

Laundromat Owners Guide: 2024 Tax Season & Exemptions



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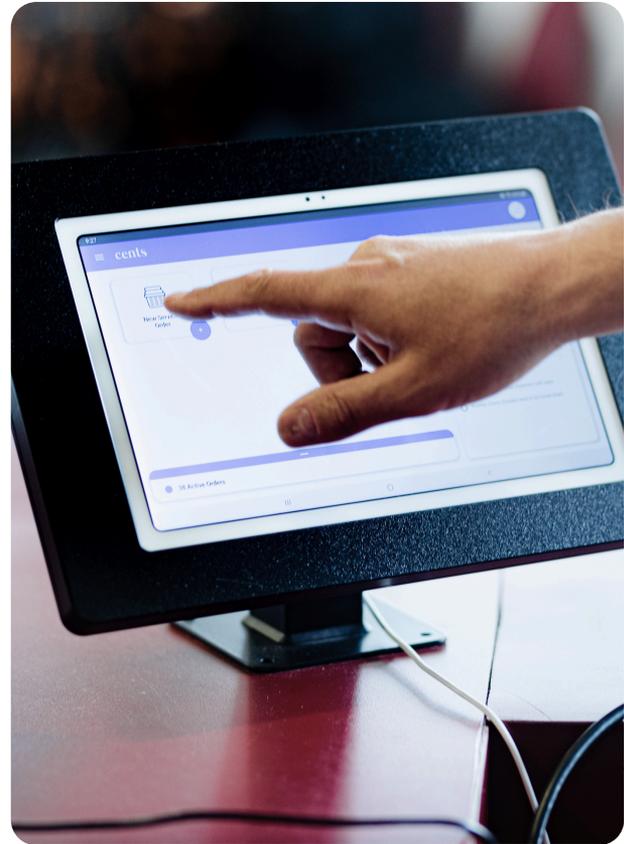
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Introduction

They say two things in life are certain: death and taxes. But for laundromat owners, the latter doesn't have to feel so grim. This 2024 guide is packed with updated financial management strategies, current write-offs, and the latest tax considerations for your laundromat business.

As a laundromat owner, your business faces unique tax obligations and opportunities. From the enhanced depreciation benefits available in 2024—which can significantly reduce your taxable income—to navigating the maze of deductible expenses and potential tax credits, this tax season can be a fruitful period when approached with current knowledge.

Disclaimer: Reading a laundromat tax guide may sound boring. But we promise what you'll learn is worth the 10 minutes it takes to read. After all, it's the only complete tax guide made specifically for laundromat owners.

