

INDEPENDENT PERSPECTIVE

Newsletter of the Consulting and Independent Contracting Professional Interest Committee Winter 1994/95

Making taxes less taxing

© 1994 by Christopher Julliet

Well, it's winter—time to start planning for tax time. Planning for tax time? Already?

Yes, it's sad, but true. You could always wait until April 12th, dump out your shoebox and spend the next three days tearing your hair out. Or you can start planning now for the inevitable. I recommend the latter course and offer some tips that might help make your life a little easier come April.

Business records

Of foremost importance is tracking your income and expenses for the year. You'll want to have a general ledger of financial activity, along with all of your receipts for the year. I strongly recommend that if you don't already have a separate checking account for your business, go out and open one...today. The Internal Revenue Service prefers to see such separate accounts; why not humor them? Also, it makes your own record-keeping task easier to manage, since your business account is limited to your business income and expense transactions. Income, of course, you track by client, so

that at year's end, you can verify those amounts and match them up with the Form 1099 (the independent contractor's equivalent of a W-2) that you receive (or should receive) from each of your clients.

Each of your clients who pays you \$600 or more during the year is legally obligated to issue you a Form 1099 stating the total they paid to you and the amounts deducted for Federal and social security taxes. (Most likely, these deductions are zero—after all, you're an independent consultant, right?) If a so obligated client fails to issue a Form 1099 to you, they (but not you) stand to get some serious grief from the IRS, including nasty letters, penalties and such. Thus, you're really doing that client a favor by alerting them to their legal obligation.

Reporting income

Of course, whether you receive a Form 1099 from a client or not, you are certainly obliged to include that income on your Form 1040 next April. After all, you probably deposited the check into your business account, so there's an audit

trail that any IRS revenue agent can follow. Even if you cashed the check and stashed the money in your mattress with absolutely no audit trail at all, go ahead and declare it anyway. The IRS takes a dim view of tax evaders and has a very big stick.

Several options are available for business record-keeping. One method is to use the "shoebox" approach I mentioned earlier. It involves shoving your check stubs and expense receipts into a shoebox or filing equivalent all year long, then dumping them all out on your desk at the last minute. Using this method is easy all year, then a real nightmare just prior to filing your tax return. Actually, it's not even all that great during the year, since you have no idea what your expenses and income are until you add them all up.

Another is to pay a bookkeeper or accountant to handle it all for you. That's OK, especially if you have a lot of income and expense activity—it gets this whole job off your desk. Unfortunately, it also costs money, easily \$50 (See *Taxing*, page 4)

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If operating systems ran airlines....

From a talk by an
IBM employee
(who shall remain
nameless) with
some modifications

Thanks to Chris Juliet

DOS Airlines

Passengers are handed maps, compasses, rulers, pencils and an airplane manual (shrink wrapped) as they enter the plane.

Have to figure out how to get the plane to wherever they want to go. Some succeed very well. Others crash, but they shouldn't have been messing around with airplanes anyway.

MAC Airlines

All the stewards, stewardesses, captains, baggage handlers and ticket agents look the same, act the same and talk the same. Every time you ask questions about details, you are told you don't need to know, don't want to know, and everything will be done for you without you having to know, so just shut up.

OS/2 Airlines

To board the plane, you have your ticket stamped 10 different times by standing in 10 different lines. Then you fill out a form showing where you want to sit and whether it should look and feel like an ocean liner, a passenger train, or a bus. If you succeed in getting on board the plane and the plane succeeds in getting off the ground, you have a wonderful trip . . . except times when the rudder and flaps get frozen in position, in which case you have time to say your prayers and get yourself prepared before the crash.

Windows Airlines

The airport terminal is nice and colorful, with friendly stewards and stewardesses, easy access to the plane, and an uneventful takeoff . . . then the plane blows up without any warning whatsoever.

NT Airlines

Everyone marches out on the runway, says the password in unison and forms the outline of a plane. Then they all sit down and make a whooshing sound like they're flying.

