

00:00:00 Welcome to the hair of the dog podcast. You guys buckle your seatbelt for the most energetic and enthusiastic conversation on taxes that you will have ever experienced. I had this conversation with Tiffany who is an enrolled agent with the IRS, helps photographers with their accounting and their taxes. And, oh my gosh, I just loved it. And we geeked out over it and it was fantastic.

00:00:26 If you are a US-based photographer, you must must, must listen to this episode. Stay tuned. Welcome to the hair of the dog podcast. If you're a pet photographer, ready to make more money and start living a life by your design, you've come to the right place. And now your host, pet photographer, travel addict, chocolate martini connoisseur,

00:00:51 Nicole Begley. Hey everybody. Welcome back to the hair of the dog podcast. I'm your host, Nicole Begley. And today we have a very special guest with us, someone that I actually kind of randomly found because someone in my community posted a resource, they found for her and I'm like, oh, she needs to get on my podcast. So this secret person I'm talking about is Tiffany Bastian.

00:01:18 She's an accountant and tax pro for photographers has an MBA in accounting as an IRS certified enrolled agent and advanced QuickBooks pro advisor, founder of bachelor in accounting, where she and her team works specifically with photographers thrown away of offerings from online courses to done for you services. And she believes that we're always exactly where we're supposed to be, and that there are no mistakes or failures,

00:01:41 only opportunities for growth. I couldn't agree more. Tiffany, welcome to the podcast. Thank you for having me. I think it's fun. It kind of funny because I feel like you're always exactly where you're supposed to be when you said that I'm like, it's so interesting that I'm here today. It's amazing. And for one total numbers geek to another,

00:02:00 I can't tell you how excited I am for this conversation to talk about taxes. I Love it. I love that. You love it. I know I'm really weird, but truly I think so many people think about taxes and they're like, oh my God. And they're so scared about it. And they just want to like hide under the rug. And yes,

00:02:19 the U S tax code is a ridiculous and a monster. And I think actually would take several lifetimes if you were going to read the whole tax code. But I heard once and it was a great, a great kind of flip of, of our mindset was that the tax code was written for us. His ways, like as ways that we could save money,

00:02:42 like, so let's utilize it and that's make sure that we're doing our taxes correctly, but taking advantage of the things that are built into the tax code that help us. So we should not be scared of it. We should shine the light on it and look at it and learn more about it. I love that. I

always say you Can't play the game if you don't know the rules,

00:02:59 right? Like exactly. And so many people are scared. It's just, I think it's the, it's probably the verbiage to, and it's written in such a dry way, then it's like, it's enough to make you feel dangerous. Right. Right. Really. It is like, when you start to really discover, like, what is it they're saying,

00:03:14 the other part of it is, you know, tax laws like any law, like it's not like black and white, you cannot do this. It's like, there are court cases where people have done that and you can use that as your reasoning. So, and maybe it's like the argumentative thing of like, you know, I can, like, I always think about like,

00:03:30 if the IRS was here, how would I argue this thing that I'm doing? Because there is an argument. I think people just get into this like mindset of there is there's do or do not. There's no like image and there totally is. Yeah. Yeah. And there's so many things that I think a lot of people just don't even realize that they can do because they don't want to,

00:03:49 they don't want to spend the time here because it's not as exciting as taking pretty pictures and you know, and then they're overwhelmed and nervous about it. They don't want to make a wrong mistake. I'm a huge believer that everyone, whether they're starting their business or have been in business for 20 years should have a CPA that they work with that have some sort of tax a person tax professional,

00:04:09 because it's a full-time job to keep up with the changes. I mean, you probably have. Yes. It's just insane. It's like, you don't even know anymore. You get to the point where people are asking me and I'm like, wait, what? That just happened. And it's like, it's crazy, crazy. Right. And what does all of it mean?

00:04:25 And some of it expires. So it's only available for a certain amount of time or, or this, this is the rule for this PAX year. We don't even know if it affects next tax year. Yeah. Yeah. I think that it's a, something that a lot of people just put under their bed, like get going and, and, and even myself,

00:04:40 I'm going to be honest. Like my businesses are growing and I was taking care of my clients. And then I had a big tax bill and I was like, oh my God, like I am the account. And how does this happen? My husband's like, when are we getting our return? I'm like, goodbye forever. But the thing was that I,

00:04:58 I realized like there has to be wait and it's tax planning is really the thing of like stopping. It's like anything we do, right. If you don't stop and plan out how you're going to approach things, you just get there and you do what you do. And, and that's how you end up

every February, probably like, oh my God,

00:05:14 I have to get all this stuff together for last year. I don't even know how I did last year. I don't even know how much I brought in. I don't even know what I spent. Like, that's like nowhere to like lead a business from, but it's hard. And it's so common, like, right. So many people would just like get into something and they're like,

00:05:27 oh, I can make money at this. And, and then before, you know, it they're like, this is a whole thing. And they're like, oh, wait a minute, hit the brakes. This is a business. What am I supposed to do? And it's scary because then you feel it's pro I think it even feels like embarrassing,

00:05:40 like get this far and not know. And it's, I want to just say to anyone listening, like it is completely normal. I run into and meet photographers everyday in various different situations, six figures, seven figures still like, what the hell is sales tax or whatever, you know? And that's the, that's the thing. It's okay. You have to like,

00:05:57 embrace that and then move forward. Yeah, absolutely. And I think embracing it from the place of, okay. You know, I can't change the past, but from here on forward, it's like, what's the best time to plant a tree 10 years ago. Okay. Second, best time is now, if you haven't gotten your tax game in order yet,

00:06:12 like, okay, let's get together now and move forward in the same thing. If you're rifling through those shoe boxes with your receipts for this year, it's still early in the year. What system can we put into place to, to do that? I know for me, I would be a wreck if I didn't have something that would automatically pull in my transactions.

