



AUGMENTIVE BUSINESS 7 SOLUTIONS PVT. LTD.

COMPLIANCE
CHECKLISTS

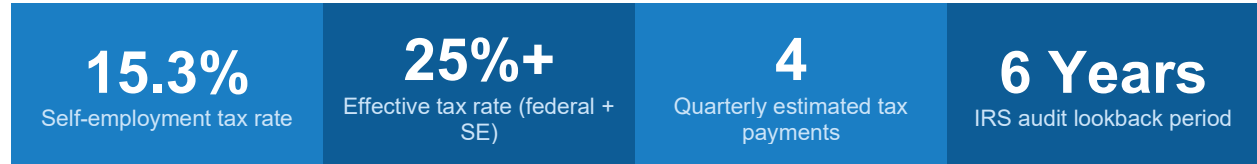
Contractor vs. Employee: Tax & Legal Guide

Comprehensive guide to US tax regulations, worker classification rules, and compliance requirements for remote contractors.



Executive Summary

This comprehensive guide covers US federal tax regulations for independent contractors, self-employment tax obligations, quarterly estimated tax payments, Schedule C business deductions, and state income tax rules. Whether you are a contractor earning 1099 income or a business owner hiring contractors, this guide provides the framework to stay compliant and minimize tax liability.





Federal Tax Framework for Contractors

Overview

The federal tax code treats independent contractors as self-employed individuals running their own business. Unlike employees who have taxes withheld by their employer, contractors must:

- Pay 100% of both income tax and self-employment tax
- File quarterly estimated tax payments
- Track income and expenses on Schedule C
- Keep detailed records (6+ years)

Who Is Subject to Self-Employment Tax?

Any individual with net earnings of \$400 or more from self-employment in a tax year must pay self-employment tax and file Schedule SE with their tax return.

Income Thresholds:

- \$400 or more: Must file Schedule SE and pay self-employment tax
- \$108,900 (2024 limit): Social Security tax caps at this amount; Medicare continues
- \$200,000+ (single filers): Additional 0.9% Medicare surtax applies



Self-Employment Tax: Detailed Breakdown

What Is Self-Employment Tax?

Self-employment (SE) tax is the Social Security and Medicare tax paid by self-employed individuals. It is reported on Schedule SE and is NOT the same as income tax.

Self-Employment Tax Rates (2024):

- 12.4% for Social Security on net earnings up to \$168,600
- 2.9% for Medicare on all net earnings
- 0.9% Additional Medicare Tax on earnings over \$200,000 (single) or \$250,000 (married)

Total Self-Employment Tax Rate: 15.3%

Example Calculation:

Contractor earning \$100,000 in 2024:

- Net earnings: \$100,000
- Social Security tax: $\$100,000 \times 12.4\% = \$12,400$
- Medicare tax: $\$100,000 \times 2.9\% = \$2,900$
- Total SE tax: \$15,300

This is in addition to income tax (typically 22-24% federal). Total tax burden is approximately 37-39% of gross income.

Self-Employment Tax Deduction:

Contractors may deduct half of their SE tax from gross income. This reduces the amount subject to income tax but not SE tax itself.

- SE tax paid: \$15,300
- SE tax deduction: $\$15,300 / 2 = \$7,650$
- This reduces taxable income by \$7,650



Form 1099-NEC: Reporting Requirements

When Must a 1099-NEC Be Issued?

Any business that pays a contractor \$600 or more in a calendar year must issue Form 1099-NEC (Non-Employee Compensation).

Key Rules:

- Threshold: \$600 minimum. Payments under \$600 do not require reporting.
- Multiple payers: If contractor receives payments from multiple companies, each issues a separate 1099-NEC
- Deadline to contractor: January 31 following the payment year
- Deadline to IRS: February 28 (or March 31 if e-filing)
- Penalty for failure to file: \$50-\$270 per form

Information Required on 1099-NEC:

Box	Description	Required Info
Box 1a	Non-Employee Compensation	Total payments to contractor (gross, before deductions)
Box 1b	Advance payments	Only if applicable
Box 2	Federal income tax withheld	Usually blank (no withholding for contractors)
Payer Info	Your EIN and business name/address	Your company details
Contractor Info	Contractor name, address, TIN/SSN	Contractor details

Backup Withholding:

If a contractor does not provide a valid Tax Identification Number (TIN) or Social Security Number (SSN), you must backup withhold 24% of all payments.