UNIX Airlines

Everyone brings one piece of the plane with them when they come to the airport. They all go out on the runway and put the plane together piece by piece, arguing constantly about what kind of plane they are building.

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From the editor

This is a full (though late) issue. I heartily thank all who contributed. Our newsletter is the result of the efforts of more and more C&IC PIC members.

One article that impressed me was the description (page 3) of the C&IC conference, now an institution at the Practical Conference on Communication (PCOC) in Tennessee. It's quite an accomplishment for a group that is as diverse and constantly overextended as we all are to coordinate efforts

and produce a mini-conference—or even to attend it!

I recently attended an STC regional conference in Vancouver, B.C. It was thoroughly enjoyable—I'm finding the regional conferences are a terrific deal!—and attended by a large number of independents. If we renegades could band together to institute more satellite mini-conferences at the regional gatherings, everyone would benefit.

Think about it!

Susan

"Turn right out of the hotel and drive toward Knoxville," Fred O'Hara told a group of people going to dinner the night before the Consulting and Independent Contracting Professional Interest Committee

Report on the Annual Consulting and Independent Contracting Conference

by Judy Glick-Smith

Annual Conference in Oak Ridge, Tennessee.

Those 7 of us (in two separate cars, mind you) who took him literally drove 20 miles in the wrong direction. The countryside, we were told the next day, was absolutely beautiful. It was dark (very dark) so we didn't even get to see the changing leaves.

East Tennessee, once again, provided a colorful backdrop for the annual meeting on Saturday, November 5, 1994. The conference hosted around 50 attendees who ranged from "just thinking about going independent" to seasoned (and somewhat jaded) veterans.

The day began with a welcome from our host, Fred O'Hara, of the East Tennessee chapter. Fred talked about general contracting issues (and graciously accepted barbs from those of us that got lost the night before). Karen Steele, Manager of the Contracting and Independent Consulting PIC, was our emcee for the day.

Bill Horton was the keynote speaker. He gave a great presentation about the trials and tribulations of starting and maintaining a consultancy. Accompanying this article you will find Bill Horton's test for whether you are suited to self-employment. Bill's rubric: if you answer "no" to more than three of

how to market your services.

I delivered a presentation for Linda Bell (Lone Star chapter) on Contract Editing. Fred talked about investing in your future—planning for retirement. Mack Katson flew in from Houston to talk about working with contract shops.

Consultant's Entrance Exam

by William Horton

- 1 Are you basically happy with your current job? yes no
- 2 Are you good at office politics? yes no
- 3 Do you like going on job interviews? yes no
- 4 Do you feel comfortable dining alone in an unfamiliar restaurant? yes no
- 5 Do you make important decisions without consulting your boss? yes no
- 6 Do you fill out expense reports as soon as you can? yes no
- 7 Were your parents self-employed? yes no
- 8 Do you have a spouse employed full-time with great benefits? yes no
- 9 Has it been at least 5 years since you thought of divorcing your spouse? yes no
- 10 Do you have the full and enthusiastic backing of your entire family? yes no
- 11 Do you have at least 6 month's salary in the bank? yes no
- 12 Are you a "well known expert" in your field? yes no

these questions, you are probably not suited to self-employment. Bill always gives generously of his time. He is a wealth of information and is always willing to share what he knows. The participants gratefully soaked up everything he said.

Karen and I talked about getting started in contracting and consulting and Karen made a separate presentation on

The conference was an awesome success: the subject of consulting and independent contracting was thoroughly discussed. Attendees were able to network and trade e-mail addresses. We had a wonderful time learning and teaching one another. Hope to see you at the 1995 conference. **IP**

Judy Glick-Smith is an independent consultant from the Lone Star Chapter of STC.

Taxing (from page 1)

to \$100 per month. Using an outside service also puts your business records in the hands of someone other than you.

Computer tools

A third option is to get a computer program to help you manage this chore. Get the right tool and it's pretty easy to set up. It's also nice to have your business records up to date and at hand.

