Clean Books, Clear Mind: Bookkeeping for LLCs and 1099s

Accurate bookkeeping is essential for your business's long-term success and IRS compliance. Whether you're self-employed, a freelancer, or running an LLC, maintaining clear records helps you claim all your deductions, avoid penalties, and make better financial decisions. This detailed guide walks you through exactly what to do, how to do it, and the tools you need to stay organized year-round.

Why Bookkeeping Matters

Good bookkeeping isn't just about staying organized—it's a legal requirement and a financial necessity. The IRS requires every business to keep complete and accurate records that support income, deductions, and credits. Without proper documentation, you could lose out on valuable deductions, or worse, face penalties, interest, or an audit.

Bookkeeping also helps you track cash flow, budget for expenses, set financial goals, and qualify for loans or grants. If you can't produce clean records, you can't manage or grow your business effectively.

How to Separate Business and Personal Finances

Step 1: Open a Business Bank Account
Go to your local bank or credit union and open a checking account under your business name. You may need an EIN (Employer Identification Number), Articles of Organization (for LLCs), and a business license. Keep this account exclusively for business income and expenses.

Step 2: Get a Business Credit Card
Apply for a credit card in your business's name. Use it only for business expenses such as equipment, subscriptions, gas, and meals (when eligible). Never use your personal credit cards for business purchases.

Step 3: Track Every Transaction
Use accounting software (like QuickBooks, Wave, or Xero) to categorize every dollar coming in or out. You can also use spreadsheets, but software reduces error, saves time, and simplifies tax filing.

Step 4: Reimburse Yourself Properly
If you ever pay for a business item personally, reimburse yourself through a clear method: write a check from your business account or record the transfer with a note in your bookkeeping software, including the original receipt.

Mileage and Home Office Logs

Mileage Log Instructions:

- Use an app like MileIQ, Everlance, or QuickBooks to track mileage automatically.
- Manually record mileage in a logbook if you prefer paper. Include date, starting address, destination, business purpose, and total miles.
- Don't count commuting miles to your regular workplace—only business-related travel counts.

Home Office Deduction Instructions:

- Your workspace must be used **regularly** and **exclusively** for business. A desk in your bedroom that's also used for personal tasks may not qualify.
- Measure your home's total square footage and the square footage of the office space. Example: if your office is 120 sq ft out of a 1,200 sq ft home, you use 10% for business.
- You can use the simplified method ($5 per sq ft up to 300 sq ft) or the actual expense method (portion of rent, utilities, maintenance, etc.).
- Keep documentation: lease/mortgage, electric and internet bills, property tax statements, and photos of your office space.

How to Prep for Tax Season

- Set a monthly bookkeeping day: Reconcile your accounts, match receipts, and categorize transactions.
- Use cloud storage (Google Drive, Dropbox) to organize documents into folders: Income, Expenses, Receipts, Tax Docs, Bank Statements.
- Scan receipts using apps like Adobe Scan, Expensify, or QuickBooks Mobile. Save them by vendor and date.
- Schedule quarterly reviews with your tax professional to check estimated taxes and deductions.
- At year-end, export reports: Profit & Loss Statement, Balance Sheet, Expense Summary, and 1099 contractor payments.

Detailed Tips for LLCs and 1099 Contractors

LLCs:

- Keep an Operating Agreement—even if you're a single-member LLC. It shows professionalism and separates you legally from your business.
- Consider electing S-Corp status if your net income is over $50,000 consistently. It may save you on self-employment taxes.
- Pay yourself through owner draws or payroll (if S-Corp). Track it carefully for tax purposes.

1099 Contractors:

- Track gross payments from each client. Expect to receive a Form 1099-NEC if you earn over $600 from one source.
- Estimate taxes: set aside 25–30% of income in a separate savings account. Use this to pay quarterly taxes (Form 1040-ES).
- Save money for self-employment tax (15.3%) in addition to income tax. Budget accordingly.

Tools You Should Use

- QuickBooks Online – industry standard, integrates with bank accounts, invoicing, and tax software.
- Wave – free alternative with robust features for freelancers.
- MileIQ or Everlance – automatic mileage tracking.
- Google Drive – cloud storage for receipts and records.
- Calendly or Google Calendar – for scheduling reviews and check-ins.

Need Help?

GoTaxGurus provides personalized bookkeeping services tailored to freelancers, solopreneurs, and small businesses. We help you stay compliant, optimize your deductions, and prepare for taxes stress-free. If you're behind on books, don't worry—we specialize in cleanup.

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