

Should I Incorporate...?

...and Other Burning Questions About Your Money

October 27, 2020

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The Money Life of a Screenwriter

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PAGE VILLALUNA
MVZ & Associates

PANELISTS

SHOULD I INCORPORATE ?

WGAW Online Panel Event

10/27/20

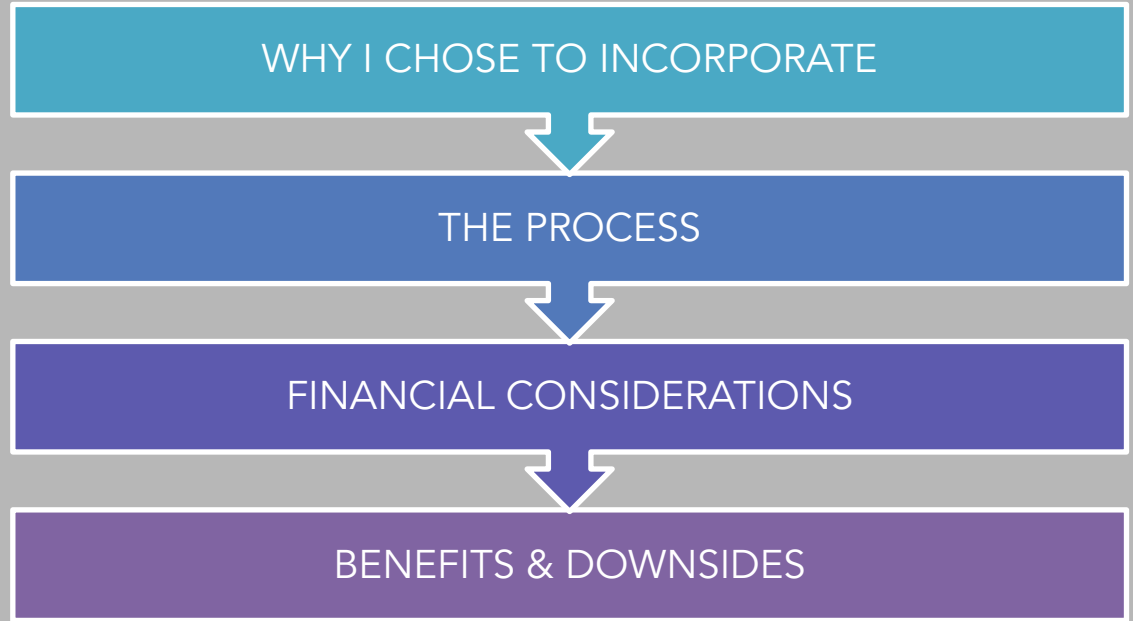
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SID QUASHIE



When I knew I
was ready?

Why I chose a
S-Corp

PROGRAM OUTLINE

- What is a Corporation
- Differences between C-corp or S-corp
- Pros & Cons of C or S-corp
- How to open a Corporation
- Examples of what can and can't be written off.
- Elimination of the 25% agency-lawyer-manager deduction
- Three tiers of income levels of TV and feature writers – low, mid, and high
- Skills you can utilize before/after and budgeting
- Questions



INCORPORATION: OVERVIEW

CORPORATION OVERVIEW

PAGE VILLALUNA

MVZ & Associates

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WHAT IS A CORPORATION?

What sets the corporation apart from all other types of businesses is that a corporation is an independent legal and tax entity, separate from the people who own, control and manage it. Because of this separate status, the owners of a corporation don't use their personal tax returns to pay tax on corporate profits -- the corporation itself pays these taxes. The TCJA established a single flat tax rate of 21% for corporations, significantly lower than the 15% to 35% rate that corporations paid under prior law. Owners pay personal income tax only on the money they draw from the corporation in the form of salaries, bonuses, and the like.

WHAT IS A CORPORATION?

Corporations make sense for business owners who either (1) run a risk of being sued by customers or of piling up a lot of business debts, or (2) have substantial personal assets they want to protect from business creditors. There are two entity 'types': C or S corporations.

*** A qualified financial professional can help you decide which type of corp is best suited for your individual financial circumstances and goals. Also note you can change the designation in the future if desired.*

PROS OF INCORPORATING

PROS

- The entity is an ideal business structure for investors
- You can easily transfer ownership, and
- Directors and shareholders have limited liability.
- Personal/business protections
- Ability to own IP/Scripts/Property in the Corp
- Possible to create Health & Defined Benefit plans**

CONS OF INCORPORATION

CONS

- Corporations can be expensive to form and maintain*
- There are filing fees, annual fees, and additional taxes.
- Corporate formalities (such as board meetings and record-keeping).
- Need to hire professionals: Accountant, Lawyer, etc
- Must maintain with State/Federal to avoid tax issues

WHAT IS A C-CORP

The 'C' in C Corporation stands for the subchapter of the IRS code which governs the federal taxation of the entity. This structure is much more traditional than that of an S Corp.

C corporations have “double taxation”. First, the company itself is taxed on business profits. Second, then owners pay individual income tax, but only on money they receive from the corporation as salary, bonuses, or dividends.

C - CORPORATION

- **Separate legal identity**
- **Limited liability for the owners**
- **Perpetual existence**
- **Separation between ownership and management**
- **No restrictions on who can hold shares**
- **Readily transferable shares**
- **Well-established legal precedents**
- **Widespread acceptance by the venture capitalists and other investors**
- **Ability to offer stock options**
- **Tax planning opportunities**
- **Defined benefit plans**
- **Charitable Contributions**
- **Annual and Fiscal year split (if desired)**

WHAT IS AN S - CORPORATION?

An S corporation is a regular corporation that has elected "S corporation" tax status. Forming an S corporation lets you enjoy the limited liability of a corporate shareholder but pay income taxes as if you were a sole proprietor or a partner in a partnership.

