AMERICAN EXPRESS OPEN FORUM® GROWTH GUIDE

It’s Tax Time: A Business Owner’s Survival Guide

FEATURING INSIGHTS FROM:

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AMERICAN EXPRESS OPEN forum®

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The Taxman Cometh: What's a Business Owner to Do?

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No two businesses are alike—each faces unique opportunities, unique challenges and unique results. But there's one thing we all have in common, for better, or worse: taxes. The taxman cometh for all of us, and the process can be an annual ordeal for even the most prepared.

From filing dates to deductions to changes in the already-complex tax code, managing your taxes every spring can feel like a full-time job—while you've already got a full-time business to run. When is everything really due? What can I write off this year? How can I lower the risk of being audited?

The good news is that you're not alone. There are a number of best practices that can help ease the burden. With that in mind, we've compiled some words of wisdom from some of our top experts—including an all-new checklist of essential insights to keep in mind as you file this year.

To borrow from another old adage, tax season, too, shall pass. Consider this guide a roadmap, to help you move past what you owe in 2016—and get back to focusing on what you'll make in 2017.

10 Questions to Ask Before Hiring Your Small-Business Accountant

Having a strong small-business accountant from day one can be a smart move. Working with an accountant may help you avoid many of the crippling mistakes that others can face, and help make sure you have a strong handle on your company's financials. But even if you know that you need a small-business accountant, how exactly do you go about hiring one? Whether you've been in a business for years or you're just getting started, consider these 10 questions to help find the right accountant for your small business.

1 How long have you been a Certified Public Accountant?

First and foremost, make absolutely sure that the person you will be working with is a Certified Public Accountant, or CPA—meaning that they have passed the professional credentials for standardized accounting services.

2 Will I be working consistently with you, or with the same accountant or group of accountants on your team?

If you're interviewing a bigger firm, the person you meet with may not necessarily be the person who will service your account on a regular basis. Find out exactly who you will be working with—and make sure that you'll be in communication with the same person or small team consistently.

3 Is everyone who will work on my account a CPA?

Depending on the size of the accounting firm and the size of your retainer, there may be multiple people servicing your account. In these cases, some accounting firms will assign a primary CPA to your account, but have a non-certified bookkeeper doing much of the legwork involved. As long as there is proper oversight from the CPA, there's nothing

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inherently wrong with this setup, necessarily—but you should know about it before you hire your small-business accountant.

4 How many clients do you work with at a time and what size are the majority of your accounts?

Use this question to get a sense of the size of the accounting firm—and where you are likely to fall within their priorities. If your accountant is overloaded with too many clients, or if your account will be comparatively "small fish" as opposed to their average customers, your work could too easily be pushed to the bottom of the list.

5 What technology do you use to share documents and updates with clients?

Don't waste your time hunting for the right spreadsheet or working from an out-of-date income statement. Particularly if you won't be meeting with your accountant in person, make sure that you will have an easy way to communicate up-to-date information so that no one's valuable time is wasted.

6 What procedures do you follow to secure your clients' private financial data?

Anytime you are dealing with Social Security numbers and other sensitive information, security must be an important consideration. Ask your accountant what steps they take to protect your files and information from hacking, identity theft and other security threats.

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7 What can I do to help keep your fees lower?

You may be able to negotiate your small-business accountant's initial quote by agreeing to do certain legwork in the bookkeeping process that makes their job more efficient. For example, could you pay a virtual assistant at a lower rate to organize paperwork, categorize expenses or prepare invoices, and then rely on your CPA only for higher-level strategic help?

8 Why is it worth the cost to invest in your services?

For small businesses on a budget, hiring a quality accountant is a significant investment with very real implications for the company's bottom line. Before you hire your small-business accountant, they should be able to explain how their expertise can save you money in the long run, making the cost worth your while.

9 Tell me about a time when you helped to improve a client's bottom line through a creative accounting solution.

Smart accountants will go beyond the obvious to increase revenue or save your business money in creative ways. This might include taking advantage of available tax deductions, re-evaluating your employee benefits structure to take better advantage of tax incentives or even helping you restructure how you bill clients.

Ask your potential small-business accountant how they have implemented creative solutions for past clients and how they could foresee doing the same for your business. Even without having reviewed your books, a knowledgeable CPA should at least be able to suggest opportunities worth investigating.

