PROGRAM M TAX & FINANCIAL

Small-Business Recordkeeping Quick Guide

Simple habits that keep your books audit-ready year-round

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1. Separate business and personal money

Use a dedicated business bank account and card for every business transaction, even as a sole proprietor. Mixing personal and business spending is the single most common reason small-business records become difficult to reconstruct at tax time.

2. Pick a simple system and use it consistently

This can be bookkeeping software, a spreadsheet, or even a dedicated notebook — the best system is the one you'll actually keep up with. Update it weekly rather than trying to reconstruct a year of activity in April.

3. Common expense categories to track

- [ ] Advertising and marketing
- [ ] Contract labor / subcontractors
- [ ] Insurance (business-related)
- [ ] Office supplies and software subscriptions
- [ ] Rent or home-office costs
- [ ] Travel, meals, and mileage (business portion only)
- [ ] Equipment and depreciable assets
- [ ] Professional fees (legal, tax preparation, licensing)
- [ ] Utilities and phone/internet (business portion only)

4. Keep supporting documents, not just totals

A total in a spreadsheet is a starting point, not proof. Keep receipts, invoices, and bank/card statements that back up what you're claiming. Digital photos or scans of paper receipts are generally sufficient — the goal is that each number in your books can be traced back to something.

5. Reconcile monthly

Once a month, compare your books to your actual bank and card statements. This catches errors and missing transactions while they're easy to fix, instead of discovering a full year of discrepancies at once.

6. Track estimated tax payments

If you expect to owe self-employment or business tax, keep a running record of any quarterly estimated payments you make, including the date, amount, and confirmation number. This prevents both missed payments and duplicate ones.

7. Know your retention timeline

As a general practice, most tax-related business records are kept for at least three years after filing, and longer for records related to property, equipment, or any year where income was significantly underreported. When in unsure, keep it — storage is cheaper than reconstruction.

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