PHYLLIS JO KUBEY, EA CFP NTPI Fellow
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Revised January 2021

PERFORMING ARTIST DEDUCTIONS

Accompanist Fees/Audition Fees/Competition Fees
Accounting Fees/Tax & Financial Advice & Preparation
Agent/Management Fees and Retainers/Contractor's Fees
Auto Expenses (**see Auto Expense document**)/Auto Rental for business
Books and Publications pertaining to your field (Backstage, % of NY Times, etc.)
Cabs, Subway, Bus/Local Transportation (keep log or notations in your calendar)*****
No commuting/Business-Business only (includes transport from home office)
Coaching/Lessons/Professional Training/Professional Education/Drama Coaching
Costumes/Wardrobe (grey area with IRS but let's do tuxes, gowns **not** audition wear)
Dance Clothing
Depreciation of Equipment (anything which will last more than 1 year; i.e. Audio, Video Equipment, Instruments, etc. (I'll need dates of purchase and cost per item)
Dues (Union/Professional Organizations) - **DON'T FORGET WORK DUES**
Business Meals (Wining & Dining Professional Colleagues, etc.) **50% deductible***
Insurance Premiums (Instrument/Equipment) - Health Insurance has special rules
Maintenance of Wardrobe for Performance (Dry cleaning, alterations, etc.)
Makeup/Hair for Stage, Photo Shoots, etc.
Music, Scores, Recordings, Tapes, CD's, Videos
Piano Tuning/Instrument Maintenance
Publicity (Photos, Resumes, Press Kits, Website, etc.)
Postage & Printing/Office Supplies/Copying/Fax/Fed-Ex/Internet Access
Professional Gifts (up to $25.00 per person per year allowable)*****
Professional Research/Professional Viewing (concerts, movies, % of cable, streaming services etc. – but very difficult to prove business use for cable & streaming services)
Rehearsal Fees/Hall Rental, etc.
Subcontracting/Substitute Fees paid to colleagues out of pocket ($600+ file 1099)
Supplies (Reeds, Strings, etc.)
Telephone & Internet – It is very difficult to prove business use for mixed business/personal lines/accounts. Separate business line/account is recommended.
Travel (**Please keep meal expenses separate from lodging & travel**). You may take a meal allowance in lieu of receipts (if you spent more, use actual receipts). For foreign travel, higher amounts apply. These per diems apply **only to meals**, not to lodging, so keep receipts for that. Tax law concerning travel and per diem is complex. Please consult me should you take a job where this is involved. **I'll need the dates spent in each location/I'll figure the rest. *Special substantiation rules apply to travel, entertainment, transportation, gifts. Meals are subject to 50% limitation (100% for 2021 & 2022).**

- **If you prefer to use worksheets to organize your deductions, there are good ones available here: http://bit.ly/36a24fI**

ADMITTED TO PRACTICE BEFORE THE INTERNAL REVENUE SERVICE

GENERAL INFORMATION

INCOME

IRS treats income differently depending on how it is reported. There are two major categories which concern performing artists: **W-2** and **1099-misc./Fee**.

W-2 income is treated as wages and income and FICA taxes are generally withheld. Your employer will pay 50% of your FICA taxes. 1099/Fee income is treated as if you were self-employed with a sole-proprietorship form of business entity. This income goes on a business schedule (Schedule C) and your expenses can be taken directly against it. It is important to understand the difference because your business income is also subject to 15.3% self-employment tax (equivalent to the FICA/Social Security tax) on any profit remaining. Since 1990, 50% of your self-employment tax is also deductible in figuring your income tax.

