1. Everything You Need to Know About Filing (And Reducing) Your 2023 Taxes - YouTube

<https://www.youtube.com/watch?v=au1md4UoJHI>

Transcript:

all right welcome everyone thanks for joining bench and freshbooks today to kick off tax season together my name is Tia and I lead partner marketing here at bench and I'll be your host today as my colleagues and partners share what you need to know about preparing to file and reducing your tax bill this year so high five to you for taking the time to be here and educate yourself um because this can be tough stuff you know tax filing is complicated the IRS makes it that way and shockingly how to navigate

and do your taxes is not taught to every American student so our goal here today is to have you walk away more confident in understanding what is expected of you to help protect your business from fines penalties and errors but more importantly how you can keep more of your hard-earned money this year so just as some people file in I'm going to launch a poll here um just fill it out we're interested in what you want to learn the most about today and in future content um and while you're doing that

just a few quick housekeeping items so first is that if you are submitting questions for our experts today please use the Q&A function the chat can get busy uh we don't want to lose your question and on that note we'll be dropping a few resources in the chat throughout the session um so keep your eye on there and my ask is that you click on the link to open them up um but keep them for later so you can be present and learning from the uh presentation this morning okay I'll end the poll and share the

results it looks like most people are interested learning about tax deductions and credits um which is great because that is certainly on our agenda today so first we'll be starting with an overview of what's new this year um if you're doing your own taxes important to be aware so you don't make any mistakes um then we'll talk about some steps to getting filing ready and how to get organized then we'll talk deductions and credits and how to use those to lower your tax bill then we'll talk about how

if you need some support this year how bench and fresh books can help you out and then we'll end off with a Q&A so tons packed in here so it's my pleasure to introduce you to our speakers today who will be taking you through all this content um so Kya I'm going to pass it over to you to introduce yourself all right thank you so much um hi everyone my name is kamama Franklin I'm a senior Tax Advisor here at bench and an enrolled agent and since an enrolled agent is a designation that isn't discuss often let me just explain

further and take a minute to explain what the designation represents so an enrad agent is a tax practitioner that is authorized by the United States federal government um to represent taxpayers in affairs with the Internal Revenue Service so the United States Department of Treasury empowers en Road agents to represent taxpayers for any tax related duties such as tax preparation audits appeals or Collections and so just as a background uh this occupation is and has been regulated by Congress since 1884 and it

was originally established to investigate questionable and fraudulent claims that were submitted in the wake of the Civil War but now enrolled agents are used in tax preparation resolution and tax planning matters in their daily Daya job so it's nice to meet everyone and uh looking forward to the questions awesome and I'm Danny um I'm the program lead uh for accounting over on the freshbook side of things um I'm a CPA but based in Canada I'm based out of Calgary Alberta um and yeah looking

forward to talking about this upcoming tax season great thanks so much both uh before we jump in just in case there are some of you today joining us who aren't familiar with bench uh just wanted to introduce us so we're bench we believe that entrepreneurs you are the backbone of our society and that you drive our economy and we know that you didn't start a business because you're passionate about bookkeeping and doing your taxes so that's why we exist to give you the support that you deserve to

help you grow keep your back office organized and Pay Less in taxes so we help you do that by pairing software and a real bookkeeper who does your books for you every month and helps you prepare for tax filing and fresh books um is a accounting software it's on a mission to help small business owners grow and Thrive freshbooks is really easy to use um it's an accounting platform that simplifies invoicing accounting payments expense management and keeps everything in one place which empowers owners to

track and manage their day-to-day finances of their normal operating business awesome looks like we have some fresh books fans in the chat if you're a user of ADV your fresh books let us know happy to have you here today and just lastly here just quickly um a lot of people we get a lot of questions about you know what's the difference between bench fresh books why use one or both um think of it as fresh books managing and organizing your per client financial data so your bailable hours expenses invoices payments for each of your

clients um and then you let bench take all of that information and do your monthly books and your end ofe tax prep so as your business growths um and you add more clients and revenue streams it's helpful to pair fresh books and bench to make sure all that's organized for you so let's get started I'll pass it over to you Kamya to start walking us through what's new this year all right thank you so much well to get things started uh we're going to talk about a few tax law changes this year that you should aware of if you're

going to be preparing your own taxes so um what's new this year the IRS adjusted the standard annual changes that are done yearly such as the marginal tax rate brackets standard deduction things like that um the tax changes included in the inflation reduction act such as certain energy related tax breaks and certain tax credits such as the child care tax credit have also been changed um mileage rates for business miles driven uh was raised to 66.

