Social Security and Medicare in the S-Corp set up is the salary. Just as an example, let's say you make $100,000. If you had that any sole proprietorship, every dime of that is subject to Social Security and Medicare and that is 15.3% and you will lose $15,000 before you even pay income tax. In and S-Corp, let's say you made the same $100,000 but we gave you a salary of $50,000 on the remaining $50,000 was just taken out as distributions or dividends from the S-Corp. That salary, we still pay Social Security and Medicare on that so you pay a little more than $7500 on that but the remaining $50,000 you don't pay any Social Security or Medicare so in that scenario, we are cutting that number to pay in half. If you're making a reasonable profit, S-Corp can be a huge advantage over sole proprietor. With LLC, LLC can be taxed pretty much anywhere you want it to be taxed. You can have LLC tax if it is a single-member LLC and by default it will be taxed with a disregarded entity so legally it is LLC but you still get the legal protections but for taxes, we disregard the entity and act like it doesn't even exist and treat it as self-employed income. You can do it that way or have your LLC if you have multiple members or owners and by default that will be taxed as a partnership. You can also choose to have your LLC tax as the S-Corp or C-Corp. There is incredible flexibility as to how it is taxed and how to elect to have it taxed but the LLC is not really a tax classification, just a legal classification. The last one for the C-Corp , the Trinity is better than it used to be with the new tax reform because they dropped the corporate tax rate by about 15% and they are not as bad as they used to be but are still difficult to justify for most small business owners and the reason being that you deal with double taxation. The corporation, a pace tax on whatever profit is generated but then if you as the owner take money out of that corporation and pay yourself distribution or dividends then you as the owner pay tax again on that income. Versus saying I S-Corp or a partnership or the entity doesn't pay any tax but it all flows through to you. I know that as a whole lot really fast and maybe the reply, that will be clear and we have some more on her website written about that.

Okay, her next question is from Jai about what is the structure for multiple unrelated businesses and what is the best strategy for both tax savings and asset protection?

I really like this question. The problem is that it is very situational dependent. I especially like the way they freeze it with both tax savings and asset protection because sometimes those can be conflicting goals. It also depends on how unrelated the businesses are because let's say that you are a videographer that also does graphic design and website design and some photography, those are unrelated but still sort of in the same general umbrella in terms of the general food classification you would put it in and the amount of risk that you deal with in terms of insurance and other things and the risk of general liability. On the flipside, let's say you have your businesses that are super unrelated and have a construction company and Dennis office and a marketing agency. In that scenario, it is a little bit harder to welcome them all in the same entity. If the companies don't have a ton of liability associated with them and they are unrelated but have some commonality to them, what probably makes the most sense in those situations is to just run that under one entity and it will be a little bit simpler and you will have to deal with four different bank accounts or four different tax filings and sometimes they will be some tax savings because of the fact that it is all under this one umbrella. If the companies are really unrelated or liability for it, sometimes it makes sense to separate them out. Let's say you have a trucking company where accidents can happen and that is a capital-intensive business and what makes the most sense that they own all the assets and another company that operates the business of the company that is hiring the truckers and they run the truck and it makes it a little more complicated but we are saving the liability which is pretty tremendous given the risk that you inherently deal with in that industry. That is a long winded way of saying it depends but those are the main factors we typically look at.

Okay, we will move on to the next couple of questions here. One from Raymond asking if there is a minimum a business must make before filing taxes for the previous year.

Yeah, there is. Typically, what will happen is the IRS again going back to the question earlier about how different entities are taxed, if you have a sole proprietorship and will be subject to that self-employment income, self-employment tax hits when you have $400 or more in earnings. If you have less than $400 and you don't meet any other filing thresholds, you don't have to file a tax return and what I mean by that is let's say you have a job that you are making 20,000+ dollars a year to where you are generating income tax and you have to file a tax return anyway. If your business makes anything, you need to file a tax return but if you have no sources of income and you make under $400 in business, you don't have to file the tax return then.

Okay, what about for Cheryl's question about whether the losses are deductible under 5000?

