Tax issues can surprise, confound, and frustrate even the savviest of writers, no matter if you’re writing full time or in addition to another job. The time to prepare for taxes is long before they’re due. Here are some lessons to help even the seasoned writer make taxes less taxing.

Pay estimated taxes
When author, journalist, and editor Beth Harpaz sold her first book, she received an advance. That money brought something many new authors don’t think about—a new tax liability.

Fortunately, Harpaz was ready. “I knew I would owe more taxes, and I needed to figure out what I should pay or risk being penalized,” she says. “I wanted to deal with it right away when I had money in the bank and hadn’t spent it yet.”

In addition to the advance, Harpaz had unreimbursed business expenses from her full-time job and freelance assignments. She worked with a tax professional to maximize her deductions and pay estimated quarterly taxes.

“The United States has a pay-as-you-go tax system,” says Internal Revenue Service (IRS) spokesperson Raphael Tulino. “Paying estimated taxes is important, as taxpayers are legally required to pay most of their tax liability—generally 90 percent—throughout the year.”

Citing the dramatic tax law changes from 2017 to 2018, Tulino recommends performing a paycheck checkup using the IRS Withholding Calculator to ensure people are withholding the right amount and avoiding penalties that could be as high as hundreds of dollars. The latest IRS figures show that in 2015, 10 million people underpaid their taxes and paid penalties.

Full-time writers must pay their own self-employment taxes, such as Social Security and Medicare at the federal level. There are self-employment taxes for states and some municipalities, too. Writers who also work at a different full-time job can withhold extra taxes through their employer to balance out any freelance income or pay estimated quarterly taxes.

Take deductions
In addition to paying taxes throughout the year, understand the expenses you can deduct. Jaime Santos is a partner at Treehouse Taxes, LLC, a small business tax firm that caters to self-employed individuals and small businesses. “We find that most creative people tend to underemphasize and misunderstand the tax-deductible expenses they have,” she says. “There’s almost a sense of guilt taking expenses.”

“It’s important to ask yourself, ‘What is the purpose of this expense? Is it to support my work as a writer?’ If yes, then it’s fair game,” Harpaz says. She keeps lists by categories, including supplies, travel, and services, such as computer repairs.

One of the largest expense categories for artists is research. “Your life experiences are informing your craft,” says Santos. “The business part of that is the money you spend to be informed.” For example, if writing about an artist, a charge to visit a museum to see that person’s work is a research expense. If someone writes about entertainment, a portion of fees for Netflix, Amazon, or Spotify could be considered research.

Travel expenses count too—either for travel writers or those who have to be on location for an interview or other site-specific research.

Writers shouldn’t forget about the more mundane expenses that come with running a business. “The IRS is fine with a 50-50 apportionment on
cell phones—no questions asked,” says Santos. “But at Treehouse, we find that that’s sometimes not enough.” Treehouse tax preparers encourage people to be practical and honest about their usage and find it can often be more than 50 percent.

Santos emphasizes that the IRS looks for the reliability of people’s numbers. This comes from dependable bookkeeping and consistency in numbers. “If you have a line on your taxes for your phone and it keeps changing each year, that raises a flag with the IRS that those numbers might not be reliable,” she says.

That said, she emphasizes the significance of narrative. One of her clients is a journalist who spent one year covering issues in her home region. After receiving a promotion, the client spent six months on assignment in Africa, and her travel expenses exploded. Santos put the travel expenses in the “other” category on the Schedule C so she could provide context. “That way, if something gets kicked from the machine reader to the human reader at the IRS, they can review the narrative,” she says. “It’s OK that fluctuation happens. It’s just important to try and communicate what’s behind it.”

**Manage expenses and receipts**

One way to maintain dependable numbers is to establish separate personal and business accounts. When writer and editor Christy Karras and another author decided to co-write a book, they spoke to an accountant and set up an LLC, or limited liability company. The accountant advised them on what they should do as small business owners.

“He talked about maintaining the corporate veil between personal and business expenses and how that veil is important to the IRS,” says Karras. “Part of the way you do that is set up separate bank accounts and credit cards.” In addition to maintaining the separation, it keeps things simple. “I don’t like filling in boxes. I love the fact that I can directly dump my online bank account into a spreadsheet,” she says. “I believe in making things easy and automatic.”

Many writers use expense management software like Expensify, Freshbooks, or Quickbooks. Some use a combination of journals, envelopes, or spreadsheets to track expenses and income and keep receipts. “Find a system that you’ll actually use,” says Santos. “Any of the approaches are fine—as long as you follow one and you’re consistent.”

She emphasizes the fact that the IRS wants two main things for each deduction: proof of payment and proof it’s a business expense. If you’re not keeping separate accounts, a record on a credit card statement might be proof of payment but not an indicator that it’s a business expense. That’s why keeping receipts—whether in digital or hard copy format—is so essential.

Records maintenance is also critical because a writer’s income doesn’t always match up with expenses. Harpaz says, “The income might come in a different year than expenses. The IRS understands that.” Still, it’s best to align the two items as much as possible.

**Consider working with a professional**

Harpaz, Karras, and many other writers work with tax professionals who have experience working with freelancers, the self-employed, people in the creative arts, or small businesses. “If you’re making more than a few hundred dollars a year or starting a business, you should talk to an accountant,” says Karras. “Ask questions like ‘What kind of entity should I set up?’ ‘How should I track expenses and income?’ and ‘What are the red flags I should keep in mind?’ It will save you time, money, and stress.”

Karras emphasizes the need to check in about all tax issues, particularly on items that might get you audited. “I’ve heard writing off the home office can be a red flag,” she says. She has a shared co-op office for work, which she deducts.

With the latest tax reform changes—including a new 20 percent tax break for “pass-through” businesses—that will affect some sole proprietorships, including authors—now may be the best time to talk with a tax professional. Whether or not you talk to an accountant at the start of your writing career or every year at tax season, Karras says, “your writing is a business, so treat it that way.”

“Be confident about your value,” says Santos. “You are a legitimate business professional, and you bring more value to others’ lives than most other businesses. You should be able to benefit from what you have to do and spend.”

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