The Business of Language Interpretation and Translation

- Paving the Way to Health Care Access
- June 10, 2016

- John True, MBA
- Associate Director/CFO, Center for Health Impact
Organization Background Information

- Founded in 1983 (IRS 501c3 Women-owned nonprofit corporation)

- Programs and Services- AHEC, Language Link, OWTI, MACHW, Training & Curriculum Development

- Rebranding in 2015: Central MA Area Health Education Center to Center for Health Impact

- Member of MassAHEC Network of the University of Massachusetts Medical School (six regional sites throughout Massachusetts)

- Mission: to enhance access to quality healthcare, promote workforce development, and eliminate health disparities
Interpretation and Translation: A Growing Employment and Business Sector

- The United States Bureau of Labor Statistics projects a 30% growth in the field over the next decade

- Options - work as an employee, contractor (freelancer) or start a business

- This presentation’s focus is on freelance work and sole proprietorship
Potential Business Structures

- Sole Proprietorship - unincorporated business with one owner
- Partnership - unincorporated business with two or more owners
- S Corporation or LLC - incorporated business where profit or loss passes to personal income, S Corps are a bit more restrictive
- Corporation - business that pays taxes directly to IRS and is legally separate from its owners, employees and shareholders
The Advantages and Disadvantages of the Different Business Structures

- **Sole Proprietorship: Advantages and Disadvantages**
  - Most popular structure because it is easy to form
  - Individual has control over all decisions
  - Tax reporting is not separate from personal taxes
  - Profit flows directly to individual
  - Unlimited personal liability
  - Difficult to raise capital
  - IRS is more likely to audit given that individual and business return are one (due to sometimes fuzzy distinction between personal and business expenses)
The Advantages and Disadvantages of the Different Business Structures

- Partnership: Advantages and Disadvantages
  - Fairly easy to form
  - More access to capital due to more than one investor
  - Tax reporting is not separate from personal taxes
  - Decision making involves more than one person
  - Profits are split according to partnership agreement
  - Potential for new expertise/partners to join
  - Unlimited personal liability for partners
The Advantages and Disadvantages of the Different Business Structures

- **Corporation: Advantages and Disadvantages**
  - Limited liability, recognized as separate entity
  - Start up is complex and potentially expensive
  - Better access to capital, selling shares of stock
  - Corporate tax reporting is separate from personal
  - More regulatory and reporting requirements
  - More desirable to potential employees due to stability and benefits
How to start a sole proprietorship business

- Write a business plan!

- You do not have to file any legal documents at the state or federal level but may need business specific permit from local government

- You become a sole proprietor by conducting business and providing service

- Research and become clear with tax filing requirements, hire a professional or contact your local Senior Core of Retired Executives or Women Business Enterprise for free advice

- Open a separate bank account

- Consider purchasing business insurance due to personal liability
## Business Plan - Critical Elements

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>Like a cover letter for resume, 2 page maximum, written after plan is complete</td>
</tr>
<tr>
<td>Value Proposition</td>
<td>Mission statement, services, solutions offered</td>
</tr>
<tr>
<td>Marketing Plan</td>
<td>4Ps of marketing - price, product, promotion, place</td>
</tr>
<tr>
<td>Management Plan</td>
<td>Plan, control, organize, direct</td>
</tr>
<tr>
<td>Financial Plan</td>
<td>Source of capital for start up, pro forma balance sheet and income statement for year 1, year 2, year 3, growth projections</td>
</tr>
<tr>
<td>Competitive Analysis</td>
<td>Who are the competitors, what markets are they in, what are barriers to entry</td>
</tr>
<tr>
<td>Unique Selling Point</td>
<td>What makes entity unique and better than others in the market</td>
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Sole Proprietor - Federal Tax Reporting Requirements

- All income, regardless of whether a 1099-Misc has been issued, must be tracked and reported to the IRS.
- IRS Personal Income Tax Form 1040 along with IRS Schedule C, Profit or Loss from Business is required to be filed by April 15th.
- If estimated tax is over $1000, IRS Form 1040-SE should be filed on a quarterly basis.
- IRS Schedule SE- is filed to calculate self-employment tax, there are two breaks available for self-employment tax (92.35% of business income is subject to self-employment tax, 50% of self-employment tax is deductible on front page of Form 1040).
Sole Proprietor - State Tax Reporting Requirements

- Massachusetts State Tax - Form 1 and Schedule C must be filed

- Massachusetts state tax is paid on your profits as determined by Schedule C

- Massachusetts Schedule C closely emulates IRS Schedule C

- If you expect to owe more than $400 from business profit you must pay quarterly taxes (4/15, 7/15, 10/15 and 1/17 for calendar 2016)
Sole Proprietor - Tax Deductions (not all inclusive or available to every individual)

- Criteria for deductions- must be reasonable and ordinary
- **Examples**
  - Home office- prorated based on dedicated space, suspended until subsequent year if sole proprietorship income goes to zero
  - Expenses related to business travel - mileage, lodging, meals
  - Health insurance- for yourself, spouse, dependents, suspended until subsequent year if sole proprietorship income goes to zero
  - Computer-if not exclusively for business must be prorated according to usage (i.e. 50% business/50% personal usage)
Sole Proprietor - Tax Deductions (not all inclusive or available to every individual)

- Examples-continued
  - Office supplies necessary to run the business
  - Phone costs- office and cell if they are used only for business
  - Legal and professional fees
  - Taxes and tax preparation fees
  - Subscription fees, organizational dues, books
  - Gifts and entertainment for customers (limit $25 per individual)
Sole Proprietor - Common Tax Filing Errors

- Not considering quarterly taxes
- Confusion regarding supplies and equipment
- Not Reporting All Income
- Not Reporting All Expenses
- Gifts and entertainment for customers (limit $25 per individual)
- Home office deduction calculations

(Remember- it is responsibility of tax payer, not IRS or DOR to minimize tax liability)
## Resources

<table>
<thead>
<tr>
<th>Organization</th>
<th>Web Site</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Business Administration</td>
<td>sba.gov</td>
<td>Worcester office, 33 Waldo Street</td>
</tr>
<tr>
<td>Small Business Development Center</td>
<td>Clarku.edu/offices/sbdc</td>
<td>Worcester office, 125 Woodland Street</td>
</tr>
<tr>
<td>American Translators Association</td>
<td>atanet.org</td>
<td>Resources section of their web site</td>
</tr>
</tbody>
</table>
## Contact Information

<table>
<thead>
<tr>
<th>Web site</th>
<th>email</th>
<th>Phone</th>
</tr>
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<tbody>
<tr>
<td><a href="http://www.centerforhealthimpact.org">www.centerforhealthimpact.org</a></td>
<td><a href="mailto:jtrue@centerforhealthimpact.org">jtrue@centerforhealthimpact.org</a></td>
<td>508-756-6676</td>
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