5 cents per mile that's up 4 cents a mile from 2022 and the medical and moving mileage rates increased to 22 cents um the miles driven for a charitable purpose increased to 14 cents per mile now uh regarding the child tax credit though it's returned uh to its usual amount which was $2,000 for every dependent 16 and under uh unless the legislation currently being discussed as passed now the child tax credit goes back to being partially refundable if you fall under the guidelines of the additional child tax credit so um the child tax credit itself is

non-refundable but the additional child tax credit that you qualify for which Falls along the lines of the child tax credit may be refundable if you qualify okay um next um we're going to take a minute to talk about this corporate transparency act and this is something that's very new because it was enacted in 20121 uh and it was passed to enhance transparency in entity structures and ownership uh this is to combat money laundering tax fraud and other illicit activities and so uh this act uh came about because it was designed to capture

more information about the ownership of specific entities that operate in the US or try to operate or access us uh things um according to Congress the federal legislation providing for the collection of beneficial ownership information is needed to protect national interests and better enable efforts to counter legal act so that's the main point uh trying to make sure that that's protected and make sure that uh anyone who owns and has an entity in the United States um they know who the ownership is so now

there's a reporting requirement from a branch of the US Treasury called the financial crimes enforcement Network which we commonly call finan um this is part of the corporate transparency act that puts most corporations limited liability companies and entities registered or born in the US into the spotlight and so now they're obligated to reveal vital insights about their beneficial owners and beneficial owners are generally just the key individuals with at least 25% stake in the company and this started January 1

2024 and you know I've said all that but what do you really need to do you know what does this really mean for you so unless you qualify for an exemption and there are I believe there are 37 exemptions uh all corporations and limited liability companies will need to file this form between January 1st of this year and January 1st 202 20125 um when completing the form uh you are reporting certain facts about your company you know things like legal name if you have a deba um the state that conducts business

in the address jurisdiction tax ID number okay but what's most important is that you as the owner of the corporation or LLC business which they are naming uh and call calling these businesses reporting companies you'll be required to provide information for each beneficial owner and a beneficial owner is defined as any individual who directly or indirectly exercises substantial control over a reporting company who owns or controls at least 25% of the company um and I just want to know also that this form is not part of your

income tax filing it has to be done separately and so it's been done separately on the fencing website okay there is no Fe to file the form and so um how this breaks down it depends on when your LLC or your business or your corporation um came into uh fruition so reporting companies that were formed before January 1st of 2024 we'll have until December 31st 2024 to file the form and so now if your business was formed on or after January 1st 2024 so this year and before January 1st 2025 you have to file that form within 90

days um of re of receiving actual or public notice of the for formation so uh within 90 days of you forming the business and then any other reporting companies formed on or after January 1st 2025 will need to file this form within 30 days of receiving actual or public nosis of the formation and so for more information we're going to put uh reference in the chat okay all right so now um another thing we want to talk about uh is the 1099 K so this is you know important it's been going on for the last couple of years um

and uh the form 1099 K is a report of payments you receive for goods or services during the year so these are for third parties um that do credit uh debit or store value cards such as gift cards pay pay cards payment apps uh such as Zale um cash app things like that or online marketplaces uh they call those third party settlement organizations um but the 1099 K is a critical document for business processing electronic payments because it is sent to the IRS under the registered tax ID number of whom is receiving the payments and so what this

means is that the IRS will expect this form to be reported when filing your tax return and so many times this form will need to be reconciled with your bookkeeping to make sure that payments are not duplicated so okay you'll have this 1099 K form coming from you know maybe Zale maybe um if if you are accepting credit card somewhere and they're going to that third party uh organization is going to send your 1099 K to the government and let them know under this tax ID number this we're expecting to see this money

on there and so if they don't this is what prompt sometime know notices so it's very important that um if you do that um over the last couple of years though the IRS has been working to lower a threshold requirement for issues of issuers of the 1099 k um but this year it's still um at 600 and this is because they want to reduce potential taxpayer confusion that may be caused by the distribution of an estimated 44 million 10 44 million 1099 K forms that are potentially part of this um the $600 threshold for payment apps and online

marketplaces to report payments on form 1099 K is delayed for tax year 20123 and in turn the IRS decided to treat the 2023 year as a transition year and they're planning a threshold of $5,000 for tax year 2024 so at the end of 2024 uh you may receive a $199 K uh if you have transactions of $5,000 or more and um they're using the 2024 year as a phase in year to implement the $600 report and threshold that they're trying to do in the future um but once this 1099 cake threshold is reduced uh however they may

there may be tremendous implications for the small business owner that increases the need for more diligent bookkeeping so um just reiterating the fact that this 1099 K definitely needs to be reconciled with any Revenue that is reported for the year to make sure you're avoiding duplication of revenue and thus increasing your tax due um and the form will need to be shared again with your tax professional during the course of filing your return okay um so more for more information we also have a resource for

