1. Tax Advisory Tuesday Q & A | October 4, 2022 - YouTube

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Transcript:

hello everyone uh welcome to tax advisory Tuesday today is Tuesday October 4th uh 2022 and we are excited to welcome you to our Tax Advisor series which is our live q a with our in-house tax advisory team and we're going to be talking all about small business income taxes uh just a couple quick housekeeping notes for today's session it's being recorded and this recording will be shared with you later today through the email that you use to register for today's session so if you want to re-watch an answer or

just review something over again you'll be able to uh watch that recording later today we will be taking questions uh via the Q a button which is at the bottom of your Zoom panel or sorry at the bottom of your screen in your Zoom panel so you are welcome to start submitting questions now uh we just have a couple things to get through first and then we'll Dive Right into questions um but uh you're also able to use the chat so as we're answering your question if you have um any additional context or or comments

that relate to your question that you've asked you're welcome to pop them in the chat and then we'll see them right away as as we're providing you with your answers um and just be mindful when you're using the chat if you've got your chat setting set to um be displayed to panelists and attendees uh just be mindful that that information is being publicly shared with everyone viewing today's session so um if you want to withhold personal financial information that's up to you uh let me introduce myself my name is

Allison I am your host today I'm the content manager here at bench and what that means is I'm responsible for putting together all kinds of helpful guides and resources for small businesses which you can find on the bench blog which is at bench dot Co forward slash blog if you haven't been there or explored um uh the the site the blog please do we've got over 700 amazing helpful resources covering all kinds of topics um between taxes and bookkeeping and accounting and managing your finances all right

so for those of you who may not be super familiar with bench I'll just give a little quick intro so bench is America's largest full-service bookkeeping solution for small businesses we pair you with our in-house expert bookkeepers to get your books up to date and compliant with IRS standards if you ever have questions about running your business that even go beyond the scope of your bookkeeping or your taxes our bench bookkeepers are backed by our client research team and they are able to provide you with informed answers to

a whole wide range of complex business questions and so bookkeeping at bench uh basically what it looks like is every month your bench bookkeeper organizes your business transactions and prepares monthly financial statements for you and this makes it easy for you to stay on top of your finances but also to track the health of your business month over month and if your bookkeeper ever needs anything from you they will get in touch but if you ever have a question or you want to get in touch with them it's super easy to do so as well you can

message them directly in our platform in a messages feed or you can book a call with them and speak with them as soon as as soon as you'd like to at tax time we prepare a year-end Financial package and so this package contains everything you need to file your taxes so you can either just pass this package off to your accountant if they're the one filing your taxes for you accountants love this tax package because it contains everything kind of neat and organize it tidy otherwise if you do your own tax filing you can use

this package then to help you through that but if doing filing your taxes is not a task you particularly enjoy we understand and we can take that off your plate as well so that is a service that we also offer in our premium package um so let's talk a little bit more about tax support here at bench so our tax services actually include a whole team of tax experts who work with your bookkeeper to get you filed ahead of the deadlines but this support isn't just limited to tax season and uh tax time at the beginning of the calendar year our

tax advisors like um uh Patrick and Mark who've joined me today they're actually on hand year round to provide you with unlimited tax consultations at any time of the year and so uh this unlimited tax advisory what is this exactly so when you're a bench client and you're subscribed to our premium package which is our bookkeeping and our tax services you can actually book um as many calls as you like with our tax advisors at any time of the year so these calls will typically last anywhere up to an hour during that time our tax

advisors will get to know your business a little bit better understand your finances answer any questions you have and then offer valuable advice that's tailored specifically to your business uh they'll also educate you on methods to reduce your future income taxes and this is possibly one of your business's largest expenses so it's really beneficial to get a professional's opinion and and an experts um eye to help you figure out how to reduce that as much as you can all right so let's go ahead and meet our

