

Tax Deductions for Authors

What can you deduct?

Where does it go?



TOC

Who am I?

Disclosure

Accounting Tools

Cash vs. accrual accounting

Taxes, forms, due dates

Schedule C deep dive

What can I deduct and where do things go?

Prepaying an expense? Ghosted?

Home Office

1099s

Don't panic - here are some resources

Who Am I?

- ▶ Bachelors in Business
- ▶ Masters in Accounting
- ▶ CPA since 2015
- ▶ Nearly a decade in public accounting before taking time off to be with kids and to take a chance on writing
 - ▶ Series of children picture books
 - ▶ An infertility/IVF mix-up memoir
 - ▶ Sports romance series
 - ▶ And now an Accounting for Authors brand
 - ▶ Bookkeeping paper tracker logbook for authors
 - ▶ Author's Business and Financial Handbook
 - ▶ Custom income and expense Excel tracker for authors
 - ▶ Webinars on business basics
 - ▶ Custom QBO consulting
 - ▶ Etc.



Disclosure

My lawyer and insurance makes me say it...

- ▶ **I'm an accountant, but not your accountant.** Please contact a local professional that is knowledgeable about your specific situation (especially if you're not US based). This is not specific tax advice as I don't know your specific situation, so this is informational only based on my experience and education
- ▶ I know you probably hate to hear that, but the content will be as generic as possible. I don't want someone to come back and say "well, you said I could deduct XYZ." Because then there's a lawsuit and I have to change out of sweatpants to go to court, and my kids will miss me, etc. This is a broad-strokes guide that will hopefully educate you in a way that makes you not want to vomit. It is not your guide to absolutes (especially because tax laws change every year)
- ▶ I'll drop specifics where I can, but just, take this all with a grain of salt and recognize that everyone's situation is different, that's why us CPAs are paid the big bucks for customized advice and we why we bill out in six-minute increments

IRS CIRCULAR 230 DISCLOSURE: To comply with requirements imposed by the Department of the Treasury, we inform you that any U.S. tax advice contained in this communication (including any attachments) is not intended or written by the practitioner to be used, and that it cannot be used by any taxpayer, for the purpose of (i) avoiding penalties that may be imposed on the taxpayer, and (ii) supporting the promotion or marketing of any transactions or matters addressed herein.

Our use of a disclaimer does not change the high degree of care and attention that we devote to our tax advice. Moreover, the inclusion of the disclaimer does not indicate that penalties could be imposed on the transaction at issue, but rather merely indicates that the advice we have provided you in such communication does not preclude the IRS from asserting penalties. Finally, please be assured that the use of such a disclaimer to avoid unnecessary legal expenses is similar to the approach adopted by most other tax practitioners.



Accounting tools

How many of you are going to break my heart?

What do you use?

- ▶ Paper trackers
- ▶ Excel / Sheets / Etc
 - ▶ Any spreadsheet software
- ▶ QuickBooks (Online or Desktop)
- ▶ FreshBooks
- ▶ Wave
- ▶ Zoho Books
- ▶ Xero
- ▶ Quicken
- ▶ Tiller
- ▶ Etc.

Cash vs. Accrual accounting

1. **Cash Basis Accounting:**

1. Records transactions when cash is received or paid.

2. **Accrual Basis Accounting:**

1. Records income when earned and expenses when incurred, regardless of cash flow.
2. Reflects a more accurate financial position by matching revenues and expenses.

Sole Proprietor

- 1040 tax return with a Schedule C
- Filing due date - 4/15

Single Member LLC

- 1040 tax return with a Schedule C
- Filing due date - 4/15

Multi Member LLC

- 1065 Partnership Tax Return
- Filing due date - 3/15

Partnership

- 1065 Partnership Tax Return
- Filing due date - 3/15

S Corporation

- 1120S Corporate Tax Return
- Filing due date - 3/15

C Corporation

- 1120 Corporate Tax Return
- Filing due date - 4/15

Sole Proprietors & Single Member LLCs

- ▶ Schedule C on your regular federal 1040 tax returns
- ▶ You (the owner/sole-member) does NOT take a paycheck
- ▶ You must pay Social Security and Medicare taxes on net income, on top of your normal tax rate - 15.3%
- ▶ No such thing as loans between you and the business - all tax free transactions - put money in and out as you need - it's all just draw / contributions in

**SCHEDULE C
(Form 1040)**

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074

2023

Department of the Treasury
Internal Revenue Service

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.
Go to www.irs.gov/ScheduleC for instructions and the latest information.