that to share that we will be putting in the chat so I know that was a lot but uh Danny go ahead cool awesome okay so another quick PLL um do you prep prare your taxes independently or with the assistance of a tax professional so you should see the poll pop up now we'll get everyone a second to answer okay so it looks like most people um use a tax professional um or an accountant and Then followed closely by most people pairing their own so 55% using tax professional about 28% uh using your own and then of course um

there's the small Port part of you that are considerate possibly using a tax professional so we'll get into you know some of the pros some of the cons um of you know either doing it yourself or with a tax professional so when we're filing taxes it all comes down to three essential steps the three steps are recording your transactions collecting your documents and filling out your report pretty easy pretty straightforward but once we start completing and looking into the three different steps that's when you figure

out well it's actually a little a little bit more complicated than just you know three easy steps right um it's a little more time consuming depending on if you're staying organized throughout the year or not um and you know depending on how your business is set up it can be complicated trying to do it on your own you know recording your transactions Rie reviewing bank statements and credit card statements trying to remember what each transaction was for trying to remember you know was this a business

expense was it not um either if you're collecting your documents by hand like on paper through files or electronically you have to consolidate everything so it could get overwhelming very fast um and all of a sudden it's not so simple so let's get into some tips to actually simplify this process um the tax system is specifically designed um to be complicated right um there's a lot of steps there's a lot of fors tons of deadlines different deadlines um depending on what business you are uh

classified as and as a small business owner who's more focused on running the business it's not really expected that you know it on your own so this is where the help of a tax professional can C it so tip number one recording your all your expenses this is a a very very important process here um you know it it can be timec consuming and it can be tedious but it is very important so that at the end of the year when you follow your taxes you're saving as much money as possible on your tax bill so recording your expenses um you know

using receipts ensuring you're saving those receipts rather than relying on your bank statements is very very important the first reason is because for expenses that occur late in the year um sometimes your Bank St statement will reflect you know that transaction when it actually cleared your bank account instead of when you actually made the purchase so a few of those expenses can roll over into the next year um where you actually could have been deducting it in the prior year another reason why we prefer um receipts over bank

statements is that bank statements alone are not enough to support a reasonable business deduction so if your business was ever chosen for an IRS audit um and you show them your bank statements their IRS is going to come back to you and say well this isn't enough to prove that these were business expenses um do you have receipts right so that's another reason why it's very important to keep these receipts as well um either digitizing them you know in today's modern world uploading them online

somewhere keeping them all in one place so that you can access them anywhere any time is very important some people still prefer to do it you know the old fashioned way keep them in files uh keep them you know a paper copy still possible but you know the risk of losing them or the risk of you know sometimes they get damaged um or the ink gets worn out and then you look at them in the year and you can't see them anymore so digitizing them is in my opinion probably the best way um and the last kind of tip here is

separating your business expenses from your personal expenses this is huge if you don't already have a separate business bank account I'd recommend setting one up immediately um you know if you are in the situation where you have one bank account and you're making business expenses and personal expenses out of it you're probably finding that you know at the end of the year at end of the month you have to sift through and figure out okay what was for my business what was for my personal and that can be a headache in itself so just

separating them out uh can save you a lot of time in the long run second tip getting organized creating a checklist for yourself um you know instead of going off every single form that you may need um because they differ based on your business type um you know each business entity each business type may have different forms which will also impact your deadlines as well you know one business deadline might be March 15th and another business might be April 15th um so this is why it's important to understand you know what your business

is classified as and if you don't know or if you're not really sure this is where the help of a tax professional can come in handy as well this is very very important because you know not filling out these forms on time not meeting these deadlines can lead to fines by the IRS um bench has a really great guide that spells out all the different forms um for all the different business entity types and the deadlines as well that'll be linking in the chat um feel free to click on it bookmark it um if you need to and

reference it at a little later time we're going to go over business deductions in a little bit here um just the heads up but uh bo go through keep pounding through a couple few tips to get organized so um extensions tax extensions are a tool that the IRS makes available to taxpayers who essentially that need a little bit more time to file your taxes um an approved extension application grants you an extra six months to get your taxes filed without occurring L penalties okay um while filing for an extension

extends your deadline for filing it doesn't actually extend you know the fact that you have to pay this money up front um if you don't pay like an estimated amount you're still actually going to acrew a lay penalty so that's one very important thing to keep in mind um usually what happens is you avoid this penalty by paying an estimated amount when you apply for your extension and then you have six months um you know once your extension is approved to file your taxes once that's all done then you

would either pay more or less than whatever your estimate was so very important thing to keep in mind and again we're going to drop another Link in the chat as well for how to file for a federal federal tax extension okay asking questions is a very very important tip um as well don't be afraid don't be embarrassed um to ask questions that's what tax Prof professionals are there for um you know ask about your possible deductions um ask about any recommended changes to your entity type ask about you know how

