

International
Double Reed
Society



idrs

Virtual Event Services – *Notes and Numbers* – Money 101 for Chamber Musicians

Michael R Miranda CPA QKA NQPC AEP
MIRANDA CPA & Consulting LLC



© 2025 MIRANDA CPA & Consulting LLC



1

Notes and Numbers: Money 101 for Chamber Musicians

DISCLAIMERS

All opinions expressed by Michael Miranda are those of the presenter and do not necessarily represent the views or opinions of the International Double Reed Society (IDRS).

IDRS is not responsible for and expressly disclaims all liability and damages of any kind arising out of use, reference to, or reliance on any third-party information contained on this site.



MIRANDA CPA & Consulting LLC

© 2025 MIRANDA CPA & Consulting LLC

2

2

Notes and Numbers: Money 101 for Chamber Musicians

Speaker

Michael Miranda, The Musician

- Studied keyboard with my Mother at the age of 5 through high school; performed in various music contests; was an accompanist during my college years for various soloists
- Studied cello during high school and played in the Elkhart Symphony Orchestra; studied again in the early 2000s with Dr. Karren Melik-Stepanov (his principal cello teacher was Mstislav Rostropovich)
- Studied three years of voice (Baritone) with a professor at Bethel College in Mishawaka Indiana
- I also was a Cantor and Baritone with the St. Joseph Cathedral Choir in Sioux Falls South Dakota
- Currently I'm a cellist with the Sioux City Symphony Orchestra. This year will be my 26th season performing for this Orchestra that is currently experiencing its 110th season as a symphony orchestra



"Michael the Musician"
SCSO Cello Section After
the Carmen Opera
Performance on May 4th,
2025



© 2025 MIRANDA CPA & Consulting LLC

3

3

Notes and Numbers: Money 101 for Chamber Musicians

Speaker

Michael R Miranda, CPA QKA NQPA AEP

Michael is the owner of MIRANDA CPA & Consulting LLC located in Sioux Falls, South Dakota. He has over 49 years of professional experience including tax consulting, estate planning and employee benefits. His consulting practice includes niche areas and client representation before governmental agencies. He maintains an active speaking schedule on tax law, estate and employee benefit planning. He is member of the Board of Directors for National Advisor Trust Companies of Kansas and South Dakota. His professional designations include CPA, QKA and NQPA (Employee Benefits) and AEP (Estate Planning). His professional affiliations include the AICPA, SDCPA Society, ASPPA, NAEA, NATP and NAEPC.



CPA / Consultant
MIRANDA CPA & Consulting LLC
mmiranda@mirandacpaconsult.com



© 2025 MIRANDA CPA & Consulting LLC

4

4

Notes and Numbers: Money 101 for Chamber Musicians

Agenda – Learning Objectives

- Key Financial Planning Items for the Chamber Musicians
- Overview of Important Tax Compliance Matters for the Self-Employed Musician
- Tax Exempt or Non-Profit organizations and their role in career development for the Chamber Musician
- Additional tax and employee benefit matters
- Ask the Expert – Your Questions

5

Notes and Numbers: Money 101 for Chamber Musicians

Key Financial Planning Items

- Money goals to aim for in your 30s, 40s, and 50s
 - Maximizing contributions to tax-advantages retirement accounts
 - Understand the importance of Social Security and Medicare programs
 - Take advantage of an HSA
 - Put in place a basic estate plan
 - Strive to be free of high-interest debt
 - Saving big for emergencies – 3 to 6 month's worth of essential expenses

6

Notes and Numbers: Money 101 for Chamber Musicians

Benefit of Saving for Retirement

	\$300 monthly savings with 10% compounded savings			April Early, who started saving early, yielded -			June Late, who started saving later, yielded -		
	Contributions	Total Accumulated Contributions	Account Balance	Contributions	Total Accumulated Contributions	Account Balance	Contributions	Total Accumulated Contributions	Account Balance
Year 10	\$36,000	\$36,000	\$57,375	\$0	\$0	\$0	\$0	\$0	\$0
Year 20	0	36,000	148,816	36,000	36,000	57,375	36,000	36,000	57,375
Year 30	0	36,000	385,990	36,000	72,000	206,190	36,000	72,000	206,190
Year 40	0	36,000	1,001,159	36,000	108,000	592,178	36,000	108,000	592,178
Year 45	0	36,000	1,612,377	18,000	126,000	975,688	18,000	126,000	975,688

7

Notes and Numbers: Money 101 for Chamber Musicians

Defined Contribution Plans

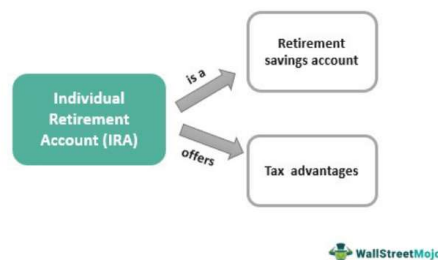
- Simplified Employee Plans (SEPs)
- Savings Incentive Match Plan for Employees of Small Employers (SIMPLEs)
- Profit sharing plan
- Profit sharing plan with §401(k) feature (including a “Solo” §401(k) plan)
- Profit sharing plan with safe harbor §401(k) feature

