

We know working relief can bring many questions related to taxes. We asked our valued partner at Fit Money CPA to answer our most frequently asked questions related to taxes. Please note that this is generalized advice and you should seek advice from a tax professional for individualized guidance. For full disclaimer please see page 5.

What's the difference between S-Corp, C-Corp, LLC, and individual? In what cases would someone choose one or the other?

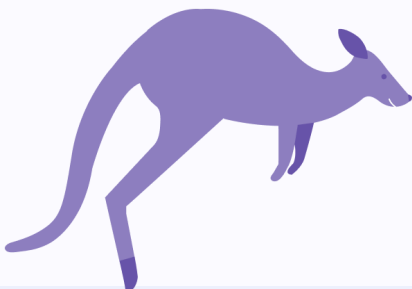
Refer to [this link](#) to understand the differences.

What are the main pros and cons of each of these categories?

- S-Corp
- C-Corp
- LLC
- Individual

What if I'm filed as an individual but want to switch to S-Corp midway through a tax year?

Congrats! You've done some excellent planning. The first year will be more complicated because you'll need to file a Schedule C for the first part of the year, and an 1120S for the second part. You'll also need to complete Form 2553 and determine what a reasonable compensation will be. It's recommended to consult a qualified tax planning expert before proceeding on your own in this case.



Still have questions?

Contact Fit Money CPA at
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What does it mean to be an independent contractor?

As a general rule of thumb, an individual is an independent contractor if the payer has the right to direct only the result of the work, not how it will be done or what will be done. Independent contractors are self-employed, which means that you'll need to fill out the self-employment tax on form 1040.

Self-employment tax consists of Social Security and Medicare taxes (also known as FICA) and is 15.3% of your net income from contract labor. Self-employed individuals are responsible for both the employee and employer portion of FICA taxes, which is something to keep in mind! Luckily, there are several planning techniques that can lower the amount of taxes you owe.

How do you know whether to pay quarterly or yearly taxes?

If you expect to owe more than \$1,000 in federal taxes for the tax year, you may need to make quarterly tax payments, which are submitted using Form 1040-ES. Keep in mind that each state may have a different threshold for estimated tax payments.

What does tax planning mean, and how can I do it?

Tax planning is when a taxpayer makes use of the tax law to pay the least amount of taxes possible. You would need to contact a qualified tax planner to help you analyze your financial situation and figure out how to minimize the amount you'll pay in taxes.



How do I calculate how much I should put away for taxes?

As a solid rule of thumb, you should expect to put away 30% of your business net income to cover federal taxes. For both state and federal taxes, expect to save 30-40% of your net income.

How do I know what I can write off?

(Examples: medical equipment; stethoscope; instruments; mileage, airfare, travel; meals; gifts; office space; utilities)

[Click here](#) for a comprehensive list of potential write-offs.

Can I deduct healthcare expenses? What records do I need to keep for deductions?

You might be able to deduct healthcare expenses depending on your situation. We recommend speaking with a tax/insurance expert.

What happens if I work relief in different states? Do I just file in the state I primarily work in? Do I have to file multiple times?

Depending on your situation, you may need to file in each state. Here's a breakdown of the possible options.

If you are a W-2 employee: If the state you work in does not have a reciprocity agreement with the state you live in, you'll need to file a nonresident return for the state you worked in. However, if the state you work in has a reciprocity agreement with the state you live in, the taxes should have been withheld already.

If you are a 1099 Contract Worker: You will need to file a nonresident return for each state you worked in. You should also double-check for any local taxes you may be subject to.



What happens if I don't report my 1099 on time?

If you don't include income from a Form 1099-NEC, then you will have 3 years to amend Form 1040 to include the proper reported income and pay any related tax, interest, and penalties.

If a business fails to issue a form by the 1099-NEC or 1099-MISC deadline, the penalty will depend on the size of the business. Expect to pay \$50-\$194,000 for small businesses and \$556,500 for large businesses per form, depending on how late the form is submitted after the deadline.

What if I don't receive my 1099 -NEC form?

If a business fails to issue a form by the 1099-NEC or 1099-MISC deadline, the penalty varies from \$50 to \$194,500 for small businesses and \$556,500 for large businesses per form depending on how long past the deadline the business issues the form.

What do I do if I have both W2s and 1099s?

Your taxes will be a little more complicated if you have both a W-2 and 1099, but don't sweat it! The process for filing a W-2 is pretty straightforward. You'll need to report your wages on page 1 of Form 1040, line 1, and your federal withholdings on page 2 of Form 1040, line 25a. Submitting your 1099 income takes a few extra steps. You'll need Schedule C which reports income or loss from your business or sole proprietorship. This schedule accompanies Form 1040, and you'll list your 1099 income on line 1 of Schedule C. From there, you can follow the form for acceptable deductions.

Now that you have your net profit on your Schedule C, you'll need to calculate your self-employment tax. This is done using Schedule SE. Once you've calculated your net profit and self-employment taxes, you'll add your net profit to Schedule 1 of Form 1040, line 3. Then, you'll report your net profit on page 1 of Form 1040, line 8. You'll add your self-employment taxes on page 2 of Form 1040, line 23. It can get a little complicated but there are plenty of resources out there to help you!

Taxes FAQ for Roo Veterinarians/Vet Techs



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