

Taxes For Creatives

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What is self-employment tax?

Self-employment tax is a **tax** consisting of Social Security and Medicare taxes primarily for individuals who work for themselves. It is similar to the Social Security and Medicare taxes withheld from the pay of most wage earners.

Self-employment tax is 15.3% of net income from Form Schedule C

What is tax deductible?

- Tax deductible expenses are "ordinary, necessary, and reasonable" expenses that help to earn business income.
- The Internal Revenue Service (IRS) has defined ordinary, necessary, and reasonable expenses as any expenses that are "helpful and appropriate" for a business.
- The standard business deductions—which include general and administrative expenses, business-related travel and entertainment, automobile expenses, and employee benefits—are outlined in Section 162 of the Internal Revenue Code.

- The short answer....No. Your Recovery Rebate Credit (RRC) is not taxable.
- The Payment is not income.
- The payment will not reduce your refund or increase the amount you owe.

Is my 'stimulus' payment taxable?

Do I report my Recovery Rebate Credit (RRC)?



You will have to report on your tax filing if you received a payment for RRC1 or RRC2



If you did not receive RRC1, RRC2 or both and were eligible for the rebate, you will receive a credit on your return towards your tax.

Pandemic Aid

- PPP1 – 2.5 times average annual salary (net profit from 2019 Schedule C) – maximum borrow \$20,833
- PPP2 – Prove 25% reduction in quarterly revenues in 2020 at least one quarter compared to 2019
- PPP2 adjusted – new rules for calculating potential aid for self employed (no regulations yet)
- EIDL Advance 1 – closed
- EIDL Advanced 2 – open to designated in poverty zones as outlined by IRS
- Employee Retention Tax Credit (ERC) – refundable tax credit equal to 50 percent of up to \$10,000 in qualified wages (including health plan expenses)
- Sick and Family Leave – refundable credit in the full amount of the required sick leave and family leave, plus related health plan expenses and the employer's share of Medicare tax on the leave