Quicken, *Real World*, *QuickBooks*, and a host of programs like them have a wide range of costs, learning curves and features. If you're planning to computerize your business records, be aware that more is not always better. What you really need to do is to track income by client and expenses by Schedule C category. (Schedule C is the IRS form on which you list your business expenses; it accompanies your 1040 when you file your tax return.) What you don't need is something to make slick little pie charts and line graphs of your income and expenses, all sorted by phase of moon.

I've never really found a good package that I could (or wanted to) afford, so I wrote my own several years ago. Income by client, expenses by category, reports at whatever intervals I want, and a printed general ledger. Whenever I have an income or expense transaction, I take 30 seconds to enter it into the system.

My records are always current and it takes almost no time at all to keep them that way.

Even with a computerized record of income and expenses, I keep my check stubs and, especially, those receipts. On each receipt, I jot down what it is for and when I made the purchase. Remember, as the IRS is fond of saying, "No receipt, no deduction." I leave mine in my shoebox equivalent, a folder in my fire-proof file drawer.

Retirement investments

You certainly can wait until the day you file your tax return to make your IRA and/or Keogh contributions, but there are several good reasons to act sooner. First, it's so much easier to make regular (and smaller) deposits to these accounts than it is to do it in one huge bite. Second, it's better to have those smaller deposits earning tax free income all year than to wait until later.

The IRS regulations concerning IRS and Keogh accounts are complex, to say the least. Up to \$2000 of your IRA contribution *may* be deductible (\$4000 for couples filing jointly), but this depends upon your taxable income—the more you make, the smaller the portion that can be deducted.

As for Keogh plans, the easiest approach is to set up a plan that allows

you to contribute up to 15% of your net income (income less deductible business expenses) to your plan. Of course, the IRS makes it a bit more difficult. Although the stated percentage is up to 15%, the way the IRS calculates the actual percentage reduces this to an effective 13.04% of net income.

I recommend you work with an investment professional or financial advisor to help ensure you do what is best for you. If your retirement accounts are at a bank, the person in charge of that area of the bank's business will certainly be able to advise you.

Quarterly filings

Another good reason to have a handle on your income and expenses so far involves your quarterly estimates of tax liability.

As a sole proprietor, you'll need to make quarterly contributions to the IRS that reflect your overall tax burden for the year. It's like employer withholding on the honor system. Each quarter, you need to file a Form 1040-ES along with payment for your estimated income tax for that quarter. (The deadlines are April 15, June 15, September 15 and January 15.) The requirement is that you submit the lesser of either 90% of your total tax liability for this year or 100% of your tax

(See *Taxing*, page 5)

So, you want to buy a new computer, but your last visit to Trendy Computers International left you confused. Maybe you have a problem with your word processor, but the product hotline can't solve it either.

Who Are You Going to Call?



Find answers to your software and hardware questions at a user's group

by Thomas J. Lenzo

As an independent consultant, you don't have an MIS or DP department to help you, so where can you get information about computers from someone who isn't being paid a commission? The answers to your questions may be a computer user group.

Groups for every interest

Computer user groups can range from several people with similar interests meeting in someone's office, through a group sponsored by a computer store, to a large organization with thousands of members. There are also special interest user groups emphasizing specific computer types, software or topics.

A typical meeting may

include presentations by representatives from large software firms of their newest products. Or a user group member may show a small program he or she wrote that will make you wonder how you got along without it. Presentations may be made on a projection system. The questions asked by the audience ensure that you'll hear unbiased product reviews.

Free software?

Often, presenters provide copies of their products which may be raffled off at the meeting or sold at discount to the members.

The user group may also offer a bulletin board, a library of shareware or public domain software, a process for getting help with your computer problems from other members, special interest groups, member newsletters, and low prices due to bulk purchases. Most user groups are volunteer driven so you'll have a chance to volunteer and in doing so, learn even more.