Usually fit is under 5000, you should be able to deduct them and the 5000 is a cat. That also gets phaseout if you have losses over $50,000 but in this one we are talking about being under $5000. So, you should be able to deduct those. What we will sometimes talk to clients about and this goes to one of the tips on the first questions about things to put into consideration when you are establishing a company is that it doesn't always make the most sense to take all those losses in the first year because presumably unless you have a big source of other income, if you have a year where the business is losing $5000 and you can also take up to $5000 in organizational costs, the tax rate will be superlow and you are not paying self-employment tax so what can make sense and I never situation but a lot of times it will make sense to capitalize those expenses when possible and spread them out over time to match when you are actually making money in future years.

Okay, next question here is from Amita asking if I only have expenses with my business with no income, do I still need to file taxes? We had a lot of questions come in on this and then Alisa's question is similar and just to combine those together, I'm in the start of phase and haven't made a dime. Do I still need to file taxes and if so what paperwork do I need? You don't have to file it but I would say you always should. Not just are you recording everything that is going on with the IRS but those losses are to your benefit. If you do have other sources of income, the losses in your business are going to be used to offset against the other income so it is actually decreasing the amount of taxes you are paying. If it happens to be a year were all you're doing is a business and you don't have any other activity or income, those losses can still be carried forward to a future year when you can use them to offset when the business is making money so that is something that you don't have to to do but something we would very much recommend you do because either in this current year or future years, it will be to your benefit.

Okay, let's go ahead and jump into a few of the live audience questions now. Micah, we have had several questions coming in from participants regarding pass-through tax so I have combine these questions together and if you could talk a little bit about what the pastor tax is and how that applies to your business?

Okay, so which one are we looking at?

On number 97.

What happens and this goes to pretty much every entity aside from a C corporation which again they will pay the own tax on the entity level. For most other tax setups, even if you have a separate entity, the entity itself is not paying tax but instead what is happening is that it is flowing through to the individual shareholders and they are paying tax on their share of the businesses and the income. If you are the only shareholder in your company, all the income is flowing through to you and you are paying tax on all of it. If you have a partnership, half is flowing through and you are paying half on the income and so forth so entity doesn't pay anything but the income gets allocated to you and then you pay tax on it.

Okay, let's take this next question from Donald here. Donald is asking if you start to do business, what is the way to separate startup cost versus operating cost on tax return?

Startup costs are typically going to be the implementation of starting the new business and that is before you start to get any benefits from the start up. A lot of times just the timing of when you are incurring those can be a really good clue as to what the startup cost versus water operational so that is a big part of it and the components and what the expenses are and the classifications can also come into play so whenever you are doing your taxes, anything that was incurred during the startup phase, have no separate for the CPA and they will be able to help you decide and look through which ones are startup or operational and decide how we want those spread out versus taking them all in the first year.

Was taken of the question here from our live audience. This one comes from Eric and Eric says I own a single member LLC and South Dakota that I started with a small business credit card. Do I have to save receipts for everything? How much documentation is needed to prove I'm separating my personal finances from my business?

You want to save every receipt you can and just all around that will be a good practice even though realistically, no one saves every single receipt. Especially the more nebulous a vendor will because we will have clients come to us and they will say I don't keep receipts but everything is charged on the card which proves I spent money on it so if I do get audited by the IRS, I have proof that I spent money which is true. They will know that you spent the money so if it is a vendor that is very specific and the software provider that only provides software for your specific industry, if you have the charge on your credit card statement, that might be sufficient for the IRS when they are looking for proof but if you are buying stuff from Walmart or some vendor where it could be you buying office supplies or furniture for your office where it could be you buying groceries, then it will be harder and they will be more likely to disallow it if they don't have that supporting information to substantiate what the expense is. In terms of separating yourself from the business, the biggest thing will not be combing the funds which it sounds like he is doing. You will run into some liability issues that will make it easier for them to sue you personally if you or if there is not a clear distinction between you and the company. If it looks like you are spending a ton of your personal money for the business and a bunch of your business funds or credit cards on personal thing so the more you can plainly keep those things separated and used the business credit card for business stuff and personal account for personal stuff, that will also help you from a liability standpoint and take the IRS more inclined to believe that when they see a charge that okay, this guy separates his stuff so this is probably a business expense.

