

Pamela Price EA Inc.

Pamela Price EA & Bill Frischman EA
Enrolled to practice before the Internal Revenue Service

A Few Words about the Dreaded *City Business Tax*

In the last few years, the City of LA decided to enforce its requirement for business licenses on a broader scale. In pursuit of unlicensed businesses, they were able to get a list from the state of California Individual tax returns of anyone who filed a Schedule "C". This form, also called "Profit or Loss from Business or Profession", is used to report any income from services performed not shown on a W-2 (earned as an employee). This could be income you receive reported on a Form "1099", or just fees or gross receipts reported voluntarily.

In many cases the individual in question's first response is, "I'm not a business." Most likely, under their broad definition, you are. If someone paid you as an independent contractor for their convenience, and you worked completely under their direction and on their premises with only one "1099", you may get out of the obligation to have a business license, but in most cases you must succumb.

There is life after obtaining a City Business License. Most likely you won't owe anything. You can earn up to \$100,000 from these endeavors (\$300,000 if you are a creative artist – breakdown listed in biz tax booklet) and be exempt from tax. The catch is **you must have a license and file on time, by the last day of February.**

We get calls about this every day, though our business is filing Federal & State Income Tax returns. We have given advice on this free of charge to our clients and will continue to do so, though I hope this explanation will decrease the need. We will also prepare your annual form if you wish, but for that we will charge \$100 (\$50 if you are below the income exemption amount). It's basically easy, and can be done online now, but it's a break in routine for us & ends up taking more time than you would think. In my opinion, it's not worth paying us when you can do it yourself online now. The web address is in the booklet. In any case, remember, **it must be postmarked or done online by Feb 28 or there will be a penalty.**

How to Get Your Refund Fast

E-Filing has really sped up the filing process, but you can't get your refund until your return is completed, and your return can't be completed until we have all the information we need to complete it. **Please use the worksheets!!! If you have your numbers on Quicken great, either transfer them to the worksheets, or at least go through the worksheets to verify that you know what we need. Once your appointment is completed with information missing, even if you get it to me 1 hour later, it will probably be delayed. Why? When will we be able to get back to it? How many others are ahead of you in the "get back to it" pile? Then you're unhappy because it takes so long to get your return, and I'm unhappy because I warned you to use the worksheets so you know what you need to bring me.**