10 What specific experience do you have with _________?

Your business isn't generic. It's not exactly like every other business, so not every accountant's skills will translate to your specific needs. Think about factors that may create special considerations for your business—and ask your prospective small-business accountant about their experience with these issues. Some examples might include:

- **Industry-specific factors.** If your business is in a heavily regulated or highly technical industry like health care, energy or manufacturing, your accountant may need special knowledge about taxes or requirements in your industry.
- **Corporate customers.** Small B2B business owners working with much larger corporate customers know that these customers can bring extra hoops to jump through and headaches to your accounts receivable process. If your business processes corporate purchase orders, find out whether your potential accountant has experience with this style of customer relationships.
- **Government contracts.** Does your business operate with government agency contracts at the federal, state or local level, or do you hope to have these types of contracts in the future? If so, look for a small-business accountant who has experience with the particularities of accounts receivable for large government contracts.
- **Virtual teams.** As more and more businesses go virtual and in many cases have employees in multiple states or countries, this creates added financial and tax considerations that require special expertise. If you operate a virtual team or plan to in the future, make sure that your small-business accountant has experience with the financial legalities of a virtual set up.

Of course, these are just a few of the many factors that might make your business unique or change the needs you may have from your CPA. Regardless of your particular circumstances, make sure that your new small-business accountant will be prepared for whatever you anticipate sending their way.

Building a Better Relationship With Your Accountant

The terms "accounting" and "taxes" can cause many business owners to break into a cold sweat. They often prefer to focus on creating new products or building relationships with customers. In other words, the "fun" stuff. That's why it's important for business owners to consider bringing in a trusted accountant they can rely on when it comes to sorting through the key numbers.

But building and managing that relationship can be just as important, if not more, than making the right accounting pick in the first place. Here are five tips that can help improve relations with your business accountant to make finances simpler—and potentially grow your company.

Meet early and often.

A key mistake many business owners can make is only taking the time to meet with their accountant when it's tax season—and likely when it's already too late to make any significant changes to your taxes. As such, a key to developing a better relationship with your accountant can be to meet regularly, at least monthly or quarterly, as a way to educate them about your business, says Barry Glassman, president of Glassman Wealth Services, a financial advisory firm in Vienna, Virginia.

At a minimum, make time to meet with your accountant outside of the tax crunch—say, in January, February or November—when you can make the time to explain what's going on in your business and prepare for the upcoming tax year.

"Things like deductions or realizing capital losses can slip through the cracks if your CPA doesn't have time to ask you about each and every opportunity for tax savings," Glassman says. "But having that conversation in the fall, for instance, gives you the chance to bring those missed opportunities to light. The whole goal is to come up with ideas on saving money before it's too late."

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Darren has written more than one million words in his career as a business journalist and ghostwriter targeting various topics in the worlds of business and entrepreneurship. He's ghostwritten 13 books (and counting), two of which have landed on multiple best-seller lists while others have garnered attention and applause from leading business publications. Darren is particularly passionate about writing about entrepreneurs and employee-owned companies who are making a positive impact on the world with their business. You can follow him on Twitter @darren_dahl.

"You can pay a bookkeeper an hourly fee to do your numbers, but there is a strong case to spend more to develop a relationship with a seasoned accountant who can become a consultant inside your business."

Jim Schleckser, business consultant and author of Great CEOs Are Lazy

Listen to one voice.

A good accountant should also be able to steer you well when it comes to both the finances of the business and the personal finances of the owner, according to Andrew G. Poulos, the founder of Poulos Accounting and Consulting in Atlanta, who has 22 years of experience as an accountant and tax expert. Otherwise, mistakes and missed opportunities may occur. "If a business owner is using one accountant for their business and another for their personal finances," Poulos says, "they are not being well-advised."

Welcome your accountant as part of your team.

Producing quarterly financials or tax returns is just table stakes for what a skilled accountant can provide your business, says Jim Schleckser, a business consultant and author of *Great CEOs Are Lazy*. "You can pay a bookkeeper an hourly fee to do your numbers," he says. "But there is a strong case to spend more to develop a relationship with a seasoned accountant who can become a consultant inside your business."