00:06:32 Absolutely. I mean, lifesaver, and there's so many different accounting softwares out there that are able to do that. So that's always why advices, number one, get your, your, some sort of accounting, software invoice and software automated where it's pulling in all those transactions. And even before that, the one thing I could say, if somebody was like,

00:06:53 oh my God, what should I do? Just, just get a separate bank account. Yes. At the very least, I say, this is not ideal. So like, but at the very least you could just dump that all into a spreadsheet at the end of the year. And you're not, I mean, you, you have so much,

00:07:05 you're just years ahead of the work you're about to do because you have it all there, but yes. And then ideally having a system that's doing this for you. And I mean, we use QuickBooks, but the thing is like, you can start to automate all that for yourself. Like, you know, we handle that for our clients, but also teach them how to like set it up.

00:07:22 And then you can start having to do a lot of the heavy lifting for you each

month. And you don't necessarily have to have someone handling it for you. You get to a point where you're like, I want to outsource that because I don't want to deal with it, but I understand it. And that's the other thing. People, a lot of times,

00:07:36 just give it to somebody, whether it's for the taxes or bookkeeping, they don't understand what's going on and no one ever teaches them. And that is just not how I roll. I can't even deal with that. I'm like when I, when I help my clients understand things, it makes my job easier. I don't understand anyone who would just blind.

00:07:53 Right? No, there's a hundred percent of difference between outsourcing and just blindly throwing money at a problem, trying to sweep it under the rug, because that's never going to serve you because you need to know what's happening. So We'll be very weary of a CPA or an accountant or someone who's never asking you questions. Like, how do they know? Do they have a crystal ball at their desk that tells them I don't understand that.

00:08:14 And I get a lot of people, especially like in my Facebook group and stuff, there'll be like asking me questions based on, like, I asked my quote, unquote tax guy or tax girl. And I always like, kind of like laugh at that. And I'm like, you guys, you're literally handling all it. Hadn't all your stuff to someone you don't even have a name,

00:08:30 relationship with them. They're your tax guy like, well, think about that for a minute. And I'm like, I actually hope none of my clients call me their tax lady, because I'm so much more than that. And I know some of them get like, and some of them laugh, but it's like, it's true. And you would think of it like that.

00:08:44 Like that's like the most important part of your business. Really. Yeah. Definitely a key adviser, super important to help you plan Sarah eval, but it ha it has to happen, but it's not the funnest sexiest thing, but It is nice to know. You have someone that has your back though, you know, for, especially if you are fearful of like,

00:09:03 oh my gosh, I don't want to do it wrong. Okay. Hundred percent hire someone to help you. So that way, if for some reason, you know, you ever did get audited, which really is just not necessarily even a bad thing. They're just going to look, they'll find something here and there. And it's like, okay, but You guys,

00:09:20 you are the less they find. Cause you don't think if you're disorganized, one thing leads to another. It's like Pandora's box. Cause then they're like, well wait, what is that? And what is that? So the more organized you are, the easier it makes that process. Right? Think about that. If you were talking about all those receipts and boxes,

00:09:35 like now if you get audited, now you have to go find that receipt in the box. And then the ink, I didn't realize this went to that ink starts to, to fade. Yes. Yeah. So take a picture.

Sensitive ink. Like literally it's like Harry Potter. It's like the letters blame. This was the receipt on her ass. I promise.

00:09:56 All right. Well let's, let's jump back for a second. And maybe we already started to talk on some mistakes, but are there some common mistakes that you see photographers making regularly? Yeah. So I th I think that, well, at least you're sort of, I won't say mistakes, but big pain points where there's a lot of confusion overwhelm and then tend to be a lot of mistakes because of it.

00:10:16 But it's business structure and sales tax. I feel like a lot of people they hear about S-corporation, which almost all my clients are. I am, it's just such a, I feel like I'm a, I'm a I campaign for, S-corp like, it's my job, but LLC filing as an S Corp or are you a straight escort? So you have to be an LLC to file an S-corp or a corporation to file as an escort secret.

00:10:40 Right? So a lot of people don't understand, like they think that if they file an LLC, that suddenly changes, it changes nothing. Right? It's just changing limited liability to state level. And that's only changing that if you have a separate bank account and you're following the rules of an LLC, which most people don't do, they just keep going,

00:10:55 mixing personal business and living their best life. And then they'll realize that Got one second. Like, what are the, you know, can you go over the different options? So I'm starting my business. What are my different business structure options? The biggest thing people don't realize. The second that you start, you know, Liz probably is, this is probably a common scenario.

