



Filing Taxes as a Freelancer

Sponsored by QuickBooks

Presented by Mariette Martinez, EA

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About Your Presenter



Mariette F. Martinez, EA
mariette@mariettemartinez.com

What I Love Doing and Who I Love Doing it For:

- Small Business Financial & Tax Accountant for over 20+ years
- Content Creator/Educator for Micro-Business Owners, Freelance/Self-Employed Business Owners & Bilingual Financial Professionals
- Small Business Advisor at **MarietteMartinez.com**
- Public Educator at **MasterYourBooks.com**
- Co-founder, Bilingual Education Platform, **TusTresMaestras.com**
- Intuit Trainer/Writer/Blogger & QuickBooks ProAdvisor
- #Mompreneur of 3 - Anette (14), Miguel (12) & James (3)
- **My Purpose:** Impact lives through education & connections





Another friendly conversation with your trusted friend & financial/tax accountant Mariette Martinez, EA

Agenda

- So you are a freelancer, now what
- Easily track income & expenses year-round
- How QuickBooks Self-Employed can help
- Freelancer tax tips & tax deductions
- Ask a tax expert Q&A



- **So you are a freelancer,
now what?**

The Freelance Economy & Their Greatest Needs



The Freelance Economy:

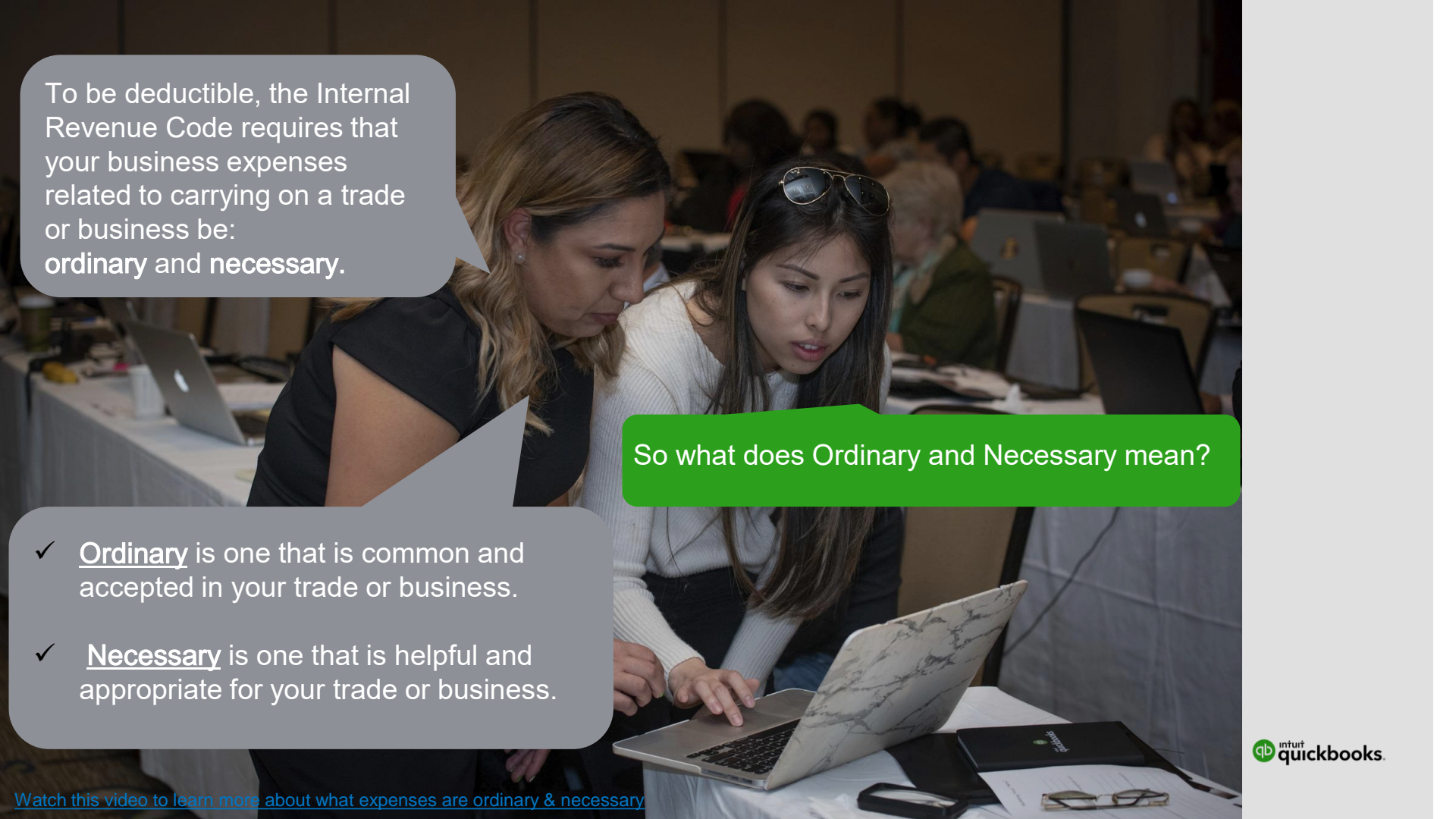
- **Non-Employee** 1099Misc service-based independent contractors
- **Freelancers ARE Self-Employed Business Owners**
- Commonly location independent, mobile & home-based (SOHO)
- *May* receive 1099Misc NEC and/or 1099K for services rendered
- *May* work multiple jobs & may receive multiple income sources incl. wages

