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FINANCIAL

6 Common Tax Filing Mistakes by *Small Business Owners*

AND HOW TO ADDRESS THEM

+1 856-740-4912

 www.hofflersmith.com

Introduction

Filing taxes can be one of the most stressful parts of running a small business. It's easy to feel overwhelmed, anxious, or even frustrated when trying to navigate the rules and avoid mistakes. You're not alone—many small business owners face the same challenges. *This memo highlights six common tax mistakes and offers simple, practical solutions to help you feel more confident and in control.*



Common Tax Mistakes and How to Fix Them

Mistake 1: Mixing Personal and Business Finances

Why It's a Problem: Combining personal and business expenses can make it hard to figure out what's deductible and may raise red flags with the IRS.

How It Feels: Confusing and frustrating when you can't tell what's what.

How to Fix It:

Open a separate bank account and credit card for your business.

Use tools like QuickBooks or Wave to track expenses.

Keep receipts and notes for every business purchase.

Mistake 2: Misreporting Income

Why It's a Problem: Forgetting to report all your income—like cash payments or 1099 forms—can lead to penalties or audits.

How It Feels: Scary to think you might owe more than you expected.

How to Fix It:

Write down every source of income, no matter how small.

Double-check your records against IRS forms like 1099s.

Use tax software or work with a professional to make sure everything adds up.



Common Tax Mistakes and How to Fix Them

Mistake 3: Claiming the Wrong Deductions

Why It's a Problem: Claiming deductions you're not eligible for—or missing ones you are—can cost you money or trigger IRS questions.

How It Feels: Frustrating to feel like you're leaving money on the table or risking penalties.

How to Fix It:

- Learn about common deductions for small businesses, like home office expenses or travel costs.
 - Keep receipts and records to back up your claims.
 - Ask a tax expert to review your deductions to make sure they're correct.
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Mistake 4: Missing Deadlines

Why It's a Problem: Filing late or not paying on time can lead to penalties and extra fees.

How It Feels: Stressful to scramble at the last minute or worry about fines.

How to Fix It:

Mark tax deadlines on your calendar and set reminders.

If you need more time, file for an extension—but pay what you owe by the deadline.

Work with a tax preparer to stay on track.



Common Tax Mistakes and How to Fix Them

Mistake 5: Forgetting Quarterly Tax Payments

Why It's a Problem: If you don't pay estimated taxes every quarter, you could face penalties and a big tax bill at the end of the year.

How It Feels: Overwhelming to keep up with payments while running your business.

How to Fix It:

- Set aside money for taxes every month so you're prepared.
 - Use IRS Form 1040-ES to calculate and pay quarterly taxes.
 - Talk to a tax advisor to make sure you're paying the right amount.
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Mistake 6: Poor Recordkeeping

Why It's a Problem: Disorganized records make it hard to prove your income and expenses, which can lead to missed deductions or IRS audits.

How It Feels: Frustrating and stressful when you can't find what you need.

How to Fix It:

- Use accounting software to keep everything organized.
- Save receipts, invoices, and bank statements in one place.
- Check your records regularly to make sure they're accurate.



Conclusion

We know taxes can feel overwhelming, but you don't have to face them alone. By tackling these common mistakes, you can avoid penalties, save money, and feel more confident about your business finances. Start small—pick one area to improve today, and you'll be on your way to a smoother tax season.



**If you need help or have questions, don't hesitate to reach out.
We're here to support you
every step of the way!**

✉ taxpros@hofflersmith.com

☎ +1 856-740-4912

🌐 www.hofflersmith.com

