

Business Tax Return Preparation



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For your business tax return preparation, our fee starts at **\$1,500** (with most being \$1,500 to \$1,700), however we do have discounted fees for certain situations such as rental real estate holding companies. We think of our fees as easy, medium, and hard (we're from Colorado, so we think in green circles, blue squares and black diamonds). This encompasses partnership tax returns (Form 1065) and corporation tax returns (Form 1120 and 1120S) including the Section 199A calculation and deduction.

Beyond complexity and tax footprints, your fee also depends largely on the quality of your accounting records, how organized you are, the past accuracy of your balance sheet, including how much clean up is required. We cannot repeat or continue with ghosts of poor accounting past.

You might also benefit from our **Tax Patrol Service**, which is tax preparation + planning and periodic chats throughout the year. Check it out!

And yes, our business tax return preparation fee could increase depending on your specific world. If so, you'll be in a special group — the 10% group of WCG business owners. In other words, 90% of our business entity tax returns are close to the fees above. We'll talk more about this in a bit, but first, let's take a step back.

Basic Types of Small Business Tax Returns

Before we get too far along, there are some basics to get out of the way. You might already know all this stuff but there are others who don't so please bear with us as we run through some small business tax preparation scenarios-

Entity	Tax Return	Form
Trade Names, DBA's Sole Props	Schedule C, Individual Tax Return.	1040
Single Member LLC	Schedule C, Individual Tax Return.	1040

Multi-Member LLC Husband and Wife	<i>Community Property State</i> - Schedule C, Jointly Filed Individual Tax Return.	1040
	<i>Common Law State</i> - Partnership Tax Return. The Revenue Code is clear on this, yet most tax professionals and attorneys mess it up. It's hard to enforce.	1065
Multi-Member LLC	Partnership Tax Return.	1065
C Corp or PC	C Corporation Tax Return	1120
S Corp Election	S corporations do not exist. Rather an underlying entity, such as an LLC or C Corp, elects to be taxed as an S Corp. Therefore a corporation tax return is filed.	1120S

The rest of this page is written for the small business owner who is beyond the sole proprietorship or disregarded single-member LLC, and needs a partnership (Form 1065) or corporate (Forms 1120 or 1120S) tax return. If you want more information on **single-member LLC tax return preparation**, typical fees and how it all works, please click on the button below.

You're still here! Great! Let's talk about each of these business entity tax returns in turn, starting with Partnerships who file Form 1065.

Partnership Tax Preparation (Form 1065)

As alluded to earlier, if you have more than one member (owner) in your limited liability company, then you are now a fancy multi-member LLC. Yes, this includes your spouse unless you are in a community property state (WA, ID, CA, NV, AZ, TX, LA and WI). Partnership tax returns are seemingly either very straightforward or quite complex. Sure, there are some middle of the road returns, but in our experience this is a good generalization.



Straightforward

1. You and your brother-in-law own a rental. Straightforward.
2. You and your spouse operate a dog wash. Straightforward.

Complex

1. You and your brother-in-law own several rentals in various states — getting more complex.
2. You have a multi-entity arrangement where the partnership pays out a fee for service to other S corporations such as financial advisors, insurance agents, medical groups, etc. Not super complex, but time-consuming.
3. You and your spouse operate as an Amazon retailer with sales in all 50 states plus DC — revenue apportionment, lovely!
4. You bring in a partner. You kick out a partner. You do both. Capital accounts need adjustments, short-year

calculations and all kinds of other allocation issues. Fun!

5. You have 10 other partners with various arrangements, revenue splits, member interests, allocations and other craziness. For example, member 1 receives a guaranteed payment of \$100,000 before the other nine members, provided that the net operating income is over \$500,000, **and** that working capital at the end of the year before required distributions for tax payments and after forecasted debt service is \$350,000. Huh?! Oh boy, here we go — buckle up!

Where does this leave us? We have attempted to articulate business entity tax return complexity in the form of dollars. In terms of Colorado, we would say green squares, blue circles and black diamonds.

