

TIP SHEET

TEN WAYS FOR ONLINE SELLERS TO KEEP RECORDS

- 1. KEEP RECEIPTS**—If your receipt doesn't show all the necessary information, you may write it on the back. You need to show: the cost of each item, the date purchased, who sold you the item (store name), and how you will use the item in your business (i.e. inventory). If you have purchased equipment for the business, also jot down when you began using the item for business purposes. Keep all receipts—even ones you may not think are relevant off the top of your head. When figuring taxes, they may become useful.
- 2. RECORD YOUR MILEAGE**—If you use your vehicle to drive to the post office or to scout for inventory, you are allowed certain deductions. Whether you take the standard mileage rate or a percentage of your actual gasoline and maintenance on the car, you will have to know how many miles your vehicle was driven. You will also need to know how many of those miles were for business purposes. Track your mileage by jotting down the odometer reading, where you are going, and for what purpose every time you get in the car.
- 3. PRINT OUT ONLINE STATEMENTS**—Periodically print out online statements. These include everything from internet postage statements to income statements from online selling venues. This information will come in handy while filling out tax forms—not to mention in the case of an audit. You never know how long these online statements will be available on the web, so print new information frequently.
- 4. MAKE SPREADSHEETS YOUR NEW FRIENDS**—Spreadsheets can be invaluable. Whether you keep them on your computer screen with predefined categories, or print out blank ones to fill in along the way, spreadsheets are a great way to organize information. Use them to track how many miles you drove and when. Use a spreadsheet to tally expenses with separate columns for where, when, why, what, and how much you spent.
- 5. USE AN ACCORDION-STYLE FOLDER FILING SYSTEM**—Where do you stuff all of those receipts and print-outs? Drawers and shoeboxes don't cut it. Invest in an accordion-style folder. You can make your own tabs fitting the categories you use: inventory expenses, supplies, mileage records, etc. This will make sifting through it all much easier come tax time. Start a new file each year.
- 6. INVEST IN ACCOUNTING SOFTWARE**—Many of the accounting computer software programs on the market today assist in not only helping you keep track of expenses and income, but they also integrate with tax software to help you prepare tax returns based on the information you have fed into it each year. Some software programs even assist with keeping track of your inventory.
- 7. KEEP CREDIT CARD STATEMENTS**—Credit card statements may be used to help when figuring your taxes. You may use them as receipts for business purchases as long as they show the necessary information. You may also deduct the business percentage of any interest you pay to credit card companies.
- 8. KEEP BANK STATEMENTS**—Bank statements help jog your memory about what you purchased and when. They may be used as receipts as long as they show the necessary information. Are you charged service fees on your business banking account? Bank statements show those fees—which are deductible.
- 9. KEEP PREVIOUS TAX RETURNS**—Keep previous tax returns much longer than you ever thought necessary. Just because you no longer have a copy of it, doesn't mean you can't still be audited on it. For serious issues, the IRS can audit you for up to six years. If they feel something is outright fraud, there is no time limit. If you expensed an asset, then later sell that asset, you may have to pay recapture taxes for up to five years. You need to have these records to properly record that information.
- 10. ACCOUNT FOR YOUR INVENTORY**—Use your new friend, the spreadsheet, to keep track of your inventory. Write everything down as you buy it. Record what you purchased, where, the date, etc. When that item sells, go back to your spreadsheet to mark it as sold. Note the selling price. This will make your life unbelievably more organized.