

# Annual Tax Planning Review Checklist

## Step 1: Review Foundational Practices

- Bookkeeping and Reconciliation:**
  - Ensure books are reconciled monthly with bank and credit card statements.
  - Verify the accuracy of your Chart of Accounts for tax reporting.
- Documentation:**
  - Confirm all receipts are attached to transactions in your bookkeeping software.
  - Organize and backup digital and physical tax records.
- Compliance Checks:**
  - Review payroll compliance for employee classifications and taxes.
  - Confirm all state and federal filings are up to date.

## Step 2: Expense Optimization

- Recurring Expense Audit:**
  - Audit recurring expenses for relevance and cost efficiency.
  - Compare vendors for services like internet, insurance, and software.
- Tax Efficiency:**
  - Review travel and meal expenses to ensure proper documentation.
  - Maximize necessary and ordinary business expenses in your deductions.

## Step 3: Evaluate Deductions

- Vehicle and Home Office:**
  - Reassess actual expenses versus the standard mileage deduction for vehicles.
  - Recalculate home office deductions based on the current tax year.
- Hiring Family Members:**
  - Verify payroll for children and ensure documentation of their roles and tasks.
- Retirement Accounts:**
  - Confirm retirement contributions were maximized for the previous year.
  - Assess opportunities for defined benefit plans or Backdoor ROTH IRAs.

## Step 4: Business Structure and Compliance

- S Corporation Maintenance:**
  - Ensure reasonable compensation is documented for owners.
  - Conduct board meetings and maintain minutes for compliance.
- Accountable Plan Updates:**
  - Update your accountable plan to reflect any new expense categories.
  - Verify proper documentation for all reimbursements.

## Step 5: Advanced Strategy Review

- Healthcare:**
  - Reassess health insurance costs and tax benefits through the business.
  - Maximize HSA and HRA contributions for medical expense coverage.
- Real Estate:**
  - Conduct cost segregation studies for real estate assets.
  - Reassess rental property classifications and depreciation schedules.
- R&D Tax Credits:**
  - Identify new activities or expenses eligible for credits.
- Estate and Exit Planning:**
  - Review estate plans to ensure alignment with current laws.
  - Explore Qualified Small Business Stock (QSBS) exemptions if applicable.

## Step 6: IRS Compliance and Risk Mitigation

- Verify all deductions meet the “necessary and ordinary” standard.
- Avoid risky deductions flagged by the IRS (e.g., hobby losses, offshore accounts).
- Ensure documentation is audit-proof.

## Step 7: Strategic Forward Planning

- Budgeting and Forecasting:**
  - Update your business budget and financial forecasts.
  - Include contingency planning for unexpected expenses.
- CPA Collaboration:**
  - Schedule a mid-year and end-of-year review with your CPA.
  - Identify emerging tax laws and credits relevant to your business.