8

Notes and Numbers: Money 101 for Chamber Musicians

Tax-Advantaged Retirement Arrangements

- Individual Retirement Accounts or IRAs
- May permit individuals to make tax-deferred investments to enhance your financial security
- What IRA best suits an individual's needs -
 - Traditional IRA
 - ROTH IRA
- IRA provides – Financial institutions, life insurance companies, mutual funds and stockbrokers



© 2025 MIRANDA CPA & Consulting LLC

9

9

Notes and Numbers: Money 101 for Chamber Musicians

Tax-Advantaged Retirement Arrangements

TRADITIONAL IRAs

- Contributions based on taxable compensation (no age limit after 12/31/2019)
- Contributions may be deductible
- For 2024, \$7,000, or \$8,000 (if you are age 50 or older) annual limit
- Contribution by April 15th for prior year
- May withdraw money anytime
- Subject to required minimum distribution (RMD) rules
- Distributions that include both deductible contributions and earnings are generally taxed
- Early distribution (prior to age 59 ½ with no exception) subject to an additional tax



© 2025 MIRANDA CPA & Consulting LLC

10

10

Notes and Numbers: Money 101 for Chamber Musicians

Tax-Advantaged Retirement Arrangements

ROTH IRAs

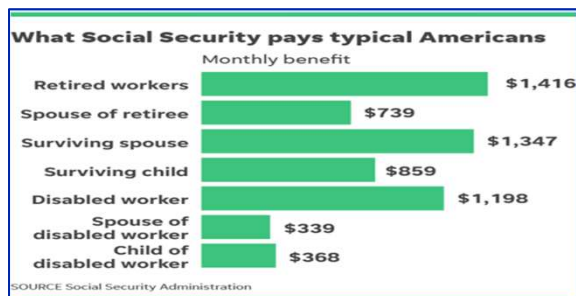
- You can contribute at any age provided you have taxable compensation and subject to a modified adjusted gross income limitation
- Contributions are not deductible
- Same contribution limits as Traditional IRAs; however, the individual may only contribute the maximum annual limit to any combination of Roth or Traditional IRA in any given calendar year
- Contribution by April 15th for prior year
- May withdraw money anytime; however, unless the distribution is a “qualified distribution” it may be subject to income tax and an additional tax of 10%
- No RMDs if you are the owner
- A qualified distribution is not subject to income tax

11

Notes and Numbers: Money 101 for Chamber Musicians

Social Security Benefit Analysis

- Maximum monthly benefit at Full Retirement Age (approaching age 67) - \$4,018
- Maximum monthly benefit at age 70 - \$5,108



Bottom line – A client might receive \$61K+ annual in Social Security. A successful couple - \$122,500. **That's almost \$2.5M over 20 yrs.**

12

Notes and Numbers: Money 101 for Chamber Musicians

Planning for Social Security Benefits

- Eligibility Rules for Social Security Benefits
 - Must have 40 credits ... a maximum of four (4) credits may be earned in any one year
 - For 2024, to qualify for a credit, a person must earn \$1,730 (or a maximum for the year of \$6,920 of earnings)
 - Credits earned by employee wages or self-employed earnings
 - Adjusted every year by cost-of-living factors
 - **CAUTION – Disability benefit eligibility follows similar rules (i.e., must have 40 credits, with some exceptions)**
- Medicare – A person must have 40 credits to be fully insured under Medicare

13

Notes and Numbers: Money 101 for Chamber Musicians

Health Saving Accounts

- The “Triple Tax Advantage”
 - Contributions are tax-deductible
 - Earnings grow tax-free
 - Tax-free distributions for qualified medical expense
- Contribution Limits and Flexibility (2025)
 - \$4,300 for self-only coverage
 - \$8,550 for family coverage
 - An additional \$1,000 “catch-up” contribution if you are age 55 or older
- Portability and Ownership

14

Notes and Numbers: Money 101 for Chamber Musicians

Health Saving Accounts (Cont.)

- No “Use-it-or Lose-It” Rule
- Long-Term Savings and Retirement Planning
 - After 65, withdrawals for non-medical expenses are taxable as ordinary income (not subject to the 20% penalty)
 - This makes the HSA function similar to a traditional IRA; however, tax-free withdrawals for medical expenses may be made at any age
- Eligibility Requirements
 - Be covered by a high-deductible health plan (HDHP)
 - Not be enrolled in Medicare
 - Not be claimed as a dependent on another person’s tax return
 - Not have other disqualifying health coverage



© 2025 MIRANDA CPA & Consulting LLC

15

15

Notes and Numbers: Money 101 for Chamber Musicians

Health Saving Accounts (Cont.)

- Summary –

An HSA is one of the most tax-advantaged savings vehicles available, offering a unique combination of tax-deductible contributions, tax-free growth, and tax-free withdrawals for qualified medical expenses. It provides flexibility, portability, and long-term savings potential, making it an excellent choice for those eligible, both for current healthcare costs and as a supplemental retirement savings tool.



© 2025 MIRANDA CPA & Consulting LLC

16

16

Notes and Numbers: Money 101 for Chamber Musicians

Need for an Estate Plan

- Avoid probate
- Reduce estate taxes
- Avoid a mess ... **the most important consideration, because it applies to everyone regardless of the size of their estate ...**
- Protect beneficiaries
- Protect assets



17

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance - Agenda

- Income Tax Return Overview for the Chamber Musician
 - Am I self-employed?
 - Review of the master tax form package (for presentation purposes)
 - Accounting methods and period
 - Recordkeeping
 - Income (or Gross Receipts)
 - Expense or deduction items
 - Car and trucks expense
 - Travel meals and entertainment
 - Home office deduction
 - Special items

18

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Are You Self-Employed?

