

Running Your Gymnastics Judging Business

Presentation: July 2023, NAWGJ Symposium
Debbie Campbell & Robin Ruegg

This presentation is
not intended as tax
advice. Consult with
a tax professional.

Independent Contractor— Business Basics:

- Record keeping
- Taxes
- Retirement plans

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Learn something new about
running your gymnastics
judging business

Presenters

- Debbie Campbell
 - Business Administration degree with emphasis on accounting—Central Michigan University
 - Retired general office manager PCCS schools, a non-profit. Oversaw the accounting for activity clubs and sports
- Robin Ruegg:
 - Retired Senior IRS Manager in the Large and Mid-Size Business Division
 - Personal taxes (including Schedule C) audited upon hiring into the IRS and reviewed by IRS 1993-2017
 - Education: BS Civil Engineering and MBA—University of Minnesota

Philosophy:

KISS
KEEP IT SIMPLE, STUPID

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You are self-employed if any of these apply:

- o You carry on a trade or business as a **sole proprietor or independent contractor**.
- o You have a **part-time business** in addition to your regular job or business.

If self-employed:

Your earnings are subject to Self-Employment Tax.
(we will repeat this a few times)

Independent Contractor

Alan Weinburger—attorney specializing in sports officials—spoke with the NAWGJ Executive Board:

- o The organization that hires you and the contract you sign helps determine your independent contractor status.
- o Key question: “Who is paying you?”
- o Some states have specific guidelines for sports officials.

For the purpose of this presentation, we assume you are an independent contractor.

Sole Proprietorship

- Simplest and most common structure chosen to start a business.
- Unincorporated business owned and run by one individual with no distinction between the business and you, the owner.
- You are entitled to all profits and are responsible for all your business's debts, losses and liabilities.

Sole Proprietorship Taxes

- o Because you and your business are one and the same, the business itself is not taxed separately-the sole proprietorship income is your income.
- o You report income and/or losses and expenses on Schedule C. The “bottom-line amount” from Schedule C transfers to your personal tax return.
- o It is your responsibility to withhold and pay all income taxes, including self-employment and estimated federal and state taxes.

Sole Proprietorship +/-

Advantages:

- **Easy and inexpensive to form:** Simplest and least expensive business structure to establish. May need necessary licenses or permits.
- **Complete control.** You aren't required to consult with anyone else.
- **Easy tax preparation.** Your business is not taxed separately; tax rates are the lowest of the business structures.

Disadvantages:

- **Unlimited personal liability**
You can be held personally liable for the debts and obligations of the business and any liabilities incurred.
- **Hard to raise money.** You cannot sell stock in the business. Banks are also hesitant to lend to a sole proprietorship.
- **Heavy burden.** You alone are ultimately responsible for the successes and failures of your business.

PURPOSE OF YOUR BUSINESS

To make a profit



o You do this by MAXIMIZING NET INCOME

o Net income = Gross income – expenses (including taxes)

Trade or Business

- A trade or business is generally an activity carried on for a livelihood or in good faith to make a profit.
- You don't need to actually make a profit to be in a trade or business as long as you have a profit motive. However, you must make ongoing efforts to further the interests of your business.



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Hobby or Business? (IRS)

Nine factors to determine whether business engaged in making a profit:

1. The activity done in a businesslike manner with complete and accurate books and records.
2. The time and effort you put into the activity indicate you intend to make it profitable.
3. Do you depend on income from the activity for your livelihood?
4. Are losses due to circumstances beyond your control (or normal in the startup phase of your type of business)?



