



DOUGHERTY **ARTS** CENTER

THE ART OF TAXES

PRESENTED BY LISA SRETENOVIC, CPA / CITP / CGMA



TOPICS COVERED

- What it means to be self-employed/independent contractor
- Working solo vs. being in a partnership vs. LLC
- Keeping records of income and expenses
- Which expenses are deductible
- What the self-employment tax is and how it is paid
- What you need to prepare your taxes
- Business vs. hobby
- 1099 & W9

WHO IS SELF-EMPLOYED?

- Sole Proprietorship – “someone who owns an unincorporated business by himself or herself”
- Independent Contractor – “if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done”

BEING IN A PARTNERSHIP

- When two or more persons associate to carry on a business for profit
 - Written
 - Oral agreement
 - NOT self-employed but still may owe SE taxes

INCOME AND EXPENSES

- Income
 - You must report on your tax return all income you receive from your business... in the form of
 - Cash, Check, Credit Card, PayPal, ACH, etc.
 - Property of Services (Barter)

INCOME AND EXPENSES

- Expenses
 - Cost of Goods Sold
 - Cost of Operating (both ordinary and necessary)
 - Mileage (58 cents for 2019, 57.5 cents for 2020)
 - Health Insurance Premium Deduction
 - Interest on loans or credit cards
 - Legal & Professional, Dues (TALA membership fee)
 - Rent
 - Travel, Meals (50%)
 - Business Use of Your Home (Simplified vs Detailed)

INCOME AND EXPENSES

- Expenses (cont.)
 - Advertising
 - Education
 - Repairs
 - Supplies
 - Bank Fees
 - License
 - Subscriptions
 - Utilities

Any expense that is used for both personal and business must be divided based on a reasonable method (number of hours, square feet, mileage)

SELF-EMPLOYMENT TAX

- As a self-employed individual, generally you are required to file an annual return (*Form 1040 Schedule C*) and pay estimated tax quarterly.
 - Income Tax
 - Self-Employment tax - Social Security and Medicare tax primarily for individuals who work for themselves

ESTIMATED PAYMENTS

What are my payment options?

- You can pay your estimated tax electronically using various options. If you pay electronically, there is no need to mail in Form 1040-ES payment vouchers. These options include:
 - Paying electronically through the Electronic Federal Tax Payment System (EFTPS).
 - Paying by authorizing an electronic funds withdrawal when you file Form 1040 electronically.
 - Paying by credit or debit card over the phone or by Internet.
- Other options include crediting an overpayment from 2019 to your 2020 estimated tax, or mailing a check or money order with a form 1040-ES payment voucher.

EFTPS

- To enroll in EFTPS, go to www.eftps.gov or call 1-800-555-4477.
- When you request a new EIN and you will have a tax obligation, you are automatically enrolled in EFTPS.
- Benefits of EFTPS:
 - The chance of an error in making your payments is reduced.
 - You immediately receive confirmation of every transaction.

YOUR BUSINESS TAXES

- Income
 - 1099, deposits, cash
- Less Expenses
 - Receipts
 - Cash withdraws, checks
- Equals Net [Taxable] Income

WHAT YOU NEED TO DO YOUR TAXES

- Money coming in (“gross receipts or sales”) equal to or greater than Form 1099-Misc (box 7) received
- Money going out (documentation >\$75*)
- “At Risk” = money for which you are personally liable