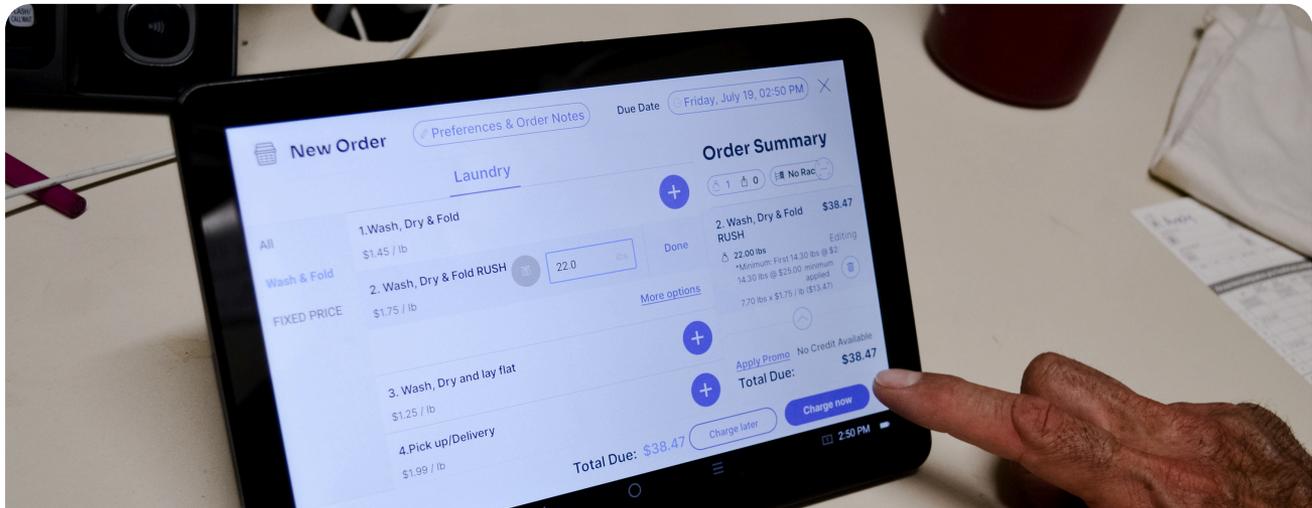


Organize your financial records

Staying on top of your financial records is just as important as keeping an organized and tidy laundromat. Diligent bookkeeping helps your operations year round, as well as tax filings, run without a hitch. When tax season rolls around, you'll thank yourself for having a comprehensive and accurate picture of your laundromat's financial health. Here's how to get your records in order, starting today:

Keep your books up-to-date

- **Regular record-keeping is key:** It might feel like a chore, but really it's an investment in your peace of mind. By tracking income, expenses, and other financial transactions throughout the year, you'll avoid the last-minute scramble come tax time—and the accompanying headache.
- **Don't wait for tax season:** Set aside regular time to enter transactions or organize receipts, whether it's weekly, monthly, or quarterly. This way, you'll always have precise insight into your laundromat's financial performance.



Gather essential documents

Once your financial records are organized, you can assemble the key documents you'll need for an accurate filing. Here are the must-haves (with a downloadable checklist):

Laundromat Tax Documents Checklist

Document Name	Description
<input type="checkbox"/> Income Records	Records of all revenue generated, including cash, checks, and card transactions.
<input type="checkbox"/> Expense Receipts	Receipts for all business-related expenses, such as utilities, supplies, and maintenance.
<input type="checkbox"/> Payroll Records	Documentation of wages, taxes withheld, and other payroll-related expenses.
<input type="checkbox"/> Bank Statements	Monthly statements for business checking and savings accounts.
<input type="checkbox"/> Credit Card Statements	Monthly statements for business-related expenses charged to credit cards.
<input type="checkbox"/> Equipment Purchase Invoices	Invoices for the purchase of washers, dryers, and other equipment.
<input type="checkbox"/> Maintenance and Repair Invoices	Invoices for services related to equipment and facility maintenance and repairs.
<input type="checkbox"/> Vehicle Expenses	Records of expenses for business-owned vehicles, including gas, maintenance, and insurance.
<input type="checkbox"/> Property Tax Records	Documentation of property taxes paid for the laundromat location.
<input type="checkbox"/> Loan and Lease Documents	Documents related to any loans or leases for equipment, vehicles, or property.
<input type="checkbox"/> Asset Depreciation Records	Records of depreciation for equipment and other assets for tax purposes.

***Pro tip:** Consult a tax professional if you're unsure about specific documents or have questions about your laundromat's unique tax needs. The investment is well worth it in the long run.

Implementation Strategy for 2024

- **Choose your method:** Whether you prefer physical folders, digital spreadsheets, or a combination of both, find a system that works for you and stick to it.
- **Consider a digital solution:** Modern software can streamline the process by tracking revenue, expenses, inventory, and even building tax reports. You can automate virtually all tax paperwork and get data-driven insights into your financial health.
- **Prioritize accessibility:** Make sure your records are easy to find and retrieve when needed. This is where the benefit of digital, cloud-based record-keeping comes in.

Prepare for tax season

- **Mark your calendar:** Stay on top of important tax deadlines by referring to a tax season calendar.
- **Schedule regular check-ups:** Review and update your records regularly to ensure accuracy and identify any potential issues early on.
- **Transition to tax mode:** As tax season approaches, focus on tax-specific preparation, like reconciling accounts and gathering any additional documentation.