In an S corporation, all business profits "pass through" to the owners, who report them on their personal tax returns. The S corporation itself does not pay any income tax, although an S corporation must file a tax return to report each shareholder's portion of the corporate income.

S - CORPORATION BENEFITS

Forming an S corporation generally allows you to pass business losses through to your personal income tax return, where you can use it to offset any income that you (and your spouse, if you're married) have from other sources.

When you sell your S corporation, your taxable gain on the sale of the business can be less than it would have been had you operated the business as a regular corporation.

S - CORPORATION BENEFITS

S corporation shareholders are not subject to self-employment taxes on the distributions they receive from the corporation.

These taxes, which add up to more than 15% of your income up to an annual ceiling, are used to pay your Social Security and Medicare taxes.

However, S corporation shareholders ordinarily work as employees of the corporation and must pay employment tax on their employee compensation.

HOW TO ELECT S CORPORATION STATUS

To create an S corporation, you must first create a regular corporation by filing articles of incorporation with your secretary of state's office or your state's corporations division.

Then, to be treated as an S corporation, all shareholders must sign and file IRS Form 2553.

S-Corp K1 Form

If you are an owner of an LLC, S-Corp, or other entity that passes through taxes to its owners, you will receive a K1 form each year.

The K1 is prepared by the entity to distribute to owners/shareholders to outline their portion of the income, loss, and deductions.

**Schedule K-1
(Form 1065)****2017**Department of the Treasury
Internal Revenue Service

For calendar year 2017, or tax year

beginning / / 2017 ending / / **Partner's Share of Income, Deductions,
Credits, etc.**

▶ See back of form and separate instructions.

Part I Information About the Partnership

- A** Partnership's employer identification number
- B** Partnership's name, address, city, state, and ZIP code
- C** IRS Center where partnership filed return
- D** Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

- E** Partner's identifying number
- F** Partner's name, address, city, state, and ZIP code
- G** General partner or LLC member-manager Limited partner or other LLC member
- H** Domestic partner Foreign partner
- I1** What type of entity is this partner? _____
- I2** If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here
- J** Partner's share of profit, loss, and capital (see instructions):
- | | Beginning | | Ending |
|---------|-----------|--|--------|
| Profit | % | | % |
| Loss | % | | % |
| Capital | % | | % |

**Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items**

1	Ordinary business income (loss)	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
		19	Distributions
12	Section 179 deduction		
13	Other deductions		
		20	Other information

C - CORP

VS.

S - CORP

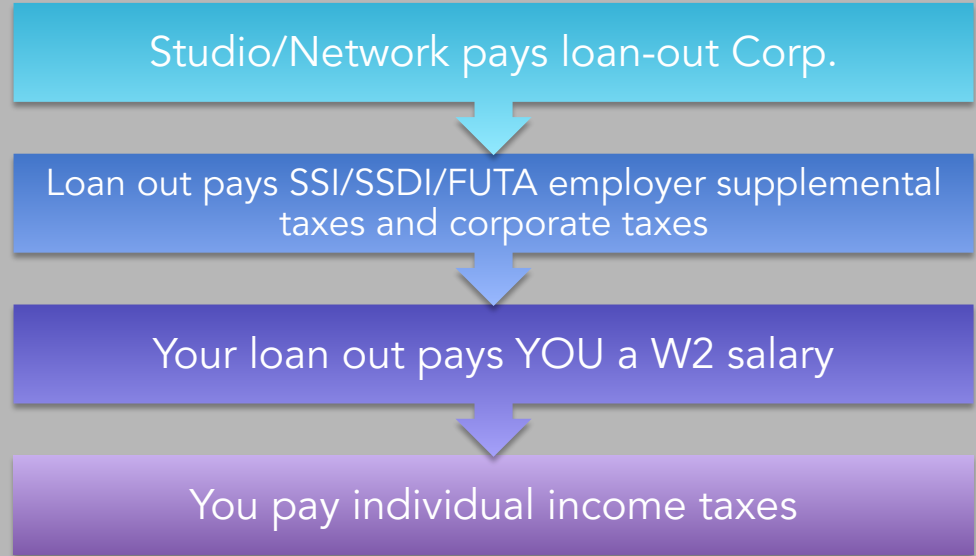
C-Corp

- Double taxation
 - Corporate and Personal Returns
- Salary and dividends
- Choose Fiscal Year end month.
- Individual, institutional and foreign investment money (film entity vs. loan-out)
- Unlimited number of investors

S-Corp


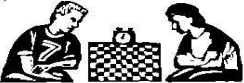

- No Federal Taxation
 - Pass-through
- Salary and dividends
- Fiscal Year end is calendar year (Same as personal income tax year end month -- December)
- Fiscal Year end can be changed through filing a Section 444
- Individual investors only
- Limited number of investors

Incorporation is a Two-Tiered Financial Structure

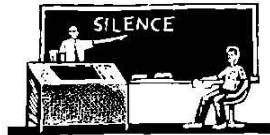



At what income level should I incorporate?

