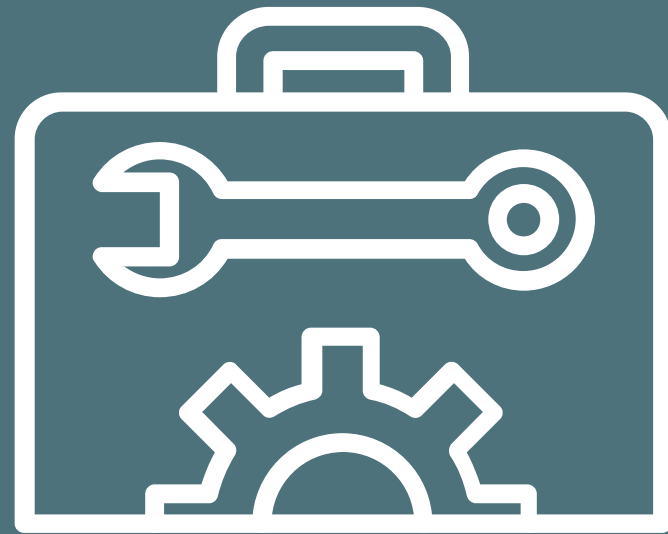


LET'S GET STARTED



TAX TOOLKIT™

TAX INFO YOU NEED FOR YOUR
ONLINE BUSINESS

WWW.MEGNAASZ.COM



PROGRAM OVERVIEW

 LESSON 1

Taxes you pay as a business owner

 LESSON 2

Quarterly estimated tax payments

 LESSON 3

How to calculate and save for taxes

 LESSON 4

Common tax deductions and audit red flags

Reminder

If you have any questions don't forget to reach out to me at obf@megnaasz.com.

PROGRAM OVERVIEW

 LESSON 5

Other tax considerations (including sales tax)

 LESSON 6

FAQ's

Reminder

If you have any questions don't forget to reach out to me at obf@megnaasz.com.

“DON'T BE INTIMIDATED BY WHAT YOU
DON'T KNOW. THAT CAN BE YOUR
GREATEST STRENGTH AND ENSURE THAT
YOU DO THINGS DIFFERENTLY FROM
EVERYONE ELSE.”

- QUOTE BY SARA BLAKELY, FOUNDER & CEO, SPANX

LESSON 1:

TAXES YOU PAY AS A BUSINESS OWNER

It's a common misperception is that your business pays income taxes. Your business doesn't actually pay income taxes, you do individually as the owner of your business.*

Your business is considered a "pass through entity", meaning that you are responsible for taxes on the profits of your business activity.

(This includes income you receive if you're working as a 1099 contractor).

*businesses taxed as a C corporation DO pay income taxes.



LESSON 1:

TAXES YOU PAY AS A BUSINESS OWNER

There are two layers of tax you pay as a business owner.

- a. INCOME tax (federal and state).
- a. SELF-EMPLOYMENT tax. This is Social Security and Medicare tax. You pay both sides of SE tax - as the employee and the employer (15.3%).



LESSON 1:

TAXES YOU PAY AS A BUSINESS OWNER

Sole Proprietorships, 1099 workers and LLC's all pay the same rate of SE Tax on the profits of the business.

There is no immediate tax savings for having your business organized as an LLC.



A close-up, shallow depth-of-field photograph of a person's hands typing on a silver laptop keyboard. The laptop is on a light-colored wooden desk. In the foreground, a white pen and a stack of papers are visible, slightly out of focus. The background shows a bright window with natural light, creating a clean and professional atmosphere.

LESSON 2:

QUARTERLY ESTIMATED TAXES

Think of quarterly taxes as prepaying the taxes you think you'll owe when you file your return. You're paying in early so you don't owe a big chunk at tax time.



LESSON 2:

QUARTERLY ESTIMATED TAXES

WHEN ARE THEY REQUIRED?