That's a sentiment Poulos wholeheartedly agrees with. "I tell my clients who own small businesses that I am their trusted business advisor without having an equity stake in the business," he says, noting that the key is to meet with someone who has experience working with other companies in your industry. That can give the accountant extra insight into the details of how your business runs.

You can also better leverage the skills of a good accountant by creating what Glassman calls a "wealth advisory" team composed of the accountant, along with the company's attorney, CEO, CFO and others. "The goal is to get more out of your team in terms of solving problems or exploring new opportunities by having them work together," Glassman says.

Glassman points to a recent example where a business owner's advisory team found a way to save him more than $75,000 in taxes by working together to find deductions in different areas of the business.

Holding advisory summits like these can also provide an opportunity to vet the capabilities of your accountant. "Great accountants want to work in a consultative manner like this, rather than just plug and chug tax returns," Glassman says. "They will thrive in environments like this where they are asked to provide insight and knowledge. But if you find that your accountant struggles with issues of control or bringing ideas to the table, then perhaps it's time to look for a replacement."

Ask for a solution to your future goal.

Another suggestion for further leveraging the relationship with your accountant is to tap into their creativity, according to Schleckser. "I have found

that when I tell accountants, just like with lawyers, that I want to do something, their first answer is always 'no.' But if I present them with a goal and then ask them how I can get there, then I get a far different response," he says. It also helps if you have chosen an accountant who has deep experience in your industry, as they can point out where your firm's strengths and weaknesses are relative to others in your industry. "If your profits are only 5 percent and the rest of the industry is at 15 percent, your accountant should be able to suggest ideas for improving your bottom line without disclosing anything confidential," Schleckser adds.

Good accountants also understand that when it comes to taxes, things aren't always as clear-cut as they might seem. "The goal is always to put more money in your pocket," Schleckser says. "But there is a certain amount of judgment involved with things like depreciation or losses that can drive a different outcome. A skilled accountant will present you with options, as well as an assessment of the risk that might result from making a decision and whether they are confident it can be defended to the IRS."

Anticipate change—and trust your accountant.

With a new administration in Washington, there could be changes in the world of taxes and accounting in the coming years—and a trusted accountant may be a critical guide to navigating them. "As business owners, we need our accountants to help us with planning the moves and decisions we need to make now to deal with the changes that [may be] coming," Glassman says. "Which means we need to treat them like the consultants to our business that they are yearning to be."

Understanding Common Small-Business Tax Mistakes

Small-business owners can get into trouble with their business taxes for a number of reasons. But the main culprits may not be what you think.

You might be tempted to chalk up the majority of tax troubles to financial difficulties. And yes, sometimes it's true that business owners don't have enough cash on hand to pay the tax bill and can't borrow to cover it. Once the business falls behind on tax obligations, it's hard to catch up.

Problems can also arise when a business is a victim of theft. Perhaps a trusted bookkeeper or small payroll company embezzled money that should have been paid to the taxing authorities. When that happens, the business is still ultimately responsible for the tax bill and penalties.

That very situation occurred in North Carolina in 2014 when a payroll company was charged with embezzling $11 million from its clients. The company's clients, all of whom were small businesses, were shocked to discover from taxing authorities that they still owed the government money they'd already transferred to the payroll firm, according to the *Charlotte Observer*. And to make matters worse, in the case of payroll taxes, business owners may be held personally liable for the funds.

In a small percentage of cases, tax problems may also have to do with questionable tax shelters or filing false returns.

Tax Mistake Culprits

In most situations, however, a small business's tax troubles can be attributed to just two reasons—and they're often related:

- **Poor record-keeping and bookkeeping**
- **Not understanding the complex tax rules well enough**

A business's tax problems often start with lapses in record-keeping and bookkeeping. Disorganization and inadequate records may lead business owners to overspend or make other poor judgment calls.

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Anita Campbell is an expert in small-business operations. She is the founder of Small Business Trends, one of the largest independently-owned online locations for news, advice and resources which she founded and bootstrapped without outside investment.

Then, when tax time rolls around, records that are needed to properly account for a business's income and expenses aren't organized—or even available. For overwhelmed business owners, the task seems too big to straighten out, so they give up and simply guess rather than using the proper paperwork to estimate their tax liabilities.

