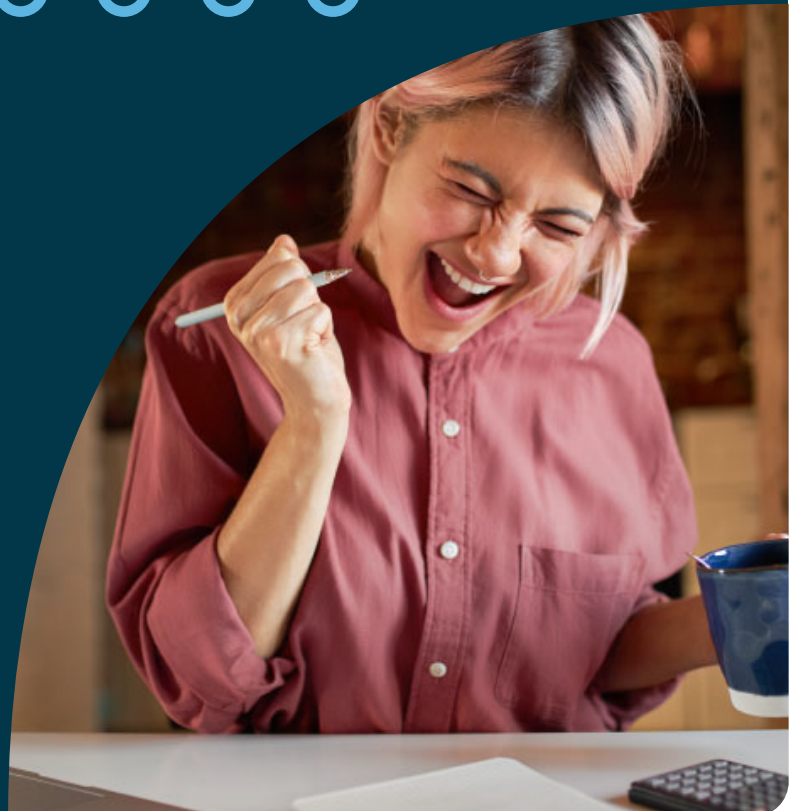
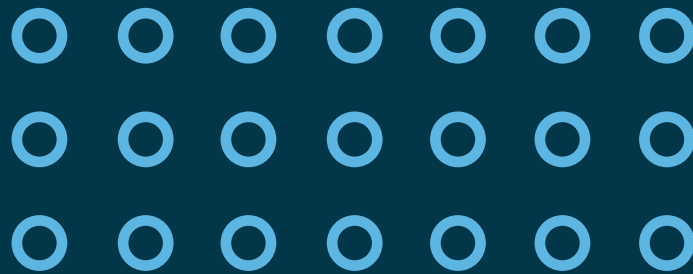


xendoo

2021 TAX GUIDE

FOR SMALL BUSINESS OWNERS





Are You Ready for Tax Season?

Juggling the day-to-day responsibilities of running a small business is hard enough. When tax season arrives, the stress is multiplied. Doing taxes is tedious, but doing them correctly is crucial. How can business owners streamline their tax to-do-list and maximize their return?



