

This packet is a *TOOL* to be used in the preparation of one's taxes. It is not to be construed as a definitive source for what can or should be expensed.

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1040 FEDERAL TAX FORM (as of 2018)

Adjustments to Income

- STUDENT LOAN INTEREST (1098-E Form)
- RETIREMENT PLAN CONTRIBUTIONS (Simple IRA)

Other Expenses

- MEDICAL - Expenses NOT reimbursed by insurance. Examples: Insurance Premiums – Medical, Dental, Eye Glasses (including maintenance), Therapists, Medicare Part B, RX, Ambulance, Parking, Medical mileage
- REAL ESTATE TAXES
- HOME MORTGAGE INTEREST
- CHARITABLE CONTRIBUTIONS - CASH OR CHECK Plus Charitable mileage
- CHARITABLE CONTRIBUTIONS - Other than cash or check
- MISC DEDUCTIONS - Gambling losses, only to the extent of gambling winnings included on Form 1040

SCHEDULE C (as of 2018)

Expenses for Independent Contractors, Freelancers & Self-Employed income in the Entertainment Industry

- Advertising (Business cards, Postcards, etc.)
- Business Gifts (limited to \$25 per person)
- Business Insurance
- Business Meals
- Business Travel (Lodging, transportation)
- Business Website (Upkeep, Domain, Renewal, etc.)
- Commissions (Only on 1099s)
- Contract Labor
- Costumes
- Education (Classes, Workshops, Coaching, Conventions, Events)
- Equipment

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- Headshots (Photography services, printing, etc.)
 - Internet Business Use
 - Interest on a Business Loan
 - Laundry & Cleaning
 - Legal & Professional Services
 - Licenses
 - Make-Up, Hair care (For performance based work only)
 - Office Supplies
 - Online Casting (Actors Access, LA Casting, IMDB, etc.)
 - Phone Business Use
 - Props
 - Postage
 - Printing
 - Publications and Subscriptions
 - Research (Tix for theater, movies. Rentals, Film Societies, etc.)
 - Research Supplies (Books, Scripts, Sheet music, etc.)
 - Reels (Demo, VO, etc.)
 - Rental of Equipment
 - Rental of Office Space
 - Resume Services
 - Self-Employed Health Insurance Premiums
 - Union Dues (Only as an Independent Contractor. i.e. Theater Director or Producer)
 - Utilities if work from home
 - MISC: Uber/Lyft for work
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- Vehicle Mileage
If you do not have mileage records / logs you have NO vehicle expenses at all.

You must have a written log of mileage for your vehicle(s)
Defining and proving your business mileage is one of the most important record keeping habits.

The IRS requires you to be able to prove SIX things.

- 1) TOTAL MILES - What was the beginning odometer reading on 01/01 and the ending odometer reading on 12/31
- 2) BUSINESS MILES - Any miles you drive for business related reasons, auditions, photography sessions, rehearsals, classes, entertaining agents, buying scripts, etc., constitutes business mileage, but, only if you have written down the trip and the mileage in your log.
- 3) COMMUTING MILES - Commuting is defined by the IRS as mileage to and from your place of employment.
- 4) OTHER MILES - Any Miles that are not commuting or business. Miles to grandma's and to the grocery store for example. Included in OTHER MILES will be a further breakdown of MEDICAL MILES and CHARITABLE MILES.
- 5) MEDICAL MILES - Any miles you drive to go to doctor appointments, picking up Rx, etc. (Schedule A under the 1040)
- 6) CHARITABLE MILES - Any miles you drive to go to do volunteer work, donate goods, etc. (Schedule A under the 1040)

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- Home Office

The home office deduction is one of the more complex deductions. In short, the cost of any workspace that you use regularly and exclusively for your business, regardless of whether you rent or own it, can be deducted as a home office expense. You are basically on the honor system, but you should be prepared to defend your deduction in the event of an IRS audit. One way to do this is to prepare a diagram of your workspace, with accurate measurements, in case you are required to submit this information to substantiate your deduction, which uses the square feet of your workspace in its calculation.

In addition to the office space itself, the expenses you can deduct for your home office include the business percentage of deductible mortgage interest, home depreciation, property taxes, utilities, homeowners insurance and home maintenance that you pay during the year. If your home office occupies 15% of your home, for example, then 15% of your annual electricity bill becomes tax deductible. Some of these deductions, such as mortgage interest and home depreciation, apply only to those who own rather than rent their home office space.

FAQ's

What are "average" expenses?

There are no averages. People who have new headshots done frequently will have much higher photography expenses than someone who hasn't changed their headshot in years. Some people make a habit of entertaining their agents and managers whereas others would never dream of doing that. You **must** be able to prove every expense that you are using.

What if I didn't keep any receipts?

If you did not keep itemized receipts, you have no expense. When you are audited, an expense you can't prove, you lose.

How can I prove my deductions?