OTHER DEDUCTIONS (SCHEDULE A)

Many of you will take the majority of your performing expenses on the business schedule and can, therefore, use a standard deduction (Single - $12400, Head of Household - $18650, Married Filing Jointly - $24800, Married Filing Separately - $12400). Those of you whose income is mostly from wages (W-2) and/or who have other deductible expenses (see below) may also be able to itemize your deductions on Schedule A. The expenses that fall into this category are:

- MEDICAL EXPENSES
- TAXES PAID (state/local, real estate, personal property, sales tax) – limited to $10,000 total for federal tax under the Tax Cuts and Jobs Act
- INTEREST PAID (Home Mortgage/Points *no personal interest/credit card debt*)
- CHARITABLE CONTRIBUTIONS (need letter for $250+)
- CASUALTY AND THEFT LOSS – limited to federally declared disaster areas under the Tax Cuts and Jobs Act
- GAMBLING LOSSES (to the extent of gambling winnings)
- MISCELLANEOUS DEDUCTIONS (Certain states only, including New York, beginning 1/1/2018)
- Unreimbursed employee business expenses, Tax Preparation, Investment Expenses
-

Of course, this is only intended as a guide and you will, no doubt, have individual situations and concerns that need personal attention. Please feel free to contact me and I will be more than happy to discuss your situation. Also, any time you receive any correspondence from the IRS or State concerning your taxes, please send it to me directly (***do not wait until next year's tax appointment!!!***) and I will take care of it for you.

Last, but not least: special rules apply for **OFFICE-IN-HOME**. I will be happy to explain them to you. Ask me for details. **WHEN IN DOUBT, ASK!!!!!**

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AUTOMOBILE EXPENSES

Additional reading and reference: Please see IRS publication 463 for information on travel, transportation, gifts & entertainment, local transportation & car expenses (www.irs.gov or call 1-800-829-3676 to order your free copy)

When you use your car for business, you must keep very good records of your business use. These recordkeeping requirements are prescribed by Congress and are detailed in the Internal Revenue Code and Regulations. If you have a second car that you only use for business, 100% of the costs of operating the vehicle may be used. If you have a car that you use for mixed business and personal use, the percentage of the costs attributable to business use are deducted. For example, if you drove 15000 total miles and 10000 of those miles were business-related, then 66.67% (10000/15000) of your auto expenses would be deducted subject to additional limitations described below.

These rules do not apply to short-term vehicle rentals (30 days or less). If you rent a car for short-term business use (i.e. for an out of town business trip), you may deduct 100% of the auto rental plus any amounts spent for fuel, parking, tolls.

There are two methods for taking deductions for business use of your car:

1) Actual Expense Method
2) Standard Mileage Deduction

For both of these methods, you must keep track of total miles driven during the year (odometer reading on 12/31/2020 minus odometer reading 1/1/2020) and the business miles driven during the year. You must keep a detailed and accurate mileage log of your business usage in order to substantiate the deduction. You may purchase a mileage log in any stationery store, make your own log, purchase an app (recommended) or I am happy to provide a template for you. Your log should include the date, business purposes/destination, beginning odometer reading, ending odometer reading, miles traveled, and parking & tolls for each business use. At the end of this article, I have included web links for mileage log resources.

For the actual expense method, in addition, you must keep track of the total amounts spent for all operating expenses (i.e. fuel, insurance, repair, service, car wash, registration, oil, lease payments. N.B. If you pay for monthly parking of your car, include the total monthly parking [garage] as part of the total operating expenses. Any specific parking and tolls related to specific business trips are stated separately as described above). You may also depreciate the business percentage of the cost of the car.

Congress has prescribed limits for depreciation deductions for "luxury" autos. There is a statutory ceiling that is prescribed each year for depreciation claimed. You cannot claim more than the statutory limit multiplied by the business percentage of usage. For example, if you use your car 75% for business (business miles/total miles) and the statutory limit on depreciation is $3060, your maximum depreciation deduction for the year is $2295. If you have purchased your car and are using the actual expense method, please provide the date of purchase and/or date the vehicle was put into service, make & model of the car and total purchase price (including freight, sales tax, etc.) plus cost of any improvements.

With the standard mileage deduction, you keep track of your business miles and total miles driven (as described above) in your mileage log. There is a statutory cents per mile amount designated each year. Business miles are multiplied by the standard mileage amount (57.5 cents per mile for 2020/56 cents per mile for 2021) to arrive at your deduction. In addition, you may take business parking and tolls. The standard mileage rate is, therefore, designed to take into account depreciation and operating expenses and simplify the recordkeeping requirements. The standard mileage method is not available for vehicles that you do not own (exception for leased autos as described below) or for vehicles operated as part of a fleet. IMPORTANT: Keep your service receipts! Even if you use standard deduction an IRS auditor will request the service receipts to verify your odometer readings in your mileage log.

