

Accounting Best Practices

By Christine DeSimon, CPA
EFPR Group, CPAs, PLLC

“The hardest thing in the world to understand is the income tax.” — Albert Einstein

A little about me

- ▶ Certified Public Accountant
- ▶ Supervisor at EFPR Group, CPAs, PLLC
- ▶ 4 years of small business tax work
- ▶ Wine industry team
- ▶ QuickBooks ProAdvisor

What are we talking about?

- ▶ We'll cover some tips and advice regarding best practices
- ▶ Address a couple hot button topics
- ▶ What do you want to know?
 - Ask questions as we go

Starting A Business

- ▶ What does it take?
 - A lot of paperwork and figuring out the right steps
 - Do your research
 - Have a business advisor

Business Advisor

- ▶ Someone in the industry that can:
 - Answer questions
 - Tell you what steps need to be taken (and when)
 - Refer you to helpful resources
 - Inform you of important deadlines (tax and legal filings)

Record keeping

- ▶ Don't underestimate this area
- ▶ Records should be:
 - Detailed (each and every transaction accounted for)
 - Accurate (reconcile your accounts)
 - Timely (don't let this build up so you have to catch up)

Record keeping (continued)

- ▶ Why so much detail?
 - The more you put into your record keeping, the more you get out of it
 - We call it “garbage in, garbage out”
 - If you don’t put much effort into it, you won’t get a lot out of it
 - You want to be able to run reports and see the true financial health of your business
 - You also want to be able to respond to any audit requests (worker’s comp, tax, etc.)

Record keeping (continued)

- ▶ No one is perfect:
 - However, there are many tools that help ensure your records are accurate
 - Reconcile your bank accounts (this is a must!)
 - Keep a separate business account – avoid mixing personal and business transactions and accounts
 - Reconciling credit cards is highly recommended

Record keeping (continued)

- ▶ Time is of the essence!
 - If you let your record keeping fall behind and get away from you, you face many challenges:
 - Trying to remember details of transactions from the past
 - Finding the time to get caught up – it gets overwhelming
 - Not being able to run a quick report to see your P&L, Balance Sheet, Cash Flows, etc. to help you analyze your business

Poll question

- ▶ What type of software are you currently using for bookkeeping/recordkeeping?
 - QuickBooks
 - Excel
 - Sage 50
 - Quicken
 - Cloud-based (QBO, Xero)
 - Other
 - Nothing (shame on you!)

Bookkeeping software

- ▶ Many of them are perfectly adequate
- ▶ I can speak mostly about QuickBooks because it is so commonly used:
 - It is affordable
 - The average user can do a lot with it
 - It is “dangerous” because it can easily become overcomplicated with many bells and whistles built in

Bookkeeping software (con't.)

- ▶ QuickBooks offers an online (cloud-based) feature
- ▶ This means you can access your file anywhere, from laptop or tablet
- ▶ It also means your accountant can easily access your information (i.e. you don't need to send a back up file via email or flash drive)
- ▶ Automatically links to bank and credit card accounts
- ▶ Many of my clients use this software

Bookkeeping software (con't.)

- ▶ I don't recommend tracking inventory via QuickBooks – at least not for this industry
- ▶ Other software is available that is better designed for inventory tracking

Cash Flow

- ▶ This takes some planning and business know-how
- ▶ When will your cash go out?
 - Typically, there is a lot more cash outflow when getting started
- ▶ When will your cash come in?
 - It can take a while to start seeing income from your efforts, you need to have a product to sell first, right?

Kegs & Cash Flow

- ▶ Do you plan to distribute kegs to restaurants and bars?
- ▶ Kegs are a large expense and the empties often don't come back
- ▶ These are difficult to track

Kegs & Cash Flow (con't.)

- ▶ Additionally, selling kegs directly to bars and restaurants – even though state law states you'll get paid in 30 days that is often not the case
- ▶ In self-distribution model you'll usually be the smallest person, the bigger distributors get paid first

Employees vs. Independent Contractors

- ▶ Assuming you'll need help – or maybe you can do it all yourself?
- ▶ Are you hiring workers?
- ▶ Are they employees or independent contractors?