00:11:16 You start doing some photography and then you're like, oh, and then somebody pays you for it. And then you start, oh, I'm going to book some things out and you start to see how this can be a thing. Well, the second you take a dollar for that service, you are a sole proprietor. There's no like official filing or anything that needs to happen.

00:11:30 Now you have income that's taxable. So you definitely want to be tracking any expenses that you had to get there, whether it was mileage and travel to the event, whether it was the camera that you now have as your equipment, like things like that. And then the next thing is when you aren't a sole a sole proprietor, essentially your business is your name with your social security number,

00:11:48 right? So then, you know, when you're filing your taxes, now you have an extra form and you're going to put the income and expenses on there with that information. If you don't like that, and you said, well, I want to be ABC photography. Well, you need to file a DBA, which is doing business. As some states,

00:12:02 call them assumed names. There's like every state I've been telling you,

everything has its own rules for everything. But essentially it's just saying, you know, there's nothing fancy. It's just, you have a name. So you're Jane Smith doing business as ABC account or photography. And then you get a tax ID, which then sort of removes your social security number from circulation of all your business documents.

00:12:23 But the next thing is then the LLC and the LLC doesn't change anything about taxes. Does it change anything for you? Except for now you have limited liability, meaning that anything in that business bank account with the LLC name on it is all they could take in, in like a lawsuit. So you had a bride Zilla and she wins. Like she can only,

00:12:42 they can only go for that stuff. But if you are mixing personal business, it's called piercing the corporate veil. I don't know if you've heard this term before, but it means that an attorney could be like, well, look at you, didn't treat your business separate. So. Yeah. And I totally recognize that there's this whole kind of messy beginning part where you're trying to figure that out,

00:13:02 but Manny, you should get into the F the first thing you should do is just get a business bank account. It's like, I feel like it's the first thing that can help you in this path. I'm starting to get organized. Then you have the S-corp and the S-corp. So you, you, you're an LLC electing as Corp status. So this means that you are now an employee of your own business.

00:13:20 You, your business does have a separate tax return, but now you're on payroll. When you pay yourself any other way, besides being an S corporation, it is always a draw. You've probably heard owner draw that does not go on your P and L. It's not a deduction to your business. You're paying taxes on the net income of your business,

00:13:37 regardless of how much you put in our check out every year. And you're paying state income tax, federal income tax, and self-employment tax self-employment tax is 15.3%. You're already halfway to 30% and you have added federal or state. So it adds up quickly and you're paying it on that whole like number. But when you're an S corporation, you pay yourself on payroll.

00:13:56 So you, and there's no longer self-employment tax because you're paying payroll tax, but the payroll tax comes out as an expense to the business. And you really start to control your bottom line. You start an IRA. You can contribute to that. Your business can match you. These are all things I've done in my own business. And I advise a lot of my clients to do,

00:14:12 because then you're, you're actually paying yourself and everything's getting taken care of. And then that's that tax planning piece, but S-corporation is, is so beneficial. And I, and everyone always says, well, like, what's the magic number? How much money you should I make? And I really think most photography businesses don't have a lot of overhead, even if you

have a studio,

00:14:30 so maybe you might have rent or something, but if you're stuck, if you really, if you look at your net income, so your income minus expenses, and you're like 2,500, 3030, I mean, there's nothing wrong with becoming an S-corp at that point. Because if you think about, at the end of the year, let's say of \$25,000 profit,

00:14:48 that could have been your wages that could have been, and then it would be, I always think of it like that. Like that could have been your \$25,000 salary from your own business. And now you'd have a net income of zero on your business and you wouldn't have any taxes flowing through. Yeah. When you think of it like that, it's like,

00:15:02 wow. You know, so it gives you that control, but there is just a lot of confusion around business structure, I think. And, and the biggest culprit is Facebook groups. Cause people like, Hey, and they're like, oh my friend's, cousin's a CPA. And his daughter said this, and then everyone's like religion. They do it.

00:15:17 Right. Right. So I get it. And that's like, that's why I started my group because I was like, how do I like answer questions? I actually now approve posts just so I can really thoroughly answer each question with resources because it's a lot, but it's, it's simple. If we start breaking it down, like it's not, all this stuff is public knowledge.

00:15:35 All the tax code is out there. I mean, I know it's not a romance novel, but you know, there's all this stuff is out there. It's just intimidating. And I mean, I would even go a little further to say that people in my industry tend to make other people feel like they have some magic key over them, like, right.

00:15:50 I have all the answers and I know that, and I'm not like that. Like everything I know I could teach somebody, you know, and I could do anything I'm doing now, honestly, without the degrees, it's a match. It's a matter of studying and understanding tax law, you know? Absolutely. Oh my gosh. So good. So good.

00:16:06 Yeah. I, that the LLC is sole proprietor and, or filing as an S-corp. I think it's such a magical thing. It's one of those things. That's like, oh, this is one of those special tax presents that they actually have buried in the tax code for us. You know, I have a solo, a self-directed 401k that it's,

00:16:22 you know, you can do the employee contribution and then I can have an employer contribution for my business. And, oh, it's, it's fantastic. Crazy, like, and in that year, so in that year where I had a total meltdown and I was like money, I actually want to tell you, I took \$10,000 off of a 0% credit card,

00:16:38 open an IRA because the will tell you, there is one last thing you can do the, at the end of the year, after, after the year's over, you can open certain IRAs for yourself and still deduct it in the prior year's taxes. That was my saving grace, but that was the year I got it altogether. And I started tax planning.

