

BEYOND THE DEADLINE

**How Monthly Accounting
Resolves Missed Taxes
& Incomplete Bookkeeping**



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1. Back Work vs. Back Taxes

So, you're the owner of a small business that has fallen a little behind on bookkeeping, and maybe your taxes also didn't get filed. We all know this can be a pretty big deal, especially if you didn't get an extension.

What can you do about it? You'll have to go back and get caught up.

Back taxes are **tax filings** that were missed or incorrect that an accountant needs to do (or re-do) for you. Business owners are usually aware of when their taxes aren't filed and realize that they need back taxes done.

Back work is a little more complicated. It refers to the **bookkeeping** portion of accounting. Back work is needed when your books have fallen behind or have been done incorrectly. An accountant can help you with this, too.

Back work will almost always be needed alongside back taxes. There are two exceptions, though.

The **first exception** is if you join CSI right at year-end. Your books are all done, but you don't want your prior accountant to also do your taxes. We'd still review your books, but if they're fine, there's no need for us to touch them.

However, we usually find errors in these circumstances. After all, why didn't you want your prior accountant to do your taxes? Is it because they have made a lot of mistakes in the past?

The **second exception** is if you join at any other time of year and have a recently filed tax return or an independently prepared financial statement, but there is still a chance that some back work will be needed.

How do we determine if your books are in poor shape? You will need back work done if:

- **Your bank accounts and credit cards are not reconciled through the end of the year.**
- **There are any negative balances.**
- **Any loans do not have accurate balances.**
- **Any state or sales taxes are not recorded.**
- **Any payroll is not recorded.**

2. Payroll Back Taxes

To avoid any confusion, we wanted to also briefly mention back taxes for payroll – although it's much less common to fall behind on payroll taxes than accounting.

Just like accounting back taxes, **payroll back taxes** are late, unpaid payroll taxes. As an employer, you're subject to paying the employer portions of **payroll taxes**, which include:

- **Social Security taxes**
- **Medicare taxes**
- **Unemployment taxes**

If you haven't been paying these taxes or filing returns, then you owe payroll back taxes.

There's no limit to how long the IRS can collect payroll back taxes from a business. Even if you were to hypothetically owe taxes from 20 years ago, the IRS can require the tax payment, penalties, and interest for the entire time you're overdue.

An alternative is if you don't fix missed payroll taxes, some states will file a return for you based on your previous tax liabilities. They'll also add additional penalties and interest. This may sound convenient, but we don't think the extra fees are worth it.

Instead of working with an accountant, a payroll specialist is the best person to help you catch up on payroll back taxes.

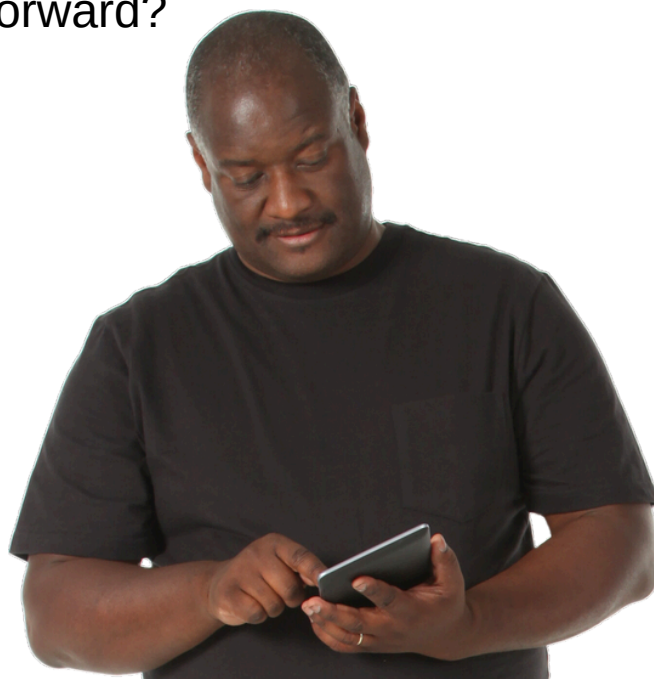
Now, back to accounting!

3. The Value of Back Work & Taxes

If you need your back work done, don't try to find an accountant who will skip it! Let's explore the **benefits of getting your back work and taxes done** by a professional.

- **Large potential savings.** You have to pay these missed taxes, plus penalties and interest that increase over time. This can quickly add up beyond the cost to get your books and taxes back up to date.
- **Ensured tax liability.** Your accountant can give you a more confident estimate of what you owe. A tax projection can help reduce your tax liability, eliminate tax season surprises, and guide decision-making. Your accountant may even find more deductions while going through your books!
- **Avoided run-on mistakes.** In accounting, numbers build on each other month-over-month. If your books are wrong in January, they're still going to be wrong in December – unless you go back and fix every number from the exact moment they went wrong. That way, you can avoid further back work being needed.
- **Other avoided consequences.** You can also avoid levies, liens, and IRS letters. It's always a good idea to stay in good standing with the IRS!