ENTITY COMPARISON CHART C VS S CORP

Entity Comparison Chart					
	Sole Proprietorship—Tab 6 ¹	Partnership—Tab B	C Corporation—Tab C	S Corporation—Tab D	Limited Liability Company—Tab F ⁵
IRS Pub.	334	541	542	None ²	541
IRS Form	Schedule C, Form 1040	Form 1065	Form 1120	Form 1120S	Form 1065 ³
Entity Description	A sole proprietorship consists of one individual who carries on an unincorporated trade or business. (If a husband and wife carry on a business together as partners, they should file Form 1065, <i>U.S. Return of Partnership Income</i> .) <i>Exception:</i> Husband and wife residing in a community property state may treat the business as a sole proprietorship. Also see <i>Qualified Joint Venture</i> on Page B-2.	A partnership is an organization having two or more owners that functions as a trade or business. A joint undertaking merely to share expenses or ownership of property does not necessarily constitute a partnership. An LLC with two or more members is generally classified as a partnership for tax purposes. A partnership can elect to be taxed as a corporation.	A corporation is a business entity that carries its own legal status, separate and distinct from its owners. A corporation cannot elect out of corporate taxation. See <i>"Check the Box" Rules—Entity Classification Election (Form 8832)</i> on Page F-2.	A corporation can elect to be taxed as an S corporation by filing Form 2553. Only domestic corporations with one class of stock are eligible. An S corporation is limited to 100 shareholders, and may not have another corporation as a shareholder. (An exception exists for qualified subchapter S subsidiaries.) Other restrictions apply.	An LLC is a liability-limiting entity formed under state law. It is treated as a disregarded entity, partnership or corporation for federal income tax. Single-member LLCs are usually treated as disregarded entities taxed directly to their owner. See the <i>Limited Liability Company (LLC)</i> discussion beginning on Page F-1.
Taxation	Net profit or loss is computed on Schedule C and is reported as income or loss on the owner's Form 1040.	Partnership income and expenses flow through to the partners. Income is taxed to the partner whether or not distributed. Pass-through items retain the same character in the partner as they had in the partnership.	A C corporation pays tax on its profits. When shareholders take profits from the corporation, the distributions are usually taxable dividends (double taxation). Personal service corporations are taxed at a high, flat rate.	An S corporation is taxed similar to a partnership. Income and expenses flow through to shareholders. Pass-through items retain the character in the hands of the shareholder they had in the corporation.	Same as a Partnership in this chart. 
Wages and SE Tax	The owner is subject to SE tax of 15.3% of net earnings from self-employment. SE tax is computed on Schedule SE and is reported as "Other Taxes" on Form 1040. Deduct one-half of SE tax as an adjustment to income on line 27 of Form 1040.	A general partner's share of business income (including guaranteed payments) is subject to SE tax. A limited partner's share of business income is not subject to SE tax unless the partner performs services for the partnership. Other items, such as interest and dividends, retain their character and are passed through to the partner's individual income tax return.	Shareholders who perform services for a corporation, including officers, are treated as employees. Wages of corporate employees are subject to payroll tax and withholding. Wages paid to employee-shareholders must be reasonable. Dividend distributions are not subject to SE tax.	An employee-shareholder of an S corporation receives wages for services rendered. These wages must be reasonable. Additional profits are passed through to the shareholder and are taxable for income tax purposes but not for SE tax purposes. Double taxation of profits is avoided.	Profits are subject to income tax in the same way as a partnership. Members' business income (including guaranteed payments) may be subject to SE tax. See <i>Difference Between LLC Members and Limited Partners</i> on Page F-4 for exceptions.
Losses	Business losses can offset other income such as interest, capital gains or a spouse's wages if filing a joint return. Subject to hobby, passive activity and at risk loss rules under Sections 183, 469 and 465, respectively.	Losses flow through to partners. Recognition of loss by a partner is limited by the partner's basis, at-risk rules and passive activity rules. Subject to "hobby loss" rules under Section 183.	Capital losses are allowed only to the extent of capital gains. Net operating loss of a corporation is carried back or forward against corporate income, but is not passed through to shareholders.	Losses flow through to shareholders. Recognition of loss is limited by the shareholder's basis, at-risk rules and passive activity rules. Subject to "hobby loss" rules under Section 183.	Losses flow through to members. Recognition of loss by members is limited by the member's basis, at-risk rules and passive activity rules. Subject to "hobby loss" rules under Section 183.
Fringe Benefits (See Tab K)	Amounts paid on behalf of employees are deductible; those paid on behalf of proprietor are not. <i>Exception:</i> Proprietor can deduct medical insurance premiums and reimbursement costs under an accident and health plan that covers all employees. If proprietor's spouse is covered under a plan that also covers owner as part of family, deduction is allowed.	Generally included in partner's income as a guaranteed payment. <i>Exception:</i> Nontaxable benefits include, among others, legal service plans, educational and dependent care programs and certain working condition and <i>de minimis</i> fringe benefits and employee achievement awards.	Owner-employees are entitled to the same tax-free fringe benefits as other employees (subject to discrimination rules). 	Generally included in income for employee-shareholders owning more than 2% of stock. <i>Exceptions:</i> Contributions to retirement plans; compensation for injury or sickness; educational and dependent care programs; employee discounts; working condition and <i>de minimis</i> fringes and no-additional-cost services.	Same as a Partnership in this chart. 
Personal Liability ⁸	The sole proprietor is liable for all business debts and actions.	General partner personally liable for all partnership debt. Limited partner's liability usually limited to investment in partnership.	Shareholders not liable for debts incurred by corporation. Liability generally limited to amount invested. ⁴	Shareholders not liable for debts incurred by corporation. Liability generally limited to amount invested. ⁴	The degree of liability protection for LLC members varies from state to state.

Entity Comparison Chart (Continued)

