



## Small Business on [washingtonpost.com](http://washingtonpost.com)

By Sharon McLoone

### How Do I...Organize Records Needed To Do My Taxes?

Laura Leist helps small businesses get organized. Leist, the owner of Eliminate Chaos located just north of Seattle, is one of about 200 certified professional organizers in the United States.

We chatted about how small businesses can get their paperwork in order to prepare for tax time.

#### Systems Are Very Important

"It's really important that every business creates a system for processing any type of tax-related documents whether it's receipts or statements that they must pay monthly," says Leist. She also recommends educating people in the office - whether it's three people or 50 - on how the system works and to get the system documented.

She suggests that depending on the size of an organization, a business should have a system that moves bills from an inbox quickly to someone who has duties as an accountant.

"A lot of small businesses do not have good paper management and retrieval systems in place, but the best time of the year to look at your files is tax time," she says, but adds that a business really should review its files at least twice a year.

She says businesses should consider going through whatever kind of filing system they have and create an index of the types of documents that are pulled each year for taxes. "That way, a business has a head start on the kind of documents they're going to need for the next year's taxes."

Leist adds that looking at last year's taxes is a starting point, but a small business should not limit itself to just that or "you may miss something for a particular year."

"Part of this whole process and being organized is about having a good filing system in place to begin with and a logical flow of how paperwork moves through offices," she says.

#### Separate Bills from Receipts

Leist also recommends that clients try and separate bills and receipts. Keep one location or folder for bills that you're paying money out too - like credit card bills - and another for regular old receipts.

"Your advertising bill comes in and at some point you have to pay that bill - that document needs to go somewhere where while it's waiting to be paid. It needs to go to an accounting department or at least a separate place for bills, credit cards statements and statements from vendors."

It's also a lot easier during tax time if employees label receipts as they purchase things, she says. "It's a lot easier to take a second to scribble a note on a receipt to identify what item you've purchased and then later on an accountant can put it into the correct expense account."

She recommends taking receipts of items purchased and break them down on a monthly basis. For smaller businesses, it may be as simple as organizing them into an accordion file.

### **Move Away from Shoebox Filing**

"Please move away from shoebox filing," she tells even her smallest clients. "There are a lot of clients that have two employees and they have the latest version of a software accounting program. The amount of money that will be used to purchase the software and set it up will far outweigh the cost" says Leist.

During the year, "when a business keeps all documentation on paper, you probably have no idea what your expenses are in certain categories and you won't know from year to year where the money is going. You can't slice that data like you can with software." Her 10-person firm uses QuickBooks and she says if a small business owner is phobic about setting up the program, hire an accountant or a QuickBooks Pro adviser to set it up for you.

"If you set it up appropriately, the benefits are great. Otherwise, as your company grows, you'll just have to hire someone later who will end up having to backpedal and fix errors" causing a small firm more money in the long run, she says.

Leist says when she's working with a client, she determines the volume of paperwork that's coming into and going out of that firm. "Are there employees coming in with a lot of receipts and expense reports and who is responsible for handling that? Just because a company is large doesn't mean they're necessarily going to have more transactions than a smaller company. It's really a matter of creating a process to figure out what is the least amount of time we have to spend touching this information to make sure it gets accounted for."

## The Oddball Documents and Issues

A lot of companies run into challenges this time of year because they've misplaced the "onesie, twosie" types of documents, she says. For example, oftentimes companies will donate goods or services to different charities or auctions and they'll receive a tax deduction letter at some point during the year. "Then when it comes to tax time, it's hard to find these oddball kinds of documents because many firms overlook having a storage place for them. You need to create a place for them so they don't get lost."

She also has noticed in her work with small firms a problem surrounding [Employment Identification Numbers](#). If a firm hires a vendor and pays them more than \$600, the firm needs to have that vendor's W-9 information on file like the company's business name and EIN. She recommends gathering that information upfront so a small firm doesn't need to chase down that data during tax time. If a company misplaces its EIN, the IRS offers [this advice](#).