Organized records lead to smoother, stress-free tax filing. By investing a little time and effort throughout the year, you'll set yourself up for success when it's time to file.



Understanding tax deductions for your laundromat business

You know as well as anyone, running a laundromat can be an incredibly rewarding business, but it also comes with its share of recurring expenses. Thankfully, the tax code offers deductions that can help you lower your tax bill and keep more of your hard-earned profits.

In this section, we'll explore the key tax deductions available to laundromat owners and provide strategies to maximize your savings. Understanding these deductions can make a significant difference in your bottom line.

Seize savings opportunities with strategic deductions

Tax deductions offer a powerful way to lower your laundromat's taxable income, potentially saving you a significant amount in laundromat taxes.

What are tax deductions for small businesses? Tax deductions for small businesses are qualified expenses that can be subtracted from your business's taxable income, resulting in a lower tax bill. They are a valuable way to reduce your tax burden and keep more of your hard-earned profits.

Lowering your taxable income through deductions can help you avoid being pushed into a higher tax bracket, where you'd pay a higher percentage of your income in taxes.

Section 179 Deductions

(Updated for 2024)

Section 179 of the Internal Revenue Code is one of the most valuable tax breaks available to laundromat owners. This provision allows businesses to deduct the full purchase price of qualifying equipment and software purchased or financed during the tax year, rather than depreciating them over several years. This immediate expense can dramatically reduce your tax liability and free up cash flow for business growth.

What makes Section 179 particularly powerful for laundromat owners is its application to both new and used equipment. This means whether you're starting a new location, upgrading existing machines, or buying a pre-owned laundromat, you can potentially write off the full cost of the equipment in the year of purchase, subject to certain limits.

The key advantage of Section 179 over regular depreciation is timing - instead of waiting 5, 7, or even 15 years to fully depreciate your business assets, you can deduct the full amount immediately. This acceleration of deductions can make a significant difference in your tax planning and cash flow management.

For the 2024 tax year, Section 179 allows significant benefits for laundromat owners:

Deduction Limit: The Section 179 deduction limit for 2024 has increased to \$1,220,000 (up from \$1,160,000 in 2023)

Investment Ceiling: The phase-out threshold has increased to \$3,050,000 for 2024 (up from \$2,890,000 in 2023)

Qualified Property Types for Laundromats:

- Commercial washers and dryers
- Water heating systems
- Point-of-sale systems
- Security systems
- HVAC equipment
- Building improvements (with specific qualifications)

Key Benefits for 2024:

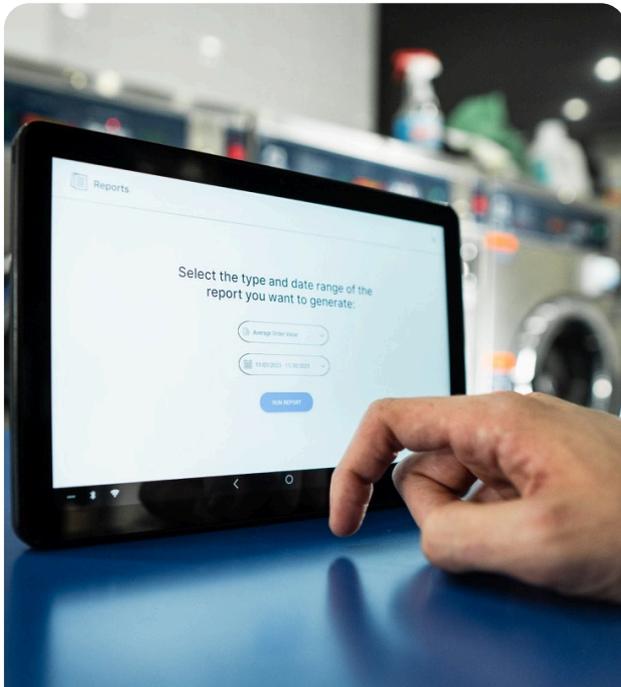
- Immediate write-off of qualifying equipment
- Ability to combine with bonus depreciation for purchases exceeding the limit
- Option to apply to both new and used equipment
- Flexibility to partially apply the deduction

Common deductible expenses for laundromats

Deductible expenses are subtracted from your business's taxable income, resulting in a lower tax liability. Here are your primary taxable expenses: approach to tax deductions each year.

