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## **Self-employed consultants may face tax implications for 2019 returns**

*NATP advises opening separate business bank account to track deductible expenses*

**APPLETON, Wis. (Jan. 15, 2020)** – Picking up a second job to supplement household income is common. Many Americans are choosing to become consultants that visit homes to sell make-up, jewelry, candles, kitchen utensils and food products. Some may not realize the tax implications of becoming a sole proprietor and what they need to do to file taxes.

Conducting business as a sole proprietor is one of the simplest forms of operation. It's easy to start a business operated as a sole proprietorship and equally as easy to discontinue. The first step when starting a business is to open a separate business checking account. It will be easier to track the deductible expenses if they are not commingled with personal expenses. If the taxpayer incurred expenses prior to opening their business, they should keep them separate from their other expenses. Special tax treatment applies to startup expenses.

It is important to keep track of the business mileage, as it may be eligible for deduction. If the taxpayer is self-employed and maintains an eligible office in their home, they can deduct the mileage to and from their client/customer's place of business, as well as between jobs.

There are two ways to calculate auto deductions: the standard mileage rate or actual expenses. The standard mileage rate is the easier method and can be calculated by multiplying total mileage by the current rate (\$.58 for 2019 and 2020). The actual expense method is exactly that, recording the actual expenses such as the cost of gas, oil, insurance, repairs, maintenance, tires, washing, licenses and depreciation. This method requires the taxpayer to keep very detailed records and if they use their car for personal and business purposes, they will have to divide the expenses between the personal and business portion.

The IRS allows self-employed taxpayers to claim a deduction for home-based business expenses if they meet certain requirements. They must use the home office regularly and exclusively:

- As the principal place of business for a trade or business; or
- As a place to meet with customers in the course of the trade or business, or in connection with the taxpayer's trade or business, if the location is in a separate structure not attached to the dwelling unit.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as the sole source of authority. [The National Association of Tax Professionals \(NATP\)](#) advises working with a tax expert in the local area who keeps current on tax law changes and is also an NATP member.

To learn more about NATP or find a tax professional in your area, visit [www.natptax.com](http://www.natptax.com).

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