2021

1120 Corporate.pdf



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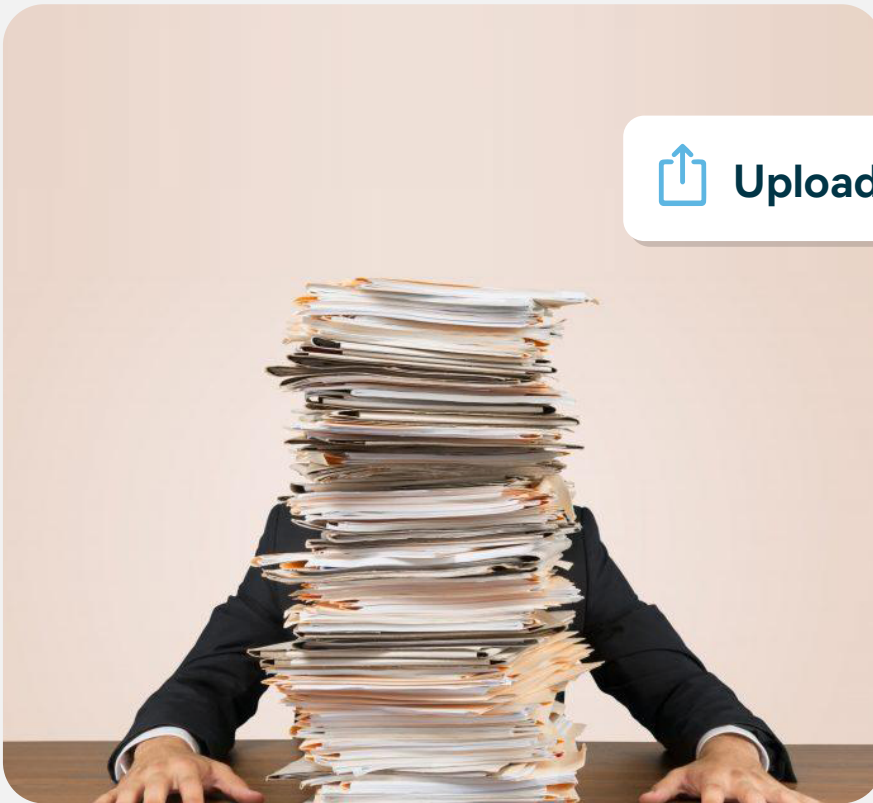
J. Miller

We Have Your Back

You are not alone! We have created this guide for the 2021 tax season to help small business owners reduce their stress and maximize their tax return!



Upload Documents



Organize Your Records

The first step is to gather and organize all of your financial documents from 2021. This includes Balance Sheets, Income Statements (aka Profit and Loss Statements), and previous year's tax returns. Examining these documents will help you see how your business has changed year-over-year and will also provide a preview of your profitability which will be a factor in determining what you will owe in taxes this year. Your tax professional will also need to review these documents.

- ✓ For example, if you increased your sales without increasing your costs, your profits may go up and you may be required to pay more in taxes this year.
- ✓ On the other hand, if expenses increased along with your sales, your taxes may not increase, but neither did your profit margin.
- ✓ If your profits stayed consistent or decreased with the previous year and expenses went up, you can expect to have a smaller tax bill.

Up-to-date and accurate bookkeeping will help you stay tax-ready. With all records and expenses organized, you can confidently file your taxes.

If you are behind on your bookkeeping, you are not alone! 25% of business owners are behind on their books. Xendoo will bring your financials up to date in no time. **Get caught up now** and enjoy tax-ready financials without the headache.

To ensure that you have all the necessary information you may need on hand, take a look at our complete tax documentation checklist:



GENERAL TAXABLE INCOME

- ☐ Alimony Received or Paid
- ☐ Dividend Income Statements: Form 1099-DIV
- ☐ Interest Income Statements: Form 1099-INT & 1099-OID
- ☐ Miscellaneous Income: Form 1099-MISC
- ☐ Sales of Real Estate: Form 1099-S
- ☐ Sales of Stock, Land, etc.: Form 1099-B
- ☐ State Tax Refunds: Form 1099-G
- ☐ Unemployment Compensation Received
- ☐ W-2 Form(s) for Wages, Salaries, and Tips

RETIREMENT INCOME

- ☐ Railroad Retirement & Social Security Income:
Form SSA-1099
- ☐ Retirement Income: Form 1099-R

BUSINESS INCOME

- ☐ Business Income and Expenses
- ☐ Farm Income and Expenses
- ☐ Form K-1 Income from Partnerships, Trusts, and
S-Corporations
- ☐ Rental Income and Expenses
- ☐ Tax Deductible Miles Traveled for Business Purposes