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Hobby or Business? (IRS)

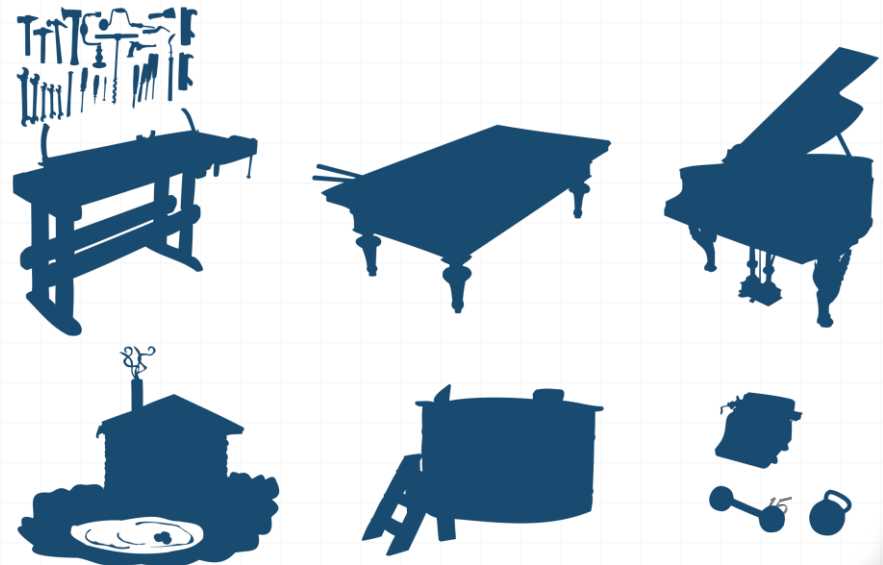
5. Do you change your methods of operation in an attempt to improve profitability?
6. Do you or your advisors have the knowledge needed to carry on the activity as a successful business?
7. Were you were successful in making a profit in similar activities in the past?
8. Does the activity makes a profit in some years and how much profit does it make?
9. Can you expect to make a future profit from the appreciation of the assets used in the activity?



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Judging Gymnastics as a Business

- o If judging is a business, you can deduct certain expenses. (helps maximize your profit)
- o If judging is a hobby there are limitations on deductions you can take.



Businesslike Manner

- o Separate bank account: Track income and expenses through
 - o Credit Union—lower expenses than traditional banks
 - o Online banking
 - o Traditional bank
- o Records
 - o Accounting such as Wave (free) or Quickbooks
 - o Spreadsheet
 - o By hand
 - o Calendar or notebook
- o Shows profit or shows improvement

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Judging Gymnastics as a Business

- o Keep receipts for expenses and calendar/notebook/notes on phone/ use app to track your mileage.
- o Backup: Print out or electronically back-up each year and save in case of audit.
- o You will need to know your income – expenses = gross income (before taxes).
- o As a sole proprietor, you report your income and expenses on Schedule C when filing your taxes.



Income

- o You must report on your tax return all income you receive from your business. (Cash, checks, direct deposits etc.)
- o Form W-9: You fill this out so a meet director/NAWGJ/college etc. can issue a Form 1099 and pay you.
- o You should receive a 1099 if you're paid \$600 or more per year for work done. (1099 is a form that is filed with the IRS & State Dept. of Revenue)
- o Comment on the new development--IRS looking at Venmo, Square, PayPal etc.

New Development

- o Starting with 2023 Federal Income Taxes, the IRS is collecting more info on “Under the table work.”
- o If you are paid more than \$600 from an online platform (Venmo, Square, Stripe, Etsy, PayPal etc.) you will receive a 1099.
- o Some platforms may start withholding federal taxes.
- o See link to article. Suggestion: Have separate business and personal accounts on these platforms.
- o You can't hide side hustles from the IRS anymore – here's what taxpayers need to know about reporting online payments for gig work (theconversation.com)

Question 1

o If I don't receive a 1099, do I have to report the income?

YES

Typical Business Expenses for Gymnastics Judges-1

- o Uniform with logo on it & dry cleaning, alterations.
- o Office supplies (paper, pens, postage, printing, copying, stationary)
- o Brief case/Judging bag
- o Cell phone/computer/printer/scanner/iPad or tablet (Only the business portion)
- o Accountant or professional services related to your business

Typical Business Expenses for Gymnastics Judges-2

- o Memberships (AAU, NAWGJ, NGA, USAG etc.)
- o Certification costs (Safety, Background check)
- o Symposium and Clinic costs
- o Travel costs--Transportation, hotel, meals to attend clinic
- o Testing fees
- o Publications/Subscriptions such as Inside Gymnastics, Code of Points, Compulsory book, Flip Now, Technical Manual etc.
- o DVD/VCR, flash drives & similar supplies

(Info on home office & travel expenses follow)

Expenses—Home Office-1

Your home office will qualify as your principal place of business if you meet the following requirements:

- o You use it exclusively and regularly for administrative or management activities of your trade or business. (like banking, practice judging, filling out contracts...)
- o You have no other fixed location where you conduct substantial administrative or management activities of your trade or business.