- Obtain IRS Form W-9 (Request for Taxpayer Identification Number) BEFORE payment
- If no W-9 received: Backup withhold 24% and remit to IRS
- Keep detailed records of backup withholding



Schedule C: Business Income and Expense Reporting

What Is Schedule C?

Schedule C (Profit or Loss from Business) is the IRS form where self-employed individuals report their business income and deductible expenses. Net profit from Schedule C is used to calculate both income tax and self-employment tax.

Schedule C Structure:

Part I: Income

- Gross receipts or sales
- Returns and allowances
- Net business income

Part II: Expenses

- All deductible business expenses (see detailed list below)

Bottom line: Net profit or loss

Key Principle: Deductible Business Expenses

An expense is deductible if it is:

1. Ordinary and necessary for your business
2. Not lavish or extravagant in the circumstances
3. Actually incurred and paid
4. Properly documented with receipts

Deductible Expenses (Comprehensive List):

Category	Examples	Notes
Home Office	\$5/sq ft or \$300 simplified deduction (if exclusive business use)	Simplified method: up to 300 sq ft; Regular method: allocate rent/mortgage + utilities + insurance
Internet & Phone	Business portion of ISP, phone plan, mobile data	Allocate % used for business (usually 50-100%)
Software & Subscriptions	Adobe Creative Suite, Slack, Asana, project mgmt tools	Fully deductible if for business use
Computer Equipment	Laptop, monitor, keyboard, mouse, cables	If >\$2,500: depreciate over 5 years; if <\$2,500: full deduction
Office Supplies	Printer paper, pens, notepads, ink cartridges	Fully deductible



Category	Examples	Notes
Professional Development	Online courses, certifications, books, conferences	Must improve or maintain business skills
Office Furniture	Desk, chair, filing cabinet, shelving	If >\$2,500: depreciate; if <\$2,500: full deduction
Internet/Cloud Storage	Dropbox, Google Drive, OneDrive, AWS	Fully deductible
Accounting & Legal	CPA fees, tax prep, attorney consultation, LLC formation	Fully deductible
Insurance	Professional liability, disability, business property	Fully deductible
Vehicle Expenses	Mileage (67 cents/mile in 2024) or actual expenses (gas, maintenance, insurance, repairs)	IRS allows standard mileage or actual; choose one method annually
Travel for Business	Airfare, hotels, rental cars for client meetings or conferences	Meals during travel are 50% deductible
Meals & Entertainment	Business meals with clients or colleagues (50% deductible)	Must show business purpose; includes coffee, lunch, dinner
Advertising & Marketing	Website, business cards, ads, social media ads, LinkedIn premium	Fully deductible
Utilities	Portion allocable to home office (electricity, water, gas, internet)	Allocate % based on office square footage
Rent (Office)	If you rent dedicated office space, entire rent is deductible	Not for home office; must be separate location
Postage & Shipping	Stamps, shipping supplies, courier services	Fully deductible
Bank Fees	Monthly account fees, wire fees,	Fully deductible



Category	Examples	Notes
	credit card processing fees	
Supplies (Consumables)	Notebooks, highlighters, folders, labels	Fully deductible
Communications	Video conferencing (Zoom, Teams), phone calls	Fully deductible
Contract Labor	Payments to subcontractors (reported on your 1099s)	Fully deductible
Equipment Rental	Renting equipment vs. buying (if under \$2,500)	May be more efficient than depreciation
Repairs & Maintenance	Computer repairs, equipment fixes (not capital improvements)	Fully deductible
Tools & Equipment	Specialized tools, test equipment (under \$2,500 threshold)	Fully deductible



Home Office Deduction: Two Methods

Method 1: Simplified Method (Easier)

