PRODUCT & SERVICE GUIDE

The Top 5 Tips to Help Small Business Owners Survive the 2018 Income Tax Season

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With the hap-happiest season of all behind us, the arguably darkest days of the year are ahead. That's right – tax season has arrived.

I'm sure you're all thrilled.

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Luckily, it is actually possible to lessen the burden of filing taxes. By staying up-to-date on the process, proper forms, and ways in which you can maximize your deduction, you might just turn these gloomy winter days into the second coming of Christmas.

Here are 5 easy tips to help business owners and freelancers survive tax season.

1. Understand the type of "business" you own

There are several types of businesses someone can own, and each one has its own legal and, therefore tax filing, process. In addition, you may actually own a business without even knowing it!

Most freelancers fall under sole proprietorships, which are so easy to form that many states don't require you submit any official paperwork to create (thus, the surprise business owners fall into this category). Many small business, such as boutique design agencies, fall under various types of partnerships or even a Limited Liability Company.

The type of business you own will directly inform your filing process, from the information you need to provide to the official documents you may owe other people in order for **them** to complete their taxes to the unexpecting items you may be able to write off as deductions. DesignRush has a comprehensive guide for estimating your return and maximizing your return if you're filing unconventional (read: not W-2 form-based) taxes.

2. Gather all your documents before you get started

It's easy to start a fiscal year with every intention of being organized and on top of everything – after all, you're just coming off of new year's resolutions and likely highly motivated. However, when business gets busy, clients get demanding, and you realized there aren't enough hours in a day (or days in a week, or weeks in a month...) it's equally as easy to let a few things fall to the wayside.

If you let your human ways take the wheel in 2017, take a beat and get your ducks in a row before you start the filing process. Gather your invoices, deductions and anything else that your accountant or tax management system may need – including your last tax return (lost a copy? Don't fret — you can get a free transcript). Then, triple check the forms you need to send to others and fill out for yourself. The Internal Revenue Service (IRS) has a handy guide here.

3. Take stock of changes from the IRS

While recent tax reform changes won't affect us until spring 2019 (they didn't take effect until fiscal year 2018), there are a few changes to the filing and return process to keep in mind. For example, standard deductions rose to $6,350 for single filers, $9,350 for head of household, and $12,700 for joint married filers, according to Turbo Tax.

What's more? Maximum income tax credits have also rise, as have annual Health Savings Account deductible amounts. (Maybe we will see some tax breaks this year after all?) Plus, the IRS is subsequently cracking down on financial disclosure, particularly from foreign holdings, and has also added additional tax brackets.

4. Beware of form frauds

Unfortunately, with a high dependence on technology comes a greater potential for scams. This year, the IRS issued a warning about phishing emails, particularly surround W-2 forms. While this is the only form currently with a security alert, its not impossible that other forms could open you up to cybercriminals as well.

If you both freelanced AND worked a fulltime job this year – or are expecting a W-2 form for any reason – keep an eye out for friendly emails that eventually ask for private information or wire transfers (I know, it sounds crazy – but you'd be shocked how often this works!). See something phish-y in your inbox? Inform the IRS by notifying phishing@irs.gov. If you accidentally respond to a fraudulent tax form or email, contact dataloss@irs.gov with the subject line "W2 Data Loss."

5. Mark your calendars

Tax season is marked by a myriad of dates, and its best to put them all on your calendar so you aren't scrambling to submit last-minute.

- January 29: This is the first day you can submit your tax return to the IRS.
- January 31: All forms must be sent to employees by this date. This includes W-2s and 1099 forms.
- April 17: This is the big kahuna, aka the filing deadline. Payment must be sent at this time – including payment for those who requested an extension until October. Any payment received after April 18 may be subject to a late fee or interest charge.

In addition to these dates, remember that your refund won't be immediate. While most federal returns are issued within 21 days (this is also faster when you opt for direct deposit instead of physical check) you may have to wait up to four to six weeks to see your sweet, sweet payment.

Conclusion

While tax season has a lot of moving parts, knocking out your tax return and maximizing your deduction can be quite simple, so long as you remember a few key points.

- Gather your invoices, forms, and previous tax return before getting started.
- Understand the type of business or employee you'll be filing as.
- Take note of any changes made to tax brackets, filing processes, or overarching rules, then be sure to follow them to avoid auditing.
- Beware of scams and phishing emails to protect your identity and tax refund.
- Mark all important dates on your calendar so you don't miss any important deadlines, which will keep you safe from unnecessary fees.

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