

HOW TO GET READY TO  
**FILE TAXES**  
FOR YOUR  
**SMALL BUSINESS**  
IN 2026

Step by Step Guide to Organize Your Finances



CLAUDIA LUCERO

# **HOW TO GET READY TO FILE TAXES FOR YOUR SMALL BUSINESS IN 2026**

**A Step-by-Step Guide to Organize Your Finances**

**CLAUDIA LUCERO**

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**Author:**

Claudia Lucero

Getting ready to file your **2026 taxes** for your **2025 small business activity** doesn't have to be stressful or overwhelming. With a clear system and a step-by-step approach, you can organize your finances, maximize deductions, and avoid last-minute surprises. This guide will walk you through exactly what to prepare so you can file with confidence and focus on growing your business.

## Step 1: Before you start gathering the information

Confirm your business structure:

- **Sole proprietor** or **DBA** (doing business as): you'll usually file **Schedule C** with your personal return.
- **Single-member LLC**: usually taxed like a sole proprietor (Schedule C), unless you elected otherwise.
- **Partnership / multi-member LLC**: separate business return and K-1s.
- **S-Corp / C-Corp**: separate business return; payroll matters.

Gather your business info:

- Legal name + DBA
- EIN (if you have one) and SSN (if needed)
- Business address
- State registration info (if applicable)

Decide who's filing:

- Tax Pro (CPA/EA) book your appointment early and ask what they need (reports and statements) and when you should send all your business information.
- DIY software (Turbo Tax, H&R Block)

## **Step 2: Set up your “tax file” (digital folder)**

Create a folder called: **Taxes → 2025 → Your Small Business**

Inside, create these subfolders:

1. **Income**
2. **Expenses**
3. **Assets & Equipment**
4. **Vehicle**
5. **Home Office**
6. **Payroll / Contractors**
7. **Bank & Credit Card Statements**
8. **Sales Tax (if applicable)**
9. **Prior-Year Return (2024)**
10. **Receipts (backup)**

This saves hours later.

## **Step 3: Reconcile your bookkeeping**

For **every month in 2025**, reconcile:

- Business bank accounts
- Business credit cards
- Payment processors (Stripe/PayPal/Square/Shopify/Amazon/Etsy, etc.)
- Loans or lines of credit

**Goal:** Your Profit & Loss and Balance Sheet should be clean and believable.

## **Step 4: Make sure all income is in the right category**

Pull income from all sources, then cross-check it against deposits:

## Collect these:

- Invoices/receipts system reports (if you invoice clients)
- Sales reports (Shopify, Etsy, Amazon, your CRM System)
- Payment processor summaries (Stripe, PayPal, Square)
- 2025 deposit totals from bank statements
- Cash income logs (if any)
- 1099-K / 1099-NEC / 1099-MISC forms you receive (if applicable)

## Make sure to avoid these common income mistakes:

- “Transfers” accidentally categorized as income
- Refunds not recorded (you must reduce income or show returns)
- Sales tax collected recorded as income
- Processor payouts recorded as income without fees separated (you want: **Gross sales + fees expense**)

**Tip:** Your tax return should reconcile logically with your total deposits (minus transfers/loans).

## Step 5: Review expenses and clean them up so deductions are maximized

Go through your expenses and:

- Run an expense report (sort from high to low)
- Ensure categories are reasonable (Advertising, Supplies, Software, Repairs, Meals, etc.)
- Attach receipts to the bigger items if possible
- Flag anything questionable (personal, mixed use)

Common small business deductions to double-check:

- Advertising/marketing (Canva, ads, email tools)
- Software/subscriptions (QuickBooks, Google Workspace, Adobe, etc.)
- Contract labor (virtual assistant, designer)
- Office supplies + shipping supplies
- Merchant fees (Stripe/PayPal fees)
- Professional fees (bookkeeper, CPA, attorney)
- Education/courses related to your business (Coursera, Udemy)
- Small equipment and tools
- Business phone/internet portion
- Business insurance
- Internet/phone (business portion)
- Mileage/vehicle expenses (if applicable)
- Meals (business-related, not personal—documentation matters)
- Marketing and website costs
- Continuing education/courses
- Shipping/postage, packaging

## **Step 6: Gather documentation for these special deductions**

### **A) Vehicle (if you use your car for business)**

- Record **business miles** for 2025 (mileage log is best)
- Decide method with your tax pro/software:
  - Standard mileage vs actual expenses
- Track parking + tolls
- Vehicle purchase/lease details if applicable

### **B) Home office (if you qualify)**

- Confirm you have a **regular and exclusive** space for business use

- Gather:
  - Rent/mortgage interest
  - Utilities, internet
  - Home insurance
  - Repairs (home vs office-specific)
  - Square footage of home + office space

### **C) Travel & meals**

- For business travel: keep purpose, dates, destination
- Meals: note who/why (client meeting, business travel, etc.)