Calculate: Square feet of office (up to 300) x \$5 per sq ft per year

- Maximum deduction: 300 sq ft x \$5 = \$1,500 per year
- Example: 100 sq ft home office = 100 x \$5 = \$500/year deduction
- Advantage: No need to track utilities, rent, insurance percentages
- Disadvantage: Smaller deduction; cannot carryforward unused expenses

Method 2: Regular Method (More Detailed)

Calculate actual expenses allocable to office space as a percentage of total home:

5. Determine total home square footage (including all rooms, hallways, closets)
6. Determine exclusive office square footage (must be dedicated to business only)
7. Calculate percentage: Office sq ft / Total home sq ft
8. Apply percentage to deductible home expenses:
 - Mortgage interest or rent
 - Property taxes
 - Home insurance
 - Utilities (electricity, water, gas)
 - Repairs and maintenance

Example: 2,000 sq ft home, 200 sq ft office = 10% allocation

- Rent: \$2,000/month x 12 x 10% = \$2,400
- Utilities: \$200/month x 12 x 10% = \$240
- Insurance: \$1,200/year x 10% = \$120
- Total home office deduction: \$2,760/year

Choosing the Better Method:

Compare both and choose the larger deduction. Recalculate annually as circumstances change.

Home Office Warning

Critical Rule: Your home office must be exclusive to business use. If you use it for personal purposes (storing family items, guest bedroom, etc.), the entire deduction is denied. Audit risk increases significantly with home office deductions, so documentation is crucial.



Depreciation: Assets Over \$2,500

Equipment and assets with a cost over \$2,500 must be depreciated over multiple years rather than deducted immediately.

Standard Useful Lives:

Asset Type	Useful Life	Annual Depreciation
Computer/Laptop	5 years	20% per year (straight-line)
Office Equipment (printer, scanner)	5 years	20% per year
Furniture (desk, chair, filing cabinet)	7 years	14.3% per year
Vehicles (business use portion)	5 years	20% per year
Improvement to rental home (paint, flooring)	15-27.5 years	3.6-6.7% per year (varies by improvement)

Section 179 Expensing (Accelerated Deduction):

Special IRS rule allows you to deduct up to \$1,220,000 (2024) of equipment cost immediately rather than depreciate. Subject to limitations:

- Total equipment purchased in year must not exceed \$4,880,000 (2024)
- Equipment must be "tangible personal property" (not real estate)
- Must have net business income to offset with deduction

Bonus Depreciation:

In certain years, Congress allows 100% bonus depreciation on business property. Check current year rules with your CPA.



Vehicle Deduction: Two Methods

Method 1: Standard Mileage Rate (Simpler)

For 2024: 67 cents per business mile

- Track total business miles driven (using mileage log app)
- Multiply by standard mileage rate: Miles x \$0.67
- Example: 12,000 business miles x \$0.67 = \$8,040 deduction
- Advantage: Easy to calculate; no receipt tracking
- Disadvantage: May be less than actual expenses if vehicle is expensive

Mileage Log Requirements:

- Date of drive
- Business purpose
- Miles driven
- Destination

Use an app like MileIQ, Stride Health, or TripLog to track automatically.

Method 2: Actual Expenses (More Deductions)

Track all actual vehicle expenses and deduct the business percentage:

- Gasoline
- Oil changes
- Repairs and maintenance
- Insurance
- Registration and license fees
- Depreciation
- Tire replacement

Multiply by business percentage: Total expenses x (business miles / total miles)

Example: Vehicle costs \$8,000/year; 60% business use = \$4,800 deduction

Choosing the Better Method:

Track both methods for the year and deduct the higher amount. You can switch methods annually.

Depreciation Note

If you deduct depreciation using actual expense method, you cannot use standard mileage when selling the vehicle. Depreciation follows the vehicle throughout ownership.



Quarterly Estimated Tax Payments

Overview

Contractors do not have taxes withheld from their payments. Instead, they must pay estimated taxes four times per year using Form 1040-ES.

