

Bookkeeping Checklist for Year-End Tax Planning

As we begin to round out the last quarter of 2021, it's time to prepare your books for tax planning.

Some of our clients are reporting record profits, and others are using our business advisory services to help them grow amid fiscal challenges.

Whatever the reality has been for your business, the year-end bookkeeping process for tax planning is a necessary function to review and make time-sensitive decisions far before year end.

Here is our checklist to help your books reflect the figures needed for accurate tax planning:

Prior Year

- Ensure all prior year adjustments from CPA were supplied to you and made in accounting platform.
- Verify retained earnings or capital accounts balances with prior year trial balance/ tax return from CPA.

Current Year Balance Sheet

- Cash – are there any outstanding checks/deposits that need to be voided? Review that you are current.
- Cash – is petty cash allocated and accounted for at year end?
- Cash – book all interest earned, bank charges, bill payments.
- Cash – reconcile every checking, savings, money market, petty cash – look for stale accounts
Look for an opportunity link accounts.
- AR – review AR with client for bad debts, stale accounts and any unapplied payments (big issue).
- Fixed Assets – review the new additions and disposals. Make sure no additions under threshold for general expenses.
- Credit cards – link, reconcile every credit card account. Make sure your import is through year end to ensure client gets the current year expense allocation.

- Loans – reconcile all lines of credit and loans. Speak with accountant, CPA if you need help with new loans to be set up and interest amortization.
- AP – ensure all bills are entered and paid. Review that loans and credit cards are not in your AP.
- Sales Tax – make sure your ending sales tax liability is true to the sales tax return. Are your gross sales tied to the sales tax returns?
- Payroll Liabilities – ensure the year end balances are correct.
- Review all possible payroll and fringe benefit accruals for tax planning.

Current Year Profit and Loss

- Clear out the Ask my Accountant or suspense accounts. Work with accountant or CPA to clarify anything you need to reclass.
- Scan the income accounts for any odd debit balances and investigate.
- Scan the expense accounts for any odd credit balances and investigate.
- Tie out the depreciation expense and review expenses for any capital purchases.
- Tie out the payroll expenses and payroll tax expenses, book any adjustments to YTD payroll.
- Review any S-Corp or Partnership that should have an expense account for State Passthrough Tax Payments.

Business Self-Assessment for Tax Planning

- Review your entity to ensure you have the most tax-advantaged structure.
- Review for any planned major purchases by year end in order to get depreciation write-offs.
- Consider officer bonus, officer-paid expenses, business office in the home as possible additional expenses.