

TAX & ACCOUNTING SEMINAR

Student Handout

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1. Key Definitions

Sole Proprietor	A one-person business, even without formal incorporation
Partnership	A business owned by two or more people, even without formal incorporation
Pass-Through Entity	Business income is taxed at the owner level, not the entity level
LLC	Limited Liability Company — formed under state law, protects owners from most creditors; acts as a pass-through entity
S Corp	A separate legal entity that also acts as a pass-through entity; allows owners to pay themselves wages

2. Getting Organized

Business Structure: LLC vs. S Corp

LLC <ul style="list-style-type: none">• Pass-through taxation• Shielded from personal liability• Less formal requirements• Flexible profit/loss allocation	S Corp <ul style="list-style-type: none">• Same deductions as LLC• Wages paid to yourself are deductible• Optimal when gross revenue is over \$150k
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Accounting Method

Accrual Method Income reported when earned; expenses deducted when incurred	Cash Method ✓ Recommended for Service Industry Income reported when received; expenses deducted when paid
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Essential Tools

- Open a dedicated business bank account and credit card
- Use accounting software (e.g., QuickBooks Online) to track income and expenses
- Separate accounts = easier recordkeeping, cleaner tax records, stronger loan history

3. Common Deductions

<p>Large Equipment Deduct full cost or depreciate over time; limited to net profit</p>	<p>Cell Phone Deduct a percentage based on business vs. personal use</p>
<p>Business Clothing Deductible if purchased specifically for your business</p>	<p>Credit/Debit Purchases Deductible on the date the charge is made</p>
<p>Education Courses, conferences, and related travel that maintain or improve skills required for your work</p>	<p>Home Office (Flat Rate) \$5/sq ft up to 300 sq ft (max \$1,500); limited to net profit</p>
<p>Home Office (Actual) Deduct a % of rent/mortgage, utilities, insurance, repairs, etc. based on office square footage</p>	<p>QBI Deduction Up to 20% of net income for self-employed; full deduction if income is under \$182,100 (single) or \$364,200 (joint)</p>

Notes