Their Greatest Needs:

- Financial & business education for self-employed
- Easily track income & expenses year-round
- Separate personal & business transactions
- Track billable time for client invoicing/billing
- Capture receipts & expenses for tax deductibility
- Calculate owner's pay, net profit & estimated taxes
- Prepare, file & timely pay quarterly estimated taxes
- Prepare IRS Form 1040, Schedule C & Schedule SE



- **Easily track income & expenses year-round**

A photograph of two women in a meeting room. One woman with long blonde hair is leaning over a laptop, pointing at the screen. The other woman with long dark hair and sunglasses on her head is looking at the laptop. They are in a room with other people and laptops in the background.

To be deductible, the Internal Revenue Code requires that your business expenses related to carrying on a trade or business be:
ordinary and necessary.

So what does Ordinary and Necessary mean?

- ✓ Ordinary is one that is common and accepted in your trade or business.
- ✓ Necessary is one that is helpful and appropriate for your trade or business.

[Watch this video to learn more about what expenses are ordinary & necessary](#)

What to Track , How to Document & Where/When to Report

What to Track



- Income (Revenue)
- Expenses
- Purchases for sale (inventory)
- Assets (equipment & electronics)
- Liabilities (loans, credit cards)
- Equity/Owner transactions
- Payroll related forms
- 1099Misc Contractor forms
- Permanent business docs
- Tax returns and tax forms
- [IRS suggested records](#)

How to Document



- Export transactions from online bank/credit card accounts(csv) and create Profit or Loss & Balance Sheet
- Automate bookkeeping with bank & credit card transactions download into electronic accounting solution
- Utilize apps to capture receipts through mobile/scanner
- Utilize a secure cloud storage to organize documents
- **How to document by document type**
 - Income documents include: bank deposit with notes, customer invoices, POS reports, Forms 1099s, cash apps
 - Expense documents include: check register, 3rd party payments, petty cash receipts, bank w/draw with notes
 - Mileage log must include: date, destination, purpose and amount of miles for each business related entry
 - Assets documents include: list of assets that need to be considered for depreciation
 - [IRS suggested record retention](#)

Where to Report

- Form 1040, Schedule C Profit/Loss Sole Prop
- Schedule SE (SE Taxes)
- Form 1040-ES quarterly estimated federal taxes
- Form 1120S (for S Corp)
- Form 1120 (for C Corp)

When to Report

- [Know your Tax Deadlines!](#)

The Lowdown on **What to Track** as Self-Employed

Income

Non-employee compensation for services rendered to a non-employer including payments received in cash, check, cash equivalent (cash app) and/or credit card payments which may include:

- Income reported on Form 1099-Misc (will receive when paid over \$600)
- Income reported on Form 1099-K (will receive when paid over \$20k with over 200 transactions)
- Gross receipts/sales from clients
- Bartering (taxable at FMV)

Tax Pro Tip:

- Don't confuse reporting net self-employed income/loss with paying self-employment taxes – *The \$400 or more rule*

Expenses

Ordinary & necessary business expenses which may include the following:

- Supplies, tools & materials
- Travel, accommodations & transport
- Auto expenses & maintenance
- Professional development & fees
- 50% meals; no entertainment
- Sales commissions paid out
- Credit card/merchant fees
- Advertising & marketing
- Payments for contract labor
- Payroll expenses
- Office lease & office expenses
- Website design & maintenance