TAX CREDITS CHECKLIST

- ☐ Adoption Expense Information
- ☐ Child Care Provider Address, I.D. Number and Amounts Paid
- ☐ First Time Home Buyer Tax Credit
- ☐ Foreign Taxes paid

EXPENSE AND TAX DEDUCTION CHECKLIST

- ☐ Amount Paid to Professional Preparer Last Year
- ☐ Casualty and Theft Losses
- ☐ Charitable Cash Contributions
- ☐ Doctor and Dentist Payments
- ☐ Fair Market Value of Non-cash Contributions to Charities
- ☐ Home Mortgage Interest from Form 1098
- ☐ Home Second Mortgage Interest Paid

- ☐ Hospital and Nurse Payments
- ☐ Investment Expenses
- ☐ IRA Contributions
- ☐ Job-hunting Expenses
- ☐ Last Year's Tax Preparation Fee
- ☐ Medical Expenses for the Family
- ☐ Medical Insurance Paid
- ☐ Miles Traveled for Volunteer Purposes
- ☐ Miles Traveled for Medical Purposes
- ☐ Miles Traveled Related to Your Job
- ☐ Moving Expenses
- ☐ Personal Property Taxes Paid
- ☐ Prescription Medicines and Drugs
- ☐ Real Estate Taxes Paid
- ☐ State Taxes Paid with Last Year's Return (if itemized)
- ☐ Student Loan Interest Paid
- ☐ Tax Deductible Unreimbursed Expenses Related to Your Job
- ☐ Union and Professional Dues
- ☐ Unreimbursed Expenses Related to Volunteer Work

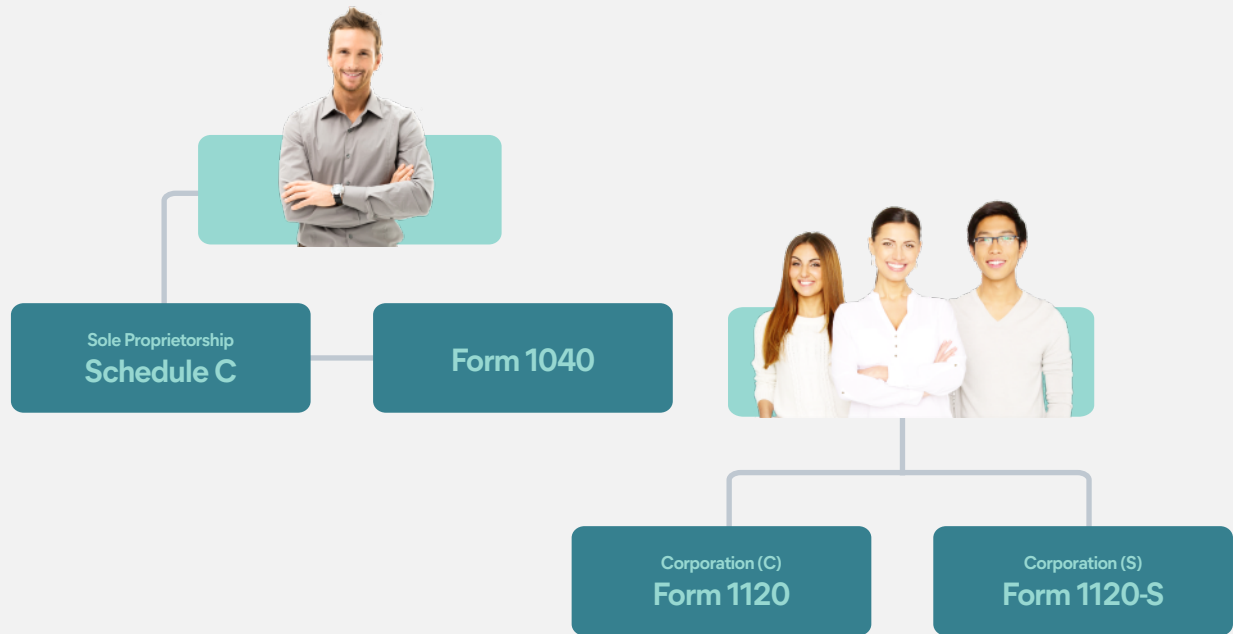
TAX ESTIMATE PAYMENTS CHECKLIST

- ☐ Estimated Tax Payments Made with ES Vouchers
- ☐ Last Year's Tax Return Overpayment Applied to This Year
- ☐ Off Highway Fuel Taxes Paid