00:16:55 Now I have a retirement and I've been triggering that retirement plan for seven years. And it's like through my business. So I kind of liken it to like turning your business into this like vehicle that's like taking you where you want to go versus like this vehicle, you're pushing up the hill every time. Right. It's so easy to get caught in the making ends meet and not having time.

00:17:12 And, and then the biggest thing is like, I have definitely met like even seven figure photographers who are like on Instagram. They have people following them. They're educating people. And then they're like going to bed at night. Like, oh my God, I don't even know. Like, it's, it's horrifying. It's, it's one of those things.

00:17:30 And it's, it's, there's fear in the not knowing, but I'm here to remove that. I love it. Gosh, this is also good. All right. So that's business structure. The next thing, while we're on that business structure, let's kind of talk deductions because I think there's a lot of miscommunication around too and misunderstandings. So what are some deduction surprises that either like,

00:17:55 Hey, no, that's a no go. Or are you guys looking for? Yeah. So, I mean, I'm, I'm thinking of one particular that I always get people like put about clothes. Like I, I have to wear certain clothes to go to a wedding, or I have to do all these things, you know, but unless your logo is on it,

00:18:13 it's not really a deduction because it's, then it's marketing, right? You, you, if it's something that you can wear anywhere else, it is. But there's like Badora photographers and other people who maybe have like a wardrobe closet. So with clothing and everything, it's like, you know, I think that people are trying to figure out, like I have to get all this special stuff for these events or these things I'm going to,

00:18:34 but it's not really a deduction. However, if the clothing is something that's like, I'm using this for different shoots, like there's a different avenue and actually have a blog post that kind of talks like how to treat it in the different ways. And I think if you were to ask maybe a CPA, they'd be like, oh, clothing, okay,

00:18:48 no, you can't do that. But really let's look at it. What is this for? It's more like, this is something I'm reusing. And then actually like the dry cleaning for it or whatever you're doing to maintain it also deduction. So it's kind of like one of those surprising ones, but the biggest, I think is like travel people try to figure out what with travel.

00:19:04 A lot of times I get questions like, well, I'm going on vacation. And half of my trip is for photography. And the other half is for family vacation. And it's like, you know, my, my advice there is to track the whole thing, just not in your bookkeeping. And then you're going to figure out how many days you're there.

00:19:18 Cause you, if you're audited, you want to prove this stuff too. How many days you're there and you figure out the percentage of what of that trip, the airfare, everything, whatever percentage is business, based on how many days you were doing business versus personal, I definitely have had people are like, well, I take pictures. I'm going.

00:19:34 And I'm like, well, I mean, I hear you let's pretend the IRS is sitting here. How do we tell them? I take pictures of my vacation Pictures. I'm always like, what was the IRS saying? How could I argue that? And I think the other one would be like, gifts. That's big. Right? A lot of photographers will send some kind of gift or maybe like something after their shoot,

00:19:58 right? Like just, you know, so sticky because gifts, the tax code is so old. And I don't think this is, this particular law has been in effect. It's like the sixties. So it's probably going to laugh, but it's \$25 per person per year as a gift right off. But is it really a gift, right? Is it like I,

00:20:15 everybody who gets packaged a, gets this thing in the mail after part of cost of goods sold and it's marketing, or it's like, and it's also make sure you get as much branded stuff in there because you're just ending that relationship so that you not ending it, but you're like ending that shoot to like grow that relationship. And maybe they'll tell somebody else.

00:20:30 And like, these are the ways I would argue this to the IRS. So, I mean, again, it's kind of back to that thing in the beginning, it's not black and white. It's like, what is it for? What's the underlying thing here? And the other one is donations too. Especially with pet photography. A lot of people were like,

00:20:43 I'm going to do an event at the, you know, the SPCA and how do I handle that? And it's, there is no such thing as business donations. That's, there's one, like not a thing doesn't exist. Can't do it. What do you mean right off of a taxable donations in general are not a business expense, unless you are a C corporation.

00:21:02 And that is like target. That is like Starbucks. And the reason is because those are double tax, they're taxed at the business level and then their, their owners are taxed. And so this is one of the big things I get all the time. And so it's like, well, is it donation? Or is it marketing right? Are you,

00:21:15 is, is the SPCA like, is telling all these people, you're there doing it. You're getting exposure. Even maybe you're giving it away, you know? Or I've had, I've had clients who have them donate directly to the SPCA while they're there. Like that's what they do to get rid of their

shoot. So then they get their donation. The other part of donations is it has to be an IRS certified nonprofit organization.

00:21:39 It can't just be a GoFundMe page. Right. You can't just, I think, and that's just heartening because I know like, that was really popular. Even like five or six years ago. There's so much GoFund me stuff and people, but also donate because you want to, that's out of the kindness of your heart. It's not just for a tax deduction,

00:21:53 but a lot of people were like, why that's not, you know, a deduction, but you know, there are ways to just think about like, what am I trying to accomplish? And it's okay to be, I'm helping the SPCA. I'm doing all this stuff, but also am getting brand exposure. And I have my marketing materials here. People know who I am now and they may come to me for something else.