If you expect to owe \$1,000 or more in taxes when you file your return, the IRS expects estimated taxes to be paid. This is on ALL income - wages, investments, business profits, etc.



LESSON 2:

QUARTERLY ESTIMATED TAXES

HOW MUCH IS REQUIRED?

90% of the current year tax on your return
OR 100% of the previous years' tax.

How to figure out what 90% would be for current tax? Hang with me, I have an easy to fill out worksheet for you.



LESSON 2:

QUARTERLY ESTIMATED TAXES

WHAT IF I DON'T PAY ESTIMATED TAXES?

The IRS and your state can assess underpayment penalties. They want their money equally during the year and will penalize you if you don't send it in.



LESSON 2:

QUARTERLY ESTIMATED TAXES

WHEN ARE THEY DUE?

The quarterly schedule on a "normal" calendar year is:

Q1 Due: April 15th

Q2 Due: June 15th

Q3 Due: September 15th

Q4 Due: January 15th

Put a reminder in your calendar on the first of each of those months as a reminder to calculate and send in your payments.

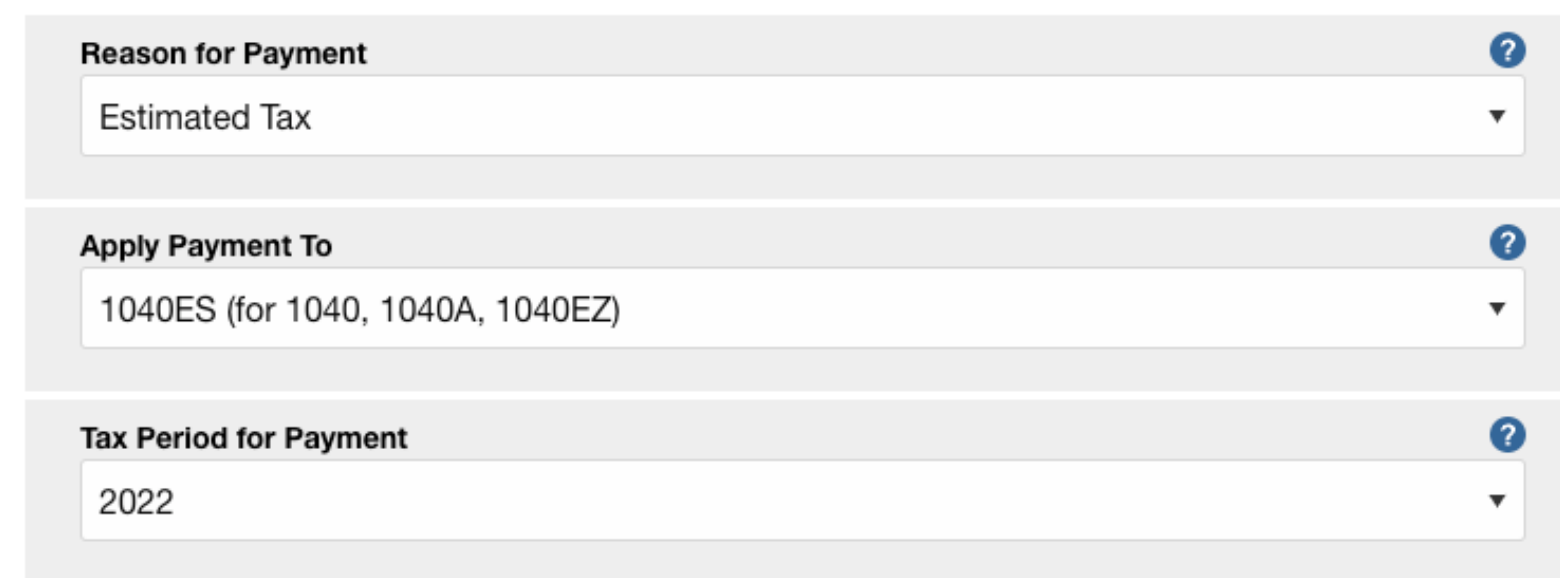
LESSON 2:

QUARTERLY ESTIMATED TAXES

HOW TO MAKE ESTIMATED PAYMENTS:

For the IRS:

go to www.irs.gov, Make a Payment, Pay now with direct pay, Make a payment, enter info.