tax advisors who are joining me today so we've got Patrick and Mark with us and I'll let you both introduce yourselves Patrick you can go first how's everyone doing uh my name is Patrick I am an enrolled agent based in Dallas Texas I'm enrolled to practice before the IRS and represent taxpayers before the IRS and I've been a Tax Advisor here at bench for almost a year I think next week we'll make it a year and my name is Mark I am a CPA um I've been a bench for almost two years now and I am from well I'm sitting

in a beautiful Wisconsin early afternoon right now so uh nice to see you all here great it's wonderful thank you okay so uh we can dive into the questions now and if you haven't already uh please submit your questions uh through your Zoom panel which should be somewhere near the bottom of your screen and there's a q a button there and that's how you can submit your questions uh and so we've got a couple uh in here already so we'll Dive In the first question is from Heidi so Heidi says I just filed for an LLC

can I have my fiscal year end in September rather than December and what are the benefits or disadvantages so yes you can change your fiscal year um you would use what's called a form 1128 to change your um your yearly reporting uh with the IRS um and then depending on what your business is usually I see seasonal uh businesses uh change their start and end dates um for the tax season just depending on where they want to align their revenue and expenses yeah exactly um the only thing I would add is that if it's a single member LLC and you're

filing as a sole proprietor that's filed on a schedule C and included with your individual tax return and that's not something that you're able to choose a fiscal year for that has to be a calendar year um so if your LLC is an S corporation a C corporation or a partnership um there's an opportunity to change your fiscal year and um sometimes but um if it's a sole prop unless I'm missing something I'm pretty sure that you are stuck on calendar year okay and Heidi uh has added um uh that she's filed for an LLC in

California I'm not sure if that affects anything yeah so she wouldn't be able to um change that fiscal year because she's reporting her personal taxes along with her business taxes on that schedule C that Mark was talking about okay okay and then I guess the California portion is a California is a expensive state to live in and it's expensive state to uh run a business in um California has an 800 per year fee for just having an LLC registered um so that's something to keep in mind they expect you to prepay it and then you

reconcile that 800 it's a minimum of 800 it can be more based on um on your gross income level I think but it doesn't I don't think it creeps up until you get into the the quite high level there but at a minimum you're going to pay have to pay 800 a year to run that LLC in California um I believe there is a first year exemption um so have your tax professional look into that so you're not paying it unnecessarily and I've heard stories that if you accidentally pay it for the first year they don't

necessarily give you a refund but if you notice that you have the first year exception um you're able to not pay it for the first year which is obviously a benefit for a you know small business that's just starting out hey great thank you so highly hope that answers your question uh all right the next question here from an anonymous attendee if you have a multi-member LLC who is responsible for filing form 1065 if everyone is an owner yeah that that's something that typically we would like to see in a

partnership agreement because that means that the the partners in that partnership have decided that they are going to have you know one or a couple of people you know responsible for the for the tax filing um in in the absence of having that you know that guide with the the partnership agreement um you know it doesn't necessarily there's not really a single person responsible it just you know that that returns got to get filed by the due date or by the extended due date um you know it's kind of kind of among

the members I would say to to figure out who who needs to do that filing and also so you're only filing one uh 1065 um that 1065 is going to come with a K1 and each partner is going to use that K1 to claim the amount of income that they're responsible for within that partnership um along with the self-employment taxes that they'll be taken apart of um on that K1 okay great thank you and um I believe there's a follow-up question to this um this question so when filling out the 1065 for a multi-member LLC how do you

know whether to select domestic partnership domestic LLC domestic general partnership or domestic LLP that would also well I guess that's something that it depends on what type of of partnership you've you register what type of LLC that you registered with the state you know if you uh the domestic partnership would be not you know not an LLC so it wouldn't be that it would be probably a domestic LLC um yes you know it depends on what sort of entity you're you're registered at or registered as a you know LLP versus LLC