00:22:11 And so I feel like it's completely okay. But it's just, it really is kind of saying, what am I trying to do? Like, what is it, what are the outcomes of this possibly so that I can deduct it in that avenue of whatever that is. Right, right. Oh yeah. I didn't realize that one. That's a new one for me.

00:22:28 Oh God. There's no line on any tax form for charitable donations. Right. It's on your personal return. But even then I'll say one more thing, even then, it's only a few itemize your deductions, so yeah. All right. All right. I like it. What about meals for deductions? Oh meals. That's a huge one. So they're used to being meals and entertainment,

00:22:48 right? So a lot of people, and even beyond far before I was working with child refers, I had definitely had clients like insurance guys. We'll call them quote, unquote, like, oh, I have Sabre's tickets for the whole season. I'm taking a client. I'm like, that is literally why they took that away. But meals are so busy.

00:23:08 Their business meals are still a deduction and it's 50%, but this year, and I don't know how long it will go because of COVID, it's a hundred percent because as long as it is purchased from a restaurant. Yeah. So like they are wanting, they're trying to help restaurants get back on their feet. And I guess this is their approach to that is lending you a hundred percent.

00:23:26 But again, you can't just be like, oh, I ran through Starbucks on my way to a wedding right now. It has to be like, I met a client, I met a contractor, I met an employee. Like you have to be conducting some kind of business and to be really, really obnoxious, like the tax code literally says on the receipt,

00:23:44 you have to have who you met with and what you were doing. So I know that. So don't put what I was doing. Oh, I'll have to start adding that. Yeah. Because I mean, I, I'm sure

that they'll look for that if audited, but you know, there's a difference too. And then, so let's, let's step aside that like,

00:23:59 what if you have a studio though, like if you're buying water and coffee and things like that for your studio that is supplies, like that is a full deduction. That is for your studio. Right. I know people do some in-person sales and they always have like refreshments for that. Like, that's different than a meal, right. A meal is going to a restaurant or,

00:24:17 you know, but there's definitely, I mean, door dash, I couldn't even tell you. I'm like you guys for real now, seriously, this is meal. So, you know, you just have to be mindful of that. And, and, and it's a thing is like, it's kind of like the clothes, like if you would still need to eat and you would eat,

00:24:35 if you weren't at work and you would still need to wear these clothes and you could still wear these clothes. Cause they're not like it's not a hard hat or some, some special piece of equipment, so. Right. All right. All right. Very good with those deductions. I know a lot of people, you know, they're starting their business and maybe they start their business over the course of,

00:24:53 you know, like 18 months. So maybe there's a whole bunch of expenses they had in say 20, 21, but they're not bringing in income till 20, 22. What's the best way to, for them to track that. That's the question actually. So that, and that's a very common one too. So those are, those can be called like startup expenses, but not necessarily do they need to be,

00:25:12 because I feel like startup expenses are meant for like bigger companies where you have like hundreds of thousands of dollars in startup to get something going. I say the second that you're, you're starting this business and you're going to start purchasing stuff for it. You need to file taxes. Even if you have no income, Hey, it's okay to have a loss.

00:25:28 And that's just income, no income. And all you have is expenses, right? So you're going a negative, you'll have a net loss. So that's actually going to help you. Cause that's going to flow over to your personal return and reduce any taxes you owe there or increase in your refunds. You're getting there. So, but you also have to deduct things in the year and once you've put them into service,

00:25:46 you can't just be like, oh, well, now that I'm a photographer, two years ago, I bought this stuff. You can't do that. So you want to make sure you start the time, the clock, if you will, on those things. However, you know, there's always that question about, well, what's a hobby. What's,

00:26:00 what's the, what's the difference. And so the IRS says that if you have a loss three consecutive years in a five-year period, like they will send you a letter. Like they will be

like, okay, you know, and there's going to be a whole thing. It's not like you just have to become a it's you naturally have to just become a hobbyist.

00:26:15 It's just, they don't want you trying, not trying to make a profit. They want like, I don't know if you wanted to do trains. And you're like, well, I'm writing off all these train parts. And then I do a couple things. Like I'll sell some things like you, they don't want you trying to basically get all these deductions for something that you're not actually trying to profit from it ever.

00:26:35 You're just breaking even so, but that is very rare, but a lot of photographers, I think, because photography sometimes can start as a hobby. They worry about that. But I, I want you to know, the IRS will let you know, live your life. They will always let you know the thing. It'll probably be six months too late,

00:26:52 like six months after the fact that the letter, the date of the letter, but they will let you know. But yeah, the thing is, you know, those expenses, you want to capture that stuff cause that's gonna help you. Yep. Even if you have no income. Yes. And if the IRS calls you in a broken accent, it's not the IRS.

00:27:11 They will always send a letter, right? Yes. And if they send you a, now I see so many fake letters, they send you letters that have you calling any, you got to look for like all the stuff on this you to make sure I even telling you recent letters. I've got, I know they're real, but they don't look right.