"Disorganization and inadequate records may lead business owners to overspend or make other poor judgment calls."

As attorney David Rowe writes on his firm's website: "Business owners run into major problems when they do not track business income and expenses on a regular basis. A business should have a system for tracking income and expenses by category. This system should be reconciled to the business's bank statements each month."

Rowe adds, "When these items are not tracked, the owner will not have timely financial information to make good management decisions. In addition, the tax return preparation process becomes much more difficult, overwhelming, and expensive. In extreme cases, business owners become so overwhelmed that they may fail to file returns for a number of years."

In addition to not keeping good records, business owners make tax mistakes because they just don't understand the tax rules that apply to their business. Every year, it seems understanding your tax liabilities gets harder, as local, state and federal codes get more complicated and governments pass more tax laws. For instance, the Affordable Care Act ushered in new record-keeping and compliance requirements for some small businesses, especially those with more than 50 employees.

According to the IRS, businesses can pay hundreds of dollars on average for late or incorrect filings. On top of that, a notice of a tax infraction requires business owners to spend time and effort investigating the issue, gathering records and resolving the matter with the IRS or appropriate tax authority. They may also need to hire legal counsel or a tax accountant.

Solving Your Tax Problems

The good thing about understanding the two biggest reasons business owners make tax mistakes is that they're both largely preventable.

Your first step is to set up an accounting system that's easy to follow, then be disciplined about your record-keeping:

- **Be sure to keep track of invoices and receipts, as you'll need them to document your finances.**
- **Reconcile bank statements and credit card records regularly, so your bookkeeping matches your actual financial situation.**
- **Update your accounting records on a regular (at least monthly) basis.**

According to the IRS, businesses can pay hundreds of dollars on average for late or incorrect filings. On top of that, a notice of a tax infraction requires business owners to spend time and effort investigating the issue, gathering records and resolving the matter with the IRS or appropriate tax authority.

Falling behind makes it all the more difficult to keep accurate records—a neglected bookkeeping system is like a snowball rolling downhill, picking up more snow (problems) as it goes.

In addition to improving your bookkeeping systems, get help in understanding your tax obligations. Unless you happen to be a tax expert, you can't be expected to know everything. Using an experienced CPA firm or accounting software package; hiring an outsourced payroll company that's financially solid; doing business with financial institutions that provide good detailed records of transactions; and hiring a tax advisor or tax filing firm are aids that can make all the difference in understanding, recognizing and meeting your tax obligations.

Knowing when and where to seek help are critical in today's complex tax environment.

The 5 Ways to Avoid Being Surprised by Taxes

True confession: Nine years ago, I was on the verge of bankruptcy. I managed to get my creditors paid off (very, very slowly), but I was still looking at a huge tax liability. It was so bad, I had to go on an installment plan with the IRS to pay off the $40,000 or so I still owed in taxes. The interest rate the government charged me was surprisingly reasonable—something around 7 percent. But when it added penalties, the rates moved up to somewhere around mafia loan shark territory. It cost me a fortune to pay off that year's tax liability, and I swore I would never, ever be in that mess again.

We may all want to pay as little as possible in taxes, but realistically, we can only reduce our obligation so far. What can be even more important than maximizing deductions is ensuring we have the funds to pay that bill when it inevitably comes due.

Before we even get started, we should understand the money we pay in taxes each year isn't really our money. We're actually acting as agents for the government, and we're simply collecting the taxes and forwarding the government its funds. It helps me to remember that if I bring in $1,000, only a percentage of that money is truly mine.

Here are some specific things you can do to get ready to pay Uncle Sam his due:

1 Set up a reserve account.

This new account (ideally at a separate bank than you're currently using) should be solely for the purpose of collecting the money you'll owe in taxes. Here's how it works: I talked to my accountant, and we determined the percentage of my gross revenue I needed to reserve for my tax liability. In my case, it's 15 percent, but your percentage may be different. For every single payment my business takes in, I divert 15 percent to my reserve account. When it's tax time, I never have to scramble to pay the bill. Why can't you just use the same account or the same bank? You want your tax money to be out of sight. If you see those funds in your bank balance, you may spend it, or at least you'll be tempted to "borrow" it. The idea is to put the money someplace safe, so you have it when you need it.