Operating Partnership Fee Structure

An operating partnership is contrasted with a holding company partnership, and includes a business that provides services or sells goods. A holding company partnership is typically a business that owns real estate, either single-family homes or commercial. In commercial settings, commonly the holding company is leasing the property to the operating company. See Real Estate Holding Company below.

Operating Base Partnership Fee	\$1,500 to \$1,700
More Than Two Partners / Members	\$150 to \$200 for each additional partner (discounts available)
More Than One Tax Jurisdiction (state, county, city), Backup Withholdings	\$150 to \$250 for each additional tax jurisdiction
Has Employees	\$250 to \$500 depending on accounting records
Changes in Ownership, Disposition	\$250 to \$500 depending on level of craziness
Foreign Interests, Connections	\$500 to \$750 depending on the required forms
Nutty Operating Agreement Calcs	Depends, but example #4 above would be about \$300 to \$500

Don't freak out and snap your pencil trying to add all this up. This is only a guideline, and frankly we're aiming high here. For example, an operating partnership with 5 partners conducting business in 3 states is looking at \$1,950 to \$2,200ish using the table above. We might be able to prepare the tax returns for less; just like snowflakes, each business is unique.

You might be asking what the heck is a tax jurisdiction. Each state, county, city, and even school district might be a separate tax jurisdiction and require a separate tax return prepared and filed alongside the federal tax return.

Ultimate Tax Preparation Fee

We have attempted to take time expectations and assign a numeric fee structure. This is an impossible task. Please keep in mind several factors. These include partnership account adjustments, adding or removing partners, and manual capital account reconciliations.

Additionally, rebuilding partner basis information, asset dispositions (such as the sale of a rental or equipment), and backup withholdings calculations are important. Other considerations are entity shutdowns, odd-looking balance sheet entries, and various moving parts. Let's not forget the equity partner versus economic partner arrangements and the mental gymnastics that might ensue from those types of deals.

The additional fees for each partner are very generic, and we leave a lot of room for discounts. Once you start hitting 5 to 6 partners, the incremental time for each additional partner is lower and lower. It's like getting tile work at your house — the first tile labor involves unloading, preparation, mixing of the mortar, etc. and is very expensive. The labor for the next tile is way less.

The best way to solve the "what's my fee going to be?" conundrum is to provide last year's tax returns for review and quotation.



Again, our fees above are meant to reflect generalities.

Real Estate Holding Company Tax Preparation

As mentioned earlier, a real estate holding company partnership is generally a business that owns rental properties and usually has fewer transactions, and therefore is more straightforward (i.e., less time-consuming). There are lots of reasons to do this, as we outline below.

Rental Property Holding Company Base Fee	\$1,000 to \$1,200
More Than Two Partners / Members	\$150 to \$200 for each additional partner (discounts available)
More Than Two Properties	\$200 to \$250 for each additional property
Rental Property Setups	\$150 to \$300 depending on complexity, one-time fee
Special Allocations	Depends on the complexity, most are \$300 to \$500

A partnership has an Operating Agreement which formalizes the relationship. Sure, you can own something with your brother-in-law as joint tenants or tenants in common, but a formal entity is good protection for everyone (and also serves a smooth way to transfer ownership as necessary). As a quick sidebar, you might want to create a partnership intentionally between you and your spouse (or some close relative) to reduce your risk. Quickie recap:

- Lower audit rates
- Mechanically support your basis and ability to deduct losses
- Activity is separate from your 1040 tax return, which provides more shielding