00:27:25 I Got one, I got one last year Around the thing. And I'm like, that doesn't seem right. I think got one last year. And I was like, Googling whatever was on the form of this letter. And I are, you know, and like, I'm like, oh, it is legit. Yeah. And the thing is, you can always,

00:27:41 you it's a good, good idea because you can always Google and find out like all letters have like a number like CP whatever. And they all mean something. And I've definitely seen letters where it looked like official, but that letter, that number meant nothing to so definitely. Yeah. Yeah. All right. Perfect. The other big mistake you said,

00:28:00 or the people don't understand is sales tax. So let's shift gears from deductions and talk a little bit about sales tax, Which Talk about different rules for different states. I used to be in PA and it was nice and simple. My county had an extra percent, but it was based on all sales in my business. Now in North Carolina, not even each county,

00:28:23 each flipping town has their own set of like Jenga matching eight different taxes together that are all different rates that you have to like. And I get around it. As people come here for their sales session and they come here to pick it up. So I'm like all on Cornelius, North Carolina. And that is something. So, so sales tax, there's two things you can be in a destination

state or an origin state,

00:28:51 an origin state is going to be that it's your zip code? So like destiny And a destination state is wherever the client takes possession. And what you're doing is exactly what I advise a lot of my clients to do. It's merely like, it's a lot of tracking, right? And it's like, if you have them pick up from wherever, you know,

00:29:08 one place all the time, then you just have to track that one zip code. And so I, that is huge advice. And I'm so glad that you're doing that because a lot of people don't realize that they're in a destination state, but you're right. There's there. Every state is different. First of all, on what's taxable, there are so many states taxing digital.

00:29:26 Now Marilyn just started taxing digital March of last year. And like a lot of people just started realizing that. Yeah. You know, and the biggest thing you guys is like 98% of the state's income comes from sales tax. And you're living in a world now where everyone's ordering stuff from other states and they're starting to get hip to like, wait a minute,

00:29:43 like we're losing money because people are buying stuff online or they're getting all this digital stuff. So they're jumping on board and you know, the biggest thing is two states don't mess around. Like, that's the one thing, if you're behind on sales tax, we do videos for a lot of our clients. We'll get clients that come in and they're like,

00:29:57 okay, well, I don't know about sales tax. I've been in business for a year and a half. And you know, there's a lot of things. So VDH are this option where you can go to the state and say, okay, I've really, I don't know what I'm doing. I have all this stuff. I need to pay these taxes.

00:30:11 I want, I need to go back to this day. Cause that's the other thing is be careful. You tell them, you formed an LLC back to the date. You formed that LLC. You're going to have to explain what you've been doing with sales tax. So be honest, go all the way back, but then they will remove any fines or penalties for you and set you up on like a payment plan.

00:30:26 Yeah. Caveat is most states will say, if you have a registered. So I do get people that have registered the never done anything. And then they're like, well, you knew because you're registered and we sent you letters every quarter. And you know, Sophia, if you're listening to this and you're thinking about sales tax, like in your behind don't register,

00:30:42 get some help with their BDA because that's a huge difference. But every state's different about what's taxable. What's not. And how, and then what rates you're charging based on origin or destination or zip code or theirs. And then even the biggest one is traveling in other states destination. Like you're going to go to a certain state. They all have rules on,

00:31:01 if you coming here and some are like, the second you come here, you need to fill out this form for whatever shoots you do here. Some are like after three visits in 12 months, you have to register for sales tax. There's a lot of people that live on borders of other states and regularly new business in that state. And don't think about it or like wedding photographers that travel,

00:31:17 if you're, and also if you're advertising on your site that you travel or you traveled to these places, you better be registered in those places. Like, because they have this information. Right. And I have a whole sales tax guide that has every state broken down. And we've actually, we're about to combine it into, we have two, we're gonna combine it into one,

00:31:33 but then you have the destination for that state to, yeah. And I always tell people I'm totally community over competition, but it's going to be another photographer in that other state that blows you in and says, this person's coming here and they're not doing the sales tax. Right. And then, then you're, you're up the Creek without a paddle. Right.

00:31:51 Right. Oh my gosh. And yeah, the digital, the changing of the digital has been the wild west for a while. I mean, especially you, you understand too, from the online education space, I mean talk about no rules and you know, I have a tax attorney that it's like once a year, I check in, I'm like,

00:32:10 am I, am I still good here? Do I need to change anything Kind of silly? Cause I think if they text digital courses and things like that, like they really got on board that they'd have no, they would have so much money. No. Yeah. You live by my accountant's like, you know, we should really kind of track cause of this Wayfair case.

00:32:29 And you know, if you have a hundred transactions in California, I'm like, well that means if I have 10 members in California and then you have to keep track of all these states rules on the courses anyway, you guys are very thankful that photography is a local business. Yes, Yes, Yes. It's a whole crazy world out here. But yeah,

00:32:49 I think the moral of the story is don't keep hiding your head in the sand because eventually it'll catch up with you to raise your hand and say help. Let me get it straight on my sales tax, my business Kind of like expand, right? Because you might be like, okay, well I just want to get this right and move forward. But again,

00:33:08 if you filed that LLC, when you, when you register for sales tax, you have to put on that information. They're going to see that you filed the LLC last year. And they're going to wonder why you're not going back to last year. So just be prepared and also know that you can set up payment plans. I have plenty of clients right now that are on payment plans with their state for the next six months to get caught up.