Require additional documentation

These ordinary & necessary expenses may require additional substantiation, calculations & exceptions may apply:

- Self-employment taxes (15.3%)
- Qualified business income deduction (20%)
- IRS Approved mileage log
- Assets (equipment & electronics)
- Liabilities (loans, credit cards, credit lines)
- Expenses paid with petty cash
- Equity/Owner transactions
- Qualified home office space
- SE health insurance premiums
- SE retirement plan contributions
- Start-up costs & organizational costs
- Depreciation

Keep Track of Everything to Stay Audit Proof

Save your receipts & banish the box

- Create a system to store receipts in one place with anytime, anywhere access
- When everything is in one place, you won't miss out on a single deduction
- [Stay organized by using technology to save you time and money](#)



3 suggestions for managing receipts

- Snap a pic using your phone
- Use a scanner to scan receipts into an electronic filing cabinet
- Upload to QuickBooks through your phone or drag/drop



Utilize Resources to Keep You on Track Year-Round

Business Education **always**
comes FIRST!



Leverage technology to
stay on track year-round



Resources for
Self-Employed Success

Education needs to adapt

89%
of freelancers wish education better prepared them for freelance work

qb intuit quickbooks.
Resource Center

\$5,328
POTENTIAL ANNUAL DEDUCTIONS

Coffee	\$12
Dinner	\$89
Supplies	\$43
Gas	\$36
Printing	\$23

qb intuit quickbooks

\$3,479
ANNUAL TAX DEDUCTIONS

19 miles \$11

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Master Your Books
with Mariette Martinez EA
Stress-Free Freelancer Finances & Taxes
Self-Employed Tax Checklist

Know Your Legal Entity & Tax Filings

- Sole Proprietor/ Form 1040 Schedule C & Schedule SE
- Partnership/ Form 1065 & Schedule K-1 (Pass-through)
- S Corporation/ Form 1120S & Schedule K-1 (Pass-through)
- C Corporation/ Form 1120 (Separate tax-paying entity)
- Limited Liability Company/ Filing based on federal tax entity

Know Your Tax Deductions

- What is a Tax Deduction
- Most Common Tax Deductions for the Self-Employed
- Most Common Tax Deductions for your Industry Type
- Additional Tax D
- Tax Deductions t

Know Your Tax

- Quarterly estim 4/15, 6/15, 9/15
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- Individual Tax R 4/15 (will provid
- Extended Indivi 10/15 (if extens
- To claim a refun after the date ye after the date ye

QUICKBOOKS SELF-EMPLOYED AT TAX TIME

FREELANCERS

3 Simple Options to Track Bookkeeping & Taxes Year-Round

Manual Ledger

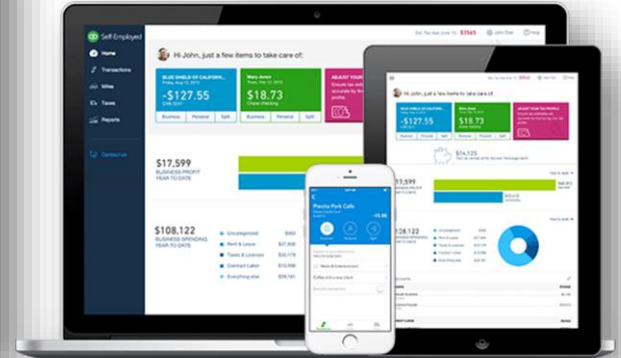


Good 'Ole Spreadsheet


TAXPAYER NAME		
TAX RETURN INFORMATION FOR TAX YEAR XXX		
SCHEDULE C - PROFIT & LOSS		TAX YEAR 2019
GROSS RECEIPTS		1,000.00
LESS: COST OF GOOD SOLD		20.00
GROSS PROFIT		980.00
OPERATING EXPENSES		500.00
NET INCOME/LOSS PER BOOKS		480.00
TAX ADJUSTMENTS-ACCOUNTANT USE ONLY		
50% NON-DEDUCIBLE MEALS		
DEPRECIATION DEDUCTIONS		
NET INCOME/LOSS PER TAXES		-

Easier, Electronic Automated Way

Introducing...