- “Carrying on a trade or business” as a sole proprietor or an independent contractor
- Trade or business
 - Limited liability company (LLC)
- Sole Proprietor
- Independent contractor
- Business owned and operated by spouses



19

19

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Are You Self-Employed?

- Trade or Business (TB)
 - Means carrying on an activity to make a profit
 - Facts and circumstances of each determine whether an activity is a TB
 - You do not need to make a profit to be in a TB if you have a profit motive
- Limited Liability Company (LLC)
 - An entity formed under state law by filing articles of organization
 - For Income tax purposes a single-member LLC is disregarded as an entity separate from its owner
 - A single-member LLC reports its income and deductions on the owner's federal income tax return (Form 1040 – Schedule C)



20

20

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Are You Self-Employed?

- Sole Proprietor
 - Is someone (an individual) who owns an unincorporated business
 - Treated as a sole proprietor for income tax purposes if you are an individual or the sole member of an LLC
- Independent Contractors
 - Examples – Physicians, Dentists, Free-Lance Musicians, Lawyers, Accountants, Contractors, etc
 - Most important individual contractor – **MUSICIANS!**
 - These individuals operate an independent trade, business or profession in which they offer their **services** to the general public
 - Independent contractor vs employees depends on the facts in each case
 - General rule: *Independent contractor* – if person paying for the work has the right to control or to direct only the result of the work and not how it will be done

21

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Are You Self-Employed?

- Business Owned and Operated by Spouses
 - Generally considered as “partners” in a partnership whether or not you have a formal partnership agreement
 - File a Form 1065 – U.S. Return of Partnership Income
- Exception
 - Community income
 - Qualified joint venture –
 - If you and your spouse each materially participate as the only members of a jointly owned and operated business, and you file a joint return, you can make a joint election to treated as a qualified joint venture instead of a partnership for the tax year
 - Each of you must file a separate Schedule C and a separate Schedule SE

22

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Filing and Paying Business Taxes

- Review of the tax form landscape
- Discussion of the multiple trades of businesses
 - Perform for the Symphony Orchestra – Form W-2 (wages)
 - Music studio and provide private music lesson
 - Free lance music gigs during the calendar year
 - Music consulting business
- Taxes
 - Income Taxes
 - Employment Taxes (if you have employees)
 - Self-Employment Taxes
- Information Returns – Form 1099-MISC or 1099-NEC



23

23

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Relevant Tax Forms

- 2024 Form 1040
 - Schedule 1 – *Additional Income and Adjustments to Income*
 - Schedule 2 – *Additional Taxes*
 - Schedule 3 – *Additional Credits and Payments*
- 2024 Form 1040 Schedule C – *Profit or Loss From Business*
- 2024 Form 1099-NEC – *Nonemployee Compensation*
- 2024 Form 1040 Schedule E – *Supplemental Income and Loss*
- 2024 Form 8829 – *Expenses for Business Use of Your Home*
- 2024 Form 1040 Schedule SE – *Self-Employment Tax*
- 2024 Form 7206 – *Self-Employed Health Insurance Deduction*



24

24

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Self-Employment (SE) Tax

- Like the social security and Medicare taxes withheld from the pay of wage earners
- SE tax contribute to your coverage under the social security system
- Remember the SE coverage benefits –
 - Retirement
 - Disability
 - Survivor benefits, and
 - Hospital insurance (Medicare)
- Earning credits to become insured under social security – *generally need 40 quarters of coverage*

25

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Information Returns

- Form 1099 Series - Payments made in connection with your trade or business – possible reporting obligation to the IRS of amounts paid to the recipient
 - Payments of \$600 or more for services performed for your business by people not treated as your employees
 - Rent payments of \$600 or more
 - **Good News ... in 2026 the reporting limit will increase to \$2,000 (OBBA)**
- Form W-2s – to report payments to your employees
- State Sales Tax Reporting
 - Most states require sales tax reporting for any sale of tangible goods to an ultimate customer (i.e., sell strings, rosin, reeds, etc)
 - A few states, like South Dakota, collect sales tax on private music lessons (and CPA fees like mine that I provide for South Dakota customers)

26

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Accounting Periods / Methods and Recordkeeping

- General accounting periods will a calendar year for most sole proprietors, individuals, LLCs and partnership
- Methods
 - Cash method
 - Accrual method
 - Special methods of accounting for certain items of income and expense
- Recordkeeping
 - Extremely important if you have more than one business activity
 - Do not commingle personal finances with business finances
 - Do I need a separate bank account for each business activity?

