

Mentoring at Scale

Year-End Close and CPA Handoff

*The six weeks that separate
creators who file cleanly from
the ones who scramble.*

First edition 2026
The Baratelli Institute

Overview

The window between mid-December and mid-February is the highest-leverage six weeks of a creator's fiscal year. What you do in it - or fail to do - determines whether your tax return is a controlled handoff to a professional or a five-day scramble to reconcile twelve months of drift.

Most creators do not know what year-end close means. They think of taxes as something the CPA does in April. In practice, the CPA does what your books tell them to do. If your books are clean, your return is accurate, cheaper to prepare, and defensible under audit. If your books are messy, the CPA either charges you three times as much to clean them up or files a return that will not survive scrutiny.

Year-end close is the process of getting your books ready for handoff. It is a discipline, not a mystery. This reference walks you through the twelve close tasks in the order you should tackle them, the exact package to send your CPA when you are done, what to expect back from them, and the five mistakes creators make most often.

This document is for both audiences: the creator who does their own books and the non-CPA family member, EA, VA, or bookkeeper who runs the ledger for the creator. Both need the same map.

The Twelve Close Tasks

Do these in order. Each takes 15-60 minutes depending on how clean your day-to-day discipline has been. Budget four to six hours across two weekends for a creator running a moderately clean set of books.

1. Bank reconciliation

Match every transaction on your bank statement against your books for the last month of the year. Every deposit, every withdrawal. Anything on the statement that is not in your books gets added. Anything in your books that is not on the statement gets investigated. Common creator mistake: a Venmo deposit from a sponsor that never made it into QuickBooks. Fix now, not in March.

2. Credit card reconciliation

Same discipline for every business credit card. Reconcile through year-end. If you have a personal card that you sometimes use for business, this is the moment to identify every business charge and either reimburse yourself from the business or record it as an owner contribution. Do not wait for the CPA to ask.

3. Undeposited funds cleanup

In QuickBooks Online, the Undeposited Funds account is where uncleared transactions live. If there is a balance in there at year-end, something is unreconciled - a client payment that never got matched to a deposit, or a duplicate. Get this to zero. If you cannot get it to zero, document why in a note to the CPA.

4. Prepaid and deferred revenue

If a subscriber paid you in December for a full year of a paid newsletter, only one month of that revenue is earned in the current tax year. The remaining eleven months are deferred revenue - a liability, not income. Same for annual course access sold in November. Book the deferred portion as a liability on the balance sheet and only recognize the earned portion as revenue. Getting this wrong overstates income and inflates your tax bill.

5. Accrued expenses

The December editor invoice you did not pay until January 8 is still a December expense if you are on accrual basis. Book it as an accrued liability and deduct it in the current year. Same for unpaid contractor invoices, unbilled utilities used in December, and any December software subscription paid in January. Cash-basis filers skip this task.

6. Depreciation catch-up

Every capital asset you bought this year - camera, computer, lighting rig, streaming setup, editing workstation - has a depreciation schedule. Either you or the CPA needs to record the year's depreciation expense. If you use Section 179 or bonus depreciation to write the whole asset off in year one, tell the CPA which items you want treated that way. If you do not, they will pick a default that may or may not match your intent.

7. Home office allocation

Calculate the business-use portion of your home office by square footage or by the simplified method (up to 300 square feet, \$5 per square foot). Document the calculation now while the year's utility bills and rent statements are fresh. Both methods are legal. The square-footage method typically yields a larger deduction if your utility bills are high; the simplified method is faster.

8. Mileage log and auto expense

If you drove for business - to shoots, to events, to client meetings, to the post office to mail merchandise - total the mileage. The standard federal mileage rate for 2026 is 70 cents per mile. You need a contemporaneous log to defend the deduction under audit. If you have been using an app all year (MileIQ, Everlance), export the annual report. If you have not, reconstruct the log from your calendar honestly and start using an app in January.

9. W-9 collection for 1099-NEC filing

For every contractor you paid \$600 or more during the year - editor, VA, thumbnail designer, coach, therapist you paid business-side, attorney, accountant - you must file Form 1099-NEC by January 31. To do that, you need their W-9 on file with their tax ID number. If you do not have it, chase it now. January 25 is too late. December 15 is the deadline you should set for yourself.