Although the recordkeeping requirements are less onerous for the standard mileage method, the actual expense method very often produces a higher deduction (particularly in states with high insurance rates). Especially in an environment of rising fuel costs, I'd strongly urge keeping track of the actual expenses in the year you put your vehicle into service so that we can choose the method that gives you the larger deduction.

Please be certain that you have reviewed the rules for when local transportation is deductible (i.e. commuting from home to your main job is not a deduction – unless you have a qualified home office). I will be happy to explain these rules to you (see chart in IRS Publication 463).

A note on leasing your car: If you lease your car and use it for business use, you may also use either standard mileage or actual expense method (this is a change—used to be only the actual expense method was allowed for leased vehicles). Your lease payments are included in your total operating expenses as described above (and the business percentage is applied to total operating expenses). If you pay an amount up front/make any advance payments on the lease, these payments are spread over the lease term and deducted ratably each year (i.e. if you made an advance payment of $10000 on a 2-year lease, $5000 would be included in operating expenses in year one and $5000 would be included in operating expenses in year two). In addition, there is a provision for an "inclusion amount" to be calculated for "luxury" cars (FMV $50000+ for 2020/limits yet to be announced for 2021). This provision prevents taxpayers who lease their autos from circumventing the depreciation limits described above. If you choose the standard mileage method for your leased vehicle, that method must be continued for the life of the lease.

A note on financing your car: If you pay interest on a loan used to finance your car purchase, you may deduct the interest paid (subject to your business use percentage), but only if you are self-employed. This interest deduction is not available for employees using their car for business.

If you live in a state that imposes personal property taxes on your car, the business portion of these taxes may be deducted, but only if you are self-employed. Personal property taxes are otherwise deductible as a personal itemized deduction on Schedule A. Some states (CT for one) also allow a credit for personal property taxes on autos.

When you give your deduction information to your tax professional, do not calculate any of these amounts on your own. Please provide the “raw” information as described above.

If you have more than one business and/or use your car in your self-employed business and in your business as an employee, separate mileage information must be tracked for each business.

If you use more than one car for business, separate mileage information and records must be kept for each vehicle.

If you are married and/or co-own a car with another person and you both use the same car for business you must keep separate mileage logs/records for each of you.

Please do not hesitate to contact me should you have any questions concerning expenses for the business use of your car.

NAME: ______________________________________ SSN: XXX-XX-_________________
TAX YEAR: __________________________________

MAKE/MODEL OF AUTOMOBILE: _________________________________
DATE OF PURCHASE: _________________________________
PURCHASE PRICE: _________________________________ (sales tax = ___________)
(Including sales tax)
ODOMETER READING ON 12/31/2020: _______________________________
ODOMETER READING ON 1/1/2020 (or date of purchase if auto not owned for full year): ______________________________________
TOTAL MILES DRIVEN DURING 2020: ______________________________________

BUSINESS MILES DRIVEN TO W-2 JOBS 1/1/20-12/31/20*: _____________________
BUSINESS PARKING FOR W-2 WORK*: ___________________________
BUSINESS TOLLS FOR W-2 WORK*: ______________________________

N.B. The Tax Cuts and Jobs Act enacted in 12/2017 eliminates the deduction for employee business expenses beginning 1/1/2018. NYS (and some other states) have decoupled from TCJA and will accept employee business expenses.

BUSINESS MILES DRIVEN TO OTHER NON-W-2-RELATED WORK 1/1/20-12/31/20 (including freelance, education, auditions, etc.): _________________________
BUSINESS PARKING FOR NON-W-2 WORK: _________________________
BUSINESS TOLLS FOR NON-W-2 WORK: _________________________

MEDICAL MILES _________________________ CHARITABLE MILES _____________

IF YOU KNOW YOU ARE USING THE STANDARD MILEAGE METHOD, PLEASE STOP HERE. Remember to save your service records even if you are using standard mileage/IRS will use these to check your odometer readings.