okay maybe I messed something up this year how can I plan uh for it next year so that I can maximize my tax deductions or maximize my tax return for my business for example NS Corp has great benefits like saving on self-employment tax um and P personal income tax but the caveat is you have to pay yourself as an employee okay that's one quick example that as a business owner may or may not be known to um and again this is where you know just asking questions asking your uh tax professional hey I heard this is true is it true yes or no how

can I maybe utilize something for my business um can really help you in the long run as well so the secret to filling out you know forms uh comes to regular bookkeeping right um there's essential reports that tax time profit and loss the general ledger sales tax summary you're basic accounting reports but it's important to note that these reports especially in freshbooks may not be super clean or may not really be of any value to you if you're not regularly bookkeeping every month or every two

weeks um or multiple times throughout the year you know if you're really only bookkeeping once a year and that's when tax time is coming when you click on any one of these reports right now it's probably a mess right so this is why it's important to make sure that you're maintaining this on a regular basis so that at the end of the year when you click on these reports it's clean you don't have to do any more work you know instead of spending hours in March or hours in February the little time that

you're spending over the course of the Year eventually add up and it's worth it in the end cool the third tip um that I want to quickly talk about is setting aside money for taxes now this is super important um you know if you're a business owner you may or may not have rent this problem before where you know maybe you owe a little more than you thought when it comes to tax time you're like oh crap well my cash flow isn't that high because I've currently spending money on other things right so

we always recommend following the 30% Rule and we also recommend creating a separate account maybe create a separate account put 30% of your income or 30% of your Revenue aside so that when tax time comes you do have that bank roll um just in case you know your taxes are a little more than you thought they'd be um there's also prepayments there's uh monthly plans as well yearly and quarterly payments as well that you can make and again you can set this all up with IRS or you can ask ask your account

as well they can help you out with this um just to make sure that hey you're paying your taxes on time and you're paying enough cool and I will lead it to Kya to talk about some deductions and credits for this year is that will reduce your tax bill so first we want to talk about what an a tax deduction actually is okay so a tax deduction is an expense you have that reduces the amount of your income before tax is calculated now tax deductions are important because because they lower your taxable income which also uh

reduces your tax bill at the end of the process so they could help you save hundreds maybe even thousands of dollars off your tax bill and so you know it just depends you know of course since we are in a uh country that uh is Progressive um if your income is lower then your tax is lower if your income is higher then your tax will be higher um but let's ask ourselves what's the difference between a tax deduction and a tax credit and so tax deductions reduce your income before determining tax and a tax credit reduces the actual tax you

owe dollar for dollar and can sometimes increase your tax refund uh certain refundable credits may even give you a refund even if you do not owe tax and so we always recommend working with an accountant or a tax professional so that you can possibly do tax planning in advance of the year so that um you can determine what's out there and then apply that to your tax situation to lower you know possibly your income and that will eventually lower your tax due um accountants are important in optimizing tax effici efficiency and

then at the end of the day um it's a good idea just to have someone you trust going through every deductions you know making sure the deduction is appropriate for your tax situation and it is saving you as much money as you can without being scared that you've incorrectly deducted something something and you know this is important because a lot of people if we want to make an example for home office for example people sometimes leave that off because they're afraid that this is something that they can't

deduct and now you know that's something that sometimes you can have what they call a safe harbor for $5 per square foot so there's less um paperwork involved um and so we just want to make sure you know that you're working with someone that can look at your total tax situation and make sure that um you're getting everything that you possibly can can um again an account also is important because they will be familiar with your software for instance freshbooks or for instance the bench uh internal bookkeeping system um we're

familiar with that and so we can offer uh options that if you were doing it on yourself it might be a little bit more difficult okay and so let's go over some examples of potential deductions or expenses you can have within your business um now first of all any expense uh that you take as a business deduction should be and considered ordinary and necessary and you will ask yourself well what does that actually mean and so an ordinary expense is one that is common and accepted in your industry and a necessary expense is one that is helpful

appropriate and it helps develop or maintain your business and so some expense categories that you ACC commonly see would be advertising and promotion meals um and insurance premiums so other um expenses would be uh vehicle use deductions contract labor depreciation um there there deductions for educational expenses related to business if you're needing to get additional um uh things education so that you can improve your your business situation or improve your um experience or improve some things with your business you can

do that um again home office deductions interest any interest on business loans loans themselves are not a deductible uh things on your profit and loss because that's considered a uh balance sheet item or liability but the interest that you take may be deductible uh as an expense in addition to that you can take legal or professional fees uh again we just reiterating you know speaking with a Tax Advisor a tax professional or an accountant for eligibility of these things to make make sure they're first

ordinary and necessary and something that you can take and again as uh Danny has alluded you want to make sure you have the receipts you want to make sure you have um actual contemporaneous um documents to support your deductions um in the case of an audit and so that's very important to go over those type of things with someone that is knowledgeable about it which could be your tax professional your accountant um and one thing about it we don't want you to feel bad um you want to take anything that is ordinary and

