

Income, Expenses and the Importance of Recordkeeping

Presented by:

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Just like any other business...

- You are in business to make MONEY!!!
- You need to know what you are earning AND what you are spending
- Recordkeeping is imperative



Your Earnings

- Your commissions are your REVENUE
- Your REVENUE is considered your GROSS INCOME



This Gross Income (aka Your Revenue) Comes at a Cost

- What did it cost you to earn the Gross Income?
- These costs are considered your Expenses.
- $\text{Gross Income} - \text{Expenses} = \text{Net Revenue (before taxes)}$



Different Ways to Track Your Expenses

- Software
- Apps
- Excel
- Quickbooks
- By Hand



What's Considered a Business Expense?

- If the money you spent was related to your Realtor business, then it is a business expense.
- Examples of business expenses:

Realtor Dues	Client Gifts
Desk Fees	Software
Mileage	Cell Phone
Internet	Marketing and Advertising
Auto Expenses	Supplies



Tracking Expenses Requires a General Ledger

COMPANY NAME						
Month	Commissions	Realtor Dues	Telephone	Marketing and Advertising	Rent/Desk Costs	Outside Contractor Payments
January	\$	\$	\$	\$	\$	\$
February	\$	\$	\$	\$	\$	\$
March	\$	\$	\$	\$	\$	\$
1st quarter totals	\$	\$	\$	\$	\$	\$
April	\$	\$	\$	\$	\$	\$
May	\$	\$	\$	\$	\$	\$
June	\$	\$	\$	\$	\$	\$
2nd quarter totals	\$	\$	\$	\$	\$	\$
July	\$	\$	\$	\$	\$	\$
August	\$	\$	\$	\$	\$	\$
September	\$	\$	\$	\$	\$	\$
3rd quarter totals	\$	\$	\$	\$	\$	\$
October	\$	\$	\$	\$	\$	\$
November	\$	\$	\$	\$	\$	\$
December	\$	\$	\$	\$	\$	\$
4th quarter totals	\$	\$	\$	\$	\$	\$
Year End Totals	\$	\$	\$	\$	\$	\$
*Home Office Expense and Car Lease/Depreciation can be done at year end						
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** Feel free to add expense categories			www.reptaxpro.com			



Why Is It Important to Categorize Expenses?

- As a Realtor, you need to know how much and where you are spending your Gross Income/Revenue
- The IRS requires you to report your expenses based on categories on your tax return.



Frequency of Recordkeeping

- The more frequently you update your records, the more accurate they will be.
- Better records = easier to lower taxes and increase net income.



Purchasing Assets and Depreciation

- Purchasing depreciable assets for your business helps lower taxes
- Assets have an intrinsic value and are things that can be sold
- Depreciation is a deduction you can subtract from your income to reduce your taxes.
- Depreciation is one of the BEST ways to lower taxes without having to pay out money for expenses.



Real Estate and Depreciation

- Real estate is such a powerful investment, in part due to its major depreciation benefits.
- Millionaires have been made by buying an asset that consistently appreciates over time yet can be depreciated to reduce taxes.



Balance Sheet

- A balance sheet shows your assets and liabilities.

Assets

-Have a financial value

e.g., money in the bank, investment accounts, real estate, non-leased vehicles, retirement accounts

Liabilities

-Money you owe

e.g., credit card debt, balance on mortgages or car loans that are reported as assets and any other monies that are owed



Balance Sheet

Assets - **Liabilities** = Your Equity in Your Company

The equity of the company shows the amount the company is worth on paper.



Summary

- Bookkeeping and accounting give you VITAL information
 - To pay less in taxes
 - To realize a larger profit



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