Libman Tax Strategies

Southern California S Corp Owner: The 7 Signs Your Books Need Cleanup Before Tax Time

Find out whether your books are actually ready for tax season without waiting until your return is already underway to discover a mess.

INSTRUCTIONS

Go through the seven signs below and mark each one:

- **NO** — This is handled.
- **NOT SURE** — I need to check.
- **YES** — This is happening in my books.

This isn't meant to turn you into your own bookkeeper.
The goal is simple: **Figure out whether your books need attention before tax preparation starts.**

When you're finished, count how many items you marked **YES** and **NOT SURE**.

1. Your Bank Accounts Haven't Been Reconciled Recently

☐ No
☐ Not Sure
☐ Yes

Your books should line up with what actually happened in your bank accounts.

If several months haven't been reconciled—or you're not sure when the last reconciliation happened—that's a strong sign the numbers may need review.

Ask Yourself:
Do my books actually match my bank statements?

2. You Have Uncategorized or Mystery Transactions

☐ No
☐ Not Sure
☐ Yes

Look for transactions sitting in categories like:

- Uncategorized Expense
- Ask My Accountant
- Miscellaneous
- Suspense
- Other unclear categories

A few unusual transactions happen.
A pile of them usually means the books still need attention.

Ask Yourself:
Could I explain the transactions sitting in these accounts?

3. Your Business and Personal Spending Are Mixed Together

☐ No
☐ Not Sure
☐ Yes

If personal purchases run through the business account—or business expenses are constantly paid personally—it becomes harder to keep the books clean.

The issue is not just where the money came from. It's whether those transactions have been identified and recorded correctly.

Ask Yourself:
Can I clearly separate business activity from personal spending?

4. Your Profit & Loss Looks Wrong

☐ No
☐ Not Sure
☐ Yes

Sometimes the fastest way to spot a bookkeeping problem is simply looking at the report. Ask yourself:

- Does the revenue look realistic?
- Do any expenses seem unusually high or low?
- Are important categories missing?
- Does the profit number make sense based on what happened in the business?

If the report looks strange, don't automatically assume the business is strange.
The bookkeeping may need review.

Ask Yourself:
Do these numbers actually look like my business?

5. You Can't Clearly Explain Money You Took Out

☐ No
☐ Not Sure
☐ Yes

S Corp owners commonly move money between the business and themselves.
Those transactions may involve things like:

- Payroll
- Shareholder distributions
- Reimbursements
- Contributions
- Other owner-related transfers

If you're not sure how those transactions were recorded, tax preparation can create a lot of questions.

Ask Yourself:
Could I explain how the money I took from the business was categorized?

6. Your Payroll Records Don't Clearly Match Your Books

☐ No
☐ Not Sure
☐ Yes

Payroll reports and bookkeeping should tell a consistent story.

If wages, payroll taxes, or owner payroll don't match what you see in the books, that's worth cleaning up before your return is prepared.

Ask Yourself:
Would my payroll reports and bookkeeping agree if we compared them today?

7. You're Already Dreading Tax Prep

☐ No
☐ Not Sure
☐ Yes

This one sounds simple, but it matters.
If you already know tax preparation is going to involve:

- Digging through statements
- Fixing months of bookkeeping
- Hunting for missing transactions
- Explaining old transfers
- Rebuilding records
- Answering questions about numbers you don't trust

then your books are probably not as ready as they should be.

Ask Yourself:
If my tax professional asked for everything today, would I feel ready—or immediately stressed?

Your Results

Count every answer you marked **YES** or **NOT SURE.**

0–1 Signs

Your bookkeeping may be in reasonably good shape. Still review your year-end records and make sure your tax professional has what they need before filing begins.

2–3 Signs

There are enough open questions that a cleanup may be worth considering before tax preparation gets underway.
The goal is to solve the obvious issues now instead of dealing with them under deadline pressure.

4+ Signs

Your books may need a closer look before they're used for tax preparation. That doesn't automatically mean something is seriously wrong.
It means there are enough unanswered questions that waiting until filing starts could turn tax season into a cleanup project.

WHY THIS IS IMPORTANT

Tax preparation becomes a lot harder when the books behind the return aren't ready. Then suddenly you're:

- Digging through old bank statements
- Trying to remember what transactions were
- Fixing categories
- Matching payroll records
- Sorting out owner transfers
- Answering questions about activity from months ago

And instead of simply preparing the return, everyone is trying to reconstruct what happened first. You don't need perfect books every second of the year. But when tax time comes, you should be able to feel confident that:

The accounts are reconciled.
The transactions make sense.
The numbers are usable.
You know where things stand.

The goal is simple: **Clean up the books before tax prep becomes cleanup.**

Think Your Books Might Need Cleanup?

Adam C. Libman, CRTP works directly with business owners on bookkeeping and tax preparation.

If this checklist uncovered a few things you're unsure about, you can have a straightforward conversation with Adam about your books, what may need attention, and whether working together makes sense.

And if you're tired of chasing your accountant just to get an answer:
We return every call and email or your money back.

adamlibman.com/free-s-corp-tax-return-year-one

Talk With Adam