801.999.8295 • incitetax.com

# 10 Dumb Things Smart People Do When Filing Their Taxes

## Ready to eliminate these off your list?!

Aren't you sick of paying taxes? I mean come on already, can't you catch a break? It seems as though you're having to pay more and more each year. It is a never ending battle you face, and you probably want to punch the IRS right in the teeth.

You'd like to have some stress off your back and be more in control of your tax situation instead of the adopted, reactive method. You know, file your taxes just before April 15th and "hope" your tax bill isn't as high this year.

For crying out loud, STOP! *That method will not work anymore*. (Not that it worked in the first place.) Now it's time to make a change. Finally discover those mistakes that people just like you are so commonly making which allows our not so friendly IRS to gladly keep more than their fair share.

Ready to get started? Don't make these mistakes and you'll be on your way to dramatically increasing your part of the pie. Read through them all to really get the most out of them.

## Here is Your List:

### 1. Doing Taxes on Their Own

Turbo tax and other similar products are for taxpayers who get a w-2 and maybe have mortgage interest and charitable contributions. "Using a professional is just so expensive." We save our clients more in taxes than their overall investment in us. Doing your own taxes as a business owner is by far the more expensive option.

### 2. Wrong Entity

While the right entity can provide great liability protection, the best entity gives you not only great liability protection, but also great tax savings.

The best entity selection will minimize your self-employment tax burden and allow for other strategic tax strategies.

We have a lots of free resources here you can check out if you want more details on this. http://incitetax.com/entity-basics-resource/

## 3. Tracking Expenses Wrong.

Many business owners pay for expenses out of their own personal bank accounts. NO BUENO! It's also not going to be shocking to you that the business owner doesn't keep very accurate records of those expenses. Don't do that. The IRS frowns on this. They call it co-mingling of business and personal funds. This does not look good for you if you are audited.

It's important you communicate effectively with your bookkeeper and the rest of the team. Essentially, your bookkeeper needs to make sure that everything is coded properly, or you'll be in some hot water.

## 4. Accounting for Only Tax Purposes

The one time a year the business owner probably thinks about the business financials is when the tax accountant says, "I need your Profit and Loss statement to do your tax return." The business owner responds with, "Ok. I'll start putting that together."

Then the business owner dedicates the next Saturday (or two, or three, or four, or more) to categorizing the business expenses. Sure, it's painful to have to reconcile and keep every expense entered on a monthly basis.

That's why most small businesses put it off until it absolutely has to get done. The problem with playing continual catch-up is that problems AND opportunities are spotted too late or never at all.

That profitable service you are offering might not be as profitable as you think. You'll never know though because the accounting system is nonexistent.

*In short, give this proper attention.*

## 5. Paying Tax on Sale of Personal Residence

Even the worst tax preparers don't typically screw this one up. But we have seen them do it. However, this is often a DIY mistake. You are allowed $250,ooo if single or

$500,000 married filing jointly of capital gain exclusion on the sale of your primary residence.

So if I paid $200,000 for my house and sold it years later for $500,000, my gain is $300,000 and since I'm married and filing jointly, I don't pay tax on the $300,000.

## 6. Employee Misclassifications.

Many businesses pay a combination of independent contractors and employees. After targeting conservative non profits, the IRS has experienced even further budget cuts, so they are desperate to find additional revenue sources like penalties and additional taxes. (I won't get on my soap box here about how ultra wrong this is since the purpose of the IRS is to make sure every taxpayer pays their fair share; NOT TO BE A PROFIT CENTER FOR THE GOVERNMENT!)

Employee misclassification is an area where the IRS is becoming increasingly ruthless with total disregard to the published tax laws. There is a lot of chatter on accountant boards about these issues having serious effects for businesses these days.

Now, after saying all that, we still believe in being compliant to the published tax laws and not mafia styled enforcing from IRS auditors. *We often find that employees are being misclassified as independent contractors.*

Here's the relevant IRS guidance on it:
https://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Independent-Contractor-Self-Employed-or-Employee

We've also written another FREE report on the issue which can be found here:
http://incitetax.com/download-independent-contractor-or-employee/

## 7. Mixing Up your Payments

Check the addresses of your payment vouchers and match the vouchers with the right checks. Don't send your state tax payment to the IRS or your IRS payment to the state.

Do you know what the IRS will do if you send them a check that is written out to someone else? They have a stamp and they stamp over whatever name you wrote on it so that it reads, US Treasury. No joke. I've witnessed it firsthand. You or I do that and it's check fraud.