GENERAL INFORMATION

- ☐ Bank Account Number (BAN)
(For direct deposit/debit purposes)
- ☐ Child Care Expenses for Each Dependent
- ☐ Copy of Last Year's Tax Return
- ☐ Dependents' Names, Years of Birth, and
Social Security Numbers
- ☐ Dependents' Post High School Educational Expenses
- ☐ Educational Expenses for You and Your Spouse
- ☐ Prior Year Adjusted Gross Income (AGI)
& Personal Identification
- ☐ Routing Transmit Number (RTN) (For direct deposit/debit)
- ☐ Social Security Numbers for You and Your Spouse

[Click here to download the tax documentation checklist.](#)



Determine Your Business Structure

Your business structure determines the form you will use to file your taxes and how you are taxed. Here is a breakdown of the different business entities and the tax forms they require:

Sole Proprietorship

As a Sole Proprietor, the IRS views your business and personal finances as one and the same. Because of this, you are only required to file a personal tax return. Income and expenses related to your business are accounted for on your individual tax return **Form 1040, Schedule C**.

Limited Liability Company (LLC)

Taxation for LLCs varies, as they can elect to be taxed as different business entities. Here are your options:

- Like a Sole Proprietorship, Single-member LLCs will use **Form 1040, Schedule C**.
- Multi-member LLCs can elect to be taxed as a Partnership, and will use **Form 1065**.
- Single and multi-member LLCs can elect to be taxed as a C-Corporation or an S-Corporation, using **Form 1120** or **Form 1120S**, respectively.

Partnership

Partnerships do not pay income tax. Instead, profits or losses are passed through to personal income, using **Form 1065**.

S-Corporation

S-Corporations are not subject to double taxation, which saves them a great deal in taxes! Income, losses, deductions, and credits pass through to the shareholders. S-Corporations file taxes using **Form 1120S**.

C-Corporation

If your business is a C-Corporation, or if you elect to treat your LLC as a C-Corporation, you will need to file a corporate tax return, separate from your personal tax return. In this instance, you would use **Form 1120**.

For quick reference on business entity types and how they are taxed, please take a look at the chart below:

BUSINESS ENTITY	TAXED AT	FORM USED
Sole Proprietor	Personal Tax Rate	Form 1040, Schedule C
(Single or Multi-Member) LLC	Tax based on type: Sole Proprietor, Partnership, C-Corp, or S-Corp	(Sole Proprietor) Form 1040, Schedule C (Partnership) Form 1065 (C-Corp) Form 1120 (S-Corp) Form 1120S
Partnership	Personal Tax Rate	Form 1065
S-Corp Election	Personal Tax Rate	Form 1120S
C-Corp Election	Corporate Tax Rate (dividends taxed additionally)	Form 1120



Be Aware of Tax Deadlines

Mark your calendar! **Tax planning** starts now. Be sure to meet with your **bookkeeper** and **Tax CPA** ahead of time to address any issues and prepare for the upcoming year.