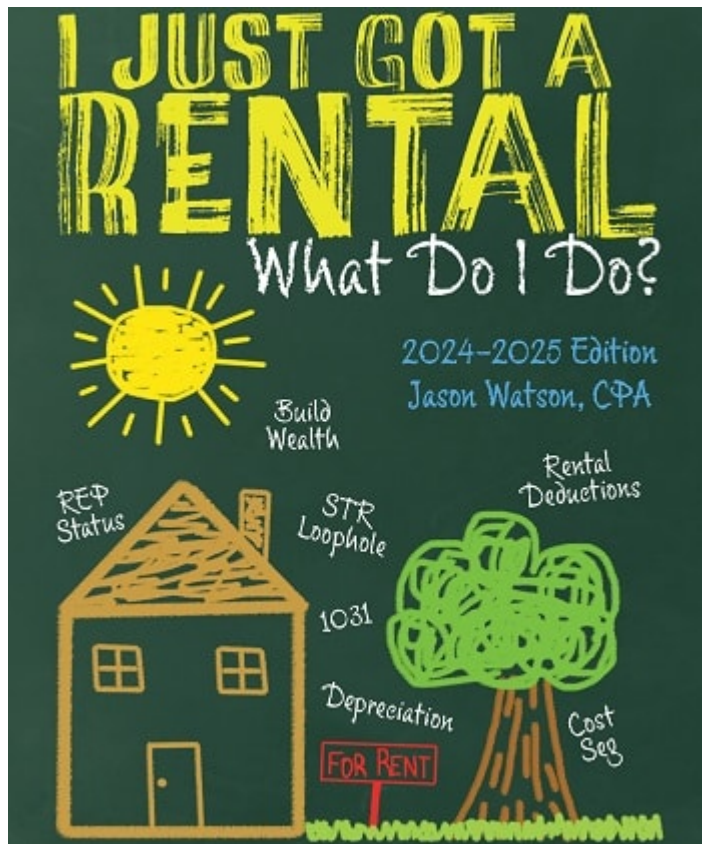
Read more about rental property partnerships with the button below.

I Just Got A Rental, What Do I Do?

I just got a rental, what do I do? Purchasing a rental property is certainly challenging, but operating one to build wealth and find tax efficiency is equally challenging. This is our second book. Our first book, *Taxpayer's Comprehensive Guide to LLCs and S Corps*, was first published in 2014 and was well-received by small business owners and tax professionals, so we thought a book on rental properties and real estate investments would be equally helpful. So, here we are with our first iteration, or the 2024-2025 edition. We plan to update annually.

Our rental property book starts with entity structures and moves into asset management such as acquisition, cost segregation, rental safe harbors, repairs versus improvements, accelerated depreciation, partial asset disposition, and 1031 like-kind exchange. From there we discuss various rental considerations like passive activity losses, short-term rental loophole, real estate professional status, and material participation including what time counts, and what time doesn't count.

Finally, the good stuff! Rental property tax deductions such as travel, meals, automobiles, interest tracing, home office and common expenses. Fun!



We Are Real Estate CPAs

WCG CPAs & Advisors has a team of real estate CPAs ready to assist you with your rental property and real estate investments. Very few tax professionals and CPA firms specialize in real estate to provide you solid consultation, tax planning including tax reduction strategies, and tax return preparation. We are experts in-

- Entity Arrangements, Real Estate Holding Companies, Deal Structures
- Startup Expenses, Launching Your Real Estate Venture, Acquisition Costs
- Asset Setup On Your Tax Returns, Cost Segregation Studies
- Converting Your Primary Home Into a Rental
- Passive Activity Loss Limits
- Material Participation Rules, What Time Counts (and What Doesn't)
- Real Estate Professional Status (REPS)
- Short-Term Rental (STR) Loophole
- Vacation Home Rules, Bolton Method
- State Problems With Your Rental
- Travel, Meal, Automobile and Home Office Deductions
- Common Rental Property Deductions, Allocation of General Expenses Across Multiple Rentals
- Rental Property Repairs Safe Harbors, Improvements
- Accelerated Depreciation, Section 179 Expensing, Partial Asset Disposition
- 1031 Like-Kind Exchange, 721 Exchange
- Selling Your Rental Property, Buying Out Your Partner

This book is written with the general rental property in mind. Too many resources tell you the general rule but don't bother to back it up with Internal Revenue Code, Treasury Regulations and Tax Court cases. Our book lays it all out, explains the madness, adds some humor and various conundrums.

