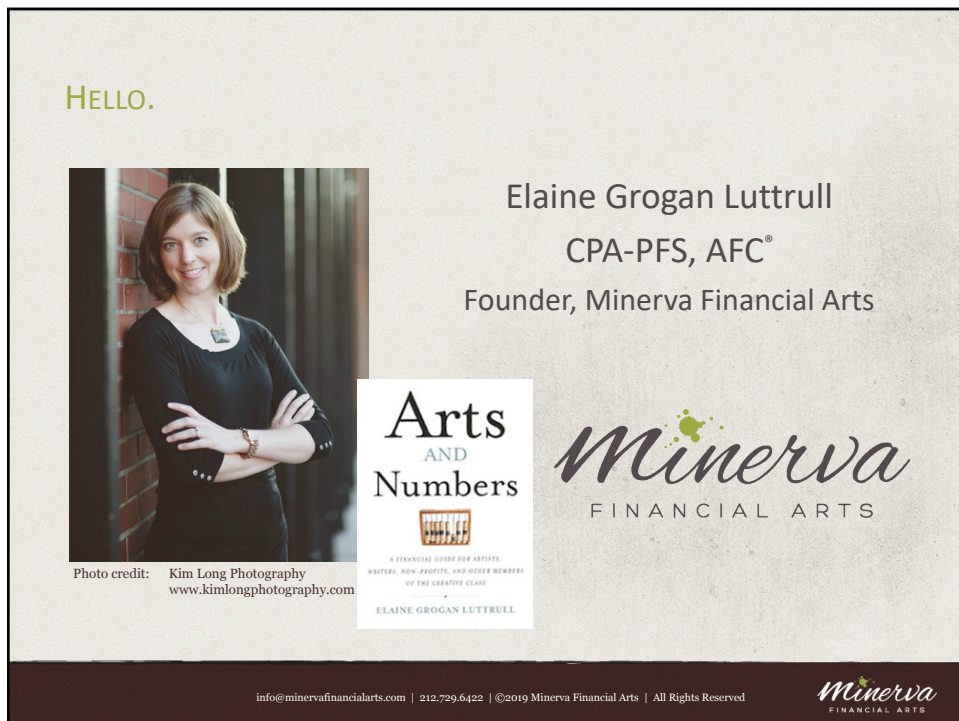


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## WHAT ARE WE DOING?

*Key Outcomes for the Webinar*

Identify  
creative  
deductions

Review tax  
landscape

Identify  
records to  
keep

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## DISCLAIMER

THIS INFORMATION IS FOR EDUCATIONAL PURPOSES ONLY. THIS INFORMATION SHOULD NOT BE RELIED UPON FOR TAX, LEGAL, OR ACCOUNTING PURPOSES, OR TO AVOID PENALTIES UNDER SECTION 230.

TAX LAWS ARE NUANCED AND SPECIFIC, AND LEARNING ABOUT THESE TOPICS IN A GROUP SETTING IS NO SUBSTITUTE FOR CONSULTING WITH A PROFESSIONAL WHO KNOWS THE DETAILS OF YOUR UNIQUE SITUATION.

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## WELCOME & OVERVIEW

*Ground Rules and Group Parameters*

Share the  
Floor with  
Respect

Equal  
Parts  
Teacher &  
Learner

Stories  
Stay;  
Lessons  
Leave

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## How Do TAXES WORK?

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### Form 1040

+ W-2 Income  
 + Net Profit from Business  
 + S Corp/P-ship Net Profit  
 + Interest/Gains  
 - "Above the Lines"  
 - <Standard Deduction>  
 = Taxable Income  
 % Tax Owed  
 - <Credits>  
 - <Paid In During Year>  
 = Due <Refund>