IF YOU ARE USING THE ACTUAL EXPENSE METHOD AND/OR HAVE PURCHASED A NEW CAR AND WISH TO USE THE METHOD THAT GIVES THE LARGER DEDUCTION, PLEASE CONTINUE.
TOTAL FUEL: ______________________
TOTAL REPAIR/MAINTENANCE: ________________________
TOTAL AUTO CLUB: _______________________________
TOTAL LICENSE/REGISTRATION: __________________________
TOTAL CAR WASH: _______________________________
TOTAL TIRES: _________________________________
TOTAL INSURANCE: __________________________
TOTAL PERSONAL PROPERTY TAX ON CAR: ______________________________
OTHER: _______________________________
MONTHLY PARKING: ______________________________
LEASE PMTS (PLEASE PROVIDE COPY OF LEASE AGREEMENT):____________

MILEAGE LOGS ONLINE

Here are some online resources for mileage logs:

https://www.mileiq.com/ **- Mileage Tracking App (use discount code PKUB483A) – HIGHLY RECOMMENDED**

http://www.triplogik.com/ - GPS mileage tracker – HIGHLY RECOMMENDED

http://office.microsoft.com/en-us/templates/TC060884581033.aspx - Excel template from MS Office - free

http://www.mileagebooks.com - Mileage Books Paper Log Books

http://www.vertex42.com - Vertex42 Mileage Log for Excel - free

http://www.mileagewiz.com - MileageWiz Software Log Book - free trial

Here is a great website for all automobile-related tax information: http://www.smbiz.com/sbrl003.html

http://milebugblog.blogspot.com/p/home.html - Both iPhone and Android versions available

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ESTIMATED TAX PAYMENTS

The Federal and most state tax systems are designed to collect tax revenue as the income is earned. If you have a salaried position, this is taken care of through regular withholding of both income and social security/Medicare taxes. If you have additional income from which taxes are not being withheld you are required to make additional payments on a quarterly basis. This is called Estimated Tax. In effect you are doing your own tax withholding and paying it over to the government on a timely basis as required by law.

<u>YOU CANNOT SATISFY THE REQUIREMENTS OF THE TAX CODE BY PAYING A LUMP SUM ON APRIL 15!!</u>

The code requires payments of either **100%** (110% if your adjusted gross income on your 2019 return was above $150,000/$75000 for married filing separately taxpayers) **of the prior year's tax** or **90% of the current year's tax** - **<u>WHICHEVER IS LESS</u>** - to be paid either through withholding or estimated tax payments. 25% of this "required annual payment" must be paid by 4/15, 6/15, 9/15 and 1/15. If these payments are not timely made and you expect to owe $1000 or more (NYS $300 or more), you may be subject to a penalty for underpayment of estimated tax.

IF YOU EXPECT TO EARN THE SAME AMOUNT OR MORE NEXT YEAR, you should base your payments on 100% (110% for higher-income taxpayers) of the prior year's tax. This way, you will hang onto your money longer and not make interest-free loans to the government before they are required. **PLEASE UNDERSTAND THAT YOU MAY STILL OWE ADDITIONAL TAXES WHEN YOU FILE YOUR RETURN!!** You will not, however, be penalized for underpaying the estimated tax.

If this is your situation I will generally, as a default method, calculate your estimated tax payments based on your prior year's tax liability (total tax line on the 1040 and applicable states). If we know that your future withholding will be similar in the following year, we can take this into consideration when calculating the required payments and just assume that your taxes withheld will be about the same (thus saving any additional calculation).

IF YOUR WITHHOLDING IS VARIABLE, we may need to adjust your quarterly payments.
You may also choose to have your estimated taxes calculated quarterly based on this year's income and expenses. For your convenience I have listed the cut-off dates for each quarter and the date that each quarter's payment is due.

