

The Modern Editor Podcast – Episode 23: Common Business Expenses for Freelance Editors

Tara Whitaker: [0:03] Welcome to *The Modern Editor Podcast*, where we talk about all things editing and what it's like to run an editorial business in today's world. I'm your host, Tara Whitaker. Let's get to it.

Tara Whitaker: [0:18] Hello, welcome to today's episode. We are going to be talking about deductions or expenses you might be able to take on your taxes. And I know, you might be thinking: *Oooo, thrilling content, Tara! Taxes—my favorite topic. Super!* And I hear you. But I promise this won't be boring. Or, at least, I hope it's not boring. You know, I get the whole hang-up with taxes, but this is really important information. And obviously, this podcast is geared more toward freelance editors, but the information I'm going to share today is really for any freelancer, especially in the United States. I am based in the US, so this is all specific to things I have experience with in the US. But most of this is going to be applicable to a wider audience than just editors. So, if you're an author, or any sort of freelancer, these are still great tips for you.

Tara Whitaker: [1:21] Now, taxes as a freelancer are a completely different story than when you work for a company like as a W2 employee. And the last thing you want to deal with as a small business owner is the IRS. So, it's really important to know about these types of deductions and expenses so that you can file your taxes correctly and not be paying a whole bunch more money than you're supposed to. So, I'm going to start with giving you some general pointers, and then we're going to dive into the list. Now, I'm going to use deductions and expenses interchangeably. "Deduction" is like the IRS version. "Expenses" is what I think most of us are used to hearing. But for this purpose, they're essentially the same.

Tara Whitaker: [2:12] Okay, so general pointers. I am going to suggest, if it's financially feasible, to hire a tax professional to deal with this sort of thing. I am not a tax professional, an accountant, a bookkeeper, a financial advisor, none of that. So, none of what I'm talking about in this episode is meant to be official tax or financial advice, because that is so far out of my realm of expertise and would be very bad for me to give advice on something that I'm not an expert in. So, this is just based off my experience, like I said. You're going to want to either research on your own or hire someone and be sure that the person you hire knows about your specific location. So, in the United States, you know, we have federal tax law, but then we also have state tax law. And then sometimes it even depends on the county we live in, or the city we live in. So, everybody has a different experience. And California has a whole 'nother issue with AB-5, which I'll link to in the show notes. We're not going to get into that for the purposes of this podcast, but all that to say, this is not official advice. Hire someone. I have hired someone since I graduated college because this is just not my realm of expertise. And quite frankly, not something I enjoy. So, I would much rather hire a professional who enjoys this, to do it for me, just like people hire editors to do stuff they don't enjoy, right? It all goes around with small businesses.

Tara Whitaker: [3:50] So, the examples I share, like I said, are going to be what I've personally done either on my taxes or have had advice from, from my accountant. And the transcript is going to be your best friend here because I'm going to go through quite a lengthy list, and I don't want you to sit here and frantically write it all down. It'll all be in the transcript. And when I was recording this episode, or when I was thinking about doing this episode, I kept thinking about the "write it off" scene in *Schitt's Creek*. If you don't know what I'm talking about, google it. Google "[Schitt's Creek write it off](#)." I can't get it out of my head. It's hilarious. I highly suggest you go watch it because it makes taxes a little more fun, little laughable. And I'll, I'll link it in the show notes too, because it's just too good to miss.

Tara Whitaker: [4:37] Okay, so a little tip, or tips, I should say, to get you started. Number one: When you have your own business, always separate your business finances from your personal finances. You want either a business checking account and/or a business credit card to pay for your expenses. It is a hot mess if you start paying for business things out of your personal account. It makes it a nightmare. Don't do it. From the very beginning, as soon as you decide to start a business and get some of that other legal stuff, you know, like your name and if you're filing as an LLC, or if you need an EIN number with the IRS. As soon as those little pieces are together, get yourself a business checking account, because it'll make it so much easier for you in the long run to be keeping track of your expenses. And come tax time, your past self, or your April self, will thank your past self.

Tara Whitaker: [5:38] I also recommend having some sort of accounting system. And of course, there are 14 bajillion different types of softwares and systems out there. I started out with an Excel spreadsheet. You can certainly do that, or a Google Sheet. Or you can get something a little more beefy, like Freshbooks or QuickBooks. Whatever it is, make sure it works for you and is easy to keep track of because if it's a pain in the butt, you're not going to want to do it, and you're gonna let things fall behind, and then you're gonna get yourself into trouble. So, find some sort of system. And I would also suggest a budget. Again, I started out with an Excel spreadsheet. So, there's nothing wrong with a good old spreadsheet. Now, I use You Need a Budget, or YNAB, which is, like, I could talk all day about YNAB, which I might actually in a future episode. Stay tuned.