27

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Business Income

- Introduction
 - Nonemployee compensation (the Form 1099-NEC)
- Kinds of income
 - Cash
 - Check
 - Credit card charges
- Bartering for Property or Services
- Other income
 - Business income
 - Investment income
 - Retirement income

28

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Cost of Goods Sold

- Inventory at Beginning of Year
 - Purchases less Cost of Items Withdrawn for Personal Use
 - Cost of Labor
 - Materials and Supplies
 - Other Costs
- Total Cost of Goods Before Ending Inventory Adjustment
 - Ending Inventory
- Current Year Cost of Goods Sold

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Deductions & Expenses

- | | |
|---|---|
| <ul style="list-style-type: none"> • Introduction • Car and Truck Expenses <ul style="list-style-type: none"> • Standard mileage rate (for 2025 – 70.0 cent per mile) • Actual expense • Depreciation • Insurance <ul style="list-style-type: none"> • General liability insurance • Self-employed health insurance • Interest | <ul style="list-style-type: none"> • Legal and Professional Fees • Rent • Taxes • Travel and Meals <ul style="list-style-type: none"> • Meals – 50% of your meal expense (in general) • Business Use of Your Home <ul style="list-style-type: none"> • Form 8829 • Simplified Method – maximum of \$1,500 • De Minimis Safe Harbor for Tangible Property |
|---|---|

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Other Business Expenses

- Advertising
- Bank fees
- Donations to business organizations
- Education expenses
- Impairment-related expenses
- Interview expense allowances
- Licenses and regulatory fees
- Moving machinery
- Outplacement services
- Repairs and maintenance to real or tangible personal property
- Subscriptions to trade or professional publications
- Supplies and materials
- Utilities
- Technology related expenses

31

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Car and Truck Expenses

- Two Methods of Accounting for Business Use of Car or Truck
 - Actual expenses in operating a vehicle for business purposes
 - Standard mileage rate (including parking and tolls)
- Caution – *Regardless of method, you must have **contemporaneous** documentation to support the deduction.*
- Caution – *The standard mileage rate changes every year. If you use actual expense method in the first year, you may not use the standard mileage method.*
- Caution – *If you want to use standard mileage rate for a car you lease, you must use that method for the entire term of the lease. You may not switch methods even if the actual expense method gives you a larger deduction*

32

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Car and Truck Expenses

- Actual expenses including all operating and maintenance costs you incur
- If you use the vehicle for personal purposes, you must allocate you expenses between business and personal use
- Let's review Schedule C Part IV (Page 2) *Information on Your Vehicle*
- Expenses not deductible
 - Commuting expense
 - Miles you drive for personal purposes
 - Do not report vehicle expenses associated with a trip that you fly and then rent a vehicle; report as "Travel, meals, and entertainment"

33

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Car and Truck Expenses

- ADEQUATE RECORDKEEPING
 - Automobile expense deduction denied based on inadequate mileage logs
 - Contemporaneous mileage log wasn't sufficient to support the deduction
 - Specifically, the logs failed to **identify specific time and places of travel**
 - *Cooney vs. Commissioner, T.C. Summary Opinion 2019-10 (June 11, 2019)*

34

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Travel Meals and Entertainment

- **Travel**

- Expense must be incurred while traveling overnight away from you tax home
- Expense must be ordinary and necessary
- Expense must be reasonable considering your specific business circumstances
- The expense must be incurred for your existing business

- **Meals**

- Meals when you conduct business with business associates or employees while in your city of business
- Meals when you conduct business while you're traveling overnight on a business trip
- Meals when you dine alone while traveling overnight
- Generally, you may only deduct 50% of the meal cost for tax purposes

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Entertainment

- **Entertainment**

- NO DEDUCTION ALLOWED (After the Tax Cuts Jobs Act)
- However, situations may arise where there is Entertainment and Meals as one business activity. If the meals are separately stated, the meals are deductible

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Adequate Recordkeeping

- Unreimbursed business expenses lacked substantiation
 - Deduction denied for failure to properly substantiate and account for the expenses
 - Only allowable expense was for the tax preparation fees substantiated by a check to accountant
- *Torres v. Commissioner*, T.C. Summary Opinion 2019-11

37

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Business Use of Your Home

- **Regular and exclusive use**
 - Exclusive means that the space is used solely for business (i.e., TV used by your kids to play video games – no deduction)
- **Other criteria –**
 - Your principal or main place of business
 - Your place where your customers meet with you in the normal course of your business, or
 - A separate structure, not attached to your home, that is used exclusively in your trade or business
- **Simplified “Business Use of Your Home” Deduction**
 - Up to 300 square feet applies
 - May deduct \$1,500 (\$5 by the area of home used for qualified business use limited to 300 sq ft)

38

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Business Use of Your Home

- Vehicle Expenses and Office in Home
 - May sure that you establish a principal place of business requirements, then the residence is considered a business location, and the daily transportation expense is an ordinary and necessary business expense
- *Haag, T.C. Summary Opinion 2016-29*
 - Court stated that an office in home cannot be the principal place of business if the office in home fails the exclusive use test
 - Court implies that this is true even if the taxpayer conducts all of his or her business in the home office
 - Taxpayer had not other place of business
 - Therefore, the court **denied** any vehicle mileage expense

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – Business Use of Your Home – Form 8829

- Part of Your Home Used for Business (Form 8829)
 - Determine the percentage of the home used for business
- Figure Your Allowable Deduction
- Direct and Indirect Expenses
- Depreciation of Your Home; **Smaller of**
 - FMV (Fair Market of Your Home) or
 - Adjustment Cost Basis (your purchases price plus any improvements)



Form 8829 – Expenses for Business Use of Your Home

Form 8829 **Expenses for Business Use of Your Home**
 Department of the Treasury Internal Revenue Service
 File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.
 Go to www.irs.gov/Form8829 for instructions and the latest information.
 OMB No. 1545-0074
 2024
 Attachment
 Sequence No. 176
 Your social security number