### Schedule A

Itemized deductions

*State & Local Taxes*

*Home Mortgage  
Interest*

*Charitable  
Contributions*

### Schedule E

#### Schedule C

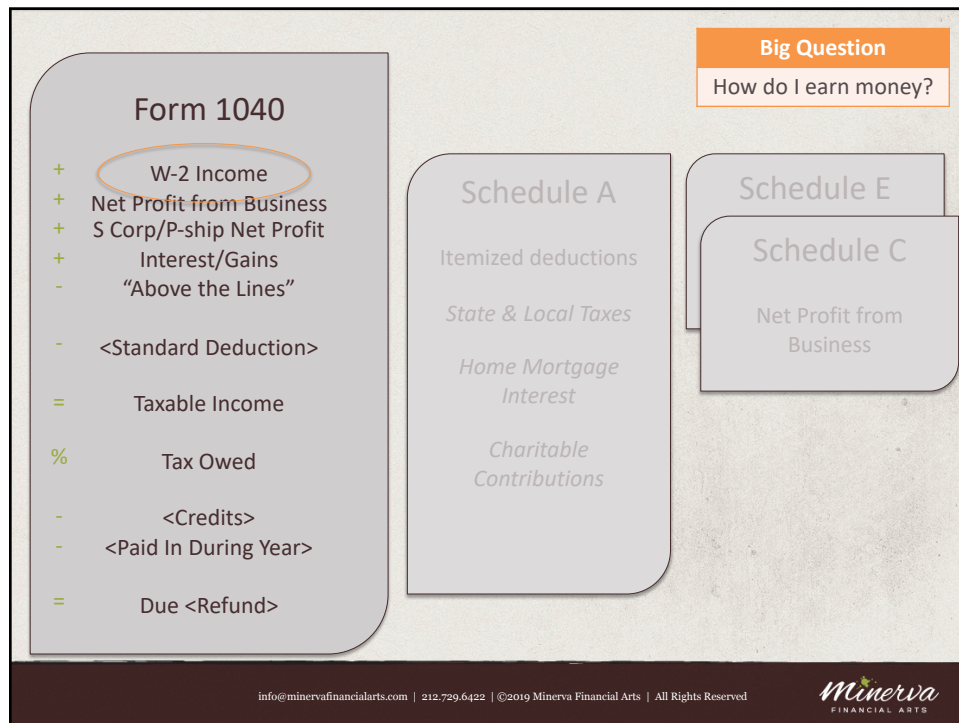
Net Profit from  