### **D) Equipment and assets**

Anything like computers, cameras, printers, furniture, big tools:

- list date purchased, cost, and business use %
- decide if it's an **expense** vs. **depreciated asset** (your preparer/software will handle, but you must list it)

### **E) Inventory / COGS (if you sell products)**

- Beginning inventory (start of 2025)
- Purchases during 2025
- Ending inventory (end of 2025)
- Shipping and packaging (sometimes included in COGS depending on method)

## **Step 7: Make sure to have a system to save your receipts**

Choose **one** method and stick to it:

- **Method A (best):** upload all receipts to your bookkeeping system and attach them to transactions
- **Method B:** one folder in Google Drive/Dropbox by month (Jan–Dec)
- **Method C:** one PDF per month (export from your receipt app)

**Minimum receipt standard:** show **date, amount, vendor, and what it was for** (especially for meals, travel, equipment)

## **Step 8: Verify your contractor payments + prepare for 1099s (if applicable)**

If you paid freelancers/contractors, you may need to issue 1099s.

### **Do this:**

- Run a report of payments to vendors/contractors
- Confirm you collected **W-9s** (name, entity type, address, EIN/SSN)
- Separate:
  - payments by **credit card/PayPal** (often handled by processors)
  - payments by **bank transfer/check/cash** (often your responsibility)
- Prepare for issuing **1099-NEC** if required

**Practical tip:** create a “1099 Vendors” list with:

- vendor name + email
- total paid in 2025
- payment method
- W-9 on file? (Y/N)

## Step 9: Review payroll (only if you have employees or you're an S-corp)

If payroll applies:

- Confirm all payroll filings have been submitted
- Make sure **W-2s/W-3** match payroll totals
- Confirm payroll expense categories are correct (wages, taxes, benefits)

If you're an S-corp, confirm:

- owner wages are recorded correctly
- distributions are separated from wages

## Step 10: Create your “Tax-Ready Reports”

Your goal is to produce these:

**End of the Year reports:**

- **Profit & Loss** (Jan–Dec 2025)
- **Balance Sheet** (as of 12/31/2025)
- **General Ledger** (optional but helpful)
- Bank/credit card **reconciliation reports** (proof it's reconciled)

**Support documents**

- Sales reports (Shopify/Etsy/Amazon, etc.)
- 1099 vendor summary + W-9s (if applicable)
- Mileage log (if applicable)
- Home office worksheet (if applicable)
- Asset purchases list (including depreciated assets)

- Loan interest statements + business debt summary

Save them as PDFs.

## **Step 11: Compare with last year so nothing is missing**

Grab your **2024 return** and compare:

- Did you claim vehicle/home office last year?
- Any carryovers (losses, credits)?
- Any depreciation schedules that must continue?

This prevents filing inconsistencies.

## **Step 12: Check estimated taxes and prepare for what you might owe**

- Gather proof of any **estimated tax payments** you made in 2025
- If you didn't pay estimates and you profited, plan cash for tax time
- Set aside a buffer so you're not surprised

## **Step 13: Choose your filing path: Tax Pro vs DIY (filing yourself)**

**If filing with a tax pro:**

Send them:

- Reports (Profit & Loss, Balance Sheet, General Ledger)
- Income forms (1099s, Sales reports)
- Asset list
- Mileage + home office info
- Payroll/contractor info (W2s and 1099s)
- Prior-year return

### **If filing yourself:**

Use software that supports self-employed returns and enter from your reports (don't guess from your bank account).