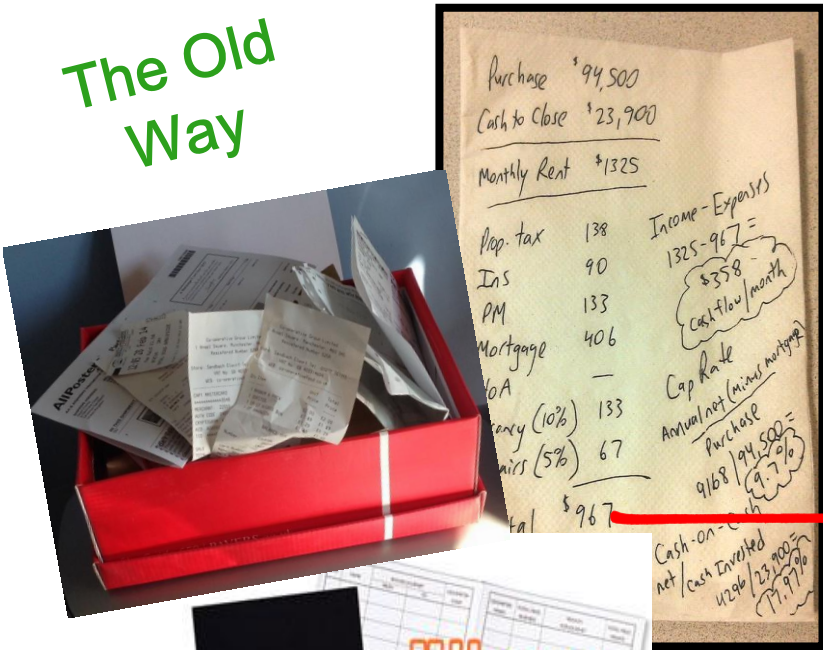
intuit quickbooks.
Self-Employed



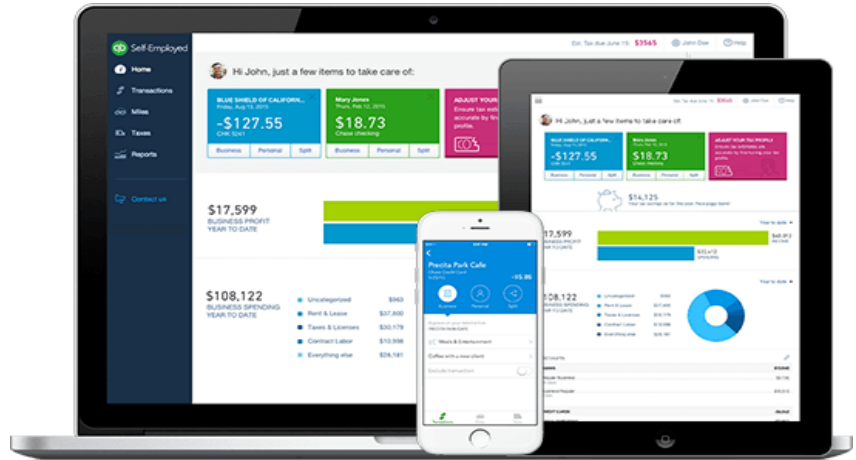
- **How QuickBooks
Self-Employed can help**

Stress-Free Freelancer Bookkeeping & Taxes Year-Round

The Old Way



Introducing...



QuickBooks Self-Employed Can Keep You On Track Year-Round



Mobile app & work on the go



Track mileage automatically to calculate auto expense deduction



Track bank & credit card activity in real time and separate personal from business transactions



Project net profit in real time to calculate estimated taxes



Categorize transactions to simply match with Schedule C line items



Timely pay estimated taxes



Capture Receipts from mobile device and banish the shoebox



Populate reports to provide to tax professional



Keep more of what you earned by having financial visibility year-round

The QuickBooks Self-Employed Workflow to Prepare for Tax Time

Real-time, automated bank & credit card feeds

1

bank of america

- Bank of America
- Bank of America Mortgage
- Bank of America Community Bank
- American Bank of Texas
- Bank of America Military Bank
- Bank of America Fork
- American Bank of Oklahoma
- American Bank of Missouri
- American Bank of Montana
- American Bank of Sidney

USAA® USbank DISCOVER

Secure, encrypted connections. No one can withdraw or transfer your money. Ever.

