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Self-Employed Help Sheet Instructions

We are a year round practice. We are happy to answer any questions our clients may have, within our area of expertise, any time during the year. Please call the office.

ESTIMATED TAXES: If you do not deposit a sufficient amount into your withholding account by January 15th each year, a substantial underpayment penalty of 5% can be assessed. Penalties and interest are then tacked on to that.

Please, arrange for us to compute your estimated tax as soon as possible, if you have not already done so. The due dates for payments are April 15th, June 15th, September 15th, and January 15th. Your tax should be computed the month before it is due. Any payment made after January 15th will not count for following year.

EXTENSIONS: Form 4568 is an extension of the time to file. Not an extension of the time to pay.

REVENUES: List all business revenue by type and source.

COST OF GOODS THAT YOU SELL: Please, list all the following:

1. Inventory at the beginning of the year
2. Total of items purchased for resale
3. Items withdrawn for personal use
4. Inventory at the end of the year
5. All other costs of handling your inventory

MATERIALS: All of the materials you use to provide your service would be totaled by type.

VEHICLE EXPENSES: Keep track of the following items separately for EACH vehicle:

1. Cost of the vehicle
2. Date of purchase
3. The total miles on each car for the entire year
4. The business miles on each car for the entire year

Also, keep all receipts and total the following, separately, for each vehicle:

Gas/oil, maintenance, repairs, insurance, loan interest, auto club, tag, inspection, and all other costs of operation.

You can deduct expenses or mileage for each car you own or lease even if you are not driving it.

SUB CONTRACTORS (Companies): Total these by type and by name.

LICENSES AND REQUIREMENTS: List each separately. Inspections are deductible.

UTILITIES AND TELEPHONES: All utilities are deductible. The base rate for a phone is not deductible unless it is a separate business line. Actual business long distance is deductible.

CONTRACT LABOR: All labor you paid is deductible. However, you must file a 1099 before January 31st for each person whom you paid \$600 or more during the year. If you pay someone "under the table," you cannot deduct it, and will end up paying taxes on that money.

INSURANCE: All business insurance is deductible. A percentage of self-employed health insurance is deductible on page 1 of the 1040.

TAXES: Sales tax is not an expense. Do not add it into your revenues and do not deduct it as an expense.

TRAVEL, MEALS, ENTERTAINMENT: This category is a mine field. For business entertainment include on each receipt the names of those who you entertained, where, why, the date, and the amount. List meals and entertainment separately from travel expense. Do not deduct any expense for any travel companion unless they are employed by the company and you can prove it.

EQUIPMENT & TOOLS: All tools that cost less than \$100 or have a life expectancy less than 3 years can be totaled together. For large items, list each separately with a date of purchase and its cost.

OFFICE IN YOUR HOME: The office must be separate room used exclusively for business and/or seeing clients. It **MUST** also be your primary business location and/or used to store inventory. To compute the deduction for the first time, we will require the closing statement for the house, and the square footage of the house and the office. You need to total all utilities, each separately, as well as all other costs of operation and maintaining the facility.

OTHER: You know what it costs to operate your business. List everything you can think of, with explanations. Feel free to call the office if you have any questions.

OFFICE HOURS: Noon to 8pm Tuesday through Saturday