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Mike Michalowicz is the author of *Profit First* and the founder of Profit First Professionals, an international network of accountants, bookkeepers and business coaches who greatly improve the profitability of small businesses.

2 Set up a quarterly meeting with your accountant.

Once per quarter, I sit down with my accountant, and we review several items. First, he checks to make sure I'm setting aside the right percentage of funds in my reserve account. He also takes a look at the changes in my business since our last meeting. He looks at trends, and we discuss my company's trajectory. It's a checkup for my business. Finally, he lets me know of any changes in tax laws that might affect the way I'm currently operating. This meeting doesn't take a lot of time, but it makes sure I'm doing the right things and heading in the right direction. It gives me time to make course corrections before I stray too far.

3 Monitor tax laws.

My accountant is my best, most consistent source of information about important changes to the tax code. But you can't get lazy and expect a third party to do everything for you. If you're an active partner in making sure you're up to date on the tax laws that affect you, you can be better positioned to take advantage of opportunities to reduce your liability and ensure you're not caught short when it's time to write the government a check.

4 Manage life events.

Marriage, divorce and the birth of a child: All these events can have an enormous impact on your tax obligation. Make sure you reevaluate your liability and the percentage of revenue you direct to your reserve account anytime you go through one of these major life events.

5 Maximize tax deductions.

While you certainly want to pay all the taxes you owe, there's no sense in paying more than you're legally obligated to. Consult with your accountant to make sure you're positioned to take advantage of the tax breaks you're entitled to.

While none of us particularly enjoys paying taxes, it's far less painful when you have the funds to cover your obligation. Careful planning and regular checkups can help ensure you're never scrambling to pay Uncle Sam again.

It's Time to File Your 2016 Taxes: 8 Tips for Business Owners

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Barbara Weltman, "the guru of small business taxes" according to *The Wall Street Journal*, is the author of *J.K. Lasser's Small Business Taxes* and a trusted advocate for small businesses and entrepreneurs. She is also the publisher of Idea of the Day® and Big Ideas for Small Business® at www.barbaraweltman.com.

It's that time for you, or your preparer, to do your 2016 income tax return. This may not be a pleasant activity for most business owners. Fortunately, there are some new tax rules that may favorably impact your return. And cost-of-living adjustments to various dollar limits can mean greater write-off opportunities.

Here are eight key tax tips and updates for your 2016 returns that may help you reduce your tax bill for the year—or at least give you peace of mind.

1 You may have more time to file 2016 taxes.

Business owners may report their business income on personal income tax returns. The due date for individuals to file their 2016 federal income tax return is April 18, 2017. This is instead of the usual April 15 deadline.

If you request a filing extension, you'll have until October 16, 2017, to file your return without a late-filing penalty, instead of the usual October 15 extension date.

Note: There are new filing dates for certain types of business

Important dates in 2017 for small-business owners

INDIVIDUAL
Federal income tax return
APR 18

EXTENSION
Federal income tax return
OCT 16

returns. For example, calendar-year partnership returns are due on March 15, 2017; previously they weren't due until April 15. Calendar-year C corporations don't have to file until April 18, 2017; previously they had to file by March 15.

2 There are several ways to write off equipment purchases.

If you bought tablets, machinery or other items for your business in 2016, you may be able to fully deduct the cost on your tax return. The challenge is finding the best alternative for taking a deduction.

There are several options:

- **De minimis safe harbor for tangible personal property.** You can opt to treat the item as material and supplies and claim a deduction of up to $2,500 per item or invoice (large companies with audited financial statements or certain other documents have a larger dollar amount). Using this option, which requires you to attach an election statement to your return, means you can't include the item on your balance sheet.
- **First-year expensing (Section 179 deduction).** You can deduct up to a total of $500,000 for all your equipment purchases, assuming you didn't place in service more than $2,010,000 of equipment in 2016, and your business is profitable.
- **Bonus depreciation.** You can deduct 50 percent of the cost of new (not pre-owned) items.
- **Regular depreciation.** You can deduct a set percentage of the item's cost. The percentage is fixed by law (e.g., 20 percent for the first year for property treated as having a five-year recovery period).

You can combine first-year expensing, bonus depreciation and regular depreciation to optimize your deductions. What's more, these write-offs can be used whether you financed your purchases in whole or in part.

