

# Income Tax Preparation for your Mary Kay Business

1. Take inventory of all section 1 wholesale merchandise on your shelf as of Dec. 31 \$\_\_\_\_\_ (Use your Consultant Order Sheet to record totals, add up the retail amount, then figure the discount at which you ordered during the year to give you the wholesale amount – 40, 45 or 50%)
2. Go-Kit cost if you are a new consultant during the year. \$\_\_\_\_\_
3. All retail sales income from appointments and reorders. \$\_\_\_\_\_
4. All other income. (4-13% checks, and other prizes and commissions from 1099 form). \$\_\_\_\_\_
5. Inventory carryover from last year \$\_\_\_\_\_ (Wholesale inventory on your shelves as of Dec. 31 the year before.)
6. Business Expenses:
  - ◆ Section 1 wholesale purchases for the year (On computer sheets from the company) \$\_\_\_\_\_
  - ◆ Section 2 business supplies (on computer sheets from the company) \$\_\_\_\_\_
  - ◆ Sales tax paid to the company on product purchases (on computer sheets) \$\_\_\_\_\_
  - ◆ Freight charges on product orders \$\_\_\_\_\_
  - ◆ Non-collected sales tax on gifts, discounts and personal use items \$\_\_\_\_\_
  - ◆ Products used for personal use at cost \$\_\_\_\_\_
  - ◆ Products used for demonstration purposes at cost \$\_\_\_\_\_
  - ◆ Office Expenses \$\_\_\_\_\_
  - ◆ Business supplies \$\_\_\_\_\_
  - ◆ Discounts & hostess credits at retail value \$\_\_\_\_\_
  - ◆ Items used as gifts at cost \$\_\_\_\_\_
  - ◆ Product refunds at retail value \$\_\_\_\_\_
  - ◆ Bad debts (Money not collected on product sold) \$\_\_\_\_\_
  - ◆ Promotions and contest expense \$\_\_\_\_\_
  - ◆ Laundry for dry cleaning of business attire \$\_\_\_\_\_
  - ◆ Bank service charges \$\_\_\_\_\_
  - (Money orders, cashiers checks, Visa/MasterCard/Discover card fees, checking charges)
  - ◆ Interest paid on business loans or MasterCard/Visa/Discover for inventory and expenses \$\_\_\_\_\_
  - ◆ Advertising & Preferred Customer Enrollment & Premium fees \$\_\_\_\_\_
  - ◆ Postage & Express mail \$\_\_\_\_\_
  - ◆ Labor \$\_\_\_\_\_
  - ◆ Meeting expenses, workshops, conferences and seminars \$\_\_\_\_\_
  - ◆ Cost of Director suit or Red Jacket \$\_\_\_\_\_
  - ◆ Obsolete products (discarded) at cost \$\_\_\_\_\_ (Great to donate to a Women's Shelter)
  - ◆ Accountant fees \$\_\_\_\_\_
  - ◆ Auto expenses \$\_\_\_\_\_
  - ◆ Total business miles driven \$\_\_\_\_\_
  - ◆ Gasoline expense \$\_\_\_\_\_
  - ◆ Travel expense
    - Plane, public transit, taxi \$\_\_\_\_\_
    - Lodging \$\_\_\_\_\_
  - ◆ Entertainment & Meals \$\_\_\_\_\_
  - (Interviews, luncheon meetings, and meals while traveling, etc.)
  - ◆ Charity donations \$\_\_\_\_\_
  - ◆ Office rent or depreciation \$\_\_\_\_\_
  - ◆ Office Equipment \$\_\_\_\_\_
  - ◆ Telephone \$\_\_\_\_\_
  - (Include voice mail, cellular, etc.)
  - ◆ Utilities \$\_\_\_\_\_
  - ◆ Product replacement insurance \$\_\_\_\_\_



# Income Tax Deductions Made Easy

1. **Use a consultant order sheet to take inventory of your product inventory (Section 1) as of December 31.** Be sure to count products ordered, but not yet received at the end of the year, and product loaned to another consultant. Having a big stock at the end of the year is good for tax purposes. Count all the cleansing creams together and record on the order sheet, the same for each other group of products, no matter what the color or formula. This makes counting fast, and is something you can delegate out for someone else to do. Figure the retail value of the products using the Summary portion of your order sheet, and then figure the discount at which you purchase your products. That figure is the wholesale value of the products on your shelves that you will record.
2. **Use a consultant order form to record the products you will use for your personal use.** Add them up at the end of the year as above, and also figure non-collected sales tax on the retail amount that you can use as a tax deduction.
3. **Purchase an accordion file to keep your records & receipts in.** Place all your income and expense records for the year, such as statements and receipts, weekly accomplishments, sales tickets and computer printouts you receive with your orders in the envelope for that month. Also include cancelled checks or bank statements for that month from your Mary Kay bank account, and your business charge card statement to document your charged expenses.
4. **During the year write up all products used as gift items on sales tickets.** Record the retail amount and amount at cost on the ticket. Keep track of the non-collected sales tax (the amount you prepaid in tax on those products). You can record gifts and non-collected sales tax as part of your Weekly Accomplishment sheet each week, and place the sales tickets in your accordion file as backup records.
5. **Keep the computer sheets (Invoices) you receive with your product orders.** They are records of your product purchases during the year, as well as section 2 and sales tax paid.
6. **Keep track of all hostess credits and customer discounts.** It is a good idea to charge sales tax on the full retail value of their order, since you already paid the tax on those products when you ordered them.
7. **Try to write a check for every MK business expense – you will have records of everything that way.** Record cash expenses in your date book right away. (Up to \$75 per day w/o receipts.) Example, lunch with your team member. Record the amount, reason for the lunch and whom it was with, so you have a record to back up your expense. Cash expenditures can add up, so keep track.
8. **At the end of the year, record your ending odometer reading from your car,** and place your mileage log and car expenses log with your other records for the year.
9. **Use the Income Tax Preparation sheet** for compiling numbers for your income tax accountant. With the backup records, you're all set.