necessary that you can legally take uh don't know leave expenses on the table just because you're feeling bad about it or you're afraid that this is something that may get um you know denied if you're ever audited you want to be able to take it and IRS you know actually requires you to take any expenses that you have so um that's another way that a accountant or a tax professional can be beneficial in that case because they can um give you guidance there okay and uh again it's important to keep your detailed

records to substantiate claims and potentially avoid issues with the IRS um okay so we're going to share a link uh that has more information about uh this topic as well all right and so um now we're going to talk about how to capture your deductions okay um and again this is where bookkeeping comes in we spoke about this earlier to claim these deductions you'll need to keep accurate records and stay on top of your monthly bookkeeping I mean it's I understand is uh daunting is is very boring it makes

you sit down and focus you know you have to look at a lot of different things and gather things from a lot of different areas but it's vitally important um to have accurate records and so who remembers things for instance we're in January if you wait till June or December you won't remember that restaurant expense that you incurred in January speaking to one of your clients you know and so uh it's just best to top of Mind have it top of mind and do it top of mind so that way it's more accurate and

then you won't have that extra stress it's stressful when you don't have the information and um but when you have it and you can sit down for 10 minutes and you only have 10 receipts versus 100 at the end of the year it's less stressful so it's just best for everyone involved if we just keep up with our bookkeeping you know um we want to make sure that every single transaction from the year is recorded the receipts are saved it can be you know in a box it can be saved uh electronically which is better for you

electronically um so that you can uh refer to it as needed you don't have to you know be scared that it gets lost or uh the you know the writing comes off the receipts and things like that um and does take effort again but believe me it'll be worth it at the end even for the peace of mind if only for the peace of mind okay and lastly another reminder it's best to practice it's best practices to have a separate business account to make it Crystal Clear which transactions are for your business and which is personal um and we

recommend our partner relay Financial for all your banking needs and they also are online okay now um let's talk some more about tax credits I did allude to the child tax credit earlier um tax credits come into play after your tax bill is calculated uh tax credits reduce the amount you owe each dollar you have in tax credit counts as a dollar reduction to the amount of tax you pay and so all that means is okay we talked about deductions earlier um you have income here uh that you make it could be wages it could be

self-employment employment it could be uh a property that you own a short-term rental property um all of those things total up to your total income and then what happens is um any adjustments or any uh deductions that you have are subtracted directly from the income um to arrive at an adjusted gross income those things um are more deductions um then once your adjusted gross income is is determined um and then they also do a thing where your taxable income is determined after subtracting um other deductions we determine what tax record

you're at based on that adjusted gross I mean a taxable income um and that tax amount there is when a credit comes in okay and so that's why we call it reducing dollar for doll and so if you after determining what your um taxable income is and your tax let's just say to keep it simple $1,000 if you have have a $1,000 tax credit it will clear off your entire debt that's what that's what would happen okay and for more information about this we'll share an IRS Link in the chat all right go ahead to

theia Talia Perfect all right thanks so much Kia and Danny um I hope everyone here found this overview helpful and that if you are taking notes you have a nice little to-do list of things you can do to get organized and set yourself up for Success uh but if you're looking at that list and you feel overwhelmed you need some guidance uh that is okay you can book a call with one of us uh fresh books and bench are experts at tax time um Danny do you want to share a little bit about how fresh books helps out

people at tax time yeah so how freshbooks can help um for one it keeps all your reports in one place so the p&l the accounts aging report your expense report in voice report balance sheet all the reports that you need are kept all in one place in freshman okay um you can also it also helps you not miss an expense so if you're stressed out about keeping receipts or anything like that you can actually just snap receipt photos uh using the freshbooks app you can upload them on the go um and you can also connect your credit card

account or your bank account as well the fresh books that Imports it automatically and it makes sure that you know anytime you're spending money on that card gets imported and you're not missing anything um online payments fresh books is also or will also allow your clients to make payments through invoices online as well this allows you to get your money a lot quicker you know if you're receiving cash or check you have to go to the bank you have to deposit it if your clients are paying right through the software itself it

just automatically gets deposited into your account and of course invoicing um it makes it easy to log time if your you know uh service and your logging time or you're an hourly rate with a client of yours you can easily do this log your time let's say you worked for eight hours on a project you log that time send out the invoice all through freshbooks itself great and then if you're looking for personal Hands-On support to catch up your books or hunt down those deductions um come talk to us at bench

this is what we do we have a professional team doing the books for you um and we can even file for you if you don't have an accountant that you love um so we can take all that off your plate every month not just a tax season um so you have everything you need to make confident business decisions all year and then we also have a tax advisory arm so wonderful advisers like Kya here um all those questions that Danny and Kamya were talking about today to ask tax professional um they're there for that support both at tax time and