3 There's a new mileage rate for business driving.

If you use your personal car, light truck or van for business, you can deduct business-related driving costs. The deduction can be your actual outlays or based on an IRS-fixed mileage rate—whichever is better for you. The rate for business driving in 2016 is 54 cents per mile, down from 57.5 cents per mile in 2015. Whichever method you use to deduct your business driving, you can add your parking and tolls.

Caution: You must have records to prove your business mileage. This can be either a written record or an electronic record that you generate from an app for this purpose.

4 Retirement plan contributions can shelter your profits.

You can reduce your current tax bill and save for your future by contributing to a qualified retirement plan. Several options are available for business owners, as explained in IRS Publication 560; each plan has different rules and limitations. For example, the cap on profit-sharing plans and SEPs for 2016 is $53,000.

You can contribute to your plan for 2016 up to the extended due date of your 2016 return. However, you must have signed the paperwork for the plan by the end of 2016 in order to do this. The only exception is for SEPs, which can be set up and funded up to

October 16, 2017, for a self-employed person who obtains a filing extension.

If you have employees, generally you must include them in your plans. However, you can take a tax credit for the administrative costs of setting up the plan and educating employees about it.

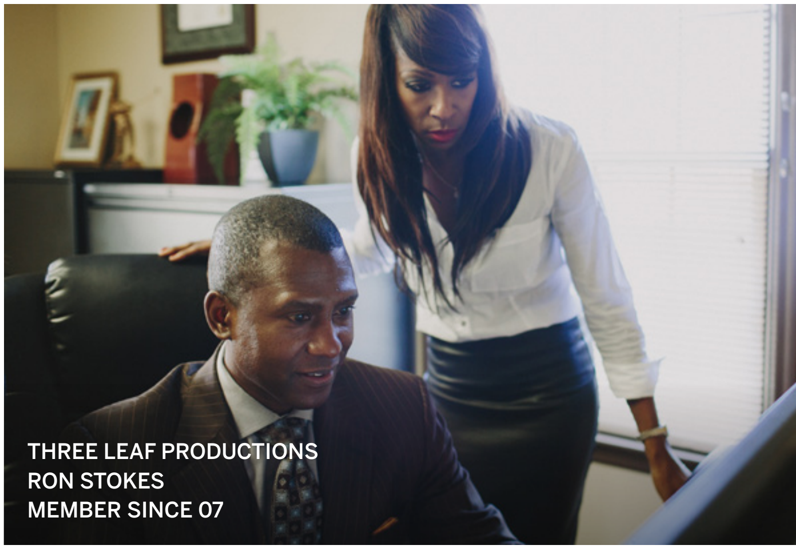
5 Tax credits are available for hiring new employees.

Your payroll costs for wages, benefits, insurance and payroll taxes may be considerable. Your costs can be reduced if you qualify for a tax credit for new hiring in 2016. These credits include:

- Work opportunity credit for hiring an individual from a targeted group. There's a new targeted group for 2016: the long-term unemployed.
- Indian Employment Credit for hiring an individual who lives on or near a reservation.
- Empowerment Zone Credit for a business located within a designated distressed area that hires an individual who lives within the area.

6 Estimated taxes for 2017 reflect law changes.

The first installment of federal estimated tax for 2017 is due on April 18. In making your estimates, factor in cost-of-living adjustments to various tax rules. For example, the first-year expense limit for 2017 is $510,000 and the contribution limit for SEPs is $54,000. Also, for self-employment tax purposes, the wage base for the Social Security portion of the tax is $127,200.



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7 Audit risk may be lower.

Being audited can be a nightmare for business owners, often costing them time, money and stress. Audit rates in 2015 reached an 11-year low, and these rates may continue to be low in the near future. For example, in the government's 2015 fiscal year, the audit rate was 0.4 percent for S corporations, 0.5 percent for partnerships/LLCs, and only 2.5 percent for sole proprietors with gross receipts of $100,000 to under $200,000.

8 There may be state income tax changes.

States with their own income taxes may have made changes in their rules for 2016 returns. Check your state income tax rules to see whether there are new tax breaks for you by contacting your state revenue department or talking with your accountant.