A screenshot of the IRS payment selection interface. It features three dropdown menus, each with a question mark icon to its right. The first dropdown is labeled "Reason for Payment" and is set to "Estimated Tax". The second dropdown is labeled "Apply Payment To" and is set to "1040ES (for 1040, 1040A, 1040EZ)". The third dropdown is labeled "Tax Period for Payment" and is set to "2022".

Reason for Payment ?
Estimated Tax ▼
Apply Payment To ?
1040ES (for 1040, 1040A, 1040EZ) ▼
Tax Period for Payment ?
2022 ▼

CONTINUE >

A close-up, shallow depth-of-field photograph of a person's hands typing on a silver laptop keyboard. The laptop is on a light-colored wooden desk. In the foreground, a white pen and a stack of papers are visible, slightly out of focus. The background shows a window with natural light coming in, creating a bright and airy atmosphere.

LESSON 2:

QUARTERLY ESTIMATED TAXES

HOW TO MAKE ESTIMATED PAYMENTS:

For your state:

Every state is different, I usually start with Googling "state, ex Montana estimated tax payments, and then follow the directions.



LESSON 2:

QUARTERLY ESTIMATED TAXES

IMPORTANT REMINDER

When making your tax payments, use your personal name, address and social security number NOT your business information. Remember, YOU are paying the taxes, not your business.

You can use your business funds to pay the taxes, but don't use your business name or EIN on the tax payments.

LESSON 3:

HOW TO CALCULATE YOUR ESTIMATED TAXES

ESTIMATE FROM PRIOR YEARS

- Look at your prior year taxes and estimate from there
- This works great if your business profit is pretty consistent

CALCULATE BASED ON CURRENT YEAR ACTIVITY

- This uses your current year income and expenses
- This works great if your business profit is changing
- Use the worksheet provided in this section



LESSON 3:

HOW TO CALCULATE YOUR ESTIMATED TAXES

HOW TO BE PREPARED TO PAY TAXES

- Refer back to Module 2, Lesson 2 in the giving your money a job section.
- Open a business savings account for taxes.
- Each week, allocate a percentage of your revenues into that account and hold it there until you have to pay your taxes.
- Good starting point is 20 - 25%. May need to be adjusted based on your business revenues and expenses.



LESSON 4:

COMMON TAX DEDUCTIONS AND AUDIT RED FLAGS

DEDUCTIONS CAN VARY BASED ON YOUR BUSINESS

Expenses for building your business, promoting your business, growing your business, and maintaining your business may be a tax deduction.



LESSON 4:

COMMON TAX DEDUCTIONS AND AUDIT RED FLAGS

COMMON BUSINESS DEDUCTIONS

- Office expenses & supplies
- Postage and printing
- Software subscriptions
- Telephone/cell phone/internet
- Equipment, computers, printers, etc.
- Legal & professional services
- Professional fees & memberships
- Repairs & maintenance
- Taxes & licenses (NOT income taxes) - ex.: annual LLC registration fee ok, estimated tax pmts. not a biz deduction.
- Business loan & credit card interest (if business use only)
- Mail box fees
- Website design and hosting fees

LESSON 4:

COMMON TAX DEDUCTIONS AND AUDIT RED FLAGS

COMMON BUSINESS DEDUCTIONS

- Business insurance
- Workspace rent, co-working fees
- Advertising & promotions
- Photoshoot props & photography (not clothing)
- Gifts for customers (\$.25 limit per customer)
- Coaching
- Professional Development - courses, books, etc.
- Contract labor (1099 vendors, virtual assistants, etc.)
- Bank fees
- Credit card processing fees
- PayPal and Stripe fees Software subscriptions
- Publications/Magazines/Newsletters (biz related)
- Email service fees

