

*A Resource Guide to
Talking Taxes for Your Solo/Small Firm, 2023 Edition*

October 24, 2023



Anne-Marie Rábago, Founder & Principal

arabago@modernjuris.com

@annemarierabago

1. Internal Revenue Code Section 162 ([26 U.S. Code § 162](#)) – provides authority to deduct trade or business expenses
2. The 2023 [Standard Mileage Rate](#) for business use of your vehicle is \$0.655 per mile.
3. [Publication 463, Travel, Gift, and Car Expenses](#) **Note:** A 2023 version has not yet been published, and IRS publications are NOT binding authority, but they provide easily understandable explanations and taxpayer guidance. When available, the 2023 publication will appear at the link provided.
4. Business meal expenses are subject to a 50% limitation with few exceptions. See [26 U.S. Code § 274\(n\)](#). From January 1, 2021 through December 31, 2022 (in the wake of COVID-19), business meals purchased in or from a restaurant were 100% deductible. For further guidance, refer to [IRS Notice 2021-25](#).
5. [Publication 587, Business Use of Home](#) explains the requirements, as well as the Actual Expense and the [Simplified Method](#) for taking this deduction. **Note:** A 2023 version has not yet been published, and IRS publications are NOT binding authority, but they provide easily understandable explanations and taxpayer guidance. When available, the 2023 publication will appear at the link provided.

Disclaimer: These materials are provided for EDUCATIONAL purposes only; they are NOT intended to be tax or legal advice for you.

6. Most [Sole Proprietors & Single Member LLC](#)'s will file a [Schedule C](#) for 2023 with their Form 1040, US Individual Income Tax Return. [Instructions for Schedule C](#) can serve as a **VERY** helpful reference source. Especially **Part II. Expenses** which provides definitions and explanations for what to include on Lines 8 – 32. **Note:** The Instructions for 2022 are not yet finalized for 2022, and IRS publications are NOT binding authority, but they provide easily understandable explanations and taxpayer guidance. When available, the 2023 Instructions will appear at the link provided.
7. [Partnerships \(and entities electing to be taxed as partnerships\)](#) will file a [Form 1065](#) for 2023 which will provide a Schedule K-1 with each partners' distributive share of separately stated tax items. These generally include income, deductions, gains, losses, and tax preferences that may affect the taxable income of partners differently, depending on their other income and losses. [Instructions for Form 1065](#) can serve as a helpful reference source. **Note:** These two documents are not yet finalized for 2023, and IRS instructions are NOT binding authority.
8. Entities electing to be taxed as S-corporations **MUST** pay shareholder-employees a **reasonable salary**, as well as withhold and remit all appropriate state (where applicable) and federal employment taxes. [S-corporations](#) will file a [Form 1120-S](#) for 2023 which will provide a Schedule K-1 with each shareholders' distributive share of separately stated tax items. These generally include income, deductions, gains, losses, and tax preferences that may affect the taxable income of shareholders differently, depending on their other income and losses. [Instructions for Form 1120-S](#) can serve as a helpful reference source. **Note:** These two documents are not yet finalized for 2023, and IRS instructions are NOT binding authority.
9. The [2022 IRS Data Book](#) is published annually and contains statistical tables and organizational information on a fiscal year basis. The IRS Data book at this link covers October 1, 2021, to September 30, 2022.
10. The [Attorneys Audit Technique Guide \(revised January 11, 2022\)](#) is instructive of how an IRS agent might go about auditing your law firm if you were selected for an office or field examination. I recommend reviewing **Exhibit 2-3 Interview** found on pages 26 -30.

Disclaimer: These materials are provided for EDUCATIONAL purposes only; they are NOT intended to be tax or legal advice for you.

