

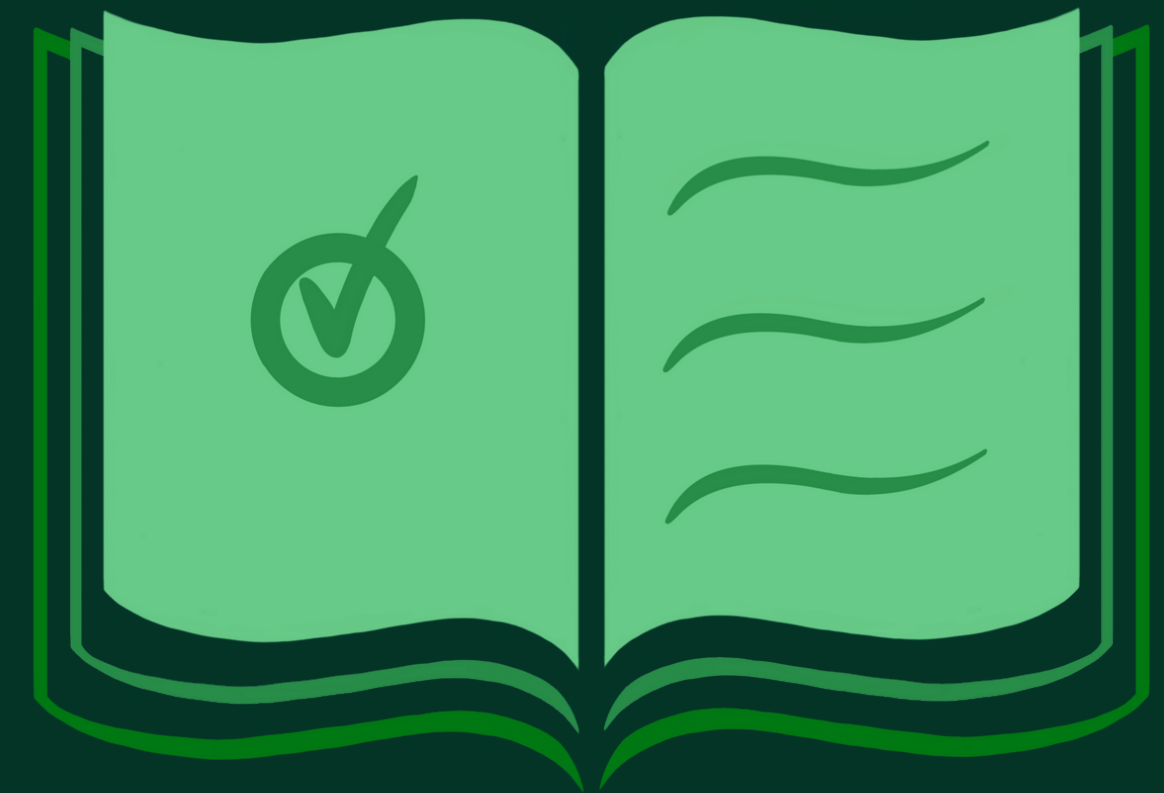
2022

hello friend,

**WELCOME**

*This presentation is for you if you want to be  
an independent contractor.*

[www.ritbsince@gmail.com](mailto:www.ritbsince@gmail.com)



R & I

Tax and Bookkeeping Services, INC.

# contents

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- What is an independent contractor?
- Choosing a business structure
- Business Licenses
- Secretary State
- Department of Revenue
- Estimated Taxes

**Now that I'm an**

# Independent Contractor

what do I need to know?

choose a  
business  
formation

- **Sole proprietor**
- Single member **LLC**
- Single member LLC taxed as an **S- Corporation**

