

64b - Business:

Taxes and Bookkeeping

“Before we can get control of our finances, we must get control of our attitudes about money, feelings that were shaped by our earliest experiences with it. Opening ourselves to abundance—not only of the pocketbook but also of the heart—is what’s necessary for true balance and freedom.”

**Suze Orman, author of
*The 9 Steps to Financial Freedom***



Business Record-keeping

Document	Retention
General correspondence (incl. emails & schedule)	5 years
Bank statements	7 years
Cash receipts	7 years
Cancelled checks/Credit card statements	7 years (but keep receipts for major purchases indefinitely)
Tax returns	Indefinitely
Year-end financial statements	Indefinitely
Employee contracts	Indefinitely
Vendor contracts	Indefinitely
Licenses and Permits	Indefinitely
Insurance claims	Indefinitely

Record-keeping Tips

- Have a separate “business-only” checking account and credit card
- Keep all business-related receipts– and know where you have them filed
- Keep financial records according to guidelines
- Pay bills when they are due
- Maintain daily records: appointments, payment received, payments made, auto mileage logs (i.e., don’t get behind in logging these!)
- Check regularly your credit card and bank statements
- Make cash flow projections
- Keep lists of inventory, equipment and furniture

Accounting Definitions

Assets: The total resources (current, fixed or other) of the sole practitioner or business—tangible and intangible. Assets may include cash in the bank, inventory, equipment, accounts receivable, equipment, & goodwill.

Liabilities: Current and long-term debts of the practitioner or business. Liabilities may include long-term debts (ex. terms of lease), accounts payable (ex. a car loan), taxes, and credit card balances.

Capital: The net worth of a business– e.g. the difference between the assets and liabilities.

Accounts Receivable: The amounts owed to you by another person or business.

Accounts Payable: The amounts you owe another person or business.

Common Fully Deductible Business Expenses

- § Bank Service Charges
- § Business Books and Trade Publications
- § Business Insurance
- § Credit Card Fees- including swipe fees
- § Dues
- § Education
- § Furnishings, Decorations
& Equipment
- § Interest on Business Debt
- § Insurance
- § Inventory Cost of Goods
- § Linen Service



Common Fully Deductible Business Expenses (cont'd)

- § Maintenance and Repairs
- § Marketing
- § Office Supplies
- § Online Fees
- § Postage
- § Printing and Copying
- § Professional Fees (?)
- § Rent
- § Sales and Excise Tax
- § Samples
- § Telephone & Utilities



IMPORTANT REMINDER!

Allowable business deductions change with tax law changes. Know what is allowed and at what percentages are allowed before filing your taxes. Or...

Consult with a Tax Professional!

Information re: TLC Massage School Deductions for students

Lauterstein-Conway Massage School and most other massage schools in Texas do not participate in student aid programs administered by the U.S. Dep. of Education and therefore are not "Eligible" or "Qualified" institutions per IRS guidelines. These schools do not have federal school ID's, do not issue IRS Forms 1098-T, and amounts paid to the school for books and tuition are not "Qualified Education Expenses" deductible as "Tuition and fees" on Form 1040 and reported on Form 8917.

Additionally, amounts paid to the school for books and tuition are not "Qualified Education Expenses" deductible as "Education credits" on Form 1040 and reported on Form 8863.

Info re: TLC Massage School

Deductions for students (continued)

- If you are already a health professional, and your training is therefore continuing education, tuition and educational expenses may qualify for a deduction. You should check with a qualified tax professional to get an opinion about your individual circumstance.
- Some of you have asked if your initial costs for textbooks, table, massage supplies, etc. are deductible as business expenses. Here as well you should check with a qualified tax professional to get an opinion about your individual circumstance.

Common Initial Business Expenses

(Estimated- where can you do better?)

Office: 1st/last/security	\$950/month = \$2,850
Equipment	\$1,500
Furniture & Music system	\$1,000
Sheets/pillows	\$150
Decorations	\$300
Office supplies	\$100
Business cards	\$50
Internet install/activation	\$200
Credit card machine	\$70
Tablet	\$200
Brochure	\$200
Website	\$1,500
	(Total: \$8,120)

Common Annual Business Expenses

(Estimated: where can you do better?)