Where to look

How do you find a user group? Regional computer magazines such as *Computer Currents* and *MicroTimes* publish directories of local user groups and are usually available at newsstands or computer stores. Computer stores may also be able to tell you about local user groups. Find one group and they should be able to tell you about other groups. If you can't find a user group, consider starting one. It could even be a subgroup of your local STC Chapter. Request a new member kit from:

The Association of PC User Groups (APCUG)
 Maralyn Henry, Secretary
 1730 M Street, NW, Suite 700
 Washington D.C. 20036

So get involved with a computer user group. At the very least, to quote the president of the Capital PC User Group, you'll find "users helping users." **IP**

Thomas Lenzo is an independent consultant specializing in training and development. He is an officer in the Pasadena IBM PC User Group.

Taxing (from page 4)

liability for last year; otherwise, you may be subject to penalties.

Try to stash 25% of any income you receive into a separate account, to hold the money for your quarterly estimates.

After you pay your taxes from this account, you generally have a modest nest egg to use as an IRA or Keogh contribution. **IP**

Christopher Juillet is an independently employed technical writer, consult-

ant and publisher of the Independent Consultant's Briefing, a quarterly newsletter for and by independent consultants. He also writes computer applications for use by independent consultants.

Small chapter, big risk

by Susan Haire

"we had faith in our ability to come up with solutions"

Editor's Note: in the Fall 1993 IP, James Conklin wrote about the genesis of the TeCiWeC (Technical Communication in Western Canada) project. Now Susan Haire looks at its completion.

The members of the Manitoba chapter of the STC have always been ambitious, but our undertaking of the Technical Communication in Western Canada Project verged on the audacious.

For the five years of its existence, the chapter has boasted a membership of only 25 to 30 people. Yet before we had even reached our 5th anniversary, the members had committed to a project that involved \$100,000 (Canadian) in cash, collaboration with two other chapters, and the mobilization of thousands of hours of volunteer effort across Canada's four western provinces.

At the brainstorming stage of the project's conception, its proponents favoured research in support of professional development, perhaps concluding in the design and implementation of a college or university program in technical communication.

In search of funds

Appropriate funding was not available for this purpose. However, a Canadian government agency, Western Economic Diversification, was prepared to provide a grant of \$90,000 towards

a project that would enable us to show western Canadian businesses how technical communication could improve their competitiveness.

As a means of helping us minimize our cash contribution towards the project, Western Economic Diversification was prepared to recognize our first 800 volunteer hours as equivalent to a contribution of \$32,000. This reduced our cash contribution to \$10,000. The only other chapters active in western Canada at that time (STC-Alberta and STC-Canada West Coast) agreed to collaborate in the project and in obtaining loans from the Society totalling \$5,000. The Manitoba chapter faced the potential exposure of the remaining \$5,000.

Opportunity for growth

But we had faith in our ability to come up with solutions for recovering the money. We are always looking for ways to grow as a chapter and as professionals, our motivation stemming in part from a sense of being small and remote, and potentially at risk of being left out of major trends. And here was an opportunity we couldn't pass up.

Consequently, we decided to proceed, with the understanding that the revenues from the project publications and workshop fees would be

applied to pay off our cash contribution commitment—an entrepreneurial challenge nevertheless!

Marketable results

At the outset of the project, we expected to sell only the final deliverables: a resource kit and a workshop, both directed at business decision makers. We knew that we were going to be producing survey reports and some sort of synthesizing study, but we saw these primarily as internal documents leading to production of the final deliverables. But when we actually saw the quality and content of the initial reports, and tried them out on other people, it was obvious that there was also a market for these two publications.

The market survey was conducted by KPMG (Peat Marwick) Management Consultants. *Understanding the Western Canadian Market for Technical Communication Services* assesses the needs of the western Canadian market for technical communication services. The results show that although most companies surveyed recognized that good technical communication would lower service costs, very few used professionals. Other differences in perception were also discovered, and the report proposes various

(See *Big*, page 7)

Big (from page 6)

strategies for raising awareness of technical communication as a profession.

