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prospects as generalists, specialists in certain industries or a blend of the two. It's never too late to educate yourself and catch up with the tax (and accounting) requirements in certain industries, such as commercial fishing. The following article discusses some general principles and tax tips for clients or prospects in the commercial fishing industry.

Self-employed status

A fisherman is considered self-employed (and not an employee) and required to pay SE tax if he/she meets the following conditions:

- Receives a share of the catch or proceeds from the catch
- The share depends on the amount of the catch
- Receives a share from a boat with an operating crew of normally fewer than 10 individuals
- Generally, does not receive money from work other than a share of catch or proceeds

Consequently, there are no withholdings from your crew share for federal and state taxes. It is your responsibility to file tax returns and pay the taxes owed.

Under the Tax Cuts and Jobs Act, beginning in 2018 there is a **new 20% qualified business income deduction** available to small business owners and self-employed folks.

Gross income

Gross income from fishing includes amounts received from catching, taking, harvesting, cultivating, or farming fish, shellfish, crustacean, sponges, seaweeds, or other aquatic forms of animal or vegetable life.

A crewmember or sternman may be given a share of the catch to sell and could

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and the taxes owed. Deductible expenses include:

- Gear and supplies, including rain gear, gloves and boots
- Licenses
- Business telephone
- Airfare and travel expense to and from port
- Out of port lodging and meals
- Boat expenses such as galley provisions, fuel and unloading fees

A **tax credit** is allowed for the fuel used by vessels used in commercial fishing.

Expenses while away from home

Fishermen typically incur large expenses for subsistence while away from home. Meals are deductible when you're away from your **tax home** in pursuit of your trade, AND your business trip is overnight or long enough that you need to stop for sleep or rest to properly perform your duties. Depending on the facts, your main place of business or work may be a port, a vessel or the location of the business conducted during non-fishing months.

When meals can be deducted, you calculate them based on actual cost or the standard meal allowance. The latter is the federal rate for meals and incidentals, which will vary by area and when you travel. Meal expenses under either method must be reduced by 50% before being deducted. For lodging expenses, only the actual cost is allowed.

Depreciation

Fish tender vessels and fish processing vessels are classified as water transportation equipment and are depreciated over 10 years. Fishing boats, nets, pots or traps used in a fishing trade or business are depreciated over 7 years. You may be able to deduct

expenditures in the current year if you can establish that the items won't be used for

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to buy or improve a fishing vessel.

Estimated Taxes

Small business owners need to pay estimated taxes on time to avoid paying a penalty and there is a **special rule for fishermen**. If at least two-thirds of your gross income is from fishing, you can choose either of the two options and avoid the estimated tax penalty: 1) pay all of your estimated tax by January 15 and file your individual return by April 15, OR file your individual return by March 1 and pay all the tax due.

Recordkeeping

For most small business owners or self-employed folks, a business checking account or QuickBooks' software is the main source for tracking income and expenses. Supporting documentation or receipts must be maintained, such as fish tickets, paid bills, invoices, receipts and cancelled checks. It's wise to **organize** these records well and **store** them in a safe place in case of an agency inquiry down the road.

Closing

Hopefully, we've been able to enlighten you about some general principles and tax tips that pertain to commercial fishing. You don't need to stop at issuing tax and accounting advice and services to clients in a given field. Over time you may develop the accompanying business acumen too, which can bolster yourself, your practice and value to clients and prospects as an end-to-end trusted advisor.

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