

HUDSON POPE PLLC

CERTIFIED PUBLIC ACCOUNTANT

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Summer, 2014

As we head into the summer months, we are of course continuing to process extended returns and just to remind you, corporate, partnership, estate and trust income tax returns are extended until September 15, 2014 while individual income tax returns have an extension date of October 15, 2014. We appreciate our clients providing us with the organized information which allows us to better serve you and complete the returns in a timely manner. Also to remind our clients, our office hours as of May 1st are 8:30 AM until 5:00 PM Monday through Thursday and 8:30 AM until noon on Fridays. We will still be available by appointment on Friday afternoon as needed.

Recordkeeping for Self-Employed and Small Business Owners

You may choose any recordkeeping system suited to your business that clearly shows your income and expenses. Except in a few cases, the law does not require any special kind of records. However, the business you are in affects the type of records you need to keep for federal tax purposes. Your recordkeeping system should also include a summary of your business transactions. This summary is ordinarily made in your business books (for example, accounting journals and ledgers). Your books must show your gross income, as well as your deductions and credits. For most small businesses, the business checkbook is the main source for entries in the business books. Some businesses choose to use electronic accounting software programs to capture and organize their records. In some situations you will still need to keep original documentation for certain items. The software program you choose should meet the same basic recordkeeping principals mentioned above.

REMINDER:

Individual Estimated Income Tax Payments are due by June 16, 2014.

From time to time, we receive questions from our clients concerning records retention, both from a personal and small business standpoint. We would like to focus this newsletter on recordkeeping for small businesses and also furnish a simple record retention schedule for individuals.

Supporting Business Documents. Purchases, sales, payroll, and other transactions you have in your business will generate supporting documents such as invoices and receipts. Supporting documents include sales slip, paid bills, invoices, receipts, deposit slips, and cancelled checks. These documents contain the information you need to record in your books.

The following are some of the types of records you should keep:

Gross receipts are the income you receive from your business. You should keep supporting documents that show the amounts and sources of your gross receipts. Documents for gross receipts include the following: Cash register tapes, bank deposit slips, receipts books, invoices, credit card slips, and Forms 1099-MISC.

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Purchases are the items you buy and resell to customers. If you are a manufacturer to producer, this includes the cost of all raw materials or parts purchases for manufacture into finished products. Your supporting documents should show the amount paid and that the amount was for purchases. Documents for purchases include the following: Cancelled checks, cash register tape receipts, credit card sales slips, and invoices.

Expenses are the costs you incur (other than purchases) to carry on your business. Your supporting documents should show the amount paid and that the amount was for a business expense. Documents for expenses include the following: Cancelled checks, cash register tapes, account statements, credit card sales slips, invoices, petty cash slips for small cash payments.

Travel, Transportation, Entertainment, and Gift Expenses. If you deduct travel, entertainment, gift or transportation expenses, you must be able to prove (substantiate) certain elements of expenses. For additional information on how to prove certain business expenses, refer to IRS Publication 463, Travel, Entertainment, Gift and Car Expenses.

Assets are the property, such as machinery and furniture, that you own and use in your business. You must keep records to verify certain information about your business assets. You need records to compute the annual depreciation and the gain or loss when you sell the assets.

Documents for assets include the following:

- (1) When and how you acquired the assets, purchase price, cost of any improvements, Section 179 deduction taken, deduction taken for depreciation, deductions taken for casualty losses, how you used the asset, when and how you disposed of the asset, selling price, and expenses of sale.
- (2) Purchase and sales invoices, real estate closing statements, and cancelled checks may show this information.

Employment taxes. Keep all records of employment taxes for at least four years after filing the fourth quarter for the year. These should be available for IRS review. Records should include: Your employer ID number; amounts and dates of all wage, annuity and pension payments; amounts of tips reported; the fair market value of in-kind wages paid; names, addresses, social security number, and occupations of employees and recipients; date of employment; periods for which employees and recipients were paid while absent due to sickness or injury and the amount and weekly rate of payments you or third-party payers made to them; copies of W-4's; dates and amounts of tax deposits you made; copies of returns filed; records of allocated tips; records of fringe benefits provided.

Individual Records Retention Schedule

Company Name
Street Address
City, ST ZIP Code

Phone:
Phone number

Fax:
Fax number

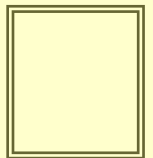
E-Mail:
E-mail address

Motto

We're on the Web!

Visit us at:
Web site address

Company Name
Street Address
City, ST ZIP Code



Customer Name
Street Address
City, ST ZIP Code