Equipment depreciation:

- Navigating the depreciation of washers, dryers, and other laundromat equipment is key. This allows you to allocate the cost over the asset's useful life, offering a balanced approach to tax deductions each year.



Utility costs

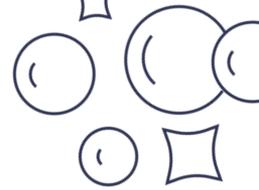
- **Water and electricity:** These are among the primary expenses for any laundromat, reflecting the essential nature of these services in daily operations. The good news? They're fully deductible, helping to offset the considerable costs of running the machines and keeping the lights on.
- **Sewage and waste removal:** Just as vital as the utilities above, services like sewage and waste removal are necessary for maintaining a hygienic, operational environment. These expenses are also deductible, ensuring that the costs associated with cleanliness and compliance don't unduly burden your business.

Maintenance and repairs:

- To keep your machines whirring, regular maintenance and necessary repairs are non-negotiable. These costs, fortunately, are deductible, acknowledging the need for continuous investment to ensure smooth operations.

Common deductible expenses for laundromats

Common deductible expenses for laundromats (cont.)



Rent or mortgage interest

- **Rent deductions:** Lease payments for your laundromat space are a significant expense but also a deductible one. This helps alleviate the financial pressure of monthly lease obligations.
- **Mortgage interest:** If you own your property, the interest portion of your mortgage payment isn't just a burden— it's a deductible expense, lowering your taxable income and recognizing the cost of financing your laundromat's location.



Payroll expenses

- **Employee compensation:** Salaries, wages, and bonuses for your hardworking staff are not only necessary expenses but also deductible ones, reflecting the importance of your team to your business.
- **Additional benefits:** Beyond the paycheck, payroll taxes and contributions to retirement plans for your employees are also deductible, showcasing the value placed on comprehensive employee compensation packages.

Taxes and licenses:

- The operational nuts and bolts of running a laundromat involve various taxes and licensing fees. These, too, can be deducted, ensuring that the essential costs of compliance and legal operation don't unduly eat into your profits.

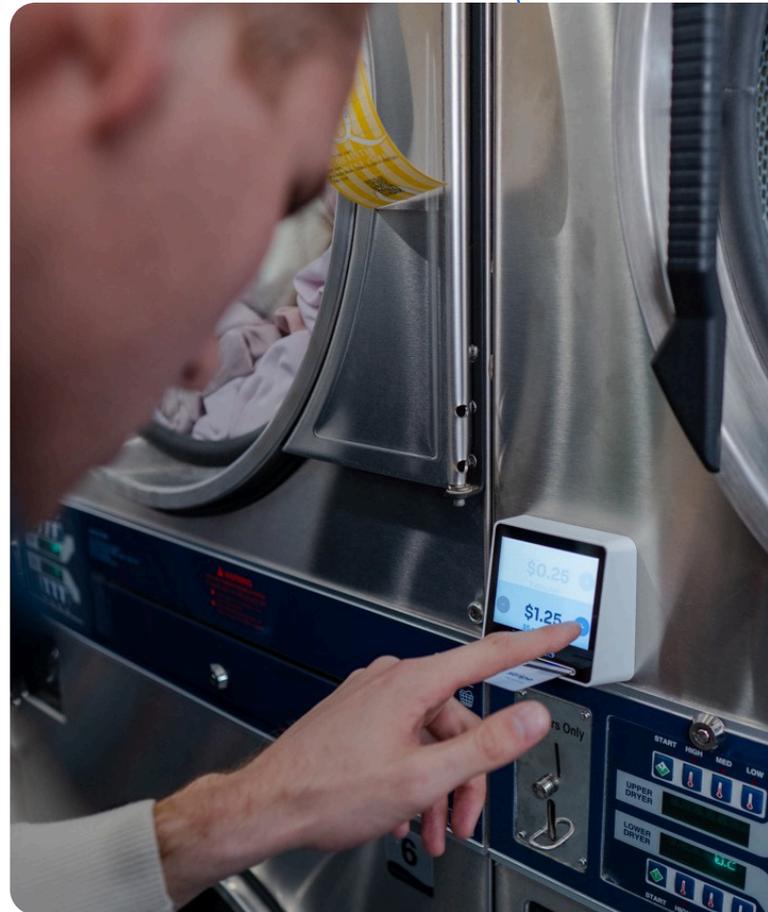
***Pro tip:** consult with a tax professional to confirm the full scope of your laundromat's expenses. Depending on your business model, you may have expenses that aren't represented in this list.