LESSON 4:

COMMON TAX DEDUCTIONS AND AUDIT RED FLAGS

COMMON BUSINESS DEDUCTIONS

- Travel - hotels, flights, ubers, etc.
- Parking
- Vehicle expenses. Always keep track of mileage.
- Conference fees and travel
- Discounts for customers
- Health insurance paid out of pocket
- Wages and payroll taxes (if you have employees)
- Some retirement plans! Depends on your biz, check with your CPA.
- Meals - with customers or while traveling
- Your home office

LESSON 4:

COMMON TAX DEDUCTIONS AND AUDIT RED FLAGS

ADDITIONAL NOTE ON HOME OFFICE

Your home office must be your principal place of business and the office space is exclusively used for business.

You can deduct a percentage of:

- Rent or mortgage interest
- Real estate taxes (if own home)
- Renters or homeowners insurance
- Utilities
- HOA Fees

Your business doesn't pay for these items listed, the deduction is calculated on your tax return or reimbursed to you from your business. See worksheet for inputting home office expenses.

LESSON 4:

COMMON TAX DEDUCTIONS AND AUDIT RED FLAGS

NOT TYPICALLY DEDUCTIBLE*

- Gym memberships (depends on your biz - may be deductible)
- Clothing** (even for photoshoots)
- Haircuts & beauty upkeep
- Commuting expenses
- Medical expenses as a business expense
- Childcare as a business expense
- Donation of time or services
- travel for a spouse/friend
- Entertainment - Night clubs, cocktail lounges, theaters, country clubs, golf and athletic clubs, sporting events, hunting/fishing, vacations and similar trips, including such activity relating solely to the taxpayer or the taxpayer's family.

*May be deductible depending on your business! Ask your CPA

**Clothing that is a uniform or required and not suitable for wear outside the workplace may be deductible. Ask your CPA to see if it's a deduction for your business.

LESSON 4:

COMMON TAX DEDUCTIONS AND AUDIT RED FLAGS

AUDIT RED FLAGS

This list isn't all inclusive, but be aware of these items:

- Income not matching reported to IRS
- Multiple round numbers
- High travel
- High mileage
- High meals expense
- Independent contractors and no 1099's issued
- Wages not matching W-3
- Business code not matching with trends, especially cash based businesses
- Losses in 3 of the last 5 years

Check out my Tax Resource Guide for a pdf of these common tax deductions.

Disclaimer

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LESSON 5:

OTHER TAX CONSIDERATIONS

IF YOU HAVE CONTRACTORS...

- Make sure to have them fill out Form W-9 when you hire them. This form gathers all of their information you need in case you need to send them a 1099-NEC.
- If they are a foreign worker, they'll fill out a Form W-8BEN.
- If you are paying your contractors with an ACH payment from your bank, personal Venmo account or Zelle, then you are required to send 1099's if you pay them more than \$600 during the year.



LESSON 5:

OTHER TAX CONSIDERATIONS

IF YOU HAVE CONTRACTORS...

- You DON'T have to send a 1099-NEC to them if you pay contractors by a third party payment processor like:
 - Credit card
 - PayPal
 - Stripe
 - Venmo
 - Square



LESSON 5:

OTHER TAX CONSIDERATIONS

IF YOU HAVE CONTRACTORS...

Beginning 1/1/2024 third party settlement organizations are required to send a 1099-k tax form if payments are more than \$5,000.



LESSON 5:

OTHER TAX CONSIDERATIONS

LOCAL TAXES

- Consider if you are subject to any local taxes and incorporate that into your estimated tax planning.



LESSON 5:

OTHER TAX CONSIDERATIONS

SALES TAX

The basic rule for collecting sales tax from online sales is:

If your business has a physical presence, or “nexus”, in a state, you are typically required to collect applicable sales taxes from online customers in that state.