	Sole Proprietorship—Tab 6 ¹	Partnership—Tab B	C Corporation—Tab C	S Corporation—Tab D	Limited Liability Company—Tab F ⁵
Organization and Administration	A sole proprietorship is the easiest business to organize. Intermingling of business and personal funds is allowed (although not recommended). Business income is reported on Schedule C, which is filed with the owner's Form 1040.	A partnership is easy to organize. A written partnership agreement is recommended, but not required. The agreement determines how income and losses are allocated to the partners. If a partnership agreement does not exist, partnership items pass through based on partners' ownership interests.	A corporation is difficult and expensive to organize. Corporations must hold periodic board meetings and keep minutes. Corporations must comply with federal and state regulations.	An S corporation is set up as a regular corporation. S corporations must make election with the IRS to be treated as an S corporation by filing Form 2553. Certain events will cause automatic termination of S status. See <i>Terminations [IRC §1362(d)]</i> on Page D-4.	An existing partnership can generally register for LLC status in the state in which it conducts business. Registration is generally less complicated than forming a corporation.
Bookkeeping and Accounting	There are fewer requirements on what type of bookkeeping system or accounting method is used in sole proprietorships. The system must be consistent, clearly reflect income and expenses, and allow the taxpayer to file an accurate return. The sole proprietorship must use the same tax year as the owner.	Depending on income and assets, the partnership may be required to include a balance sheet with its income tax return. Therefore, the partnership should use the double-entry bookkeeping method. If a partner exchanges property other than cash in exchange for an interest in a partnership, special accounting rules apply. See <i>Contributed Property</i> on Page B-7.	The balance sheet on a corporation's income tax return must agree with the corporate books. A corporation must use a double-entry bookkeeping system. It must file all necessary employment and income tax returns.	The balance sheet on an S corporation's income tax return must agree with the corporate books. An S corporation must use double-entry bookkeeping. An S corporation must file all required payroll and income tax returns.	Same as a partnership. 
Owner Control and Flexibility	The owner is free to make all business decisions.	Control of the business operations is divided among partners.	Shareholders have control over the corporation to the extent they own voting stock.	Shareholders have control over the corporation to the extent they own voting stock.	Control is divided among members.
Transfer of Ownership	A sole proprietorship is not a separate entity from its owner. "Sale" of a sole proprietorship is actually a sale of assets.	The partnership agreement may restrict the sale of a partnership interest, and may control the terms of the sale.	Ownership is easily transferred by selling shares of stock. The corporate charter may place certain restrictions on the sale of stock.	Ownership is easily transferred by selling shares of stock to eligible shareholders. The corporate charter may place certain restrictions on the sale of stock.	The operating agreement may restrict transfer of ownership interests.
Advantages and Disadvantages 	<p>Advantages:</p> <ul style="list-style-type: none"> – Minimum legal restrictions. – Easy to form. – Easy to discontinue. – No corporate formation to conduct and document. – No additional tax return to file. <p>Disadvantages:</p> <ul style="list-style-type: none"> – Unlimited liability. – May not bring in new owners or outside capital contributions. – Income tax cannot be deferred by retaining profits. – Lack of business continuity—entity ceases when the owner dies. 	<p>Advantages:</p> <ul style="list-style-type: none"> – A partnership combines the skills and/or financial abilities of several people. – Easy to establish. – Business usually benefits from partners who have complementary skills. – Terminations can generally occur without taxation. <p>Disadvantages:</p> <ul style="list-style-type: none"> – A partnership is often easier to get into than out of. – General partners are liable for actions of other partners—unlimited liability. – Sharing of profits. – Disagreements in decision making. 	<p>Advantages:</p> <ul style="list-style-type: none"> – Limited liability. – Perpetual life. – Ability to raise capital through issuance of stock. – Ease of transfer of ownership. <p>Disadvantages:</p> <ul style="list-style-type: none"> – Double taxation of profits. – Corporate charter restricts types of business activities. – Subject to various state and federal controls. – Dissolution can trigger taxable gains. 	<p>Advantages:</p> <ul style="list-style-type: none"> – Limited liability and perpetual life. – Avoids double taxation of profits. – Profits passed through are not subject to SE tax as in a partnership. – Ability to raise capital by issuing stock. <p>Disadvantages:</p> <ul style="list-style-type: none"> – Shareholders pay tax on earnings even if undistributed. – Less flexibility in choosing a tax year. – Contribution limits to a qualified retirement plan are based on employee-shareholder's wages, not overall profits such as a sole proprietor or partner. – Limit on number of shareholders can 	<p>Advantages:</p> <ul style="list-style-type: none"> – Avoids certain S corporation restrictions. – Avoids double taxation of profits. – Business usually benefits from members who have complementary skills. <p>Disadvantages:</p> <ul style="list-style-type: none"> – Inconsistent treatment state to state. – Must have at least two owners to be taxed as a partnership for federal tax purposes. – Sharing of profits. – Disagreements in decision making.

CLOSING A CORP

- Board Meeting to Vote on Dissolution
- File a Certificate of Dissolution With the State
- Winding Up Your Business
- Notice to Claimants
- Tax Clearance
- Bank Accounts, Permits, Out-of-State Registrations
- WGA for residuals

Cost Benefit Analysis

Tax differences
between S-Corp and
C-Corp for 80K and
150K.

Costs for an S-Corp
vs. a C-Corp.

How much should I
be making to form an
S-Corp vs. a C-Corp?



Belva Anakwenze
Abacus Financial

IG @BelvaAnakwenze

Staff Writer: \$80k Gross Income

\$80k Earnings

** SEP: \$11,150 **

			2017 Tax Law	Jobs and Tax Cut Act	C Corp w/ SEP	C Corp w/o SEP	S Corp w/ payroll and SEP	S Corp w/o payroll or SEP
Biz Income					\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000
25% Commissions					\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Business Taxes (Payroll and operati					\$ 7,000	\$ 8,500	\$ 7,000	\$ 800
SEP IRA Contribution					\$ 11,150		\$ 11,150	
Gross Personal Income			\$ 80,000	\$ 80,000	\$ 41,850	\$ 51,500	\$ 41,850	\$ 59,200
Standard			\$ 6,350	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Commissions	\$ 37,500			n/a				
Other deductions	\$ 6,150			n/a				
Itemized		\$ 43,650		n/a	n/a	n/a	n/a	n/a
Personal Exemption		\$ 4,050		n/a	n/a	n/a	n/a	n/a
Taxable Income			\$ 32,300	\$ 68,000	\$ 29,850	\$ 39,500	\$ 29,850	\$ 47,200
Federal Tax			\$ 3,679	\$ 10,824	\$ 3,391	\$ 4,554	\$ 3,391	\$ 6,248
AMT								
Business Taxes					\$ 7,000	\$ 8,500	\$ 7,000	\$ 800
Total Tax Paid			\$ 3,679	\$ 10,824	\$ 10,391	\$ 13,054	\$ 10,391	\$ 7,048

S-Corp "Pass Through" Income vs. C-Corp Salary

S-Corp – You can "pass through" all \$60K.