00:33:25 I mean, they want their money and they're going to work with you. And then you're gonna feel so much better. Like imagine going to bed at night, being like, I know what I own sales tax. I have tax plan for the quarter. I, that is my ideal. Like that's the situation I want for, for, Yeah, For sure.

00:33:44 And the tax planning, I think so important too, because I know it caught me by surprise. Like you were saying with the, oh wait, I'm not getting any money. I owe what. And at the same time, now you owe estimated this is federal income tax. We shifted gears to now you owe federal estimated income tax. And at the same time you owed this big tax bill and that's due at the same time.

00:34:04 And you're just like, well, that's a double whammy. Pretty rude. Can you just hit on something? Because a lot of people do not realize it. The second that you take a dollar for business, you're the escrow or you're not the S-corp listen to me. And now I don't know what I'm saying. You're a sole proprietor. The second that you're a sole proprietor.

00:34:21 The second that you're doing any of that, you need to make estimated tax payments, taxes, or pay as you go. And just think about when you worked for somebody else, you got to pay staff. And every time you got that pay stub, they took out all the taxes and they made those payments for you based on your w four, when you work for yourself,

00:34:34 no one's paying those taxes. You're supposed to be, that's where tax planning is important. And, and a lot of people think they don't realize they have to make those payments. They think it's like only if I make a certain amount or, or whatever, but I always challenge people to ever go look at their 1040 form. This is the main tax forum go down by the signature spot is no CPA.

00:34:52 Most of the time they don't know H and R block. They don't say, they'll say, here's what you owe. Here's what you're getting. But they never say, oh, and that line right there is all the penalties that you're paying in that. No, because you didn't make us my tax names. They never say that to you. And you'll find them.

00:35:04 If you, especially, if you've owned a prior year and you had a business go, we'll look at that line because it's the penalties for not making estimated tax payments. Yeah. Because they asked you on the return. Like there, they want to know when, what are the estimated payments you made? What are the dates? And they match those up.

00:35:17 But then when they see like, you know, you owed \$25,000, you made no payments towards it. And now penalties for not doing that because they want their money. They want it as you go, as you make it, they want those. But yeah. And they even want it to cause we're very seasonal. Right. You know, a lot of top prefers the fall is when they make a lot of their

money in third and fourth quarter.

00:35:35 But with estimated taxes, you have to take whatever your estimated like, you know, say my textbook last year was \$20,000. So I had to take that \$20,000 and pay \$5,000 a quarter. Even though I haven't made all of my money until quarter three and four. Well the, well, the rule is you have to pay 90% of what you owed last year,

00:36:00 not what you owed. But like, if you look at the tax amount you owed and calculate on that, or a hundred percent of what you owe this year. Cause like, say this year, you, you make more than last year. Right? And you don't have to divide it up. Like really the, the trick is as long as you make every estimated payment by January 15th.

00:36:14 Yeah. It counts for the whole thing. It's not, they don't put any fines or penalties on it, but you should. But this cashflow, you really should be the cash flows you have. You really should be trying to make them as you go along because you, we always think that we do. And then we get there and we're like,

00:36:28 oh my God, that number is just so much bigger. Am I going to go lay down and cry? Right. Because also too, you know, you might go up and down and you know, I always, we do our tax planning from like January to March and then we'll do January to whatever based on, okay. Here's where you're at.

00:36:45 But you already made this payment. So just kind of figure out where they're going. So it can match cashflow a little better. But as long as you make them all by January 15th, you're good. But it's hard because how many people have all their bookkeeping caught up and ready to go, like right into the January through December. So you have to,

00:37:00 that's why keeping up with your bookkeeping is also helpful because then you can kind of have an idea, right? Yeah. And have a nice little tax savings account. I'm off to the side. We're talking about there's federal and state, right? So there's only five states that don't have it. So everybody else you have to have state in. A lot of people don't do the estimate,

00:37:18 the state they'll do the federal and be so proud, but not realize their state estimated payments. Right. Right. So it's like California, They sure are you in New Jersey, in California, the favorites. But the one caveat, IRS, if you're listening, you and the state should equal up the estimated payments. So they're actually do quarterly. I hate holiday.

00:37:39 It's like April, June. Yeah. The real recorders we use the co-op. We use the term quarterly, very loosely. It's January, February, March is due in April and then April, April and may are due in June. April Are due in June. Yes. June, July, August. It's broken up very odd. And I'm also,

00:38:00 I just wanna let you know, I'm in New York where we have quarterly sales tax and quarterly sales taxes, December, January, February, then March, April, May. Like, it goes over two tax years. Like this is what I'm talking about with state. It's like, I'm like, I literally think they have meetings to be like, well,

00:38:14 how do we stay different than everyone else? Like, what is the thing? Can we take quarterly payments in a calendar that's 12 months long and make them not equal? Yes. I hate the New York like that last quarter, because it feels like quarter one. Cause you're in February. But then you're like, no, no, it's not. It's actually quarter four of last year.