Employee

- ▶ An employee/employer relationship has some of the following characteristics:
 - Continued employment/ongoing relationship
 - Employer offers benefits such as health insurance, retirement plan participation
 - Employer pays a portion of the taxes (Social Security, Medicare)
 - Taxes are required to be withheld from wages
 - Employer issues a W-2 for their wages and withholdings

Independent Contractor

- ▶ An independent contractor has **some** of the following characteristics:
 - They provide services for more than one business
 - Business issues a 1099 for services over \$600 (in calendar year)
 - Business does not withhold any taxes or offer any benefits
 - They pay their own insurance expenses
 - A contract is signed indicating terms of relationship

Tax forms

▶ Employees

- W-2's are issued to employees

▶ Independent contractors

- 1099's are issued to contractors that provide services
- Not necessary if you don't pay them \$600 or more
- Issued to individuals, sole proprietors, LLC's and partnerships
- Not issued to corporations
- To gather the information you need, have them complete a W-9 (gets their official name, address and ID number)

Why should I be concerned?

- ▶ The IRS and NYS are looking to catch businesses mistakenly treating workers as independent contractors instead of employees
- ▶ There are penalties for improperly classifying workers
- ▶ The IRS has a 20 (20!) point checklist to assist you in determining if your workers are employees or independent contractors

Workers' Compensation

- ▶ This is a state-mandated insurance program
- ▶ Insurance that provides cash benefits and/or medical care for workers who are injured or become ill as a direct result of their job.
- ▶ Virtually all employers in NYS must provide workers' compensation coverage for their employees

Workers' Compensation (con't)

- ▶ Per NYS Workers' Compensation Board:
 - “For workers' compensation insurance purposes, the term employee generally includes day labor, leased employees, borrowed employees, part-time employees, unpaid volunteers (including family members) and most subcontractors (specific exclusions for Independent Contractors).”

Workers' Compensation Audits

- ▶ The state conducts these audits to ensure you have adequate coverage for the work you are doing
- ▶ If your coverage is not sufficient, you may have to come up with the funds to pay into the insurance system
- ▶ This can hit at a lean time

Federal and State taxes

- ▶ Make sure you are aware of all deadlines
 - Are you a corporation? A partnership? Sole proprietor?
 - When is the Federal tax deadline for your entity type?
 - When is the state tax deadline?
 - Are there tax filings more than once a year?
 - Short answer – often yes!

Federal and State taxes (con't)

- ▶ My advice is to consult with your business advisor or accountant to talk through all aspects of your entity structure and determine all of the required filings
- ▶ Then make sure you have everything on your calendar
- ▶ Make sure you know when your accountant will need your information to complete your tax returns

Beer production credit

- ▶ You're entitled to this refundable credit if you or your business:
 - is a registered distributor under Article 18 of the Tax Law (taxes on alcoholic beverages); and
- ▶ produce 60,000,000 or fewer gallons of beer in New York State in the tax year the credit is claimed.
- ▶ You claim this credit when filing your NY tax return (make sure your accountant is claiming this for you if you qualify)

Beer production credit (con't)

- ▶ Who is a registered distributor under Article 18 of the Tax Law?
- ▶ Visit this link:
 - https://www.tax.ny.gov/pubs_and_bulls/tg_bulletins/abt/do_i_have_to_register.htm

Beer production credit (con't.)

- ▶ How much is the credit?
 - the credit is equal to 14 cents per gallon for the first 500,000 gallons produced in New York State in a tax year, plus
 - 4.5 cents per gallon for each additional gallon over 500,000 (up to 15,000,000 additional gallons) produced in New York State in the same tax year.

Beer production credit (con't.)

- ▶ Let's do some math:
- ▶ Example: 600,000 gallons produced
- ▶ \$0.14 for first 500,000 gallons = \$70,000
- ▶ \$0.045 for extra 100,000 gallons = \$4,500
- ▶ Total credit: **\$74,500.00**

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Contact me:

- ▶ Email: cdesimon@efprgroup.com
- ▶ Phone: 585-295-0523