Tax Seminar

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Intended audience: Sole Practitioners and Caregivers

Topics:

Gross Receipts Taxes are required of us all

Social Security Taxes are due if you make more than $400

Income Taxes are due if you make more than $12,000

Tax Problems from Cash or 1099 income are severe!

Many people receive 1099-Misc from their employers. They are not considered employees (rightly or wrongly) and therefore have no taxes withheld by the payer. They do not realize that from a 1099-MIsc comes three different Tax Liabilities. 1099s are reported to IRS just like W-2s. No hiding!

1. Gross Receipts Tax (Sales Tax) is to be collected by all sellers in New Mexico except for medical services performed paid by insurance companies. The tax is not based on anything but total sales.
   1. There are some exclusions and some people can be treated as “resold”.
   2. Santa Fe City Tax rate is 8.4325%
2. Social Security Tax (Payroll Tax) is due on all profits earned in your business.
   1. Your profit is Total receipts less all your expenses.
   2. Social Security Tax is 15% of your profit.
   3. Child credits, if you have minor or disabled children, will offset this tax.
   4. Any amount over $400 is subject to this tax.
3. Income Tax is owed on total income plus Self Employment profits after the first $12,000.
   1. If you have other income and self-employment income, the effective tax rate can easily exceed 30%.
   2. Child Credits also offset income tax up to about $35,000.

My Goal is to explain these taxes to the audience and show them how to comply.

1. Schedule C calculations and common expenses
2. Gross Receipts calculations and NM Taxpayer Access Point to pay them
3. Child Credits and Earned Income Credit will offset these taxes. You need a kid!

My other goal is to make clear the penalties and costs on non-compliance.

1. IRS will create returns from 1099s reported and send you a bill.
   1. It will be larger than if you include expenses and it will be at least 2 years late.
2. NM receives from the IRS our tax returns.
   1. If NM sees a Schedule C Self Employment worksheet, the first line “Total Receipts”

Is used to check if you have a Gross Receipts Account. The total reported income on the GRT better be close to the Total Receipts from IRS. Any discrepancy will result in an assessment with penalties and interest added. Once you are found for an older year, they simply work forward and get you for each following year.

1. NM allows you to turn yourself in and get caught up.
   1. “Managed Audit” lets you declare your mistakes and make a payment plan without penalties. They will work out your bill over years if needed.
   2. You have about 3 years before they will find you. Act Soon.