The word “nexus” is used by the law to describe a connection. In this case it’s the connection sellers have with a particular area before they are required to charge and collect taxes for online sales there.



LESSON 5:

OTHER TAX CONSIDERATIONS

SALES TAX

Each state varies, so you have to do your research. Most states have a consumer sales tax - that means the buyer is who has to pay the sales tax, but the seller is responsible for collecting the money and sending it to the appropriate place.

- WHAT are you selling? (physical products? services? digital products?)
- WHERE did the sale occur? Does that location have sales tax?



LESSON 5:

OTHER TAX CONSIDERATIONS

SALES TAX

Nexus Examples:

\$100K

\$100K OR 200 transactions

\$100K AND 200 transactions

\$250K

\$500K

\$500K AND 100 transactions

When you reach those thresholds, then you need to apply for a sales tax license and start collecting and paying sales taxes.



LESSON 5:

OTHER TAX CONSIDERATIONS

ORGANIZING YOUR TAX DOCS FOR YOUR CPA

- Use the pdf checklist to help you gather your tax documents for your CPA. This list is pretty comprehensive, but not all inclusive.

WRAPPING UP TAXES

"Any one may so arrange their affairs that their taxes shall be as low as possible; they are not bound to choose that pattern which will best pay the Treasury; there is not even a patriotic duty to increase one's taxes."

- Gregory v. Helvering, 69 F.2d 809, 810 (2d Cir. 1934)



ACTION STEPS AND YOUR HOMEWORK

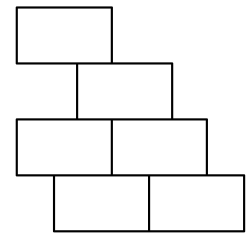
- Review the quarterly estimated tax worksheet and input your revenue and expenses for each quarter so far this year.
- Put estimated tax reminders in your calendar so you don't forget to make those payments.
- Gather W-9's from contractors you've paid so far this year if you don't have them on file.



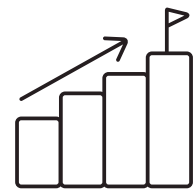
ACTION STEPS AND YOUR HOMEWORK

- Review the list of common tax deductions and see if there are any that you may not be taking advantage of.
- Figure out the square footage of your home office and total house for your home office deduction for your CPA.
- Reach out to me if you have any questions!
obf@megnaasz.com

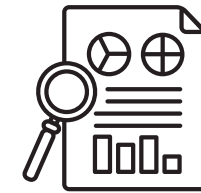
COURSE OVERVIEW - WHAT'S NEXT



MODULE 1
SETTING UP YOUR
FINANCES



MODULE 2
ORGANIZING &
MANAGING



MODULE 3
TAXES



MODULE 4
HIRING &
OUTSOURCING

FAQ

What happens if I send too much or too little to the IRS for my quarterly estimated taxes?



FAQ

What do I need to keep for tax records and how long do I need to keep them?



FAQ

What happens if I don't get a 1099? Do I still need to report the income? Do I need to request a 1099?



FAQ

Is there a certain dollar amount I need to make before I have to claim it on my taxes?



FAQ

Someone sent me a W-9. Do I need to fill one out and if so, how do I fill out a W-9?



FAQ

When should I hire a CPA and how do I find a good one?



FAQ

When should I consider filing as an S corp for tax savings?



FAQ

What retirement plans can be tax deduction?



FAQ

Should I hire my spouse to reduce my taxes?



FAQ

What if I owe a ton in taxes and can't pay it all now?



FAQ

What happens if the IRS sends me a letter?



FAQ

Can my business pay my rent because I work from home?



FAQ

Can my business pay for my car if I use it in my business?



FAQ

If I accidentally use my personal bank/credit card, can I still deduct the expense as a business expense?



FAQ

Does my CPA need to see my receipts?



FAQ

What happens if I haven't made quarterly payments for previous quarters but want to now?

