



2009 Business Tax Organizer
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Pavlik Assoc., LLC Was Voted One of Cecil County's Favorite Accounting Firms for 2009!

This **2009** Tax Organizer contains important information that can reduce your taxes. There are over 200 tax saving opportunities included here! Please take a little time to look it over to see if anything applies to you. To make it easier, just review the section headings. **If a section does not apply to you, simply check the N/A box.**

Getting to Our Office



Preparing for your Tax Appointment

Here is how you can best prepare for your tax appointment:

- Bring all Tax Documents
- Review and sign the work agreement on the last page
- Complete the organizer as best you can. There are many tax saving opportunities enclosed

Feel free to call if you have any questions, or if you need to change your appointment date or time. *We especially appreciate it when you take the time to make a referral or recommend us.*

Looking forward to helping you with your taxes,

Christine Pavlik, CPA



With the continuing shortfall in revenues in Washington, IRS audits and notices are on the rise.

In the event that you are selected for an audit, Christine Pavlik, CPA is there to help. I provide an audit protection plan that is designed to help guide you through the audit process, up through and including my personal representation at audit. You will **NEVER** have to meet directly with the IRS. With my extensive experience in tax preparation and planning, you can have confidence that you will get through the IRS Audit process as easily as possible. Although I will aggressively represent you, **I make no GUARANTEE**, as the final outcome will be determined based upon the documentation provided, with the decision being rendered by the Internal Revenue Service.

Maximum Coverage – Minimum Cost

Expenses for preparing for an audit, audit representation and notice research are expensive and can add up quickly. My minimum fee for audit representation begins at \$1,500. For a minimal onetime fee, you can easily save thousands of dollars in defending yourself at an audit.

The Pavlik Assoc., LLC. Worry Free Guarantee includes all of the following for the **2009** tax year:

- **No Stress IRS and One State Audit** (We do everything... you stay home)
 - If your 2009 individual income tax return is selected for audit, we will do the talking with the IRS. Give us the notice as soon as you get it (fax, mail or drop it off).
 - Audit Protection is provided in the amount of \$1,500. If the audit is more complex and fees are expected to exceed \$1,500, a fixed fee quote will be made for additional time incurred.
 - We will handle all communications with the IRS including letters and telephone calls
 - Our office will develop a defense strategy to help us achieve the best possible outcome.
 - We will provide guidance to help you compile the necessary information and in the required format that will be needed to successfully represent you at audit. No accounting work will be performed. This can be arranged for an additional fee, if desired.
 - Personally represent you at audit.
- **No hassle IRS and State Notices** (Give us the notice and we'll do the research)
 - With the increase in IRS checking this year comes the assurance of more nasty IRS letters. Have you ever gotten one of these? If not, consider yourself lucky. These notices **MUST** be responded to in a timely manner or else the IRS will bill you for any additional taxes, penalties and interest they think you owe.
- **60 Minutes of free phone consultation** – mix it up however you want; 15 minutes 4 times a year, or 30 minutes twice a year, it's up to you. Just schedule the time through our appointment desk.

If you choose not to participate in this program, our billable rates will be as follows:

- Audit rates start at \$1,500 retainer (minimum)
- IRS notices and correspondence - \$185 - \$225 per correspondence (of course there is no charge if it is our mistake)
- State notices and Head of Household audit letters - \$185 per correspondence (of course there is no charge if it is our mistake).
- Phone consultations - \$185 an hour with a 15 minute minimum.
- Additional copies of tax returns - \$25 (\$10 for faxed or emailed copies).

The total savings for this program is \$2,129.

The program fee is payable at the time of your preparation. The phone consultations are for the year during which the fee is paid. The audit fee and letter answering are for the current year only and covers that tax year for three years following the date the return was filed. If coverage is desired for subsequent years, coverage may be purchased in those years. There is **no guarantee of any result** when providing IRS Representation services. The better the documentation that is provided to substantiate your tax return, the better the results will be.