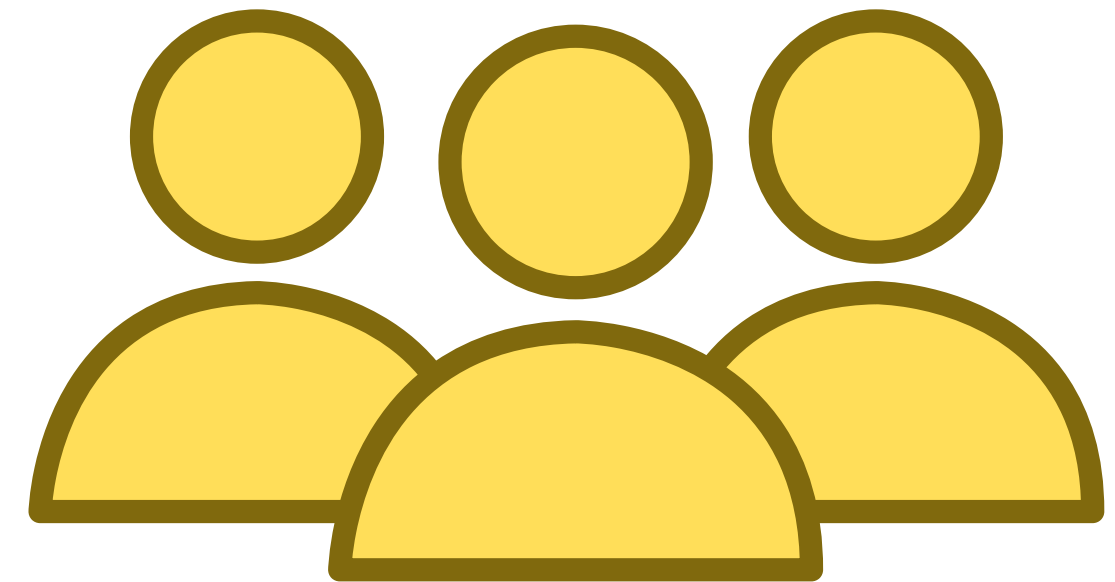
# Sole Proprietorship

- single ownership
- no sharing of profit or loss
- one man's capitol
- unlimited liability
- less legal formalities
- one man control



# Single Member LLC

- separate entity
- limited liability
- tax ease
- fewer regulations than corp.
- self employment tax
- doesn't attract investors



# S-Corporation

- separate entity
- not personal liable beyond their investment
- business is artificial being with the ability to own property, borrow money, pay taxes and be sued
- double taxation: corporation and shareholders pay tax on profits



**As a Sole Proprietor or a single member LLC you'll file:**

- Form 1040
- Schedule C (*attached to 1040*)
- Schedule SE (*attached to 1040*)

Schedule C is used to report Income & Expenses

Schedule SE is used to calculate your self employment tax



## **As a S-Corporation you'll file:**

- Form 1120-S (*separate from 1040*)
- Schedule K-1 (*attached to 1120-S*)

Schedule K-1 shows your ownership in the business and the income you earned from the business.

You'll use Schedule K-1 to prepare your individual federal tax return.

*S-Corps don't owe self employment tax. You pay self employment tax on the wages you are paid. **You need to set yourself up as an employee of your S-Corp. to earn W2 wages.** Income earned from the S-Corp that is above what you pay yourself will only be subject to Federal income tax.*

Applying for State & City

# Business Licenses



# WA State Business License

- You must decide what sort of business you'll be:  
Sole proprietorship, Partnership, Corporation, S-Corporation, Limited Liability Corporation, or Limited Liability Partnership
- If your business is going to be any of these:  
Partnership, Corporation, S-Corporation, Limited Liability Corporation, or Limited Liability Partnership

Then you need to register with the WA Secretary of State first.

<https://dor.wa.gov/open-business/apply-business-license>

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BUSINESS LICENSE

# ----- City Business License

You'll need a business license for whatever city you plan on doing business in:  
Tacoma, Seattle, Kent etc.

registering your business license with the

# Secretary of State



# WA Secretary of State

registering your business license with the secretary of state is required for all business entities except for sole proprietorships

An annual report is required to keep the registration up to date.

A fee is required to register.

paying sales tax

# Department of Revenue



New Businesses have a few agencies that they need to report income to.  
One of those agencies is the Washington State Department of Revenue.  
*The reporting is done either monthly, quarterly or yearly.*

<https://www.youtube.com/watch?v=8LxnSvGK1bg>

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DEPARTMENT OF REVENUE



what to know about

# sales tax

Retail sales tax applies to sales of tangible personal property and digital products to consumers for their own use.