## 8. Don't Forget your New Baby

We are quite phenomenal at what we do. But we can't read minds and there is always an element of our clients lives that we could never know about unless we are told. The new baby (or dependent like an elderly parent) is one of those.

## 9. Points on your Home Purchase or Refinance

There are some costs that you pay when dealing with mortgages that the mortgage company doesn't report on your 1098 statement that are tax deductible.

## 10. Screwing Up your Withholdings

*The number one reason business owners get in trouble with the IRS* is because they are not withholding or properly saving money for their tax liability. For the business owner that falls into this situation, we know it's hard to hear, but you still need to hear it, "If you can't afford your taxes, that's your business screaming to you that you can't afford your expenses." (You need the Profit First system! Keep reading, *you'll hear about it shortly*)

Now if you have made it this far in the report, we applaud you. (*We literally are clapping for you right now, that's awesome!*) You are trying to eliminate any way possible of not giving the government any extra of your hard earned cash.

Well, we want you to do even more to keep your money, that's why we've added these 5 BONUS items that you need to be aware of when filing your taxes so you don't make any more big or small mistakes.

So, please continue on through this report to get these *extra bonus items* that we so commonly see. Our hope is that when you finish this free report you don't just say, "I'm glad I learned that," but that you can take immediate action to better your financial situation. We hope that you will implement better systems and processes so you can better control your life and in turn increase your profitability.

One of our favorite quotes around here is, "*Small hinges swing large doors*." It is the little things that you can improve on that will ultimately have a powerful affect in your individual circumstances.

So, whether big or small, make some changes right now!

Now, as promised…

# 5 Bonus Items

## 1. No Internal Cash Controls

Business owners typically make basic assumptions about their employees. One of those is that they are trustworthy. And most are. But even the trustworthy can reach their limit of temptation.

We have found more time than business owners want to admit where an employee might be taking cash payments, writing themselves vendor checks, or giving themselves additional hours on their time sheets or a higher hourly rate than you agreed upon.

As an owner, you have to trust your employees. But you can certainly eliminate the temptation for them to lose that trust.

## 2. No Cash Management System

Have you heard the term, "your monthly nut"? Do you check your bank account balance daily (or multiple times a day)? Is your state of being strongly determined by how high or low your bank balance is?

If you've answered yes to any (or all) those questions, then chances are you do not have a cash management system.

Your cash management system should work with your current behaviors and not force you to do things you know you are never going to do. When doing it that way, you get confidence and clarity around your numbers. Then the best thing happens, your business becomes healthy, like a strong toned professional athlete.

Check out our resources on a cash management system we believe in, called Profit First. Yep, a system where you pay yourself first. http://incitetax.com/profit-first/

## 3. Choosing a New Tax Preparer Just Because They are Cheaper.

First, we are often big fans of business owners switching tax firms. Especially when it is a switch to us because that means that is *one less taxpayer overpaying taxes.*

However, we are not the lowest priced tax firm. (We also aren't the most expensive). But why is the business owner making a decision solely on price?

If you are going to switch accountants, make sure you are switching for the right reasons like better value, better results, more peace of mind, better responsiveness to your needs. (Check out this link to see the best questions you should be asking a professional so you make the best decision possible) http://incitetax.com/8-questions-to-ask-a-professional-before-hiring-them/

## 4. Not Claiming All your College Dependents

Just because your kid is in college doesn't mean you can't claim them. Are you providing half their support still? Are you paying for their tuition? Did you get student loans to put them through college?

You'll want to check with your tax professional, but chances are you can claim them as a dependent and get credits for the tuition you are paying.

## 5. Didn't Take Any Deductions on Schedule C

If a taxpayer is filing a schedule C, this makes then a business owner based on the tax code. This means the millions of dollars fortune 100 companies spend on lobbyists to get favorable tax rules applies to them equally.

Business owners have business expenses. You literally cannot run a business without some expenses. *Make sure you claim all of them.*

## Contact us

Again, we hope you enjoyed the report and have found gaps in your situation that you may want to take a closer look at.

A better financial you, means a couple things: you have more money, you improve the economy in which we live, and you don't fund government waste!

If you have any tax questions related to this or not related to this, we like answering questions. Keep more money in your pocket. Feel free to email info@incitetax.com or call 801-999-8295 and we will direct your question to the right person.

****Contact us right now and we'll take a look at your current and prior year tax returns, all for FREE, to see if we can get you some money back! Plus we'll teach you a tax strategy you may qualify for that can save you $3,000- $6,000 today.****