(This charge will appear on your bill and is based on certain schedules in your return. If you do not wish to participate in this program, please tell the receptionist and we will be happy to adjust your bill).

The Preliminaries..._____
Company Name_____
Year End_____
Your Name_____
Phone #_____
Email Address_____
Current Address (to be used on tax return)_____
City, State, Zip_____
Person who keeps the books_____
Their work phone_____
Their email address**For New Clients Only**

Please provide these documents, if applicable:

- Incorporation/Formation papers
- Tax returns for prior 3 years
- Depreciation schedule from last year
- State Corporate annual report
- Names, titles, addresses & social security numbers for all officers and over 5% owners

How is this entity taxed?

- Partnership
- S Corp
- C-Corp
- Unknown but it's too high

If it's an LLC, it can elect to be taxed as any one of the above. There are tax breaks if you choose the right entity. Ask us if you want more information

- Please discuss this with us.

For All Clients

Please provide these documents:

- Income statement for the year: Print from your computer, or if needed, we have a form you can use.
- Balance Sheet at year end: Print from your computer, or if needed, we have a form you can use.
- List of major assets purchased including date, description and cost
- List of major assets disposed of during the year including date, description, how disposed of, proceeds received and, if traded in, details.
- A detail of all tax expense accounts and any estimated taxes paid
- Form 941, Quarterly payroll tax report for each quarter of the year
- Brokerage statements for any investment accounts

Y/N

- Have all 1099's been issued? Required to be issued to any non-corporate recipient of over \$600 in the year.
- Do you have supporting documentation for all expenditures?
- Are you using an "accountable plan" to reimburse employees and owners for business expenses they incur?
- If taxed as an S-Corp, are all active shareholders taking a reasonable salary?
- Do you have a current back up of all accounting computer files? Regular making backups? Ever tested them?
- Do you have a business plan, including a sales forecast, marketing plan, budget and cash flow analysis?
(Really important in the current economy! We can help!)

Please review the pages which follow. Many of these things will not apply to you. However, you may notice something that could save you substantial taxes in the current or future years. Remember, this form is designed to be used by both large and small businesses alike.

Again: some of this may be over-kill, but we don't want to miss any tax advantages!!

Tests of the Accounting Records

You can save tax prep fees and ensure a more accurate return by doing these “tests” on the financial statements:

Warning: these steps are for accounting-minded only. Don’t be concerned if you don’t feel up to doing these, we’re happy to do them for you.

Y/N/X (X=need help)

- Did you reconcile the bank accounts at year end?
- Does the amount shown as cash on the balance sheet reconcile to the bank?
- Is the amount of petty cash or cash-in-drawer correct?
- Did you take a physical inventory of goods on hand at year end?
- Is the amount shown for inventory equal to the cost of your inventory on hand at year end?
- Do you have an accurate aging (detail) of accounts receivable at year end?
- Are there some receivable adjustments that need to be made? (Uncollectible/negative balances, etc.)
- Is the amount shown as A/R on the balance sheet equal to the A/R aging?
- Do you have a list of any other receivables shown on the balance sheet and are they accurate?
- Are there any “prepaid” items at year end (expenditures which have a “benefit” that extends over a year beyond the year-end date?)
- Do you have an analysis of all fixed assets (building, equipment, furniture, vehicles)?
- Is the amount shown for A/P correct?
- Is the amount shown for payroll taxes payable correct? (agrees to payments made after year-end)
- Is the amount shown for sales tax payable correct? (agrees to amounts due and paid after year-end)
- Are the amounts shown for Notes Payable or Loan Payables correct? (agreed to statements from the lenders, such as bank or finance company)
- Have entries been made to reflect amounts owed for 401(k), Pensions Plan or other employee benefits?
- Is there an “opening balance equity” account on the balance sheet in the equity section? Do you have an analysis of this account?
- Are there corrections needed to be made to correctly state any account balance at year end?
- Are you aware of whether you have good “internal controls” to prevent errors and losses?
- Have you asked us about any account that doesn’t make sense?
- Were all prior year accounting adjustments entered?

