

6 Simple Tax Tips for the Self Employed

Written by Arizona Foothills Magazine



The freedom and independence that come with working for yourself do not come without some obstacles. On one hand, you have the liberation of being free from the sometimes confining stipulations set forth by the corporate world, but on the other, you're wholly responsible for managing the inner workings of your business on your own – including things like paying taxes.

In order to file your business taxes appropriately, you must have a full understanding of tax laws and accurate financial records to make the filing process easy. Here are a few tax tips that should help make filing your 2015 returns a lot easier:

1. Keep Personal and Professional Finances Separate

Don't make the mistake of mixing "business with pleasure" when it comes to your finances. Though you work for yourself and may have no other employees to pay a salary to, your personal financial transactions should remain separate from your business finances. As a self-employed tax payer, you should have separate budgets, checking/savings accounts, and expenses.

Keeping these records separate makes it easier to calculate your company's earnings, expenses, and potential areas for tax credits and deductions. Should the IRS ever decide to audit you, having separate records of personal and company finances can prove beneficial.

2. Automate Your Accounting Needs

If you're still keeping receipts in a shoebox or recording your expenses in a spiral notebook, it is time to automate your accounting system. The right accounting software can provide services such as linking to your company checking accounts, generating expense reports and scheduling payroll deductions, along with providing information on tax regulations such as the payroll tax tool, [MasterTax Tax Compliance Software](#). Automating your accounting system is not only a time saver, but it can save you a great deal of money as it leaves less room for human error.

3. Don't Forget to Deduct Office Space

Most self-employed tax payers aren't aware that they can in fact receive a deduction in their businesses taxes for office space. The percentage of your home (and utilities) that goes towards the operation of your business can be claimed as a business expense on your taxes. When determining deductions however, be sure that you're accurate in your percentages. For instance, you can't deduct your entire energy bill, but you may be able to deduct 10% each month if that much energy is being used during the course of working hours.

4. Track Company Expenses

It is imperative to keep any receipts in which you purchased something for your business. Maintaining good records will be imperative if you want to see a savings on your taxes this year. Any purchases that might include office supplies, business travel, postage, internet service, computer maintenance, software, and so on should be accurately recorded.

Scanning receipts to a filing system is a great way to ensure that you don't lose these important documents. As for online transactions, save the receipt to your computer's hard drive so that they're easy to locate when you're ready to file.

5. Increasing Expenses if Necessary

Trying to stay within a certain tax bracket? Well if you're nearing the end of the year and want to save on your taxes, you can make some purchases before the end of the year to increase the amount of deductions you'll receive for company expenses. Maybe you're in need of new accounting software that you were going to buy next year, or you need a new office chair? Whatever the case is, you'll need to purchase and record it before December 31st to receive the deduction.

6. Start a Retirement Account

[According to the IRS](#), you could deposit as much as 25% of your income into a retirement account. In saving for your future, this will lower your overall income and place you in a lower tax bracket.

If this is your first time filing taxes as self employed, you may want to look to financial accountants and/or software for assistance. Unlike working for someone else, you're responsible for paying the employer and employee taxes to the federal and local government. To minimize the potential of an audit and increase your potential for savings, utilizing systems such as the ones described above and working with a tax professional will surely making filing a lot easier to comprehend.