Liability insurance	\$200
Property/rent insurance	\$500
Business license	\$38
Accounting/legal fees	\$650
Professional Member dues	\$100
	Total: \$1,488

Common Estimated Monthly Business Expenses (Estimated)

Rent	\$950
Utilities/internet	\$120
Telephone	\$100
Website hosting fees	\$55
Supplies	\$50
Networking Club Dues	\$40
Education (seminars, books, journals)	\$50
Medical Insurance	\$400
Auto (payments, gas, repairs; 2018=54.5 cents/mile)	\$?
Promotion	\$200
Postage	\$25
Entertainment/Business Meals (50% is taxable)	\$50
Repair & Maintenance (also cleaning service)	\$70
Travel Expenses (flights, lodging)	\$30
Inventory	\$150
Business Loan Payments	\$?
Staff Salaries	\$?
Personal Draw/Salary	\$?



Weekly Income Ledger Sheet

Month April Week 1 Year 2020 Page 1

Date	Client Name	Amt Paid	Ck #	Services	Products	Type	Location	Company	Notes
4/2	Perry Winkle	20	911	20	0	O	Outcall Office	ABC Corp.	
4/2	Astria Ames	20	123	200	0	O	Outcall Office	ABC Corp.	
4/3	Bill Peters	50	Prepay	50	10	N	Office	Humane Society	Prepaid Services
4/3	Somer Days	90	Prepay	35	55	N	Outcall Home	Model	Gift Certificate
4/3	Penny Cash	65	810	45	20	O	Office	Attorney	Referred by Moore
4/4	Clyde Dales	0	Cash	0	0	O	Outcall Home	Carpenter	
4/4	Grover Funk	45	Barter	55	20	N	Outcall Office	Artist	Barter for Bookcase
4/5	Gail Windser	47	212	7	40	O	Office	Data Tech	Series of 5
4/5	Sandy Lott	90	Promo	35	55	N	Office	Stars R Us	Knows People
4/5	Harry Beardsley	0	Prepay	15	10	O	Outcall Office	M&M	Gift Certificate
Total Income: \$1272 Service Income: \$1032 Product Income: \$240 #Sessions: 26 New Clients: 9 Ongoing: 17									

Alternate Income Ledger/Record

January	Chk Amt	Check no.	Credit card	Cash	Tip	Date	Receipt sent?	Deposit Amt	Acct'd	Notes
Serena Williams			\$130		\$25	1/2	Square	\$126.42	*	
Steph Curry			\$90		\$20	1/2	Square	\$87.52	*	
Jeff Lebowski				\$90	\$18	1/5	—			
Lara Croft	\$130	#126			\$30	1/5	email			
Brian Friedman			\$90		\$15	1/9	Square	\$87.52	*	
Parris Goebel			\$130		\$20	1/12	—	\$126.42	*	
February										
Darth Vader	\$130*					2/2	*			chk by L. Skywalker
Princess Leia			\$130		\$35	2/4	Square	\$126.42	*	
TOTALS	\$260		\$570	\$90	\$163			\$554.30		

Monthly Disbursement Ledger Sheet

Month April Year 2020 Page 1

Date	Description	Amt Paid	CK#	Rent Util	Maint Phone	Supp Postage	Promo Fees	Travel Auto	Furn Equip	License Dues	Edu Ins	Book Inv	Bank Ent	Misc Draw
4/2	ABA	250	140							D250				
4/2	J Cleaning	27	141											
4/2	Paul Auto	17.30	142					A17.30						
4/2	Sun Bld	350	143	R350										
4/3	Gas To Go	9	Cash					A9						
4/4	RJ Office	6.21	144			S6.21								
4/4	Pace Print	29.50	145				P29.50							
4/4	Last Café	12.70	Cash										E12.70	
4/10	Dos Chiles	18.40	146										E18.40	
4/12	Phone Co.	65.90	147		T65.90									
4/12	Success I	20	148							D20				
4/17	Career Seminar	50	149								E50			
4/17	Draw	800	150											D800
4/25	AAA Util	50	151	U50										
	TOTAL	*****		*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****

* Please note that not all expenses are 100% deductible. Please consult current tax laws.

Alternate Expense Sheet

[illegible]

Gift Certificate Register

Date Sold	Amount Paid	Purchased By	Phone #	Issued To	Phone #	Services	Products	\$ Amt.	Date Redeemed
10/12	\$45	S. Smith	555-1111	P. Jones	555-2222	5 Yoga Classes			
10/14	\$60	T. Silver	555.1234	???		1-hr. massage			
10/15	\$75	I. Gold	555-5555	J. Dowd	555-3333			\$75	



Business Mileage Sheet

Date	Beginning Mileage	Ending Mileage	Total Mileage	Destination	Purpose
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____

Setting Fees

One Year = 365 days - 104 days (weekends)

= 261 days - 8 days (holidays)

= 253 days - 10 days (health)

= 243 days - 10 days (vacation)

= 233 days x 8 hrs/day

= 1,864 hours/year of work

- 30% hrs for promotion, professional development, operations

= approximately 1,300 hours/year

= approximately 25 billable hours/week

Annual Gross Income Employee (then if 22% taxes taken):