INCOME RECEIVED BY	ESTIMATED PAYMENT DUE
March 31	Payment due April 15, 2021
May 31	Payment due June 15, 2021
August 31	Payment due September 15, 2021
December 31	Payment due January 18, 2022

IF YOU EXPECT TO EARN LESS THAN YOU DID LAST YEAR *OR* WOULD JUST LIKE TO ASSESS YOUR STATUS, we will have to calculate your estimated tax quarterly. You will have to give me your income and expenses as of the above-mentioned dates (separated into what is W-2 income and what is 1099/Fee income) as well as any Federal, State and Local taxes you have had withheld. I will then be able to calculate your correct payment.

I am happy to calculate these payments for you if you provide me with the required information. Let me know if you have any questions.

IF THERE ARE ANY CHANGES IN YOUR INCOME/TAX SITUATION, PLEASE LET ME KNOW IMMEDIATELY.

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OFFICE-IN-HOME DEDUCTION-1999 AND LATER TAX YEARS

If you work out of an office in your home, you should know about the rules that govern whether or not you can deduct your home office expenses. You may deduct your home office expenses if you meet any of the three tests described below: the separate structure test, the place for meeting patients, clients or customers test, or the principal place of business test. ***The definition of Principal Place of Business was greatly liberalized for tax years beginning in 1999***. You may also deduct the expenses of certain storage space if you qualify under the rules described further below.

Separate structures. The easiest test to meet allows a deduction for the costs of a separate unattached structure on the same property as your home—for example, an unattached garage, artist's studio, workshop, or office building—that is used as a home office. To qualify for the deduction, the separate structure must be used exclusively and on a regular basis in connection with your business.

Home office used for meeting patients, clients, or customers. Alternatively, you may deduct your home office expenses if you use the home office exclusively and on a regular basis, to meet or deal with patients, clients, or customers in the normal course of your business. The patients, clients or customers must be physically present in the home office. Telephone calls to them from your home office won't do the trick.

Principal place of business. In addition, you may deduct your home office expenses if you use your home office, exclusively and on a regular basis, as your principal place of business.

There are two tests for determining whether a home office is a principal place of business—the "management or administrative activities" test, and the "relative importance/time" test. If your home office satisfies <u>either</u> of these tests, it will be treated as your principal place of business.

Management or administrative activities test. A home office will qualify as the taxpayer's "principal place of business" if the taxpayer uses the home office to conduct administrative or management activities of the business, so long as the taxpayer doesn't have another fixed location where the taxpayer conducts substantial administrative or management activities of the business. According to IRS, the office must be used exclusively, and on a regular basis, for the administrative or management activities.

Relative importance/time test. In applying this test, there are two primary considerations in determining a taxpayer's principal place of business: (1) the relative importance of the activities performed at each location where the taxpayer's business was conducted, and (2) the amount of time spent at each place. IRS says that it will first apply the "relative importance" test by comparing the activities performed at home with those carried on elsewhere. If this comparison clearly shows where the principal place of business is, there's no need to look further. Where the "relative importance" test doesn't give a clear answer, says IRS, the "time" test comes into play. However, these tests may not clearly reveal that any location is the taxpayer's principal place of business. In that case, the taxpayer will be treated as not having a principal place of business.

Space for storing inventory or product samples. If you're in the business of selling products at retail or wholesale, and if your home is your sole fixed business location, you can deduct home expenses allocable to space that you use regularly to store inventory or product samples. The space doesn't have to be used exclusively for business purposes. And you can do business at the fixed locations of your customers (e.g., retail stores, if you're a wholesaler), and non-fixed locations, such as flea markets or craft shows.

Exclusive and regular use requirements. As noted above, when you claim to be using your home office under any of the tests outlined above (except the "storage space" test for retailers and wholesalers), the home office must be used exclusively and on a regular basis in connection with your business. (For storage space used by retailers or wholesalers, the space must be used regularly for business purposes, but doesn't have to be used exclusively for those purposes.)

The exclusive use requirement means that you must use your home office solely for the purpose of carrying on your business. Any other use of the home office will result in loss of all deductions for your home office expenses.

For example, a professional musician's home studio that's used only for rehearsal, recording demo tapes, etc., passes the exclusive use test. But a caterer's living room that's used to meet with clients and potential clients, but is also used for family entertainment and gatherings, won't pass the test. Neither will a spare bedroom that's used to work on and store business records, but that's also used to sleep occasional overnight guests.

