



Solopreneurs and Record Keeping

One of the most critical tasks for the small businessperson is financial recordkeeping. One of the first things you want to do is open a business checking account and don't mix personal funds with business funds. Transfer from business to personal if you need to make a personal purchase. Having a separate account keeps both accounts cleaner. Good records can save you in an audit. If an auditor questions an expense and there isn't proper documentation, they can disallow the deduction increasing your tax liability.

Keep good financial records ~

1. You want to know how much money you made
2. You want to know how much it cost you to make that money
3. Planning and forecasting are much easier with good records
4. Loans can be an option
5. Tax time is much easier

What records do I need?

1. Receipts – write on the receipt what it is for and how you paid for it. *Credit card, cash, check*
2. Business calendar
3. Daily business journal

What can I deduct? Do I need receipts?

- a. **Office equipment** – computers, printers, furniture
- b. **Office supplies** – paper, day planners, envelopes, postage, cords for electronics, note pads, calendars
- c. **Advertising** – business cards, name tags, print ads, FB/Instagram ads, the magnetic sign on your car
- d. **Meals** – If you meet clients for coffee or a meal, your expenses for that meal are 50% deductible regardless if you purchase the client's meal or not. Entertainment expenses are no longer allowed.
- e. **Cell Phone** – If you have a phone specifically for business, it is fully deductible. However, if you use your phone for personal and business, you will need to determine the percentage of time used for business. If you use your phone 40% for business and 60% for personal you can deduct 40% of the cost of the phone + 40% of the monthly charge.
- f. **Mileage** – This is one of the deductions that is commonly disallowed during audits. To deduct mileage (57.5) you must keep a mileage log. There are several free apps that will track mileage for you. I use the old pencil and paper because I forget to turn the app on.
- g. **Travel** – airfare, car rental, meals, taxi – all of these are deductible for business travel. And it is okay to tack on time for a vacation. Just don't be extravagant or bill your vacation days to the business. *Example: I fly to Vegas for a conference. The conference starts at 9:00 am on Monday and finishes at 3:00 pm on Thursday. I'm going to stay over for the weekend and see Rod Stewart and Dolly Parton. I fly down on Sunday evening so I can be there on time Monday. My airfare, meals and hotel are 'billed' to the business*

through Thursday as that is when the conference ends. The hotel, meals and concert tickets are on me as it is part of my vacation.

- h. **Continuing Education/Training** – If you are in a profession that requires annual Continuing Education and/or training you can deduct the cost of the training. If you travel to a seminar, the travel is also deductible. Please read the caution below from the IRS.
 - i. *“To be deductible, your expenses must be for education that (1) maintains or improves skills needed in your present work or (2) a law requires to keep your present salary, status or job. However, even if the education meets either of these tests, the education can't be part of a program that will qualify you for a new trade or business or that you need to meet the minimal educational requirements of your present trade or business.”*

Other expenses that may be deductible ~

- i. Health insurance
- j. Contract workers (bookkeeper, Virtual Assistant, social media manager) or employees
- k. Business insurance
- l. Client gifts (up to \$25 per client/year)

Best Practices ~

- m. Keep a daily business journal listing meetings, notes, people met with, etc.
- n. Write on receipts indicating what you purchase or who you met with
- o. Have one place that you keep hard copy receipts
- p. Use a smart phone app to photograph receipt as receipts often fade
- q. Use a mileage app or log to track mileage
- r. Complete a weekly expense sheet and attach receipts; file in a 3 ring binder or scan to your computer
- s. Hire a bookkeeper ☺

Additional Questions~

How do I calculate how much taxes I owe and how do I make the payments? *Self-employment taxes are 15.3% (12.4% to social security and 2.90% to Medicare). Quarterly payments are due April 15, June 15, September 15, and January 15. Please read the IRS publication [here](#)*

Are we now required to collect sales tax on the sale of digital products such as courses, ebooks, assessments? *Generally, yes. Please contact your state tax authority for specific information.*

Are you required to collect sales tax on the sale of physical books? *Yes. Please contact your state tax authority for specific information.*

Seriously what entity organization (S-Corp, C-Corp, LLC) do you recommend for solopreneur who have no employees and solely work with independent contractors? *An LLC is generally fine for a small business with no employees. As your company grows and makes more money, you'll want to look at an S-Corp election to save money on self-employment tax. Each situation is different and there is no 'one size fits all' when choosing your business structure.*