

Tax-Time Wisdom

Self-employment taxes: words that strike fear in the heart of any independent professional. Schedule Cs, 8829s, and (ahem) 1099s ... it's enough to make you wax nostalgic for the good ol' days of W-2dom, when the 1040 (in particular, the 1040EZ) made life seem much less complex. Sure, the 1040 didn't make any sense either — but at least you could turn on your computer and go to one of the many Web sites dedicated to making tax season as painless as possible for wage slaves.

But those office drones aren't the ones who really need help; you do. We'll be frank: there aren't a lot of resources intended specifically for the garden-variety 1099-filing IP. The good news,

though, is that if you look in the right places, there is help to be found. Not surprisingly, some of the resources are better than others. Here are our totally subjective reviews of tax Web sites for IPs — the good, the bad, and the utterly confusing. We focused on how helpful, easy to navigate, and comprehensive these sites are. Before you take any of the advice found here, you may want to check with your tax preparer.

Remember that things change quickly on the Web, so it's possible that you'll find information we didn't, or that you'll have a hard time navigating (or even finding) the sites we visited.

FreeAgent's Money/Taxes

www.freeagent.com



FreeAgent provides expert advice on taxes for IPs. Its comprehensive articles cover many of the basic topics — for example, “Ten Must-Take Deductions,” “Deduct Your Home Office and Your Commute.” For time-crunched IPs, each article is accompanied by a “Key Points” section which quickly lays out the author's main arguments.

The site pays special attention to changes in the tax code and explains how IPs can benefit from them. There's also a big focus on cutting your taxes, with articles devoted to getting the most of your travel deductions and the benefits of hiring family members. Other articles raise interesting questions, like whether IPs should hire tax pros to help them complete their taxes.

It's a good resource for beginning and seasoned IPs alike.

Guru's Tax and Finance Channel

www.guru.com



Guru gives good, solid information and advice for IPs and divides its tax section into several parts. Its “Guru Guides” are well-written articles covering topics like maximizing your deductions and avoiding audits.

“Ask the Expert” is an extremely helpful section consisting of many reader-submitted questions answered by Guru's resident tax expert, Rich Hellmold, a CPA. Most questions address very specific concerns — so if you're trying to figure out how to deduct a plane ticket you paid for in frequent-flier miles (answer: you can't), this is the place to go. And because there's a wide variety of questions, chances are one of them will answer one of your most nagging concerns. Hellmold's answers are short and sweet for the most part, which is fine because he's responding to such specific issues.

SmartMoney Tax Guide

smartmoney.com/tax



The editors of *SmartMoney Magazine* produced this site in partnership with Lycos. We found a collection of articles covering many aspects of tax preparation and financial planning. Like most tax sites, the vast majority of the articles are aimed at people filling out 1040s. However, there's a “Work and Business

Taxes” section with some good articles for IPs. Of particular interest are such articles as “Tax Ideas for the Self-Employed” and “Home-Office Deductions.”

The writers of these articles are sympathetic to IP-specific needs. You'll find practical advice on things you can do to lighten your tax load. You'll also find guidance on ways to take advantage of bizarre tax loopholes — like buying a big gas-guzzling SUV instead of a four-door sedan. According to the author, you'll get a bigger tax savings because the vehicle is considered a truck due to its weight and is therefore subject to more favorable depreciation rules. Remember that the next time you encounter one of these behemoths on the road.

MSN's MoneyCentral Taxes

moneycentral.msn.com



MSN's MoneyCentral Taxes is a good general-purpose tax resource. It is divided up into many sections, most of which deal with non-1099-type tax concerns. There are, however, two sections devoted to IPs. The first, a "Quick Reference" section on self-employment, provides answers to the most common IP questions. We found the questions themselves — like "I have started my own business. Can I just wait until the end of the year to start paying taxes?" — to be pertinent, but the responses don't provide enough detail for most people's needs. If you're just starting out and are mostly interested in learning about some of the basics of being an IP, you may find that MoneyCentral is a good resource.

The second section on MoneyCentral for IPs is called "Focus on Small and Home-Based Businesses." MoneyCentral does a better job here of providing the all-important details. "Focus" includes a collection of articles on topics like setting up medical savings accounts, deducting business lunches, and deducting car expenses. There's lots of "how to" advice, and the authors tell you specifically what you can deduct — down to the exact percentage and dollar amount. Fortunately, for the math-shy among us, you'll find plenty of examples presented with easy-to-understand scenarios.

We found ourselves wanting more — more topics, more in-depth articles, more depth to the information that is there. There just isn't enough IP-specific information. MoneyCentral only addresses IPs' biggest concerns, such as home-office deductions. They ignore such IP questions as deducting training and advertising costs. MSN's MoneyCentral might help you with "big picture" questions, but if you're looking for an explanation of a more obscure issue, you'd best look elsewhere.

NASE's TaxTalk

www.nase.org



The National Organization for the Self-Employed (NASE), a 200,000 member advocacy group, tackles self-employment taxes in a helpful Q&A format. NASE members can pose questions to TaxTalk's panel of experts and get

a response back within one business day — free of charge. Those who aren't members can read an archive of past questions.

These questions — and answers — are a lot more specific than those found on other, non-IP-centric sites, and are likely to be more helpful as a result. One typical question: "How can I deduct the cost of an addition I built onto my house to be used solely for my home business?"

There's also a short selection of articles on the biggest tax issues facing IPs: home-office deductions, health-insurance deductions, and the self-employment tax.

Nolo.com Taxes

www.nolo.com



Nolo, a publisher of legal self-help books, takes a philosophical approach to taxes. Instead of explaining each tax form or listing deductions, Nolo offers articles about the big picture. Nolo's theory is that it's best to know your foe, so one section, "How to Deal with the IRS," provides useful information about how the agency is run and tips on the best ways to avoid or win an audit. And their advice on how to prepare your return in the section "How to Reduce the Chance of an Audit" will help you prevent problems before they even start.

If you've been involved in any funny business (no, definitely not the ha-ha kind), there's a section just for you. Nolo describes all the nasty details about how the IRS deals with tax cheats. For those short on cash, you'll find answers to your questions about how to deal with a tax bill you can't pay (one hint: you can't just ignore it).

Because of Nolo's unique approach, most of the articles are useful to IPs and wage slaves alike. There is also a section specifically for small business owners, with articles like "The Small Business Taxes FAQ" and "What Auditors Look for When Examining a Business."

Overall, we found Nolo's articles to be well-written, comprehensive, and easy to understand.

Quicken.com Self-Employment Taxes

www.quicken.com



Quicken is one of the best-known, most respected finance products available, and their TurboTax program helps clarify the tax code for confused taxpayers every year. We were surprised, then, that Quicken's Web site is itself so confusing. It's a difficult site to navigate, and you may have trouble even finding the self-employment section.

The majority of the site is focused on helping those who file W-2s. Quicken shortchanges the self-employed with a skimpy section on taxes for IPs. Only the broadest issues are addressed here — for example, "How the Tax is Computed," "What is Self-Employment Income." The answers are too short and technical for anyone who's not fluent in "taxese" to readily understand.

Quicken does have an active set of message boards, however, one of which is devoted to the issue of self-employment taxes. You may have better luck finding answers to your questions here.