

SMALL BUSINESS

Tax time creates dilemma for small-business owners

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ASSOCIATED PRESS

The beginning of the year means small-business owners need to start thinking about income tax returns. But with the economy in tatters, they may need to focus more on bringing in revenue than sorting through receipts.

The recession is making many owners re-examine their priorities. Many may realize chores that they've handled themselves in the past, such as taxes or keeping the company books, are better off turned over to someone else.

"It really does detract from the business and what you really need to be focusing on," said Laura Grimmer, president of New York-based Articulate Communications, a public relations firm.

Business owners who choose to spend their time on taxes are "missing an opportunity to take care of the three things that are going to keep the bus going — existing clients, their employees and new business," Grimmer said.

Kristen Collins, who owns KMC Partners, a public relations firm based in Boston, has a business manager and an accountant to care for her company's finances. So, this tax season, she said, "I'll service my existing clients, which

has to be my top priority right now."

"I am like many small businesses — my business took a hit," in the third quarter, Collins said. "When I look ahead to 2009, I can't forecast it. The best thing we can do is to retain clients and retain them through great service."

Of course, with revenue down, many owners will likely think twice before spending money on bookkeeping or tax preparation, especially since there is software now that make those tasks easier. The question they need to answer for themselves is whether they could bring in more revenue during the time they'd spend doing taxes, and whether an investment in outside tax preparation will pay off over the long as well as short term.

Collins noted that her annual budget for a business manager and tax preparation has never come to more than \$20,000 — well below what she would pay a staffer to do the work. But an owner on a tighter budget can still afford to at least have tax returns compiled by a professional and free up time to work on retaining current customers and finding new ones. (And it's not just time spent in front of a PC, filling in tax forms; it's also the time you spend thinking about it!)

Even if your books aren't in the best shape, turn them over to someone who can sort through invoices and receipts and figure it out. Collins, who has a home office, said that each year, she gives her business manager a box of receipts from expenses paid out on her house so a portion can be deducted.

Many owners have come to realize that prioritizing and delegating aren't just for a recession. These are concepts that many entrepreneurs struggle with at first, thinking they can and should do it all themselves.

"Asking for help is the biggest thing that I learned the hard way sometimes, but it's absolutely critical," said Lorrie Thomas, a marketing consultant based in Santa Barbara, Calif. "We can't do it all well."

She sees the do-it-all-yourself tendency in some of her clients, who come to her for advice, then try to do it on their own.

"They come back to me," she said.

In the early years of her business, Collins recalled, "every year, I sat with those receipts on my dining room table. It took a lot of time." But, she said, at that point, her business was a fifth of what it was now.