usually on the state level when you're looking to register for the state that you're in it'll um let you know what type of LLC you are or multi-member loc that you are registered with all right great uh all right I'm seeing a question here in the chat which we can jump over to uh from Siobhan so hello I'm a single member LLC based in New York um based on operating in New York I have an e-commerce store that ships to all 50 states okay this question is about sales tax um which we may or may not be able to

answer um we primarily uh deal with income taxes but uh you can let me know if you have any thoughts Mark or Patrick is it accurate that I only charge sales tax to residents of New York state would I have to collect sales tax for international orders not sure if you're you have any thoughts there so we partner with um tax jar and avalara and they help out with sales tax processing so signing up with you know one of those partners that we have can ensure that you're withholding and remitting the appropriate sales tax for each of those

transactions yeah and I guess more generally um it depends on how much you're selling in each state right so if you know obviously the state that you're on and operating in you're going to have to you know collect sales tax for for sales to that state also to states that you don't you know say you're each I guess a better way to say this each state has a threshold of either sales or transactions or other items that create what's called Nexus um and you have to kind of do an assessment based on you know what your

status is in each of those States so say for example you sell a whole bunch in New Jersey if you make if you're over that threshold for reporting you know sales tax and and you know income tax for that matter to New Jersey then you're going to have to you know segregate those and collect sales tax from New Jersey as well so it's it's based on the the amount of either transactions or the gross amount of Revenue that you get from from a state and it's different from every state so that's why there's not

like a general rule um that is a really good idea to to have someone like tax jar because they can you know take a look at what you have and tell you exactly where where and when you need to do the sales tax filing International you know we don't touch that very often but I would say to you know be in line with that because it's some somewhere where you can certainly um you know trip up and and get you know a lot of fees and that kind of stuff typically unless you have you know it it's based on a level again like if you have a

certain amount of sales to the United Kingdom you're gonna have to charge value added tax which is like essentially their their version of sales tax which it follows a similar process um but you know I I really suggest if if you if you have questions about that you know contact a service that that specializes in sales in sales tax great all right Siobhan says thank you uh you're very welcome all right uh we'll jump back over to the Q a and this again as a reminder for those of you in attendance if you

haven't already submit your question uh through the Q a you can do so uh through more than one question too you know to just one yeah um okay and so we do have a couple more questions which we'll dive into another one here from Heidi uh says what uh this is a great question uh probably has a very um uh a broad answer but what tax deductions do I need to keep track of for an LLC so it that would that's a very broad question um so the main thing that we look at are your operating expenses so any expense

that's needed to operate your business on a daily basis so things like marketing expense um if you have a home office you want to look at the utilities that you're splitting between the personal use of the home and the office space um and so pretty much we try to look at any um advantage that you could have on the deduction side that has to do with you running your business on a daily basis wonderful yeah I guess the you describe expenses that IRS describes expenses as you know ordinary and necessary right so

any anything that you expend you know that's an ordinary thing for a business like yours and necessary for you to to have that business can essentially be expensed through that business um you know there's having like a an exhaustive list isn't necessarily something that that we could spot off here in in the time we've allotted but you know actually bench has a great blog about some some common business deductions I'm sure Allison was just going to link that um that has a lot of information like that

yeah I'll grab that I'll paste it here in the chat for you um Perfect all right and while I'm doing that we can jump into the next question uh so this is um another question about the 1065 so our k1's automatically generated after the 1065 is filed is this the only document needed for those individual members or owners of the LLC yeah so the k1s are actually part of the 1065 filing so it they're they're generated and filed along with the 1065.

you actually you'll get a notice of the IRS will get on your case if you don't file the k1s along with that 1065. um so that I guess the general answer is yes they're automatically generated typically you know the person who you know has contacted the tax filing will get their tax you know tax return back it's been filed with the IRS but then you will receive a K1 packet for each of you know the partners or the members in that LLC and then it's your responsibility to distribute that to those individual members and then they

use that K1 to report that partnership their allocation of that partnership income on their individual taxes so the second part of that question is is that the only document typically yes I mean there there could be cases where there's something else that you need but typically you know the K1 is is going to report everything that you need from that 1065.