<https://www.youtube.com/user/WashingtonStateDOR>

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DEPARTMENT OF REVENUE

what to know about

# sales tax

Services are also subject to retail sales tax but *not all* services. Services that are subject to sales tax include:

construction–building, landscaping  
personal services– lodging, fitness, tanning, tattooing  
recreation services–golf, skiing, etc.  
miscellaneous–extended warranties, leasing, towing,  
telephone services

*taxable services are not limited to these*

what to know about

# sales tax

## Common Exclusions

- Trade-ins against like-kind property
- Food (non-prepared) + prescription drugs
- Fuel that is subject to motor fuel tax
- Federal government sales
- Interstate and foreign sales
- Sales to certain non-residents
- Deliveries to tribal members in Indian Country
- Newspapers

paying

# Estimated Tax



# Estimated Taxes

**Estimated Taxes** are federal income taxes that a self employed business owner pays *quarterly*. This payment is in lieu of an employer withholding **federal income tax** on their paycheck.

# dates to remember

 April 15

 June 15

 September 15

 January 15

Paying estimated tax is just like if you were an employee paying taxes on every penny earned.

The only difference is that you do it now instead of an employer.

# Am I required to pay Estimated Taxes?

The IRS has a survey you can take to check whether you need to be paying estimated taxes.

<https://www.irs.gov/help/ita/am-i-required-to-make-estimated-tax-payments>

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ESTIMATED TAXES

Businesses must report  
**nonemployee compensation**  
(independent contractors, that's you)

By law, business taxpayers who pay or receive nonemployee compensation of \$600 or more must report these payments to the IRS using form 1099-NEC, Nonemployee Compensation.

Therefore, businesses working with you should be sending you 1099's if they have paid you more than \$600



Businesses must report  
**nonemployee compensation**  
(independent contractors, that's you)

If you are given a 1099 form, keep it!  
You'll want those forms for your records.

When you receive a 1099 form it means that income has been reported to the IRS so **you must include that amount on your forms** otherwise the IRS will have to adjust the amount you owe and will penalize you for not originally reporting that income.

# W-9

The W-9 is the form you need to fill out to report nonemployee compensation

<https://www.irs.gov/pub/irs-pdf/fw9.pdf>

[www.ritbsince@gmail.com](mailto:www.ritbsince@gmail.com)

**Form W-9**  
(Rev. October 2018)  
Department of the Treasury  
Internal Revenue Service

**Request for Taxpayer Identification Number and Certification**

Go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9) for instructions and the latest information.

Give Form to the requester. Do not send to the IRS.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

Individual/sole proprietor or single-member LLC

C Corporation

S Corporation

Partnership

Trust/estate

Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ \_\_\_\_\_

Other (see instructions) ▶ \_\_\_\_\_

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) \_\_\_\_\_

Exemption from FATCA reporting code (if any) \_\_\_\_\_

(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.

6 City, state, and ZIP code

7 List account number(s) here (optional)

Requester's name and address (optional)

**Part I Taxpayer Identification Number (TIN)**

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

**Social security number**

\_\_\_\_ - \_\_\_\_ - \_\_\_\_\_

OR

**Employer identification number**

\_\_\_\_ - \_\_\_\_\_

**Part II Certification**

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
- I am a U.S. citizen or other U.S. person (defined below); and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

**Sign Here** Signature of U.S. person ▶ \_\_\_\_\_ Date ▶ \_\_\_\_\_

**General Instructions**

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9).

**Purpose of Form**

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.

Form W-9 (Rev. 10-2018)

# Tip

Keep a separate bank account  
for you income and expenses.

*This will help prevent co-mingling of personal and business.*

*But it will also make reporting income/expenses so much easier when you have to pay taxes.*

*+easier to back up your reporting if the IRS questions it.*



Thank you for your time.

Please contact us if you have any questions!

253-777-1106

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# Let's get started!

Secretary of State

<https://www.sos.wa.gov/>

EIN Number

<https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>

Department of Revenue

<https://secure.dor.wa.gov/home/>