

Surviving Tax Season and Sticking to Your Firm Budget

When it comes to taxes, there are two types of attorneys—panicked and prepared. Which category do you fall into?

Working with a qualified tax professional can help you feel more confident that your law firm is taking advantage of all available deductions and credits. However, a tax professional's work is only as good as the quality of the information you provide to them.

Whether you're routinely ready to file before the deadline or seeing "Tax Day" marked on the calendar makes your palms sweat, there's a lot you can do to put your firm in the best position possible. As a leader in legal time and expense software, here are TimeSolv's best short- and long-term tips to [help you survive tax season and stick to your firm budget](#)

Set realistic budget goals

If you're having trouble sticking to your firm's budget, it may not be aligned with your firm's actual income. And sticking to an unrealistic budget? Well, that's next to impossible. When it's time to do your taxes, navigating the piecemeal financial paper trail left behind by unrealistic financial plans is time-consuming and frustrating.

This is why it's critical to plan your firm's budget based on the facts, rather than best-case scenarios. At a minimum, you should be using legal software, such as TimeSolv, to analyze your firm's financial data from the past year. This will help you establish a [data-based budget](#) for the year ahead.

(Just remember to set your budget goals with a bit of wiggle room built in. While confidence is an excellent trait for any attorney, no one can predict the future. Surprise expenses can—and do—pop up.)

You might also want to consider creating a standardized strategy for documenting budget goals and overages. After all, excess spending cuts into the annual profits you predicted while creating your budget, and inaccurately reporting your firm's earnings at the end of the year can lead to trouble in the form of a higher tax bill (at best) or tax fraud (at worst).



Biggest Mistakes Every Law Firm Makes at the Beginning of the Year

Did you know that spending more time working doesn't automatically mean your firm will see a higher profit? In fact, all too often, the opposite is true.

[Get the e-book](#)

Track expenses diligently

If a budget is like a map to better finances, then failing to keep track of your expenditures is a lot like setting the destination on your GPS and leaving it at home.

To truly benefit from your financial planning efforts, you need to be able to see the progress you're making as you go along. A few ways to do this include:

Inventory financials

Be proactive with your budgeting throughout the year. Rather than waiting until the end of the year to assess your financial situation, take a regular inventory of your firm's expenses and revenue. This will help you identify areas where you can cut back on spending and increase profitability.

Maintaining accurate financial records also helps you to actually follow your budget, as well as avoid inaccurate filings or unnecessary tax liabilities later on down the road.

Log all expenses

[One key aspect of this is to keep thorough records of your business expenses.](#) With TimeSolv, it's simple to maintain digital copies of receipts. This is important, because many of the expenses associated with your law firm's daily operations may be deductible on your taxes.

Be aware of tax deductions and credits that may apply to your business. Many business expenses can be tax-deductible, including:

- Website hosting
- Advertisements
- Credit card fees
- Office supplies
- Rent
- Software
- Hardware
- Travel to meet with clients
- Continuing legal education (CLE) courses
- Professional dues
- Malpractice insurance premiums

Using legal expense tracking software, like TimeSolv, helps you track which expenses are necessary and routine and which ones are one-time expenses that might not be tax deductible. Look for on-the-go expense tracking that allows attorneys to quickly digitize receipts so that every dollar is accounted for.

Keep data organized

When you monitor your budget and your expenses year-round, it's easier to keep all the relevant information for taxes close at hand. And when your reports—such as tax listings, timekeepers and rates, expense reports, are easily accessible—tax preparation is much easier.

A TimeSolv pro tip: lean into your time and expense tracking software's analytics. [Your reports can be customized to meet your specific tax](#) needs and can help you identify tax deductions and credits that you may be eligible for.

Sticking to your budget

If your firm is likely to owe taxes at the end of the year, sticking to your budget (and avoiding overspending) is key. But to accomplish this, your whole team needs to be on board with improving efficiency and reducing unnecessary expenses.

Reducing expenses should be a team effort at your law firm. To ensure everyone is clear on your law firm's financial goals, [project management tools](#) are valuable. Set [matter budgets](#), limit billable hours, and easily share project updates and statuses between attorneys and legal staff.

While empowering attorneys to help make good financial decisions for your practice is vital, it's also important to take get a 30,000-ft view of how time and resources are used. Regularly analyzing time sheets and expenses by attorney can help you establish accurate billable hour projections and keep a firm grip on finances throughout the year. (You can use this as an opportunity to realign budgets with your goals, too!)

Take the stress out of tax season with TimeSolv

Surviving tax season and sticking to your firm budget doesn't have to be stressful with the right resources at your disposal. When you include TimeSolv's expense tracking, budgeting, and reporting features regularly as part of your daily routines, being prepared is easier than it seems.

TimeSolv's in-depth reporting features offer actionable insights into your firm's billable hours, expenses, and revenue—and your tax preparation specialist will appreciate the data. (Not to mention, you can always rest easily knowing that your firm is prepared for a potential audit.)

Are you ready to manage your budget more effectively, complete your taxes in a more timely manner, and spend more time focused on providing excellent legal services to your clients? Sign up for your [free trial](#) and try TimeSolv today.