- With this strategy you can't have a SEP/IRA deduction.
- 60K will pass through to an individual return.
- With no salary dispensation, you beat employer supplemental taxes (SSI/SSDI/FUTA).

So you beat both corporate taxes and employer supplemental taxes.

- You are only taxed \$5839.50 on the \$45K pass through monies when it gets to your individual filing.

C-Corp – No pass through. You salary yourself \$45K and you must pay employer supplemental taxes.

Staff Writer: \$150k Gross Income

\$150k Earnings

** SEP: \$21,000 **

			2017 Tax Law	Jobs and Tax Cut Act	C Corp w/ SEP	C Corp w/o SEP	S Corp w/ payroll and SEP	S Corp w/o payroll or SEP
Biz Income					\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
25% Commissions					\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500
Business Taxes (Payroll and op					\$ 13,500	\$ 16,500	\$ 13,500	\$ 800
SEP IRA Contribution					\$ 21,000		\$ 21,000	
Gross Personal Income			\$ 150,000	\$ 150,000	\$ 78,000	\$ 96,000	\$ 78,000	\$ 111,700
Standard			\$ 6,350	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Commissions	\$ 37,500			n/a				
Other deductions	\$ 6,150			n/a				
Itemized			\$ 43,650	n/a	n/a	n/a	n/a	n/a
Personal Exemption			\$ 4,050	n/a	n/a	n/a	n/a	n/a
Taxable Income			\$ 102,300	\$ 138,000	\$ 66,000	\$ 84,000	\$ 66,000	\$ 99,700
Federal Tax			\$ 24,552	\$ 33,120	\$ 9,834	\$ 14,324	\$ 9,834	\$ 18,000
AMT			\$ 5,161					
Business Taxes					\$ 13,500	\$ 16,500	\$ 13,500	\$ 800
Total Tax Paid			\$ 29,713	\$ 33,120	\$ 23,334	\$ 30,824	\$ 23,334	\$ 18,800

Cost of Corporation with \$150,000 Salary

Franchise Tax Board	800.00
Sec of State	25.00
Fed Unemployment	42.00
State Unemployment	238.00
Employee Training Tax	7.00
State Disability	1,149.67
Social Security	7,960.80
Employer SS	7,960.80
Medicare	2,175.00
Employer Medicare	<u>2,175.00</u>
Total	<u><u>22,533.27</u></u>

Corporation Maintenance Fees

Secretary of State -- Statement of No Change

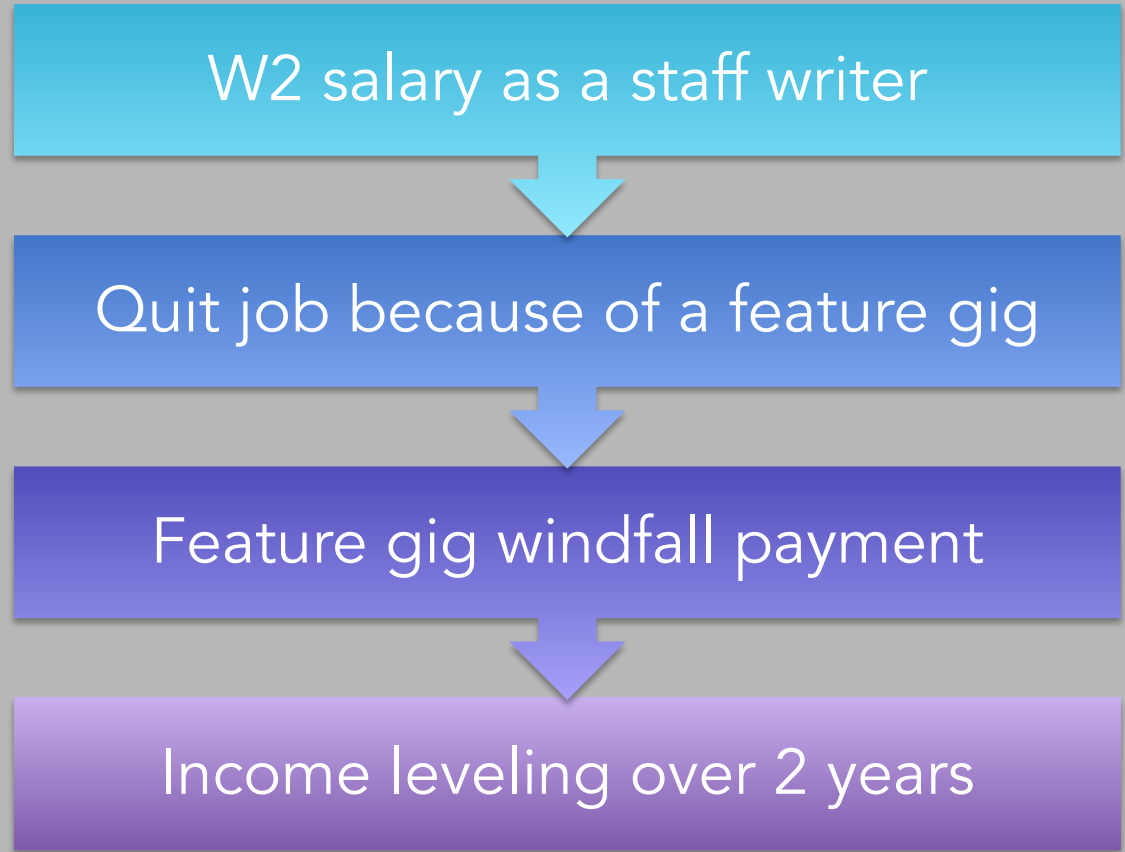
- These are filed yearly to the state. To maintain a corporation, it costs \$800/year – the state corporation fee -- to keep your S/C-Corp functioning.
- Must pay \$25.00 annually when you file this Statement of Information to the State of California. With no change (short form) or the Statement of Change (long form).