Keep PDFs/receipts stored for audit protection

## **Step 14: After filing: set yourself up so next year is easier**

Do these after taxes are submitted:

- Create 2026 bookkeeping rules (auto-categorization)
- Add a monthly "tax-ready routine" (reconcile + receipt check)
- Start a special purchases tracker
- Start mileage tracking on Jan 1

### **Quick "Tax Prep Checklist"**

- All bank/credit accounts reconciled for 2025
- All income sources included and matched to deposits
- Expenses categorized correctly + receipts stored
- Contractor list + W-9s + 1099 totals prepared

- Payroll reports (if applicable)
- Mileage log / home office info / asset list ready
- Final Profit & Loss + Balance Sheet generated
- Reasonableness check completed
- Tax package delivered to preparer (or entered in software)

## Quick timeline for early 2026 (simple and realistic)

- **January 2026:** Close books + gather forms
- **February 2026:** Final cleanup + confirm deductions/assets
- **March 2026:** Prepare return draft / meet with preparer
- **April 2026:** File (or file extension) and pay any balance due

Preparing your reports to file taxes ahead of time gives you clarity, confidence, and control over your business finances. By following these steps, you'll avoid costly mistakes, maximize your deductions, and walk into tax season organized and stress-free. The more consistent you are throughout the year, the easier and more profitable tax time will become.

Here's a **clear, comprehensive list of common small-business tax deductions** you can use when filing your taxes (for your business activity). This applies to most **sole proprietors and LLCs** (and many also apply to S-Corps, with some differences).

## **Income & Operations Deductions**

### **1. Advertising & Marketing**

- Social media ads (Facebook, Instagram, Google, Pinterest)
- Website hosting & domain
- Email marketing platforms
- Logo, branding, graphic design
- Business cards, flyers, brochures
- Photography & video for marketing

### **2. Office & Administrative Expenses**

- Office supplies (paper, ink, pens)
- Printer & small office equipment
- Postage & shipping
- Bank fees
- Business licenses & permits
- PO box or virtual mailbox

### **3. Software & Technology**

- Accounting software (QuickBooks, Wave, Xero)
- Design tools (Canva, Adobe)
- CRM tools
- Scheduling tools

- Cloud storage (Google Drive, Dropbox)
- Website platforms (Shopify, Squarespace, Wix)
- Zoom or video tools

## Equipment & Assets

- Computers, laptops, tablets
- Printers, scanners
- Cameras, microphones
- Furniture (desk, chair, shelving)
- Machinery or tools

These may be expensed or depreciated depending on cost.

## Vehicle & Travel

### Vehicle

- Business mileage **OR** actual vehicle expenses
- Parking fees & tolls
- Car registration (business portion)

### Travel

- Flights
- Hotels
- Business transportation (Uber, rental cars)
- Business travel meals

## Home Office (if you qualify)

- Portion of rent or mortgage interest
- Utilities (electricity, water, gas)
- Internet
- Home insurance
- Repairs & maintenance (business portion)
- Depreciation (owners)

Must be **regular & exclusive** business use.

## Phone & Internet

- Business phone line
- Portion of personal phone (business use %)
- Internet (business portion)

## Meals & Entertainment

- Business meals with clients or during travel
- Meals during business conferences

Entertainment itself is **not deductible**, but meals often are.

## Labor & Professional Services

- Contractor/freelancer payments
- Bookkeeper
- Accountant / CPA / EA

- Legal fees
- Coaches & consultants
- Virtual assistants

## **Taxes, Insurance & Financial**

- Business insurance (liability, E&O, property)
- Payroll taxes (employer portion)
- Sales tax paid (if not reimbursed)
- Interest paid on business loans or credit cards

## **Education & Training**

- Business courses
- Certifications
- Workshops & conferences
- Books related to your business
- Continuing education

## **Inventory & Cost of Goods Sold (if you sell products)**

- Inventory purchases
- Raw materials
- Packaging
- Shipping to customers
- Merchant fees (Stripe, Square, PayPal)
- Amazon / Etsy fees

## Miscellaneous

- Business gifts (limited amount per recipient)
- Uniforms or branded apparel
- Background music subscriptions for business
- Subscriptions & memberships
- Storage units (inventory or records)
- Safety equipment

## Retirement & Health (Self-Employed)

- Self-employed health insurance (if eligible)
- SEP-IRA / Solo 401(k) contributions
- HSA contributions (if qualified)

## Not Deductible (Common Mistakes)

- Personal groceries
- Personal clothing (non-uniform)
- Personal vacations
- Fines & penalties
- Owner draws
- Personal entertainment

If you feel overwhelmed and prefer a bookkeeper to prepare the reports for you, we are here to help you get tax-ready with clean, organized, and accurate books. We specialize in supporting small business owners by taking the stress out of bookkeeping and preparing everything your tax professional needs. Reach out to **Thriving Bookkeeping** today and let us help you move into tax season with confidence and peace of mind.