Okay, the next question here is from Jason and Jason's question is around LLC with two equal partners. Jason wants to know if there's anything to not forget or keep in mind that is different from a single owner LLC?

This is a great question because we run into a times with a lot of clients where they have a multi-member LLC and have not kept up with their filings. For a single member LLC, if you are not taxed, you are that disregarded entity and you don't have to file a separate tax return but if you have multiple members or owners, you are required to file a separate partnership return and a lot of times and especially if it is a husband-and-wife that owns it because they figure if they're married we don't need to file separate tax return which is true if you are in a community property with 41 out of 50 states that aren't worth you have an entity with multiple partners that just didn't do anything, people don't realize you have to file a separate tax return and that can be a hugely expensive mistake because the IRS on partnership returns like S-Corp is, they file and have a failure to charge penalty per officer per month if you don't file the return on time. You can see how that is a huge amount of money to be using for no reason if you don't remember to do it. Multi-owner LLC will have another tax return that you need to file so just make sure to do that.

All right, let's go ahead and jump back to some questions that came in through the registration process. This next one here is from Sheena, she asked if you can discuss things that are considered tax-deductible for business owner?

One of the things that we'll find with a lot of tax methods for the new clients, we have the new businesses that are starting up and people won't forget the major things that they spent money on for the business. They had to buy a $5000 computer or rented off, they will not forget those big things but what they do seem to forget about are things that they may have been spending money on previously and they also sometimes forget on the smaller things they spent money on because they don't separate things into a separate card. I will start with the second one first of not having a separate card or not having a separate bank account. Sometimes it just goes to not having a good bookkeeping software. What we will find that happens is people will be tracking something in a spreadsheet or they tabulate it at the end of the year so they go through their receipts and they find things on their credit card statement and they added up and hand it to us. We will look at it and I will say did you really not send anything on office supplies this year and they totally forget because they went to Walmart and bought some pens but they did it on their personal card so it wasn't cleanly notated. Is one of the things that we will find that it seems to correct itself more as the business gets more mature because you have separate bank accounts and if you forgot the expenses so small things, you may have a mix of personal and business and paying for your personal credit card or bank account and the other thing again is things that you might have already been spending money on because starting out let's say you're doing it on a shoestring budget the way most of us do, you may not get a separate phone and might just use your personal phone to run your business but you were able to take the business percentage of your personal cell phone bill and same thing with home Internet bill, you can take a percentage of that. A lot of times, people forget about mileage and they are running around town meeting with people or running to the post office and getting supplies but they forget to track mileage which can add up for a lot of business owners because for the 2019 tax, that is $.58 a mile. That is what we find will be smaller things that people don't bother to track or don't think about and I can really add up to be major deductions and no one will forget about the big stuff but those small things can be significant. When they are added together.

Okay, I'm sorry if I missed this but one of the questions that came in was asking if charitable contributions are tax-deductible.

Yeah, they can be. It will not come off as a business expense for most setups with the exception of C-Corp which we don't talk about as much because so few people are taxed that way before a partnership for the S-Corp corporation or a soul proprietorship, those deductions will flow through the individual shareholders. Charitable contributions are deductible on the individual level and it is a little harder for people to get the tax benefit from those now given that the standard deduction got doubled or effectively doubled with the tax reform. There are fewer people that are itemizing and given the fact that if you don't itemize, you don't get any tax benefit from the charitable deduction so yes, they are deductible but you probably won't get any tax benefit from them.

All right, this next question comes to us from Regina asking what is the easiest way to figure out how much extra income you need to have so you won't end up owing too much money for tax season.

The best way will be planning with your CPA throughout the year because they will know all of the nuances and the caveats of your situation and what the effective tax rate is or marginal tax rate is. Short of that, there are some quick and dirty, Galatians where you can find and plug in the total income or self-employed income and they will give you a generalized reasonably accurate number of what you should be looking at. Given that most small business owners are taxed as self-employed individuals where you play self employment tax, usually it is a good rule of thumb to have around 30 or 40% of your earnings. That is what you want to hold back as a decent rough measurement.

Next question here is from David. David is asking if I plan to utilize revenue for my business as personal income, how should this be tracked and reported?