Attachment
Sequence No. **09**

Name of proprietor		Social security number (SSN)	
A	Principal business or profession, including product or service (see instructions)	B Enter code from instructions	
C	Business name. If no separate business name, leave blank.	D Employer ID number (EIN) (see instr.)	
E	Business address (including suite or room no.) City, town or post office, state, and ZIP code		
F	Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____		
G	Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses <input type="checkbox"/> Yes <input type="checkbox"/> No		
H	If you started or acquired this business during 2023, check here <input type="checkbox"/>		
I	Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions <input type="checkbox"/> Yes <input type="checkbox"/> No		
J	If "Yes," did you or will you file required Form(s) 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No		

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions)	18	
9	Car and truck expenses (see instructions)	9		19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		20a	a Vehicles, machinery, and equipment	20a	
12	Depletion	12		20b	b Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III)	22	
15	Insurance (other than health)	15		23	Taxes and licenses	23	
16	Interest (see instructions):			24	Travel and meals:		
16a	a Mortgage (paid to banks, etc.)	16a		24a	a Travel	24a	
16b	b Other	16b		24b	b Deductible meals (see instructions)	24b	
17	Legal and professional services	17		25	Utilities	25	
26				26	Wages (less employment credits)	26	
27a				27a	Other expenses (from line 48)	27a	
27b				27b	b Energy efficient commercial bldgs deduction (attach Form 7205)	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27b	28		28		28	
29	Tentative profit or (loss). Subtract line 28 from line 7	29		29		29	

30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.
Simplified method filers only: Enter the total square footage of (a) your home: _____
and (b) the part of your home used for business: _____ Use the Simplified

Method Worksheet in the instructions to figure the amount to enter on line 30 **30**

31 **Net profit or (loss).** Subtract line 30 from line 29.

- If a profit, enter on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see instructions.) Estates and trusts, enter on **Form 1041, line 3**.
- If a loss, you **must** go to line 32.

32 If you have a loss, check the box that describes your investment in this activity. See instructions.

- If you checked 32a, enter the loss on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on **Form 1041, line 3**.
- If you checked 32b, you **must** attach **Form 6198**. Your loss may be limited.

32a All investment is at risk.
32b Some investment is not at risk.

**SCHEDULE 1
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment
Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes		1
2a	Alimony received		2a
b	Date of original divorce or separation agreement (see instructions)		
3	Business income or (loss). Attach Schedule C		3
4	Other gains or (losses). Attach Form 4797		4
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		5
6	Farm income or (loss). Attach Schedule F		6
7	Unemployment compensation		7
8	Other income:		
a	Net operating loss	8a ()	
b	Gambling	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d ()	
e	Income from Form 8853	8e	
f	Income from Form 8889	8f	
g	Alaska Permanent Fund dividends	8g	
h	Jury duty pay	8h	
i	Prizes and awards	8i	
j	Activity not engaged in for profit income	8j	
k	Stock options	8k	
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l	
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m	
n	Section 951(a) inclusion (see instructions)	8n	
o	Section 951A(a) inclusion (see instructions)	8o	
p	Section 461(l) excess business loss adjustment	8p	
q	Taxable distributions from an ABLE account (see instructions)	8q	
r	Scholarship and fellowship grants not reported on Form W-2	8r	
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s ()	
t	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t	
u	Wages earned while incarcerated	8u	
z	Other income. List type and amount:	8z	
9	Total other income. Add lines 8a through 8z		9
10	Combine lines 1 through 7 and 9. This is your additional income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8		10

Part II Adjustments to Income

11	Educator expenses	11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12	
13	Health savings account deduction. Attach Form 8889	13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14	
15	Deductible part of self-employment tax. Attach Schedule SE	15	
16	Self-employed SEP, SIMPLE, and qualified plans	16	
17	Self-employed health insurance deduction	17	
18	Penalty on early withdrawal of savings	18	
19a	Alimony paid	19a	
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions): _____		
20	IRA deduction	20	
21	Student loan interest deduction	21	
22	Reserved for future use	22	
23	Archer MSA deduction	23	
24	Other adjustments:		
a	Jury duty pay (see instructions)	24a	
b	Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit	24b	
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c	
d	Reforestation amortization and expenses	24d	
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e	
f	Contributions to section 501(c)(18)(D) pension plans	24f	
g	Contributions by certain chaplains to section 403(b) plans	24g	
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h	
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i	
j	Housing deduction from Form 2555	24j	
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k	
z	Other adjustments. List type and amount: _____	24z	
25	Total other adjustments. Add lines 24a through 24z	25	
26	Add lines 11 through 23 and 25. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10	26	

