

## IRS PUBLICATIONS

Below are some of the links of publications from the website [www.irs.gov](http://www.irs.gov) which you may find helpful.

[Publication 334](#) - *Tax Guide for Small Business*

[Publication 463](#) - *Travel, Entertainment, Gift, and Car Expenses*

[Publication 505](#) - *Tax Withholding and Estimated Tax*

[Publication 552](#) - *Recordkeeping for Individuals*

[Publication 535](#) - *Business Expenses*

[Publication 583](#) - *Starting a Business and Keeping Records*

[Publication 587](#) - *Business Use of Your Home*

[Publication 1635](#) - *Understanding your EIN - Employer identification Number - IRS*

[Form SS-4](#) - *Application for Employer Identification Number*

Questions? Call a professional or IRS 1-800-829-1040. If you decide to call the IRS call at sharp 7 a.m. so you do not have to be on hold for a long time

## RECORD RETENTION SCHEDULE

To get you started, here are some basic guidelines for the length to maintain your records. The retention period is the number of years from the date the tax return was filed. All material presented is for general information only and should not be acted upon without professional assistance.

<b>Business Records</b>	
Type of Record	Retention Period (Years)
Articles of incorporation	Permanent
Bylaws	Permanent
Capital stock and bond records	Permanent
Contracts and agreements (government construction, partnership, employment, labor, etc.)	Permanent
Legal correspondence	Permanent
Minutes	Permanent

<b>Financial Records</b>	
Type of Record	Retention Period (Years)
Auditors' reports	Permanent
Bank debt deduction	7
Bank deposit slips, reconciliation's, statements	4
Bills of lading	4
Budgets	2
Checks - cancelled	4
Contracts - purchase and sales	4*
Credit memos	4
Depreciation records	4*
Employee expense reports	4
Employee payroll records (W-2, W-4, annual earnings records, etc.)	6*
Financial statements -- annual	Permanent
Financial statements -- interim	4
Freight bills	4
Internal reports (Work orders, sales reports, production reports)	4
Inventory lists	4
Invoices - Sales and cash register receipts, merchandise purchases	4
Invoices -- purchases (permanent assets)	4*
General ledger	Permanent
General, cash receipts, cash disbursement, and purchase journals.	Permanent
Payroll journal	4
Petty cash vouchers	4
Subsidiary ledgers (accounts receivable, accounts payable, etc.)	6
Time cards and daily time reports	4
Worthless securities	7

<b>Personnel Records</b>	
<b>Type of Record</b>	<b>Retention Period (Years)</b>
Personnel Accident Report/Injury Claim	11
Attendance Records	4
COBRA Records	3
Employee Benefit Plans	2*
I-9 Forms	1*
Medical and Exposure Records - related to toxic substances	40
OSHA Training Documentation	3
OSHA Logs	6
Patents	Permanent
Personnel files	6*
* Retention periods begin after termination,	

<b>Inventions and Copyrights</b>	
<b>Type of Record</b>	<b>Retention Period (Years)</b>
Patents	Permanent
Copyrights	Permanent
Trademarks	Permanent
Service marks	Permanent

<b>Insurance Records</b>	
<b>Type of Record</b>	<b>Retention Period (Years)</b>
Accident reports	6
Fire inspection reports	6
Group disability records	6
Insurance policies	6 *
Safety records	6
Settled insurance claims	4 *
* Retention periods begin after termination, expiration, disposal, etc. of item.	

<b>Real Estate Records</b>	
<b>Type of Record</b>	<b>Retention Period (Years)</b>
Mortgages	6 years
Contracts	6 years
Deeds	Permanent

<b>Pension/Profit Sharing Records</b>	
<b>Type of Record</b>	<b>Retention Period (Years)</b>
Actuarial reports	Permanent
Associated ledgers and journals	Permanent
Financial statements	Permanent
IRS approval letter	Permanent
Plan and trust agreement	Permanent

## CASH OR ACCRUAL BASIS

In order to implement any type of accounting system, a decision must be made to utilize either a cash or accrual basis for your books.

- Cash Basis:

Under a cash basis, revenue is reported when cash is received and, correspondingly, expenses are reported when cash is paid.

- Accrual Basis:

With an accrual basis, revenue and expenses are reported at the time they are earned or incurred.