For most setups with the exception of C-Corp where the corporation pays the tax and if you take money out , you also on the individual level pay the tax, note that the solutions are not a taxable event to the IRS. All the IRS really cares about is what you earned. They are taxing you on the profit of your business and not with what you are withdrawing from the business. For certain tax returns and partnership returns or S-Corp returns, when you are balancing the balance sheet , they notate how much you took out and you have to tell them but that will not be a tax for you. They are just looking at what you are earning

Okay, next questions, we had questions around the and we did group some questions asking what tips you have been saving on taxes and they are asking what is the best way to file taxes and how to file taxes for partnership and the taxes required.

I think we touched on this a little bit for each one of these. The first question I talked about mileage and expenses that you are paying on a personal card that a lot of people forget to track. The business percentage of your cell phone bill and stuff like that or any other entity in the second question, the best tax setup really depends on how much profit you're making it will make sense to have your corporations, as it can save a tremendous amount on Social Security and Medicare taxes if it is a side business or one that is not making a lot of profit, you have to file a separate tax return and pay payroll for yourself so that is two additional initiative cost that you have to deal with and a lot of times being tax as a sole proprietorship is easier because the tax savings aren't there. Third question is yes, if you are an LLC partnership, you are required to file a tax return and even if you didn't make a dime, otherwise you get hit with that and you deftly want to keep up with that even if you are not making any money.

Okay, let's take some questions from the live audience now. And this question is coming from Nikki and this is to pay taxes throughout the year versus a large sum.

The IRS wants you to pay evenly throughout the year. The federal government is running deficits every year for the past 20 something years probably so they want their money as soon as they can get it. If you don't pay throughout the year and you owe taxes, what will happen is the IRS will charge you a penalty for not doing that on time. It is not a tremendous penalty but usually equates to a fairly reasonable interest rate is what the IRS is charging you. You do want to pay that evenly throughout the year. There are two scenarios where you won't get hit with the penalty and one is if throughout the year you pay 90% of what you owe the current year or if you pay 100% of what you owed the previous year. Let's say you didn't know anything and 2018 and you are filing the twin 19 taxes, even if you a bunch of money this year, they will not charge you a penalty because you are safe harbored by the fact that you paid in 100% of what you owed the previous year.

Okay, the next question comes to us from Tony and this is referring to a few slides back around setting money aside and the recommendation was therefore a rough or approximate 30% recommended. Tony is wanting to know if that is 30 or 40% recommendation for federal taxes based on that net income or gross income.

For federal taxes, that is based on net income so that will be whatever profit you are retaining and not based on what the sales are.

All right, next question here is asking if I draw a monthly salary from my sole proprietorship, doesn't get classified as an expense for my business or how does it get taxed?

So, it is not classified as an expense because it is just not done that way and if it was you would have to somehow show it in income somewhere else so what that is is an owner distribution. In accounting, we talk about how there are assets and liabilities and expenses and revenue and equity. What that is is you drawing equity out of the company so it is not an expense but just you taking out the profit that is in the company and that on its own, distributions are not a taxable event but all the IRS is really looking at for soap or tighter ship is what the prophet is and that is what they will tax you on.

Okay, the next question here from Brian is are you required to file a separate return if both partners are husband and wife filing joint personal returns?

I'm assuming this is talking about LLC with two owners or an actual partnership and for LLC with two owners, even if you are husband and wife, you are required to file separate tax returns unless you are in a community property states. Texas is one in California as well. There are about nine states that our community property state and the remaining ones are not. Unless you are in one of those states, then you still have to file separate tax returns even if you are husband and wife. If you are in one then you can just file it as self-employed income.

Okay, next question is from JoAnn asking if there's a deadline for filing tax returns for a business?

There is. For a partnership in the S-Corp will be March 15 and then you get an extension which gives you six months until September 15. For C corporations and businesses that are taxed as sole proprietorship's where you are just adding that as a schedule to your personal tax returns, those are due April 15.

Okay, let's jump back here and take some questions that we received through the registration form. First question comes to us and this is a combined question from Millie and Shirley asking what to consider and how to best deal with multiple state and or international or foreign sales taxes for products or services that are sold online and if I sell my product on Amazon, will I still need to file for a sales tax?