Where do things go? (Schedule C Buckets)

Income:

- ▶ Royalties
- ▶ Direct Sales Income
- ▶ Audiobook Income
- ▶ Other income

Expenses:

- ▶ Advertising
- ▶ Car and Truck Expenses
- ▶ Commissions and Fees
- ▶ Contract Labor
- ▶ Depreciation and Section 179 Expense Deduction
- ▶ Employee Benefits Program
- ▶ Insurance
- ▶ Interest
- ▶ Legal and Professional Services

Where do things go? (Schedule C Buckets)

- ▶ Office Expenses (my favorite bucket)
- ▶ Pension and Profit-Sharing Plans
- ▶ Rent or Lease
- ▶ Repairs and Maintenance
- ▶ Supplies
- ▶ Taxes and Licenses
- ▶ Travel (not auto)
- ▶ Meals
- ▶ Utilities
- ▶ Wages

Other Expenses:

- ▶ Miscellaneous expenses not listed in specific categories.

Other things to consider

- ▶ Charitable donations can sometimes be argued as advertising expenses

- ▶ Expenses vs. “asset”
 - ▶ Create a policy and stick to it
 - ▶ Hot tip - De Minimis IRS rule - \$2,500!

But wait!

What if my designer / editor / etc.
ghosted me and I paid for the service
but didn't actually get anything from it?

Can you still deduct that expense?

YES!

Home office

- ▶ As an author running your writing business from home, you might be eligible for the home office deduction, which allows you to deduct expenses associated with the portion of your home used exclusively and regularly for business purposes
- ▶ Exclusive and Regular Use:
 - ▶ The space claimed for the home office deduction must be used **solely** for business purposes.
- ▶ Qualification Criteria:
 - ▶ The area claimed must be the primary place where you conduct business, meet clients, or perform administrative tasks related to your writing business.

Home office

- ▶ Types of expenses allowed
- ▶ Simplified Option:
 - ▶ The IRS offers a simplified option where you can deduct \$5 per square foot of your home used for business, up to a maximum of 300 square feet.
 - ▶ This simplified method bypasses the detailed calculations of actual expenses and depreciation.
- ▶ Documentation:
 - ▶ Keep thorough records and documentation

1099s

- ▶ What are they and who receives one?
- ▶ Types of 1099 Forms: NEC & MISC
- ▶ To file a 1099, you need the recipient's W9:
 - ▶ Name
 - ▶ address,
 - ▶ Taxpayer Identification Number (TIN) or Social Security Number,
 - ▶ The total amount paid for their services during the tax year

1099s

- ▶ Deadline for furnishing Copy B of Form 1099-NEC and 1099-MISC to recipients:
 - ▶ Generally by January 31 following the tax year.
- ▶ Deadline for filing Copy A of Form 1099-MISC with the IRS:
 - ▶ Generally by the end of February if filing by mail, or by the end of March if filing electronically.
 - ▶ 1099-NEC is due to the IRS by January 31
- ▶ Failure to file accurate 1099s or failing to furnish them to recipients on time can result in penalties imposed by the IRS

Panicking yet?

- ▶ That's a lot to remember but...don't stress!
- ▶ Whether you put your Wordpress expense under advertising or under office...at the end of the day, it doesn't really matter, as long as you captured it *somewhere*
- ▶ And the IRS has tons of *surprisingly* easy-to-read guidance for self-employed individuals

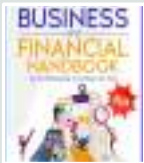
Ways to help you

15% & 30% off codes!
crimeweek2024



“Bookkeeping Organizer for Authors”
(Paper log book for tactile authors)

Available on Amazon



“Author's Business and Financial Handbook”

Available on Amazon



The **Ultimate Excel bookkeeping spreadsheet** that will will save hours off your life and so much stress

Available on Teachable with a video walk-through



QuickBooks Online
bookkeeping set up / consulting

I could probably find a referral code discount somewhere on my ProAdvisor page, just reach out if you want one



Masterclass Webinars on a variety of topics: entity choice, deductions, 1099s, advanced tax strategies and savings, bookkeeping tips and tricks, direct sales and the associated taxes, QBO walk throughs, etc

