

# I.R.S.

## Don't Fear Them!

A fun “How To” workshop to develop your

**I**ndependent

**R**ecord-keeping

**S**ystems

For **W**riters, **S**elf-publishers, and **S**mall presses.  
What you need to ‘**K**now’ about Accounting & Taxes

# INDEPENDENT RECORD-KEEPING SYSTEMS



THE CHANGING WORLD OF PUBLISHING

# **INFORMATION TECHNOLOGY (WIRED)**

Information Technology isn't just considered software and hardware any more. The field now encompasses the Internet, voice, data, video, wireless, networking, eBooks, audio books, gaming, e-commerce, etc.

An enormous amount of services and infrastructures literally support every type of business. Whatever your small business, technology touches us all.

# ADVISORS AND CONSULTANTS

No business can function without maintaining financial records, filing required reports, paying income and other taxes, or having complete financial records for use in dealing with banks, suppliers, investors, etc. who need to know the financial position of your business. You may also need legal advice concerning the legal structure of your business, contractual arrangements with suppliers and distributors, leases, litigation protection, etc.



All advisors should be chosen with great care, including adequate credential and reference checking. List of Common Advisors:

- Accountant
- Attorney
- Banker
- Insurance Agent
- Graphics/Publishing
- Marketing and Management Consultants

# **ACCOUNTING and BOOKKEEPING**

**It is imperative that you establish a record keeping system, hopefully, before you transact business. Accurate books and records are essential for business planning and useful to management in making informed decisions. GET HELP if you need it.**



## BOOKKEEPING VOCABULARY

- **Accounts Payable:** A record of amounts owed by your business to creditors.
- **Accounts Receivable:** A record of amounts owed to your business by customers.
- **Balance Sheet:** A statement that states the balance in all accounts on a specific date.
- **Chart of Accounts:** Serves as an index to the general ledger.
- **Fixed Ledger Assets:** Contains records for all real and personal property owned by the business.

## BOOKKEEPING VOCABULARY (Continued)

- **General Ledger:** Contains balances of all accounts held by the business.
- **Income Statement:** A statement that summarizes revenue and expenses for a specific period.
- **Journal and Cash Disbursements:**  
A record of written checks.
- **Payroll Register:** Summarizes payroll data, including wage withholding, FICA, and unemployment insurance taxes.
- **Purchases Journal:** Includes information on materials purchased.
- **Sales and Cash Receipts:** Used to record all incoming cash.

# ACCOUNTING SOFTWARE

- SAGE 2010, SAGE 50 –More powerful General Ledger than Quickbooks
- Quickbooks – A couple hundred dollars (now available online for a monthly fee.
- Quicken - Good for one book publisher
- Most will be double entry bookkeeping systems. They provide standard reports and lists or you may modify what is on these reports.

# OPERATION CONSIDERATIONS

- **Credit Sales:** Credit/Debit card processing - Costco, Paypal, Square and others.
- Pricing and Sales Strategies
- Who Should Keep the Records?
- Operational Gross Profit Goals
- Selling, General & Administrative Goals

# LEGAL STRUCTURE

*When starting your own business, you must carefully choose the appropriate legal structure for your business. You should examine the characteristics of each structure along with the needs and desires you have for your business. All Legal structures are set up at each state's Secretary of State. The Colorado Secretary of State can be located online at its website: [www.sos.state.co.us](http://www.sos.state.co.us).*

## Types of Legal Structures

- 1) Sole Proprietor**
- 2) Married Couples**
- 3) General Partnership**
- 4) Limited Partnership**
- 5) Corporation**
- 6) “S” Corporation**
- 7) Limited Liability Company**
- 8) Limited Liability Partnerships and Limited Liability Limited Partnerships**
- 9) Limited Partnership Association**
- 10) Nonprofit**
- 11) Cooperative**