11. If you paid another professional or business (with some exceptions) \$600 or more via check, cash, or ACH in 2023, **you have a 1099 filing obligation**. I recommend you request a [Form W-9](#) from them **NOW!** In the future, request a Form W-9 BEFORE making any payments (even if the initial payment is less than \$600, that amount is cumulative for the tax year).
12. Your [Form 1099-MISC](#) & [Form 1099-NEC](#) filings will be due to recipients by January 31, 2024 and to the IRS by February 28, 2024, if filed by paper, and March 31, 2024, if filed electronically. [Instructions for Forms 1099-MISC and 1099-NEC](#) can serve as a helpful reference source. **Note:** IRS instructions are NOT binding authority. If you have an obligation to file 1099s, consider a Google search for “efile form 1099” to locate vendors that can simplify this process for a per form fee. I’ve heard good things about [Yearli by Greatland](#). Also, [QuickBooks](#) offers efilings of these forms as an add-on service.
13. If you are accepting credit cards or other forms of electronic payment, you will likely receive at least one [Form 1099-K](#) from your merchant service processor. Depending on your practice area, you may receive one or more Form 1099-MISC and/or Form 1099-NEC. **Note:** If a payor neglects to send the requisite form, this does not mean that you get a pass on reporting the income: it's still taxable, form or no form.
14. Depending on your area of practice, you may receive a Form 1099-MISC with an amount placed in Box 10, Gross Proceeds Paid to an Attorney. For information about how to properly report this income and/or guidance on any additional reporting requirements you may have based on receipt of the proceeds, see Treasury Regulation 1.6045-5 ([26 CFR § 1.6045-5](#)) and the examples under subsection f.
15. Amounts paid to you, deposited into an IOLTA, **AND** remaining in that IOLTA as of December 31, 2023, are **NOT** reported as income for your firm in 2023. These amounts will only be included in your income when they have been earned and you transfer them from the IOLTA to your law firm’s operating account.
16. Individuals, including sole proprietors, partners, and S-corporation shareholders, should make estimated tax payments if they **expect to owe tax of \$1,000 or more** when their return is filed. Otherwise, these taxpayers will be subject to a penalty for underpayment of estimate tax. See [2023 Form 1040-ES](#) for information on how to calculate and pay estimated taxes.

Disclaimer: These materials are provided for EDUCATIONAL purposes only; they are NOT intended to be tax or legal advice for you.

Annual Timeline for Optimal Tax Compliance

1. Immediately get a **Form W-9** anytime you are paying a vendor/contractor.
2. Ensure **employee payroll** is properly run and administered (every two weeks or once per month) and that employment taxes are properly withheld and remitted.
3. Reconcile **all accounts** by the 15th of month following the closing of the prior month – track income, expense, receivables, and IOLTA (at a minimum).
4. If electing to be taxed as an S-corporation, **shareholder-employees** should be issued monthly paychecks (quarterly at a minimum) to comply with the **reasonable salary** requirement.
5. Pay **quarterly estimated taxes** – April 15, June 15, September 15, January 15 – each year based on the smaller of 100% of the prior year tax bill **OR** 90% of the current year tax bill.
6. Electronically file **Form 1099s** by January 31
7. File business information returns (**Form 1065, Form 1120-S**, etc.) by March 15
8. File and pay taxes on individual returns (**Form 1040**) by **April 15** (pay on time – always - even if extending your return due date)
9. **TIMELY** file all **extension requests** (which provide more time to file although interest and late payment penalties begin to accrue from April 15)
 - a. Business returns are then due September 15
 - b. Individual returns are then due October 15
10. **Rinse & Repeat**

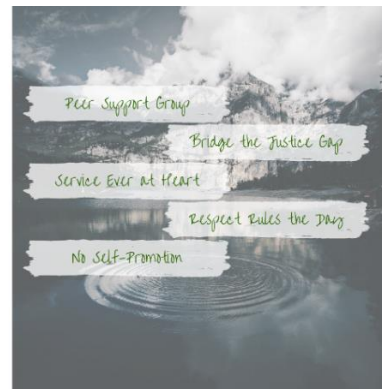
Note: Your state may also have filing deadlines. Generally, the states follow the federal dues dates, but do your due diligence to determine what filing requirements might apply to you **AND** your business.

Disclaimer: These materials are provided for EDUCATIONAL purposes only; they are NOT intended to be tax or legal advice for you.

You are invited to join the [Like-Minded in the Law Facebook Group!](#)

LIKE-MINDED IN THE LAW

Free Services of  MODERN
JURIS
Design to serve the latent legal market



Then, Modern Juris Circle is our collaborative learning community. Through this affordable (just \$24/month) monthly membership program, we help you build a financially sustainable business designed to serve the latent legal market. If you're looking for like-minded lawyers who share your values, a guide (that's me) to help you navigate the way, and a place – in the law – where you belong...

I invite you into [Modern Juris Circle!](#)



For more information about Modern Juris and to **sign up for updates** from Modern Juris, visit us at: <https://modernjuris.com/>.

Find us on social media: [Facebook](#), [Instagram](#), [LinkedIn](#), and [Twitter](#).

Disclaimer: These materials are provided for EDUCATIONAL purposes only; they are NOT intended to be tax or legal advice for you.