Categorize transactions for accuracy and keep personal expenses separate

2

Transactions as of 11/7/16 9:21 PM

Type: All Account: All Last 12 months Search Transactions

DATE	TRANSACTION	AMOUNT	TYPE	CATEGORY
8/25/16	Insurance Premiumamica Cash	-\$150.00	RULE-SPLIT Business	Business Insurance
8/25/16	Insurance Premiumamica Cash	-\$350.00	RULE-SPLIT Personal	Personal Spending
8/25/16	Comcast	-\$84.25	Business	Utilities
8/25/16		-\$2,500.00		
8/1/16		-\$125.00		
8/1/16		-\$38.00		
8/1/16		\$3,215.00		
8/1/16		-\$615.00		

Split Transaction - \$38.94

DESCRIPTION: Staples (exact)

Split by: Percentage

TYPE	CATEGORY	PERCENTAGE	EXCLUDE
Business	Office Expenses	50	<input type="checkbox"/>
Personal	Personal Spending	50	<input type="checkbox"/>

Always split Staples: 50% Office Expenses / 50% Personal Spending

Cancel Save

Prepare for tax time early

3

Reports



Profit and loss

A profit and loss report summarizes income (the money you earned) and expenses (the "income statement.")



Tax summary

Shows your taxable business profit (income minus deductions) and totals for Schedule C



Tax details

Similar to tax summary

Income	
Business income	\$0
TOTAL INCOME	\$0
Expenses	
Advertising	\$0
Car and truck	\$0
Contract labor	\$0
Equipment rent and lease	\$0
Fees	\$0
Insurance	\$0
Interest paid	\$0
Legal and professional services	\$0
Loan principal	\$0
Materials & Supplies	\$0
Meals and entertainment	\$0
Office expenses	\$0
Other business expenses	\$0
Rent and lease	\$0
Repairs and maintenance	\$0
Taxes and licenses	\$0
Travel expenses	\$0
Utilities	\$0
TOTAL EXPENSES	\$0
NET INCOME	\$0



- **Freelancer tax tips & tax deductions**

Must Knows about Upwork & Freelancer Taxes

- You **do not work** for Upwork; **You work for yourself**
- As a Self-Employed Freelance business owner, you use Upwork as an online marketplace to connect with your potential clients who pay you through Upwork
- If you're a freelancer whom the Internal Revenue Service defines as a [“U.S. Person”](#) and earn money working with your client(s) through Upwork, you need to report all worldwide income on your U.S. income tax return
- You pay Upwork membership and service fees and these fees are deductible business expenses
- Upwork recommends that freelancers use the [Earnings by Client report](#) to accurately document reportable earnings



Maria Smith 100% Job Success TOP RATED

Miami, FL - 3:17 pm local time

Profiles: General Profile, Specialized Profile

Manage Specialized Profiles

\$95.00	\$200k+	170	2,734
Hourly rate	Total earned	Jobs	Hours worked

Tax Forms that Report Freelancer Income

As a Self-Employed Business Owner, you are required to manage your income and expenses year-round for tax purposes and report all income received, regardless of the tax forms you receive

Tax forms that *may* report freelancer income

- **1099-Misc:** Per IRS regulations, you must send Form 1099 to any non-employee who your business paid \$600 or more to during the calendar year (Reporting NEC - Box 7) by January 31st (*Exceptions Apply)
- **1099-K:** Per IRS regulations, you should receive Form 1099-K by January 31st if, in the prior calendar year, you received payments:
 - from payment card transactions (e.g., debit, credit or stored-value cards), and/or
 - in settlement of third-party payment network transactions above the minimum reporting thresholds of gross payments that **exceed \$20,000, AND more than 200 such transactions**

Form 1099-MISC 2019. This form is used to report miscellaneous income. The year 2019 is circled in red. The form includes fields for PAYER'S name, Rents, Royalties, Other income, Fishing boat proceeds, Nonemployee compensation, and various tax withholdings. It is labeled as 'Copy 1 For State Tax Department'.

Form 1099-K 2020. This form is used to report payment card and third-party network transactions. The year 2020 is circled in red. The form includes fields for FILER'S name, PAYEE'S TIN, Gross amount of payment card/third-party network transactions, and monthly breakdowns of transactions from January to December. It is labeled as 'Copy 1 For State Tax Department'.

Deduct a portion of Self-Employment taxes

Self-Employed individuals can claim a portion of the self-employment tax as a deduction (roughly one-half).

The self-employment tax rate is 15.3%. That rate is the sum of a 12.4% Social Security tax and 2.9% Medicare tax.

