

Week 4 Lecture I I

Business

What's in this lecture?

- Establishing yourself as an Independent Contractor
- Tax Status

Helpful Resources

- <http://www.irs.gov/businesses/small/article/0,,id=98202,00.html>
- <http://www.irs.gov/businesses/small/article/0,,id=98350,00.html>
- <http://www.mint.com>

First Steps

- Find an accountant within state
- Ask family, friends, close-workers for recommendations
- Meet as soon as possible to discuss planning, tax questions and expenses
- Do your research before meeting! (irs.gov)

Next Steps

- Get a Federal Tax ID number (Employee Identification Number) online
- DBA (Doing Business As) may be required if not under own name

Banking

- Open up a business checking account with your Tax ID number and get a debit card
- Organization is very clear:
 - all business purchases go through business account
 - all personal expenses go through personal account
 - Transfer money between business and personal account bi-monthly/monthly to establish 'salary'

Tip

- Choose bank with great online tools and branches close by.
- Deposit a client check ASAP

Keeping Track of Expenses

- Need to understand where your money is going, coming from, and at what velocity
- Separate excel sheets for business; personal
- Start now

Sample Excel Columns

Business:

| Date | Desc | Client/Project | Payment Method | Total |

What is a business expense?

- Rule of thumb: Does your business depend on its purchase/consumption?
- Golden Rule: Ask your accountant
- Why? They are the ones having to be comfortable writing an expense off

Potential Examples

- books
- memberships
- internet
- phone
- equipment/hardware

Important Notes

- Some things you can't expense all at once due to depreciation:
 - furniture
 - equipment

Tax Payments

- If Independent Contractor:
 - 4 estimated payments
 - One at each quarter
- If you don't pay regularly, you will have to pay penalties
- Talk to your accountant!

As you grow

- Consider opening a self-employed 401K
 - All contributions from pre-tax income
 - Talk to a financial advisor
- Roth IRA
- Get in the mindset: 'You are your business'

Recap

- Talk to IRS
- Talk to Accountant
- Keep track of all transactions

Exercises

- Contact and set up a meeting with an accountant before August 1
- Get your Federal Tax ID number (Employee Identification Number)