Other Holding Companies

You might be a member in a multi-member LLC or LLP or some variant, and the sole purpose of the entity is to bring a group of investors together where pooled assets purchase other investments. For example, you and a handful of people throw some money into the pot and buy investment tranches that produce K-1s (mostly because you don't meet the investment minimums as individuals).

You need a partnership to formalize the arrangement and a common place for the money transactions. This in turn, and since there is commercial substance with taxable activities, requires a partnership tax return. Our fees are similar to the real estate holding company structure above since the transactions are fewer, but might vary depending on the complexity of the structure. Usually a quick discussion can clear things up.

Corporation Tax Return Preparation (Form 1120 and 1120S)

Corporate tax return preparation can be more straightforward than partnership tax returns. The rules of engagement are more rigid. Partnerships are virtually limitless when it comes to who gets what, splits, allocations, etc. which is why they are an ideal entity arrangement when there are multiple parties with wildly different interests, participation, and objectives.

Corporation Tax Return Fee Structure

C corporations including professional corporations, and any entity taxed as an S corporation can expect the following:

Base Corporate Tax Prep Fee	\$1,500 to \$1,800
More Than Two Shareholders (assuming S Corp)	\$100 to \$150 for each additional shareholder (discounts available)
More Than One Tax Jurisdiction (state, county, city)	\$150 to \$250 for each additional tax jurisdiction
Has Employees	\$250 to \$500 depending on accounting records
Changes in Ownership	\$250 to \$500 depending on level of craziness
Foreign Interests, Connections	\$500 to \$1,000 depending on the required forms (5471, 5472, etc.)

We mentioned that corporation tax return preparation can be more straightforward than partnership tax returns. But! For our foreign owners of C corporations, additional time is necessary for possible back-up withholdings, **Form 5472**, **Form 8233**, W-8 BEN and tax treaties, among other issues that need special handling. In these situations, our tax preparation fee will be a minimum of \$2,500 for any C corporation owned by foreign investors or owners. This gets tricky really fast.

Similar to partnerships (see above), we offer a discount for several shareholders since after the first handful, the incremental time is low. And there's more: shareholder allocations of net operating income and any separate items (such as Section 179 depreciation, capital gains, etc.) is much more straightforward and the nutty calculations from exotic deal structures doesn't exist. In contrast, partnerships and multi-member LLCs might be simple, or they might be very complicated from a deal structure and allocation perspective.

Composite Tax Returns

What the heck is a **composite tax return**? According to The Tax Adviser,

“a composite return is an individual return filed by the passthrough entity that reports the state income of all the nonresident owners or, in some cases, the electing members, as one group. Filing the composite return can also relieve the passthrough entity of the withholding requirement that many states impose on passthrough entities with nonresident owners. The state gets its money while the owners' personal filing obligations are reduced.”

Sounds cool, right? Well, maybe! There are situations where this makes sense, and there are clearly situations where it does not. When it works, it works really well.

If you are operating a pass-thru entity such as a partnership filing Form 1065 or an S corporation filing Form 1120S, and you have multiple owners in multiple states, we should chat.

Tax Planning

WCG offers a lot more than just a tax return. Tax returns are boring. Most CPAs are boring and aren't forward-thinkers.

Tax planning strategies are commonly addressed in December, as small business owners and other taxpayers start to freak out about bringing in the New Year. However, tax planning is an ongoing and fluid dynamic, and it should be performed methodically throughout the year. The uneasiness of not knowing your tax obligations is avoidable! Got a big fat raise? Booyah! Just sold a rental? Your spouse is going back to work?

Sure, we can slam things together on December 31, but that is operating in crisis mode. Rather, operating in planning mode throughout the year allows for better decisions and better tax savings. Tax planning is a valuable service that most tax professionals don't readily offer... but WCG does! It is included in our Business Advisory and Tax Patrol Services, including standalone Tax Plans. Click the buttons below for more information.

Let's do some tax planning and see if you should spring for the new car, or stick with the lightly used one.

