



## 64b Business: Taxes and Bookkeeping



## 64b Business: Taxes and Bookkeeping

10 minutes	Break
5 minutes	Attendance, Breath of Arrival, and Reminders
15 minutes	Lecture- financial management
15 minutes	Lecture- business deductions
20 minutes	Expenses and Income
15 minutes	Break
30 minutes	View and explain 'Sample Cash Flow Projection'
30 minutes	Assignment First 6 months cash flow
15 minutes	Break
40 minutes	US Tax reporting, taxes, retirement
15 minutes	Complete Executive Summary part 4.
3.5 hours	Total

# 64b Business: Taxes and Bookkeeping

## **ABMP Exam Coach**

- “Access your ABMP account” using instructions on page A-74
- Familiarize yourself with ABMP Exam Coach, especially the “Study Subjects” section
- Preview the preparation assignments for MBLEx Prep classes (74a, 75a, 80a, 81a, 84a, 86a, 87a)

## **Assignments:**

- 64b Executive Summary (due before the end of class)  
Packet pages 21-22; Sections 1-4 to be done *in* class.  
Completed Executive Summary to be handed in at end of class.
- 66a Review Questions (due before class starts)

## **Quizzes and Exams:**

- 66a Quiz (59a, 61a, 62a, 63a, 64a/b, 65a/b)
- 68a Kinesiology Quiz

## **Preparation for upcoming classes:**

- 65a A&P: Urinary System  
Packet E: 165-170.; RQ – Packet A-204 – 205
- 65b Business: Meet Employers and Self-Employed Therapists  
Packet B: 25; Have 10 questions to ask the panelists.



# Classroom Rules

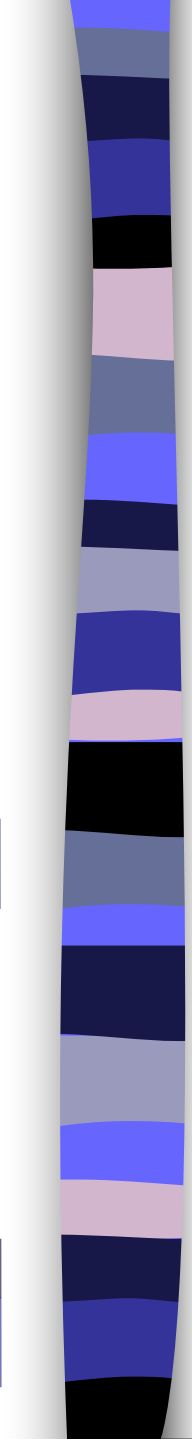
**Punctuality** - everybody's time is precious

- Be ready to learn at the start of class; we'll have you out of here on time
- Tardiness: arriving late, returning late after breaks, leaving during class, leaving early

**The following are not allowed:**

- Bare feet
- Side talking
- Lying down
- Inappropriate clothing
- Food or drink except water
- Phones that are visible in the classroom, bathrooms, or internship

*You will receive one verbal warning, then you'll have to leave the room.*



## 64b Business: Taxes and Bookkeeping

B- 61

*“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 (but keep receipts for major purchases indefinitely)	7 years
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

- 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 you 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.



## Information re: TLC Massage School Deductions for students

- 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: 1 <sup>st</sup> /last/security	\$950/month = \$2850
Equipment	\$1500
Furniture/Music system	\$1000
Sheets/pillows	\$150
Decorations	\$300
Office Supplies	\$100
Business Cards	\$50
Internet install/activation	\$200
Credit card machine	\$70
Tablet	\$200
Brochure	\$200
Website	\$1500

**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 Monthly Business Expenses

## (Estimated: where can you do better?)

Rent	\$950
Utilities/internet	\$120
Telephone	\$100
Website hosting fees	\$55
Supplies	\$50
Networking Club due	\$40
Education (books, CEUs)	\$50
Medical Insurance	\$400
Auto (payment, gas, repair)	\$?
Promotion	\$200
Postage	\$25
Entertainment/business meals (50% is taxable)	\$50
Repair/maintenance (also cleaning services)	\$70
Travel expenses (flights. Lodging)	\$30
Inventory	\$150
Business Loan payments	\$?
Staff Salaries	\$?
Personal Draw /Salary	\$?