Specialized deductions for laundromats

Underneath the obvious tax write-offs like utility, wages, and rent, there are several hidden deductions that can help you save on your tax bill. Some of these may apply to your laundry business:

1. Self-service Laundry Tax Considerations

- **What they are:** Self-service laundromats continue to serve as essential community hubs, particularly for low-income families, senior citizens, and students. In 2024, 42 of 45 sales tax states now exempt self-service laundromats from sales tax, with Maine being the latest state to add this exemption. This widespread exemption recognizes these businesses' fundamental role in providing essential services and supporting their primary clientele's economic needs. Hawaii, West Virginia, and New Mexico remain the only states that assess sales tax on self-service laundry.
- **Why this matters:** The sales tax exemption remains a crucial factor in laundromat owners' financial planning for 2024. This exemption helps maintain service affordability and ensures operational sustainability, especially important given current inflation pressures and rising utility costs.



2. Bonus Depreciation and Section 179 Deductions

- **What they are:** For 2024, Bonus Depreciation allows you to deduct 80% of the cost of new equipment or property immediately upon purchase – think of it as a powerful but temporary tax break. Section 179 continues to be Bonus Depreciation's more reliable partner, allowing you to deduct up to \$1,220,000 of qualifying purchases in the same year. While Bonus Depreciation is gradually phasing out (reducing to 60% in 2025), Section 179 remains a permanent part of the tax code, making it your go-to tool for long-term planning.
- **Why this matters:** These deductions are particularly valuable for laundromat owners in 2024, as equipment costs have risen with inflation. The increased Section 179 limit (\$1,220,000, up from \$1,160,000 in 2023) provides greater flexibility for major equipment purchases or facility upgrades, while the 80% Bonus Depreciation offers additional tax savings opportunities before further phase-downs occur.

3. TCJA (Tax Cuts and Jobs Act) Implications for 2024

- **What it is:** The TCJA continues to shape business tax strategy in 2024, with its focus on business investment incentives through enhanced deductions and depreciation rules. For laundromat owners, the most relevant aspects include the ongoing benefits for qualified business income deductions and equipment investments, though some provisions are beginning to sunset.

- **Why this matters:** In 2024, the TCJA's provisions still offer significant advantages for laundromat owners planning equipment upgrades or facility improvements. With some provisions beginning to phase out, strategic timing of investments becomes even more critical. Planning major purchases or improvements while these benefits are still in full effect can maximize your tax advantages for years to come.

Consult with a tax professional

Your business is totally unique and so are the deductions you could qualify for. For personalized guidance on maximizing tax deductions for your laundromat business, it's always wise to consult with a tax professional who specializes in small businesses or the laundry industry. They can help you navigate the complexities of tax laws and guarantee you're taking advantage of all available opportunities to reduce your tax burden.

***Pro tip:** Choose a tax expert that specializes in small business or even laundromats. This will be your best bet in taking advantage of all your due financial opportunities during tax season.

Completing your tax return

Let's get down to brass tacks. Completing your tax return may seem like an overwhelming task, but with careful organization and attention to detail, you can nail the process, meet your tax obligations, and save some hard-earned money. This section will guide you through the steps to a stress-free tax return.

