

EXPLORE YOUR ENTHUSIASM

EPISODE 149: HOW TO STAY ON TOP OF YOUR ACCOUNTING (AND NOT CRY ON APRIL 15TH)

So, not to freak you out or anything, but tax season is coming. And I'm a little overwhelmed by how many people are saying things like, just worked on my taxes for 10 hours. WHAT?! Doing your taxes and tracking your business numbers does NOT need to take a million hours.

Don't wait until April, or even January - you should be tracking alllll of the time!

How?

Software! Or even a spreadsheet. I'll tell you what I used to do and what I do now, in a minute!

Track your income.

The IRS MOST cares about you claiming all income that you make (so they can tax you on it!). Separate out that which will go on a 1099 and that which will not. A 1099 will be sent to you, from anyone who pays you more than \$600. So all of the conference I teach at will send a 1099, so I don't put it in my active tracking as I go.

Track your expenses

Anything that has to do with the running of your business, gets tracked. Now if you can actually list it on your taxes is another matter, but if you put it in a category consistently, an accountant can tell you if you can count it.

Also, I get asked "Is this an expense? Or that?" and my answer is simple: look at your government's website. The IRS lists expenses for your business. Your government will do the same. I've linked to the IRS page in the show notes and on the transcript: <https://www.irs.gov/publications/p3334/ch08.html>

Categorize your expenses.

Put your expenses in categories, so you can see where your money goes. This will be vital when you pay your taxes - but also very useful in your own financial planning and projections. The way

to do this to make your taxes the MOST simple is to use the categories your government uses. In other words, if you're American, take a look at the Schedule C (the form you'll use as a sole proprietorship) and use those categories. You can add some categories that you have all the time, that will be listed under "other", like shipping and fees and education. You can do this easily with software or in a spreadsheet (more about that in a minute).

So that's what you need to track: Income, expenses, and categorize your expenses. This will get you ready to do the math to figure out:

COGS, profit margin, break even point for a product or your whole business. We do this math in [Pay Yourself](#), which is coming out soon!

Now, here's how I kept track of my income and expenses for years:

Export from Paypal (completed payments)

Open in google docs

Split out income/expenses,

Added in receipts from anything outside of Paypal

Fill in category of expense.

Put some formulas off to the side to total up each category

I did this every month (or every 2 months) for YEARS and at the end of the year, I totaled up each category from each month (if you have these in tabs on the same spreadsheet, you can do this easily). And I was done.

The last time I did it like this, I spent around 45 minutes totaling it all + then filled in my Schedule C.

This year, it took me less than 5 minutes, because I started using software. I talk about the software I use, the ones my customers use, and how exactly I use it in a video I made! You can get it when you go to [taraswiger.com/podcast149](https://www.taraswiger.com/podcast149) and fill in the form at the bottom of the page - when you do we'll send you this transcript so you can refer to it later and the video of my accounting software, and I'll let you know when [Pay Yourself](#) opens again!

The video about the software I use (and how I use it) is here: <https://www.youtube.com/watch?v=OXFS6Wllc5g>