Get started now to determine how you'll approach your 2016 return. For example, if you want to use a paid preparer, find one who best meets your needs. The IRS has a directory you can use for this purpose.

Accounting Programs and Apps Your Business Should Know About

Unless you happen to be, well, an accountant, dealing with bookkeeping and accounting likely ranks among the most stressful parts of running your company. There are a million places for small mistakes to be made, and no matter how hard you try, it can always seem to take longer than expected.

Fortunately, a whole host of business accounting software options and additional tools are on the market to help make the job of financial management more organized. Whether you're still managing your business's finances in a simple spreadsheet or you're just ready to try something new, here are eight business accounting software programs and apps that could help streamline your company's accounting to-do list.

Business Accounting Software

Cloud-based accounting tools for business owners are generally divided up into two categories. First, you'll need to choose the platform from which you'll base your business's financial management, then consider add-on apps. Let's start by looking at the most popular options in business-accounting software to help determine which will be the best fit for you.

FreshBooks

Ease-of-use and a growing array of functionality have given FreshBooks a name in accounting software for solopreneurs and small-business owners alike. Though it started out as just an invoice- and expense-tracking software solution, today FreshBooks can integrate with your bank accounts, generate financial reports, process your payroll and business payments, and keep track of time sheets. As FreshBooks' list of available integrations grows (which you can find here), its functionality should also continue to grow.

FreshBooks' customer service is built for person-to-person connections. If you're flying solo on your small

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Meredith Wood is the VP of content and editor-in-chief at Fundera, a new kind of small-business loan broker. Prior to Fundera, Meredith was the CCO at Funding Gates. Meredith manages financing columns for *Inc., Entrepreneur, Forbes*, The Huffington Post and more, and her advice can be seen at outlets including Yahoo!, Daily Worth, Fox Business, Intuit and the SBA.

business's accounting and need a helping hand, try connecting with a FreshBooks representative.

Best for: Freelancers and micro-business owners at the early stages of growth.

Quickbooks Online

Quickbooks Online offers accounting tools for nearly every level of business—dashboards to track your business's financial data and records, financial reports that you can customize according to your business's needs, an invoice generator, online invoice payment, expense categorization and more. The software can also link to your bank account and business credit cards to help keep your financial data consistently up to date.

The downside of all this functionality, when compared to FreshBooks or Xero, which I'll discuss next, is a more complicated interface that may require additional training for novice users.

Best for: Business owners who plan to grow their business significantly or to rely heavily on an outside accounting team in the future.

Xero

While Xero overlaps significantly with both FreshBooks and Quickbooks in most of its functionality, it remains an option worth evaluating in particular for the larger end of small businesses. The standout benefit of Xero over its competitors comes from user flexibility—you can add as many users as you want without incurring additional cost.

Xero's accounts-payable options are particularly user-friendly. Suppliers can send their invoices directly to your Xero account, where a graph of your bills can help

ELEVATIONS
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you prioritize and schedule vendor payments while potentially maximizing your cash flow.

Best for: Businesses with a large number of vendors.

Wave

For simple, basic accounting functionality on a smaller budget, consider Wave. If you can live with a few ads in your accounting experience, Wave's most basic cloud-based program is free to use. The paid service acts as a mid-point between FreshBooks and Quickbooks Online, meaning the software can grow with your business at a minimal cost, without having to migrate to an entirely new application.

Best for: Solo operations just starting out.

Time-Saving Accounting Apps

As you evaluate your business-accounting software options, be sure to take into account the various apps that also may be available for your needs. I've highlighted several of my favorites below, each of which integrates with some, but not all, of the above software options. After more extensive review, you may find that the available app integrations dictate the best accounting software for your needs.

Bill.com

If you hate snail mail, paper invoices and cutting checks, you may like Bill.com. This accounting app takes your filing cabinet full of invoices into the cloud, helping to simplify the process of billing and receiving payments from your clients while also helping to manage your payables to outside vendors. Compatible with both Quickbooks and Xero, Bill.com can minimize data entry, reduce the time you spend on bookkeeping and virtually eliminate the need for checks.

Expensify

Particularly if you have several employees who travel frequently or rely heavily on a business credit card, processing expenses can quickly become a major time-consuming endeavor. Expensify simplifies that process for both the employees and the bookkeeper, making it easy to categorize expenses, reimburse employees and even pass along client-incurred costs to the appropriate invoice.