00:38:33 Like what the heck? That's crazy. Oh my gosh. All right guys. So I think you've probably figured out that we should all have some tax planning help because I even learned some things from this conversation today and I consider myself a pretty high level tax nerd. Yeah. I love this. So it was great. Yeah. I definitely love like that.

00:38:53 You, you get it like it's important. Yeah. Yeah. Awesome. Good. Tiffany, tell us where photographers can find out more about you or get help from you because you specialize in this very thing. Absolutely. So I would just say, go to my website. It's a www.Bastianaccounting.com. So that's B a S T I a N accounting.

00:39:13 So one long word, the longest thing I could find@accounting.com and we have the learn with the section and there's a ton of freebies. You'll get the state by state sales tax guide. I have a business structure. Masterclass. I have QuickBooks online for photographers is a masterclass kind of goes through and shows you all the things that are in there that you can use.

00:39:30 Cause you don't really get that view anywhere else. But I have a ton of freebies on there and they're all really good places to get started. There's a business expense breakdown guide. And we, the two sales tax guys, we have the destination and then the resident state. So wherever you live and do business versus wherever you're traveling. Cause those are two different sets of rules.

00:39:47 Right. But yeah, I really thank you for having me on here. I think it's so important. And it's one of those things being in this industry. Like no one really cares about taxes. So even in corporate America, I was like in the department, no one cared about like I love when people are like, let's talk about Texas. I know secret little random secret about me when I was thinking of moving on.

00:40:10 I used to be a zoological animal trainer for 13 years and I was like, oh, I'm ready for a new something. I almost went from like training free flight birds and seals and primates to like, I'm going to become a CPA. Yeah. I would like to say, I am not a CPA world agent. And that's a big thing. People don't realize the difference.

00:40:30 A CPA takes a four-part exam, which I was going down that road too. But it's like an attorney, right? So it's very general unless they go specialize in tax that's they're not necessarily a tax pro, but a lot of the CPAs become tax pros. That's what they do. But an enrolled agent is a three-part exam through the IRS and that is business,

00:40:48 a business tax, personal tax and ethics. I take 73 hours of continuing education and I can represent all states were CPAs. And that's a huge thing. A lot of my clients keep telling me to tell everyone, like we help photographers all states. Yeah. But a lot of people because of the CPA mentality, don't realize like you can do that.

00:41:06 Right. CPAs have to be, they have to work in states in which they're registered to work in EAs do not. And I'm certified through the IRS and you know, they don't mess around. Right. And I don't work for them. I don't have a really cool badge or anything. I remember when I got my certificate in the mail, my husband's like,

00:41:21 you don't get a badge. I'm like, yeah, yeah, whatever. But I just want to put that out there. Cause a lot of people, even my own clients will be like my CPA. And I'm like, I'm not a CPA. I'm an EA. And because you got to be careful when people write the title that you're not credentialed in,

00:41:38 but I guess it's like the new revolution. You don't have to have a CPA. You just need somebody who understands the tax laws and can help or industry. So yeah. Yeah. Perfect. And truly on that same note, it's important to find a tax professional that's going to help you EA or CPA or whatever. This familiar with photography. Because I actually had somebody that was helping me at first for my first couple of years,

00:42:02 I ended up switching because it was like, I wasn't bringing more photography things to him than he was to me and was not very familiar with the industry. So when you find someone that really is familiar with our industry, so helpful, it's like any business, you don't use everything because you can see in that example, there it's generalized. You can be a CPA,

00:42:22 but you know, and even for me, it wouldn't that be exhausting to try to be right. Especially in this world to try to help everybody and everything. So the second that I was like, photographers, I already had a majority of my clients were photographers. The girl who does all my photography was one of my first clients. And I'm like,

00:42:36 you know what, that's what I'm doing. We're doing it. I remember I changed my logo and I took the word ciphers. And I just like, I started my Facebook group in September, I think of 2020. And I'm like, it's like, there's like 4,000, almost 5,000 people in there. And I'm like, this is insane. But I was so scared.

00:42:51 And that would be the other thing. Cause even in photography a lot, there is a

lot of generalization, but if you can niche into something, you can do it so much deeper and better. And you're just so much more attached to it and people can really trust you on that topic. So yeah. Yup. Yup. I agree. Says the girl that has pet photography education,

00:43:08 forget the rest of, I mean John the photographer, listening to the podcast. Thank you. And we welcome you. I do love serving my pet photographers. Oh my God. I just love that photography as a whole. I have a dog and I'm like, Siri, you need a photo shoot. This isn't mine, but I'm like, you can have your own thing,

00:43:27 girl. No, I'll be amazing. Well, if you would jump in a couple of the images, then that would be a write off for, you know, marketing images. There we go. All right. Perfect. Tiffany, this has been so fun. Thank you so much for coming to join us and yeah, you guys know how to find her.

00:43:44 So thanks For having me. Bye everybody. We'll see you next week. If you enjoy this podcast episode, go ahead and take a screenshot of this episode on your phone and post it up there on your Instagram stories and be sure to tag us at hair of the dog academy. And we would just love to see how you're listening and a full disclosure.

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