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*Your Success, One Step At A Time*
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# Virtual Assistants – Business and Tax Tips

## Recordkeeping

Begin tracking all of your expenses right away. A simple spreadsheet would be okay to start out with. Using a debit card will help in this process as receipts tend to fade over time. For the app addict, there is also an app for expense tracking. Even if you are not sure if it is tax deductible, go ahead and list it because come tax time your mind will have a hard time remembering the past twelve months of purchases.

As your business grows, you should move to a system more organized and robust for a small business. Quickbooks is a popular choice. I recommend this software for many reasons; number one is because there are many individuals available to help you if you need support. With the other products, you have limited support.

While cash may be king, try not to use it in business transactions. You should pay for expenses with a debit card or check. These two options make recordkeeping so much easier because a "paper trail" is formed in case you get audited by a government agency.

## Taxes

Good recordkeeping makes tax preparation easier and benefits you as the taxpayer. When you have proper documents and procedures you have a better chance of upholding your tax deductions against an audit.

A potentially valuable tax deduction to virtual assistants who start their business out of their home is the "Home Office Deduction". This deduction has been around since 1999 but it is still commonly misunderstood. Briefly, the tax deduction has two components to it, the direct expenses of your business and the indirect expenses to your business. A tax professional will be able to explain the differences of these two types of expenses that make up the Home Office Deduction. Refer to http://www.irs.gov/newsroom/article/0,,id=163079,00.html for more information on this deduction.

Another potentially valuable deduction is the mileage you accrue while traveling to and from clients, running business errands, or other business related activity. The taxpayer always wants to claim this deduction but is often shortchanged because of poor recordkeeping. To claim the full deduction your must keep mileage records. The tax form will ask for total miles driven that year. From this total they will ask how many miles were business related, commuting, and other. You will get credit for the business miles. This year (2011) has two per-mile rates. The first half of the year was 51.0 cents per mile and the second half of the year it is 55.5 cents per mile. This deduction can really add up. Instead of the mileage deduction, you may decide to claim your actual expenses like fuel, tires, or repairs. However, if you want to claim those expenses then you will need to have receipts for them and you will use a different form. This also means that you will be depreciating your vehicle. Your tax advisor should be able to help you decide which option benefits you the most. In either case, accurate records are a must.

When in doubt, ask a professional. If you are unsure if something is legal or tax deductible reach out to someone who is familiar with the tax code.

***This information is considered to be accurate, but always consult a tax advisor concerning your individual situation.***

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