Due Dates (2024):

Quarter	Income Period	Payment Due
Q1	January 1 – March 31	April 15
Q2	April 1 – June 30	June 17
Q3	July 1 – September 30	September 16
Q4	October 1 – December 31	January 15 (next year)

Calculating Quarterly Estimated Taxes:

9. Project annual net business income (sales minus deductible expenses)
10. Calculate self-employment tax: Net income x 92.35% x 15.3% (approx 14.1% of net)
11. Calculate income tax: Use tax rate tables for your filing status (approx 22-24% federal)
12. Total tax = SE tax + Income tax
13. Divide by 4 for quarterly payment

Example Calculation:

Contractor expecting \$120,000 in 2024:

- Estimated net income: \$100,000 (after 17% deductions)
- Self-employment tax: $\$100,000 \times 14.1\% = \$14,100$
- Income tax (assume 22%): $\$100,000 \times 22\% = \$22,000$
- Total tax: \$36,100
- Quarterly payment: $\$36,100 / 4 = \$9,025$

Penalty for Underpayment:

If you do not pay estimated taxes or pay too little, the IRS assesses an underpayment penalty (approximately 8% annually). This is in addition to any taxes owed.

Safe Harbor Rules:

- Pay 90% of current year tax, OR
- Pay 100% of prior year tax (110% if prior year AGI > \$150,000)

Paying Estimated Taxes:

- Online: IRS Direct Pay at irs.gov
- Credit Card: IRS-approved payment processors
- Mail: Form 1040-ES with check to IRS
- Business Account: Many accountants file electronically



Contractor Best Practice

Set aside 25-30% of gross contractor income in a dedicated savings account for taxes. This ensures funds are available at tax time and prevents cash flow problems.



State Income Tax Rules: 10-State Survey

In addition to federal taxes, contractors must pay state income tax (with some exceptions). Here is a survey of 10 major states:

State	State Tax Rate	Special Rules	No State Income Tax
California	1-13.3% (progressive)	Highest bracket 13.3%; net investment income surtax 3.8%	No
Texas	No state income tax	No personal income tax; franchise tax on some businesses	YES
Florida	No state income tax	No personal income tax; slight corporate tax	YES
New York	4.85-10.9% (progressive)	NYC local tax 3.876%; very high combined rate	No
Washington	No state income tax	Recently adopted capital gains tax 7% on long-term capital gains	YES
Illinois	4.95% (flat)	Flat tax for everyone; relatively simple	No
Massachusetts	5.05% (flat)	Flat tax; one of lowest rates in high-tax states	No
Colorado	4.4% (flat)	Flat tax; relatively moderate	No
Oregon	4.75-9.9% (progressive)	Three brackets; mid-range rates	No
Utah	4.95-5.95% (progressive)	Two brackets; moderately low	No

Multi-State Tax Considerations:

If you work in multiple states:

- Generally must file in the state where work is performed
- If you work remotely for clients in multiple states, consult a tax professional
- Some states have nexus rules (if you have an office, you likely owe taxes)
- Claim tax credits to avoid double taxation

No State Income Tax States (2024):

If you move to one of these states, you can avoid state income tax entirely:

- Alaska
- Florida
- Nevada
- South Dakota
- Tennessee
- Texas



- Washington
- Wyoming

Tax Planning Idea

Moving to a no-tax state can save 5-10% of income annually. However, you must establish residency (utility bills, driver's license, etc.) and minimize presence in your prior state. Consult a CPA on state residency planning.



Form W-8BEN: International Contractor Tax Compliance

Who Needs W-8BEN?

If you are a contractor who is NOT a US citizen or US tax resident, you must provide Form W-8BEN (Certificate of Foreign Status of Beneficial Owner).

Common Scenarios:

- Contractor resident in India working for US company
- Canadian contractor with no US residency
- Contractor on visa (H-1B, L-1, etc.) with foreign home address

W-8BEN Information Required:

- Full legal name
- Country of citizenship
- Foreign tax identification number or SSN
- US address (if applicable)
- Permanent residence country

Benefits of W-8BEN:

- Exemption from backup withholding (no 24% withholding)
- Tax treaty benefits (may reduce withholding rate)
- Proof of foreign status for IRS

Duration:

W-8BEN is valid for three years from the date of signature. Update if circumstances change or expire after three years.

