

May 14, 2009

2009 Planning: Tax Consequences for Self-Employed Individuals

Owning your own business can be very rewarding, both personally and financially. Being the sole decision-maker for this important undertaking can also be overwhelming at times. There are many choices that have to be made with consequences that are not always foreseen. We can help you to minimize the tax burden on your hard-earned income by identifying and maximizing business deductions, providing guidance on substantiation of expenses, and pointing out tax planning alternatives that are uniquely available to the self-employed.

Some frequently overlooked business deductions that you may be able to take advantage of are moving expenses, travel away from home, entertainment expenses, and the home office deduction. First year bonus depreciation and Code Sec. 179 expense allowance on the purchase of new equipment can provide a significant deduction. In addition, there are multiple benefits when you employ your spouse, child, or other family member in the business.

You should be aware that when you adopt certain tax positions, such as the distinction between employee and independent contractor, you may face a thorough investigation by the IRS. As a self-employed individual, you must comply with these rules for yourself or for any workers that you hire. If you are an employer, you are required to withhold income and employment taxes from an employee's income. However, if your workers are independent contractors, you are only required to report payments of \$600 or more on a Form 1099-MISC, Miscellaneous Income. Failing to make the right classification could cost you money.

Complex rules and calculations are involved in many of the planning opportunities that are available to you. We will be happy to review your overall tax scenario in order to maximize your tax savings. Please contact our office at your earliest convenience to make an appointment.

Sincerely yours,

Austin Associates, PA, CPAs