10. Inventory count for merch, course, or product

If you sold physical merchandise, count what is left in the box on December 31. That inventory is a balance-sheet asset, not an expense. Only the units you sold flow through cost of goods sold to reduce taxable income. If you sold a digital course with a fixed development cost, that is a different question - talk to the CPA. But if you have unsold hats or unsold books sitting in a closet, count them.

11. Retirement contribution reserve

The 2026 Solo 401(k) contribution limit is \$70,000 for a self-employed creator under 50, higher with catch-up. The SEP IRA limit is 25% of net self-employment income up to the same cap. You have until your tax filing deadline (including extensions, to October 15) to fund it. Decide now how much you plan to contribute, reserve that cash in a separate account, and put the funding on the calendar. The single most common creator mistake is running out of cash in September and skipping the contribution.

12. Charitable contribution documentation

Any donation over \$250 needs a written acknowledgment from the charity. Non-cash donations need a valuation methodology. Gather the receipts now. Missing donation documentation is one of the most common audit adjustments and always goes against the taxpayer.

The CPA Handoff Package

When close is complete, package the following for your CPA. Ninety percent of the friction in tax season comes from creators sending an incomplete package and the CPA coming back three times with questions.

Item	What it is	Where it comes from
Trial balance	Summary of all account balances at year-end	QuickBooks: Reports > Trial Balance, dated 12/31
General ledger	Detailed transactions for every account	QuickBooks: Reports > General Ledger, dated 1/1-12/31
Profit & Loss	Income statement for the year	QuickBooks: Reports > P&L, dated 1/1-12/31
Balance sheet	Assets, liabilities, and equity at year-end	QuickBooks: Reports > Balance Sheet, dated 12/31
Bank statements	All twelve months, business accounts	Download from each bank as PDFs
Credit card statements	All twelve months, business cards	Download from each card issuer as PDFs
1099s received	1099-K from platforms, 1099-NEC from clients	Emailed by January 31 by each payer
1099s sent	Copies of any 1099-NEC you filed	From your 1099 filing software (Track1099, Tax1099)
W-9s on file	For every contractor paid \$600+	Your files - collected during the year
Prior-year return	Last year's federal and state returns	From last year's CPA or your files
Retirement account statements	Solo 401(k), SEP, or IRA year-end balances	Each custodian's year-end statement
Mileage log	Contemporaneous business mileage record	App export or spreadsheet reconstruction
Home office schedule	Square-footage or simplified method calc	You calculate; document utilities/rent basis
Capital asset log	Every business asset over ~\$500 purchased this year	Your expense records + receipts
Estimated tax paid	Federal and state Q1-Q4 payments	IRS.gov account or bank records

What to Expect Back

A competent CPA will come back to you with follow-up questions within the first week of receiving your package. Do not take these personally. They are the CPA verifying that they understand what happened in your business. The five most common categories of question are below, with the honest answer to give.

Missing invoice or unmatched deposit.

The CPA sees a deposit in the bank but no invoice or income booked against it. Answer: search your email for the client name and the amount, find the sponsor agreement or the platform payout notice, and either book it as revenue or explain if it is a personal transfer or a refund of a business expense.

Reclassify personal-vs-business.

The CPA questions a specific expense - a dinner, a subscription, a piece of software. Answer honestly. If it was 60% business and 40% personal, book 60% business and tell them why. Do not overreach and do not underreach. The right answer is what a reasonable practitioner would defend.

Capitalize or expense.

A \$2,400 lens purchase. Section 179 write-off in year one, or five-year depreciation? Answer: tell the CPA what your net income looks like and whether you want to accelerate the deduction to reduce this year's tax or preserve it for future years. Give them the strategic input; they will run the math.

Owner draws vs. reasonable comp.

For S-corp filers, the CPA needs to determine your W-2 salary vs. distributions split. Answer: give them a range you think is defensible based on what a similar-scale professional would earn. Do not lowball this. IRS audits of S-corps focus on unreasonable-comp claims and the tax cost of a wrong answer here can be substantial.

Retirement contribution decision.

The CPA asks how much you want to contribute to your Solo 401(k) or SEP. Answer: give them the number now, tell them when you plan to fund it, and put the funding date on your calendar. Do not defer this decision to April.

Five Common Mistakes

If you avoid these five, you are ahead of ninety percent of creator businesses that file self-prepared or lightly-CPA'd returns.

Owner draws counted as an expense.

