

# Paper-Based Filing System for Tax Records

## 1. Income Records (ALL INCOME MUST BE TRACEABLE)

- Bank Statements
- Mark BUSINESS Deposits with B; Mark PERSONAL Deposits with B
- Provide detailed explanation of OTHER deposits marked with an O

## 2. Business Expenses Paid with Business Funds

- This is the heart of the filing system for “receipts” and due the numerous records that could accumulate in the category, file folders for each month January through December might be most appropriate, rather than a “shoe box” for all of them.
- This also means detailed invoices for telephones and cell phones -- you will need the itemization of every call made.
- On every receipt, mark how it was paid: by cash, by check or by credit card.
- On every receipt, mark exactly what the item is to be used for if it is not readily clear and apparent to an outside party, like an auditor!
  - a. Reasonably apparent: itemized receipt from Office Depot
  - b. Not apparent: receipt from John Doe for \$450 for services rendered

## 3. Business Expenses Paid with Personal Funds

- For example, any business item paid for with your own personal cash.
- Suggestion: total up the receipts monthly and reimburse yourself with a business check deposited to your personal account... this puts the cash transactions on the books of your business and keeps a clear distinction between business & personal funds.

## 4. Business Use of the Home (Home Office)

- Floor-plan schematic with dimensions of rooms for square footage determination
- Receipts for Mortgage Interest, Real Estate Taxes, Rental receipts for apartment/condo/duplex/home, Repairs and Maintenance, Utilities (all), Insurance (Homeowners, PMI, Umbrella), and Other Expenses (Carpet Cleaning, Lawn and Landscape, Maid Service, and Pest Control).

## 5. Vehicle Expenses (KEEP A SEPARATE FILE FOR EACH VEHICLE)

- Vehicle Mileage Logbook
- Receipts for Vehicle Insurance, Washing/Detailing, Fuel/Gasoline, License and Inspection, Maintenance and Repairs, Parking and Tolls, Tires/Batteries.

## 6. Payrolls Records

- Timesheets for Employees
- Comparative summaries and correspondence
- Payroll Tax Forms and Reports

## 7. Business Equipment Records (KEEP SEPARATE FROM ANNUAL RECORDS)

- Receipts for all furniture, equipment and tools purchased during the year
- Receipts for all furniture, equipment and tools converted from personal use to business use at fair market value at that time (but not higher than the original purchase price).