year round so whether you need to learn about fresh books bench or both um we'll put a link in here for everyone um come talk to us even if you don't end up using us a Tex time we want to make sure we can point you in the the right direction and to all the um fresh books clients who are here today thanks for being with us um freshbooks and bench are closely partnered so if you do want to add on bench um that can all be built together and your account manager can help you out with that all right so it's time for

questions uh just give me a second here and I'll get organized and start to look through those if you have any um or if you put a question in the chat instead of the Q&A um please throw those in there and then we are going to take the next 20 minutes or so uh to get through as many as we possibly can all right let me take a look at what is in here okay here is a question do AC transfers need to be recorded on a 1099 K form Kya are you able to answer that one a transfers um I'm assuming um an a transfer that you're speaking about

would be a bank transfer meaning uh from your financial institution uh for instance uh Morgan Chase or uh whatever bench uh I'm sorry whatever uh Bank uh you have and if that's the case then those will not be recorded on the 1099 K because from what I understand uh those are you know internal to the bank but now if it is um 1099 K are for thirdparty uh people so that that would be um vinmo Zale um so if you have something coming into Zale you know if you have a Zale uh that somebody uh did for you via your bank account account

that may be on there so if you're speaking about Zale specifically from being an A type on your bank account I would say yes those those will be if they are um business in nature if it's for a business uh bank account I would say yes they will be but if it's just a regular a transfer meaning that you enter your bank or you enter your treasury management um platform or a portal uh and you just making a transfer to something um a wire I don't think that would be included but if you're using the Zale platform within your uh

portal then that would be part of one of the transactions hopefully that makes sense thanks so much we got a few 1099 questions so I'm going to try and lump those together um another one is how is 1099 K different from 1099 NEC um and if they need to issue the 1099 NEC do you need to do them electronically okay so the 1099 K is specifically for electronic type of transactions uh they're trying to capture um those type of things Al together so like I said third party organizations uh are required and um

right now it's $20,000 or more so that's what would be on a 1099 k a 1099 NEC is specifically for non what they consider non-employee compensation so those are people that are uh considered self-employed you're working for someone or a company that are that they have not deducted any taxes for you have you are classified as an independent contractor or you uh and then typically independent contractors are considered self-employed and so any of those things over the amount of $600 uh th that individual or that

company uh if you're not as long as you're not a corporation um will need will issue you a 1099 NEC um as far as uh do they have to be duplicated generally you will not a person if you are having that information on a 1099 K shouldn't receive a 1099 NEC for it but I've seen a lot of cases where this is the case and so that's why you know I kind of reiterated just reconciling and making sure that you understand what are on each forms and making sure that you have all of the forms available uh before

filing your tax return uh just to make sure that everything is captured and there's no duplication hopefully that makes sense okay thanks yeah if there's follow-up questions or comments feel free to throw those in yeah um okay let's get to some questions there some questions about tax deductions um here's one is personal health care tax deductible for llc's um corpse single owners personal health care uh well it depends on um which entity you are the deductibility of it so generally uh there is a uh uh

health insurance deduction for uh LLC businesses or people that are so Proprietors uh it's a uh deduction uh on your personal return uh that that you can do now if you're a corporation um you know it it it varies and so generally corporations if you have employees you you have to have at least uh I believe one employee in order for you to be able to offer Group Insurance and something like that would be deductible as an expense to the business to the corporation um now if you're S corporation um it just depends on how

your the insurance is set up you know sometimes you know people have health reimbursements accounts uh other times uh a person I've seen where people um purchase insurance uh health insurance and um they have the business pay the insurance but it may be a personal um personal policy if that's the case something like that uh and you don't have any other employees you may be a 100% shareholder in as Corporation something like that um would be actually added to a W2 and then something like that you also would be able to deduct as

a deduction or as an adjustment to your tax return so it just depends uh in many cases yes health insurance is a deductible expense great thanks um for meals and entertainment how do you decipher if it's 100% or 50% deductible it's back to 50% for 2023 that um that rule or that tax law uh it was just based on the tax cuts and jobs act I believe that's the act that allowed that but that was only temporary um uh back when it was 100% % deductible um for 2022 um it had to be hot food you know like restaurant food uh not something

that you could uh you know just buy or have a meal but you know those things would be 100% deductible but for 2023 it's back to 50% meals are 50% deductible as they were in the past and entertainment is still not deductible so if you have an entertainment expense that include a meal you would have to break out the meal for it to be something that's deductible okay right thanks another deduction question here can you explain how the 20% pass through business deduction works and how to claim it the 20% pass through deduction are

you talking about for the for a state Julie if you're out there you have if you have a followup in the chat um and then we can maybe come back to this one come back to that yeah okay um here's another one all of my transactions from my bank and credit card are automatically imported into fresh books all I do is attach receipts to them would there be any benefit in getting a bookkeeping service um Danny do you wna yeah speak to this um that really depends on you know you um the bookkeeping service would