Fees for city business licenses may also be required

- City of Los Angeles Business License: \$145.00 Annually.

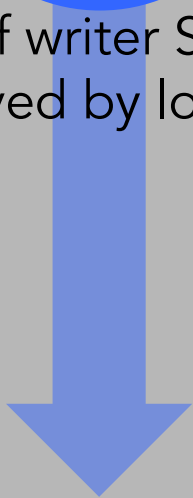
To keep your corporation open in a no-income year, minimum fees of \$825 (State Corporate Tax and filing) still apply

Income Leveling with a Corporation



\$80
K

Staff writer Salary
received by loan-out



Loan-out Salary
2016

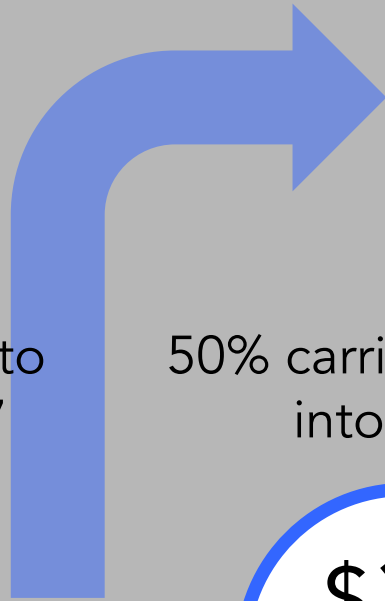
\$30
0k

Feature Payment to
loan-out in 2017



\$15
0k

Loan-out Salary
2017



50% carried forward
into 2018

\$15
0k

Loan-out Salary
2018



Things to Keep in Mind as an Incorporated Screenwriter

Non-incorporated Screenwriter

Start a retirement account (IRA)

Non-Reimbursed Employee Expenses have
been eliminated.

Individual W2 Screenwriters and those with S-Corps do
not qualify for the QBI or the 20% pass-through
deduction because we are a "specified service activity
(SSA)."

Any strategies to help W2
individuals absorb losses
from Agency/Lawyer/Mgr
commissions deduction?

Implications?

S-Corp Screenwriter

The danger of an annual corporate payment is penalties and not withholding enough throughout the year.

Pay yourself monthly or quarterly so you don't get hit with withholding penalties and a big tax bill for not withholding enough.

What are the new tax laws that relate to an S-Corp?

Some Details About Loan-Outs

Writing Partnerships use individual S-Corps for each writer.

Married writers can have separate S-Corps.

Writers with spouses can put a spouse on as an officer with the S-Corp and C-Corp, and payroll the spouse as an employee.

Married writers can use one C-Corp for both writers as employees of the Corporation.

Loan-Out Start Form

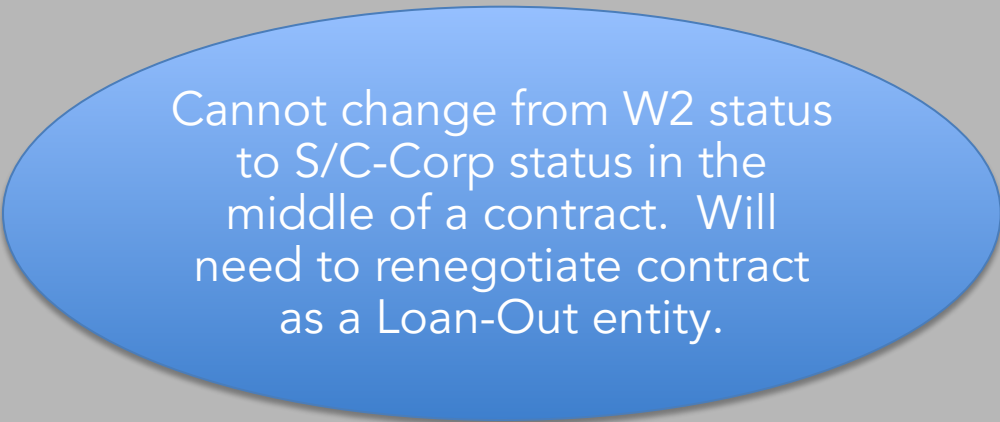
Put both your Corp ID and Personal Tax ID on your start forms.



Must perform this on signing new contracts.



Cannot change from W2 status to S/C-Corp status in the middle of a contract. Will need to renegotiate contract as a Loan-Out entity.



GEP Payroll Services **LOAN-OUT START FORM**

PRODUCTION COMPANY		PICTURE TITLE			ACCOUNT CODING	
NAME OF LOAN OUT		FEDERAL EMPLOYER ID NO.	UNION	OCC CODE	JOB CLASSIFICATION	
NAME OF LOANED-OUT EMPLOYEE			SOC. SEC. NO. OF LOANED-OUT EMPLOYEE			START DATE
STREET MAILING ADDRESS OF LOANED-OUT EMPLOYEE			CITY	STATE	ZIP CODE	TELEPHONE
STATE WHICH CORPORATION/LLC CONDUCTS BUSINESS OUT OF	RES. STATE OF LOANED-OUT EMPLOYEE	STATE CORPORATION / LLC NUMBER	CANADIAN BUSINESS NUMBER		E MAIL ADDRESS	
STATE OF INCORPORATION/LLC		DATE INCORPORATED	TYPE OF ORGANIZATION (ONE MUST BE CHECKED)			
			<input type="checkbox"/> U.S. CORPORATION <input type="checkbox"/> LLC OWNED BY A CORPORATION <input type="checkbox"/> U.S. SOLE PROPRIETOR <input type="checkbox"/> LLC OWNED BY A SOLE PROPRIETOR <input type="checkbox"/> U.S. PARTNERSHIP <input type="checkbox"/> LLC OWNED BY A PARTNERSHIP <input type="checkbox"/> NON U.S. COMPANY, COUNTRY _____ <input type="checkbox"/> NONE OF THE ABOVE, TREAT AS EMPLOYEE			
HAS CORPORATION/LLC QUALIFIED TO DO BUSINESS IN			MINOR IS LOANED-OUT EMPLOYEE A MINOR?		AGENT AUTHORIZATION ATTACHED?	
CALIFORNIA <input type="checkbox"/> YES <input type="checkbox"/> NO	NORTH CAROLINA <input type="checkbox"/> YES <input type="checkbox"/> NO	SOUTH CAROLINA <input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO		<input type="checkbox"/> YES <input type="checkbox"/> NO	

