

SelfInformed

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Member Spotlight

**Bridgette
Johnson**

CreativelyIn-vented



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3 MISTAKES TO AVOID THIS TAX SEASON

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Tax season is a stressful time of year for many individuals. Collecting documents, locating records, and researching tax laws and forms can be overwhelming and time-consuming. This stress and confusion is felt more acutely by the small business owner.

While individuals search out mortgage forms and tax history for the year on their own individual taxes, the small business owner must do his or her personal taxes and the taxes for their business. The tax job is literally double the work for the small business owner. Moreover, small business taxes are often more complex and require more detailed record-keeping than individual income tax returns.

The complexity of small business taxes can lead to errors or mistakes that may be costly to you or your small business.



Importance of Tax Season

Very few people look forward to doing their taxes. Taxes are a burdensome chore and can easily be put off into the procrastination bucket. However, the cost of avoiding or delaying taxes can be high which can add even more stress. Even accidentally forgetting to file taxes timely can leave individuals and small business owners open to fees and penalties that can quickly escalate.

Filling out tax forms improperly can be equally consequential. If you are not familiar with tax preparation, seek **resources** to help you or consider hiring a tax professional for assistance.

If you are comfortable with your own tax preparation and you are interested in learning how to file taxes timely and accurately, there are also online resources that can help you identify and avoid common tax filing errors.

Error 1: Underpaying Estimated Taxes

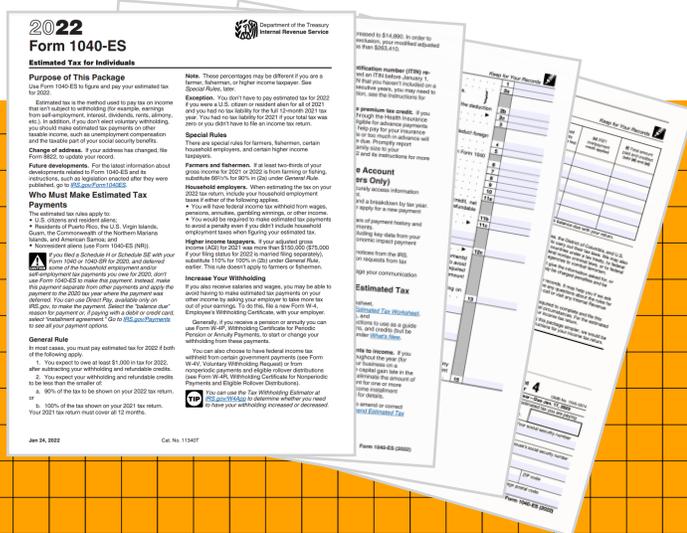
Individual filers and small business owners can both fall victim to underpaying the estimated taxes owed. An individual working for an employer has his or her income tax taken from their paychecks. If the individual underestimates these taxes by not paying enough into their income tax withholdings throughout the year, the individual may face an income tax bill owed at the end of the year when he or she files his or her tax return.

Similarly, small businesses should also be paying an estimated tax throughout the year. If your business owes more than \$1,000 when the tax return is filed, you are required to pay an estimated tax. To estimate tax, you will need to calculate your business' annual adjusted gross income, taxes, credits, and deductions. This calculation can usually be done by using the prior year's information since much of the information remains relatively stable from year to year.

The IRS uses **Form 1040-ES** to help people calculate and pay estimated taxes. You can utilize the Electronic Federal Tax Payment System (**EFTPS**) to pay estimated taxes throughout the year. This system can let you pay estimated taxes throughout the year to avoid paying a large sum when filings are due.

One of the biggest errors you can avoid is underpaying these estimated taxes. Calculating the estimated tax properly and making timely payments can help avoid having to pay additional taxes when your small business tax return is filed.

Underpaying estimated taxes can also lead to a penalty. If you owe more than \$1,000 at the time of filing and paid less than 90% of the total taxes due, you may face a penalty for underpaying estimated taxes. To avoid this error, complete the 1040-ES at the beginning of the year and pay the estimated taxes in smaller increments throughout the year to avoid owing taxes at the time of filing.



