



Seven Common Tax Questions Facing Bloggers

In the everchanging world of marketing and advertising, social media and grass roots campaigns have rapidly taken over a larger share of the marketing and advertising budgets of companies both big and small. With this digital medium movement to reach potential customers come great new opportunities for individuals to tap into their entrepreneurial spirit and start a business that offers the perks of setting one's own hours, working from home and incorporating one's own interests, whether it be family, fashion, traveling or other, into their day job.

With the success of a new business come key questions about taxes. In speaking with a network of bloggers, we have identified the following seven common tax questions and provide insight below on how to approach answering these questions when preparing your tax return:

1. Should my blogging business be incorporated as a single-member LLC or other business entity?
 - a. *This decision won't have an impact from a tax perspective, as the income of your business will be reported on your personal tax return regardless of whether you are formally incorporated as a single member LLC or whether the business is treated as an un-incorporated sole-proprietorship. However, this decision can have a legal impact on you and your business, and we would recommend obtaining the recommendation of an attorney on whether it would be legally beneficial to incorporate your business.*
2. What do I need to declare as blogging income on my tax return?
 - a. *Always be sure to keep detailed records of all the checks and other electronic payments (whether through PayPal or other platforms) you receive from each Company and/or influencer network related to your business. When you receive Form 1099's from those Companies, compare the amounts reported to the amounts per your records to ensure they agree.*
 - b. *If you receive a Form 1099, the business sending the form to you has already reported that income to the IRS and it is important that all Form 1099's you receive are properly reported as income in your tax return.*
 - c. *It is important also to consider whether any complimentary products, discounts or other non-cash incentives might qualify as business income.*
3. Should I issue Form 1099's to photographers, agents, virtual assistants and other professionals for the fees I paid to them as part of running my blogging business?
 - a. *Yes, pursuant to IRS regulations anyone paid greater than \$600 in a tax year, including LLC's taxed as partnerships, should receive a Form 1099 reporting the amount paid to them for their services.*

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4. Do I owe self-employment taxes?
 - a. *Yes, unlike W-2 employees of a business who have FICA and other taxes regularly withheld from their paychecks and remitted to the government on their behalf by their employer, bloggers are generally paid as independent contractors and no such taxes are withheld and remitted on their behalf. As a result, you will be required to remit such taxes yourself as part of your quarterly estimated payments and/or yearend tax payment with the filing of your return.*
 - b. *For regular W-2 employees one half of these taxes are typically withheld from their paycheck, while the other half is paid by their employer. For your business, while you will be required to pay the full amount of employment taxes as you are both the employee and the employer, you will receive a business expense deduction for the employer portion of the employment taxes.*
5. Do I need to make estimated tax payments?
 - a. *Estimated payments are generally determined while preparing the prior year's tax return. During the initial start-up stage of a business, it is common for the business to operate at a taxable loss position and no such estimated payments may be required. Once the business begins generating taxable income, estimated payments will need to be calculated and remitted to the government generally on a quarterly basis throughout the year.*
 - b. *It is important to ensure these payments are made in a timely manner as failure to do so could result in the assessment of interest and penalties.*
6. What qualifies as deductible business expenses?
 - a. *Pursuant to IRC Section 162, any expense that is ordinary and necessary to the business is deductible.*
 - b. *These expenses could include, but are not limited to, the following:*
 - i. *Photographer, agent, virtual assistant and other professional fees*
 - ii. *Investments in computer, photo/video equipment, software and other assets for use in the business – while capitalization and depreciation over a useful life may apply, these costs are often deductible in full in the year of purchase depending on the value*
 - iii. *Home office, internet, cell phone and other similar costs*
 - iv. *Industry convention/conference attendance costs*
 - v. *Travel costs*
 - c. *It is important to keep in mind that expenses that are deemed to be personal, living or family related are not deductible, however, sometimes there are expenses incurred that have both a business and personal aspect to them. In this*



situation the business portion of the expense is deductible, and it is important to determine and document support for the ratio of business vs. personal use.

- d. For some of the costs listed above there are multiple methods to determining the amount of the related deductible business expense. Travel and home office costs are two costs in particular that provide simplified methods for tracking and deducting these expenses:
 - i. *Travel costs – While you are allowed to track all of the costs you incur related to travel (ie. car repairs, gas, emissions testing, etc.) and apply a business portion percentage to determine the deductible expense associated with the business use of your vehicle, there is also a simpler alternative available which only requires you to track the business miles traveled to determine your deductible expense. Applying the standard mileage deduction can significantly reduce the time and effort spent on tracking all of the costs incurred related to the use of your vehicle throughout the year.*
 - ii. *Home office – Similar to the standard mileage deduction, the simplified option home office deduction permits a tax payer to deduct a standard \$5 per sq. ft. of their home used exclusively and regularly for their business up to a maximum of 300 sq. ft. This option eliminates the need to maintain detailed records of all expenses incurred related to the home during the year as well as the depreciation calculation and potential recapture on gain upon the sale of the home.*
7. If you use your children as models for the picture/video content of your blog, should you pay them an income and deduct the payments as an expense of the business?
 - a. *This could be a beneficial strategy to both compensate the models for their time as well as to deduct a cost of the business. It is important to keep in mind that the amount paid could result in additional filing requirements, and would be best to be discussed and planned out with a tax advisor in advance.*

For more information regarding how to address the unique tax questions facing your blogging business this tax season and to discuss developing a tax plan for your growing business in 2018 and beyond, please contact our tax professionals by calling 770.396.2200