Part I Part of Your Home Used for Business

1 Area used regularly and exclusively for business, regularly for daycare, or for storage of inventory or product samples (see instructions) 1

2 Total area of home 2

3 Divide line 1 by line 2. Enter the result as a percentage 3 %

4 For daycare facilities not used exclusively for business, go to line 4. All others, go to line 7. 4 hr.

5 Multiply days used for daycare during year by hours used per day 5 hr.

6 If you started or stopped using your home for daycare during the year, see instructions; otherwise, enter 8,764 6

7 Divide line 4 by line 5. Enter the result as a decimal amount 7 %

8 Business percentage. For daycare facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3

Part II Figure Your Allowable Deduction

9 Enter the amount from Schedule C, line 29, plus any gain derived from the business use of your home, minus any loss from the trade or business not derived from the business use of your home. See instructions. 9

10 See instructions for column (a) and (b) before completing lines 9-22. (a) Direct expenses (b) Indirect expenses

11 Casualty losses (see instructions) 11

12 Deductible mortgage interest (see instructions) 12

13 Real estate taxes (see instructions) 13

14 Add lines 9, 10, and 11 14

15 Multiply line 12, column (b), by line 7 15

16 Add line 12, column (a), and line 13 16

17 Subtract line 14 from line 6. If zero or less, enter -0- 17

18 Excess mortgage interest (see instructions) 18

19 Excess real estate taxes (see instructions) 19

20 Insurance 20

21 Rent 21

22 Repairs and maintenance 22

23 Utilities 23

24 Other expenses (see instructions) 24

25 Add lines 16 through 22 25

26 Multiply line 23, column (b), by line 7 26

27 Carryover of prior year operating expenses (see instructions) 27

28 Add line 23, column (a), line 24, and line 25 28

29 Allowable operating expenses. Enter the smaller of line 15 or line 26 29

30 Limit on excess casualty losses and depreciation. Subtract line 27 from line 15 30

31 Excess casualty losses (see instructions) 31

32 Depreciation of your home from line 42 below 32

33 Carryover of prior year excess casualty losses and depreciation (see instructions) 33

34 Add lines 29 through 31 34

35 Allowable excess casualty losses and depreciation. Enter the smaller of line 28 or line 32 35

36 Add lines 14, 27, and 33 36

37 Casualty loss portion, if any, from lines 14 and 33. Carry amount to Form 4684. See instructions 37

38 Allowable expenses for business use of your home. Subtract line 35 from line 34. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions 38

Part III Depreciation of Your Home

39 Enter the smaller of your home's adjusted basis or its fair market value. See instructions 39

40 Value of land included on line 37 40

41 Basis of building. Subtract line 38 from line 37 41

42 Business basis of building. Multiply line 39 by line 7 42 %

43 Depreciation percentage (see instructions) 43

44 Depreciation allowable (see instructions). Multiply line 40 by line 41. Enter here and on line 30 above 44

Part IV Carryover of Unallowed Expenses to 2025

45 Operating expenses. Subtract line 27 from line 26. If less than zero, enter -0- 45

46 Excess casualty losses and depreciation. Subtract line 33 from line 32. If less than zero, enter -0- 46

For Paperwork Reduction Act Notice, see your tax return instructions. Call: No. 1320244 Form 8829 (2024)

© 2025 MIRANDA CPA & Consulting LLC

41

41

Notes and Numbers: Money 101 for Chamber Musicians

Tax Compliance – SPECIAL ITEMS

- Qualified Business Income (QBI) deduction
 - A 20% deduction of your QBI income
 - Specified Services Trade or Business (Musicians)
 - Limited when taxable income exceeds \$191,950 (\$394,600 for MFJ) [2025 income threshold]
 - Example – All of your Schedule C income nets a total of \$10,000; you are eligible for a QBI deduction of \$2,000 (assuming your taxable income does not exceed the amount noted above)
- De Minimis Safe Harbor for Tangible Property
 - Allows for a deduction of \$2,500 per item or invoice rather than capitalizing the costs
 - Must make an election every year – **A VERY IMPORTANT ELECTION**



© 2025 MIRANDA CPA & Consulting LLC

42

42

Notes and Numbers: Money 101 for Chamber Musicians

Tax-Exempt / Non-Profit Organizations

- AGENDA
 - *Types of Non-Profit Organizations*
 - *Tax Exempt Status and the IRS Application Process*
 - *Use of Tax-Exempt Organizations and the Entrepreneurial Musician*

43

Notes and Numbers: Money 101 for Chamber Musicians

Tax-Exempt / Non-Profit Organizations

- IRC §501(c)(3) Organizations
 - Organized and operated **exclusively** for one or more of the following purposes
 - Religious
 - Charitable
 - Scientific
 - Testing for public safety
 - Literary
 - **Educational**
 - Fostering national or international amateur sports competition
 - Prevention of children or animal cruelty
 - Contributions to IRC §501(c)(3) Organizations

44

Notes and Numbers: Money 101 for Chamber Musicians

Tax-Exempt / Non-Profit Organizations

- Types of Entities
 - Corporation, Trust or Association, and LLCs
 - Governing Documents (e.g., Articles of Incorporation)
 - Driven by State Law (not federal law)
- Organizational Test
 - Must limit the organization's purposes to one or more of the purposes discussed previously (i.e., educational)
 - Must not engage in activities that result in benefiting individuals or special groups