There are numerous ways to prove you actually spent money on a deductible expense. If the amount is less than \$75 AND you have entered the expense in your date book/diary/log (even if you do not have the receipt), that alone is usually sufficient. Check stubs, cash receipts and/or your monthly statement for credit cards, all work as proof but duplication of your expense receipts can help. Duplication: A check stapled to the bill or receipt, or your original credit card receipt with a written explanation of the expense just doubles the proof. For example: A check written to an acting coach will usually suffice, but, if you have your classes marked in your diary or day-to-day book as well, that additional proof can be very helpful. If you want to use those trips to acting class as a mileage write-off then you **must** have them in your mileage log (or date book/diary/log) and again, having the check for the cost of the classes also verifies the trips. Once you learn the system, keeping your records is very simple.

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How can I learn what legitimate deductions are?

It takes only a little homework. Essentially any expense you make **specifically** for and because of your career can be written off. **BUT** if it can be considered a personal expense as well you may have trouble with the deduction. Example: You buy clothes specifically for auditions. You never wear these clothes for any purpose but auditioning. You would think that they can be written off, but because you **can** wear the clothes for something else in your private life, they **cannot** be written off.

You might buy a computer so that you can edit and print your resumes and keep records for your business. Some would erroneously think the entire purchase price of the computer could be written off because it is being used for business but the IRS believes that you probably use your computer for personal use as well as for business. They expect you to make a decision as to what percentage of your computer use is business related and what percentage is personal use and write-off the business expense accordingly. This can be done by keeping a log of ALL the time spent on the computer and indicating on that log when it is for business and when it is not. Your log would include the time you were at your computer, what you worked on (business or personal) and how much time you worked on that. Then, you would tally your log and divide the time spent on the computer for business and divide that by the total time spent using your computer. That number becomes your percentage of the purchase price you can write off in the year you bought your computer.

Independent Contractor?

Keep expenses separate for each different business. Each business will have its own Schedule C.

If you have your own business or have been paid on a 1099-MISC as an independent contractor, you are responsible for any Federal and State Taxes you may owe AND Self Employment Taxes on the profit from that business. If this income is performance related then your normal acting expenses might be written off against the income. If the income is non-performance related (i.e., catering, word-processing) then **only expenses directly related to that business can be deducted**. In all cases, your **PROFIT** (income minus expenses) is taxable for both Federal Tax AND State Tax AND for Self-Employment (Social Security) Taxes. In the lowest tax bracket of 15% you would have approximately a **30% tax liability for the entire amount of profit**. Protect yourself by making sure you have saved the 30% (or more) liability for when it comes time to pay. It is a lot nicer to find you can spend some of what you saved than to have a high tax bill that you cannot afford. Better yet, pay estimated taxes quarterly and avoid possible penalties.

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If you file a Schedule C with your tax return (earn income on a 1099 and/or cash) in the City of Los Angeles

City of Los Angeles Business License

This notice is to remind you of the City of Los Angeles Business license issue and to make sure you have registered with the city by February 28th to eliminate the possible threatening letters sent out by the Department of Finance a year from now.

If you live in or plan to work within the city limits of Los Angeles and in any possible scenario receive a payment in cash (that includes by check or on a 1099-MISC—anything other than as an employee) even if there is currently no plan to do so, please take the time to read this message.

By registering with the city before February 28th (each year) there is no payment of any kind and it protects you from possible fines and penalties in the future because you will probably qualify for an exemption and therefore owe nothing as a result of this license.

We understand that most performers have no intention of working for cash but if you do an Equity waiver play or shoot a commercial and they pay you for print work, in those kind of cases you would receive compensation in cash. We know that just because you are paid this way you do not consider yourself “in business”, but unfortunately the City of Los Angeles does.

If you receive payment for work in cash (again--meaning by check, cash or on a 1099-MISC) the manner in which that income must be reported to the IRS will cause the City of LA to believe you are in business and therefore require you to have a business license.

The department of Finance considers this a business “tax” instead of a license fee and as a result we have received literally hundreds of phone calls asking for our assistance with this mess. Unfortunately after the deadline for sending in your license application/renewal has expired (February 28th each year), there is honestly very little we can do to remedy the situation.

There are three exemptions available and almost all of our clients will qualify for at least one of them:

- 1) New Business exemption—available to any new business with Gross income up to \$500,000.
- 2) Small Business exemption—available to continuing businesses with Gross income up to \$100,000.
- 3) Creative Artist exemption—available to those in the creative arts (i.e. performer, writer, behind the scenes) with Gross income up to \$300,000.

Essentially what the city is demanding is that you let them know you might be earning income in cash/1099 in the coming year even if it isn't your intention. That way when you file your taxes a year from now, they don't have to be bothered coming after you. As remarkable as it may be that the city is asking you to go out of your way to make it easier for our city employees, that's exactly the case.

If you don't earn any income in this way, fine. But if someone decides they want to pay you in cash, this way you are protected.

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~If this is your first time dealing with the city regarding the LA City Business Tax, you must deal with this by mail or in person.

In person is highly recommended since "paperwork can be lost or not received".

~To aid in this process, download the forms from the website: www.lacity.org/finance

~Once you have established yourself with the city and have a business license number, in the years moving forward, you will be able to claim your exemption online.

~The Hollywood office, in our clients experience, is the most performer/film industry friendly. They are located at:

6501 Fountain in Hollywood.

~Of course, if you have an address outside of the Los Angeles city limits including an out of state address, this will not affect you.