

# PREPARING FOR TAX DAY

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**Michele A. Peace, CPA**

MjMK Solutions

peace@mjmksolutions.com

www.mjmksolutions.com

440-479-5547

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## IRS

### 2010 Statistics:

Corporations

Form 1120

1.5 million returns, Under \$250K in assets

0.7% audited = \$29,000 average per audit

Partnerships

Form 1065

3.4 million returns

0.4% audited

S Corporations

Form 1120S

4.4 million returns

0.4% audited

Sole Proprietorship

Form 1040 Sch C

900,000 returns, Gr Receipts \$100k-\$200k

4.7% audited = \$22,000 average per audit

Mail-based audits: 200 Million notices annually

Proceed with caution

As Business Owner - keep excellent tax records, seek professional advice

**Follow up Articles -**

1. Choosing a Tax Preparer (AICPA)
2. Tips for Choosing a Tax Return Preparer (IRS)

## 2012 Specifics

Social Security Wage Base \$110,100

Social Security (OASDI) Percentage 4.2% for entire 2012 (enacted 2/17/12)

Mileage rate: 2011: 51 cents for Jan-June; 55.5 cents for July-Dec

2012: 55.5 cents

**Follow up Articles -**

3. Small Business Tax Saving Strategies (AICPA)

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Software Implementation • Special Projects

Transitional Periods • Peak Business Cycle Assistance

# Best Practices

## Simple accounts

- 1 checking account, 1 credit card
- Don't spend cash
- Keep business separate from personal

## Simple Filing system

- Keep current; utilize electronic copies
- Online data storage:
  - digital files must be secured, stored in a safe place, and backed up regularly
- Check out:  
Dropbox.com, Google, SugarSync.com, Mozy.com, Shoeboxed.com

## Simple System

- Web-based bookkeeping
- Not a replacement, but easy way to keep updated
- No surprises, automatic updates

### Check out:

Mint.com, Outright.com, Manilla.com, ZOH0.com/invoice, ZOH0.com/books

## Invoice Often

- Electronic delivery, easy to pay
- Follow up on payment

## Mileage Tracking

- Must keep written evidence
- Use Outlook/Calendar, credit card statement

## Record Retention

- Basic records showing source of all income
- For any deductible item-
  - 1) retain document proving the expense: receipt, bill, invoice
  - 2) proof you paid it: canceled check, credit card slip or bill, bank statement
- How long? As long as they may be relevant for any tax purpose
- Minimum of 4 years, longer for capital assets and other items

## **Follow up Articles -**

4. How To Keep a Record of Business Mileage
5. Travel, Meals and Entertainment Tax Info Sheet (2011)
6. Financial Records what to keep (OSCPA)
7. Record Retention for Small Business (AICPA)

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