Taxes are a pay-as-you-go in the U.S., so you may be required to make quarterly estimated tax payments. Did you know you can even pay monthly?



Estimated taxes made easy

More on estimated taxes:

[Guide to SE Taxes](#)

<https://youtu.be/acke7yxkTIs>



Deduct up to 50% of business meal expenses

Meal deductions are allowable if:

- Incurred on business travel or,
- Provided to a current or potential business customer during a meeting
- Office snacks and employee meals
- Substantiated with receipts noting each person and the business reason for meal

Entertainment expenses are no longer deductible.



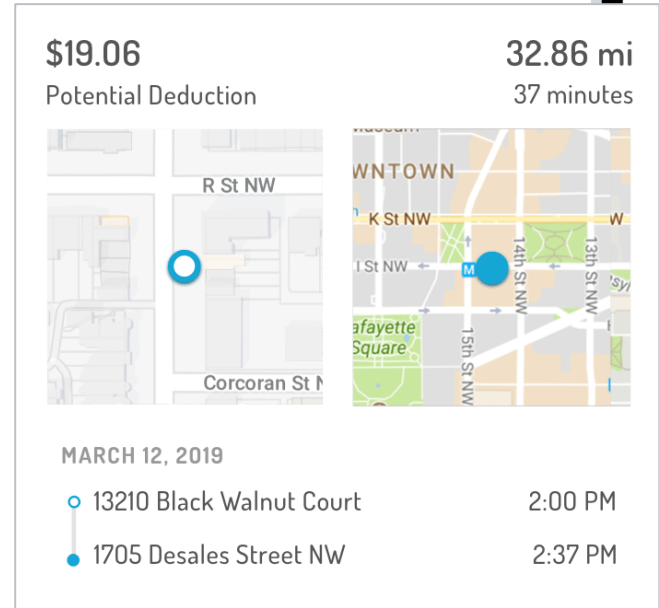
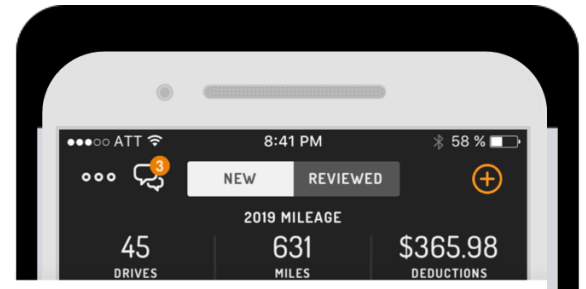
Deduct business travel

- For business conducted out of town, *reasonable* travel expenses are deductible
- Hotels and airfare at 100%, meals at 50%, **0% for entertainment**
- Keep all receipts, document business reason for the trip, who you met and where you went



Deduct transportation costs

- Business trips during the day are deductible
- Choose between Actual Expense (keep receipts) **or** Standard Mileage Method (58 cents per mile for 2019, 57.5 for 2020)
- No commute costs allowed (from home to 1st work location & last location back home)
- Keep a mileage log **OR** use a mileage app like QuickBooks Online to track business miles

