



Year-End Tax Planning Checklist for Business Owners and Individuals

Now's the time to take advantage of year-end moves to cut your next tax bill—before it's too late. Whether you make a charitable donation, fund your retirement account or take advantage of helpful tax deductions, implementing these steps now can make a big difference at tax time. We have created two checklists—a Business Owners Checklist and an Individual Checklist that you can work through over the next few weeks to get organized for tax season.

Year-End Tax Planning Checklist for Business Owners

The year-end accounting process is an important step for closing out the year of financial activity and preparing for the year ahead. Accurate and timely accounting processes help support your business success financially—and legally. Before the year comes to a close, make sure you check these steps off your year-end business to-dos. If you need help, we're here to assist.

Get Your Books In Order

The difficulty of getting your books in order will depend on how organized you've been throughout the year. Hopefully, you have been disciplined and closed out the books monthly

so come December, you have a solid ground on your business's financial health. Part of the organization process includes these proactive steps:

- Record each transaction and ensure you have receipts to validate
- Reconcile receipts with bank statements
- Review the Income Statement and Balance Sheet
- Review the list of Accounts Payable/Accounts Receivable and make and collect all pending/late/due payments
- Assess any idle inventory

Collect Past Due Invoices

Review the list of accounts receivable to calculate past due invoices that need to be reconciled. If you want to wrap up your books for year-end, collect all of the money that customers owe to your business. Send out payment reminders, contact customers with past-due invoices, and establish a payment plan with customers.

Gather Financial Statements

To effectively close out your 2023 books, you need to prepare (or have a CPA or business accountant prepare for you) the standard three business financial documents that will be the basis for gauging success or loss this year and how to recalibrate for next year.

The balance sheet is a summary of how your business's financial position is at any point in time. It shows all your assets, liabilities, and equity. To close out the year, review all the balance sheets for credit lines, leases, and loans, and verify the closing balance on December 31st matches the official statements.



The profit and loss statement itemizes your revenue expenses for a period of time and lets you see at a glance whether your business is profitable. You can use this report to determine the cost of running your business so you can forecast your sales and expenses for the next fiscal year.

The cash flow statement reconciles your opening cash with your closing cash for a particular period, showing the inflows and outflows of your cash. Cash from operating activities, investments, financing, and disclosures of noncash activities are all reported on this statement.



Prepare All Tax Documents

Evaluating your current tax strategies can help you reduce your tax burden. Ensure you are taking advantage of specific tax moves before year-end. Your business tax advisor or CPA can provide guidance on which tax strategies would be best for your personal and business circumstances. The forms you use to file your federal tax return will be different depending on whether your business is structured as a sole

proprietor business, limited liability company, S corporation, C corporation, or partnership. Documents you may need to have on hand include:

- Financial statement (cash flow, balance sheet, and income statement)
- Capital-asset activity
- Vehicle use
- Summary of home-office expenses
- Form 1098 for mortgage interest and property taxes

Check for Year-End Payroll & Vendor Forms

Your accounting and payroll records go hand in hand. At year-end, make sure all of your payroll records are accurate and up-to-date. If you have employees, make sure your payroll taxes match your quarterly payroll returns. Decide on employee bonuses and withhold taxes for those bonuses. Verify all employee contact information is correct for W-2s.

Included in these records should be any benefits, like health insurance payments, employee retirement contributions and more.

Prepare 1099s

Be sure to send out 1099s to all of your vendors. The IRS requires the form 1099 to be filed by January 31st. If you've made payments for the services you need to run your business, you may be required to send out a 1099-MISC. The IRS makes this a requirement so that you remind those you've paid for services to include those payments on their tax returns. The IRS requires that you send a Form 1099-MISC to all the vendors to whom you've paid more than \$600. This form must be sent no later than January 31.