Second effort

A second survey, this time of technical communicators, investigated how we view ourselves and our work. The two surveys were synthesized into a second report, *Study and Report on Current and Desirable Standards for Technical Communication in Western Canada*, prepared by Tech-Write Documentation, Winnipeg.

This report examines what is desirable practice in technical communication, then looks at current practices. The final section of this study examines the gap between current and desirable practices, and presents recommendations for action to improve the status of technical communication. An annotated bibliography at the end of the report is an invaluable resource.

The resulting resource kit, *Clear Communication—Your Competitive Edge*, prepared by Deanne Morrow & Associates, Calgary, is a collection of ideas and tools that managers can use to evaluate the technical communication services they receive. The kit tells "everything you ever wanted to know about technical communication: success stories, horror stories, and real bottom line effects." It even provides before-and-after samples.

In demand

Our ability to sell these publications is an important aspect of paying off our commitment. Fortunately, the demand for the reports and resource kit is slowly but surely eating away at our debt. The workshop, too, has proved a success, with 23 managers attending the first presentation in mid-November.

Was the project a suc-

cess? It's early yet, but we think so. We have already begun to make an impact upon awareness in the local market, an impact that we couldn't have achieved any other way. And the knowledge and experience we have gained from the effort alone make it all worth while.

Order your copy

You can order any one of the project books by sending a cheque for \$20.00 Canadian per copy (\$60 for the set) to STC-Manitoba, 135 Lawndale Avenue, Winnipeg, MB, R2H-1T2, Canada. **IP**

Written by Susan Haire, with considerable help and advice from Andrew Quarry and James Conklin. All are past presidents of the Manitoba chapter. Susan is immediate past president, serving during the year the project incurred its debt, reached its peak and started showing results. Andrew and James were on the project team.

Apt writer needed, to produce about 300 words per quarterly issue of IP.

Columnist Wanted

Here is your chance to pursue in depth (i.e., sound off about) issues of your choice related to consulting. Your proposal for a "theme" column (chapter consulting

PICs, different professions under our umbrella, computers, finance, etc.) will be considered.

Qualifications: good writing skills, solid thoughts, a desire to spread your wisdom, and the ability to do it on deadline.

Benefits: the everlasting good will of the editor and IP production

team; the opportunity to follow your thoughts where they lead in a public forum; the chance to "practice" for that column in a paying periodical that you haven't yet gone after.

How to Apply: send a sample column, as well as a sheet describing the topics you might cover, to the IP editor (address in masthead). **IP**



An interesting, professional piece of clip art can make any document more eye-appealing and, in some cases, enhance the message. Software shelves these days are crammed with electronic clip art. With some exceptions, most of it should stay on the shelf.

Clip Art Critique

by Cal Callahan

Most of the exceptions can be found in the *CorelDraw* package of clip art on CD-ROM. Everything from finely drawn four-color art to whimsical cartoons can be found in the Corel library, all at good to excellent quality levels. A four-color book contains thumbnails of every image. The table of contents

leaves something to be desired and there is no index, but finding a suitable piece of art is still quick and easy compared to on-line catalogs. The package is supplied with the program, or can be purchased separately under the name *Corel Gallery*. The latter version includes over 10,000 clip art images and sells for about \$40. The number of images included in *CorelDraw* varies with the version: over 14,000 for version 3 or 18,000 for 4.

Some of the choices I would consider inferior may work fine if you're publishing a church newsletter or dressing up a grade school study guide. (Compare the image from *PC Paintbrush Clip Art Library* at left

with the *CorelDraw* one on page 5.) The *Clip Art Library*, published on CD-ROM by Softkey for about \$40, contains 12,000 images. I found their catalog feature, which indexes and displays images, cumbersome to use.

Dynamic Graphics (1-800-255-8800), a leading producer of high quality, hard copy clip art, offers electronic images on CD-ROM or disk. The quality level parallels that of Corel's packages, but the price is significantly higher—about 75 cents per image. A monthly subscription of about 80 images on electronic media costs \$67.50. They also have 8 collections of about 200 images each that sell for \$129 on disk. **IP**