Tara Whitaker: [6:35] But have some sort of budget even if you don't think you need it because your business is very "small." Like, it's great as a freelance editor because we don't have a lot of expenses. You know, we don't have physical products or things like, you know, stuff to decorate an entire store or things like that. But there are still expenses we need to keep track of. And it doesn't matter if you have just a few expenses or a ton. Having a budget is going to help you know where your business stands financially. And to kind of tie both of those together is keep immaculate records, whether it's electronic copies or hard copies in a physical folder, whatever the case may be. Keep track of everything. Because again, if you wait until April, and then you're frantically running around trying to find all these things, it's a mess. You're probably going to miss things or forget things. Your taxes aren't going to be accurate. Maybe you owe way more than you should. Don't do it.

Tara Whitaker: [7:43] I suggest keeping track monthly, like reconciling your accounts at the end of the month or at the beginning of the month, so that when it becomes tax time in the US, you'll have all of that ready and prepared to go. It's so nice when you do that, too. Because I've been on both sides. I've been on the mad dash, and I have been completely prepped, and I much prefer being prepped. It's a lot less stress.

Tara Whitaker: [8:07] Okay. Deductions and expenses—or and/or. So, what the heck is a deduction? So, a deduction is a business expense that you deduct from your taxable income. So, the IRS considers an expense to be a cost that is “ordinary and necessary for the industry in which you operate.” So, something that is helpful and appropriate for your business. Now, obviously, those are pretty subjective. But with a little common sense, you'll be able to discern if something is a legitimate expense or not. And I'll give you some examples as we go through here. All right, so here starts the list. And I've got these grouped together in sort of loose topics, in no particular order, just as they came into my head.

Tara Whitaker: [9:01] So, the first group is financial things. So, this would be anything like paying for an accountant, paying for a bookkeeper, filing your taxes, hiring a lawyer if you need help with LLC things or contracts or anything like that. That can all be included. And I touched on this before, but as freelancers, we are not W2 employees. So, a W2 employee gets a paycheck on a regular timeframe. And the company that issues that paycheck takes out taxes, right? You pay your federal and your state, sometimes there's county or city, their social security, all of that stuff, right? It's automatically taken out. As a freelancer, nobody takes that out, right? And—but we're still responsible for paying those. So, we have to pay something called quarterly estimated taxes. And now, these are not actually due when you think they would be. So, I'm going to give you the dates here. And keep in mind that these are not every three months—the timeframes are a little weird. So, keep that in mind.

Tara Whitaker: [10:10] So, our quarterly taxes are due April 15, June 15, September 15, and January 15. And of course, the January one is for the quarter in the previous year. I'm not going to get in the weeds too much with this other than consult a tax professional, because they can help you figure out what you actually owe for those estimated taxes. I think the IRS has a calculator on the website. But quite frankly, the IRS website makes my head spin. So, I just asked someone that knows what they're doing. I suggest you do the same if you're in the same boat, and the IRS website makes no sense. And then the last thing in this category is retirement contributions. So again, when you are a W2 employee, you can opt into contributing to something like a 401K or an IRA or a pension. We don't have that. So, we have to do that on our own. For us in the US, there's something called a SEP IRA. S-E-P, and it stands for Simplified Employee Pension Plan. That's what I have. So that, contributing to that affects your taxes, in some ways. Don't ask me how—usually positive. But also, you want to be sure that you're setting aside money for retirement because your employer isn't—you don't have an employer. You are the employer, and you have no match. Right? Nobody else is contributing on your behalf.

Tara Whitaker: [11:38] So, those are the financial things. Moving on to your home office. Now, the first thing that I had no clue about when I started my own business is that if you have a dedicated space in your home, that you use solely for business purposes, you might be able to deduct that percentage of your home's square footage. Now, if that made no sense, here's an example. Let's say your house, apartment, whatever is 1,000 square feet, and you have an office that's 100 square feet. One hundred square feet is 10% of 1,000. So, you might be able to deduct 10% of the following things. Again, this is where your accountant's gonna come in. But those types of things are things like your—a portion of your homeowner's insurance, or your renter's insurance, even your mortgage loan interest, if you have a mortgage. And then things like your utilities, your internet, your electricity, your gas (if that's used for heating), your water bill, and your cell phone. Now, of course, a lot of us use our cell phones for both business and personal. So, that's where that percentage comes in. And sidenote on the cell phone, if you also pay for apps that are specific to your business, those might also be able to be write-offs. So, that's a really interesting topic or category because I had no clue about that when I started my own business. So, if you are unaware of that, there's a little tip for you. Technically, I will say this, the home office is supposed to be 100% for the home office. So, it's not like you have a guest room and your desk is in there or your primary bedroom and you have a desk in there. Talk to your accountant about that. There is certain parameters, but we won't go too deep into that.