Expenses-Home Office-2



- o Home office simplified option:
 - o Standard deduction of \$5 per square foot of the area of your home used for business (max 300 sq. ft. which is \$1500 deduction).
- o Alternatively, you can calculate the actual expenses
 - o This gets super complicated—consult a tax pro or pour through Publication 587 Business Use of Your Home

Question 2

- Why would I want to declare a home office? Doesn't that make you more vulnerable to audit?
- MILEAGE (So it's not considered commuting.)
- The IRS now has the simplified method of calculating the home office deduction to reduce controversy & time spent auditing this issue.

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Business Expenses: Travel

o Car Travel:

- o Mileage: Your actual cost –OR- the IRS rate of 65.5 cents/mile in 2023
- o CANNOT deduct commuting expenses (within your Metro area) if you don't have a home office.



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IRS on Transportation Costs:

- If you have an office in your home that qualifies as a principal place of business,
- **Then** you can deduct your daily transportation costs between your home and another work location (like a meet).

IRS on Transportation Costs

- **Transportation expenses between your home and your main or regular place of work are personal commuting expenses.**
- Temporary work location: Unless you have a regular place of business, you can only deduct your transportation expenses to a temporary work location outside your metropolitan area.
- Second job: If you regularly work at two or more places in one day, you can deduct your transportation expenses of getting from one workplace to another.

How Robin & Debbie Track Mileage (K.I.S.S.)

- o Download map to .pdf file and keep electronically
- o Print copy of map
- o Make 2 copies of expense sheet—1 for meet director, 1 for accountant
- o Input to Accounting Software (Robin) or do a Google spread sheet that is turned over to accountant (Debbie)
- o Note it in checkbook when I deposit check (Robin)
- o Take a picture of check and voucher (Debbie)

Meals

- o You can deduct the cost of meals if you **travel away from home** on business –OR- for a non-lavish business meal provided to a business contact where you are present.
- o Generally, only 50% of meal costs are deductible on your taxes*.

Travel Costs

TRAVEL AWAY FROM HOME:

- o For meals--can use actual cost –OR- IRS meals per diem rate—\$59/day for most cities in 2023 (see the GSA web site).
 - o On the day you travel to a place & on the day you travel back home, you can claim only 75% of the per diem cost. (\$44.25/day for most cities)
- o Actual lodging costs
- o Transportation(plane, taxi, Uber/Lyft, rental car, mileage to airport etc.)
- o Baggage fees
- o Cleaning/dry cleaning
- o Tips

Record Keeping

- o KEEP DETAILED RECORDS and RECEIPTS!
 - o This is an indicator you run a profit-motivated business
 - o Always need receipt for lodging.
 - o Other items, no receipt required if <\$75 BUT note on calendar or in notebook/on phone etc. what expense was for and date
- o Written documentation important if you are audited.
- o Print out or back up digitally your calendar, notes, emails at end of year and keep on file.
- o Generally, keep your tax records 4-7 years*



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You CANNOT deduct:

- o Bribes and kickbacks
- o Charitable contributions
- o Dues to business, social, athletic, luncheon, sporting, airline and hotel clubs
- o Lobbying expenses
- o Penalties & fines you pay to governmental agency because you broke the law
- o Personal, living and family expenses ←
- o Political contributions
- o Repairs that add to the value of your property or significantly increase its life.

Another sweet benefit of running a business...

Pension Plans

- Eligible for Pension Plans—IRA (traditional or Roth), SIMPLE IRA, SEP IRA
- Most of these will reduce your current taxable income



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To Inspire you:

- o Robin has invested in a SEP IRA for about 25 years. Turbo Tax calculates the maximum I can invest each year.
- o I've invested ~ \$25,000.
- o Current value is ~ \$70,000.
- o Debbie also has an IRA funded partially by her judging income.
- o Consult a financial advisor!

