

Pamela Price EA Inc.

Pamela Price EA & Associates
Enrolled to practice before the Internal Revenue Service

RECORDKEEPING REQUIREMENTS

AUTO: The hardest item to deal with on the tax return and at audit time.

NOTE: If you bought a new car, it will be "Vehicle 2" on your worksheet. IF SO – upload the purchase or lease papers for the new car - we need them to do your return. You can also use "Vehicle 2" if you use two cars for business.

Total mileage MUST be accurate. If it is not, your business percentage will be wrong and automatically adjusted in an audit. An auditor would determine this from the odometer readings on repair bills. If you did not write down your mileage at the beginning of 2021, we will use this method to determine your total mileage for the year. **If this is the case, review your 2021 repair bills.**

Looking ahead to 2022 alternatives to the above:

1) Go out to your car right now and put the odometer reading in your 2022 logbook. Then when you read this next year, it will remind you to do this again.

2) My personal favorite! When you buy gas, get a receipt and write your odometer reading on it. You will be surprised how quickly it gets to be a habit. This kills two birds with one stone. It gives you gas receipts and a total mileage figure. Whichever you do, do it **now!**

Business mileage is equally difficult to "guess." **If you have not been keeping a log, start now! If you find it impossible to keep on ALL year long, make a vow to keep it through April, or every third month. Keep something! They will REQUIRE some kind of log if you have an audit. If you have nothing for 2021, you MUST reconstruct something before we can prepare your return! We can't just guess!**

HOW? Go to your appointment book. Reconstruct mileage for auditions, interviews, classes, ALL mileage away from your tax home overnight for business, showcase and waiver production mileage, dropping off photos, business entertainment, etc. If you're not in the entertainment industry, it's calling on clients, business entertainment, seminars, and so forth. **It does not include commuting (going to and from a paying job) for any profession**, except in rare cases such as a temporary assignment outside the normal commuting range.

If you just **can't** find the time to reconstruct your entire log, do a few months or **at least** figure: "My acting class was once a week, say 15 miles for 9 months. That's 15 x 36. I had an average of two interviews a week at 10 miles round trip." And so forth. **Please** figure up something for us in writing!

ENTERTAINMENT: is **only the cost, including tip, for yourself and a business contact in a restaurant.** You must have discussed business. You must have some expectation that the discussion could directly affect your career or benefit your job performance in some way. In audit, you must be able to meet the record keeping requirement for your deduction to be allowed. Your receipts should each state: **the date, where** the entertainment took place, **who** was entertained, what that person's **business connection** is, and what you hoped to gain from the meeting. Cross-referencing these to your diary is great for an audit. **GIFTS require the same documentation as entertainment, and are limited to \$25 per person.**

RESEARCH: (the cost of seeing movies, plays, and videos) was a primary target of the "Entertainment Industry Task Force" audits. **Viewing these events is deemed to be personal, and therefore NOT deductible, UNLESS you have written documentation stating in each case WHY it was business. COST OF CABLE TV IS OUT!**