

Business Tips for Writers

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Business Structure

Sole Proprietorship (single family house)



Most writers are
sole
proprietorships

Partnership (duplex)



Corporation (apartment building)



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LLC

- Limited Liability Company
 - Not a tax structure
 - “disregarded entity” by the IRS
 - More like an insurance policy on your property
 - Protects your personal assets from liability



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Hobby or Business?

Hobby (like living in your car)



All hobby income is
taxable
but

Most hobby expenses
are not deductible

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Business Start Up

- Names and Numbers
 - Doing Business As (DBA) name registration
 - Employer Identification Number (EIN) from IRS.gov (free)
- Date a business starts
 - When contract is signed, first book sold, you are paid, etc.

Pages 28
and 53 in
Business
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Record keeping

- Income
 - Royalties
 - Sales of books
 - Freelance income



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Record keeping

- Expenses
 - Ordinary (common)
 - Necessary (helpful and appropriate)
 - Reasonable
 - Nothing is deductible unless specifically included in the IRS code

Page 99 in
Business Tips
and Taxes for
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Quiz

- Gifts sent to customers
- A gun purchased for personal protection by an insurance agent
- Mileage to a coffee shop where an author prefers to write
- Travel to an exotic place for research on a future book
- Writers conference expenses for an unpublished author



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Special Rules for Writers

- Start Up expenses
 - Deduct as incurred (losses every year)
 - or accumulate (max \$10,000 in first year, then spread over 180 months)
- Research expenses
 - Can deduct research expenses as incurred
 - Used to deduct research expenses as the books were sold

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Software

- Quicken or Mint.com (personal money management)
- QuickBooks
 - Vital if you keep inventory
- Freshbooks.com
 - Billing system for freelancers
- Outright.com
 - Bookkeeping in the cloud



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Advice

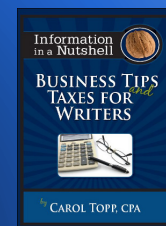
- A CPA can help with
 - Taxes
 - Planning
 - Audit prevention
- Watch out for partnerships
- Keep good records

Page 111 in
Business
Tips and
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Shameless plug

- Hobby Income
- Writing as a Ministry
- Business Structures
- Financial Planning
- Taxes
- Record keeping
- Inventory and sales tax



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