- **Easier to get loans or investors.** Banks and investors need to see your books before offering up their money. They do this to see the state of your finances and your ability to pay them back. If your books look good, you're more likely to get good loans.
- **Audit-proofed books.** CSI "audit-proofs" your books when we do your back work. To guarantee free audit representation for our accounting clients, we need to ensure the data is correct. We can't represent incomplete data or data that was done by a different accountant.
- **Audit limitations.** Getting back taxes done means you're less likely to be audited. Plus, if you file your tax returns, the IRS only has three years to review them in an audit, but if you don't, the statute of limitations never ends.
- **Year-over-year comparisons.** When you don't have any gaps in your records, you can see how you're doing now compared to prior years. Historical data can provide a lot of guidance. Are you doing better or worse? Where are there higher costs or lower margins so we can correct them moving forward?



4. New Clients Who Are Behind

Will CSI take you on as a client if you need back work done? Yes, we can – but we need to catch you up.

Remember, accounting numbers build off of each other, so if your books aren't correct from a prior month, they still won't be correct for this month.

You wouldn't be a rare case for coming on board with books that are behind. In fact, many new clients need some back work handled for them. Why? The search for a new accounting solution that's right for your business can take a little while.

There's often a small gap in bookkeeping while you're between accountants – but what if you have a large gap?

In the next section, we'll discuss what happens if you have several years' worth of unfiled taxes and incomplete books.

5. Multiple Years of Back Work & Taxes

If you have a lot of back work and taxes, don't worry – we don't judge! **We've had clients with as many as 10 years of back taxes to file before.**

Oftentimes, small business owners fall behind on taxes because they're worried about filing them incorrectly. Maybe there's confusion about the process, you don't have an accountant yet, or you're afraid of getting a big tax bill and being unprepared for it. We've seen it all!

When you work with CSI, we can help you file multiple years of back taxes all at once. In fact, if this is what you need, then we require it.

Why? If your taxes are not current, then your accounting won't be accurate. We want to provide a quality accounting service for you in the future and guarantee audit representation, so we will need to start with a clean slate.

Since prior numbers build on themselves, an accountant can't snap their fingers and know what numbers to use on your old tax returns. Instead, they need to go back month by month to uncover the correct numbers.

The IRS will dig deep into your finances if you're audited, so if you're just plugging in estimated numbers to avoid doing all of your years of back taxes, you can find yourself in a big mess

6. Timeline and Process for Back Work & Taxes

For smaller back work projects (around one year, for example), our goal is to get everything done in two to three months.

Since this includes the most time-consuming part – the setup – it will take us less time per year to work on multiple years' worth of back taxes. **To date, our largest project of 10 years' worth of bookkeeping and taxes did not exceed six months to finish.**

Much of this timeline depends on:

- **How many other clients are onboarding at the time**
- **If it is busier due to tax season**
- **How quickly you provide the necessary information**

Your accountant will let you know what they need during your initial strategy session, which should occur within **the first week** of you being our client.



This information can often include:

- **Bank logins**
- **Bank statements**
- **Credit card statements**
- **Your last filed tax return**
- **Other relevant information, depending on your situation**

The process should be relatively simple if you're able to access the information freely, but missing information that you need to wait for a third party to retrieve can take some extra time. **We generally ask to have this information within a week so we can get started.**

In the meantime, we can start some of your current accounting so you don't fall farther behind, but we can't produce any financial statements until the back taxes are filed.

After your taxes are filed, it's time to pay the amount of taxes, penalties, and interest that you owe. If you're worried about not being able to afford a large sum, there may be some relief.

Depending on the amount you owe, your accountant can work with the IRS to get you a **payment plan** that spans over several years. It's an automatic acceptance if you owe under \$50,000, and if you owe more, you can still apply and have the IRS determine your payback schedule.

Once this plan is in place, the IRS will stop sending you notices.



7. Back Work & Taxes Pricing

We charge a fee to handle your back work and file your back taxes. To determine that fee, we use this formula:

$$\text{Back Work \& Taxes Fee} = \# \text{ of Prior Months to Work On} * \text{Monthly Fee}$$

This simply means that each month we need to go back and work on will cost you the same as a normal current month of accounting work.

Our monthly accounting fee already includes the cost of year-end taxes, so these tax filings will not cost extra.

The **number of months to work on** depends on how far back your books are incomplete or inaccurate, or how far back you have not filed your taxes. Again, to determine how far back to go, we find the last verifiable tax return or financial statement that was prepared by a party outside of your company.

The **monthly fee** also varies per business, depending on your accounting complexity. For current monthly pricing information, please visit our Pricing tab at the top of our website.

Let CSI Help You!

Back work and back taxes should never be ignored. Now that you know about the consequences, advantages, process, cost, and beyond, are you ready to get everything caught up?

If so, please consider working with CSI Accounting & Payroll! We've worked with thousands of clients over the past 50+ years to get them back on track.

If you'd like to discuss how we can help improve your business's situation, click the button below to schedule a free call. We hope to hear from you!



I'D LIKE A FREE CALL!