essentially help you with categorizing those expenses right so if you're confused as to either what's deductible what's not um how to categorize them properly like what should go towards costs get sold what should be considered an operating expense um then yeah I would say it's probably beneficial but if you are already aware of how to do that yourself and you know you're comfortable with how you're categorizing your expenses then I would say no right so really depends on your own situation

and how comfortable you are with getting those expenses categorized properly I think I I believe what um I believe it was um the person who asked about the uh 20% deduction I believe she's talking about the qualified business income deduction uh qbi uh if that is the case um it it has to do with um as long as you're you're within withow the threshold you can take a 20% deduction um on the net profits that you have on your uh for your business and so there they there are uh requirements depending on what type of entity you are

uh and there are uh maximum uh amounts that you can um make per per year uh their phase out limits especially if you're a service business so that would be something that we would discuss on the TCH advisory call just to make sure that you qualify but generally that's how it goes great thank you okay you're welcome all right one from Alex here as a sole proprietor I have issued an invoice on December 31st 2023 and got paid on January 4th 2024 where does that money get accounted for 23 or 24 that would essentially depend on what

basis of accounting that you're specifically doing if you're in a cruel base of accounting then on a cruel base your revenue is recognized essentially when you send out that invoice no matter if money was received or not so if you're on a cruel basis of accounting it would be considered Revenue in 2023 if you're on a cash basis of accounting which means that you're recognizing your Revenue when you've actually received money in hand then it would be considered in 2024 so it depends if your business is on an acral

basis of accounting or a cash basis of accounting thanks dannie right here one from Miriam um Kia I guess this one's for you if bench is used for tax filing for businesses do they also do personal since I'm a single member LLC Yes actually um something like that uh it would just be your personal return because a single member llc's are considered uh in tax as so proprietorships are on the schedule C so yes we will be doing your personal as well because it be in one package now if you are a different entity uh we do

offer uh personal filings for those individuals as well um so you would need to you know get with our customer support department and they can see you know what offerings we have but yes we do uh we can complete a personal return for you thanks all right another uh bench question here I guess I can answer this one um do we only use fresh books or do we integrate our services with an ex existing QuickBooks online account so a bench we actually have our own proprietary software that our own bookkeepers use um so you don't need to

have a previous account if you did have a previous account from QuickBooks or something it's very easy to bring the data into that um but we do it all on our own software which is really easy to use you just hook up all of your bank statements any online vendors uh even your payroll um and all that just comes right into the platform and our bookkeepers will take care of it for you every month um okay another one here from Alex um does the 30% rule I'm assuming 30% rule the setting aside money um include

self-employment tax generally I mean uh of course um if you're a single member LLC and you you have uh income over the 30% threshold as a uh you know ordinary income and maybe at the 37 or higher than a 30% interest rate then you might want to set aside more but you know that's just a general rule to what to set aside uh to make sure that you have at least something um put us put up for uh the year you know um what we do on the tax advisory calls is we like to speak quarterly about you know things such as estimated tax payments and so if

we are able to you know take a look at your previous quarter and take a look at what you have already submitted as estimated tax and look at your prior year to see you know what your estimated requirements are um and if we see the 30% may not be enough then we may suggest to um you know make it a little bit higher but uh just as a general rule I would say yes uh that that's a good rule of thumb awesome okay um there was some follow-up questions um Danny you were talking about you know depends on if you're cash based or crel based um

someone's asking how do you determine if you're cash based or ACR based um well it's that decision is actually up to you um and your accountant if you have a tax professional I'd recommend asking them and how they're essentially filing your taxes and creating your reports um if you don't have a tax professional um then essentially it's up to you um you know there's no requirement really for a company to have to be on a cash basis or you have to be on an acral basis that just completely up to you and how you

want to run your own business the important thing here is just being consistent so if you choose to be in the cash basis that means that all the reports you produce have to follow that same rule uh vice versa if you choose that your business is on an acral basis of accounting um then that means again that all your reports have to be on the acral side of counting great okay another similar question in this band dny I'm just tossing these to you since this is your area now um okay so a scenario someone's

painted I have a customer that paid me $25,000 in 2023 I received a check on January 3rd 2024 for $55,000 dated December they've issued me a$ 1099 NEC for 3 thou 30,000 if I'm Cash basis how do I account for this so I'd recommend first going over this with your accountant just to be sure um but I believe here that so if you're on a cash basis again it's really cut and dry when you're in a cash basis so whatever you've received by the end of December 31st 2023 is what you have to consider your revenue for 2023 so if