The regular basis requirement means that you must use the home office in carrying on your business on a continuous, ongoing or recurring basis. Generally, this means a few hours a week, every week. A few days a month, every month, may do the trick. But occasional, "once-in-a-while" business use won't do.

I can help you figure out whether your home office satisfies the exclusive and regular use tests, and suggest things you might do to make sure that you do pass these tests—for example, removing non-business furniture and fixtures, not letting guests use your home office, keeping the kids out, etc.

What you get if you qualify for home office deductions. If your home office is your principal place of business under the rules noted above, the costs of travelling between your home office and other work locations in the same trade or business, regardless of

whether the other work location is regular or temporary, and regardless of its distance, are deductible transportation expenses, rather than nondeductible commuting costs.
If your use of your home office qualifies under any of the rules discussed above, you may take business expense deductions for the following:

. . . the "direct expenses" of the home office—e.g., the costs of painting or repairing the home office, depreciation deductions for furniture and fixtures used in the home office, etc.; and
. . . the "indirect" expenses of maintaining the home office—e.g., the properly allocable share of utility costs, depreciation, insurance, etc., for your home, as well as an allocable share of mortgage interest, real estate taxes, and casualty losses.

Amount limitations on home office deductions. The amount you may deduct as home office expenses is subject to limitations based on the income attributable to your use of the home office, your residence-based deductions that aren't dependent on use of your home for business (e.g., mortgage interest and real estate taxes), and your business deductions that aren't attributable to your use of the home office. In other words, you cannot use a home office deduction to generate a loss on your Schedule C. Expenses may, however, be carried over into a year when you can use the deduction.

Example: Say you operate your business out of a home office that occupies 20% of the space in your home. This year, your business grosses $50,000. The mortgage and real estate taxes on your home total $20,000, $4,000 of which is allocable to the home office. You have $5,000 of additional home office expenses (depreciation, utilities, etc.). And your business has $30,000 of expenses that aren't attributable to the use of your home office (secretarial and bookkeeping services, legal and accounting fees, advertising expenses, etc.). To figure out whether you can deduct your home office expenses, you first subtract the home-office portion of the mortgage and real estate taxes, $4,000, from the business's gross income. This leaves you with $46,000. Then, from this, you subtract your business expenses that aren't attributable to your use of the home office, $30,000. This leaves you $16,000. If this figure exceeds the amount of your remaining home-office expenses, here $5,000, you can deduct all of those expenses. If this figure is less than your remaining home-office expenses, your deduction is limited. For example, if your remaining home-office expenses were $25,000 instead of $5,000, you'd only be able to deduct $16,000 instead of the full amount. And the computation gets even more difficult if your business effectively earns money both in your home office and at other locations, because the limitation formula only takes into account the income attributable to the use of the home office.
Any home office expenses that can't be deducted because of the above amount limitations may be carried over and deducted in later years.

Computers and related equipment. If your use of your home office qualifies under any of the rules discussed above, you may deduct the cost of computers and related equipment that you use in the home office, and the deductions are not subject to the "listed property" restrictions that would otherwise apply.

Effect of home office deductions on later sales of your principal residence. You should be aware that, if you claim any home office deductions with respect to a portion of your principal residence, when you sell the residence, any depreciation claimed on the business portion of the residence (post May 6, 1997) will be recaptured and taxable in the year of sale. Also, new regulations affect sales after 1/1/2009. Please ask me for details.

New Simplified method beginning with 2013 tax returns: IRS issued new guidance in January 2013 for a simplified method of claiming home office expenses based on $5 per square foot up to a maximum of 300 square feet. In most cases, it will not be to your benefit to use this method, but I will certainly consider it and advise you on the best way to take the home office deduction.

