THE ULTIMATE

Checklist for Tax-Ready Financials

Use this checklist to get your business financials ready for your CPA or tax preparer this tax season.

HireEffect

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Tax Ready Checklist

BALANCE SHEET

- [ ] Confirm the balance sheet matches prior year tax return.
- [ ] Reconcile each bank and credit card account(s).
- [ ] Verify that the undeposited funds account is zero.
- [ ] Ensure all current-year asset purchases are recorded on the balance sheet.
- [ ] Run an Accounts Receivables report and check for unapplied payments or credits.
- [ ] Run the Accounts Payable report and check for unapplied payments or credits.
- [ ] Reconcile payroll liabilities with filings and confirm future payment scheduling.
- [ ] Reconcile liabilities to loan statements and confirm interest is expensed on the P&L.
- [ ] Review sales tax liabilities on the balance sheet for accuracy and reconcile with filings.
- [ ] Verify the equity section includes appropriate transactions, like owner draws or distributions, per entity type.

PROFIT AND LOSS

- [ ] Review the profit and loss for the year, ensuring the correct accounting method (cash or accrual) and proper transaction classification. Recategorize as needed.
- [ ] Reclassify uncategorized expenses and uncategorized income.
- [ ] For businesses using Shopify, PayPal, Square, or other platforms, make sure you're recording the total sales amount before any fees are deducted.
- [ ] Review all categories for accuracy, ensuring transactions are properly categorized.
- [ ] Verify that all amounts from payroll reports align with the profit and loss.
- [ ] Confirm bonuses, commissions, or additional payroll items are properly recorded.
- [ ] Ensure the profit and loss does not include owner's draws, shareholder distributions, personal expenses or personal tax payments. Reclassify as needed.
- [ ] Ensure all new asset purchases are capitalized on the balance sheet, not expensed.
- [ ] Review unusual or large transactions to confirm proper categorization.

Tax Ready Checklist

CPA OR TAX PREPARER COMMUNICATION

- ☐ Make notes of unusual transactions or business changes during the year (e.g., new loans, grants, or business structure changes).
- ☐ Provide a list of questions or clarifications needed from the CPA.
- ☐ Inform about major changes (ownership, structure, locations).
- ☐ Provide loan/financing details (terms, balances, refinances).
- ☐ Clarify potential deductions (home office, vehicle use).
- ☐ Employee/contractor updates.
- ☐ Identify missing items (invoices, agreements).
- ☐ Confirm all asset purchases are recorded and capitalized.
- ☐ Ensure depreciation schedules are updated for new assets.
- ☐ Verify disposals of sold or no longer used assets are recorded.
- ☐ Confirm estimated tax payments and adjustments.
- ☐ Address prior-year amendments or carryover items.

DOCUMENT PREP CHECKLIST FOR CPA OR TAX PREPARER

- ☐ Financial Statements: Profit and loss statement and Balance sheet.
- ☐ Payroll reports / Contractor tax forms.
- ☐ Bank and credit card statements.
- ☐ Receipts for major purchases and expenses.
- ☐ Loan and lease agreements.
- ☐ Sales tax filings and payment confirmations.
- ☐ Depreciation schedules.
- ☐ Documentation of owner contributions and draws.
- ☐ Prepaid expense details (insurance and subscriptions).
- ☐ Prior year tax return and amended return documentation (if applicable).
- ☐ Documentation of grants, loans, or significant transactions.

Want more clarity in your business finances?

At HireEffect, we are passionate about bookkeeping and numbers. Our team is committed to going above and beyond to give you the clarity and insights needed to fuel your business growth and impact.

We offer tailored bookkeeping packages designed to meet your unique needs.

Jennifer Scott

Founder

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(469) 430-9989

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