

# The Basics of Record Keeping

## *Income*

- Track business and personal deposits into all bank accounts
- Get receipts signed by parents at end of the year

## *Expenses*

- General Record Keeping Rules
  - Keeping good records will save you money
  - Save records for at least three years
- Three Step Process for Claiming Deductions
  - One: Is it deductible?
    - It is if it's "ordinary and necessary " for your business
    - Must keep "adequate records " to support deduction
  - Two: How much is deductible?
    - 100% Business
    - Shared (business and personal): use Time-Space Percentage
  - Three: When can I deduct it?
    - Less than \$500: one year
    - More than \$500: depreciate
- Three Key Record Keeping Tips
  - Save receipts for all expenses associated with your house
  - Keep records of all meals and snacks served (including non-reimbursed meals and snacks)
  - Track all the hours you work in your home