The international side is its own animal. I work with a bunch of Amazon sellers and it when it comes to them selling overseas and selling in Europe, there is a great accountant that I sent everyone to and he gets people set up with companies because there can be some very significant benefits for doing that but there are specific ways that you want to deal with things when you are selling overseas online but that depends on where you are selling and I am not an expert in those things. I just found some people that live over there that are experts. The multiple state and selling in multiple states is a real thing that online sellers have to deal with because traditionally what they talk about being Nexis which is a business presence and when you have to file taxes in a certain state or have a tax obligation or filing, that is based on physical presence and that was a huge major factor on if you have some sort of physical presence in the state but what happens with all the lawsuits where the states change laws and they have typically one Co. is the states are allowed to collect a sales tax from sellers or require them to collect a sales tax based on something called economic and they are saying you don't live here or have a low warehouse here but you are selling these products into our state and resident so you're having this economic impact so you still have to collect sales tax from us. That can be a bear if you are small home-based businesses selling on Amazon. You are selling to 50 states and tracking that and dealing with that can be a huge burden because different states have different requirements on how to do it and different thresholds that you have to meet before you start collecting that. Especially for Amazon, there are several software's and tax chart is one of most familiar with but there are several equivalents and that is what we will typically refer people to our the software integrations that track where you are selling to and how much you are selling and then they tell you when you have exceeded these thresholds and you need to start collecting and having these sales tax entities. So, those software's aren't inexpensive but the cost of doing business is much cheaper than messing it up or painting alive accountant to do that for you.

Okay, with Alina question on how does one plan out taxes for businesses if they register in one state and operate in another or few others, how does that apply?

This depends a lot on which state you register in. Certain states will let you register in the state and if you don't have any income that is sourced, they don't require you to file a tax return there. Some states whether you did anything in the state or not are still going to make you if you register, you have to file that tax return each year so different states have different requirements and usually what we will recommend and what the attorney friends that I have had they typically recommend the same thing and that is to register the business in the state where you live and the state that you operate. Otherwise, you end up with additional paperwork and I'm not a lawyer but they have variables that have the benefits to some the states that market themselves as it is better to register in our state even if you don't live here. Usually we say register where you live or where the business will be. Let's say that you have a business and it actually is operating in multiple states. You have income sources from both states and a true multistate business. It is not just that way in paper and what you have to do then is file the main federal corporate tax return but then on the state return, you have to allocate that income based on which state it was earned in and you have to split up the income into the different buckets of those multiple states and then they will charge tax accordingly. It is a bit of a pain but that is just the requirement.

Okay, the next question comes from Darren and it says the company which is C-Corp is showing a profit for 2019 and will pass this into our taxes owed. Darren is wondering how we can alter our accounting or use the prophet as a reinvestment into our company to eliminate our book profit and owner tax burden?

So, this is framed as a C corporation so if it was a C Corporation, they pay tax and if they take dividends, the owner will pay tax. If it wasn't a C Corporation, a way to defer that would be by simply not taking the distribution. I'm thinking the intent might've been asking about the S-Corp and that does automatically flow through to the individual owners . With 2019 done, unfortunately a lot of the flexibility it would have is gone because for most things you have to spend the money during the actual calendar year to be able to deduct it in that year. A few things they could do is if they bought equipment in that year, they could choose section 129 to depreciate it and they could also look at types of retirement plans to make contributions after the year has passed but it is a lot tougher to do that when the year is closed and that is why we recommend people do serious planning in November and December so if they are having a great year and want to reinvest that they spend the money before the year closes.

All right, next question is from Petru and Charvel. We did receive a lot of questions about home-based businesses and for a home-based business with a high cost such as electric or gas or other utility expenses that would not be incurred if it were not for the business. What are some ways to claim these business expenses at tax time?

What you can do if you do the home office deduction which I have mixed feelings on because when you sell your house, there can be some negative tax ramifications and it has the increase of audit risk if you do that. A lot of times, there is a lot of success disallowing the elections which is why they will audit people based on it but there are situations where it is perfectly fine and you should do it. That disclaimer aside, when you're taking the home office deduction, on that form, they will be fields where you put in indirect expenses related to the house and usually they are allocating it based on the square footage. You are using 10% of your house or office and 10% of the real estate taxes or interest and they take those deductions. You also have fields for direct expenses so if you can show a true undeniable correlation that those expenses would not have happened but for the business then you are able to take 100% of them on that same form against the business income.