Please look at your income statement

- Does the amount shown for sales appear to be correct? (agrees to cash register, sales records, etc.)
- Is the gross profit percentage appropriate?
- Do the expense accounts appear correct compared to last year?
- Does the amount of wages agree to the totals from the Federal form 941 forms?
- Is the amount of payroll tax expense equal to employer’s FICA, FUTA and state unemployment?
- Are personal (owners’) items segregated and identified, such as:
 - Medical insurance premiums paid
 - Draws or payments for personal items
 - Life Insurance
 - Disability insurance
 - Auto use
- Is there any charity expense on the income statement, has it been analyzed to see if amounts should be re-classified to advertising and promotion instead?
- Is the amount of interest expense on loans owed banks correct?
- Is the amount of interest expense on loans from owner shown?
- Is the amount of interest income from investments/ savings properly shown?
- Is the amount of interest income from loans to owners shown?
- Has depreciation and amortization been recorded?
- Has gain or loss on disposal of Property, Plant & Equipment been recorded?
- Has gain or loss on sale or disposal of other assets (such as investments) been recorded?
- Has the current year pension plan expense been recorded?

List of Important Items! Check (if any apply) and supply details:

- Letters received from the IRS (please bring)
- Audit or Tax notice received (bring)
- Prior year's returns need to be amended
- Changed states in which company operates
- Theft loss occurred during the year
- Casualty loss occurred during the year
- Abandonment of business assets
- Foreclosure
- Bankruptcy now or pending
- Compromise of loan or indebtedness
- Legal matters (lawsuit, etc.) during year
- Other matters that we should be aware of:

- Overdue Payroll taxes or some returns not filed
- Overdue sales tax, or some returns not filed
- Overdue property taxes, or returns not filed
- Receivables factored or pledged
- Forgot to issue 1099's to independent contractors
- New venture or business segment
- Foreign Income, bank account or trust
- Ownership/beneficial interest in foreign account
- Change in accounting method
- Discovery of accounting error
- Internal control lapse or weakness in systems
- None of these applied this year**

Warning: New penalties apply to returns filed late: up to \$86/month per K-1 (for a 5 member K-1 return, this could be up to \$5,160)

Automobiles

The IRS is very interested in personal use of company vehicles. If your business has company owned vehicles, it is imperative that personal use/commuting use not be deducted as part of auto expense. Avoid problems by having personal use reimbursed by those using company owned vehicles.

Auto # →	1	2	3
Vehicle Cost			
Cost			
Date put in service			
Date out of service			
Business miles driven in yr			
Commuting miles in yr			
Other miles driven			
Total miles driven in yr			
Expenses:			

Suggestion: the best way to handle autos is to reimburse employees and owners for the business use of their personal autos. The mileage rate is 50cents/mi for 2009!

Important: The IRS requires that adequate business records be kept to substantiate business use of vehicles such as automobiles.

- [] Adequate records are maintained, such as an appointment book showing the mileage total from each day. (It is not necessary to keep a record of the beginning and ending mileage for each day.)
- [] Records substantiating total mileage on the automobile are kept (such as a repair receipt from the beginning of the year and end of the year).
- [] A flat auto allowance paid to employees is taxable as income, including payroll taxes.

Tax Saving Opportunities

Here are some areas in which you can save on taxes. Credits are direct offsets against tax, and thus are more valuable than deductions! If any of these seem to apply to you, check with us for details:

