



Licenses, Taxes, and Business, Oh My!

Help! Authors, like other artists, are good at being creative, but not always so good at math and accounting. How do you set up a business? Do you need to? What are these forms, what are these taxes? Do I have to track inventory? What expenses can I deduct? So many questions!

At this monthly St. Louis Publishers Association meeting on March 9, Carolyn Thomas, CPA and owner of Thomas & Associates, CPAs, LLC will explain the basics of bookkeeping for authors and self-publishers and how to form a company and maintain it in good standing. She will answer your general accounting and tax questions as time allows. Her presentation will help you decide whether you can do it all yourself or will need outside help. The IRS, your state, and your own town

are watching you, and they all want a piece of your income, even if it's not so big, so be sure to be on the up-and-up to avoid penalties or getting dinged in an audit. You do have to collect and pay sales tax if you hand-sell your book in-state.

Carolyn Thomas is a Certified Public Accountant who specializes in tax preparation, planning and small business consulting. Carolyn worked at a St. Louis CPA firm for sixteen years and became



Carolyn Thomas

a manager there before starting her own practice: Thomas and Associates, CPAs, LLC, established in 1999 and located in O'Fallon, MO. Her firm specializes in accounting and tax work for various industries, including the medical field, manufacturing companies, and restaurants. She has had articles published in *Missouri Restaurant Magazine* and national publication *Restaurant Hospitality*. She is a member of the Missouri Society of CPAs and the tax division of the American Institute of Certified Public Accountants. Her volunteer work includes duties as vice-chairperson for the O'Fallon, MO, Planning and Zoning Commission as well as other civic and charitable organizations. Her hobbies include traveling, hiking and reading.

Upcoming St. Louis Writing & Publishing Events:

- **(MARCH 9):** Accounting for Self-Publishing: Tax & Accounting Tips for Authors and Publishers from Carolyn Thomas. 7:00pm – 8:30pm at The Heights: Richmond Heights Community Center.)
- **APRIL 13:** Publishing Resources Panel Discussion. 7:00pm – 8:30pm at The Heights: Richmond Heights Community Center.
- **APRIL 16:** SLPA Workshop: How to Publish Your Own Book: What You Need to Know. 8:00am – 12:00pm at the STLCC Meramec Campus.
- **MAY 7:** St. Louis Indie Book Fair. 10:00am – 5:00pm at the St. Louis Public Library Central Branch.
- **MAY 11:** Working with a Local Small Publisher: Informative Presentation by Kristy Makansi, Donna Essner, and Lisa Miller. 7:00pm – 8:30pm at The Heights: Richmond Heights Community Center.

The second annual **St. Louis Indie Book Fair** will be held on **Saturday, May 7th (10am – 5pm)** at the St. Louis Public Library, 1301 Olive Street downtown. Members in good standing may bring three to five copies of their own books (maximum of three different titles) to the March or April monthly meeting and fill out a form registering their books for SLPA to sell. (SLPA will have the right to request only three copies of heavy or large-sized books. SLPA will not handle coin change, so please choose an even number price per title and write the price in pencil on the inside first page of each book. Authors will be paid minus any PayPal fees for credit charges.) Authors are encouraged to attend and to sign up to assist at the SLPA table for a couple of hours. Join us for this fun event!

COMING IN APRIL

APRIL 13, 2016

Publishing Resources Panel Discussion

with SLPA Board members, Kevin Ericson, emcee

Tax Considerations for Authors

by Carolyn Thomas

One of the first considerations for any business, including writing, is the profit motive. The Internal Revenue Service looks at whether there seems to be a profit motive, which determines whether or not expenses are deductible against income generated from writing. In other words, if you have a loss every year, the IRS may consider that a hobby rather than a regular business. If your writing activities are determined to be a hobby, you cannot deduct losses from your writing activities, only expenses to the extent that you have income. However, if you have net income (your sales exceed your expenses), even if it is a hobby, it is taxable, just like income from a business.

Some of the factors taken into consideration when determining whether or not an activity is truly a business are the following:

1. Does the owner keep a separate set of books tracking income and expenses?
2. Does the business have its own federal identification number?
3. Does the business have a separate bank account from the owner?
4. Is the business run in a business-like manner? Are there schedules, meetings for research, etc.

If you are making a profit, you are a business and it is taxable. Then expenses related to the production of income can be deducted. The Internal Revenue Service says those expenses must be "ordinary and necessary." In other words, there needs to be a business purpose in order for it to be deductible.

There are various types of income that are taxed on individual returns. The two most common types from the generation of writing income would be from royalties or Schedule C business income. How the income is classified has an effect on how much tax you pay on that income. Royalty income is put on Schedule E on your individual income tax return, and after expenses are deducted related to that income, the remaining profit is taxed at your individual income tax rate only. Form 1040 Schedule C business income is different. This is income considered more from a trade or business activity, which would include selling your books at local stores or book fairs. It is taxed as self-employment income. The net profit on this type of income would not only be subject to regular income tax (like the royalty income), but also self-employment tax. The self-employment tax is the

same as the FICA and Medicare tax that is withheld from W-2 income. The only difference is that when you are an employee, you pay half and your employer pays the other half. When you are self-employed, you pay the entire amount on your personal return. That is 15.3% of the net profit of this type of income.

Another consideration to keep in mind is the State of Missouri and their requirements. If you are selling your books (self-publishing), you should register for sales tax no matter if you are considered a hobby or a business, because sales tax rules are different than the IRS income tax rules. Missouri says that the end consumer of a product should pay the sales tax. This means that everyone selling books in Missouri should register for state sales tax. The appropriate amount of sales tax should be charged on the books sold and then remitted to the state of Missouri on the schedule they have assigned for your business.

Like any business, writing activities are taxable and expenses are allowed that are necessary for generating that revenue. Also, like any business, to remain in business, you need to have a profit motive and run it in a business-like manner.

How to Publish Your Own Book: What You Need to Know



HAVE YOU BEEN THINKING ABOUT WRITING A BOOK (or perhaps you have written one) and are curious about how to publish it yourself? In this four-hour workshop, we'll cover the realities of independent publishing, how editing and design can make your book look great, options for getting your book into print, sales channels, e-Book production, and tips for book marketing. Presented by the St. Louis Publishers Association.

WRIT:704

Fee = \$ 39.00

Cost for adults 60 and over \$25.50.

Saturday, April 16, 2016, 8am - 12pm

Location: Meramec Community College - Social Science Bldg 111

Registration Code = 201605 50216

www.stlcc.edu/Continuing-Education/Classes/index.asp?Cat=XWRT

**MEMBERSHIP DUES
\$60 in 2016**

SLPA Meets on the Second Wednesday of the Month

**RICHMOND HEIGHTS
COMMUNITY CENTER (THE HEIGHTS)
The Angus Room
8001 Dale Ave.
Richmond Heights, MO 63117
(Child care available at The Heights)**

Doors open for networking at 6:30pm,
Program begins at 7pm
The meeting concludes about 8:30pm,-
Networking until 9pm
Regular meetings are free to members.
Guests: \$10 at the door.

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