For 2022, the tax deadlines are as follows:

✓ **March 15, 2022**

S-Corporations
and Partnerships
(Multi-member LLCs)

✓ **September 15, 2022**

(extension must have been filed by
March 15, 2022): S-Corporations and
Partnerships (Multi-member LLCs)

✓ **April 18, 2022**

Personal Tax Returns,
(Sole Proprietorships,
Single-Member LLCs, and
C-Corporations)

✓ **October 17, 2022**

(extension must have been filed by
April 18, 2022): Personal Tax Returns,
(Sole Proprietorships, Single-Member
LLCs, and C-Corporations)



Tax Savings Opportunities for 2021

If you need to make a large purchase for your business, now is the time to do so. Section 179 and Bonus Depreciation will allow you to deduct the full purchase price or a percentage of your purchase! There are also several health insurance options that will help you save on healthcare costs as a small business owner. Be sure to take advantage of these tax-savings opportunities!

Section 179 and Bonus Depreciation

Through Section 179 or Bonus Depreciation, you can take a sizable tax break this year, rather than smaller deductions over the course of several years, on qualifying asset purchases.

Section 179 allows you to deduct the full purchase price from a qualifying new or used business asset, while Bonus Depreciation allows you to deduct a percentage. You can utilize both, but Section 179 must be taken first. They must also be applied to different items. For example, you could claim Section 179 for a business vehicle, and Bonus Depreciation for office furniture.

Purchases that qualify for Section 179 and Bonus Depreciation are:

- ✓ **Tangible Items.** This includes, but is not limited to, physical items such as office furniture, equipment, computer software, and business vehicles exceeding 6,000 pounds.
- ✓ **Interior Improvements.** While land and buildings do not qualify for Section 179, interior improvements do. Examples include, but are not limited to, fire alarms, security systems, roofing, and HVAC. To qualify for Bonus Depreciation, qualified improvements must have been completed after the building became operational. Building enlargements, elevators, escalators, and any internal structural framework changes are ineligible.
- ✓ **Used for Business.** Assets must be used for business purposes more than 50% of the time to qualify for Section 179 and Bonus Depreciation.

For 2021, Section 179 is limited to a maximum deduction of \$1,050,000, and the total equipment purchased by a business cannot exceed \$2,620,000. Bonus Depreciation is currently being offered at 100%, but will begin to decrease to:

80%

after
December 31, 2022
and before
January 1, 2024

60%

after
December 31, 2023
and before
January 1, 2025

40%

after
December 31, 2024
and before
January 1, 2026

20%

after
December 31, 2025
and before
January 1, 2027

Business owners are encouraged to take advantage of Section 179 and Bonus Depreciation now! Speak to your **Tax CPA** to learn how you can maximize your tax savings with these incredible opportunities!

Health Insurance Options



Health Savings Accounts (HSA)

Health Savings Accounts are like personal savings accounts, but the money put into them can only be used to cover qualifying health care expenses. Small business owners may want to consider opening an HSA as the money deposited into the account is not taxed. By using untaxed money to pay for medical expenses, you may be able to decrease your overall healthcare costs and save on taxes!

Any unused funds will roll over into the next year. Your HSA may earn interest, which is also not taxable! For 2021, you can contribute up to \$3,600 for individual coverage and up to \$7,200 for family coverage.

A High-Deductible Health Plan (HDHP) is required to be eligible for an HSA. An HDHP is any plan with a deductible of at least \$1,400 for an individual or \$2,800 for a family. HSAs can be opened through some insurance companies and banks. Speak to your health insurance provider or financial institution to learn more about setting up your HSA.

Flexible Spending Accounts (FSA)

A Flexible Spending Account is a special account that employees can put money into that covers certain out-of-pocket healthcare costs, such as co-payments, deductibles, medical equipment, and eligible prescriptions.

Employees can contribute a maximum of \$2,750 for individual coverage. Married couples have a combined limit of \$5,000. Typically, the funds must be used within the year. In some cases, employers may offer a 2 ½ month grace period to use the remaining funds, or allow employees to roll over up to \$550 into the new year. Like the HSA, this money is also not taxed. Whenever an employee incurs an eligible health expense, they present their receipt to their employer, and they are reimbursed from the employee's FSA.