- 50% Bonus depreciation on fixed assets
- Credit for fuels used off-highway (such as airplanes, tractors, generators, etc.)
- Solar energy credit - 30% of the cost of solar energy property (solar cell power)
- Energy efficient home credit for homebuilders - up to \$2,000 per home
- Deduction for making buildings energy efficient- up to \$1.80/sq. ft. of costs
- Credit of 20% of the increase in research expense over prior year
- Work opportunity credit - if you hire from specific targeted groups- up to \$4,000 per employee
- Disabled access credit of 50% of expenses to make your business disabled-access friendly (max \$5,000)
- Employer tip credit - for restaurants or any business in which workers receive and report tips.
- Employer provided child care facilities - Credit of 25% of cost of facilities, or care provided
- Historical rehabilitation credit - for renovating old buildings - credit for up to 20% of the costs.
- Empowerment zone and renewal community credit - up to \$3,000 credit per employee.
- Pension start-up credit: 50% of the first \$1,000 spent to establish or administer a pension plan in the year of starting the plan and for the two subsequent years. Maximum credit is \$500 per year.
- Domestic production deduction: an additional tax deduction of 6% of income from manufacturing, fabrication, agriculture, and mining activities conducted in the US. Many businesses can qualify.
- HSA plans

Deductions You Don't Want to Miss

Accounting	Employee benefits	Professional fees	Seminars
Advertising	Entertainment	Printing	Shipping
Alarm system	Equipment	Postage	Stationary
Answering service	Fees	Permits	Storage
Bank charges	Freight	Parking	Subscriptions
Cash short	Gas & Oil	Outside Services	Supplies
Cleaning	Gifts	Office Supplies	Taxes
Commissions	Insurance	Miscellaneous	Telephone
Consulting	Interest on loans	Meetings	Tools
Conventions	Interest on credit cards	Management fees	Travel
Data processing	Janitorial	Promotion	Utilities
Delivery	Laundry/uniforms	Publications	Wages
Depreciation	Legal	Rent/lease	
Dues	Licenses	Repairs	
Education	Maintenance	Security	

They key words to remember for deducting expenses: Ordinary and necessary for the production of income.

Accounting Records and Internal Controls

Accounting controls and good accounting records can prevent problems, identify opportunities and keep the tax people happy. We can provide you with an on-site “operational audit,” but here are a few things to consider:

- Do you have an “accountable plan” for reimbursement of expenses?
- Are your personal and business activities kept separate?
- Is the petty cash fund kept on an “imprest” basis (regularly reimbursed to original balance)?
- Do you entrust the complete recordkeeping to one “trusted” employee? (bad, bad idea)
- Are the duties of receiving cash and checks, depositing them and recording them handled by different people?
- Do you have an inventory (listing) of your equipment and other physical assets?
- Are all physical assets tagged or marked as property of the business?
- Do you have a procedure to require documentation, such as invoices, receipts, etc. before signing a check?
- Do you have amortization schedule for each loan and note payable?
- Do you take regular physical inventories of goods on hand?
- Are regular accounting reports prepared and compared to prior periods, with differences investigated?
- Do you have a business plan and budget (including a disaster plan and contingency plan)?
- Do you have a written employment agreement for each employee (including internet and phone use policy)?
- Does the company have an updated employee manual with rules and regulations?
- Do you require signed time reports before issuing paychecks?
- Are bank reconciliations prepared monthly, reviewed carefully by an owner, and all discrepancies resolves?
- Are accounts receivable and accounts payable listings (aging schedules) reviewed carefully on a regular basis?
- Do you have insurance to cover employee theft?
- Are blank checks and company credit cards safeguarded?
- Do you have a current back-up of all computer data files, tested and kept off premises?
- Is there a backup of all computer programs kept off premises?
- Is the computer system protected from hackers by firewalls and internet security device?
- Do all computers on premises have up-to-date virus and malware programs?
- Is there a regular procedure to update computer software, defrag hard disks, clean out junk files, etc?
- Are you familiar with the FTC regulations which affect your business (especially as it pertains to safeguarding confidential client/ customer data)?

Shareholders’ Loans

The IRS is afraid owners or officers will take “disguised compensation” out of their businesses in the form of loans. If you borrow money from your business, you must have a written note, a repayment schedule and pay “reasonable interest” to avoid their wrath.

Borrower Name	-----Loan Balances-----				Interest	
	Beginning	Advances	Paid Back	Ending	Rate	Amount Paid

➔ The company may have a problem with documentation of loans.