Business

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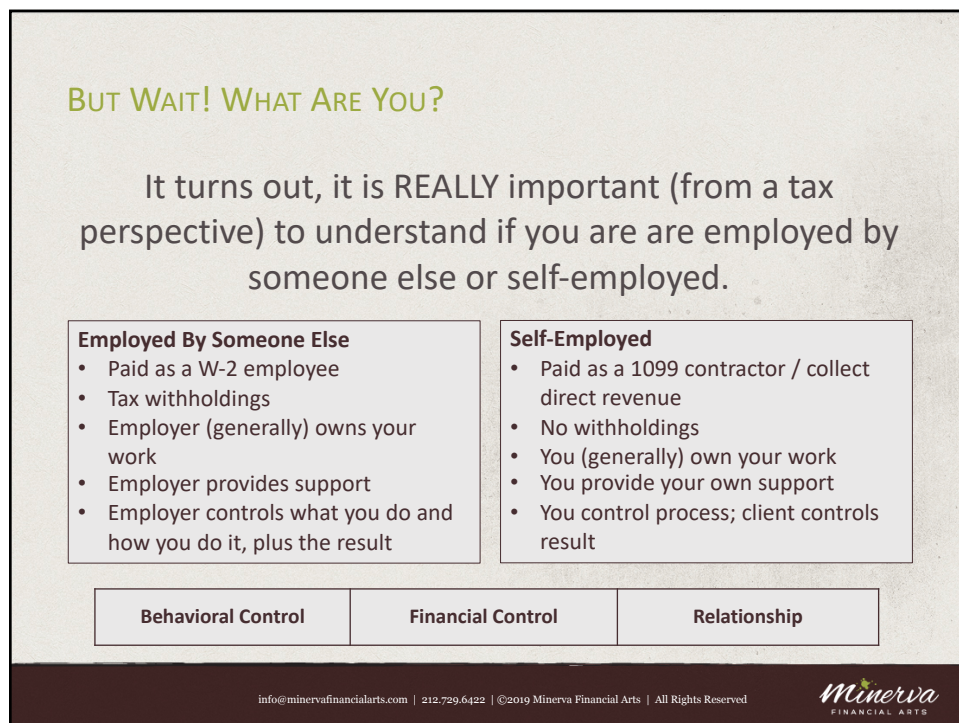
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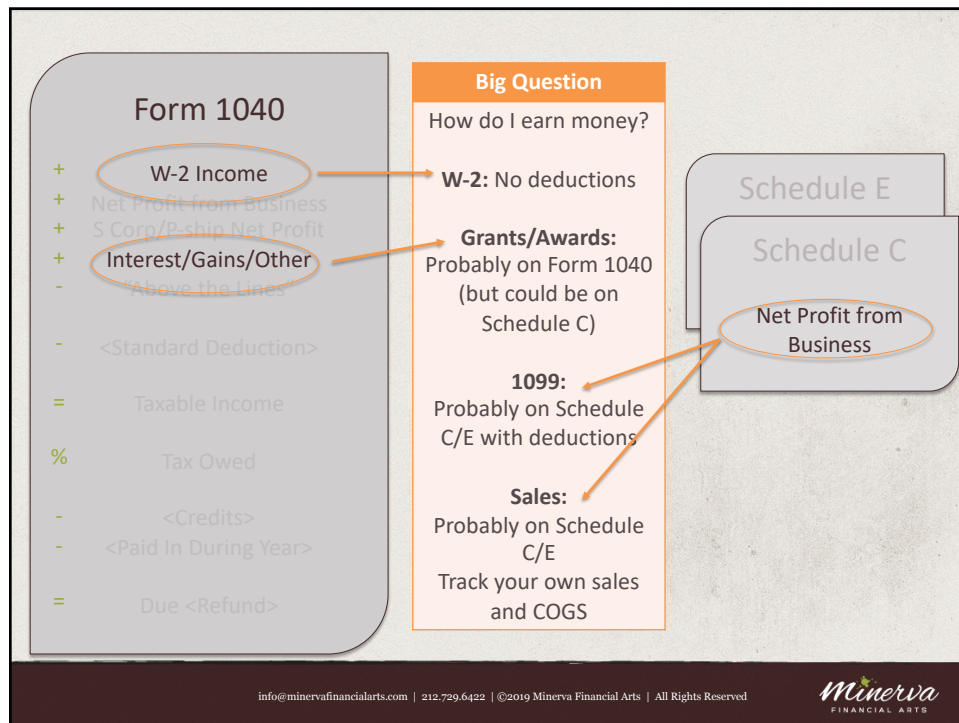