Tara Whitaker: [13:35] Okay, next topic or next category is equipment and office supplies. This is just a laundry list. I'm just going to run through it. Things like your desk, filing cabinets, bookshelves, your office chair, microphone, camera, headphones, your computer of course, any external monitors you have or keyboard or mouse, tablets, iPads, maybe even for us Kindles, because if you are a book editor, especially, that's a legitimate, usually a legitimate expense. And then of course, things like decor to a reasonable extent. Of course, you're not going to deck out your office with, you know, gold trimming and all of that. But reasonable decor, pens, pencils, notebooks, planners, printer paper, all of that can be included. So, anything tangible like that, keep in mind that that could be an expense or a deduction.

Tara Whitaker: [14:43] Okay, next category is education. And this—this is a big category. So, I'll just go through a few of the things, but this is anything like courses, professional memberships, webinars, conferences. If you pay for coaching, digital products, so things like, if you use Canva to create social media templates or workbooks, you can buy templates to build off of those types of things, stock imagery, all of that. And remember, professional memberships. So, if you are a member of the Editorial Freelancers Association or ACES or Editors Canada or CIEP, or any of the other memberships, including the Freelance Editors Club, that's all included. And we all know, as editors, as modern editors, we are all about continuing education. So, this is something that you will definitely want to make sure you include with your taxes.

Tara Whitaker: [15:43] And the one that I wanted to make a specific point about is under education, this could involve books. Now, before you go to your accountant and say, “Hey, I bought 700 books last year, that's all education, right?” No. “Tara said it was.” No, no, no, no, I did not. These are going to be specific to your job, or your

professional development within reason. So as editors, if you buy a book on editing, that's going to count, right? The last book I bought was *The Chicago Guide to Copyediting Fiction*. That's certainly something that is applicable to my business. It can also be self-improvement books or self-help, or however you want to call them. And it can also be in your niche genre.

Tara Whitaker: [16:38] Now, again, I'm going to reiterate, this is not an excuse or a pass to go by 700 romance novels if you're a romance editor. But if you are looking to specifically research something like a specific trope, or a specific way of handling conflict, or something very specific to your niche, and you buy a few books that represent that topic you want to learn about, that can be included in education. That's completely legitimate, right? It's not, *Well, I want to learn more about the enemies-to-lovers trope, so I'm gonna buy 48 books that are enemies to lovers for "research."* That's not it. I wish it was. Oh my gosh, how amazing would that be? How amazing would that be? Then we could just say I'm a book editor, and we could buy thousands of books and write them all off. That's kind of like *Schitt's Creek*. We're not doing that. So, books can certainly be part of education, you just have to be smart about it, right? That's where this common sense and good judgment comes into play. Okay? All right.

Tara Whitaker: [17:48] Next category is software. This is kind of— **Sigh** There's software, and then we're going to talk about techy things later—there's overlap. But for this, we're just going to go with these loose categories. But the software I'm talking about are things like Canva, or Adobe if you use—or if you create social media posts or workbooks or any sort of imagery. Project management tools like Trello or Asana or Notion or ClickUp. Anything financial, which again, I already mentioned, but if that's QuickBooks, You Need a Budget, Freshbooks, etc. This also is CRMs, like customer relationship management tools, like Dubsado or HoneyBook. If you host any communities, which I do, you know, this might be applicable or not, but I pay for Mighty Networks. There's also Circle or Heartbeat. If you schedule your social media posts, there are services like Later or Buffer. And then if you host a podcast, and if you pay for that hosting, that's also an expense. I personally use Simplecast. So, I put that on my taxes.