India-Specific (Treaty Benefits):

Under the US-India tax treaty, Indian contractors may be exempt from self-employment tax if they are tax residents of India. However, they must:

- Provide W-8BEN to US company
- Provide Indian tax certificate of residence
- File Form 8833 (Treaty-Based Return Position Disclosure) if claiming exemption

Consult an India-US tax specialist on treaty benefits.



Benefits Comparison: Employee vs. Contractor

Here is a detailed comparison of benefits available to W-2 employees vs. 1099 contractors:

Benefit	W-2 Employee	1099 Contractor	Notes
Health Insurance	Employer often provides; employer pays 50-75% premium	Contractor responsible; self-insure or ACA marketplace	ACA marketplace subsidies available if income < \$60k
Dental/Vision Insurance	Often included in employer plan	Contractor responsible	More affordable through employer plan
Retirement Plan	401(k), pension, profit-sharing (employer match common)	Must open SEP-IRA, Solo 401(k), or other	Solo 401(k) allows up to \$69,000 (2024) annual contribution
Paid Time Off	Typically 10-25 days/year (varies by employer)	None; contractor paid only for days worked	Contractors should build PTO cost into rates
Workers Compensation	Employer provides; covers work injuries	Contractor not eligible; must self-insure or obtain coverage	Some states require coverage for contractors
Unemployment Insurance	Eligible if laid off; typically 60-70% of wages for 26 weeks	Not eligible	Contractor must plan for income gaps
Life Insurance	Employer may provide (often included free)	Contractor responsible	Term life insurance is inexpensive
Disability Insurance	Short/long-term disability common	Contractor must obtain own policy	Contractor income often uninsurable; expensive
Sick Leave	Typically 5-10 days/year	None; contractor paid only for days worked	Contractors should account in rates
FMLA Protection	Eligible (unpaid leave for family/medical)	Not eligible	Contractors have no job protection
Tax Withholding	Employer withholds; contractor has less burden	Contractor responsible for all taxes; quarterly payments	Contractors often face tax bill shock
401(k) Match	Many employers match 3-6% of salary	Not available	Contractor must contribute 100% of retirement
Tuition Reimbursement	Some employers offer (\$5,000+/year)	Not available	Contractor responsible for own education



Benefit	W-2 Employee	1099 Contractor	Notes
Stock Options/Equity	Tech/startup companies may offer	Rarely offered	Valuable benefit for tech employees
Professional Development	Employer often pays for training, conferences	Contractor pays own expenses (tax-deductible)	Reduces contractor income by 5-15%

Total Compensation Comparison:

A \$100,000 employee with benefits package vs. a contractor at the same rate:

- W-2 Employee: Salary \$100,000 + Benefits \$20,000-30,000 total value = \$120,000-130,000 total compensation
- 1099 Contractor: Income \$100,000 - Taxes \$30,000-35,000 - Benefits \$15,000 = Net \$50,000-55,000

Contractors should charge 30-40% premium over employee salary to account for taxes and lack of benefits.



Common Tax Mistakes & How to Avoid Them

Mistake 1: Not Setting Aside Money for Taxes

Error: Spending all contractor income without reserving for taxes. Results in inability to pay at tax time.

Solution: Deposit 25-30% of gross income into a dedicated tax savings account and do not touch it.

Mistake 2: Missing Quarterly Estimated Tax Deadlines

Error: Missing one or more quarterly payment deadlines. Triggers underpayment penalties.

Solution: Set calendar reminders three weeks before each deadline. Use IRS Direct Pay for automatic scheduling.

Mistake 3: Mixing Personal and Business Expenses

Error: Deducting personal expenses as business expenses (groceries, personal gym, personal phone). IRS disallows and assesses penalties.

Solution: Maintain separate business checking account. Use only for business expenses.

Mistake 4: Inadequate Mileage Documentation

Error: Claiming large mileage deduction without supporting log. IRS denies deduction if audited.

Solution: Use mileage tracking app and maintain contemporaneous log (date, miles, purpose).

Mistake 5: Ignoring Home Office Exclusive-Use Requirement

Error: Claiming home office deduction but using room for personal purposes too. Entire deduction denied.

