

Year End Business Tax Newsletter

2017

Forms 1099-MISC Issued to You

If you received any forms 1099s, check them for accuracy. Any discrepancy should be reported to the issuer and requests for a corrected 1099-misc.

Forms 1099-MISC Issued to Your Freelancers, Independent Contractors (ICs)

If you paid more than \$600 to a business or individual for services rendered, you are required to issue Form 1099-MISC. Forms with Box 7 amounts, Non-employee compensation, must be filed with the IRS no later than January 31, 2018. The due date is the same for paper and electronically filed forms. Forms must be mailed to the recipients no later than January 31, 2018. If you are required to issue the forms and do not, heavy penalties apply and your deduction may be disallowed by the IRS. The IRS has increased penalties for late filed 1099s.

Form 1099-K

If you received Form 1099-K from the credit card processor, beware. The IRS is comparing the amount reported on Forms 1099-K with the total income you report on your business tax return.

Office in Home

If you have an office in home, your office must be used *exclusively* and *regularly* for your business with no personal use. The IRS have disallowed deductibility of home office expenses if personal items such as TV, beds, dining table are in the same room.

Office in Home & Transportation Expenses

In general, you may deduct daily transportation expenses incurred in going between your home office and another work location in the same trade or business, regardless of whether the other work location is regular or temporary and regardless of the distance.

So, if you do not meet the home office rules then your business miles do not start until you reach your first business stop of the day. Therefore be sure to adhere to the Office in Home rules.

Business travel expense - Mileage

Keep a log of your business mileage. Without a mileage log, no deduction is allowed. Again, keep track of the name of the client and business purpose of the meeting. The standard mileage rate for 2017 is 53.5 cents per mile.

Recording business Mileage on your Phone

There are many apps out there. After reading reviews and trying two apps, we chose TripLog. The price is very reasonable (\$30 a year) and it is very intuitive and easy to use.

Telephone expense

If you have a business that you operate in your home, you must have a **separate business telephone line** to deduct your telephone expenses. If you have a personal phone from which you make business calls, you may deduct only the business long-distance amount as telephone expense.

Cell Phone Used for Business

You may only deduct the business usage calls. Detailed cell phone usage statements are available by your cell carrier. You should download and save these statements.

Travel and Meal & Entertainment Expense

In addition to a receipt, make sure you keep a log noting the name of the client, the purpose of the trip, meeting or meals and who attended. Your credit card statement is not considered a receipt. It is a substantiation of your payment.

Business Inventory

The IRS continues to place an increased emphasis on the physical inventory of businesses as of December 31st each year. Make sure that if your business does have inventory, you count that inventory the last day of each year.

Sales Tax

Sales and use tax audits are increasing. In general, you must pay sales or use tax on any item you purchase that is not re-sold (e.g. office supplies, equipment, etc.). You must collect sales tax on any item sold to non-exempt customers. This includes items purchased online on which you paid no sales tax.