1. Determine the required laundromat tax forms:

The first step in tackling your laundromat tax return is to determine the specific forms you'll need to file. This primarily depends on your business structure.

Here's a breakdown of the common business structures and their corresponding tax forms:

- **Sole proprietorships:**
 - Form 1040: Individual Income Tax Return
 - Schedule C: Profit or Loss from Business
 - Schedule SE: Self-Employment Tax
- **Partnerships:**
 - Form 1065: U.S. Return of Partnership Income
 - Schedule K-1: Partner's Share of Income, Deductions, Credits, etc.
- **Limited Liability Companies (LLCs):**
 - Single-member LLCs: Form 1040 and Schedule C (treated as sole proprietorships)
 - Multi-member LLCs: Form 1065 and Schedule K-1 (treated as partnerships)
- **Corporations:**
 - Form 1120: U.S. Corporation Income Tax Return
 - Schedule K-1: Shareholder's Share of Income, Deductions, Credits, etc.

2. Gather the required documentation

Now that you know the correct tax forms, it's time to assemble the necessary documentation to complete them accurately. The specific forms you'll need depend on your business structure.

Here's a general overview of the tax forms laundromats may use

Form Name	Who Files	Purpose
Schedule C (Form 1040)	Sole proprietors or single-member LLCs	Report income or loss from a sole proprietorship or single-member LLC
Form 1120	C Corporations	Report income, gains, losses, deductions, and credits for C Corporations
Form 1120-S	S Corporations	Report income, losses, dividends, and distributions for S Corporations
Form 1065	Partnerships and multi-member LLCs	Report income, gains, losses, deductions, credits from a partnership
Form 1040-ES	Business owners/self-employed expecting to owe \$1,000+	Pay income and self-employment tax that cannot be collected through withholding
Form 940	Employers subject to FUTA	Report and pay Federal Unemployment Tax
Form 941	Employers withholding income/social security/Medicare tax	Report wages paid, federal income tax withheld, and social security/Medicare tax

Tax forms for laundromats (cont.)

Form Name	Who Files	Purpose
Form 4562	Business owners reporting depreciation/amortization	Report depreciation on property or amortization on certain costs
Form 1099-MISC	Business owners who paid at least \$600 to entities	Report payments other than nonemployee compensation
Form 1099-NEC	Business owners who paid independent contractors at least \$600	Report nonemployee compensation
Form 8829	Business owners using part of their home for business	Compute deductible expenses for business use of your home
Form 5884	Employers hiring qualifying veterans/individuals with barriers to employment	Claim work opportunity credit for qualified first-year wages
Form 8850	Employers requesting Work Opportunity Tax Credit	Pre-screen and request certification for Work Opportunity Tax Credit
Form 5500	Business owners with employee benefit plans	Report information about employee benefit plans

Financial records

Comprehensive financial records will help you (or your accountant) accurately report your income, expenses, and deductions. These records typically include:

- **Income statements:** summarizing your revenue and expenses over the year, providing a clear picture of your laundromat's profitability.
- **Balance sheets:** Snapshot of your laundromat's financial health, listing assets, liabilities, and owner's equity.
- **Records of deductible expenses:** Detailed records of all deductible expenses which can help maximize your savings come filing-time.

Supporting documents

To substantiate the information on your tax forms, you'll need to gather supporting documentation. These include:

- Receipts for business expenses
- Bank statements
- Credit card statements
- Loan documents
- Records of asset purchases (equipment, supplies)
- Payroll records (if applicable)
- Utility bills
- Lease agreements
- Insurance policies

3. Filling out fax forms

Once you've finished the tedious task of identifying your forms, now you'll fill them out! With a clear understanding and a methodical approach, you can rest assured your laundromat's tax filings are accurate, compliant, and optimized for your financial benefit. Here is the complete step-by-step checklist for filing and submitting your laundromat taxes error-free.

