

Freelancer 101

FALL 2017

**BRASS
TAXES**

YOU ONLY HAVE TO WORRY ABOUT 2 THINGS:

1: Keeping Track of Your Expenses

Keep track of your expenses **DURING** the year.

Keeping Track of Expenses

Whatever you'll actually use is great. If you'll save a \$3 receipt, that's a good system. If you think "why bother?" than your system is too complicated and annoying.



Step 1: Write each tax category that you're likely to use. One category per envelope.



Step 2: Think, "is this purchase related to my business?" If YES...



Step 3: Put receipt in wallet. When wallet gets full...



Step 4: Put receipt in envelope.

Alternately: Buy something online, write on a scrap of paper, put paper in the envelope.

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2: Have That Much \$

Know roughly how much money you may owe for taxes... and **have that much.**

How Much to Save/Send in for Estimated taxes

Example, for taxes in NYC:

These are based on your PROFIT (What's left over AFTER expenses)

\$30,000 - 23% Federal Taxes & 7% for NY/NYC taxes = \$8,000

\$60,000 - 27% Federal Taxes & 8% for NY/NYC taxes = \$27,000

\$100,000 - 31% Federal Taxes & 9% for NY/NYC taxes = \$40,000



*"The more you earn
the more you pay!"*



Freelance Expense Categories

**BRASS
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- 01 **Advertising**
Printing, postcards, business cards, website design, hosting, domain name, headshots etc.
 - 02 **Fees**
Union dues, entry fees for contests, etc. (Don't put managers and agent commissions here)
 - 03 **Did you pay anyone? If yes, how much?**
Managers, agents, contractors, etc. If you paid anyone who wasn't a corporation over \$600 you may need to send them a 1099. Ask.
 - 04 **Big Equipment**
Things that last a couple years, furniture, computers, camera equipment, scanner, printer, etc. (\$400 or more).
 - 05 **Insurance**
Renters insurance, equipment insurance, etc. Not health insurance premiums that's further down.
 - 06 **Legal & Professional Services**
Any lawyer or tax preparation fees (your Brass Taxes fees for this year are deductible next year!).
 - 07 **Office Expenses**
Printer ink, notebooks, pens, etc.
 - 08 **Rent or Lease**
(Not home office) Car rental, rehearsal space, any special equipment, Zipcar for work, etc.
 - 09 **Repairs**
Things break; we fix them (computers, etc.).
 - 10 **Supplies**
All the other stuff you bought that wasn't in Big Equipment, things you use up within the year, costumes (not clothes). is is a general catchall for business supplies.
 - 11 **Travel**
If you're traveling away from home for business, everything (plane, lodging, etc) goes in this one except food that goes in "Meals". Public transit used for work (except your commute) also goes here.
 - 12 **Meals & Entertainment**
Meals when traveling go here and also business meals.
 - 13 **Cell Phone & Internet**
What % is work related? at amount is a work expense, if you pay \$1000 a year for cell phone and half is business then put in \$500.
 - 14 **Magazines & Books**
Anything you read to keep abreast of your field.
 - 15 **Research**
Whatever you go see or pay for that keeps you abreast of what's going on, Netflix, cable, movies... it could be anything depending on what you get paid for.
 - 16 **Professional Development**
Any classes, coaches, conferences, etc.
 - 17 **Donations: Money**
 - 18 **Donations: Not Money**
Goodwill, Salvation Army, etc. How much would it sell for at Goodwill? What's the full address of where you donated?
 - 19 **Health Insurance**
Did you pay for your own health insurance and it wasn't offered by any employer?
- ALL DONE.**
- Go to BrassTaxes.com, enter your info, make an appointment, and you're all set.

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Net is Not Gross

Background

You only pay tax on your PROFIT, what's left over AFTER expenses.

As a freelancer you pay **Income Tax & Self Employment Tax**

Our Income Tax system is 'Progressive'. As you earn more dollars those later dollars are taxed higher than the earlier earned dollars.

Self employment tax is about 15% of all your freelance profit, it's a flat tax. The same basically from dollar 1 of profit to over 100k of profit.

On \$30,000 profit you'll owe about \$8,000 in taxes.

\$4200 in Self Employment tax and
\$3800 for Federal, State, and NY City Income Tax.

Quick tip

Whether you are Single or Married and you get a W-2 job, the confusing form you fill out when you start is a W-4. For most people (ignore the top section) put Single in Box 3 and 1 in Box 5. If you have more than one W-2 job, do that on your main W-2 job and for all the other W-2 jobs, put Single in Box 3 and 0 in Box 5.

than one job. (Entering "0" may help you avoid having too little tax withheld.) C

D Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return D

E Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above) E

F Enter "1" if you have at least \$2,000 of **child or dependent care expenses** for which you plan to claim a credit (Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.) F

G **Child Tax Credit** (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information.
 • If your total income will be less than \$65,000 (\$95,000 if married), enter "2" for each eligible child; then less "1" if you have three to six eligible children or less "2" if you have seven or more eligible children. G

• If your total income will be between \$65,000 and \$84,000 (\$95,000 and \$119,000 if married), enter "1" for each eligible child

H Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) ► H

For accuracy, **complete all worksheets that apply.**

- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
- If you are **single and have more than one job** or are **married and you and your spouse both work** and the combined earnings from all jobs exceed \$50,000 (\$20,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

----- Separate here and give Form W-4 to your employer. Keep the top part for your records. -----

Form W-4 **Employee's Withholding Allowance Certificate** OMB No. 1545-0074
 Department of the Treasury Internal Revenue Service **2014**

► **Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.**

1 Your first name and middle initial Last name 2 Your social security number

Home address (number and street or rural route)

City or town, state, and ZIP code

3 Single Married Married, but withhold at higher Single rate.
 Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.
 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ►

5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2) 5

6 Additional amount, if any, you want withheld from each paycheck 6 \$

7 I claim exemption from withholding for 2014, and I certify that I meet both of the following conditions for exemption.
 • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and
 • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.
 If you meet both conditions, write "Exempt" here 7

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.