The FSA saves small business employers and employees a portion of their payroll tax, as contributions are made with pre-tax dollars. The IRS allows businesses to deduct part of their employee's salaries to be put into the FSA. That money is deducted before income taxes are applied, which reduces the employee's taxable income!

Health Reimbursement Arrangement (HRA)

Health Reimbursement Arrangements allow small businesses with less than 50 full-time employees to offer customized, tax-free reimbursements as health insurance. Employers choose how much money to contribute to employees. For 2021, they can contribute up to \$5,300 for individuals, and \$10,600 for families. Employers can decide whether or not to allow unused funds to roll over into the new year.

The major difference between the HRA and the other options is that it is not an account. Employees cannot take out funds in advance. They incur the expense first, and are reimbursed later.

Depending on the business structure, business owners can use HRAs to purchase their own health insurance with pretax dollars through individual coverage.

- ✓ **Sole Proprietors:** Because the business is unincorporated, sole proprietors are not considered employees and do not qualify for an HRA.
- ✓ **S-Corporations:** S-Corp owners who own more than 2% of the company are also not considered employees, and cannot participate in HRAs.
- ✓ **C-Corporations:** Because C-Corp owners are considered both employers and employees, they are eligible for the HRA.
- ✓ **Partnerships:** Partnerships are considered self-employed because they are directly taxed, and are not eligible for the HRA. However, if the partner's spouse is a W-2 employee, the partner can enroll for the HRA as a dependent of their spouse.

To summarize the differences between each healthcare option, take a look at the chart below:

	HSA	FSA	HRA
What is the purpose?	To save pre-tax dollars for upcoming health expenses in the future.	To save pre-tax dollars for upcoming health expenses in the current year.	The employer reimburses the employee to help with the costs of their insurance plans.
What are the tax benefits?	You do not pay taxes on your contributions, decreasing your overall healthcare costs and saving on taxes.	Contributions are deducted before income taxes are applied, reducing the employee's taxable income.	Reimbursements are not taxed, so the employee receives the full amount to cover their healthcare expenses.
What happens to unused money after the year ends?	Unused funds will roll over into the new year.	All funds must be used within the year, but employers may offer a grace period to use the remaining amount, or allow up to \$550 to roll over.	The employer decides whether or not to allow unused funds to roll over.
Who can use it?	Employers and employees, only if they have an HDHP.	Employees, only if the employer offers it.	Employees, only if the employer offers it. Only C-Corps and Partnerships are eligible under certain conditions.
Is there a coverage limit?	\$3,600 for individual coverage, \$7,200 for family coverage.	\$2,750 for individual coverage, \$5,000 combined for married couples.	\$5,300 for individual coverage, \$10,600 for family coverage.

The ideal health insurance plan will depend on the needs of your business and your team members. Speak to an **accountant** to learn more about how you can save on taxes through an HSA, FSA, or HRA.

Maximize Your Tax Savings with Xendoo

LOUIS

Xendoo
Director of Tax
& Accounting



Tax season is a breeze with **Xendoo Online Bookkeeping, Accounting, and Tax!** We are here to help you put more money in your pocket and reduce your stress. Our expert bookkeepers, accountants, and CPAs can help you navigate all your options to maximize your tax savings.

All-in-one tax preparation, filing, and consulting. Federal and state tax preparation and filings are included with almost all our packages. Maximize your return with minimal effort so you can spend more time doing what you love.

Online bookkeeping and accounting. Our expert team takes the stress out of bookkeeping. Our bookkeepers and CPAs reconcile your books on a monthly basis, providing you the visibility you need to grow your business and stay tax compliant all year round.

Catch up bookkeeping. Whether you are behind a few months or a few years, Xendoo will bring your financials up to date so you can enjoy financial peace of mind.

Let's chat. We would love to get to know you and your business.
Click here to schedule your free consultation.

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**2021
TAX GUIDE**

FOR SMALL BUSINESS OWNERS

