

End-of-Year Tax Preparation Checklist for Business Owners

By adhering to this end-of-year checklist, you can effectively ready your business for tax season. Maintaining organization and proactive planning will not only assist in meeting deadlines but also optimize deductions while ensuring compliance with tax regulations.

1. Review and Reconcile Financial Records

- Bank Reconciliation: Ensure all bank accounts are reconciled with your accounting records.
- Review Transactions: Verify that all income and expenses have been accurately recorded.
- Update Records: Ensure all financial transactions for the year are entered into your accounting system.

2. Gather and Organize Documents

- Income Statements: Collect all invoices and sales receipts.
- Expense Receipts: Gather receipts for all business expenses, including office supplies, travel, utilities, and more.
- Payroll Records: Ensure you have accurate records of employee wages, benefits, and tax withholdings.
- 1099 Forms: Collect 1099 forms from contractors if you paid them \$600 or more during the year.

3. Review Accounts Receivable and Payable

- Outstanding Invoices: Follow up on any unpaid invoices to ensure they are settled before year-end.
- Pay Bills: Pay any outstanding bills to reflect accurate expenses for the year.

4. Inventory Management

- Year-End Inventory Count: Conduct a physical count of inventory and adjust your records to match.
- Write-Off Obsolete Inventory: Identify and write off any unsellable or obsolete inventory.

5. Assess Fixed Assets

- Review Asset Purchases: Ensure all fixed assets purchased during the year are recorded.
- Depreciation: Calculate and record depreciation for all applicable assets.

6. Evaluate Business Deductions and Credits

- Business Expenses: Ensure all deductible business expenses are documented.
- Specialized Tax Credit: Determine eligibility for any specialty or applicable tax credits for your business or industry.

7. Prepare for Payroll Reporting

- W-2 Forms and 1099s: Prepare and distribute W-2 forms and applicable 1099 forms to employees and contractors by the January 31 deadline.
- Payroll Taxes: Ensure all payroll taxes are paid and reported.

8. Estimate Tax Payments

- Quarterly Tax Payments: Review and pay any remaining estimated quarterly taxes.
- Tax Liabilities: Calculate your total tax liability for the year to avoid underpayment penalties.

9. Retirement Contributions

- Retirement Plans: Make any final contributions to retirement plans, such as a SEP IRA or 401(k), by the applicable deadlines.

10. Plan for the Next Year

- Tax Planning: Meet with a tax advisor to discuss strategies for minimizing taxes in the upcoming year.
- Budgeting: Review and adjust your budget based on this year's financial performance.

11. Year-End Financial Statements

- Profit and Loss Statement: Prepare a year-end profit and loss statement to summarize your income and expenses.
- Balance Sheet: Prepare a year-end balance sheet to summarize your assets, liabilities, and equity.
- Cash Flow Statement: Prepare a cash flow statement to show the cash inflows and outflows for the year.

12. Review and Update Business Information

- Contact Information: Ensure your business contact information is up to date with the IRS and other regulatory agencies.
- Licenses and Permits: Renew any necessary business licenses or permits.

13. Prepare for Tax Filing

- Tax Forms: Determine which necessary tax forms will be needed (e.g., 1040 Schedule C, 1065, 1120, etc.).
- Tax Advisor: Schedule a meeting with your accountant or tax advisor to review your financials and prepare your tax return.