Error 2: Not Separating Personal and Business Taxes

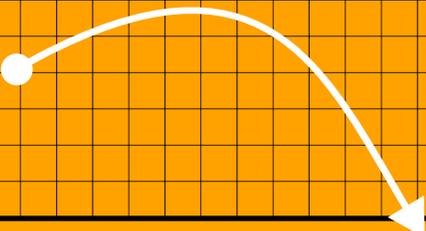
The temptation to use personal credit cards and personal bank accounts for business expenses is common. It seems simple to use the personal bank account to help float the business at times, but mixing the personal account with the business account can lead to tax confusion.

An unclear distinction on a business tax filing can raise red flags that result in an audit. If the records are not kept carefully and separate from individual accounts, the business expense is unclear and difficult to explain.

An unclear line between personal and business finances leads to questionable validation of business expenses. This can lead tax reviewers to question the legitimacy of tax deductions. This can potentially lead to audits. If the record-keeping cannot clearly differentiate between a personal and business expense that you have attempted to write off as a deduction, this error could lead to penalties or fines from the IRS.

Be sure to keep your personal accounts separate and for personal use only. Even if you run a sole proprietor company, your small business record keeping will benefit from having a separate account, separate credit cards, and accurate bookkeeping records. This is because business expenses can be tax deductions.

If you are paying business expenses through a personal account, it is difficult to differentiate the expense from your own personal expenses, which are likely not tax-deductible.



Some examples of common business expenses include:

- Advertising
- Delivery charges
- Business-related subscriptions
- Employee benefit programs
- Insurance
- Interest paid
- Legal fees
- Licenses
- Office expenses
- Postage
- Wages paid to employees
- Supplies
- Travel
- Rent and utilities

These common business expenses, when paid from a personal account, can very easily be confused with personal expenses, which are not tax-deductible. Separating accounts is the most effective way to prevent tax confusion and unnecessary fees or penalties.

Error 3: Miscalculations or Incorrect Forms

Errors such as miscalculations or incorrect tax forms are another common mistake that occurs when filing taxes. Simple errors, such as using the wrong tax identification number or the wrong bank or routing number, can cause delays and lead to stressful situations. The misidentified tax identification number can lead the IRS to believe that your business did not file tax returns timely, which could lead to fines, penalties, and possible interest.

Leaving information blank where an entry is required can also lead to problems with your tax return filing. The easiest way to avoid these errors is to compare your filed tax return with the previous year's filed return.

Miscalculations are also common and, unfortunately, cannot be avoided by copying from the prior year's filed return. Keeping track of business expenses and receipts, and invoices can help when it is time to calculate deductions and income. Check and recheck the calculations to

ensure you come to the same sum each time. If you find yourself struggling with the calculations of the tax forms, seek out the help of a professional tax preparer or a licensed CPA.

Tax forms for small businesses are dissimilar to individual tax forms. Just because you are successful at filing an individual tax return does not mean that business taxes will be as easy. Be sure to educate yourself on the essential tax forms for your small business. What forms you will need will depend on the type of forms you will need to complete.

The general five types of business taxes are:

1. Federal Income Tax
2. State Income Tax, (if applicable)
3. Self-Employment Tax
4. Employment, or Payroll Tax
5. Sales, Use, and Excise Taxes