One Hot Mess

As professionals, our pride and ethics will not let us submit a tax return that's (in all intents and purposes) one hot mess. More often than we like, we inherit another accountant's previous tax and accounting work, and some basics on S corp taxes or partnership taxes were overlooked. Let's not forget:

- basic disorganization
- advanced disorganization
- disguised disorganization
- misrepresented organization, which can all create one hot mess.

In these situations, we'll advise you on the best course of action, the fees, and the risks involved. Most problems involve the balance sheet and specifically equity accounts, which are rarely important until it is time to sell, close your doors and / or get a loan. You run a clean operation, let us make sure your books and business tax returns reflect the same pride you have in your business.

Typically, we will extend the tax returns with your permission and work with our Accounting Services team to rebuild or restate the financial statements.

Bookkeeping Fee Model

The best reason to use a small business accountant is to allow you to focus on what you do best with your time. Let us handle what we do best with ours. Sure, you can go online and purchase the latest version of QuickBooks. However, the potential drawbacks of that decision can be subtle but significant.

First, QuickBooks makes everyone feel like an accountant. Accounting is a profession, not a hobby, and it extends way beyond reconciling a checkbook. Far too often, we hear: "what do you mean my books aren't in good order? I don't understand. All my accounts are reconciled!"

We've learned business owners are great at making widgets and aren't too bad at reconciling a checkbook, but they're typically lousy at accounting. Phantom income from invoices, negative balance sheet accounts from incorrect payroll entries, missed tax deductions from improper coding — we could go on and on like a Journey song.

Second, WCG is a CPA firm who provides accounting, payroll, tax preparation and small business consultation. Our approach to accounting, which we define as **bookkeeping + analysis**, is:

- Helps you understand how your business is performing
- Compares your business to your competitors
- Provides accurate tax planning, and
- Minimizes your tax burden

Keep in mind that banks, lenders, and IRS agents prefer a set of accounting records and financials that have been prepared by a small business accountant with the involvement of a Certified Public Accountant. Remember, these professionals review financial records every day, and they can quickly spot accidental inconsistencies and errors.

Most importantly, would you rather be closing your next sale, BBQing on a Sunday with buddies, or getting sucked into the world of accounting at the hands of your latest QuickBooks purchase? Focus on growing your business, and your small business CPA will focus on analyzing the data for operational considerations and reporting it to the IRS while minimizing the tax consequence.

We have a handful of jumping off points-

Monthly Accounting (bookkeeping + analysis)	starting at \$500 / month
Bi-Monthly Accounting (bookkeeping + analysis every 2 months)	starting at \$250 / month
Quad-Monthly Accounting (bookkeeping + analysis every 4 months)	starting at \$175 / month
Annual Compliance Bookkeeping	starting at \$1,200 annually
Annual Accounting	starting at \$1,800 annually
Rental Property Bookkeeping	starting at \$1,200 annually

All starting points assume two bank accounts (such as one checking and one credit card) and fewer than 250 transactions per month. Do we really count each transaction? No, but we have to start somewhere.

Bi-Monthly Value Option

WCG is a leader in finding value for our clients, and as such we have introduced the unique bi-monthly cadence for reconciliations and financial statements. For some business owners, this works perfectly since they still get data frequently for operational considerations and the “where am I spending my money” question, but at a lower fee. Frankly, going from 12 deliverables to 6 allows you, the busy business owner, to focus more on the impact of each set of financial statements and not be distracted by noise created simply because of frequency.

Quad-Monthly

Quad-Monthly (every 4 months or 3 times a year) is designed for the small business owner who doesn't rely on their financial statements to assess the health of their business or need them for periodic business reviews, including advanced tax planning. They are more interested in taking chores off their plate, recording all valid tax deductions and being prepared quickly for an early business tax return.

Deliverables are around May / June and then again in September / October. When considering that our **tax planning season** is May, June and July, the predictability of the future based on a singular May / June financial statement can be challenging. This is where you, the savvy business owner, comes in to help use the limited history to predict the future.

Annual

Annual Accounting Services are available but they come with a massive limitation. We can only perform annual accounting starting in April. Why? January, February and March are nutty for our Accounting Services Team as they wrap up all the monthly, bi-monthly and quad-monthly cadences above and synthesize a tax package for timely tax return preparation. Wait! There's more.