# Weekly Income Ledger Sheet

Month May Week 1 Year 2021 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
Income: \$1272   Service Income: \$1032   Product Income: \$240   #Sessions: 26   New Clients: 9   Ongoing: 17									

# Income Ledger Sheet

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	*	
<b>February</b>										
Darth Vader	\$130*					2/2	*			chk by L. Skywalker
Princess Leia			\$130		\$35	2/4	Square	\$126.42	*	
<b>TOTALS</b>	<b>\$260</b>		<b>\$570</b>	<b>\$90</b>	<b>\$163</b>			<b>\$554.30</b>		

# Monthly Disbursement Ledger Sheet

Month: April Year: 2021 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.

Category	Count
Black	100
Dark Blue	100
Medium Blue	100
Light Blue	100
Pink	100
Grey	100
White	100
Black	100
Dark Blue	100
Medium Blue	100

# 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	



[illegible]

# 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/hr x 25hr = \$825 x 52 wks = \$42,900 x .78 = \$33,462

**(2yr employee):** \$48/hr x 25hr = \$1200 x 52 wks = \$62,400 x .78 = \$48,672

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

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

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



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## \$

# Sample Cash Flow Worksheet

		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



## 64b Assignment

Due by the last 30 minutes of class. Assignment **64b Cash Flow Forecast** will be done, assessed, and graded in this class through ClassMarker. Packet B: 19, 23-24. Time: about 30 minutes.

Together we explore your anticipated expenses including marketing and begin a Cash Flow Forecast for your first six months of business.

Plan your cash flow as though you are employed full or part time – not doing massage - for the first three months out of school. But you should assume that even if you are employed in a non-massage context, you will be doing a certain number of sessions outside of your non-massage employment.

Because an employer will be paying your taxes at your non-massage job, you do not want to co-mingle this income with income from your massage business that you will have to pay taxes on. If you plan to be a contractor, you will record all income and expenses as though you are self-employed.

Refer to the illustration on BM p. 293. We have included the forms for you to complete at the end of this syllabus for your first year of estimated income and expenses. Use appropriate information from BM p. 280-298.

Many new businesses do not make a profit in the first year, so if you budget only a modest profit, that's great. Please remember that this cash-flow is only for your Massage Business, not income from another job.

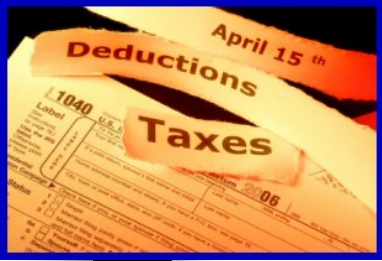
If you plan to be employed full-time as a therapist by someone else; for the sake of this exercise, assume by the sixth month that you will also be maintaining self-employment and seeing at least three clients a week in your private practice and reflect those sessions' income and expenses related to your practice also in your cash-flow forecast.

# U.S. Tax Reporting - Employees

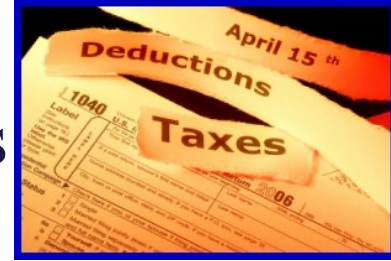
Employees receive a Form W-2, Wage and Tax Statement from their employers.

- 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)



## 65b Business: Meet the Employers

Have ready **10 Questions that you will ask the Panelists** (either from the lists below or from ones you have thought of to ask). This class is to give you an idea of what employers are looking for as well as to give you an idea of what it is really like to be in private practice. You are encouraged to ask questions.

**Below is a list of questions concerning various aspects of being employed in the field of massage therapy. Class *65b Business: Meet Employers and Self-Employed Therapists* is a chance for you to ask questions of employers about what they offer and expect from you.**

What is the pay rate?

Do you offer health insurance?

Do you offer paid time off?

How much of the job is not about doing massage?

Are the employees expected to sell products or massage packages?

Do you offer retirement programs?

Do you offer job training?

What is considered full time / part time?

As an employee does the therapist need to provide their own liability insurance?

As an employee is there room for advancement?



## 65b Business: Questions for Self-employed Therapists

**Below is a list of questions that relate to private practice - you are encouraged to come up with your own questions as well.**

What do you consider full time practice?

How much of your time is spent on non-massage activities that relate your practice?

What kinds of services/ techniques do you offer?

Do you sell massage related products to supplement your massage income?

How do you market your-self?

How long did it take to get your practice up and running?

What is your experience with out-calls, home based practice, office based practice or working for someone else?

What kinds of continuing education have benefited you the most?

What kind of advice would you give to the new therapist starting out?

How has your view of massaged change since you began your practice?





## 64b Business: Taxes and Bookkeeping