Solution: Dedicate space exclusively to business. No personal use whatsoever.

Mistake 6: Not Tracking Expense Receipts

Error: Claiming expenses without receipts. IRS can disallow.

Solution: Save all receipts (digital photos are acceptable). Use receipt tracking app or spreadsheet.

Mistake 7: Not Issuing/Receiving 1099-NECs

Error: Contractor earns over \$600 but no 1099 issued. Contractor underreports income; payroll employer underreports payment.

Solution: Always request W-9 and issue 1099-NEC for all payments over \$600.

Mistake 8: Depreciation Errors

Error: Immediately deducting expensive equipment that should be depreciated.

Solution: Equipment over \$2,500 must be depreciated. Keep detailed fixed asset log.



Contractor Setup Checklist: First Steps

If you are just starting as a contractor, follow this checklist:

Legal & Tax Structure (Month 1):

- ✓ Open separate business checking account
- ✓ Apply for EIN (federal employer identification number) if you plan to hire subcontractors
- ✓ Consult CPA or tax professional on business structure (sole proprietor, LLC, S-Corp, C-Corp)
- ✓ Register for state business license if required
- ✓ Obtain state sales tax permit if applicable (reselling products)

Record Keeping (Month 1):

- ✓ Set up accounting software (QuickBooks, FreshBooks, Wave)
- ✓ Create chart of accounts for business income and expenses
- ✓ Set up system for tracking receipts (digital photos, receipt app)
- ✓ Create mileage log system (app or spreadsheet)
- ✓ Establish document retention policy (keep 6+ years)

Tax Planning (Month 2-3):

- ✓ Estimate annual income based on current pipeline
- ✓ Calculate quarterly estimated tax amount
- ✓ Set up tax savings account and make first quarterly payment
- ✓ Consult tax professional on deductions and depreciation
- ✓ File Form 1040-ES for first quarter payment

Ongoing (Quarterly & Annual):

- ✓ Pay quarterly estimated taxes on due dates
- ✓ Record all income and expenses in accounting system
- ✓ Track vehicle mileage daily
- ✓ Save all receipts
- ✓ Review expenses quarterly for errors or missing deductions
- ✓ File Schedule C with tax return by April 15
- ✓ File Schedule SE (self-employment tax) with return
- ✓ Plan for next year based on results



Tax Planning Strategies for Contractors

Strategy 1: Maximize Deductible Expenses

Review your business expenses quarterly and identify items you may have overlooked:

- Home office (if not already claimed)
 - Professional development (courses, certifications)
 - Software subscriptions
 - Equipment under \$2,500
 - Travel for client meetings
14. Calculate impact: Each \$1,000 in deductions = ~\$220-370 in tax savings (depending on tax bracket)

Strategy 2: Optimize Quarterly Estimates

Adjust quarterly payments as income changes:

- If business is slower than expected: File Form 2210-F to reduce penalties for underpayment
- If business exceeds projections: Increase Q4 payment to avoid penalty
- Goal: Minimize overpayment (erases balance owed but provides no deduction)

Strategy 3: Retirement Savings

Contribute to a Solo 401(k) or SEP-IRA to reduce tax liability and build retirement savings:

- Solo 401(k): Up to \$69,000 (2024) annual contribution; allows loans from account
- SEP-IRA: Up to 20-25% of net self-employment income
- Each \$10,000 contributed saves ~\$2,200-3,700 in taxes

Strategy 4: Timing of Large Expenses

Time large purchases to optimize tax deductions:

- Buy computer/equipment before year-end to claim depreciation
- If income is high in Q3, increase Q4 expenses to offset
- Consider year-end bonuses to subcontractors (deductible) to reduce income

Strategy 5: Entity Structure Optimization

Consider changing business structure if income is consistently high:

- S-Corp Election: Can save 15% on SE taxes if net profit > \$60,000/year
- Requires payroll setup and additional tax filings
- Consult CPA before making change



Detailed Deduction Checklist (30+ Items)

Use this comprehensive checklist to ensure you are not missing any deductible business expenses:

Office & Equipment:

