



How Does a Bookkeeper Fit In?

This is a very common question and the best way I can answer it is by explaining a bookkeeper is like having a HANDYMAN on your property! A bookkeeper helps identify where you need help (repairs) and guides you on how to fix and maintain your books to keep you in compliance with the IRS and state.

Why hire a bookkeeper if I have a CPA? Another very common question. I myself, did not fully understand the difference of a bookkeeper vs. CPA until I became a bookkeeper. Let me help explain the difference between the two. A bookkeeper does the set-up, creates system processes and does the daily work. A bookkeeper organizes your numbers into categories and then hands over reports to your CPA who prepares your tax returns. Here is where it gets tricky! Some bookkeepers are called LTP (Licensed Tax Preparers) too and can prepare your tax returns. However, they have a different level of skills, education and expertise than a CPA. A CPA typically goes to school longer, is required to pass a 4-part CPA exam and have so many intern hours to be considered a CPA. Each state has different qualifications to become a CPA. Another tricky part is CPA's sometimes hire bookkeepers to work under them at their firm and offer bookkeeping services much like a bookkeeper does. Sometimes bookkeepers working under CPAs are not as skilled as subcontractor bookkeepers and are paid a lower wage, but CPAs are overseeing their work. At least we hope! A bookkeeper should be like a handyman for you. A resource who is there for questions, concerns and guidance throughout the year. A CPA is who knows tax law and prepares your tax returns. Bookkeepers make not only your job much easier at year-end, but a CPA's job much easier. Most bookkeepers & CPAs like to work together. Finding a bookkeeper and/or CPA that is a right fit for you can take time. Do keep in mind bookkeepers work with many different CPA's and are a great resource for CPA referrals.

It has come to my attention, many hosts do not view being a "host" as being a business, when in fact you ARE a business. You are considered a Sole Proprietor if you are taking in income & tracking expenses under your personal name. You do have the option to consider other business entities such as an LLC for more protection. Best to consult with an attorney or CPA when it comes to this. You can use your social security # as a Sole Proprietor. However, I highly recommend you apply for a free EIN # (Employer ID Number) with the IRS at www.irs.gov. This will prevent you from having to give out your social security # to anyone such as a bank. Which leads me to my next topic.

It is very important you open a separate bank account for your short-term rentals to track your income and expenses. Do not mix business & personal finances. Keep them as separate as possible and make sure you track your business finances.

I highly recommend using an accounting software to track your income & expenses. There are many choices out there these days and many are free. Most bookkeepers & CPA's prefer QuickBooks since it is a universal software, has been around for years and if you ever have question about QuickBooks you can Google it! Bookkeeping has evolved with technology over the years. QuickBooks for Desktop was the preferred accounting software used. Nowadays, everything is operating on the cloud as well as QuickBooks which is called QuickBooks Online. The way QuickBooks Online operates is you pay a monthly subscription to have access to your books on any device that has internet capability, you get all updates ongoing and if you do have a bookkeeper, CPA or both, you can share the file with them as well. This works great for remote access which saves you time & money. Before purchasing a QuickBooks Online subscription, be sure to consult with a bookkeeper first as they can typically offer a wholesale price less expensive then what is offered to the public. I recommend consulting with your bookkeeper and/or CPA before choosing any software.

Keeping up with your accounting is a must! In my 10+ years of owning my own bookkeeping business the best advice I can give is if you don't know how to do something in your business, hire someone to do it for you. You are good at what you do which is hosting! Yes, business owners wear many hats, but it is ok to admit you don't know how to do something and hire someone to take it over. Such as setting up your books in an accounting software that is right for you. Reconciling your accounts monthly and keeping a filing system for those receipts you should be keeping as the IRS does not see paperless!

A couple more reminders, be sure to track your business mileage. There are a lot of great apps out there to use to do so such as Mile IQ or TripLog. If you hire subcontractors for services such as house cleaners, repair companies, web designers, attorneys, bookkeepers, etc., you must request what is called a W9 Form to be completed by them. You can obtain a blank W9 Form from the www.irs.gov website. If these subcontractors are not incorporated and you paid them \$600 or more within the year, you must send them what is called a 1099 MISC form at year-end. One exception to this rule is attorneys. You must send them a 1099 whether they are a corporation or not if you paid them \$600 or more.

In case of doubt, take the leap and hire a bookkeeper!



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