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COMMUTING VS. DEDUCTIBLE LOCAL TRANSPORTATION

Did you know that you can deduct "commuting" expenses between your home and temporary job locations? Daily transportation costs between your home and a regular work location are nondeductible commuting expenses. However, you may be able to deduct costs of going to and from your home and a temporary (not regular) job location if your work fits one of the following descriptions:

(1) You have one or more regular places of business outside your home, but sometimes travel to ***temporary work locations*** in the same trade or business.
(2) Your ***home is your principal place of business***. That is, you meet the tests for deducting expenses of a home office. (Give me a call if you aren't familiar with those tests.) And, you travel to other work locations. These may be other regular or temporary work locations.
(3) You sometimes travel to a ***temporary work location*** outside the metropolitan area in which you live and normally work.

Generally speaking, employment at a work location is temporary if it is realistically expected to last (and does in fact last) for *no more than a year*. So, for example, if you have a regular workplace, but you are assigned to another location for three months, your new work location is considered a temporary one. This means that you will be able to deduct your commuting expenses to the temporary location.

Sometimes a temporary location can turn into a regular one. This happens when your realistic expectation changes, so that work at a location that had been expected to last for a year or less is now expected to last for more than a year. For example, you may learn that what had been a three-month assignment to a work location has been made permanent. In that case, your commuting expenses to that location won't be deductible after the date when your realistic expectation changed.

A very short and excellent chart and explanation of when local transportation is deductible is available in IRS Publication #463 available on the IRS website (www.irs.gov).

If you have any questions about whether you are entitled to deduct your job-related travel expenses, please give me a call.

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OFFICE POLICIES EFFECTIVE JANUARY 1, 2021

When you retain my services for tax preparation I require a down payment of $350 ($750 for new clients) payable upon initial consultation and/or delivery of materials. Prepayment for multiple-year tax preparation and retainers for representation will be determined case-by-case. Completed tax returns will be released and/or mailed upon full payment of all fees incurred.

For cancellation of appointment without 24-hour notice, there will be a charge of $100.00. A missed appointment (No show - No call) will incur a charge of $200.00. Bounced check fee: $25.00. Monthly re-billing fee on any outstanding balance due: $25/month. Additional tax return copy: $25.00.

I will do my best to complete all returns for April delivery but your tax returns may require an extension. **BE SURE TO PROVIDE ME WITH YOUR MATERIALS EARLY**!! Based on prior-year experience, I cannot complete all work before the April filing deadline.

PLEASE NOTE: If it is easier for you to give me your information in several bunches, that is fine with me. If you are missing one thing, you need not delay submitting the rest of your materials while you wait for the missing item.

ORGANIZERS AND WORKSHEETS - I have formal tax information organizers and various deduction lists and worksheets available upon request.

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BILLING POLICY

1. Hourly Fees. The basic hourly rate charged by Phyllis Jo Kubey, EA CFP NTPI FELLOW is $250.00. This hourly rate is based on years of experience, specialization and a high level of professional attainment (Enrolled Agent, Certified Financial Planner, Accredited Tax Advisor, Accredited Tax Preparer, and Fellow – National Tax Practice Institute). Hourly rate is subject to change without notice.

For most services, the basic hourly rate controls. However, please refer to **Schedule of Fees and Related Policies** for details

2. Billing. You will be provided with an itemized and timely statement for professional services rendered.

We have agreed on an initial down payment, generally $350.00 for prior clients/$750 for new clients. Depending on the scope of the work and the time involved, I will adjust the down payment amount. All fees must be paid in full before release of completed tax returns or other documents.

3. Late Payments. I am confident that my clients try to pay promptly. Occasionally, however, a client has difficulty in making timely payment. To avoid burdening those clients who pay their statements promptly with higher fees reflecting the added costs I incur because of clients who are delinquent, ***a monthly rebilling charge of $25.00 is added for late payments***.

If payments are not made within thirty (30) days after the statement date, I retain the right to discontinue the professional services I am providing. I will not do so without giving the client due notice of my intention to discontinue, suggesting employment of another practitioner, allowing time to retain other practitioner, delivering all papers and property to which the client is entitled, cooperating with the practitioner retained and otherwise endeavoring to minimize the possibility of harm to assure that the client's case will not be prejudiced. Any outstanding amounts will be paid plus a fee for copying and transferring of files.

