

taxes and business chores / overview

For the Launch • Class 2 • November 7, 2022 • Jenny Girl Friday

Be a Great Boss, set yourself up for success

- ___ Add Important Dates to your calendar
- ___ Decide on work times - _____ before due date OR every _____
- ___ Identify help/resources _____
- ___ Create a great environment for doing this stuff _____
- ___ Give reward / pair with nourishing activities _____

Context / Perspectives

- ☞ Gets easier over time
- ☞ Crazy, bizarro system –
 - So, create your own map AND be nice to yourself
 - No detail is hard, it's just hard keeping concepts straight, and remembering to do them
 - Normal to get triggered, feel anxious or worried
- ☞ When you tame this chaos, you will feel SO PROUD, and EMPOWERED!

4 Levels of Government

Quick tour, so we can:

- Compare and contrast, get a framework
- See the pitfalls, start thinking of strategies

Types of tax

B&O Tax	(Seattle + WA)
Property Tax	(King County)
Income + Self-Employment Tax	(IRS)

Renewals

Seattle business license	(Seattle)
PLLC	(WA – Secretary of State)
Professional license	(WA – Dept. of Health)

Nothing needed for:
WA State Business License
IRS

On-Going and Paperwork for the IRS

- Send Estimated Quarterly Tax Payments (EQ\$) to the IRS
- Work with w-9 forms
- Fill out 1099-NEC forms, if required

Tax Reporting

<u>Must file report, even if you don't owe any tax:</u>	<u>Only file, if you owe tax:</u>
Seattle	IRS
King County	
WA State	

cont >

Important Dates

If you file ANNUALLY in WA State



If you file QUARTERLY in WA State



Closing Thoughts (return here at the end)

- ☞ You can do this.
- ☞ If you want to outsource some or all of it, that's totally fine. It is still important to understand the basics, so you can communicate with who's working for you.
- ☞ Even if you hire an accountant, you'll still need to provide the numbers.
- ☞ Put time in your calendar for this – during the work week. These are part of your unbillable hours, that need to be covered pay-wise, by your billable.
- ☞ To thrive, we need to understand our money. To understand our money, we need to understand taxes.
- ☞ Embracing this work is part of staying in business. Embracing this work will take away the fear, and empower you in many ways. Embracing this work will change your life!

Details + how-tos

Estimated Quarterly Tax Payments (EQ\$) to the IRS

The IRS is a pay-as-you-go tax system.

They ask us to send in tax payment throughout the year, then file as normal by April
Filing is a *true-up* time

With EQ\$, we are sending in payments ... (not making reports)

The due dates are Apr 15, Jun 15, Sep 15, Jan 15

We're required to send in at least 85% / 90% of our tax bill before filing

If we don't, there will be a penalty ... usually not too bad

3 Methods of calculating

How to send in

Renewals

Seattle Business License

Also called "Seattle Business License Tax Certificate"

Use FileLocal-wa.gov

Cost is \$65 if you gross under \$20K

Cost is \$132 if you gross over \$20K+

Due – Every year, Dec. 31

Grace period – until Jan 31

If you need help, call the city at 206.684.8484

Do NOT call the number on the FileLocal website

PLLC with WA - Secretary of State

Called, filing your "Annual Report"

Keeps your entity alive. No number reporting, just confirming name and contact information for the various roles.

Go to sos.wa.gov

Find the CCFS system – Corporations and Charities Filing System

Log in, and navigate to the "Annual Report" section. Follow prompts.

Cost is usually \$60 per year

Due – Anniversary month when it was formed

If you need help, call the Secretary of State at 360.725.0377

File Taxes

Seattle

IF you had a business license with Seattle for the prior year
Log into FileLocal-wa.gov
Report these numbers in the Services Section:
Gross Sales – Worldwide
Gross Sales – Inside of Seattle
If you gross over \$100K inside of Seattle, pay B&O taxes. For 2023, it's 0.427%.
Due April 30th

King County

Use the e-Listing service on kingcounty.gov/depts/assessor.aspx
Report the value of your business property (what your business owns), and
Monthly supply cost
Pay taxes if you earn over \$7500
Due on April 30th
If you need help, call 206.296.5126

WA State

IF you had a business license with WA for the prior year
Go to MYDOR on the dor.wa.gov site
Log in, report your Gross Sales in the category:
"Service and Other Activities; Gambling Contests of Chance (less than \$50,000 per year)"
You will receive a tax credit to cover all or part of your tax bill.
If you gross under about \$65K, then your credit will cover all of it.
Above that, the credit starts to become smaller, and phases out about \$110K.
The B&O tax rate is 1.5% for service
Due: If filing Annually – April 15th
If filing Quarterly – April 30th, July 31st, October 31st, January 31st
If you need help, call 360.705.6705

IRS Taxes

If you're filing as a single-member PLLC / LLC as a sole prop, or if your business is a sole prop:
Good news!
Your business does NOT pay taxes to the IRS
Your business does NOT file an additional form
You simply add a few pages to your standard, personal 1040 form
If you file as an S-Corp, things will be a little more complex

Filing method – you choose!

Can be online via TurboTax, H&R Block, Free Tax, or another portal
Or, with an accountant, tax preparer
Or, paper (not recommended)

To file, you'll need the following:

Any 1099 forms you received
Your income record
Expenses by category – standard, shared use, and special (mileage, home office)
Any EQ\$ that you've sent in

1099-NEC + w-9 Forms

These are required if you work as an Independent Contractor for another business/organization.
OR, if you hire an independent contractor. It's about tracking when someone gets paid.
For the IRS / These two forms work together.

1099-NEC is part of a family of 1099 forms.

They are used whenever someone receives money, not as wage.

1099-INT – for bank interest

1099-R – for retirement disbursement

1099-DIV – for dividends

1099-MISC – miscellaneous.

These are still used for very specific situations.

w-9 form

A simple form ... to basically track the tax ID number for a person or business.

It contains name, contact info, business entity type, and either an SSN, or EIN

It is used to provide a tax ID – so that a Payer can make reports to the IRS, and to the Payee (for the purpose of tax reporting)

1099-NEC form

A paper trail, whenever an individual or independent contractor gets paid for Services.

It contains the Payer info, the Payee info, how much they got paid.

Example

Let's say you work as Adjunct Faculty for your alma mater.

They pay you \$3000 for the gig.

They will ask you for a w-9 when they hire you.

This is so they can send a 1099-NEC to the IRS, saying they paid you.

They will send you a 1099-NEC, so you have the numbers

When are 1099-NECs required?

IF you:

Pay an independent contractor, over \$600

Within a calendar year

For service work

This might be: Supervisor, Business Coach, Accountant, Lawyer, Designer

If you hire someone:

Immediately ask for their w-9, as soon as you make the agreement

Keep this on file

IF you pay them over \$600 in a calendar year for services ...

Fill out a 1099-NEC form – before January 31st

If someone hires you:

They will ask for a w-9 form, feel free to proactively offer

Use your EIN, to protect your privacy

They will send you a 1099-NEC form by January 31st

Report these earnings as part of your Income