DO NOT USE SHADED AREAS - FOR OFFICE USE ONLY

TERMS OF EMPLOYMENT	IN TOWN RATE	QUAR HOURS	LOCATION RATE	QUAR HOURS	G/L CODING
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HOURLY RATE
1.5x in excess of quar.

C-Corp Screenwriter

What paying yourself should look

The ideal time to incorporate

SEP-IRA contributions

Paying your assistant as a W2 or a 1099 through
your loan out.

How is a loan out handled
in an insolvent year?

Overall Deal

S Corp or C Corp

- No LLC, unless 8832 election for corp treatment

Beware of potential C Corp issues:

- ACH Payment Surprise
- Personal Holding Company
- Foreign source income

S Corp reminder:

- Federal S Corp election does not mean automatic S Corp status in all states, e.g., New York

1099 Work

1099 WORK

Don't have to pay self-employment tax if Corp is paid as a 1099

Implications of not paying yourself a salary and doing all your income as pass through to avoid employer supplemental taxes.

Implications of 1099 work?

Can writers who do not have a loan out company get 1099s instead of W2's? What would that mean? What are the pros and cons of that scenario?

Money Wise

Before and After Incorporating

IG @BelvaAnakwenze

Your services as a writer is a BUSINESS

Creating a budget for small businesses


Finding partners that help your business grow

Making finances a priority

Knowing if you are making or losing money

Money Motto

There is an abundance of money. It has its own energy and tends to end up in the hands of people who respect its power. Money is a tool. Use it wisely to build and leave a legacy.



Mindset Shift - Three key relationships with money

Avoidance (out of sight, out of mind)

Guidance (I want to do better)

Perfecting (Taking control)

IG @BelvaAnakwenze

Free financial mindset
assessment

Money Mindset

IG @BelvaAnakwenze

Your mindset is a direct relationship to your childhood and financial traumas

Changing your mindset

- Find financial mentors (qualified)
- Listen to financial podcasts
- Read financial books
- Do the hard work of tracking and improving

4 big financial mistakes of writers

Misplaced Trusts

Partners in your financial success

Financial tracking

Understanding bandwidth

IG @BelvaAnakwenze

Misplaced Trust

IG @BelvaAnakwenze

Family and Friends

- Trusting our family and friends is AMAZING
- The challenge is we often trust them with business advice though they don't have expertise
- What worked for them in their business/life may not be the best for you

Advisors not specific to entertainment

- Entertainment is very nuanced
- Find professionals that know the ins and outs and can help you navigate the muddy waters

Incompetent/malicious advisors

- Trust your gut. If something does not feel right, inquire and verify work... even with a second opinion.
- 'Pay to Caesar what is Caesar's' - don't let your advisor cut corners. That only leads to trouble with the IRS.

Financial Partners

A good team of advisors

Make sure you have financial advocates

- Agent
- Attorney
- Accountant (entertainment focused)
- Mentor

Banking Relationships

Credit Unions *(My favorite of ALL)*

- Often relationship based
- Offer some of the best lending terms

Online Banks

- Use for savings
- makes money inconvenient

Retail/big banks

- Perfect for everyday operations

Financial Tracking

Accurate activity tracking is essential in

- Budgeting
- Forecasting
- Pricing
- Borrowing
- Tax planning
- Understanding when and how much to invest

All Financial decisions should be based on tracking

- Look at/track your activity (bank and credit cards) weekly; at least monthly
- Keep business and personal spending in different accounts
- Keep all business receipts
- Once you have your financial behavior tracked, you can start assessing challenge areas (savings, eating out, clothing etc.

Tools I Love

Tracking Help

- QuickBooks online (link in IG bio)
- TillerHq (link in IG bio)
- Create a Google Sheet
 - Date of transaction
 - Vendor/customer
 - Dollar amount
 - Put into a category

IG @BelvaAnakwenze

Acceptable Expense Categories

Business Meals

Taxpayers may continue to deduct 50 percent of the cost of business meals if the taxpayer (or an employee of the taxpayer) is present and the food or beverages are not considered lavish or extravagant. The meals may be provided to a current or potential business customer, client, consultant or similar business contact. Food and beverages that are provided during entertainment events will not be considered entertainment if purchased separately from the event. **(In town) Entertainment is no longer a tax write off.**

Business Travel

As long as you are actually conducting business (money earning or generating activities) in a city other than the one you live in, the following business expenses generally qualify as tax-deductible. Whether you fly, take a train or bus, or rent a car to get to your business meetings or conferences, you can deduct the expense.