Owners and Officers- For new clients only

Name	Position	SS#	Percent Owned	W-2 Salary	Draws Paid	Dividends Paid*

*For corporations only

- ➔ If there was any change in ownership during the year, please provide details. For example, did a new owner invest, or was an existing owner bought out in whole or part?
- ➔ Were there any changes in officers or directors during the year?
- ➔ Was there any change in the governing instruments (Bylaws, Charter, Operating Agreement) that would have an impact upon this tax return? If so, please provide copies.
- ➔ Does this business own any part of another business, corporation or partnership? If so, we too need to know the details.
- ➔ If a corporation, please show the number of shares owned in the column entitled “percent owned” above

Interest & Dividend Income Received

Please provide all 1099 forms received, including mutual fund year-end reports. Even though exempt from tax, the IRS requires that you report non-taxable interest, such as that earned on municipal bonds, etc. **Bring all 1099's** received. If you are missing a 1099, call the payer for another copy.

See list attached

Capital Gains

Capital gains come from sales or redemptions of stocks, mutual funds, bonds, real estate or property. We need any 1099 forms, brokerage statements, or mutual fund statements. Many times the brokerage statements will contain this information. Please fill in the form below, bring your brokerage statements, or make a list. It is very important that we have the information shown in the column headings of the table below!

Brokerage statements attached See list attached Here's the information we need:

Description	Date Acquired	Cost or basis	Date Sold	Sales Proceeds

Stocks or securities became worthless, or securities became uncollectible.

Sale, Refinance or Purchase of Buildings or Land

Bring closing (settlement) statements for any real property refinanced, sold or purchased.

Business Estimated Taxes Paid for 2009 (Only for C-Corps)

Calendar Yr Business		Federal		Home State: _____		Other State: _____	
Quarter	Due Date	Date Paid	Amount	Date Paid	Amount	Date Paid	Amount
1 st 2009	4/15/09						
2 nd 2009	6/15/09						
3 rd 2009	9/15/09						
4 th 2009	1/15/10						
'09 Extension	3/15/10						

Did the business pay estimated taxes on behalf of the owners?

Did the business pay prior years taxes on behalf of the owners?

If either of the above apply, we need to know how these were recorded on the books (which account), a list of the amounts, to whom paid, dates, and the name of the owner to whom they apply.

Office-in-Home Deduction

The treatment of office in home deductions depends upon the form of business. It is very difficult to deduct an office in home deduction on an S-Corp or C-Corp. It is allowable as a deduction on an LLC taxed as a partnership, although it may be better to take the deduction on the individual 1040 tax return.

It is essential that we discuss home office deductions before finalizing the return.

	Home 1	Home 2
Total square footage		
Office use Sq. Ft.		
Expenses:		
House rent/lease payments		
Home mortgage interest		
Home property taxes		
House/yard maintenance, windows, etc.		
Repairs		
Home Insurance		
Utilities- Gas/water/electric trash, home phone, cable		
Association dues		

Requirements: an office in home must be used regularly and exclusively for business tasks not performed at another office. Keep a diagram and a picture as support in your files. Allowable for a rented or owned home.

Rental Income and Expense

Location and description: Attach separate sheets

Property 1: _____
 Rented all year- Number of days rented _____
 Personal use: _____ days
 If bought, sold or refinanced: bring escrow papers
 Additions/Improvements last year (description + costs)

Location and description: Attach separate sheets

Property 2: _____
 Rented all year- Number of days rented _____
 Personal use: _____ days
 If bought, sold or refinanced: bring escrow papers
 Additions/Improvements last year (description + costs)

	Prop #1	Prop #2
Revenues/ Rentals received		
Expenses:		
Revenues/ Rentals received		
Expenses:		
Advertising		
Association dues		
Accounting		
Auto Mileage to/from		
Cleaning/ maintenance		
Carpet cleaning		
Pest control		
Gardening/ yard		
Commissions		
Dues, Publications		
Insurance		
Interest on credit cards used		
For Rental expenses		
Legal/ Eviction costs		
Management fees		
Mortgage interest		
Office expense		
Repairs		
Plumbing		
Painting		
Roofing repairs		
Supplies		
Taxes- property & license		
Travel		
Utilities/ trash/ telephone		
Wages Paid		

Important Rental Considerations

For non-C-Corp ownership of rentals, there may be limitations on deductions. There are “at risk” and “active participation” rules. Owning rental property in a C-Corp is usually a very bad idea. Check with us!