all right and just to add the the reason for um things like Partnerships and uh S Corp returns are due a month earlier is because uh it comes with the K1 so they want to make sure that you have enough time to file that K1 with your personal return um once it's complete yeah that's a good call out to the the due date is you know like Patrick said a month earlier you can extend that for six months but realize that you know you have to have that that partnership returned on and have to have those k1s in hand before you're able to file your

individual returns hey wonderful thank you uh all right so I've just shared the link there for our blog post on um uh our the kind of like a high level overview of like the main kinds of uh tax deductions so you can take a look there all right um okay next question um does the first year exemption uh go by calendar year so I think Heidi here is referring to the um the fee for registering to be an LLC for California I think yeah yeah so it once California registers your business within that first year um that 800 minimum franchise fee is

waived for that first year of doing business and it I just looked it up quick too it's for the entity's first taxable year so you know if for example I know you're asking about fiscal years earlier so if you have like a fiscal year S corporation you know it would be for the first taxable year for that that you know that entity so you know if it goes from July to June or whatever then it would be that first that for essentially the first return that you send in you don't need to pay the hundred dollars

great all right and uh one more question here again from Heidi Howe is income tax differently from an employee versus an independent contractor this is a great question we get asked this so employees employees will have their federal income tax withheld for them on that W-2 independent contractors they get paid like regular small business owners where they're the ones that are responsible for paying their taxes at the end of the year so like when you see a traditional employee have a W-2 they'll automatically see their federal income

tax withheld on that income whereas someone who's an independent contractor they'll receive what's called a 1099 NEC and that's what they'll use to report their income but that won't withhold the taxes that were due on that income for sure and taking that a little bit further so if you're an independent contractor and you get a 1099 you're also going to have to pay self-employment tax on that typically uh depending on what it's Forum so you're you're paying your just says your wages

you know as income you're paying regular income tax on that amount less deductions right if so if you're an independent contractor typically you're going to report on schedule C with some deductions that go against that income so whatever that net income amount is you're going to pay a self-employment tax on in addition to your regular income tax and that self-employment taxes the Social Security and Medicare that's typically taken out you know half of half of it's taken out of your wage

you know as you earn it when you're a W-2 employee um your your employer pays the other half of it when you're self-employed when you're an independent contractor you actually owe the whole amount the whole you know 15 um so that's that's added to well the the 15 self-employment is not 15 it's rounded but that's added to the the regular amount of tax that you would have on there so it can be significantly higher than it would be you know on on regular wages all right all right thank you both uh

lots of helpful information so uh we do have a couple minutes left here for more questions so if you'd like to please feel free to submit uh any questions or Curiosities you have uh we've got our tax Pros here so make the most use of their time again you can submit your questions using that q a button or feel free to drop a note in the chat if that's easier for you uh and while we're waiting to see if there's any final questions um uh I'll just uh walk you through um a little bit more about

um uh benches free trial so uh if you found today's session and time here getting answers from Mark and Patrick really helpful imagine if you could have their unlimited support on a one-on-one setting year round where you can get all your questions answered and get really helpful advice advice you could do so through a bench subscription to our premium package and if you'd like to give bench a try you can do so on a free trial uh which you can start by heading to bench.