Review Retirement Plan Options

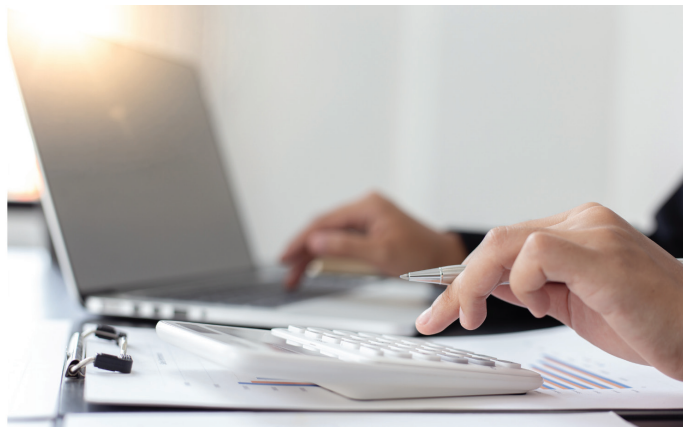
Qualified retirement plans can be a powerful way to lower current tax liabilities as well as provide opportunities for owners and employees to save for retirement. Individuals who already have these plans should use the end of the year as an opportunity to fully fund their contributions, while business owners who do not should consider implementing a plan after a review of the potential benefits and tax savings.

Review Structure of Business

It's always a good idea to revisit whether your business structure (sole proprietorship, partnership, LLC, S corporation, or C corporation) is still the best fit. Future tax rate changes can impact this decision.

Year-End Tax Planning Checklist for Individuals

Tax Day may still be months away, but there are plenty of actions you need to be aware of before December 31, 2023 to help manage your tax bill. Start now to determine what actions you might take before 2023 ends so that you will be best positioned financially when you file your return next year.



Note Tax Changes for 2023

Most of the big tax breaks enacted for 2022 have disappeared in 2023. So the child tax credit, child and dependent care credit, earned income credit and other popular tax breaks are different for the 2023 tax year.

Check Your Paycheck Tax Withholding

It's important to check your tax withholding, especially if you had major employment or life changes, such as an increase to your income, a change in your marital status, the arrival of a new child or the purchase of a home.

Evaluate Your Wealth Plans

Make sure your wealth plans reflect any changes in your circumstances or goals, the economic landscape and the current tax environment.

- Accelerate income into 2023 to avoid any potential tax rate increases in 2024.**
- Defer net investment income or reduce modified adjusted gross income (MAGI) to minimize or avoid the 3.8% surtax on net investment income.**

Defer Compensation

If your employer allows you to defer your compensation, you must elect to defer your 2024 fixed salary and other non-performance-based compensation by December 31, 2023, if not earlier as specified by the employer.

Take Required Minimum Distributions (RMDs)

If you're over age 72, you must take minimum distributions from your tax-deferred retirement accounts by the end of the year to avoid penalties.

Review Tax Bracket

Review the breaks in the tax brackets for capital gains to determine if you or family members may benefit from a 0% or 15% tax rate on long-term capital gains.

Consider Charitable Giving

Take advantage of the 2023 annual gift exclusion to transfer wealth to future generations or to make tax-free transfers on behalf of another individual by paying education or medical expenses directly to the provider.

Review Retirement Plans

Maximize contributions to retirement accounts, such as 401(k), traditional IRA, Roth IRA, SEP and Simple. Keep in mind that legislation may limit the size of these accounts in future years. If age 50 or older, make "catch-up" (up to \$6,500) contributions to eligible retirement accounts.

Review Estate Plans

Review wills, trusts and other estate planning documents to ensure they reflect any changes in your personal or financial situations that occurred in 2023 and are likely to occur in 2024.

Assess Your Tax Credits

Can you take advantage of the child tax credit, dependent care credit, earned impact tax credit, adoption credit, or first-time home buyer tax credit?

Know Your Potential Tax Deductions

Make sure all your paperwork is in order to take advantage of many tax credits from 2023. Some included: Medical Expenses for the Family, Prescription Medicines, Home Mortgage Interest, Charitable Cash Contributions, Investment Expenses, IRA Contributions, HSA, FSA Contributions, and Student Loan Interest Paid from Form 1098-E.

Send capital gains and investment income information to your accountant for a more accurate year-end projection.

Check your Health Savings Account contributions for 2023.

Revisit contribution amounts to your 529 plan college savings accounts.

Review Medicare Part D plan to potentially make any changes.

Discuss major life events with your CPA to confirm you have clarity if there have been changes in your family, job or employment, real estate purchases, college tuition payments... to name a few.

This checklist gives you some of the many opportunities you may have right now to strengthen your financial health before year-end. Speak to our tax advisors about which actions may be right for you. At Jeanine Hemingway, CPA we work alongside our clients to help you align your long-term financial goals with effective tax-planning strategies.

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