

5 Tax Errors That Can Cost Your Business Big

Many businesses operate under the mistaken impression that a small tax mistake here and there isn't a big deal. These businesses which take such a blasé attitude towards taxes are the ones most likely to lose big on their tax bills year after year, even if they don't get hit with major fines and penalties. Here are just a few of the tax mistakes which could destroy your bottom line for the year:

1) Inaccuracies through negligence

There's a fine line between honest mistakes and true negligence—you don't want to explore that line in detail if you can possibly avoid it. While the consequences for a mistake determined to be made honestly aren't too harsh, the consequences of more significant mistakes can hit your business hard. It's important to understand that malicious intent isn't necessary for significant penalties to be levied—that would constitute fraud, and trigger far harsher penalties. A failure of due diligence resulting in inaccuracies can cost you plenty on its own.

2) Underpaying estimated taxes

Depending on the size of your business, you're expected to be within a certain margin of error on estimated tax payments. Underestimate and pay too little on your estimates, and you'll be paying far more in the long term.

3) Missed deadlines

Late payments or late filing both cost far more than you want to pay each year, so it's important to get everything in on time. Unfortunately, rushing to meet deadlines also risks exposing you to problems due to negligence and inattention, so it's really important that you stay on top of your taxes throughout the year.

4) Commingling of funds

Whether it's the IRS or your state's revenue service, neither is going to take kindly to commingling of personal funds and company funds outside of very specific outlier scenarios. Being too casual with business finances can result in huge penalties.

5) Missed deductions and credits

Of course, not every tax loss arises due to penalties and mistakes. Missing a deduction or credit you qualify for due to ignorance, missed deadlines, faulty paperwork, and similar mistakes is essentially the same as being penalized. Make sure you have someone savvy about finance and tax to ensure optimal tax deductions.