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Information needed to complete your business income tax returns

Client name: _____

Gathering and reconciling as much of the following items as possible before bringing your information to me will help me be more efficient (and consequently reduce your fees). *The more organized you are, the less time it should take me to prepare your returns. (No staples, please!)*

Please print a December 31 Balance Sheet and Profit & Loss from QuickBooks to help you with the items below. Note that some of the items may not be applicable to your business.

1. QuickBooks portable file (or if you are using QuickBooks 2008 or older, the Accountant's Copy with a dividing date of January 1 of the following year.) You can upload the file to my secure website (LeapFILE) or email it. Please note your login name and password, if applicable, and what version of QuickBooks you are using.
2. Copy of December 31 bank statement(s) and bank reconciliations for all cash accounts. The QuickBooks bank reconciliation reports should *always* include both the Summary and the Detail.
3. Accounts Receivable: Review the end-of-year aging to ensure the customer balances in QuickBooks are correct. Note any uncollectibles.
4. Inventory: Review the December 31 balance in QuickBooks and make sure it ties to the end-of-year physical count.
5. Fixed Assets: Review a copy of your prior year's asset and depreciation detail (included in the prior year tax return). Indicate any additions, deletions or trade-ins including description of new items, date purchased or sold and purchase or sale price. For any trade-ins, include a copy of the Sales Agreement. Additions should be capitalized if the amount paid is > \$250.
6. Accounts Payable: Review the end-of-year aging to ensure the vendor balances in QuickBooks are correct.
7. Sales Tax Payable: Copies of December sales tax returns (state, county, and local).
8. Credit Cards Payable: Year-end statements (probably two statements due to cutoff).
9. Payroll Liabilities: Review the end-of-year balances in QuickBooks and make sure the amounts tie to the 4th quarter payroll reports.
10. Notes/Loans Payable: Provide year-end statements on all loans.
11. Automobile Expense: Total and business miles of auto(s) driven by owner. Note: Records should be maintained in an account book, diary, log, trip sheet or similar record. Without a written record of business or investment mileage, you will have to convince an IRS agent through oral testimony alone.
12. Travel, Meals and Entertainment: Note any 100% deductible meals (company Christmas parties, staff events,...) Travel Expenses should be separately categorized from Meals and Entertainment.

13. Insurance Premiums (other than health): Make sure all are correctly categorized (life, disability, automobile, liability,...), noting premiums for all owners.
14. Self-Employed Health Insurance Premiums: The following is the tax treatment for self-employed business *owners, their spouse and dependents*. (Employee premiums are expensed as Employee Benefits and are tax-free fringe benefits so they are NOT included in their W-2s.)
 - a. Sole Proprietors - deduct the premiums paid as an AGI adjustment on Form 1040. So, the premiums should be categorized as Draws on the Balance Sheet.
 - b. Partners/LLC Members - generally, include the premiums in income as Guaranteed Payments (subject to self-employment tax) and deduct as an AGI adjustment on Form 1040.
 - c. S Corporation >2% shareholder-employees (and other family member employees) - include the premiums in the W-2 (not subject to FICA or Medicare) and deduct as an AGI adjustment on Form 1040. You can run the year's premiums through payroll at the end of the year. The premiums should be reported in box 14 of the W-2. The sole beneficiary of the employee plan may be the sole shareholder-employee of the S Corporation so long as the benefits are provided to the individual in the capacity as an employee.
 - d. Other considerations:
 - i. The treatment above applies only for calendar months when the owner or spouse is NOT eligible to participate in another employer-subsidized health insurance plan.
 - ii. For S Corporation >2% shareholder-employees, if the premiums were not paid out of the business, the business must reimburse the shareholder-employee or partner/LLC member.
 - iii. The plan can be purchased in the owner's (as opposed to the business's) name.
 - iv. C Corporation owners are not considered self-employed. The premiums are deducted as an expense and are NOT included in the W-2.
15. Payroll: Copies of Forms W-3 and W-2(s) plus 4th quarter payroll tax returns.

For Health Savings Accounts, employer paid contributions for employees are deducted as Employee Benefits and are NOT included in their taxable wages (Box 1, 3 or 5) on the W-2s. (But these employer paid contributions must be reported in box 12 of the W-2 with code W.) Employer paid contributions for partners/LLC members and shareholder-employees are treated the same as health insurance premiums.

If you do not know how to adjust any of the above QuickBooks accounts to the correct balances, please indicate the correct balance(s) on the Balance Sheet and/or Profit & Loss. After receiving the information above, I may need additional information or have questions to clarify items.