Okay, we have time for a few more questions on today's live segment. Next question comes to us from Kristi asking what is the best way to keep file paperwork throughout the operating year so that we organize and are prepared for tax season?

Keeping the actual receipts depends from person to person and some people want to scan immediately but some have where they keep them in case they are needed but the best thing for tracking will be using some true accounting software. Whatever it is but making sure you have a separate business bank account and credit card if you need a credit card and using the true accounting software makes a huge difference because then you know every expense you have is first off being captured if you use a spreadsheet or something like that and you might just forget to log it versus if you are using accounting software given that there is a reconciliation component and if your balance is on the credit card or the bank is off, we know we miss something and something wasn't tabulated properly. The other benefit is that by doing that, let's do it this way, you should be doing that throughout the year. That is a tip to be prepared for tax season because then you are not having to catch up and it is not so much work and the other benefit to that is that you should be using your financials not just for tax preparations but those are giving information about your business and metrics on how you are doing well or poorly on the clients we have a do the best that have successful businesses are tracking the KPI and paying great attention to them of the clients that don't do as well are the ones that are tallying everything up from a shoebox at the end of the year. Separate bank account or credit card and accounting software and to keep up with it throughout the year and review those reports to see what information they are giving you.

Okay, we have time for one last question and I compiled this question into three parts. There have been a lot of folks today asking about these things. I want to end the session with this question here asking what is the difference between CPA and a bookkeeper and is not necessary for a small business to utilize and then how much should a small business estimate for these services?

So, I am bias because ACPA is an actual certification and classification. They will have a bachelors degree most of the time even a Masters degree and they will have 150 credit hours in college courses. We have to pass a strenuous four-part exam where the failure rate for each section is 60% of the education requirement, it usually have to have a business degree with accounting focus. There are a lot of steps and qualifications that go into being a CPA and a bookkeeper isn't really a regulated term. Anyone can call themselves a bookkeeper. You don't have that control and typically a CPA will be focused on the tax planning in the business planning side of things. They will be looking at analysis and strategy for how to grow your business or reduce your tax bill versus a bookkeeper is a data entry position. You are doing the books and inputting bank statements and creating invoices and doing the baseline accounting functions for somebody and there is no problem with that. We recommend bookkeepers all the time to people but it is more just having it where people use their bookkeeper as their tax advisor which sometimes we have seen some issues with that.

Lastly, was there an estimate?

It really depends on the business itself and smaller businesses and the geographic region for a simple self-employed return. Sometimes you're looking at the neighborhood of $500 for that if you have a more complicated one or corporate tax return that can grow a lot. Bookkeeping a lot of times is based on how long it takes a bookkeeper to do it so if you have a company with few transactions, that should be really cheap. If you have a bunch of transactions where you want them to track your invoice and receivables, that adds up and from our side, how much advice do you want from your CPA throughout the year. We don't just do tax returns but includes with consultation throughout the year and is included in the price. It is all over the place depending on the quality of a CPA you are getting and what you are having them do.

Okay, those are all the questions we have time for today. If we did not have a chance to address your question, we encourage you to connect with your SCORE mentor after today's session who can assist you further with your business needs or questions that you may have. You can also reach out to Micah if you have any further questions or would like further assistance . I posted a message with the link to request a SCORE mentor if you are not already working with one, you will want to go to www.SCORE.org/findmentor. As a reminder, we will have recording sent and we will not send the slide deck just because it only contains the questions so we will be sending a link to the recording that does have the questions visible and the answers that Micah has provided. So, on behalf of SCORE, I would like to thank you all for attending the session and we hope it was helpful for you and you felt like this was valuable time spent in your day. I would also like to give a very special thank you to Micah Fraim for joining us again this year to address these great questions. Be Mac thank you for having me. I think we have done this four or five years now and this is pretty much my favorite webinar we do so it is always a blast.

Thank you so much for being here. We really do appreciate it and thanks again everyone. We look forward to seeing you next time and take care.

[ Event concluded ]