

# INVENTORY

## YOU MUST TRACK YOUR INVENTORY

- If you receive and hold any product for resale, you must track your inventory and cost for the inventory.
- WHEN YOU SELL, you can write off the cost for the products SOLD. You write these off when SOLD.
- You can NOT deduct personal use items. If you are selling a product you USE, you can't add that to your sale price.
- Give Aways or Free Products are written off as gifts. Keep them at a value of \$25 or Under to EACH FAMILY!
  - These numbers go on your tax return and the inventory left is added to your income.

# EXAMPLE

Item	Cost unit price	Sale Price	# Purchased	# Sold	Remaining units	Total cost	Remaining Inventory	Gross Sales	Personal Usage
Red Shirt	\$15	\$30	20	8	11	\$300	\$180	\$240	Yes 1 shirt
Blue Shirt	\$15	\$30	10	5	5	\$150	\$75	\$150	
Total			30	13		\$450	\$255	\$390	

# HOME OFFICE

Do you have a designated space for your business? How big is it?

Will you take the simplified method OR the actual expense method?

## Using the Simplified Method

The simplified method is an alternative to the calculation, allocation, and substantiation of actual expenses. In most cases, you will figure your deduction by multiplying \$5, the prescribed rate, by the area of your home used for a qualified business use. The area you use to figure your deduction is limited to 300 square feet. See [\*Simplified Amount\*](#), later, for information about figuring the amount of the deduction.

# SIMPLIFIED METHOD

To figure your deduction for the business use of a home using the simplified method, you will need to know the following information for each qualified business use of the home.

- The allowable area of your home used in conducting the business. If you did not conduct the business for the entire year in the home or the area changed during the year, you will need to know the allowable area you used and the number of days you conducted the business for each month.
- The gross income from the business use of your home.
- The amount of the business expenses that are not related to the use of your home.

You can NOT take a loss for this deduction.

# ACTUAL EXPENSE METHOD

- If you use the actual-expenses method, you're **REQUIRED** to depreciate the value of your home.
- **Receipts.** If you plan on deducting actual expenses, keep detailed records of all the business expenses you think you'll deduct, such as receipts for equipment purchases, electric bills, utility bills and repairs. If you're ever audited by the IRS, you'll be prepared to back up your claims.
- **Anxiety.** Don't let the fear of an audit keep you from taking the home office deduction.
- **Home sales.** If you're a homeowner and you take the home office deduction using the actual-expenses method, it could cancel out your ability to avoid capital gains tax when selling your primary residence. People who sell their primary residence after having lived in it for at least two of the five years before the sale generally don't have to pay taxes on up to \$250,000 in profit on the sale, or \$500,000 if married filing jointly, according to IRS Publication 523.

# SECURE PAYMENT METHODS FOR INCOME

Business.com shows secure, easy and most affordable options to set up accepting money.

Helcim

Paypal

Square

Stripe

Flagship Merchant Services

Fattmerchant

Fiserv

FIS

# SECURE PAYMENT METHODS FOR INCOME

What to consider:

Are their fees transparent?

How do they charge?

Are there monthly fees or minimums?

Is there a contract?

Do you have to buy equipment?

If you process less than \$3,000 per month, you could do a mobile credit card processing app.

Top picks:

Square (best with apple)

Paypal (best with android)

Sumup (best with apple)

Shopify

# SELF EMPLOYMENT TAXES

What are SE Taxes? AND How much do I save for taxes from my profit?

SE Taxes are: Social Security and Medicare Taxes

- The percentages can change. Currently:
  - 12.4% Social Security
  - 2.9% Medicare
  - 15.3% Total on up to \$137,700 in 2020 (\$142,800 in 2021)

How much should I save on taxes?

Short answer: Depends on your HOUSEHOLD INCOME.

General recommendation (without knowing your tax bracket):

- 15.3% SE Taxes
- 10% Federal Income Taxes
- 3% State Income Taxes

For every \$100 PROFIT – SAVE \$28.30 (or \$29 for easier rounding)

# PAYING SELF EMPLOYMENT TAXES

Individuals, including sole proprietors, partners, and S corporation shareholders, generally have to make estimated tax payments if they expect to owe tax of \$1,000 or more when their return is filed.

For estimated tax purposes, the year is divided into four payment periods (quarters).  
You determine the amount to pay based on income made in that quarter

April 15

June 15

September 15

January 15

# HOW DO YOU PAY?

You can pay one of 4 ways:

1) Pay online ([irs.gov/payments](https://irs.gov/payments))

2) Mail in with voucher from Georgia to:

- Internal Revenue Service. PO Box 931100. Louisville, KY 40293-1100

3) Pay by Phone

- \* 1-888-729-1040 or 1-844-729-8298 or 1-888-872-9829

4) Pay by Cash

- An In-person option for individuals through retail partners with a maximum of \$1,000 per day per transaction. YOU MUST Register On-line to qualify.

Visit [IRS.gov/payments](https://irs.gov/payments) to view all the options.