To illustrate the difference between the two let's assume that on January 1<sup>st</sup> Joe the plumber provided a service that totaled \$400. The customer didn't have the money that day and sent Joe a check on January 15. In an accrual based system, the revenue for the job would be recorded that same day, regardless of whether or not Joe received payment from the customer. Using the same example in a cash basis, a record of the transaction would not be entered into the books until the payment was received on January 15<sup>th</sup>.

When people are asked about accounting, many thoughts turn to numbers and formulas found in spreadsheets, and that certainly is part of the profession. The important part, especially to small business owners, is to understand how the numbers make up the big picture for your business. The information provided in this book will help you select and implement an appropriate accounting system based on the goals and objectives of your real estate agent business.

## CHART OF ACCOUNTS

The Chart of Accounts- all companies should follow a systematic method of assigning and identifying numbers to each account. It is not necessary to use numbers in QuickBooks or Quicken. Here is a rule of thumb to assign numbers to account name:

- 1000-1999 Assets
- 2000-2999 Liabilities
- 3000-3999 Capital, Equity
- 4000-4999 Income or Revenue
- 5000-6999 Expenses
- 7000-7999 Other Income
- 8000-8999 Other Expenses

### Chart of Account Types

#### Assets – numbers 1000-1999

Assets of a business are properties which are owned by the business.

Current Assets:

Assets include such things as cash, bank accounts, amount owed to the business by its customers for goods and services sold to them on credit (called accounts receivable).

Fixed Assets:

Fixed Assets are items that are held by the business, such as equipments, buildings and land to be sold at a future date.

#### Liabilities- numbers 2000-2999

Liabilities of a business are its debts, money borrowed, money where the business owes money such as amounts owed to creditors for goods and services bought on credit (accounts payable), loans, line of credit, and notes payable.

Current Liabilities: Money owed for a period of less than a year.

Long Term Liabilities: Money owed for more than a year.

**Equity- numbers 3000-3999**

Equity is the interest in the assets of a business that remains after deducting its liability.  
 $\text{Assets} - \text{Liabilities} = \text{Net Worth or Ownership Equity}$

**Income – number 4000-4999**

Income also known as revenues is received in exchange for services provided to customers as part of business, such as commission earned on selling a property.

**Expenses – number 5000-6999**

Expenses are incurred to run the business such as printing cost, rent, and advertising.

**Other Income – number 7000-7999**

Other income is revenue which is related to business but not by selling services. Such as bank interest.

**Other Expenses – number 8000-8999**

Other Expenses are expenses when you incur a loss selling an asset such as furniture or equipment.

## REAL ESTATE AGENT BUSINESS

### ASSETS

#### Current Assets

##### Checking/Savings

1000 · Petty Cash

1010 · Checking

1050 · Savings

##### Total Checking/Savings

##### Accounts Receivable

1020 · Accounts Receivable

##### Other Current Assets

1200 · Undeposited Funds

##### Total Other Current Assets

#### Fixed Assets

1500 · Furniture and Equipment

1600 · Printer

1700 · Accumulated Depreciation

##### Total Fixed Assets

### LIABILITIES

#### Liabilities

##### Current Liabilities

##### Accounts Payable

2000 · Accounts Payable

##### Credit Cards

2050 · Discover 8486

##### Other Current Liabilities

2100 · Payroll Liabilities

2200 · Advance received from broker

2600 · Commerce Loan

##### Total Other Current Liabilities

### EQUITY

3000 · Opening Balance Equity

3200 · Owner's Equity

3210 · Draw

3230 · Investment

3200 · Owner's Equity - Other

## INCOME

4000 · Commission Income  
    4100 · Listing Agent  
    4200 · Selling Agent  
    4000 · Commission Income - Other  
Total 4000 · Commission Income  
7000 · Other Income

## EXPENSES

6000 · Advertising and Promotion  
    6001 · Internet  
    6002 · Listing Expenses  
    6003 · Marketing  
    6004 · Newspapers  
    6005 · Signs  
    6006 · Television Ads  
    6007 · Website  
    6000 · Advertising and Promotion - Other  
Total 6000 · Advertising and Promotion  
6010 · Automobile Expense  
    6011 · Car Washes  
    6012 · Gas  
    6013 · Insurance  
    6014 · Loan Interest  
    6015 · Mileage  
    6016 · Parking  
    6017 · Rental  
    6018 · Repairs & Maintenance  
    6019 · Tolls  
    6010 · Automobile Expense - Other  
Total 6010 · Automobile Expense  
6020 · Bank Service Charges  
6030 · Broker Charges  
6040 · Computer and Software Expenses  
6100 · Depreciation Expense