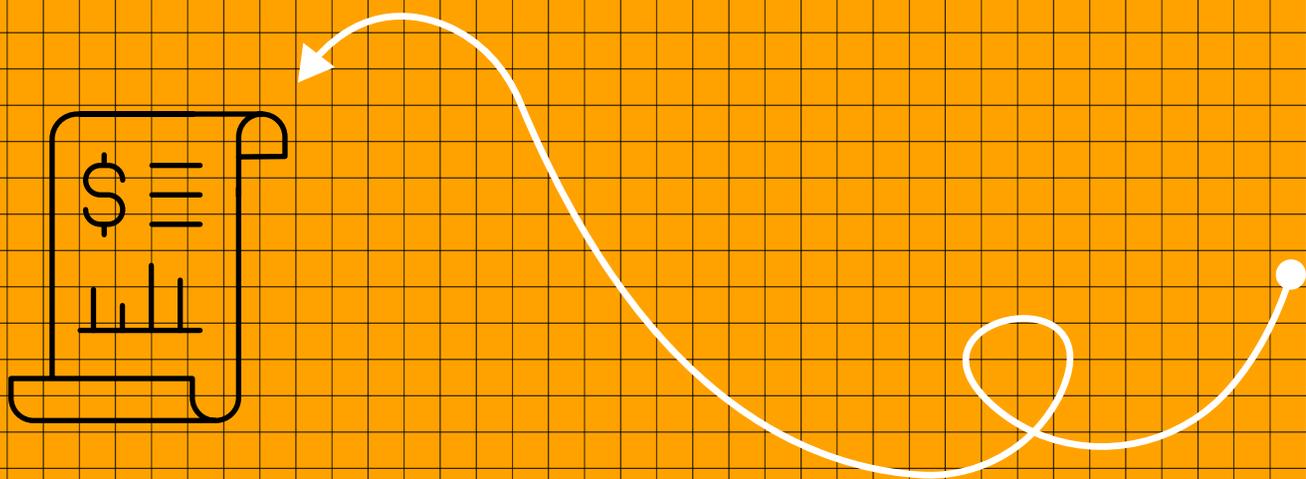
All businesses need to file annual federal income tax returns, and related State income tax returns.

Most businesses should schedule estimated tax payments throughout the year to avoid tax penalties when those income tax returns are filed. If you have net earnings from self-employment related to your sole proprietorship or partnership you must also file Schedule SE, Self-Employment Tax, which is simply attached to your personal income tax return.

If you have employees working for your small business, you have a responsibility to pay employment taxes. Employment taxes include Social Security tax, Medicare tax, Federal income tax withholding, and Federal and State unemployment tax.

Sales and Excise taxes are owed if your small business sells or manufactures certain products, operates certain kinds of businesses, uses various kinds of equipment, facilities, or products, or receives payment for certain services. Sales and use tax returns may be required on a more frequent basis than the annual tax returns required for income tax.

To learn more about tax preparation, or to seek help or guidance on how to complete your small business taxes, contact the experts at [NASE](#). NASE has CPAs and tax professionals with over 100 years of small business tax experience. Our professionals will be happy to answer any questions you have.





Member Benefits

Visit [NASE.org](https://www.nase.org) to learn more about the following benefits!



Epsilon 3-Step Solution™ is a do-it-yourself diagnostic business tool specifically designed for small business.

It is a unique, comprehensive but easy-to-use online tool that enables the small business owner to assess and grade each area of their business (such as finance, sales, operations, marketing, competition, and more) by identifying hidden problems, providing tips/solutions to repair issues before they grow into major difficulties, and provides a strategy to lay the foundation of an action plan for sustainable growth.

[Click Here to Watch Video](#)

Who should use the Epsilon Business Evaluator?

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- Understand your business, market, and customer in-depth
- Identify and repair problematic areas
- Build a vision
- Develop a viable strategy
- Increase confidence
- Sustainable, profitable growth

[Click Here](#) to start your Epsilon 3 Step Solution Program.



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Incorporating or forming a limited liability company (LLC) allows small-business owners to protect their personal assets, establish credibility for their business and qualifies them to receive certain tax benefits. BizFilings makes it easy for small-business owners and entrepreneurs to take their business to the next level.

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Creative Self-Employment

Bridgette Johnson is the owner of **CreativelyIn-vented LLC** located in Louisville, Kentucky. Bridgette is a former life-long educator with Jefferson County Public Schools and is now a children's book author, educator, artist, and business entrepreneur. Her new company, Creatively Invented, helps children to become their best selves through educational seminars, games, activities, books, songs and more.

When and why did you join the NASE?

I joined in July of 2021 if I remember correctly. When I saw all the things the organization offered, I couldn't resist and I joined right away!

What inspired you to enter the field you are in?

I was a stay-at-home mom and I wanted to get back into the workforce, but I had 5 children and childcare was expensive. My sister-in-law suggested I become a substitute teacher, explaining that I could have the same hours as the kids and still be home to do all my other duties. I thought it was a good idea and so I took her up on it. I ended up being a preferred substitute for 8 years and my principal talked me into going back to college at the age of 45. I am presently working on my master's degree in Montessori Education.