45

Notes and Numbers: Money 101 for Chamber Musicians

Tax-Exempt / Non-Profit Organizations

- Types of Entities
 - Educational Organizations
 - Instruction or training of individuals for the purpose of improving or developing their capabilities, or
 - Instruction of the public on subjects useful to individuals and beneficial to the community
 - Qualifying Organizations
 - Schools
 - Activities consist of conducting public discussion groups, forums, panels, lectures, or other similar programs
 - Presents a course of instruction by correspondence or through the use of media
 - Museum, zoo, planetarium, symphony orchestra

46

Notes and Numbers: Money 101 for Chamber Musicians

Tax-Exempt / Non-Profit Organizations

- NP Organizations Are Further Classified by the Internal Revenue Service
 - Private Foundations (the default classification for all Non-Profit Organizations)
 - Public Charities
 - Must meet the requirements of IRC §509(a) to avoid Private Foundation Status
 - An educational organization is not deemed to be a private foundation but rather a publicly supported organization
 - Qualifying as Publicly Supported
 - One-third support test – organization normally receives at least one-third of its total support from governmental units, from contributions made directly or indirectly by the general public, or a combination of these sources.
 - IRC §509(a)(2) Organizations
 - Same as public charities discussed above (public support) except that
 - It includes income from activities directly related to their exempt function and must meet a 1/3 support test, and
 - Not-more-than 1/3 of the organization is derived from investment income

47

Notes and Numbers: Money 101 for Chamber Musicians

Tax-Exempt Status – The IRS Application Process

- Form 1023 Application Review (Larkspur Reed Trio *formerly* Chione Quintet)
 - Part I *Identification of Applicant*
 - Part II *Organizational Structure*
 - Part III *Required Provisions in Your Organizing Document*
 - Part IV *Your Activities*
 - Part V *Compensation and Other Financial Arrangements*
 - Part VI *Financial Data*
 - Part VII *Foundation Classification*
 - Part VIII *Effective Date*
 - Part IX *Annual Filing Requirements*
 - Part X *Signature (And Discussion of User Fee)*

48

Notes and Numbers: Money 101 for Chamber Musicians

Detailed Review of Form 1023 Example

- Form 1023 – *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*
- Chione Quintet – a tax-exempt corporation formed on September 14, 2017, under the state of Minnesota tax exempt statutes
- Review of the supplemental documents
 - Additional explanations
 - Article of Incorporation (under “MN Statutes, Chapter: 317A)
 - Bylaws
 - Conflict of Interest Policy
- User Fee and Form 2848 – Power of Attorney

Notes and Numbers: Money 101 for Chamber Musicians

Use of Tax-Exempt Organization and Your Entrepreneurial Endeavors

- Case Study
 - Background
 - Five wind musicians – free lance artists and private music instructors
 - Careers limited to free lance playing and private instruction
 - Idea – create an all female “Twin-Cities” based woodwind quintet comprised of innovative and cross-disciplinary women
- Form a tax-exempt entity (Chione Quintet)
 - Mission statement review
 - Discuss activities – *Community Outreach and Education*

Notes and Numbers: Money 101 for Chamber Musicians

Use of Tax-Exempt Organization and Your Entrepreneurial Endeavors

- Case Study
 - Goals & Objectives
 - Increase in profitability for the members of the quintet
 - Created public exposure (i.e., marketing) for the group and its members
 - Increased funding through MN State Arts Board (resulted in three-month 35-location tour of libraries in underserved SE Minnesota communities)
 - Expanded music opportunities for general public (i.e., recording, commissioned works, and public exposure to works by female composers)
 - Challenges
 - Dealing with COVID-19 (i.e., shut down the public libraries)
 - Continue to increase profitability and develop consistent compensatory arrangements for the members of the quintet
 - **Reorganize the entity from a quintet to a trio and still maintain tax exempt status**

ASK THE EXPERT – YOUR QUESTIONS

QUESTION: What steps do you need to take, in terms of insurance and taxes, before beginning to teach private lessons out of your home? (And does this differ from in-person vs. virtual?)

ANSWER and COMMENT

- Insurance coverage adequacy on the home (i.e., business in the home)
- Review liability insurance coverage with a qualified insurance agent
- For tax purposes, the home office deduction criteria needs to be addressed (a specific delineated area for private lessons, an area in the home exclusively used for this business, etc)
- If private lessons is a “sub-category” of your business activity, maintain books and records to support the “private lessons” and report on a separate Schedule C
- Discuss the difference between in-person and virtual
 - Virtual: Technology expense and the allocation of such resources for your private lesson business
 - Virtual: Collection of payments, probably via cash apps, electronic banking transfers, etc

ASK THE EXPERT – YOUR QUESTIONS

QUESTION: If you use your studio space for teaching and for your own music practicing (which is both personal and related to your business), can you factor a “home office” [deduction] into your taxes?

ANSWER and COMMENT

- Clearly you may allocate a portion of the studio expense for teaching through use of time usage, amount of space in your home, etc
- With regard to the “music performance / practicing” discussion, I would not completely treat such activity as “personal”. For example, let's say you are free lance oboe player, and you have an opera gig for three weeks with a total of nine (9) performances. You are treated as an independent contractor for the purposes of this gig. In this case, I would document the time / usage of the studio that you spend preparing for this gig and deduct an appropriate amount of the “home office” allocated for this time period

53

53

ASK THE EXPERT – YOUR QUESTIONS

QUESTION: What kind of liability insurance do you need to teach out of your home? What do you need if you go to someone else's house to teach them? How does this change if you are a renter versus a homeowner?