[irs.gov/businesses/small-businesses-self-employed/estimated-taxes](https://irs.gov/businesses/small-businesses-self-employed/estimated-taxes)

Form 1040-ES Department of the Treasury Internal Revenue Service		2020 Estimated Tax		Payment Voucher 1		OMB No. 1545-0074	
File only if you are making a payment of estimated tax by check or money order. Mail this voucher with your check or money order payable to "United States Treasury." Write your social security number and "2020 Form 1040-ES" on your check or money order. Do not send cash. Enclose, but do not staple or attach, your payment with this voucher.				Calendar year—Due April 15, 2020			
				Amount of estimated tax you are paying by check or money order.		Dollars	Cents
Your first name and middle initial		Your last name		Your social security number			
If joint payment, complete for spouse							
Spouse's first name and middle initial		Spouse's last name		Spouse's social security number			
Address (number, street, and apt. no.)							
City, state, and ZIP code. (If a foreign address, enter city, also complete spaces below.)							
Foreign country name		Foreign province/county		Foreign postal code			

For Privacy Act and Paperwork Reduction Act Notice, see instructions. Form 1040-ES (2020)



# MARKETING

THE BASICS:

Set Up a Business Email

Set Up a Business Website

Social Media presence

Offline Promotion

Networking

# TOP REASONS FOR AN AUDIT

Math Error

Not reporting Income

Claiming too many charitable donations

Too many losses on a Schedule C

Deducting too many business expenses

Claiming a home office

Using “round numbers”

# STRESS MANAGEMENT

Make Time Management your top daily priority

- Don't waste time with indecision!
  - Lists are your FRIEND
  - Prioritize your list

Successful self-employed people will work harder for yourself than you ever did for an employer. This makes you more vulnerable to overwork and its consequence: BURNOUT.

- Carve out regular time for self care.
  - Daily. You can keep it simple! – take breaks during the day to stretch, don't skip breakfast, take LUNCH, get enough sleep
  - Monthly. Carve out when you will have your work catch up day. When you will have your dedicated family day.
  - Annually. Plan those family/friend vacations. These the times to look forward to and DON'T skip them.

# STRESS MANAGEMENT

Take steps to identify how to deal with your finances! Huge stress relief:

- Follow up on your invoices.
- Stay on top of your accounting.
- Are you following your business plan? Meeting your mission?

Follow these stress management techniques, and **you can fend off many common pitfalls** experienced by self-employed workers. As a result, you'll have more time, energy, and resources left at the end of the day to truly enjoy the benefits of being your own boss.



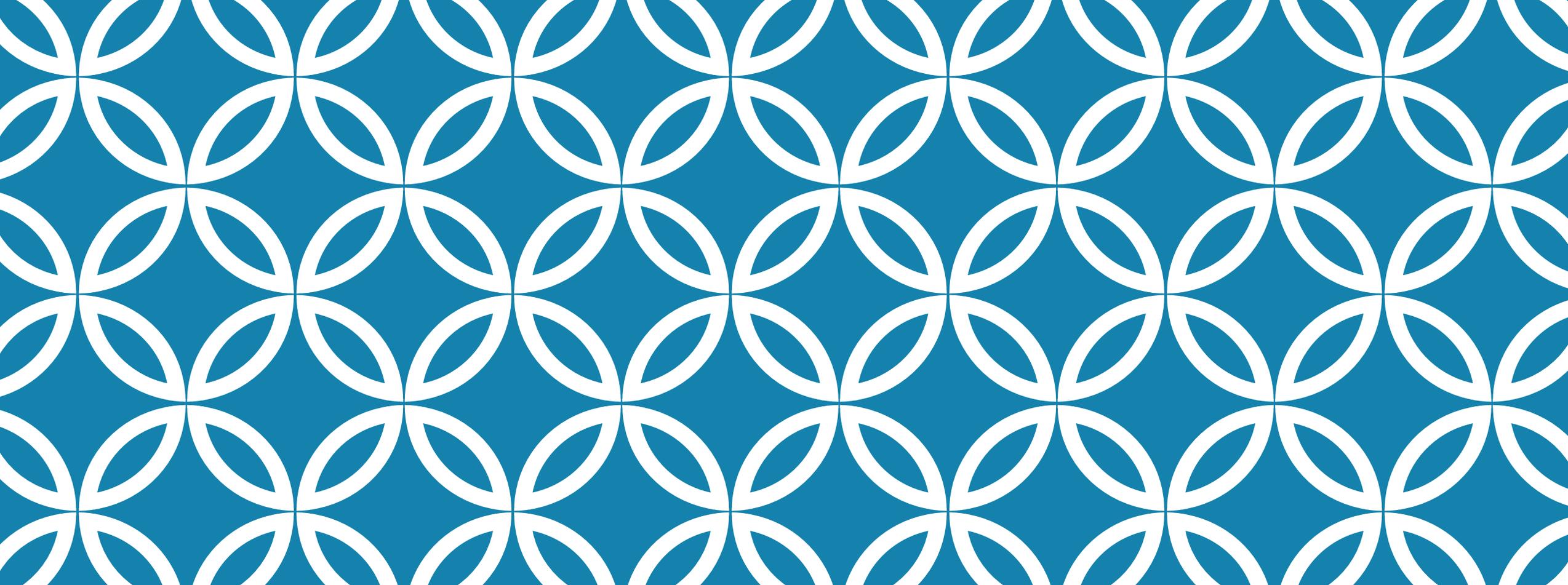
# TAKE A BREATHE

This has been a lot of information.

It seems overwhelming

Where do I start?

Let's practice.



**THAT'S A WRAP**

Elizabeth Ray, Enrolled Agent

Willie Mae's Tax Service II  
Newnan, Georgia  
Phone: 770-309-5106

Email:  
Elizabeth@wmtaxservices.com