I'm reading this um so yeah if you received a check in 2024 for uh $5,000 but it's dated in December 2023 if it's dated 2023 um then that would be considered your Revenue in 2023 because it's dated for that date right so technically you actually received it um on that date in 2023 but again with specific examples um of you know how do I recognize in revenue or when to recognize it um I would highly recommend you just run that by your account just to make sure amazing okay another um tax deduction question here for whoever

wants to grab it am I able to write off a vehicle payment at all um well okay it depends first of all uh you know what entity you are I mean generally if you're LLC business if we take the single member LLC business because that's what we've been talking about the most um you know there are two ways to deduct something like that um and you know even if it's not in the business name and it's just in your personal name you you may be able to still deduct uh the payment so it depends on first of all if it's a lease

or if it's a purchased vehicle depending on how you want to take it um now you and there are two ways to take it you can either take the mileage um per year of course you want to capture what the mileage is in the beginning of the year and you want to capture what the mileage is at the end of the year and sometimes that's by you know getting the oil change or getting some type of document that shows mileage because that's what is required um and then you want to just have a log that records all of the um business mileage

that you've done you know all the business driving that you've done now commuting is not deductible so you can't take if you're going from your home to uh an office or something like that that's considered commuting you you weren't able to deduct that but if you are you know making uh appropriate business uh travel using uh your vehicle you can do mileage or then or either you can take actual expenses now you still need a log for actual expenses as well but um the deduction is captured by

taking you know the uh things related to the vehicle uh gas uh depreciation so if the car is a purchase uh there's a value of the vehicle and you can depreciate it over its useful life of course you may know that you know over the last couple of years due to the tax cuts and jobs act they've allowed for you to um take more depreciation you know for bonus depreciation in certain years um but generally you can do it over its useful life so you those type that type of thing is deductible uh you know tolls parking

things like that and so that's generally how you take it um I do see where people ask about well if I make if this car is a purchase can I deduct the entire purchase amount something like that you would not be able to like divide the the the monthly payment by 12 if you a single member LLC you would um take and what's really probably I want to call a substitute is the depreciation because it's dividing it over useful life so you wouldn't take the the payment that you make and and just put lump that payment in that's not how it

works you would need to you know we would need to know what the value of the car is at the time of purchase and then take that over as useful life or if you taking the bonus appreciation whatever you can get legally and then capture all of the uh rest of the expenses related to the travel that you're doing in that um vehicle that you're wanting to use for business um or you can do the mileage other entities uh such as like s corporations or corporations those particular businesses um you kind of do you know it's different depending on uh

who who has title to the uh vehicle so if it's a business vehicle you know the whole thing can be uh deducted and it's only actual expenses uh if it is a personal vehicle that you're using inside of your corporation it's suggested that you um use an accountable plan to be reimbursed for any type of uh personal related expenses that you use for uh a personally titled vehicle so I mean it just depends but you know it is possible so hopefully that makes sense thank you all right a few more minutes here we'll try and uh go through

few more questions thank you everyone for submitting it's it's so great um that you're sharing these with us okay um we said that interest is tax deductible would business credit card interest be deductible um yeah I mean if if it's a business um uh credit card then yes the interest would be deductible now if this is something personal um like if you have a personal card and you're trying to deduct it as a uh itemized uh deduction something like that would not be but it on on the lines of business

and it's a business credit card then yes any interest that you um have would be deductible thanks great question um okay what aspects of the business counts as depreciation generally that's um any assets uh again assets are categorized based on its useful life okay you have like I was speaking about earlier vehicles but you also have things such as equipment uh you have uh Furniture uh you know pieces of big production depending on you know what type of business you have all those things are categorized uh you know when

you make purchases some people decide you know based on if it's the purchase price is less than a certain amount of money let's just say for instance something is only worth $1,000 you may choose to elect to take that whole expense in one year and so something like that could be totally deductible you know kind of almost like an expense but it's it's an asset and it can be depreciated but then you have other things that are you know more expensive something that may cost $220,000 a piece of equipment or something like that you

know you would uh speak to your accountant about it's useful life and then you would that's something like that again I'm you know speaking in general terms but um can also take things like bonus depreciation for things like that and it may be deductible more in the first year but um anything that you would consider an asset will you should be able to depreciate and not only physical assets but uh things such as uh you know non um in intellectual property and things like that um can also be um used in that

capacity and it's called something different other than appreciation but I'm just saying um you can deduct those as well so hopefully that makes sense great thank you kamama and thank you Danny as well um we are at the top of the hour here thank you everyone so much for participating and submitting your questions um if we didn't get you a question and you still have it please book a call come talk to one of us uh doesn't matter if you and if using bench or freshbooks we want to make sure you

(1:00:19) get your questions answered uh and feel good about your your path forward and I'll just end on the note that I love this comment in the chat that Laura shared um that her main takeaways you're she's not crazy for thinking business taxed St is ridiculously over complicated that sums this up so nicely that is complicated it's tough you're not alone in thinking that uh and if you need support you know where to find us thanks so much for joining us today everyone