SCHEDULE OF FEES AND RELATED POLICIES

FEES:

Consultation, Prior Year Tax Prep, IRS Problem Resolution Services, etc. - $250/hour

Representation before and/or negotiations with taxing authorities - $250/hour

Minimum charge for Initial Consultation (One hour minimum) - $250/hour

Electronic Filing Fee – no additional fee for e-filing

- Cancellation without at least 24 hours prior notice $100
- "No Call – No Show" $200
- Returned Check Fee $25
- Additional Tax Return copy $25
- Re-billing Fee for uncollected balances $25 for each month fees are unpaid

BILLING:

Billing begins at time appointment is scheduled to begin…so, please be prompt and save $$$.

PAYMENT:

Completed tax returns will be released only upon full payment due for all services. Likewise, representation before and/or negotiations with IRS/State will commence and be continued only upon account balance being paid in full.

DOWN PAYMENT REQUIREMENT:

A down payment will be required in an amount to be determined case-by-case. Minimum down payment is $350 for prior clients/$750 for new clients.

SAVE MONEY:

Save money by requesting appointments early, being on time, calling ahead for cancellations, presenting your data in a clear and organized manner, etc.

RECORDKEEPING HINTS AND REMINDERS

INCOME

- Keep your paystubs. Prepare an envelope or folder for each employer for whom you work during the tax year. Your paystubs contain valuable information not found on your W-2's and 1099's such as union dues deducted, state disability deductions, medical insurance premiums deducted, per diem paid, etc. If you receive a check with no stub, record the information on a piece of paper and file the paper in its place.
- Keep a log of all income received to reflect gross income/wages, payroll taxes withheld (by type) and other deductions, net income. Also keep a log of cash income.
- Keep foreign income separate from domestic income.
- Keep W-2 income separate from 1099/fee income.

DEDUCTIONS – ***CREDIT CARD STATEMENTS ARE NOT ENOUGH***

- Keep an envelope or folder for each category of tax deductible expense you incur during the tax year. Prepare the envelope/folder at the beginning of each year so you may put the receipts in the proper folder as you receive them. Your folder can be electronic if you prefer electronic storage to paper records.
- Keep a log of all expenses for which you receive no receipt. Get a receipt.
- Keep a log of your local transportation detailing the date, where you are traveling from, where you are traveling to, the business purpose of the trip and the cost (including tip).
- Keep a mileage log if you use your automobile for business. The log should include the date, business purpose/destination, beginning odometer reading, ending odometer reading, miles traveled and actual expenses.
- Keep a log of your business gifts including the date, name and business relationship of the colleague and cost (up to $25 per person/per year) of the gift.
- Keep a log of your out of town travel including the date departed and date returned, number of days spent, business destination, business purpose and cost of the travel. If you are using the standard meal allowance (you must generally use actual expenses for all other travel expenses) document the date, place and business purpose.
- Keep a log of your entertainment expenses including the amount spent, date of the entertainment, name/address of location, business reason, and business relationship.
- YOU MUST KEEP RECEIPTS FOR YOUR DEDUCTIONS. CREDIT CARD RECORDS ARE NOT SUFFICIENT DOCUMENTATION.

In doubt? Think about proving: Amount, Time, Place, Description, Business Purpose, and Business Relationship

Here are links to various consumer bill of rights/consumer protection bulletins on engaging a tax professional. As an enrolled agent I am exempt from providing you with this information, but I offer it for your consideration.

NYC: http://www1.nyc.gov/assets/dca/downloads/pdf/consumers/Consumer-Bill-of-Rights-Regarding-Tax-Preparers-English.pdf

NYS: https://www.tax.ny.gov/pdf/publications/income/pub135.pdf

Forbes Article: How to Find the Perfect Tax Preparer: https://www.forbes.com/sites/kellyphillipserb/2019/02/07/how-to-find-the-perfect-tax-preparer/?sh=caff0a16f914

IRS Tax Professional information: http://www.irs.gov/Tax-Professionals/Choosing-a-Tax-Professional

Consumer Reports Article: http://www.consumerreports.org/cro/news/2012/02/track-down-the-best-tax-preparer/index.htm