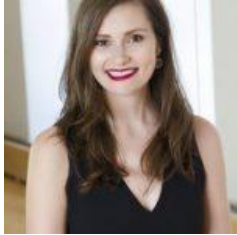


Is Your Tax Bill Too High?



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Don't miss a single deduction! Here, a checklist of write-offs for studio owners and freelance teachers.

It's that time again—tax time. (Insert groan here.) You may not be thrilled to sit down and tally up just how much you owe the government, but you can at least ease the pain by being smart about taking the tax write-offs available to studio owners and freelance teachers. Are you making the most of them? Do you even know what they all are? Read on to learn about the major types of write-offs (plus a few that are often overlooked), and check out the sidebar for specific business expenses dance teachers and studio owners are allowed to deduct.

What Is a Write-Off, Anyway?

Write-offs reduce the total income you'll be taxed on as a business owner. If your business brings in \$75,000, for example, and you can deduct \$10,000 in write-offs, you'll only be taxed on \$65,000. Write-offs, says arts and entertainment accountant Jessica Scheitler, break into three categories: business expenses, personal deductions and credits.

Business expenses are the expenses directly incurred from running your own business (studio owners) or teaching (freelance teachers). (You'll need well-organized receipts, of course.)

Personal deductions are nonbusiness expenses: your home mortgage interest, property taxes, any charitable donations you make. "Everyone, whether you're in business or you're a W-2 employee or even unemployed, gets personal deductions," says Scheitler. "These can be itemized, or you can take the standard deduction [\$6,200 for an individual in 2014]."

Credits, though they still reduce the amount of taxable income you owe, are treated differently: You won't get too many, and you have to qualify. An example would be the health care tax credit: For 2014, if you have fewer than 25 employees, pay them an average salary of less than \$50,000 and pay at least half of their health insurance premiums, you can get up to 50 percent back on those premiums. "In tax preparer land, every credit has a separate form," says Scheitler. "They're more complicated, but they usually get you more money back." **DT**

Did you know?

*"You can go negative on business expenses!" says Scheitler. "Most new businesses go negative, and the IRS allows this." The general rule is that you can lose money for three out of five years, but "then you need to start gaining ground."

*You should be keeping track of your income and expenses all year long. Scheitler meets with her studio owner clients in November or December so “we can see what’s going on in the business and buy extra stuff or make changes so that their tax is as small as possible. It puts studio owners in the driver’s seat if they look at it before the year ends.”

*Though having an accountant file your taxes might not be the best fit for everyone, there are definitely perks. A professional tax preparer will be familiar with common audit triggers and can steer you clear of them. “There are a lot of minor mistakes that can happen,” says Scheitler. A professional offers you another pair of eyes and a fresh perspective.

7 Write-offs Often Overlooked

1. **Business gifts** “This could be any gift [worth \$25 or less] that’s intended to advance your business,” says Scheitler. “I have a tattoo artist client who buys snacks and beer for his clients while they get tattooed. He might be thinking about customer service and trying to be nice, but that still counts.”
2. **Copyright expenses**
3. **Makeup, hair and nails** for
4. theatrical use Your own haircuts don’t count—but the sparkly stage makeup you buy for your comp kids to wear for that aliens piece definitely does.
5. **Memberships, dues and subscriptions** Like your subscription to Dance Teacher!
6. **Muscle conditioning and massage**
7. **Website expenses**
8. **Tour and convention travel** Hotels; meals; car rental; gas; parking; tolls; air, rail and bus fares

What You Thought You Could deduct—But Can’t

Gas receipts These alone won’t get you a write-off. You need to log your mileage for business travel, using odometer readings, and note the business purpose for each trip. “We need to show the total miles and how many were for business,” says Scheitler.

Donated time or lost wages “You don’t get to write off volunteer time,” says Scheitler. “And you can’t say, ‘I didn’t get paid for this, so subtract the \$500 I should’ve gotten paid.’ That would mean we’re writing off the time you spent, and you don’t get to write off time.”

What Can I Deduct?

Advertising and promotion

Banking service charges for business accounts	you attended, for example, or the marketing seminar)	Music and sound equipment
Business cards and printing	Contract labor (someone who is not your employee—anyone who gets a 1099)	Office supplies and expenses
Business-deductible mortgage interest (if you own your studio building)	Costuming	Payroll taxes
Business meals and entertainment (you'll get a 50 percent deduction on your tax form)	Discounts on tuition (In your records, always show the original total, and then subtract the discount, a tax-deductible expense.)	Postage and printing
Cell phone (if your personal phone doubles as your business phone, your write-off is based on a usage percentage)	Equipment leases	Publicist
Clothing (dancewear)	Health insurance premiums (Depending on your business type, it will be done differently; consult your accountant.)	Repairs and maintenance
Commissions and fees	Legal fees	Retail inventory (dance supplies, for instance)
Computer and internet expenses	Liability insurance	Salaries and wages
Continuing education (the Dance Teacher Summit	Licenses and permits	Sheet music, CDs, DVDs, iTunes
		Studio rent
		Studio supplies
		Tax and accounting fees
		Transportation (parking, fees, tolls, noncommuting cab fare)
		Utilities