co and so in our free trial uh what we do is um we uh we have our bookkeepers complete a month of your books within just one business day so uh they're gonna hook up all your financial accounts uh they'll organize your transactions and then they will prepare financial statements for you and you can take those away and this trial is no commitment no credit card required we're just wanting to give you a chance to see uh really if bench's bookkeeping solution is the right fit for you uh and so again you can test start a free trial by heading to bench.co but if

you are already a bench client and you would like to um uh speak with your account manager about upgrading your subscription uh maybe you're on our essential package now and you would like to upgrade to our Premium plan just to make the most of these um this time and this advice here from tax advisors on a year-round basis you can do so by reaching out to your account manager I'll just paste the link where you can do so here in the chat uh so you if you're a bench client you can grab that link and talk with our team

there and learn a little bit more about our income tax services um and other than that I guess if there's no final questions we'll maybe give it another 30 seconds here if someone wants to enter in a question otherwise we can wrap up for today so again you can submit any any final questions you have with that q a or in the chat um looks like that might be all the questions for today so um oh we've got a question from Ayanna uh is there an opportunity to get one-on-one tax advice through bench yes yeah so 100

um so if you uh our bench client and you subscribe to our premium package uh you're able to take advantage of a tax consultation uh where it would be in a one-on-one setting with one of our tax advisors like Mark um or um or Patrick and basically the calls are anywhere up to an hour and during that time you are getting one-on-one tax advice um so that's um that's exactly what we offer through our tax advisory services and you can read a little bit more about that um I'll share a link here in the chat to

our pricing page that covers a bit more about what is covered in each of our packages um so you can visit that there okay we've got one more question that popped in uh this um maybe silly there's no silly questions um all right so how do I indicate that I paid myself with an LLC so the only time um you should be paying yourself um through an LLC is if that loc has elected to become an S Corp in the eyes of the IRS so an S corporation isn't necessarily a business entity it's more so a tax designation

at that point you would have to pay yourself what's called a shareholder salary and the IRS asked that it's reasonable so depending on the industry that you're in you pay yourself within that industry standard and then you're able to deduct that payroll expense on your S Corp return um another way you could pay yourself is if you're a partnership um you would pay yourself what's called a guaranteed payment um and a guaranteed payment isn't necessarily a salary but um it is something that you can deduct

on the partnership return um to reduce your taxable income and for for like a single member LLC that's like a sole prop you don't really pay yourself you just give yourself distributions they don't run through payroll or anything uh they they live on the balance sheet if you know you know kind of financial statement accounting but um essentially you can transfer you know yourself as much money as you want from the business and it's called a draw or a distribution from the LLC you don't need

to keep track it's not a deductible expense so you don't take you know keep track of down the income statement you don't get a deduction for it but it's it's tracked on the balance sheet usually in a in an equity account okay great thank you both all right um okay we have one more question we've got one minute left so we can see if we can tackle it how early can you start doing 1099s for contractors since the deadline is the end of January this is a great question I was just in a conversation about 10.99 yesterday

yes I I don't know if you have to wait till the end of the year I think you'd probably do um but you know I I don't know Patrick do you have any idea if you can send it before the end of the year I I know people typically don't because they're like well what if I send this guy another pair this individual another payment or something like that right I think traditionally if you're if you're done paying that independent contractor for that year um I think you could go ahead and file

that 1099. yeah I don't know like about e-filing and that kind of stuff but if you're paper filing you know I don't think there's anything wrong with sending it before the end of the year but you know typically the crunch for 1099s is you know January right because you have to then you're able to figure out the totals for the year get them all done at the same time send them out and file them before we know the end of January it's a it's a very you know compact timeline but it's

a it's a pretty simple process too with you know just the one form or whatever all right thank you so we'll wrap things up there now that we're at the bottom of the hour uh thank you again everyone so much for your attendance and your engagement and lots of great questions today uh we hope you found today's session helpful and again if you have any questions about benches Services you can head to bench dot Co and you can click Start a free trial and that will just um uh kick start your getting your

information into our system and having our team reach out to you and then that way you can ask them any more questions you have about benches bookkeeping and income tax support so thank you again everyone and if you found today's session helpful please share our website with a fellow business owner as we would love to have them join us in the future tax advisory Tuesday session and help them with their income tax questions so thanks again everyone and enjoy the rest of your day bye everybody