I meet the “at risk” & “active participation” tests

Farm Income and Expense

Location of farm: _____

Crops: _____

Income:	
Sales of Livestock/ crops	
CCC Loans	
Other program payments	
Cost of goods sold	
Other Costs:	
Auto and truck	
Chemicals	
Custom hire	
Feed	
Fertilizer	
Insurance	
Interest	
Labor	
Management fees	
Seeds and plants	
Supplies	
Taxes	
Utilities	

Did you manage the farm?

2009 Client Information Sheet

Important Information

I understand that these time frames are not guaranteed and that if I am refused a Bonus or the IRS holds my refund for any reason, that I still owe Pavlik Assoc., LLC their fee and I will come in and pay in full immediately. I also understand that if my personal check is no good, and I do not make arrangements to pay, it will be turned over to the proper authorities in which I have to pay all court costs.

I have engaged your office to prepare my Individual Federal and State(s) income tax returns for the year ended December 31, 2008. In that regard I state to the best of my knowledge and belief:

1. I have provided true, correct and complete information regarding my income as listed on the attached W-2, 1099, and/or attached written summaries. I understand that it is my responsibility to provide all the information necessary to complete the returns. I will retain for 4 years all the documents, receipts, canceled checks and other records required to substantiate the items of income and expense claimed on my return.
2. I have provided true, correct and complete information regarding amounts I have provided to you to claim as tax deductions, and have maintained written documentation supporting all amounts, including logbooks and receipts. I understand that if a question arises regarding the interpretation of tax law, and a conflict exists between the tax authorities' interpretation of the law, and other supportable positions, that you will use your professional judgment in resolving issues.
3. I understand that taxing authorities may examine the returns, that documentation should be retained to support the information provided to you, especially business travel & entertainment deductions, business use % of autos and other assets, and barter activities and that penalties may be imposed on returns that are late, underpaid or incorrect.
4. I understand that you will not audit or otherwise verify any information, that you may require clarification or additional information, that you are not responsible for disallowed deductions, or the inclusion of additional unreported income or any resulting taxes, penalties or interest.
5. I understand that I will be charged an additional fee if you are asked to assist or represent me in a tax examination OR INQUIRY. I understand that, in the event of preparer error, I am responsible for additional tax and interest that may be due, but that the extent of your responsibility is to pay for any penalty that the IRS or the above state revenue department may assess.
6. I will contact you immediately if I discover additional information that will lead to a change in my return, or if I receive any letters from the IRS or state taxing authorities.
7. I understand that your bill will be due and payable upon completion of these returns, and that additional services will not be performed until the bill for these services is paid in full.

If there are other services or tax returns that I expect you to prepare, such as estate, gift, sales, fiduciary, property, other states or cities, or other returns I will note them at the bottom of this page.

For your convenience, we have entered into an arrangement with a software provider to help us prepare tax-planning reports. To determine whether this service may be of interest to you, we will need to use your tax return information.

If you would like us to use your tax return information to determine whether this service is appropriate for you while we are preparing your return, please check the box below.

I authorize you to use the information I provide to you during the preparation of my tax return for 2009 to determine whether to offer me an opportunity to engage you for tax planning services.

I do not authorize the use of my information for anything other than tax return purposes.

Discussed, Understood and Accepted By,

Signature _____

Date _____

Signature _____

Date _____

(Spouse signature required if joint return)

If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484, or by email at complaints@tigta.treas.gov.