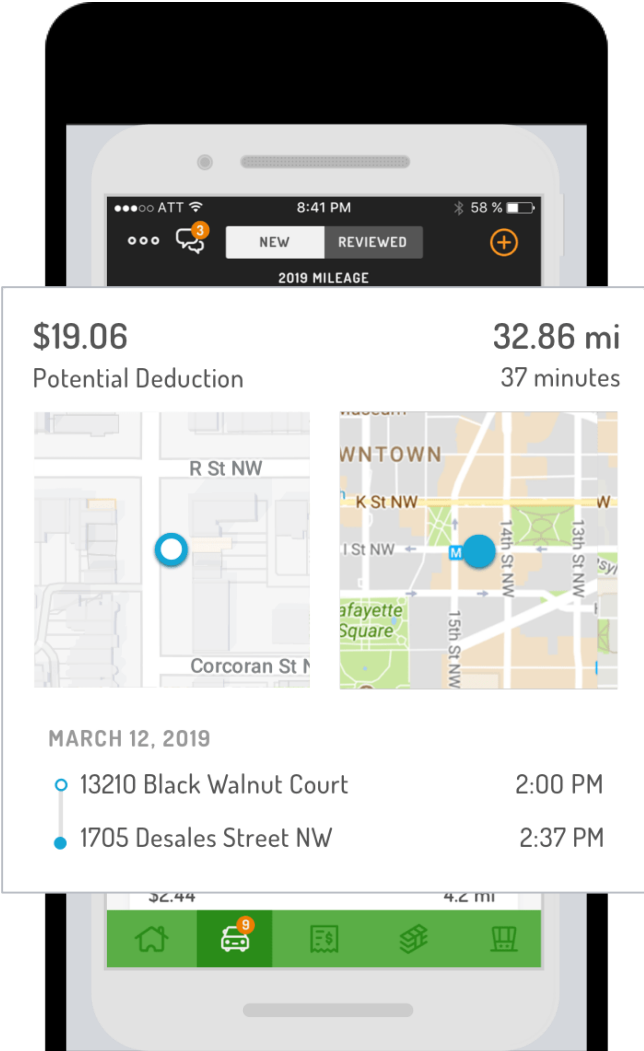


Deduct transportation costs

More on Auto Expense Deduction:

[IRS Topic on Business Use of Car](#)

<https://youtu.be/6RfsZkTUf20>



Take the 20% business income deduction

Under the Tax Cuts and Jobs Act of 2017, small businesses may qualify for a 20% deduction off their business net profit.*

This **Qualified Business Income Deduction** applies to small business owners who report their operations as following:

- Sole proprietors who use Schedule C
- Income from partnerships
- Income S corporations
- Income from LLCs, trusts & estates



* Exceptions apply

Deduct your home office



If you use part of your home **regularly and exclusively for your business**, you may qualify to claim a pro-rated home office deduction for utilities, rent, mortgage interest, depreciation, and cleaning fees. Calculated based on the square footage of your home used for your business or use the simple method.

Deduct your home office



More on Home Office deduction:
[Guide to Home Office deduction](#)
https://youtu.be/Pe_ESMFDL90



Deduct start-up costs

When you start your business, you may qualify to write off up to \$5,000 for pre-opening start-up expenses, including:

- Advertising & signage
- Travel to visit suppliers & customers
- Amounts paid or incurred for starting an active trade or business

Tax Pro Tip:

Once the business actually opens its doors, expenses may be deductible if they meet the IRS requirements of being ordinary and necessary.



Deduct health insurance

Self-Employed individuals can deduct the costs of personal health insurance premiums as long as:

- Your business is claiming a profit.
- You were not eligible to enroll in an employer's health plan, or your spouse's plan.

Tax Pro Tip:

Where do health insurance premium deductions show up?

Page 1 of Form 1040 as adjustment to gross income



INCOME

W2 income from employers (you and your spouse)

Self-employed taxable income
(1099 income, etc., minus deductions)



ADJUSTMENTS

HSA contributions

Self-employed health insurance deduction
Deductible part of self-employment tax



Adjusted Gross Income (AGI)

Super simplified tax picture

Tax Deductions Every Freelancer Should Consider

- **Are you a Road Warrior?**
 - [Actual expense vs. standard mileage](#) – need log for both (58 cents/mile for tax year 2019)
 - Buy or lease business vehicle
- **Where are you Getting Things Done?**
 - Outside office
 - [Home office](#)
 - Co-working space
 - [Maximize legitimate home office from tax experts](#)
- **Are you traveling out of town for business?**
 - Airfare, transportation, lodging, meals (50%)
- **Is this your 1st year in business?**
 - [Start-up costs \(\\$5000 and/or 180 months\)](#)
 - Business insurance
 - Bank & merchant
 - Education
 - Rent & storage
 - Legal & professional fees
 - Office/Shop setup and supplies
- **Leveraging Technology? Go for it, they are deductible!**
 - Customer Management System (CRM)
 - Tracking your finances(QBO, QBSE)
 - Work smarter with business apps
- **Are you Saving for Retirement?**
 - Traditional IRA vs Roth IRA
 - Solo 401(k)
 - Simple IRA vs SEP IRA
- **What does it take to Close the Deal?**
 - Client Gifts (\$25 or Less)
 - Finder/Referral fees
 - Team effort (hiring talent)
 - [Advertising & promotional swag](#)
 - Fees to freelancer & engagement platforms
 - Virtual assistant and/ outside services
- **Who's helping you grow professionally?**
 - Professional/Association dues
 - Business & technical conferences
 - Business coach & masterminds



Common small business tax deductions

More on common tax deductions:

[Ultimate Guide for Self-Employed Deductions](#)

<https://youtu.be/TyfdiDzO5cw>



Q&A

The background features a gradient from light green to teal. A prominent diagonal stripe runs from the bottom-left towards the top-right. Overlaid on this stripe are several large, rounded, overlapping shapes in varying shades of teal and green, creating a layered, abstract effect.

