

You're in Business Before You Make Money

Carol Topp, CPA



Topics Covered

- What determines a business?
- Business structure
 - Hobby or business?
- Tax deductions for writers
- Business start up tips

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TaxesForWriters.com

You're in Business Before You Make Money

What?
How?

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IRS Factors in determining business motive

1. Business like manner
2. Expertise (of taxpayer and advisors)
3. Time and effort
4. Prior success
5. History of income
6. Occasional profit
7. Other sources of income
8. Profit motive or personal pleasure

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Taxes for
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Hobby or Business?

Hobby writing
(like living in your car)



All hobby income is
taxable
but
most hobby expenses are
not deductible

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So if I'm not a
hobby writer...

What am I?



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Business Structure

Sole Proprietorship Partnership Corporation



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LLC

Limited Liability Company
Not a tax structure
"disregarded entity" by the IRS

More like an insurance policy on your property

Protects your personal assets from liability




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You're in business!
So what?

Tax deductions!



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Tax deductions for writers

Advertising	Cell phone & internet
Mileage	Professional development
Office expenses	Book publishing expenses
Travel	Research

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Quiz: Are these expenses tax deductible?

Gifts sent to customers?

Mileage to a coffee shop where an author prefers to write?

Books an author reads to understand her genre?




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**BUSINESS TIPS
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Quiz: Are these expenses tax deductible?

Travel to an exotic place for research on a future book?

Writers conference expenses for an unpublished author?



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Business Start Up

- Names and Numbers
 - Doing Business As (DBA) name registration
 - Employer Identification Number (EIN) from IRS.gov (free)
- Business Checking Account

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Help!

“I’ve had years of expenses I never claimed as tax deductions?”

Now what???

Special Tax Rules for Writers

Start Up expenses

- Deduct as incurred (losses every year)
- or accumulate (max \$10,000 in first year, then spread over 180 months)

*Tax Tip: put start up expenses in Part V Other Expenses on Schedule C

Special Tax Rules for Writers

Research expenses

Can deduct research expenses as incurred
Not as the books are sold

Advice

Get advice. A CPA can help with

- .Taxes
- .Planning
- .Audit prevention

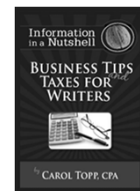
Don’t call yourself a hobby writer!

Keep good records

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Shameless plug

- Hobby Income
- Writing as a Ministry
- Business Structures
- Financial Planning
- Taxes
- Record keeping
- Inventory and sales tax



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