

# CONTRACTOR TAX CHECKLIST



Essential Tax Guide for General Contractors & Tradespeople

This checklist helps contractors stay organized, meet tax deadlines, and remain compliant with tax regulations.

## 1. Business Structure & Tax Responsibilities

- Choose your business structure: Sole Proprietor, LLC, S-Corp, C-Corp
- Register your business for state & federal tax IDs (EIN) (if needed)
- Understand your self-employment tax obligations

## 2. Common Tax Deductions for Contractors (Save Money!)

- Vehicle Expenses (Gas, maintenance, insurance, mileage)
- Tools & Equipment (Power tools, safety gear, repair costs)
- Materials & Supplies (Wood, nails, drywall, concrete, paint, etc.)
- Home Office Deduction (If you work from home)
- Internet & Phone Bills (If used for business)
- Advertising & Marketing (Website, business cards, flyers)
- Subcontractor Payments (Track payments for Form 1099-NEC)
- Business Insurance (Liability, workers' comp, equipment insurance)
- Continuing Education & Training (Certifications, courses, trade seminars)

## 3. Important Tax Forms You Might Need

- <u>Form 1040 Schedule C</u> Profit and loss statement for selfemployed individuals
- Form 1099-NEC For paying subcontractors (\$600+ per year)
- <u>Form W-9</u> Request Taxpayer Identification Number (TIN) from subcontractors
- Form 941 Payroll tax filing (if you have employees)
- Sales Tax Forms Required in some states if you sell materials

## 4. Quarterly Estimated Tax Payment Deadlines

Q1: April 15

Q2: June 15

Q3: September 15

Q4: January 15 (of the following year)

- Set aside 25-30% of your income for taxes
- Use IRS Form 1040-ES to estimate and pay quarterly taxes

## 5. Record-Keeping & Tax Prep Tips

- Keep receipts, invoices, and contracts for at least 3-5 years
- Use accounting software (QuickBooks, FreshBooks, Wave)
- Separate business & personal finances (business bank account)
- Track mileage & vehicle expenses (MileIQ, Everlance)
- Hire a CPA or tax professional for tax filing & deductions



## 5 WAYS TO SAVE TIME & MONEY



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Efficient bookkeeping is essential for businesses aiming to save time and reduce costs

https://go.gtax360.com/globaltax36001-6793

## Automate Data Entry

Utilize accounting software to automate repetitive tasks such as data entry. These tools can connect directly to your bank and credit card accounts, automatically importing and categorizing transactions. This reduces manual errors and frees up valuable time.

## Outsource Bookkeeping Tasks

Consider outsourcing your bookkeeping to professionals. This approach can be more cost-effective than handling it in-house, as it eliminates the need for hiring, training, and maintaining full-time staff. Professional bookkeepers can also provide expert insights, helping you make informed financial decisions.

## Maintain Separate Business and Personal Finances

Keeping your business and personal finances separate simplifies bookkeeping and ensures accurate financial records. This practice not only aids in clear financial analysis but also enhances your business's credibility with clients and partners.

## Regularly Reconcile Accounts

Frequent reconciliation of your financial accounts helps identify discrepancies early, preventing potential issues down the line. Regular reviews ensure that your records match your bank statements, providing an accurate picture of your financial health.

## Leverage AI-Powered Tools

Adopting Al-powered bookkeeping solutions can further enhance efficiency. These tools can automate complex tasks, provide real-time financial insights, and reduce the likelihood of errors, ultimately saving both time and money.

Implementing these strategies can lead to significant improvements in your bookkeeping processes, allowing you to focus more on growing your business.



## TAX DEDUCTION GUIDE



Essential Tax Guide for General Contractors & Tradespeople

For California San Diego County Contractors

This checklist helps you identify the most common and overlooked tax deductions to save money and ensure you're maximizing your contractor business expenses. As a general contractor operating in San Diego, California, understanding and utilizing available tax deductions can significantly impact your financial health. Below is a guide outlining key deductions and tax considerations:

## 1. Business Expenses

- Advertising and Marketing: Expenses related to promoting your business, such as online advertising, print media, and promotional materials, are deductible.
- Vehicle Expenses: Costs incurred from using vehicles for business purposes, including fuel, maintenance, and depreciation, can be deducted. Ensure to maintain detailed mileage logs and expense records.
- Supplies and Materials: The cost of materials and supplies directly used in your construction projects is deductible.
- Tools and Equipment: Purchases of tools and equipment necessary for your trade can be deducted. Depending on the cost, you may be able to expense them fully in the year of purchase or depreciate over time.
- Home Office Deduction: If you use a portion of your home exclusively for business purposes, you may qualify for a home office deduction. This can include a portion of your mortgage or rent, utilities, and insurance.

## 2. Labor Costs

- Employee Wages: Salaries and wages paid to employees are deductible.
- Contract Labor: Payments made to subcontractors or independent contractors for services rendered are deductible.
   Ensure to issue Form 1099-NEC to qualifying individuals.

### 3. Insurance

 Business Insurance Premiums: Premiums for policies such as general liability, workers' compensation, and property insurance are deductible.

### 4. Professional Services

 Legal and Accounting Fees: Fees paid to attorneys, accountants, or other professionals for business-related services are deductible.

## 5. Licenses and Permits

• Regulatory Fees: Expenses for licenses, permits, and other regulatory fees required to operate legally are deductible.

## 6. Depreciation

 Capital Assets: For significant purchases like vehicles, machinery, or large equipment, you can deduct depreciation over the asset's useful life. The Modified Accelerated Cost Recovery System (MACRS) is commonly used for this purpose.

## 7. Taxes

 State and Local Taxes: State income taxes, real estate taxes on business property, and certain payroll taxes are deductible.

## 8. Interest

 Business Loans: Interest paid on loans taken out for business purposes is deductible.

## **San Diego-Specific Considerations**

 Business Tax Certificate: All businesses operating within the City of San Diego are required to obtain a Business Tax Certificate. The associated fees are deductible as a business expense.

## **Important Notes**

- Record Keeping: Maintain detailed and accurate records of all expenses, including receipts, invoices, and logs. This practice is crucial for substantiating deductions during tax filings.
- Consult a Tax Professional: Tax laws are complex and subject to change. It's advisable to consult with a tax professional familiar with construction industry specifics and California tax regulations to ensure compliance and optimize your tax strategy.

For comprehensive information, refer to the California Department of Tax and Fee Administration's "Tax Guide for Construction Contractors."

By proactively managing your deductions and staying informed about tax obligations, you can enhance your business's profitability and sustainability.