When and why did you start your business?

I started my business to address challenging behaviors and lack of focus in the classroom. Creatively Invented empowers parents and teachers to effectively enhance children's dynamic level.

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We also promote collaboration with peers, teachers, and families through a multi-cultural framework. Energizing children by empowering them to use curiosity and their imagination to rediscover learning in a new fun way continues to invigorate me daily.

How do you market your business?

I market the business primarily through social media. However, I also get new business through word-of-mouth, google books, childcare care centers and [my website](#).



What challenges have you faced in your business?

The biggest challenge has been finding that support system, a team to surround myself with to handle all the operations of running a business. I continue to learn and strive to run the business like a well-oiled machine. I am also looking for investors and grants so that I can bring to fruition my dream of expanding Creatively Invented to even more teachers, families and children by opening my own center for face-to-face learning.

What's your schedule like, what's a typical day for you?

I start the day with prayer realizing that without God I can do nothing. Next, I get dressed for success and proceed to my home office to convene with my virtual assistants. Giving instructions on what needs to be done for the day. I also will spend some time networking and getting my services and products promoted locally in Louisville as well as across the state of Kentucky and sometimes even nationally. Some days I spend time exploring and creating new products and services. I usually try to be finished by 4:30pm but sometimes I will also put in some nighttime hours as well.

What's the best thing about being self-employed?

The best part about being self-employed is the freedom to be creative without any restraints and setting my own hours. I also love creating opportunities for others.

What's the best compliment you've ever received from a client?

The best compliments are always the ones that involve children. When someone tells me that I am so creative in helping children and that they will never forget me, it brings me true joy.

What's the most important piece of advice you would give to someone starting their own business?

The best advice I would give someone newly self-employed is to get a mentor. They will save you time and money and keep you from making costly mistakes by sharing their experience and guiding you.

Which NASE member benefit is most important to you?

I love almost everything from the weekly videos to the discounts on products and services. I love this company and I am spreading the word to any new business owner I come across. Thank you for your services and for featuring me in this member profile.



March Government Affairs Update

What is Happening on Capitol Hill

This past week, the President signed the \$1.5 trillion government funding bill with Ukraine aid. The funding bill, which received bipartisan approval, passed the Senate in a 68-31 vote and the House 361-69.

The legislation will provide the following:

- \$13.6 billion in new aid to Ukraine
- \$730 billion in non-defense funding — a 6.7% increase over fiscal year 2021 – to fund the majority of the President’s bipartisan infrastructure deal
- \$782 billion in defense funding, a 5.6% increase over fiscal year 2021. The government is now funded through fiscal year 2022, which started in October.

The bill did not include additional COVID-19 funding that was requested by the President.

In other Hill news, the Senate did pass a bipartisan bill to make daylight savings permanent. The House hasn’t said when they would take up the legislation, but Speaker Pelosi said she is supportive of the measure.

Small Business Administration Update

EIDL Deferment

The SBA Administrator recently announced additional deferment of principal and interest payments for existing COVID Economic Injury Disaster Loan (EIDL) program Borrowers for 30 months deferment from inception on all approved COVID EIDL loans. The Administrator believes the extended deferment period will provide additional flexibility to small business owners impacted by the pandemic, especially those in hard-hit sectors managing disruption with recent variants and current supply chain and inflation challenges amid a growing economic recovery.

Save the Date — National Small Business Week

The SBA announced that *National Small Business Week (NSBW): Building a Better America Through Entrepreneurship* will take place **May 1-7, 2022**.

NASE Opposes SHOP SAFE

NASE joined an expansive coalition in opposing “SHOP SAFE” provision included in the House “COMPETES BILL”.

This follows NASE’s active advocacy in the spring 2021 to support efforts in the Senate to revise the INFORM Act that was ultimately successful and included in the USICA legislation passed by the Senate.

NASE believes that the INFORM Act changes address the concerns that supporters of the SHOP SAFE Act believe are important to ensure a competitive, international landscape, without harming small businesses that leverage online platforms.

[Read the letter](#)

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