

- [Home](#)

This content can be viewed in

English

[More Info](#)

A Quick Guide to Tax and Deductions for the Wine Professional



[Matt Stamp](#) 6 Jun 2012 12:51 PM

14

Many sommeliers, at some point or another in their careers, begin to earn personal business income from various consulting projects. Some sommeliers earn most or all of their income from a personal business—i.e., one in which you are not employed by another, but rather working for yourself, submitting invoices or other billing to clients. In such situations, the sommelier is personally responsible for paying all state and federal taxes on his or her business income. Uncle Sam's share can get hefty, particularly when you realize that you not only have to pay your typical share—the amount that would normally be automatically withdrawn from a paycheck—but you have to pay the employer's share too, since you don't have one. We recommend that all sommeliers who expect some amount of consulting or other self-employment income not including taxed wages, salary, or tips) seek the advice of a professional accountant in order to set up a business entity—Corporation, Unincorporated Business, Partnership, or Limited Liability Company—under which you can report annual income and claim deductions. When reporting against 1099 personal business income, you can claim expenses as full business deductions. On the other hand, employees receiving W2 income may only claim expenses as itemized deductions, which are subject to some reduction. Following are some general pointers on what you can and cannot claim as a tax deduction, and simple tips on making this whole process a little easier. Also, keep in mind that the following advice applies to federal tax returns; most states follow the same guidelines but some differences may exist.

- 1. KEEP METICULOUS RECORDS!** This should go without saying, but be sure to keep copies of everything: client invoices, receipts, bank records, and any and all other documents relating to either business revenue or planned deductions. Keep a detailed ledger detailing your business revenue—an Excel sheet is pretty handy for this—and make sure all planned deductions are itemized: who, what, where, and for what business purpose are the standard questions an auditor will ask for any claimed expense. Records may be kept as hard copy or in electronic storage, but if you take the latter route be sure to regularly back up files. Generally, business records must be kept on hand for seven years, and these will be absolutely necessary in the event of an audit by the IRS.
- 2. KEEP BUSINESS AND PERSONAL FINANCES SEPARATE!** This will really just make things easier for you in the long run. Separate bank accounts are a wise decision, particularly as your consulting business income grows. Consider keeping a separate credit card for the sole purpose of business expenses.
- 3. YOUR HOME OFFICE MAY BE ELIGIBLE FOR A TAX DEDUCTION.** If you work out of your home in any capacity, you may be able to claim a deduction for your home office, but guidelines and requirements are pretty strict. In order to claim this deduction, you must typically use a section of your home regularly and exclusively as your principal place of work. A separate room (an office or study) is the best bet, but a portion of a larger space may be claimed as a home office if it is not used for any other living purposes. For instance, I do an awful lot of work at my kitchen table, but alas, I also eat, so no home office deduction for me. The home office deduction can apply to either rented or owned properties. If you are an owner, know that claiming a home office as a tax deduction may cause part of any gain on the sale of your home to be subject to income taxes. In addition to the home office tax deduction itself, you should be able to deduct a proportionate amount from any utility or internet bills. The proportion is determined by the size of the office in comparison to the overall home.
- 4. TRAVEL EXPENSES MAY BE ELIGIBLE FOR DEDUCTION.** Since we often use our own cars for business travel

—conducting paid tastings, meeting with clients, etc.—the mileage to and from our office is considered business mileage, and is tax deductible. The amount of the deduction per mile is computed annually by the IRS; for 2012 the published rate is \$0.555 per mile. Alternately, you could claim a deduction based on the cost to operate the car, computing expenses for fuel, repairs, insurance, and depreciation; but this gets tricky if you are also using the car for day-to-day life. Claiming mileage is simple in comparison; just be sure to keep a log of your trips, detailing miles traveled, the actual mileage of the car, and the purpose of the trip. I keep a little log book in my car, and make it a point to quickly jot these details down before I leave the car. If you are employed, the cost of travel between your home and your place of work is not deductible.

5. BE CAREFUL WITH MEALS AND ENTERTAINMENT! If there is a demonstrable business purpose for a dinner out or another form of entertainment, you may claim a deduction, but only for 50% of the total cost of the meal or other expenditure. Auditors love to look closely at things that seem like they might be a little too much fun and too little business, so detailed record-keeping is again a must here.

6. WINE PURCHASES CAN BE A TAX DEDUCTION. For sommeliers, many wine purchases should be tax-deductible regardless of whether you are employed or in business for yourself, although the amount you are able to deduct may be less if you are employed. An auditor will look closely at any purchase of alcohol—keep the receipts and be very clear with the business purpose. Certainly, wines purchased to serve at a tasting are deductible, but so are wines that we purchase simply to maintain our skills and provide our clients with expert guidance.

7. HEALTH INSURANCE CAN BE DEDUCTIBLE. Deductions for health insurance and contributions to a retirement plan are deductible, but the manner of deduction depends on the entity in which you conduct your business.

8. OTHER DEDUCTIBLE BUSINESS COSTS. Other standard business expenses are deductible, provided the records are there. Office machinery, paper, tools of the sommelier trade, and other standard business expenses can be deducted against 1099 consulting income.

9. EXAMS AND OTHER FEES. Fees for professional exams (like the Court of Master Sommeliers examinations) should be deductible by all sommeliers regardless of whether they are employed or in business for themselves. Professional organization fees (like the Guild of Sommeliers' annual membership fee) are deductible. Costs for seminars, tastings, or other educational events designed to keep your skills sharp are deductible as well.

The above guidelines apply to sommeliers and other wine professionals. If you are employed in a wine and food establishment, some of the above expenses may be deductible as an itemized deduction (employee business expense). Keep in mind, these are just some basic guidelines. Seeking the advice of a professional to help prepare your taxes is highly recommended.

The author's father, Wesley Stamp, is a Certified Public Accountant and contributed to the above article.



[Education Costs.pdf](#)