Expensify integrates with Quickbooks and Xero, along with several other travel, receipt-management and project-management apps.

Gusto

For small businesses with multiple employees but no official HR department, Gusto can help with payroll and benefits management. Along with standard payroll functions like automatic tax filing, employee onboarding and paystubs, Gusto also offers access to health benefits, 401(k) retirement plans and other benefits solutions. Essentially, it's your in-app HR department that also happens to link to your accounting software.

TSheets

Completing and tracking timecards has often been a pain both for employees and their employers—but TSheets can help to resolve that. This small-business accounting app allows employees to track time quickly and easily through their mobile devices, which the manager can then approve in real time. The app also makes it easy for managers to prepare shift-based employee schedules, changing the schedules week to week as business needs arise.

With more than 2,000 five-star reviews on the Intuit app store, TSheets can be considered a preferred time-tracking option to some. And integration with both Quickbooks Online and Xero can help save even more time.

Of course, these are only a few of the many available apps that integrate with Freshbooks, QuickBooks, Xero and Wave accounting software. In each software brand's marketplace, you'll find reviews and recommendations for many other integration options covering an array of business needs. By approaching your accounting process with a willingness to experiment with different options, you may be able to find the right balance of business accounting software and apps to help minimize the stress of financial management for your organization.

How Small-Business Owners Are Spending Their Tax Refunds

Less certain than the specter of death and taxes is whether you'll get money back from Uncle Sam. But for the small-business owners who do get a few thousand back after tax day, the sudden windfall can be great news. To make the most out of that extra cash, you need to do a fair bit of planning, says Amy Vetter, CPA and global vice president at Xero, which offers cloud-based accounting and bookkeeping services.

"If you want to grow, you need the mental and fiscal confidence of knowing there's money set aside in case you have a few slow months. Put your tax refund into a savings account and don't touch it until you have an emergency."

Zachary Lezberg, founder, Small Business Expo

"Small-business owners need to take the opportunity to do proper business planning and proper cash-flow planning for the coming year so they know how to properly plan for tax return refunds they may get," Vetter says. "Once they understand the cash needs of the business, it may be important to re-invest money in the business rather than spending the money personally."

With that in mind, we asked small-business owners and experts about the best uses of tax refund money.

1 Saving It

Squirreling the extra cash away for when you'll really need it was a popular response from business owners.

"So many small-business owners live invoice-to-invoice in the beginning," says Zachary Lezberg, founder of Small Business Expo. "But if you want to grow, you need the mental and fiscal confidence of knowing there's money set aside in case you have a few slow

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"I usually just put refunds into savings, since you never know what's going to happen in business," agrees Chad Halvorson, founder and CEO of When I Work, an employee scheduling software company.

2 Buying Products Your Customers Want

"After many years in the e-commerce space, it's clear that great products equal success," says Bob Shirilla, founder of Simply Bags. "Every time we put great products on the website, we have a great year." That's why Shirilla plans to use the $5,400 he's expecting to receive from his taxes to buy more of the two highest performing pieces on his site.

"We must stock all the inventory in our warehouse and ship immediately. If you can't ship immediately, you lose the sale," he explains.

3 Purchasing Scalable Tech

What are the two resources small-business owners are most in need of? Time and money. Using some of your tax money to streamline processes can be incredibly beneficial.

"Invest in things like new accounting and sales platforms that will automate a lot of the burdensome tasks sucking up your time," Lezberg says. "It will save you a lot in the end."

4 Paying Down Debts

"Paying off loans that may have been taken out to fund the business—whether they be home equity lines, credit cards or other type of loans" is a smart way to reinvest your tax return money into your business, Vetter says.

No matter how you decide to spend your tax refund, make sure you're spending wisely and plan ahead, Vetter suggests.

"Have a tax planning meeting with your accountant or CPA before year-end," she suggests. "If your business looks like there may be income that could be distributed, that's the time to make decisions on whether to flow through that income personally, take a distribution, take payroll for the owners, purchase much needed materials or invest in new assets for the business in the coming year."

American Express OPEN Forum® helps small-business owners find the insights, inspiration and connections to help grow their businesses. Learn more at openforum.com.