Working with a tax professional

Have you ever looked at a tax form and realized you don't understand half of the words on the page? While you can brave it on your own, partnering with a tax professional often proves to be a wise investment that can save you both time and money. Here's how:

Benefits

- **Expertise and accuracy:** Tax professionals possess in-depth knowledge of complex tax laws and regulations, ensuring accurate tax preparation and minimizing the risk of costly errors or audits.
- **Time savings:** They handle the intricacies of tax preparation, freeing you to focus on running your business.
- **Maximize saving from deductions:** They'll help you identify and apply all eligible deductions and credits, potentially reducing your tax liability.
- **Peace of mind:** You'll have the confidence of knowing your laundry taxes are handled correctly, reducing stress and potential financial repercussions.



How to choose the right tax expert

- **Specialization and experience:** Seek a tax professional who understands the unique needs of laundromats. Their specialized knowledge of the industry's financial landscape can be a game-changer. Experience with small businesses, especially laundromats, means they're familiar with the common challenges and opportunities your business may face.
- **Reputation and reliability:** A reputable tax professional should have a track record of integrity. Check reviews, ask for references, and consider their standing in professional organizations.
- **Compatibility and communication:** Choose someone you're comfortable working with. Clear and consistent communication is of utmost importance, especially when dealing with the complexities of tax laws.

Collaborating effectively

- **Organize your documents:** Make your tax professional's job easier by being organized. Provide all necessary financial records, receipts, and documents. The clearer and more comprehensive your information, the better!
- **Set clear expectations:** Be upfront about your expectations and needs. Go over your business goals, financial concerns, and any specific areas where you seek guidance.
- **Stay engaged:** While your tax professional will handle the heavy lifting, stay involved in the process. Ask questions, seek clarifications, and be part of the decision-making.

Common tax mistakes to avoid

Good business owners know taxes are delicate and error-prone without the proper attention to detail, preparation, and expert advice. Here are the most common tax mistakes and the pro tips to avoid making them this tax season:

Mistake 1: Keeping inaccurate or incomplete financial records.

How to avoid it: Keeping only a paper trail of your financial record is a recipe for disaster. Instead, implement a robust, digital bookkeeping system like Cents. This ensures your financial data is accurate, up-to-date, and easily accessible. Good record-keeping is the meat of successful tax filing.

Mistake 2: Mixing personal and business finances

How to avoid it: Maintain separate bank accounts and credit cards for your business. That way, you can easily categorize your transactions and laundromat tax documents, simplifying the entire tax filing process.

Mistake 3: Overlooking potential deductions

How to avoid it: Unless you have formal accounting education, you're likely to leave money on the table filing your taxes alone. Work with a tax professional familiar with the laundromat industry. They can help identify industry-specific deductions, ensuring you don't miss out on valuable opportunities.

Mistake 4: Late submissions, underreporting income, or overreporting expenses can lead to penalties, interest, or even audits.

How to avoid it: Begin the filing process early and schedule time with your CPA well before deadlines.

Mistake 5: Ignoring strategies that can prevent common tax mistakes.

How to avoid it: Stay proactive in your approach to tax management. Regularly review your financial practices, stay informed about tax law changes, and leverage digital tools like Cents to streamline your financial operations.

Conclusion

Tax season is not often associated with ease and opportunity, but with the right tools it can be for you - especially with 2024's enhanced deduction limits and digital advantages. This guide has armed you with a comprehensive roadmap: from organizing your financial records to understanding the nuances of laundromat-specific tax deductions in this year of 80% bonus depreciation, from the importance of collaborating with a tax professional to the know-how of avoiding common pitfalls.

Don't limit the usefulness of this guide to just the tax season. Make it your year-round reference point to continually refine your financial strategies, dial-in impeccable record-keeping for the increasingly digital tax landscape, and stay ahead in the fluctuating world of tax regulations - particularly as we navigate the 2024 changes to Section 179 limits and state tax exemptions.

If you're ready to unlock the full potential of your laundry business and improve how you track your expenses and revenue in today's increasingly digital tax environment, schedule a demo with Cents.

Disclaimer: *This guide is updated for the 2024 tax year but tax laws can change. Always consult with a qualified tax professional for specific advice about your situation.*