IRS Reduces Paperwork Burden on Small Businesses Drop in Article

Tax documentation constitutes the overwhelming majority of paperwork requirements for most small businesses. Beginning with tax year 2002, companies with less than $250,000 in gross receipts and less than $250,000 in assets will no longer be required to complete Schedules L, M-1 and M-2 of Form 1120; Parts III and IV of From 1120-A; and Schedules L and M-1 of Form 1120S.

What are these forms?

- Schedule L (Part III of Form 1120-A) provides the beginning and end-of-year balance sheets based on the corporation's books.
- Schedule M-1 (Part IV of Form 1120-A) provides reconciliation of income or loss in accounting records with income or loss on the tax return.
- Schedule M-2 reflects unappropriated retained earnings.

For larger companies, these schedules are necessary tools in the examination of corporate returns. For most small businesses, however, these schedules have a limited application, and would likely not be prepared if they were not required for tax reporting purposes. The exemption for small businesses will allow them to use record keeping based on their checkbook or cash receipts and disbursements journal instead of additional accounting methods solely for tax reporting.

According to IRS Commissioner Charles O. Rossotti, "These changes could save 2.6 million small businesses an estimated 61 million staff hours. This is staff time now spent preparing these forms. These changes will mean a significant financial savings for small businesses. This is part of an on-going effort by he IRS to ease the burden on America's taxpayers wherever possible."
For more information, visit the IRS web site at www.irs.gov.