# **SALES TAX LICENSES**

- **Retail Sales Tax License**
  - **Internet Sales**

# **EMPLOYEES vs. INDEPENDENT CONTRACTORS**

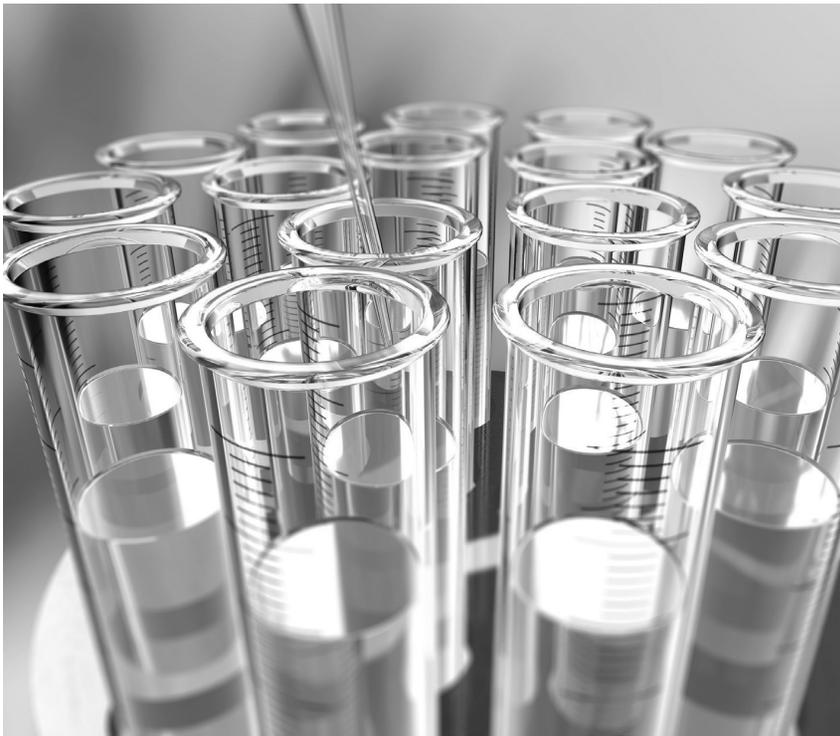
- **Common Law Employees**
- **Independent Contractors**
  - **Children and Spouses**

# **PAYROLL TAXES**

- **Wage Withholding and Social Security/  
Medicare Taxes**
  - **Unemployment Insurance**
    - **Workers' Compensation**

# BUSINESS PLAN

An effective business plan serves at least four useful purposes:



Tubes represent Sales, Marketing,  
Inventory, Cash Flow, etc.

- 1) It helps entrepreneurs focus their ideas. It also helps determine whether a business idea is feasible
- 2) It creates a track for management to follow in the early stages of the business
- 3) It creates benchmarks against which the entrepreneur and management can measure progress
- 4) It provides a vehicle for attracting capital to help finance the business

**A breakeven analysis** allows you to demonstrate when your business will reach its breakeven point - when sales will reach a level to cover expenses. A breakeven analysis can tell you quickly if your costs are too high or if the price of your product or service is too low. A basic breakeven formula is:

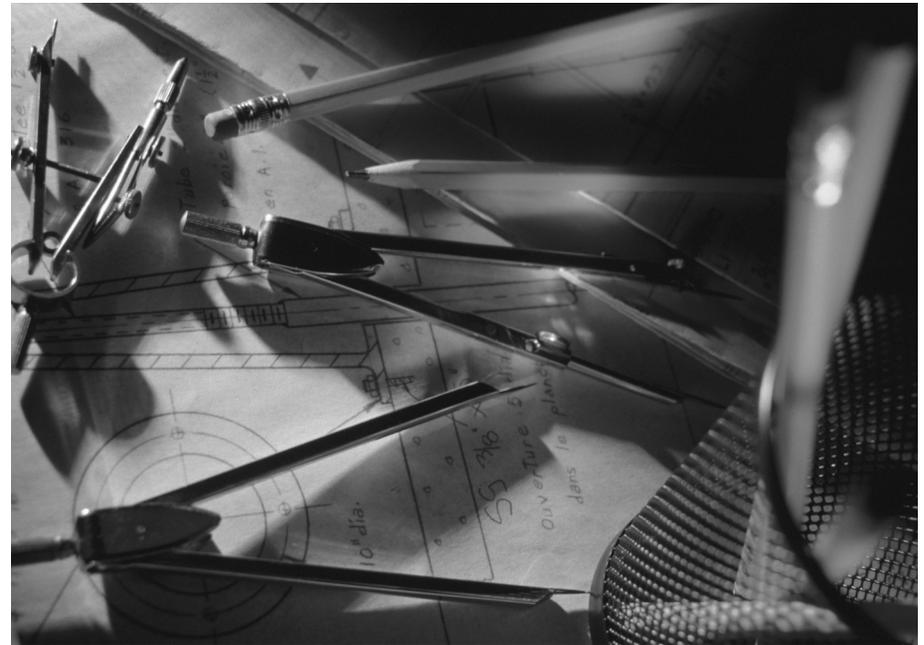
$$\mathbf{BE = FC / (P - VC)}$$

- **BE** = Breakeven: The point where total costs equal total revenue
- **FC** = Fixed Costs: Costs that remain constant over time such as rent, insurance, interest, salaries, etc.
- **P** = Price (or Sales): Money received for a product or service
- **VC** = Variable Costs per unit: The per unit costs that vary directly with sales volume such as production labor, materials, sales costs, etc.

# MARKETING

## DEVELOP A MARKETING PLAN

**A marketing plan is one of the most important aspects of any small business. It will assist you in evaluating your company's marketing needs and give a concise direction to your marketing efforts. Above all, if developed properly, the plan should help you increase your market share in a cost-effective, timely and productive manner. Marketing plans only work when you implement them - putting them in writing is the first step.**



## THE ADVERTISING COMPONENT

- Radio Interviews
  - Newspapers
  - Magazines
  - Direct Mail
  - Website
- Facebook and Other Social Media
  - Customer Email or Mailing List
  - Consignment Sales
  - Book Signings
  - Blogs
- Working Conventions, Trade Shows, and Book Fairs

# Financing Options

## SHORT-TERM FINANCING METHODS

- Credit Lines
- Short-term Loans

## INTERMEDIATE AND LONGTERM FINANCING METHODS

- Term Loans
- Leasing

## EQUITY FINANCING

- Private Investors
- Venture Capital Firms

# **LIABILITIES AND INSURANCE**

**Before starting your business, you should be aware of the potential liabilities that may be incurred when operating a business. You should look into what types of insurance may be required or may be in your best interest to protect your investment, business property and business income. Insurance companies can put together a specialized insurance package to meet the exact needs of your business. While it often makes good business sense to purchase various forms of insurance coverage, don't buy what you don't need!**

# Some General Types of Insurance You May want to Consider

- General Business Liability – Protects against injury, damage, or death to a person or property because of business negligence.
- Errors And Omissions/Professional Liability – Protection against lawsuits from actions, or inactions, for duties performed during the course of business
- Property Insurance – Covers losses from natural disaster, fire, burglary or vandalism

## EXAMPLE OF LIABILITIES AND INSURANCE

- Payroll Taxes if your business has employees.
- Sales Taxes if you collect them they must be remitted timely and properly.
- Unemployment Insurance And Workers' Compensation Insurance
- Contracts - The business may incur liabilities whenever there is a contract for the performance of services or for the purchase or sale of products.
- Personal liability - will be determined by the legal structure of your business and/or personal guarantees you make on behalf of the business.
- Health Benefits - If you provide health benefits, certain laws will determine the nature of the plan and how it is administered.
- Commercial Automobile Insurance
- General Business Liability
- Product Liability Insurance
- Property Insurance
- Business Interruption Insurance
- Errors And Omission/Professional Liability Insurance
- Unemployment Insurance And Workers' Compensation Insurance



- Self Employment Taxes -15.3%
- Estimated Income Tax Payments

# COPYRIGHTS

## *What is a Copyright?*

- Copyright is a form of protection provided by the laws of the United States to the authors of “original works of authorship,” including literary, dramatic, musical, artistic, and certain other intellectual works. This protection is available to both published and unpublished works. Section 106 of the 1976 Copyright Act generally gives the owner of a copyright the exclusive right to do and to authorize others to do the following:

Section 106 of the 1976 Copyright Act generally gives the owner of a copyright the exclusive right to do and to authorize others to do the following:

- To reproduce the work in copies or phonograph records
- To prepare derivative works based upon the work
- To distribute copies or phonograph records of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending
- To perform the work publicly, in the case of literary, musical, dramatic, and choreographic works, pantomimes, motion pictures and other audio visual works
- To display the copyrighted work publicly, in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work
- In the case of sound recordings, to perform the work publicly by means of a digital audio transmission
- Where Do You Register a Copyright?
- You can receive an application form and more information by contacting the Copyright Office – Library of Congress, 101 Independence Ave. S.E., Washington, DC 20559-6000, (202) 707-3000 or by visiting the U.S. Copyright Office website at [www.copyright.gov](http://www.copyright.gov).

# Other Resources

- *The Complete Guide to SELF-PUBLISHING* – Everything you need to know to write, publish, promote, and sell your own book. By Marilyn Ross & Sue Collier \$24.99 Paperback
- *2014 Guide to SELF-PUBLISHING* – The most comprehensive guide to Self-Publishing, By Robert Brewer \$29.99 Paperback
- *Home Office Tax Deductions Made Simple* - <http://www.consumerreports.org/cro/2014/02/home-office-deductions-new-irs-rules/index.htm> Also from *IRS Publication 587, Using the Simplified Method*. The simplified method is an alternative to the calculation, allocation, and substantiation of actual expenses. In most cases, you will figure your deduction by multiplying \$5, the prescribed rate for 2016, by the area of your home used for a qualified business use. The area you use to figure your deduction is limited to 300 square feet. See *Simplified Amount*, page 11 of the publication for information about figuring the amount of the deduction. For more information about the simplified method, see Revenue Procedure 2013-13, 2013-06 I.R.B. 478, available at [www.irs.gov/irb/201306\\_IRB/ar09.4tml](http://www.irs.gov/irb/201306_IRB/ar09.4tml)
- *Two Ways to Deduct Your Home Office on Your Taxes* - <http://www.bankrate.com/finance/taxes/simplified-home-office-deduction.aspx>
- *The Home Office Deduction* - <https://www.turbotax.intuit.com/tax-tools/tax-tips/Small-Business-Taxes/The-Home-Office-Deduction/INF12067.html>

# Other Video Resources

- *Free, easy to use, Excel bookkeeping ledger for personal use. Accounting knowledge not required.* – <https://www.youtube.com/watch?v=5L2a53UEfj0> 3:30
- *Interview with Carol Topp, CPA for Indie Authors, Indie Publishers, Writers* – Sonia Marsh interviews CPA for authors <https://www.youtube.com/watch?v=qwpT9YSFQTU> 27:07
- *Tax Deductions For Authors & Writers* – Stephanie C. Harper, Publisher of CAREER Magazine discusses “Tax Deductions for Writers” <https://www.youtube.com/watch?v=Y1E7CcpqcFg> 7:09
- *Tax tip for writers: Your Book Purchases as a Tax Deduction* - <https://www.youtube.com/watch?v=R0BJRZiUIWY> 2:23
- *Home Office Deduction Tax Tips* - <https://www.youtube.com/watch?v=Eb7dmJ5Zvu4> 2:43

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## **SAMPLE BUSINESS FORMS**

developed by Larry Lawton

**We offer these forms FREE for use in your WRITING/PUBLISHING BUSINESS.**

(Click the blue text to open the file, then save to your device.)

- [Daily Planner Form - Full Size \(pdf\)](#)
- [Daily Planner Form - Half Size \(pdf\)](#)
  - [Sample Invoice \(pdf\)](#)
  - [Packing Slip \(pdf\)](#)
- [Revenue Expense Form \(pdf\)](#)
- [Travel Expense Form \(pdf\)](#)
- [Travel Expense Form \(Excel\)](#)