ANSWER and COMMENT

- These questions focus on reviewing your activities with a qualified liability insurance agent or specialist
- You need to have coverage for any potential risk that may be present when you teach in your home (i.e., a set of rickety steps to your house that someone might get injured)
- As for teaching out of someone's home, that same type of review “what risks might be present when you are teaching at someone's home”
- As for instrument insurance coverage, review annually and make sure you have adequate coverage
- Rent vs home ownership – rental situation – apply the same liability coverage for risk situations under a renter's insurance policy

54

54

ASK THE EXPERT – YOUR QUESTIONS

QUESTION: Can you suggest resources regarding musician taxes, owning a business, business savvy, etc?

ANSWER and COMMENT

- First, I would approach the music professional and business as a regular “small business” rather than “musician taxes”
- Second, understand that most of your tax issues are the same as most other small business owners in other industries
- Third, there is not a significant amount of “special” tax provisions just for musicians; except for “certain expenses of qualified performing artists (QPA)” (IRC §62(2)(B)). Unfortunately, the ability to maximum the QPA provision is quite limited because the adjusted gross income of such individual must not exceed \$16,000.
- Four, a good overall discussion of tax related matters is the IRS Publication 334 – Tax Guide for Small Business

55

55

ASK THE EXPERT – YOUR QUESTIONS

QUESTION: So, taxes for musicians are a mess [not only a mess for the musician but for most individual businesses]. How do you handle complicated taxes with not just one but two [or more] sets of income? How do we balance the two versions of taxes (other than having an accountant do it for us, which is probably not affordable at the beginning of our marriage)? I know you're having an artist-specific tax professional come in, so it would be helpful to discuss two-income households in addition to everything on taxes for musicians.

ANSWER AND COMMENT(S)

56

56

ASK THE EXPERT – YOUR QUESTIONS

- Continuation of the question regarding multiple business and earning situations for couples; how to maintain books and records; how to make some sense out of the “mess”
- First, remember the “KISS” terminology – KEEP IT SIMPLE STUPID
- Second, remember how you eat an elephant – ONE BITE AT A TIME
- Organize and separate your wage, earning and business activities –
 - All of your W-2 wages (Husband / Wife)
 - All of your Schedule C activities
- Use software (i.e., Excel and maybe Quickbooks depending on time constraints) to maintain your books and records
- Separate your Schedule C activities –
 - Private lessons
 - Free lance signer activities
 - Vocal music consulting activities
 - File separate Schedule C that track with your books and records (I’ve had as many as six or seven Schedule C documents between husband and wife in one year’s tax returns before)
- Remember – it is your responsibility to maintain appropriate books and records to substantiate your income and deductions items.

57

57

ASK THE EXPERT – YOUR QUESTIONS

QUESTION: In the virtual world in COVID-Time and beyond, the possibility for international collaboration is greater. What are ways to manage differences in payment / rates when teaching students / selling content to people who live outside of the US?

ANSWER and COMMENT

- Remember that for now your income tax reporting obligation is in US dollars
- You will need to convert any currency that you may have receive, other than US dollars, to US dollar
- When developing pay rates review the exchange rates between the different country and charge accordingly (e.g., Germany Euro to US dollar - \$1.00US equals 0.84 EURO on 3/6/21. Your give a lesson for one hour virtually to a student in Germany and your hourly rate if \$125.00, you would need to collect 148.81 EUROS)
- This situation may create additional banking fees for the parties that need to be negotiated between the parties.
- Do not shy away from an opportunity in an international setting, just because of the “administration”

58

58

ASK THE EXPERT – YOUR QUESTIONS

QUESTION: How do I write off pay-to-sings (summer programs where I have to pay “tuition” to sing an opera role)?

ANSWER and COMMENT

- You would be able to treat the “tuition” as continuing education expense on your tax return
- After you have basic training (i.e., undergraduate, master, or doctorate degrees), any additional tuition or education expense is treated maintain your professional skill and therefore deductible.
- Example – The Attorney – Law School vs License Attorney required to maintain CLE hours

59

59

ASK THE EXPERT – YOUR QUESTIONS

QUESTIONS

- I have a fair amount of income that could technically be “under the table”-- tutoring, companion care, technology help for seniors... I get actual tax documentation via 1099's for none of these. I still want to report them, though, because as a freelancer, my past year's tax report is really the only way I can demonstrate proof of income when I do stuff like apply to rent apartments. How should I go about listing income for which I have no documentation given by my employer?
- Right now, I categorize my income into two major categories-- my work as a musician, and my work as a tutor/teacher. Would I list these as two separate small businesses?
- I am interested in deducting travel expenses in regard to my work. In the past, I've only done this with air/train fare, but for this year, I'm interested in deducting mileage driven. This includes, for example, driving to a recording space for music projects, but also includes routine drives to tutoring appointments which are about 10-15 miles from my home. Over time, that adds up! But I'm unsure whether I'm able to deduct, or how to go about it. Any advice would be appreciated.