Acceptable Expense Categories

Expense Categories

- Accounting services
- Advertising and promotion
- Auto and truck expenses
- Bank service charges
- Business gifts
- Business-related training sessions and seminars
- Certain bad debts
- Consulting fees
- Contract labor
- Educational expenses
- Equipment rent or lease
- Freight and delivery charges
- Hiring a lawyer for a criminal issue related to your business
- Incidentals on a business trip
- Insurance expenses — building, equipment, liability, workman's compensation, E&O Insurance
- Interest expenses – on business credit cards or loans

Acceptable Expense Categories

Expense Categories

- Licenses and regulatory fees
- Marketing expenses
- Meals (as long as it's directly related to the conduct of your business)
- Office supplies
- Outplacement services for your employees
- Payroll processing
- Permits and fees
- Postage
- Professional fees
- Recruiting expenses
- Rent expenses
- Repairs and maintenance
- Software expenses
- Subscriptions (business related, media, arts, job specific, etc)
- Taxes — payroll; local, city and country property taxes; foreign taxes paid
- Telephone charges
- Travel expenses (related to the conduct and operation of your business)
- Uniforms (not wardrobe)
- Utilities

Acceptable Expense Categories

Expense Categories

- Medical insurance
- Out-of-pocket Medical Expenses
- Books, movies, theater, comic books, trade magazine subscriptions, newspaper subscription
- Internet, phone, cable/streaming subscriptions
- Waste removal/trash
- Courses and Conferences
- Union Dues
- Computers
- Website

***** Rules for deductions are subject to change. Make sure to ask your finance professional for an updated and expansive list (annually).*****



SUPPLEMENTAL INFORMATION

CALIFORNIA SECRETARY OF STATE WEBSITE

- **SEARCH FOR CORPORATION NAMES :** <https://businesssearch.sos.ca.gov>
- **REQUIREMENTS, PAPERWORK & FEES:** <https://www.sos.ca.gov/business-programs/business-entities/forms>
- **SAMPLE FORMS:** <https://www.sos.ca.gov/business-programs/business-entities/forms>
- **AGENT SERVICE OF PROCESS:** <https://www.sos.ca.gov/business-programs/business-entities/service-process>
- **DISSOLVING A CORP:** https://bpd.cdn.sos.ca.gov/corp/pdf/dissolutions/corp_stkdiss.pdf

FEDERAL TAXES/ IRS

- **CORP NEED FEDERAL EIN NUMBER:**
<https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>
- **HOW TO DECIDE TO INCORPORATE (FROM IRS):** https://www.irs.gov/pub/irs-pdf/n_1036.pdf

USEFUL LINKS

APPS

- **ACCOUNTING:** Mint, Quickbooks, Freshbooks, Xero, etc
- **MILEAGE:** Stride, Everlance, Triplog, MileIQ, etc
- **VIRTUAL ADMIN ASSISTANTS:** Upwork, Invisible, Fancyhands, etc

<https://www.forbes.com/sites/gregoryferenstein/2019/02/16/hiring-a-virtual-assistant-a-hands-on-review-of-the-latest-technologies/#45526be54123>

Useful Links (cont'd)

<https://www.afinancialgroup.com>

<http://www.AbundanceBound.com>

<https://www.accountingdepartment.com/blog/difference-between-s-corp-and-c-corp>

<http://blog.lawkick.com/difference-between-c-corporation-s-corporation/>

<https://www.bizfilings.com/toolkit/research-topics/incorporating-your-business/s-corporation-vs-c-corporation>

<https://www.bizfilings.com/toolkit/research-topics/managing-your-taxes/federal-taxes/s-and-c-corporations-create-different-tax-consequences>

<https://www.wrapbook.com/how-to-set-up-a-loan-out-company/>

<https://brandysams.com/services/courses/>

<https://www.incnow.com/blog/2018/03/06/loan-out-company/>

<http://jostockandjostock.com/legal-blog/tax-implications-of-converting-from-a-c-corporation-to-an-s-corporation/>

<https://dwdcpa.com/blog/switch-your-c-corp-to-s-corp-status>

USEFUL LINKS (CONT'D)

<https://ct.wolterskluwer.com/resource-center/articles/when-best-time-switch-s-corp-c-corp>

<http://jostockandjostock.com/legal-blog/tax-implications-of-converting-from-a-c-corporation-to-an-s-corporation/>

<http://time.com/money/5222840/tax-day-tax-law-changes/>

<https://www.withum.com/kc/20-deduction-qualified-income-flow-entities-boon-business/>

<https://eminutes.com/incorporate>

<https://www.thetaxadviser.com/issues/2009/apr/scorporationtaxyearrules.html>

<https://firemark.com/2015/01/12/should-you-have-a-loan-out-company-for-your-work-in-entertainment/>

<https://www.tckpublishing.com/20-tax-deductions-for-writers/>

<https://klasing-associates.com/can-convert-california-c-corp-s-corp/>

<https://www.thetaxadviser.com/issues/2018/apr/converting-s-corp-c-corp.html>

<https://www.cbiz.com/insights-resources/details/articleid/6192/the-impact-of-the-new-tax-law-on-pass-through-entities-article>

<https://www.investopedia.com/terms/l/losscarryforward.asp>

USEFUL LINKS (CONT'D)

<https://www.federalregister.gov/documents/2019/02/08/2019-01025/qualified-business-income-deduction>

<https://www.irs.gov/pub/irs-pdf/f8275.pdf>

<http://www.filmstrategy.com/2015/02/production-tips-what-is-loan-out.html?m=1>

<https://www.cbiz.com/insights-resources/details/articleid/6153/tax-reform-and-its-impact-explained>

<https://firemark.com/2015/01/12/should-you-have-a-loan-out-company-for-your-work-in-entertainment/>

<https://axislegalca.com/basics-loan-companies-entertainers-music-film-tv-arts/>

<https://www.withum.com/kc/20-deduction-qualified-income-flow-entities-boon-business/>

<https://eminutes.com/incorporate>

<https://mindymejia.com/2019/01/15/taxadviceforwriters-business-entities/>

<https://www.thetaxadviser.com/issues/2009/apr/scorporationtaxyearrules.html>

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