

REALTORS® “SMART from the Start” Accounting Tips

S **Self-Employment Taxes** – This is the Social Security and Medicare taxes that are paid on your income. When you received a paycheck from an employer, they would pay half and you would pay half. Now that you are Self-Employed, you are responsible for both the employee and employer portion of this tax which is **15.3%...YIKES!**

Greg's Pro Tip: S/E tax calculated on net income, not gross commissions.

M **Make Estimated Tax Payments** – Again, when you worked for an employer, they would withhold taxes from your paycheck. Your employer would then send these taxes to the IRS and State on your behalf. Now that you are Self-Employed, there isn't anyone withholding these taxes for you. But...the IRS and State still want your money. You are required to make 4 estimated tax payments throughout the year on the following dates:

April 15, 2024 June 15, 2024 September 15, 2024 January 15, 2025

Greg's Pro Tip: Open a savings account and deposit 20% of each commission.

A **Account For Everything** – Make sure that you are accounting for all income and expenses associated with your real estate business. At this point it is not important to determine if something is tax deductible or not, it is more important to just document all expenses incurred in running your business.

Missing just **\$100**/month in expenses could cost you \$500.00 on your tax return.

Greg's Pro Tip: Dedicate a Checking & Credit card account just for business use.

R **Receipts Must Be Saved** – Make sure that you are saving your receipts. Your receipt must include the vendor, date, amount and description of the purchase. For meals you should also document who you were with and what was discussed.

Your credit card statement **is not** an acceptable alternative to saving receipts.

Greg's Pro Tip: Take a picture...the receipts will fade or get lost!

T **Track Your Mileage** – There are multiple methods for deducting vehicle expenses. Regardless of the method you choose for tax purposes, the IRS requires you to keep a mileage log. This helps substantiate your deduction and determine the percentage of business versus personal use of the vehicle.

Greg's Pro Tip: Use an App! I personally use MileIQ