- ✓ Home office rent/mortgage allocation
- ✓ Home office utilities (electricity, water, gas)
- ✓ Home office insurance allocation
- ✓ Office furniture (desk, chair, cabinets, shelving)
- ✓ Computer and laptop
- ✓ Monitor, keyboard, mouse
- ✓ Printer and copier
- ✓ Shredder, fax machine
- ✓ Networking equipment (router, modem)
- ✓ UPS battery backup

Technology & Software:

- ✓ Internet service
- ✓ Phone service (business portion)
- ✓ Mobile phone (business portion)
- ✓ Software subscriptions (Adobe, Microsoft, Salesforce, etc.)
- ✓ Project management tools (Asana, Monday, Trello)
- ✓ Communication tools (Slack, Zoom, Teams)
- ✓ Cloud storage (Dropbox, Google Drive, OneDrive)
- ✓ Video conferencing licenses
- ✓ Cybersecurity software (antivirus, VPN)

Professional Services:

- ✓ CPA/tax preparation fees
- ✓ Attorney consultation
- ✓ LLC/Corporation formation
- ✓ Legal contracts and review
- ✓ Bookkeeping services
- ✓ Payroll service

Insurance & Financial:

- ✓ Professional liability insurance
- ✓ Business property insurance
- ✓ Cyber insurance



- ✓ Disability insurance
- ✓ Bank fees and merchant fees
- ✓ Credit card processing fees
- ✓ Business loan interest

Marketing & Advertising:

- ✓ Website hosting and domain
- ✓ Website design and maintenance
- ✓ Social media advertising
- ✓ LinkedIn premium
- ✓ Business cards and branding
- ✓ Local advertising
- ✓ Conference and event sponsorships

Travel & Business Development:

- ✓ Airfare and transportation
- ✓ Hotel and accommodation
- ✓ Rental car
- ✓ Meals during travel (50% deductible)
- ✓ Conference registration fees
- ✓ Meals with clients/partners (50% deductible)
- ✓ Trade show fees

Supplies & Materials:

- ✓ Office supplies (paper, pens, folders)
- ✓ Printing and copying
- ✓ Postage and shipping
- ✓ Packaging materials
- ✓ Reference books and subscriptions
- ✓ Trade publications

Education & Development:

- ✓ Online courses and certifications
- ✓ Conferences and workshops
- ✓ Training materials
- ✓ Membership dues (professional organizations)
- ✓ Books and e-books
- ✓ Skill-building programs



Vehicle (if business use):

- ✓ Standard mileage deduction (if using Method 1)
- ✓ Or: Gasoline and fuel
- ✓ Vehicle maintenance and repairs
- ✓ Oil changes and inspections
- ✓ Tire replacement
- ✓ Car insurance (business portion)
- ✓ Vehicle registration and license fees
- ✓ Vehicle depreciation



Year-End Tax Compliance Checklist

As the year ends, follow this checklist to prepare for tax filing:

December 1-15:

- ✓ Project final income and expenses for the year
- ✓ Identify any large deductions still available
- ✓ Calculate final Q4 estimated tax payment
- ✓ Pay Q4 estimated taxes by December 31
- ✓ Make final year-end business purchases if beneficial
- ✓ Pay any outstanding 1099 contractors by December 31

December 15-31:

- ✓ Reconcile all bank and credit card statements
- ✓ Review for any duplicate transactions
- ✓ Record any final year-end transactions
- ✓ Prepare fixed asset schedule
- ✓ Reconcile vehicle mileage log
- ✓ Reconcile home office calculations

January 1-31 (Next Year):

- ✓ Receive all 1099-NECs for payments over \$600
- ✓ Verify all 1099s report correct amounts
- ✓ Collect all receipts and documentation
- ✓ Set up tax return file with CPA/accountant
- ✓ Prepare Schedule C and Schedule SE
- ✓ File Q1 estimated taxes by April 15
- ✓ File complete tax return by April 15 deadline

About AB7 Solutions

AB7 Solutions helps contractors and businesses with tax compliance, quarterly estimated taxes, and 1099 reporting. Our contractors receive guidance on deductions, retirement savings, and tax planning to minimize liability while staying compliant. Contact us for contractor tax consultation.