

Using QuickBooks to Aid with Tax Preparation

For any business, [accounting services](#) and tax planning are intertwined and the information generated by the accounting system needs to be complete and accurate to facilitate tax return preparation. While we are not CPAs and do not offer tax preparation services, we work closely with a number of CPAs and assist our clients by gathering the information and reports they need for their taxes.

[QuickBooks](#) lets you organize the Chart of Accounts and Profit & Loss statements to manage operations and



simplify tax preparation. Subaccounts provide a snapshot of how different aspects of the operation are working. However, for tax purposes, this data may need to be formatted differently. For example, if you are filing a Schedule C form and need a category for Advertising, the Chart of Accounts may have separate entries for advertising expenses related to local business (e.g. newspaper and phone book) and expenses related to Web advertising (e.g. Google Adwords).

QuickBooks makes it easy to organize these categories by offering a module called “tax line mapping” for tax purposes. Your Controller can assign the appropriate field in the tax form for each account, making sure not to leave any , although some can be designated as . Under the Reports menu, in the Accountant & Taxes section pull the Tax Preparation report. This report shows all the accounts and the tax line mappings. Have your Controller review this report to make sure that all accounts have been assigned a tax line, and that none are .

Once the Chart of Accounts has been mapped; an Income Tax Summary report will summarize financial information according to the designated tax lines. This simplifies tax preparation for your

CPA (and keep your costs down), eliminates the need to export data, and totals amounts automatically with little room for error.

We find that some of our clients never get around to actually inputting their cash receipts for deductible expenses into QuickBooks. That's where Inuit's [ShoeBoxed](#) application can be very useful. For a fee, mail the receipts to Intuit for input and within a week those receipts are categorized and placed on your QuickBooks account. Of course, if your accounting systems are well maintained this is typically done by your bookkeeper on a monthly basis.

November and December are the perfect time of the year to assess the corporate and personal tax liability by talking to your CPA about tax strategy. For example, a new tax that goes into effect in January 2013 may add a 3.8% tax to investment income if your adjusted gross income exceeds \$200,000 (or \$250,000 if married and filing jointly). Your tax expert or financial planner can help you identify assets that might be worth selling this year, or whether this is a good time to convert IRAs to Roth IRAs. Understanding and discussing your options with a CPA will allow you to make the best tax strategy decisions based on your unique circumstances and goals.