



BOOKKEEPING

Bookkeeping helps a business keep track of income, expenses, liabilities, assets and profitability. With accurate records, the accounting reports can help you make good business decisions to grow your business.

Why Keep Good Records

- Identify sources of income
- Monitor progress of business
- Keep track of deductible expenses
- Easy tax preparation
- Keep track of property cost basis

What Not to Do

- Expense mis-classifications
- Combining personal and business expense
- Lack of back up details
- Not reconciling consistently
- Not reviewing financials regularly
- Hiring “cheap” bookkeepers

? Questions You Need to Ask

- **Current ratios** – Ability to cover your short-term liabilities with your assets. (assets/liabilities)
- **Net profit margins** – Net income after all salary, wages, expenses and cost of goods are paid / Total net sales
- **Cash debt coverage ratios** – Measures a company’s ability to repay its total liabilities in a given year from its operations.
- **Asset turnover** – Measures how efficiently assets are used to generate sales.

👉 Things to Do

- **Hire** - professional internal/external accountant
- **Software** - Quickbooks or Quickbooks online
- **Separate** your personal and business financial documents:
 - Bank accounts
 - Credit cards
 - Cash receipts
 - Notebook in car for records
 - Organize documents within a short period of time

🔧 Other Tools to Help

- **Sage**
- **Freshbooks**
- **Neat**
- **MINT/MILE IQ**



BUSINESS ENTITY

An entity that is formed and administered as per corporate law in order to engage in business activities, charitable work, or other activities allowed. Business entities are most often formed to sell a product or a service.

Common Entities:

- DBA - Doing business as
- LLC - Limited liability company
- Corp./Inc. - Corporation
- Partnership - Registered or unregistered with state

When to Incorporate:

- Net profit at >\$50,000
 - Our recommendation
- Separate personal & business liability
- Profession at high risk of lawsuits



Choosing an Entity

Check with your legal and accounting professionals when choosing your entity. The right entity for you is circumstantial. Differences between entities can affect your:

- Liability protection
- Tax deductions
- Bottom line taxes
- Amount of allowed investors



Double VS Single Tax Example

C-Corp (Double Tax)	S-Corp (Single Tax)
Completely Tax Separately	Flow Through to 1040
Pay Tax on Corporation Tax Return	Pay Tax on Personal Tax Return
Federal Tax Rate 21%	Federal Tax Rate Depends on Personal Tax Rate
State Tax Rate at 8.84%	State Tax Rate at 1.5%
-	State Tax Rate Depends on Personal Tax Rate
Dividends Are Taxed	Dividends Are Not Taxed
Unlimited/Unrestricted Shareholders <small>(EXCEPT S-CORP)</small>	Up to 100 Shareholders with Requirements <small>(RESIDENT, ALIEN, AND CITIZEN)</small>
Net profit is not subject to self-employment tax, and payroll is required.	
California state minimum tax \$800 <small>(MEASURE TAX FOR THE INITIAL YEAR)</small>	

ENTITY COMPARISON

C-Corp (Double Tax)	S-Corp (Single Tax)	Sole Proprietorship <small>(1 MEMBER)</small>	Partnership <small>(2+ MEMBERS)</small>
Completely Tax Separately	Flow Through to 1040	Report on 1040 Schedule C/E	Flow Through to 1040
Pay Tax on Corporation Tax Return	Pay Tax on Personal Tax Return	Pay Tax on Personal Tax Return	Pay Tax on Personal Tax Return
Federal Tax Rate 21%	Federal Tax Rate Depends on Personal Tax Rate	Federal Tax Rate Depends on Personal Tax Rate	Federal Tax Rate Depends on Personal Tax Rate
State Tax Rate at 8.84%	State Tax Rate at 1.5%	-	-
-	State Tax Rate Depends on Personal Tax Rate	State Tax Rate Depends on Personal Tax Rate	State Tax Rate Depends on Personal Tax Rate
Dividends Are Taxed	Dividends Are Not Taxed	No Dividend Distribution	Dividend Distributions Are Not Taxed
Unlimited/Unrestricted Shareholders <small>(EXCEPT S-CORP)</small>	Up to 100 Shareholders with Requirements <small>(RESIDENT, ALIEN, AND CITIZEN)</small>	1 Member Only	Up to 100 Shareholders with Requirements <small>(RESIDENT, ALIEN, AND CITIZEN)</small>
Net Profit is Not Subject to Self-Employment Tax, and Payroll is Required.		Net Profit is Subject to Self-Employment Tax	Net Profit is Subject to Self-Employment Tax <small>(IF GENERAL MEMBER)</small>
California State Minimum Tax \$800 <small>(MEASURE TAX FOR THE INITIAL YEAR)</small>		California state annual tax \$800 + LLC Fee <small>(LLC FEE IS BASED ON GROSS INCOME)</small>	



TAX WITHHOLDING

Income tax withholding is the amount of money that your employer “withholds” from each of your paycheck. The employer will collect and pay the government on your behalf.

Why understand Withholdings?

- Affects your take home pay
- Affects how much or little you pay in taxes at the end of the year

Pros and cons of max Withholdings:

PRO

- Automatically sets aside money to pay for taxes
- Minimizes chance of paying taxes
- Possibly receive a return

CON

- Less take home pay
- Less money to invest now



Withholding Factors

- **Filing Status** - (Single, HOH, MFS, Qualified Widow)
 - Highest tax withholding for “single, 0”
- **Deductions**
 - Standard deductions versus itemized deductions
- **Other Income**
 - Rentals, self-employment, dividends, interest
- **Jobs** - Number of jobs you and your spouse have
- **Dependents**

Single	0	Withholding More	Lower Paycheck	May Get Refund
Married	5	Withholding Less	Higher Paycheck	May Owe Taxes



Tax Saving Tips

01. Employer Provided Benefits

- 401K
- Health Savings Account (HSA)
- Healthcare plans using pre-tax money

02. Other Strategies

- **IRA** - Lowers taxable income
- **Roth IRA** - Pay taxes now but tax free when you withdraw in retirement
- **Tax Credits**
 - Electric vehicle
 - Retirement savings contributions credit
- **Investment in stocks** - Sell losing stocks under a year, sell winning stocks over a year