Taxes



- Self-employed individuals generally must pay self-employment tax (SE tax), federal and state income tax.
 - SE tax is a Social Security and Medicare tax for individuals who work for themselves. It is similar to the Social Security and Medicare taxes withheld from the pay of most wage earners.
- You have to file an income tax return if your net earnings from self-employment are \$400 or more.
- SE tax rate for 2023—15.3% (12.4% of this is social security—on your first \$160,200 of income in 2023. 2.9% Medicare is on all net earnings. There's additional Medicare taxes of 0.9% on amounts over \$200,000*)

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Quarterly Estimated taxes

FEDERAL:

- Estimated tax is the method used to pay Social Security and Medicare taxes and income tax, because you do not have an employer withholding these taxes for you. Use [Form 1040-ES, Estimated Tax for Individuals](#) (PDF).

STATES VARY!

Penalties for underpayment of taxes

FEDERAL:

Individuals, including sole proprietors, generally have to make estimated tax payments if they expect to owe tax of \$1,000 or more when they file return. To avoid a penalty:

- Pay at least 90% of the tax for the current year, or 100% of the tax shown on the return for the prior year, whichever is less.

STATES VARY!

Example—2022 Taxes

Income:	\$19,700
Expenses:	\$10,500

Net income before taxes	\$ 9,200 (NIBT)
Taxes (apply to NIBT):	
Social Security* 12.4%	\$ 1,140
Medicare* 2.9%	\$ 267
Federal taxes (10-37%)	\$ 2024 (used 22.0%)
MN State taxes (5.35-9.85%)	\$ 625 (used 6.8%)

Total taxes	\$ 4,056
Net Income after taxes:	\$ 5,144

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Qualified Business Income Deduction available until 2025 taxes

IF: Total income < Threshold
(\$170,050 Individual,
\$340,100 Married filing
jointly for 2022*. Based on
total income, not just taxable
income from business)

- **THEN:** get 20% deduction from your 1040 (Line 13)
- \$1840 in example of \$9200 NIBT
- There's a Form 8895 to attach to your 1040 to show this calculation

Note: QBID in effect from 2018-2025 for sole proprietors/pass through entities

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Good News,
Everyone!



Did you learn or re-learn
something about running
YOUR gymnastics judging
business?

Questions or Comments?



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Resources

- o Use this calculator to estimate whether you've withheld enough in federal taxes: <https://www.irs.gov/individuals/irs-withholding-calculator>
- o www.irs.gov:
 - o Publication 334 for Small Businesses <https://www.irs.gov/forms-pubs/about-publication-334>
 - o Publication 463 Travel, Entertainment, Gift and Car Expenses: <https://www.irs.gov/publications/p463>
 - o Publication 587 Business use of Home <https://www.irs.gov/forms-pubs/about-publication-587>
 - o Publication 535 Business Expenses <https://www.irs.gov/publications/p535>
- o <https://www.irs.gov/businesses/small-businesses-self-employed/self-employed-individuals-tax-center> (I highly recommend this resource)

Resources

- o <https://www.irs.gov/businesses/gig-economy-tax-center> Helpful information for gig workers
- o www.gsa.gov: Per diem rates
- o <https://www.irs.gov/businesses/small-businesses-self-employed/estimated-taxes>: Estimated taxes, Federal
- o [Instructions for Form 8995 \(2022\) | Internal Revenue Service \(irs.gov\)](#) Information on Qualified Business Income Deduction
- o [Sole Proprietorship | The U.S. Small Business Administration | SBA.gov](#)
- o **Tax Reporting for Gymnastics Judges** Dykes, Marian. March 11, 2017. Free from iTunes—13 pages plus imbedded video vignettes. [Tax Reporting for Gymnastics Judges on Apple Books](#)
- o <https://theconversation.com/you-cant-hide-side-hustles-from-the-irs-anymore-heres-what-taxpayers-need-to-know-about-reporting-online-payments-for-gig-work-199952> Article about required issue of 1099 for payments of \$600 or more per year. (Venmo, PayPal, Square etc.)

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