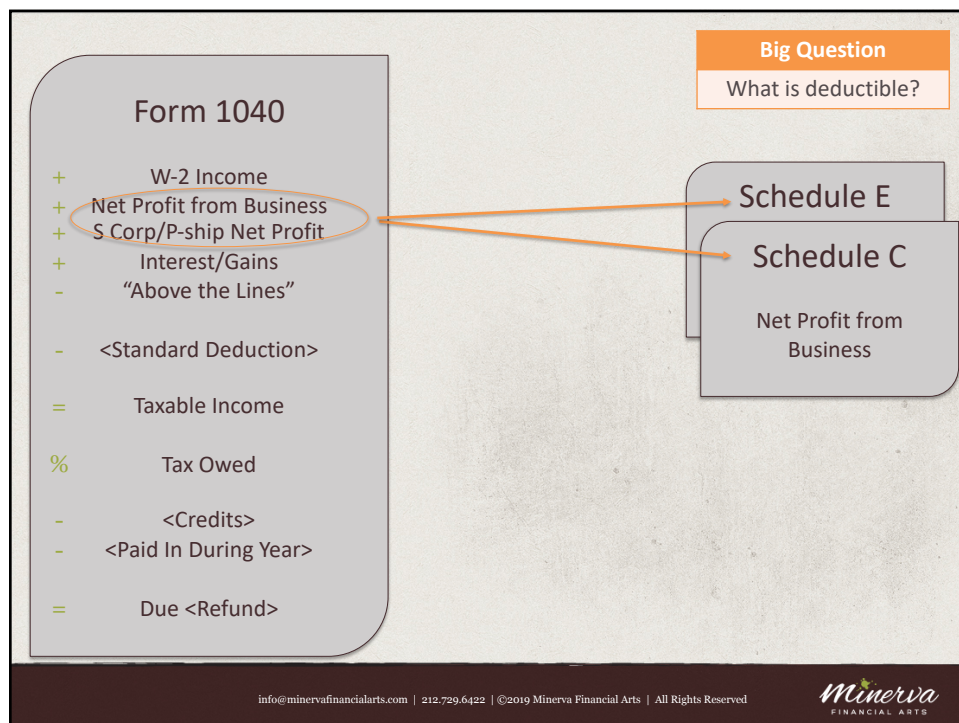
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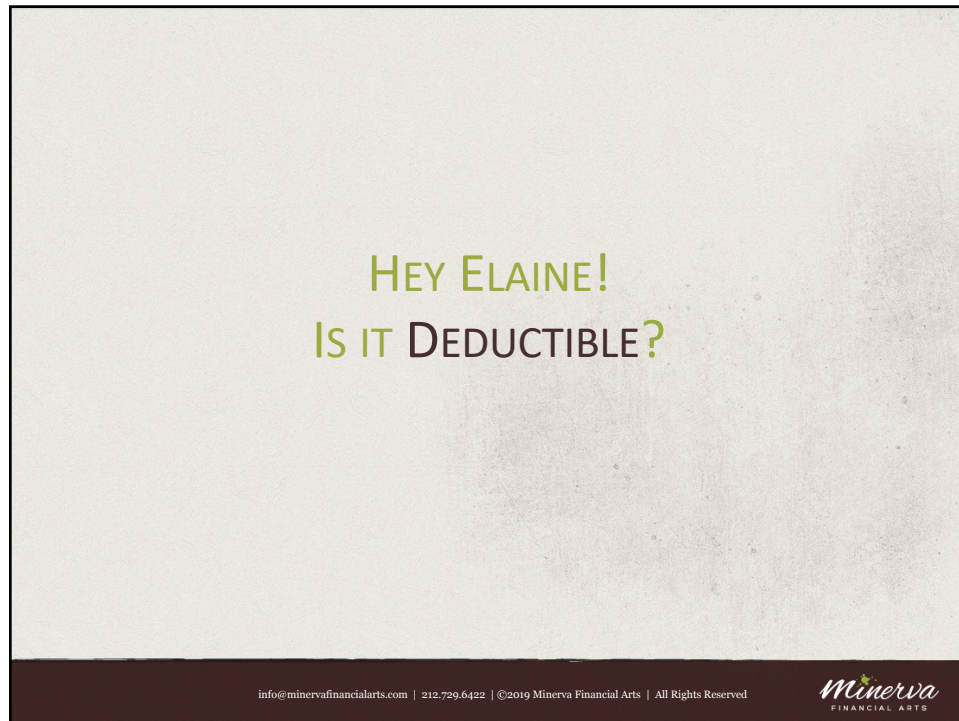