Tara Whitaker: [19:05] All right, chugging right along. We're almost at the end here. The next category is techy things, which we can sort of mush that in with software. But these are things like schedulers. So, if you pay for Calendly or Acuity. Any editing tools you use, so this is Microsoft Office, because of course we're using Microsoft Word, Adobe, the online version of *The Chicago Manual Style*, the paid version of Merriam-Webster, PerfectIt, ProWriting Aid. You get the picture. I offer transcriptions with all of my podcast episodes and live calls that I host inside the Freelance Editors Club. So, I pay for Otter for that transcription service. I also host all of my videos on Vimeo. I pay for Zoom. If you have an email service provider and send out newsletters, that's an expense. So, something like ConvertKit, or Flowdesk, or even GSuite. Oh, which is not GSuite. What's it called? Google Workspace. If you pay for that, that's an expense. If you host any sort of courses or memberships or webinars, things like Podia,

or Teachable or Thinkific. Any antivirus software you pay for or any contract signature service, you know, like DocuSign, that's all included in expenses.

Tara Whitaker: [20:38] All right, we've got three more. Next one up is marketing. Anything that you pay for that promotes your business. Marketing, advertising, whatever, is an expense. So, this is social media ads, business cards, or flyers. If you send thank-you cards in the mail to your clients or referrals. Anything to do with your website. So, your host, if you pay for WordPress, if you pay for someone to like help you design the website or give you ongoing support for the backend stuff. Any domain names that you buy, any security, things like the SSL certificates. *Ick*—we're going too far in the weeds here. Anything like that, that is all an expense.

Tara Whitaker: [21:31] All right. Two more. Contractors. So, anytime that you hire someone to do something for you. Now, for us as freelance editors, these are things like one-off projects usually. So, for example, I paid someone to create my logos for the Freelance Editors Club. I paid someone to create my podcast cover art, you know, just these one-off projects. You can also have a VA that works with you more consistently, that's also included. And then some of you listening might have editing subcontractors, so you take on editing clients, and then you subcontract out to other editors. That is also part of this whole thing.

Tara Whitaker: [22:17] Okay, last but not least. This is the very creative category of miscellaneous. This is anything like donations that you make on behalf of your business, any client gifts. So, if around the holidays, you send out a little thank-you gift to your clients, that's all included. Or if you send out something at the end of a project or what have you. Those are expenses. I mentioned conferences before, more like conference fees. But then the travel expenses involved not only with just with conferences, but anything, any travel that you do on behalf of your business. This is car mileage, airfare, hotels, ride-sharing services, anything like that, train tickets. And then entertainment and dining. This is not something we use very often, at least I don't. Again, if you go to these conferences, all of your meals would be expenses. Within reason, of course. You're not going out to a five-star restaurant five nights a week and you know, racking up a huge bill. But this is like going out to coffee with a colleague, or maybe you do take a client out to dinner, something like that. I pay for a PO box, because I don't give out my personal address out there into the world. So, I pay like 50 bucks a year for a PO box. And then in the US again, your business insurance premiums and your health insurance premiums might be deductible. That's a whole 'nother topic, too.

Tara Whitaker: [23:57] Okay, we did it. That's it. That is a pretty good list of the typical business expenses a freelance editor might come across while running businesses. And again, I'm gonna reiterate none of this was advice. Don't go running to your—the IRS saying I told you you could buy 1,400 books. These are just my own experiences. Like I said, I always hire a tax professional. And especially if you're going to do that, know to find someone in your specific location or that has knowledge of your specific location. And I had zero clue about any of this when I started my business. So, if you're in the same boat, that's okay. Don't worry. It's never too late. You don't know what you don't

know. Right? So now you have the knowledge, and you can take it and apply it in the future.

Tara Whitaker: [24:47] And this is exactly why we have groups like the Editorial Freelancers Association and the Freelance Editors Club so that you are aware of things like this and don't get hit with any surprises, because starting your own business tends to come with a lot of surprises. And financial surprises are never fun. So, if you're interested in becoming a part of a community that would help you stay up to date on these sorts of things, and you want to learn more about the business-y part of owning your own freelance editing business, come join us in the club. We would love to have you. You can learn more about it at tarawhitaker.com/club. Or you can always, always ask me any questions, send me an email hello@tarawhitaker.com and I'd be more than happy to help you. All right. Hopefully I kept my promise of not having this be boring. If not, I apologize. Again, look at the transcript to get that big list that I ran through. And I hope it helps. So, until next time, keep learning, keep growing, and know that you've got this!

Tara Whitaker: [25:57] Thank you so much for tuning into today's episode. If you enjoy *The Modern Editor Podcast*, I would be so grateful if you left us a review over on iTunes. And as always, you can head to tarawhitaker.com to connect with me and stay in touch. We'll chat again soon.