

TAX TIPS

By FESD Barbara Ashworth

It's that time of year...time to get organized!! This can be a challenge for some of us as Mary Kay Consultants...we tend to be **people** people...not paper people! The great news is it's easy to get your paperwork in order once you know what to do. Below are some suggestions to help get you off to a good start in the year 2008! Remember though...I am NOT a CPA! Things change from year to year! This is meant as a guideline of information to take to your tax person! Let me recommend that you be as choosy with your tax accountant as you would be with your pediatrician! Mary Kay is a unique business and it's important to use someone who is familiar with our business and can help you to have the best results at tax time.

1. Take inventory of the retail product you have on hand on Dec. 31. I find the easiest way to do this is to take a current order form and list the total number of products in the quantity box. It's not necessary to separate every cleanser, lipstick, nail color, etc. It doesn't matter how many colors of each individual item you have. You just need a total. For example...just count the total number of foundations, no matter what shade, and indicate the total. As for limited edition products that are not listed on the current order sheet, you need to determine if you still plan to try to sell them or if you are going to use them as hostess gifts or giveaways. If you plan to sell them, you need to count them in your inventory. If you plan to use them as giveaways, write them off and don't include them in your inventory total. (Remember...anything you purchase on or before Dec. 31, 2007 will be counted on your 2008 tax return — more inventory = more product to "write off")
2. If you owe anyone any merchandise or if anyone owes you merchandise, get it straightened out now! Borrowing and lending is a no-no! It is just not professional. We all run short of something from time to time, and an occasional trade is OK, but if you are trading for basics, you don't have enough inventory! Make the necessary arrangements to get what you need on your shelf (bank loan, credit card, family loan, etc.)
3. Be sure all your Weekly Accomplishment Sheets are up to date! This is YOUR record of your sales! Attach sales tickets for each week to the summary. (Did you know that your summary sheet is the verification you need for the IRS for your sales if you were ever audited?) It's a good idea to make sure I have a record of them as well, so make sure you are submitting them weekly. It's also the only way you get recognized at meetings and in the newsletters!
4. Be sure you have a record of your ending mileage on Dec. 31. If you forgot to take it last Jan., then estimate what it was on Jan. 1, 2007 (or when you began your business this year if you are a new consultant). Put the beginning and ending mileage at the top of the order form you are using to list your inventory. Be sure you are recording your mileage every time you are doing Mary Kay business (meetings, classes, deliveries, etc) It adds up fast! If you forgot to record mileage this year, go back through your datebook and estimate the miles driven for each appointment.
5. Gather up all your receipts for 2007. Hopefully, you've already separated them into monthly Income and Expense envelopes. If not, spend a little time each week getting them in order so you'll have them finished well before April 15. Then get set for 2008 by setting up an easy system. Here are two you might want to consider:
 - a. Buy an accordion file folder with a large number of pockets (either A-Z or 1-31). Put folder labels over each tab and on that tab, put the category. You might not even know what categories to list yet, but you will figure it out as you have receipts. Each day, drop your receipts in the appropriate pocket and at the end of the month, take a category out, add them all together, staple them together and put in one large manila envelope. On the outside, list the categories and the total amounts for each. Don't forget the retail sales category! All your summaries for the month go in that envelope also.
 - b. Make 12 copies of the Income Expense envelope that can be found on my website under Forms & Tracking. Attach them to 12 large manila envelopes. Keep all your receipts in an envelopes during the week and on the day you do your summary (Sat. or Sun.), also categorize your receipts for the week and enter the total on the sheet in each category. Then slip the receipts in the envelope. Whichever system you use, you'll be in great shape this time next year with your records.
6. Establish a file for all of your 2007 records. When your 1099 form comes from the company or any other W-2's arrive, you'll have a place to put them.
7. Be sure that you have kept a record of these three things: **1**-Personal use product that you or your family are taking off your shelf each month. **2**-Section 1 Retail products that you are giving away for hostess gifts, birthday gifts, door prizes, etc. **3**-All products that you opened for full-sized display/demo (ex: Satin Hands). I've found the easiest way to record these is to keep a sales ticket for each of these categories each month and list the items I'm using or giving away. Your accountant needs these totals to figure your cost of goods sold and the non-recovered sales tax.