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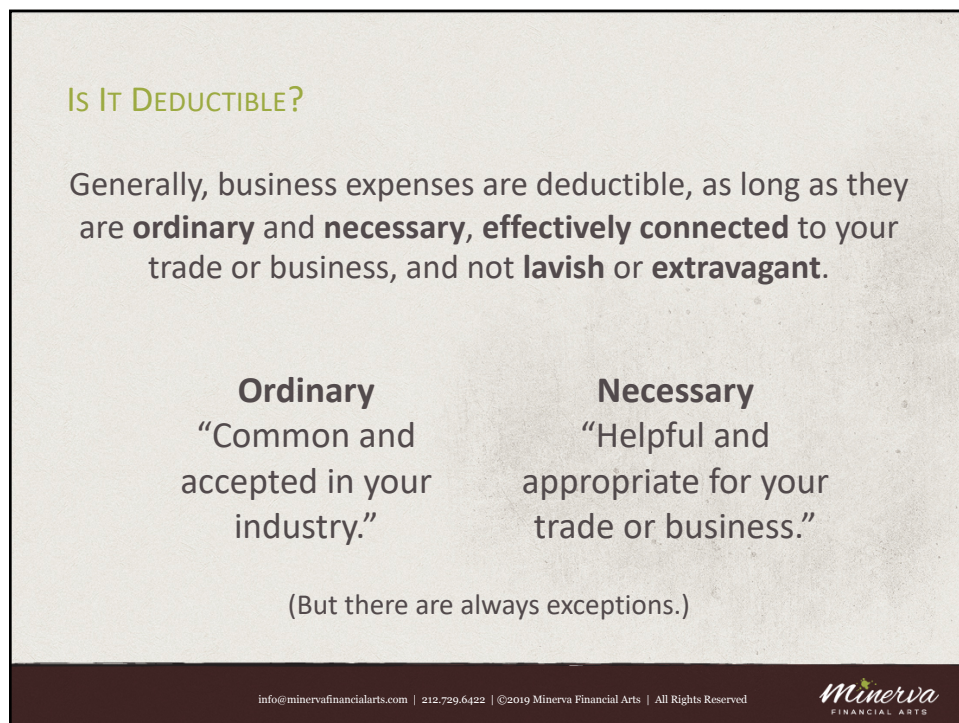


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IS IT DEDUCTIBLE?

**Biggest Hurdle**  
Are you running a business?

**Second Biggest Hurdle**  
Bifurcation

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IS IT DEDUCTIBLE?

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## IS IT DEDUCTIBLE?

## PROFESSIONAL SUPPORT

**Probably Deductible.**

Document the business purpose.

Make sure it relates to your *current* industry, not a new industry you hope to join.

Be clear on if you are hiring professional support in a *contractor* capacity or an *employee* capacity. In either case, make sure everyone understands the relationship.

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## IS IT DEDUCTIBLE?

## HARDWARE / EQUIPMENT

**Probably Deductible.**

Document the business purpose of the hardware or the equipment.

Bifurcate the deduction if there is personal use.

Insurance on the hardware or equipment is probably deductible too.

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## IS IT DEDUCTIBLE?

## SOFTWARE / SUBSCRIPTIONS

**Probably Deductible.**

Document the business purpose of the software or the subscriptions.

Make sure you are backing up everything regularly (and if you pay for that, the payment is probably deductible too).

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## IS IT DEDUCTIBLE?

## PROFESSIONAL ATTIRE

**Probably Not Deductible.**

Attire you *can* wear elsewhere (even if you wouldn't).

Performance attire.

**Maybe Deductible.**

Performance shoes (maybe).

Specially made garment with poor tailoring (for elbow room).

Safety equipment.

Reference material (especially if it isn't in your size).

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## IS IT DEDUCTIBLE?

### RESEARCH

#### **Probably Deductible.**

Document the business purpose. (Seriously. Document the business purpose well.)

Make sure the research supports your body of work or a project you are actually doing. (And make sure it is not research you are doing as an employee.)

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## IS IT DEDUCTIBLE?

### OFFICE SUPPLIES

#### **Probably Deductible.**

Document the business purpose of the supplies, especially if they are unusual.

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## IS IT DEDUCTIBLE?

### MARKETING MATERIALS

#### Probably Deductible.

Document the business purpose of the marketing materials.

**Pro Tip:** Track the effectiveness of your marketing efforts as well so you can make informed future choices.

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## IS IT DEDUCTIBLE?

### HOME OFFICE OR STUDIO SPACE

#### May Be Deductible.

Follow the letter of the law on this deduction.