When you pay yourself from a sole prop or single-member LLC, that is not an expense. It is a draw. Booked as an expense, it understates your taxable income and creates a real audit exposure. Book draws to an equity account, not to any line on the P&L.

Sales tax collected treated as revenue.

If you sold merch and collected \$8.25 of sales tax on a \$100 shirt, you have \$100 of revenue and a \$8.25 liability to the state. The \$8.25 is not yours. Booking it as revenue inflates income and creates a mismatch when you remit the tax to the state.

Credit card float not recorded.

You buy gear on December 28 with a business credit card. You pay the card in mid-January. On accrual books, the expense is December, the cash outflow is January. If you only book expenses when the card is paid, you understate December expenses and shift them into the wrong year. Reconcile card statements to books through year-end.

Personal-use asset partially deducted without documentation.

You bought a \$1,800 laptop, use it 70% for business and 30% personal. You deduct \$1,260 (70%). That is defensible - IF you can document the 70% business use. Keep a log for a representative month. A vague deduction with no support gets adjusted downward under audit.

Retirement contribution missed deadline.

The Solo 401(k) plan must have been established by December 31 of the year you want to contribute for. The contribution itself can be funded up to the extended filing deadline. But if you did not open the plan by 12/31, you cannot make a contribution for that year at all. Missing this is a \$70,000 deduction gone forever.

Timeline: October through April

The creators who file cleanly work backward from the deadline. Here is the month-by-month schedule.

Month	Action
October	Plan retirement contribution. If Solo 401(k) is new, open the plan now (must be established by 12/31 to contribute for this year). Estimate the contribution amount and start reserving cash.
November	Collect W-9s from every contractor you have paid \$600+. Do not wait. Send a template email requesting a completed W-9 by December 15. Review Q1-Q3 estimated tax payments and calculate the Q4 shortfall.
December (first half)	Final purchase decisions - what capital gear do you want to buy in this tax year vs. defer to January? Charitable contributions must be made by 12/31. Book any prepaid expenses (annual software renewals) that give a tax benefit this year.
December (second half)	File Q4 estimated tax (due January 15 but do it early). Final W-9 chase. Print December bank and credit card statements as soon as they are available.
Early January	Close the books. Complete the twelve close tasks. Reconcile every account through 12/31.
Mid-January	Send 1099-NECs to contractors (deadline January 31). File 1099s with the IRS. Send the CPA handoff package.
February	Respond to CPA follow-up questions within 48 hours. Provide any additional documentation requested. Approve any depreciation or capitalization decisions.
March	Review draft return before filing. Ask questions about anything you do not understand. Understand the total tax number and how it compares to what you paid in estimated tax.
April 15	File the return or file Form 4868 for a six-month extension. If extending, PAY the estimated tax owed with the extension; the extension is to file, not to pay.
April 15 or extended	Fund the Solo 401(k) or SEP contribution by the filing deadline including extensions. Solo 401(k) contributions have specific rules on employee-vs-employer portion timing; confirm with CPA.

Sample CPA Handoff Email

Copy this template. Adjust for your situation.

Subject: [Your business name] Year-End Package for 2026 Tax Return

Hi [CPA name],

Attached is my year-end package for the 2026 tax return. Books are closed through 12/31 and every account has been reconciled to statement. Highlights:

- Gross revenue: \$[amount]. Up from \$[prior] last year.
- Net income after expenses (before your review): \$[amount]
- Q1-Q4 estimated tax paid: \$[federal] federal + \$[state] state
- Retirement plan: [Solo 401(k) / SEP / none]. Plan to contribute \$[amount] by April 15 (or with extension).
- Home office: [square-footage / simplified] method, \$[amount] deduction. Calc attached.
- Capital assets over \$500: attached with dates, amounts, and business use %. I want to Section 179 items marked with an asterisk and depreciate the rest.
- 1099-NECs filed to [N] contractors totaling \$[amount]. Copies attached.

Questions I have going into your review:

- [Anything you want their input on: entity structure, retirement plan choice, expense categorization uncertainty]

Please let me know what else you need. I am available for a call any time this week.

Thanks -
[Your name]

The creators who close their books first and hand off cleanly get better returns, cheaper preparation, and stronger audit defense. That is what this reference is for.

Educational reference. Not tax, legal, or investment advice. Consult a qualified professional for your specific situation.

© *The Baratelli Institute . baratelliinstitute.com*