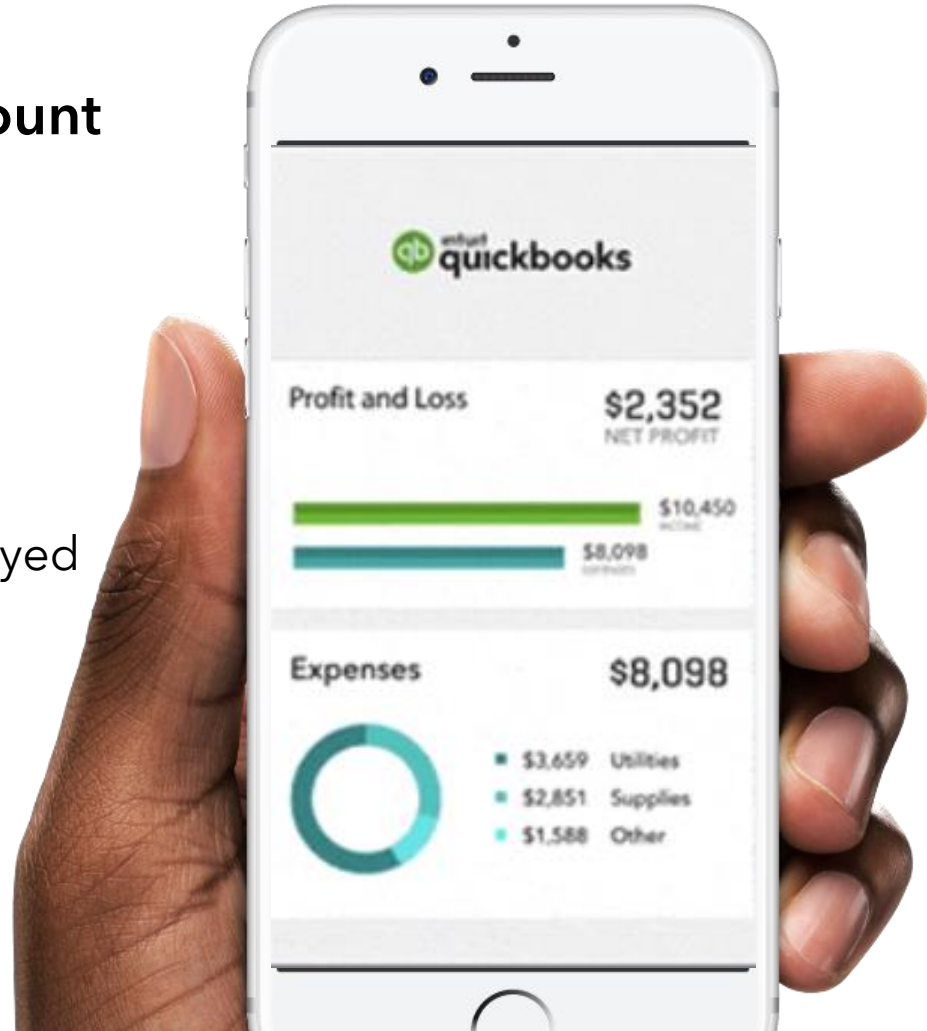
QuickBooks Self-Employed Discount

Product Features

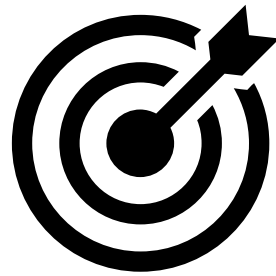
- Easily sort and track expense
- Tracks mileage automatically
- Snap photos and store receipts
- Easy quarterly taxes
- Integrates with TurboTax Self-Employed

Special Discount for Upwork users:

Intuit.me/UpworkWebinar



Where do you GROW from here?



- Continue to learn what it means to be a freelance self-employed business owner through self-education & resource partners
- Leverage resources & technology to stay on track of your bookkeeping, taxes and source documentation year-round
- Track your business income and expense transactions electronically so you can keep more of what you earn, stay tax compliant year-round and have financial visibility in real-time
- Grow your freelancer business to serve your needs & to provide you the lifestyle friendly profitable business you desire

Thank you!