The space must be used exclusively and regularly for your business purpose.

Principal place of business; no other place where you conduct administrative tasks related to your business.

#### For Further Reading:

IRS Publication 583, "Starting a Business and Keeping Records"

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## IS IT DEDUCTIBLE?

## INSURANCE

**Probably Deductible.**

Document the business purpose of insurance (it may be obvious).

Make sure you are really covered for what you think you are covered for. Some renter's policies or homeowner's policies have per item limits that are too low to cover your instrument.

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## IS IT DEDUCTIBLE?

TRAVEL, TRAVEL MEALS, AND  
LODGING**Probably Deductible.**

Document the business purpose of the travel.

Make sure the primary purpose of the trip is business-related and there is an overnight stay.

Investigate per diem rates. (Sometimes they are better for you.) See: [www.gsa.gov](http://www.gsa.gov)

**Tax Change Alert**

Watch for unreimbursed employee expenses. They are no longer deductible.

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## IS IT DEDUCTIBLE?

## BUSINESS MILES DRIVEN

**Probably Deductible.**

Document the business purpose of the miles driven... Or track actual expenses.

The “exclusive and regular” test does not apply.

This also applies to local transportation (metro, subway, bus, ride shares) with a business purpose.

Documentation should be written (or in an app). Save this documentation.

**Tax Change Alert**

The IRS updates the rate annually (ish). For 2020, it is \$0.575.

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## IS IT DEDUCTIBLE?

## BUSINESS MEALS &amp; ENTERTAINMENT

**Deductible, but Limited.**

Document the business purpose of the meal.

Deduction is limited to 50%.

**Not Deductible.**

Entertainment.

**Tax Change Alert**

Entertainment is no longer deductible. This is a change, effective in 2018.

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## IS IT DEDUCTIBLE?

### PROFESSIONAL MEMBERSHIPS

#### Probably Deductible.

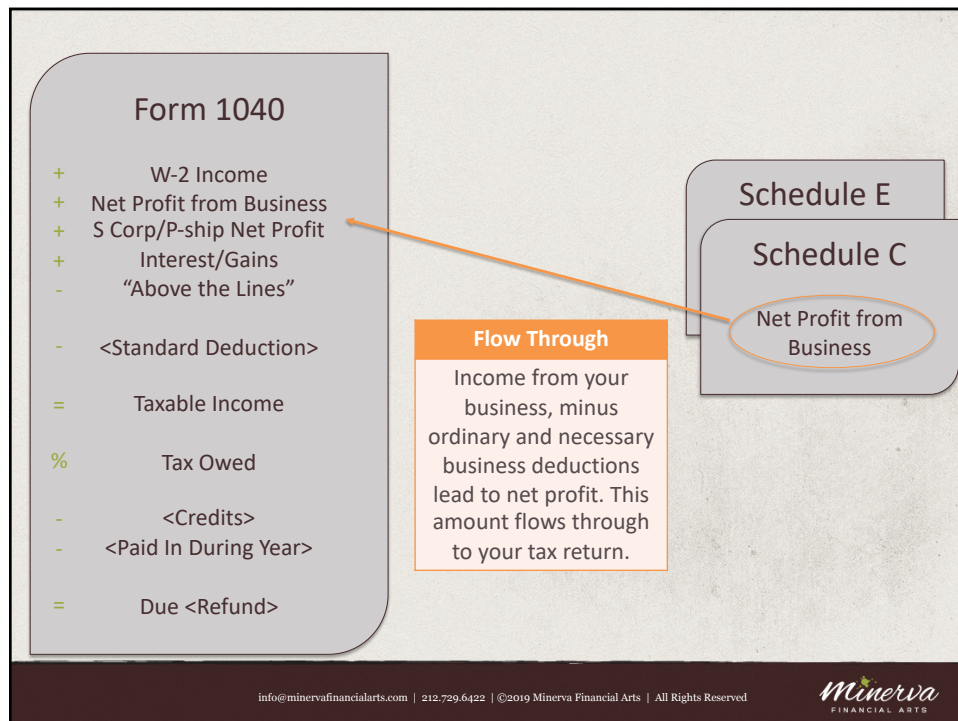
Document the business purpose of your membership.