60

60

ASK THE EXPERT – YOUR QUESTIONS

ANSWERS

- “Under the Table” income
 - Develop good practices of contemporaneously documenting such receipts, maintain a good calendar of all your activities, deposit such receipts in a bank account, etc
 - On the Schedule C include as “Other Income” with details as to the nature of the receipts (i.e., tutoring, companion care, technology help for seniors, etc)
 - Would determine if all of these activities could be reported on one Schedule C to streamline your reporting
- Two Separate “Trades or Business” – Most likely based on the brief factual discussion; however, upon closer review a different approach may be more appropriate

61

61

ASK THE EXPERT – YOUR QUESTIONS

ANSWER

- Maintain contemporaneous documentation of the mileage driven during the past year (if documentation is lacking, spend the time right now to update the quality of the documentation)
- Review calendar and note the various appointments and activities that required vehicle miles
- Caution – commuting is not deductible.
- Remember to have established a “business home” for purposes of the mileage deduction
- However, if the tutoring, recording activity, and other related activities are reported on Schedule C (self-employed trade or business), your mileage from your residence to these business activity locations would be business mileage

62

62

Notes and Numbers: Money 101 for Chamber Musicians

Summary and Final Comments

- Income Tax Highlights
 - Review your business activities
 - Review your recordkeeping and documentation regarding income and expenses
 - For 2025, strive to work on financial and tax related documentation at least monthly
 - Evaluate the need for competent income tax return preparation services

63

Notes and Numbers: Money 101 for Chamber Musicians

Summary and Final Comments

- Non-Profit Organization
 - Review and evaluate the business strategies and how it fits with your career goals and objectives
 - Try to assess the appropriate entity structure and develop appropriate tax-exempt purposes to qualify for tax favored status
 - State law deals with your entity set up and ongoing reporting
 - IRS deals with reviewing your Form 1023 application and providing you with a favorable determination letter of the tax-exempt status and the type of organization (i.e., private foundation or public charity)
 - Carefully review and document compensation arrangements between the organization and its officers and directors (who often are also employees)
 - Don't forget annual IRS reporting – Form 990 series (990N, 990EZ and 990)

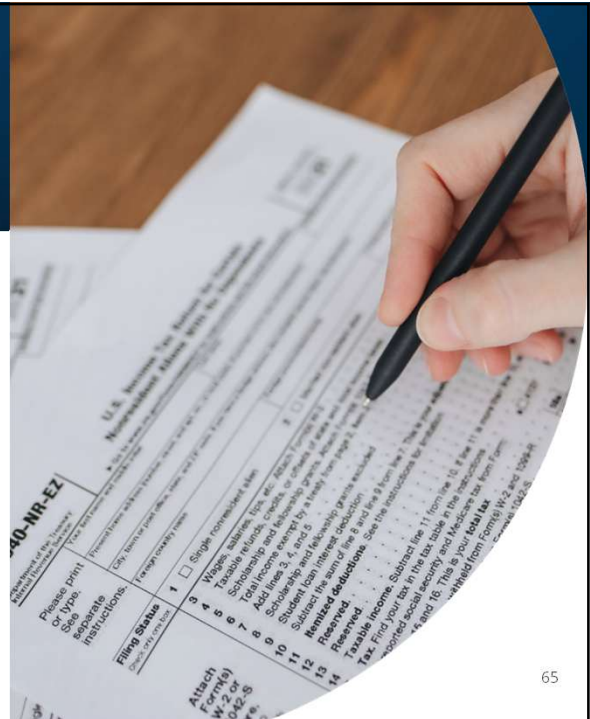
64

Notes and Numbers: Money 101 for Chamber Musicians



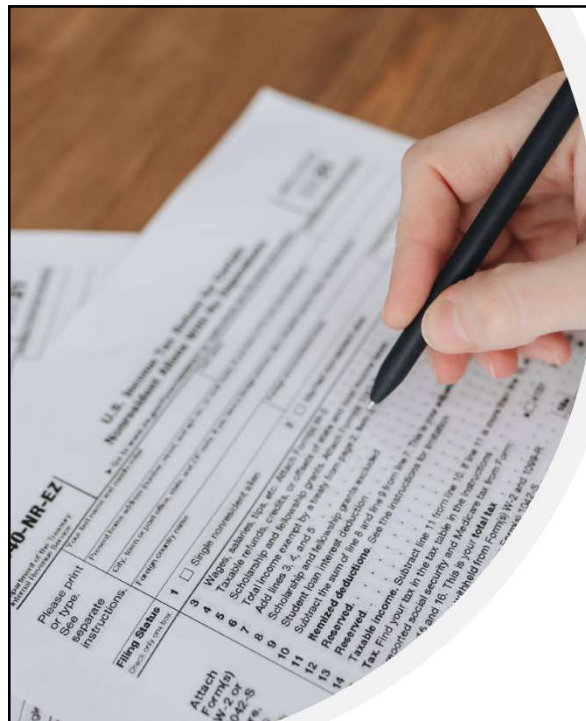
 MIRANDA CPA & Consulting LLC
© 2025 MIRANDA CPA & Consulting LLC

International
Double Reed
Society



65

65



International
Double Reed
Society



Thank you for attending

Michael R Miranda CPA QKA NQPC AEP

MIRANDA CPA & Consulting LLC
mmiranda@mirandacpaconsult.com
(605) 321-6735



66