

## FROM THE OFFICES OF...

### Andrea R. Hill, CPA

4900 California Ave., #B-210

Bakersfield, CA 93309

Phone: 661-377-1879

Email: ahill@arhillcpa.com

The QuickBooks® Client Newsletter

# The QBC

Helping You Grow A Profitable Business with QuickBooks® Software

February 2010

## Getting QuickBooks Ready for Tax Preparation

Seems like you just finished doing your taxes, and here they come again. Whether you prepare them yourselves, hand them off to an accounting professional, or send data to a tax preparation product, QuickBooks can help you get ready.

Here's how. This is not a comprehensive list of tasks you'll need to undertake to prepare for taxes. Rather, it's an overview of QuickBooks' most tax-specific tools. QuickBooks supports many business tax forms, including the 1040, 1120, and 1065, and the steps outlined here apply to all small business tax filers using QuickBooks Pro, Premier, and Enterprise.

### Order Your Kits

If you haven't already (and you should have), order your W-2 and 1099 Kits. These forms must be filed at the beginning of each year; they report employee wages and salaries to Federal, state, and local agencies. Data is printed directly from QuickBooks onto the correct line in the forms. You can purchase these kits (shown in **Figure 1**) directly from Intuit, and you must have a Standard Payroll or Enhanced Payroll subscription in a supported version to process them.

### Make Sure You Have the Right Form

Check the Company Information window to make sure it reflects the right tax form. This is crucial no matter who is preparing your taxes. You should have been thinking ahead to tax time when you set up your company in

QuickBooks, but you can take this step prior to starting your prep.

Make sure you've specified the appropriate tax form for use in QuickBooks. Go to **Company|Company Information**, as shown in **Figure 2**. At the bottom of the window, find the **Income Tax Form Used** line, and make sure it's set to the correct form.

In this same window, check the fiscal year dates to make sure they're correct, and that other tax-related fields are filled out accurately.



**Figure 1:** Intuit sells kits that help you print QuickBooks tax data directly on the correct forms.



The expertise and experience of a large firm without the price tag.  
Put our over 20 years of experience to work for you!

## Check Your Assignments

Make sure your tax-related accounts are assigned to the correct tax line on the form. If you used the EasyStep interview for setup, QuickBooks automatically assigned some accounts to the correct tax line. You can change these at any time, and add your own accounts. This Tax-Line Mapping will be important down the road if you export data to an Intuit tax product and/or run tax reports.

**Warning:** Altering the Chart of Accounts is a precise operation, and affects many parts of QuickBooks. You may want to consult with an accounting professional.

Legal Information (Appears on payroll tax forms)

Legal Name: Los Altos Construction Company

Legal Address: 555 Pine Street

City/State/ZIP: Los Altos CA 94022

Legal Country: US

Report Information

First month in your:

Fiscal Year: January Tax Year: January

Income Tax Form Used: Form 1040 (Sole Proprietor)

**Figure 2:** On the Company Information window, be sure that the Income Tax Form Used line is pointing at the correct form.

Account Type: Expense

Account Name: Interest Expense

Subaccount of: [Empty]

Optional

Description: Interest payments on business loans, credit card balances, or other business debt

Note: [Empty]

Tax-Line Mapping: Schedule C: Interest expe... [How do I choose the right tax line?](#)

**Figure 3:** QuickBooks lets you do Tax-Line Mapping, which specifies the relationship between accounts and tax form lines.

Click **Lists|Chart of Accounts**. Select an account, like Interest Expense, and right-click on it. Click **Edit Account**, and the window shown in **Figure 3** appears.

If you want to change the tax line, click the arrow to the right of the current selection and choose the correct one from the drop-down list. To add an account, click **Lists|Chart of Accounts**. In the bottom left of the screen, click the arrow in the **Account** button. Click **New**, and follow the instructions in the wizard that opens.

## Run tax-related reports

QuickBooks provides three reports that you'll need whether you or your accountant is preparing your taxes. To find them, click **Reports|Accountant & Taxes**.

The first report is the *Income Tax Preparation Report*. This lays out a list of your accounts and the tax line each is assigned to. If any that need to be assigned are unassigned, double-click on them to get to the Tax-Line Mapping window, as shown in **Figure 4**.

Two other reports are available: *Income Tax Summary* and *Income Tax Detail*, which are just what they sound like. They provide detailed and summarized lists of transactions and their totals. You can drill down on these to see the underlying transactions.

**Warning:** When you run *Income Tax Summary*, look for a line that says Tax Line Unassigned (income/expense). Double-click on any total there to see accounts that need to be assigned to a tax line, as shown here in **Figure 5**.

Subcontracted Services	Cost of Goods Sold	Schedule C: Labor, cost of goods
Advertising and Promotion	Expense	Schedule C: Advertising
Automobile Expense	Expense	Schedule C: Car and truck expenses
Bank Service Charges	Expense	Schedule C: Other business expenses
Computer and Internet Expens...	Expense	Schedule C: Other business expenses
Depreciation Expense	Expense	<Unassigned>
Dues and Subscriptions	Expense	Schedule C: Other business expenses
Equipment Rental	Expense	Schedule C: Rent/lease vehicles, equip.
Insurance Expense	Expense	Schedule C: Insurance, other than health
Interest Expense	Expense	Schedule C: Interest expense, other
Meals and Entertainment	Expense	Schedule C: Meals and entertainment
Office Supplies	Expense	Schedule C: Office expenses
Payroll Expenses	Expense	Schedule C: Wages paid
Postage and Delivery	Expense	Schedule C: Other business expenses
Professional Fees	Expense	Schedule C: Legal and professional fees
Rent Expense	Expense	Schedule C: Rent/lease other bus. prop.
Repairs and Maintenance	Expense	Schedule C: Repairs and maintenance
Telephone Expense	Expense	Schedule C: Utilities
Travel Expense	Expense	Schedule C: Travel
Utilities	Expense	Schedule C: Utilities

**Figure 4:** The Tax Preparation Report illustrates how your accounts have been assigned to tax form line items.

QuickBooks lets you modify these reports to include additional columns, and memorize them for easy access later. Click the **Modify Report** and **Memorize** buttons in the upper left corner to do so.

You can't avoid taxes, but you can sure take a lot of the pain out of their preparation by using QuickBooks throughout the year to get ready. And you may get a smile out of your accountant when you hand over your carefully created records.

<b>Los Altos Day Spa</b>	
<b>Income Tax Summary</b>	
<b>As of December 31, 2009</b>	
◇ <u>Dec 31, 09</u> ◇	
<b>Schedule C</b>	
<b>Other business income</b>	78,429.77
<b>Tax Line Unassigned (balance sheet)</b>	212,890.66
<b>Tax Line Unassigned (income/expense) ▶</b>	160.00 ◀

**Figure 5:** You can quickly check your accounts in the Income Tax Summary.

**From  
The  
Offices  
Of:**



**Andrea R. Hill, CPA**  
4900 California Ave., #B-210  
Bakersfield, CA 93309

Phone: 661-377-1879

Email: [ahill@arhillcpa.com](mailto:ahill@arhillcpa.com)