Watch for non-deductible exclusions (lobbying) on your annual statement from the group.

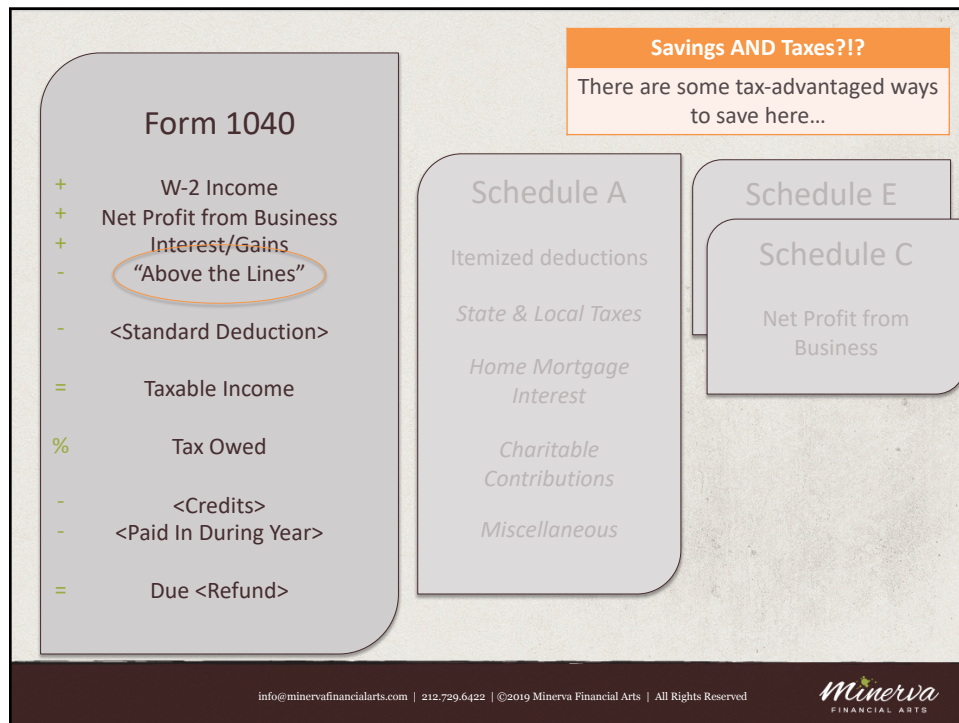
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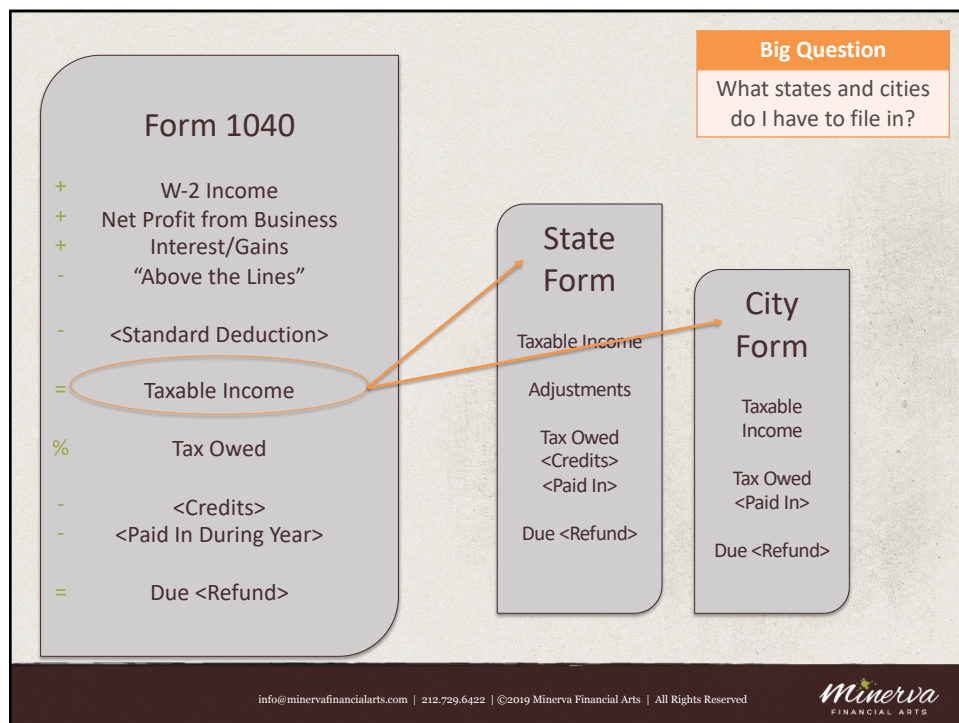
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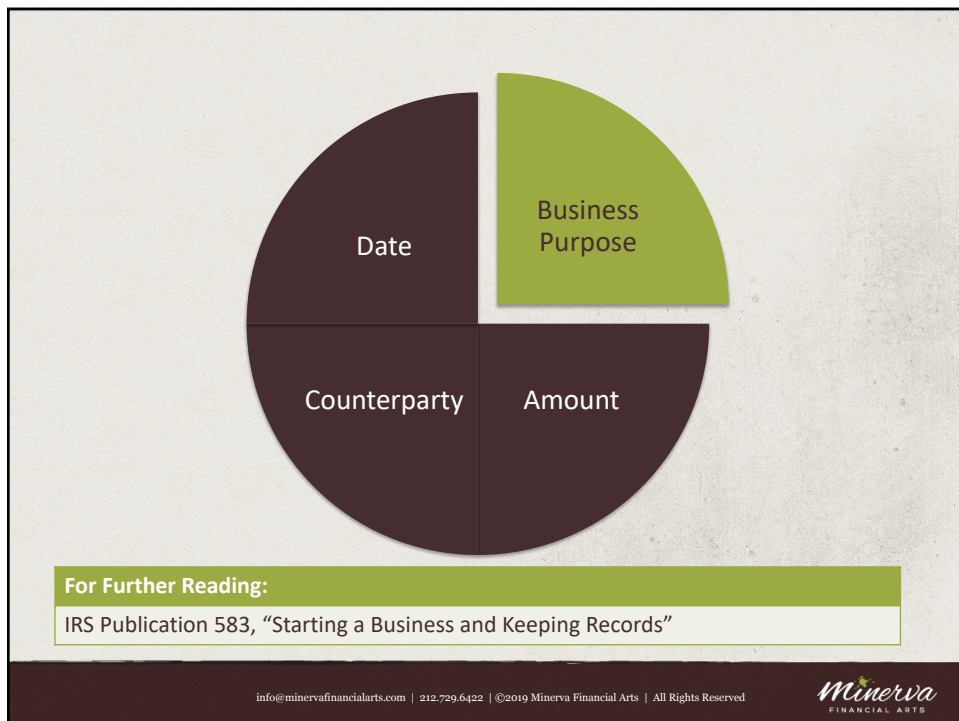


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## WAIT – WHAT ARE “BOOKS AND RECORDS”?

Any system suited to your needs that shows your income and expenses.

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## STATUTE OF LIMITATIONS

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
1/5/20 \$100 Expense	4/12/21 File Tax Return			4/15/24 3-Year Statute Ends			4/15/27 6-Year Statute Ends
----- SEVEN YEARS -----							

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## STAYING ORGANIZED

Schedule a bit of time each month (say, two hours) to update your books and records.  
You'll be glad you did.

Have a separate bank account just for your business.

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## ANY FINAL QUESTIONS?

IDENTIFY ORDINARY AND NECESSARY BUSINESS  
DEDUCTIONS  
REVIEW THE OVERALL TAX LANDSCAPE  
REVIEW RECORDKEEPING SYSTEMS

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