Annual accounting services come in two variants-

Compliance Bookkeeping – this is where we download a year's worth of data from your bank, categorize the transactions and then build basic Excel pivot table for tax return preparation. We do not necessarily reconcile checking or

credit card accounts. We also do not create a financial statement package (profit and loss, balance sheet, general ledger, etc.). This is purely designed to help the busy business owner offload a chore to others for tax return preparation.

Accounting Services – this is typical accounting services where we create a financial statement package using QuickBooks Online. When would you use this over the compliance bookkeeping variant? If you already have a QBO subscription then why not? If you have other owners or stakeholders who require full-blown financial statements.

Rental Property Bookkeeping

This varies wildly, and as such we dedicated a separate section to describe how it all comes together. Keep reading!

Business Tax Return Preparation

As mentioned above, most partnership and corporation tax returns can be prepared between **\$1,500 and \$1,800**. Having said that, if you maintain your own financial records or accounting books, our past experience has suggested that an extra 3-5 hours will be required to properly prepare your business tax return. Specifically, most errors center on general balance sheet issues, retained earnings and payroll. And these areas of your corporation's financial records are critical in terms of accuracy.

Business Tax Return Review

All partnership and corporation tax returns are reviewed with you in-person, over the phone or video conferencing with Teams. While a lot of our interaction might be electronic, we prefer to handle business tax returns more traditionally. In our experience, reviewing a business tax return together provides you with some education on how a business tax return comes together, allows you to ask valuable questions and ultimately creates a better tax return.

After tax return preparation, we will schedule a 30-40 minute meeting with you. Exciting! This truly helps everyone understand each other better, and makes for an accurate and complete tax return.

Additional Fees

Small businesses is a primary core competency for us. Of course, we will prepare the owners' individual tax returns as well, but the majority of our consultation and tax preparation work is focused on businesses. We're your small business CPAs! Just like Farmers', we know a thing or two because we've seen a thing or two. Oh, stop rolling your eyes- it's a fun slogan and their jingle is catchy too. GEICO still takes the cake on funny commercials. We digress.

WCG is in the business of developing lasting relationships and not money grabs. If we run into a buzz-saw we will stop, advise you of the additional work that is needed and provide a fee range that everyone can live with.

We also have a short list of additional fees that might be incurred depending on your tax situation. We really hate to be ticky tack with these things; however, there are certain situations that require a ton of extra time and resources. The vast majority of our clients do not have additional fees beyond the fee ranges above, since we try to maintain a long-term perspective on client relationships. Please visit our fee info page for more information.

In other unicorn-type cases, we have also reduced our tax preparation fee to \$800 to \$1,000 for extremely simple corporate tax returns or for "no activity" filings. Please contact us if you think this might be your situation. Yes, we believe in unicorns (above a 9 hot and below 5 crazy)!

Financial Statements

Many CPAs will prepare a partnership or corporation tax return without a **balance sheet**- for certain situations, the IRS doesn't require a balance sheet. However, we feel that it is sound tax preparation practice to create this financial document in conjunction with your tax return regardless.

Partnership and S Corporation tax returns also must track shareholder basis for future sales or loss deductions. Most tax corporate tax accountants don't spend the time to record this information, and when you go to sell your business, capital gains becomes a big mystery. No shortcuts at WCG!

A small business can have a funny way of becoming bigger, and replicating poor accounting practices as you grow can create a much larger problem later. We prefer to lay the groundwork today for an easier growth transition and exit strategy planning. This is to your advantage.

Value Proposition

WCG is tax and business consultants, not just number crunchers. Anyone can balance a checkbook, print a paycheck, and put the right number in the right blanks. But we take a consultative approach to your corporate and partnership tax preparation. You can always find someone to do it for less, of course! However, consider the solid back-end support which you will get with WCG that other tax preparation companies or small business CPAs might not provide. Read more about our **Value Proposition** here.

We are your business tax return preparation experts!