

## HOW TO RUN A BUSINESS

When you have a corporation or LLC, bookkeeping and expenses can seem to be overwhelming, but it is actually pretty simple.

As a rule of thumb, you can deduct anything that leads to the production of income. This is actually a very broad definition. So many things can be necessary for a business owner to do business.

For example, a meal out is the opportunity to discuss business with someone, even your spouse. Traveling gives you the opportunity to look for new business contacts, as well as researching competitors, and new methods.

Also, there is a tax loophole that you can pay a minor child (under 18) up to \$12,000 per year for working in the business, tax free to them. They have to do something for the business, but it could just be using their picture on a brochure, that may not have a huge circulation. You have to actually pay them though, either by check or bank transfer.

However, many times, children are poor money managers. I recommend transferring money from a personal account to the business, then to your child account, and then back to yourself. This way, on the business's bank statements, there is a transfer to your child. But, you get to keep the money. You could also transfer to your child and then pay any fees, like tuition or daycare from the child's account.

PERSONAL ACCOUNT → \$12,000 → BUSINESS ACCOUNT

BUSINESS ACCOUNT → \$12,000 → CHILD'S ACCOUNT

CHILD'S ACCOUNT → \$12,000 → PERSONAL ACCOUNT

You do not have to do one lump sum of \$12,000. You can transfer \$1,000 12 times. Going forward you can set up the transfer of \$1,000 per month.

## Bookkeeping –

Bookkeeping for business expenses can be very easy. You do not need a corporate credit card. You can use a card you already have if you like. Just make sure that it has an annual report of some sort. Debit cards do not report annually. You then charge all “business” expenses to this card and give me the annual report at the end of the year. This is a great way of tracking expenses. You can use several cards if you like, but make sure that they have an annual report.

If the card does not have an annual statement, I recommend print copies of each statement and getting different color highlighters. Highlight each expense on the statement using a different color for each type. So, maybe all meals are yellow, and all travel are blue, etc. Then, just add each color on a summary page.

## Mileage –

Generally, mileage is the best way to track auto expenses. To prove mileage for the IRS you will need repair and service invoices for the car which show dates and mileage. WE use these to determine how many miles you drove in a year.