IRS FORM 1040 SCHEDULE C

SCHEDULE C (Form 1040 or 1040-SR)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)		Go to www.irs.gov/ScheduleC for instructions and the latest information. Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.		2019 Attachment Sequence No. 09
Name of proprietor		Social security number (SSN)		
A Principal business or profession, including product or service (see instructions)		B Enter code from instructions		
C Business name. If no separate business name, leave blank.		D Employer ID number (EIN) (see instr.)		
E Business address (including suite or room no.) City, town or post office, state, and ZIP code				
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶				
G Did you "materially participate" in the operation of this business during 2019? If "No," see instructions for limit on losses <input type="checkbox"/> Yes <input type="checkbox"/> No				
H If you started or acquired this business during 2019, check here <input type="checkbox"/>				
I Did you make any payments in 2019 that would require you to file Form(s) 1099? (see instructions) <input type="checkbox"/> Yes <input type="checkbox"/> No				
J If "Yes," did you or will you file required Forms 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Part I Income				
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked. <input type="checkbox"/>		1	
2	Returns and allowances		2	
3	Subtract line 2 from line 1		3	
4	Cost of goods sold (from line 42)		4	
5	Gross profit. Subtract line 4 from line 3		5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		6	
7	Gross income. Add lines 5 and 6		7	
Part II Expenses. Enter expenses for business use of your home only on line 30.				
8	Advertising	8	18	Office expense (see instructions)
9	Car and truck expenses (see instructions)	9	19	Pension and profit-sharing plans
10	Commissions and fees	10	20	Rent or lease (see instructions):
11	Contract labor (see instructions)	11	a	Vehicles, machinery, and equipment
12	Depletion	12	b	Other business property
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	21	Repairs and maintenance
14	Employee benefit programs (other than on line 19)	14	22	Supplies (not included in Part III)
15	Insurance (other than health)	15	23	Taxes and licenses
16	Interest (see instructions):		24	Travel and meals:
a	Mortgage (paid to banks, etc.)	16a	a	Travel
b	Other	16b	b	Deductible meals (see instructions)
17	Legal and professional services	17	25	Utilities
28	Total expenses before expenses for business use of home. Add lines 8 through 27a	28	26	Wages (loss employment credits)
29	Tentative profit or (loss). Subtract line 28 from line 7	29	27a	Other expenses (from line 48)
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	b	Reserved for future use
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040 or 1040-SR), line 3 (or Form 1040-NR, line 13) and on Schedule SE, line 2 . (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 . • If a loss, you must go to line 32.	31		
32	If you have a loss, check the box that describes your investment in this activity (see instructions). • If you checked 32a, enter the loss on both Schedule 1 (Form 1040 or 1040-SR), line 3 (or Form 1040-NR, line 13) and on Schedule SE, line 2 . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3 . • If you checked 32b, you must attach Form 6198 . Your loss may be limited.		32a	<input type="checkbox"/> All investment is at risk.
			32b	<input type="checkbox"/> Some investment is not at risk.
For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040 or 1040-SR) 2019				

BONUS: LEGIT VS HOBBY

- Business name (“dba” or other legal entity)
- Business plan and budget
- Business and personal money is not co-mingled (i.e. *separate* bank accounts)
- Complete & accurate accounting records

- **Intend to make a profit!**

1099-MISC

- Am I Required to File a Form 1099 or Other Information Return?
 - <https://www.irs.gov/businesses/small-businesses-self-employed/am-i-required-to-file-a-form-1099-or-other-information-return>
- Payments, in the course of your trade or business: (1099-MISC)
 - Services performed by independent contractors or others (not employees of your business) (Box 7)
 - Rent (Box 1)
- You are **not** required to file information return(s) if any of the following situations apply:
 - You are not engaged in a trade or business.
 - You are engaged in a trade or business and
 - the payment was made to another business that is incorporated, but was not for medical or legal services or
 - the sum of all payments made to the person or unincorporated business is less than \$600 in one tax year

1099-MISC

- Due January 31st
- File 1099/1096
 - Electronically <http://yearli.greatland.com/?code=mgl>
 - Approved IRS Forms
 - Not a download
 - Certified Mail
- IRS matches first four letters of the legal name with Taxpayer Identification Number (TIN). \$50 fine for incorrect matching and potential withholding of 28%

W-9

- Get one from anyone you pay for services.
- Make sure information is correct.

Form **W-9**
(Rev. October 2018)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give Form to the requester. Do not send to the IRS.

▶ Go to www.irs.gov/FormW9 for instructions and the latest information.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

Individual/sole proprietor or single-member LLC

C Corporation

S Corporation

Partnership

Trust/estate

Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ _____

Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is **not** disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

Other (see instructions) ▶ _____

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) _____

Exemption from FATCA reporting code (if any) _____

(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.

6 City, state, and ZIP code

7 List account number(s) here (optional)

Requester's name and address (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number

or

Employer identification number

Part II Certification

Under penalties of perjury, I certify that:

HELP

<http://www.foundcom.org/>



www.360financialliteracy.org



<http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Self-Employed-Individuals-Tax-Center>



www.eftps.gov



<http://austintexas.gov/department/small-business-development-program>



<http://talarts.org/>



<http://www.austincreativealliance.org/>



<https://www.expensify.com/>



<http://quickbooks.intuit.com/>



<https://turbotax.intuit.com/>



LISA SRETENOVIC, CPA / CITP / CGMA

lisa.sretenovic@map-cpas.com

Northwest Austin:
12335 Hymeadow Drive
Suite 400
Austin, TX 78750

P: 512-458-6151
F: 512-371-7128



Westlake:
4201 Bee Cave Road
Suite A-200
Austin, TX 78746

P: 512-327-0909
F: 512-327-0904