(New employee): $\$33/\text{hr} \times 25\text{hr} = \$825 \times 52 \text{ wks} = \$42,900 \times .78 = \$33,462$

(2yr employee): $\$48/\text{hr} \times 25\text{hr} = \$1200 \times 52 \text{ wks} = \$62,400 \times .78 = \$48,672$

Annual Gross Income Self-Employed (then if std. deduction+30% taxes):

$\$70/\text{hr} \times 25\text{hr} = \$1750 \times 52 \text{ wks} = \$91,000 - \$12,000 = \$79,000 \times .7 = \$55,300$

$\$90/\text{hr} \times 25\text{hr} = \$2,250 \times 52 \text{ wks} = \$117,000 - \$12\text{K} = \$105,000 \times .7 = \$73,500$

Monthly Personal Budget Worksheet

	Estimated Monthly Cost	x 12
INCOME		
Income (Draw) From Business	\$	\$
Income From Other Sources	\$	\$
TOTAL INCOME	\$ _____	\$ _____
EXPENSES		
Rent/Mortgage	\$	\$
Home Insurance	\$	\$
Health Insurance	\$	\$
Utilities	\$	\$
Telephone	\$	\$
Auto: (payments, gas, repairs)	\$	\$
Food	\$	\$
Household Supplies	\$	\$
Clothing	\$	\$
Laundry/Dry Cleaning	\$	\$
Education	\$	\$
Entertainment	\$	\$
Travel	\$	\$
Contributions	\$	\$
Health	\$	\$
Home Repair and Maintenance	\$	\$
Self-Development	\$	\$
Outstanding Loans and	\$	\$
Credit Card Payments	\$	\$
Miscellaneous Expenses	\$	\$
TOTAL EXPENSES	\$ _____	\$ _____
BALANCE (+/-)	\$ _____	\$ _____

Sample Cash Flow Forecast

	May	June	July	Totals
I. Monthly Income From:				
Massage	3,000	3,400	3,200	9,600
Sales	300	200	300	800
Loans	0	400	400	1,200
Utilities	50	55	50	155
Telephone	75	75	75	225
Bank Fees	0	0	0	0
Other	0	0	0	0
Total Income	3,300	3,600	3,500	10,400
II. Expenses:				
Rent	10	10	10	30
Professional Fees	35	50	25	110
Insurance	0	650	0	650
Dues	75	0	325	400
Marketing	100	150	250	500
Massage supplies	50	30	30	110
Office Supplies(stationary, etc.)	150	50	0	200
Auto (0,50 mi.)	20	20	20	60
Staff salaries	0	0	0	0
Equipment	150	0	100	250
Decorations	25	0	0	25
Furniture & Fixtures	50	0	0	50
Inventory	50	500	0	550
Continuing Education	25	200	0	225
Laundry	15	15	15	45
Entertainment	40	30	60	130
Other expenses	100	25	25	150
Total Expenses	1330	2200	1435	4,965
• Profit (income – expenses)	1970	1400	2065	5,435
• Est. Tax (30% of Net Profit)	591	420	620	1,640
• Net income (profit - tax)	1379	980	1445	3,795

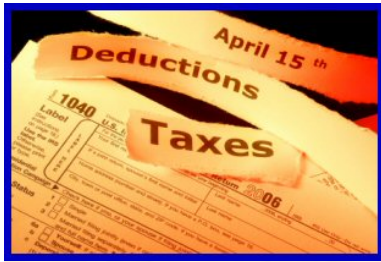
U.S. Tax Reporting

Employees

Employees receive a Form W-2, Wage and Tax Statement from their employers.

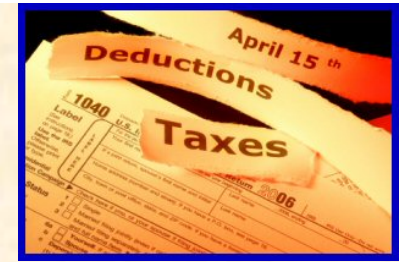
- Form 1040: U.S. Individual Income Tax Return





U.S. Tax Reporting

Sole Proprietors



A sole proprietorship is not an independent entity from its owner, so the business does not file a separate tax return. Income or loss is reported on the owner's personal tax return. If you're a sole proprietor you must file:

- Form 1040: U.S. Individual Income Tax Return
- Schedule C: Profit or Loss From Business (Sole Proprietorship)
- Schedule SE: Self-Employment Tax
- Form 1040 ES: Estimated Tax For Individuals (quarterly—if you will owe taxes)