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Certified by  
ATA in  
Japanese > English  
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## **Business 101 for Translators & Interpreters**

### **Introduction & Income**

by John Matthews, MBA & CT  
2013

As translators, interpreters and members of MICATA, we are all proficient in the professional aspects of our businesses. But when it comes to keeping good financial records, preparing our annual IRS tax forms, and figuring out how to keep more of the money we earn where it belongs, i.e., in our own pockets, we need to also be proficient in some of the basics of general business, specifically as those basics relate to us in the T&I professions. That's what I am going to address in this column over the next few years.

First of all, who am I? I got my certification from the ATA in Japanese > English translation in 1989, and I have worked for myself as a fulltime freelance translator since the mid 2000's after having worked at the Consulate General of Japan at Kansas City for 20 years. I got my Master of Business Administration from the American Graduate School of International Management (Thunderbird) in 1977, and I prepared taxes for clients at H&R Block's premium and retail offices for about 5 tax seasons. I also served as the president of the MICATA and currently serve as its treasurer. I handle all the business aspects of my own freelance translation business, and want to share with you, my colleagues, some of what I have learned along the way.

I am going to approach these aspects of our business by describing the businesses of Terri the Translator and Inez the Interpreter, two fictitious colleagues of ours who are MICATA members and fulltime freelance professionals. They are not employed by a company, but are independent contractors working for themselves. Another equivalent term used for them is "sole proprietor" or "self-employed." They have not incorporated

their businesses, but for those of you who have indeed incorporated your businesses, almost everything I'm going to mention applies to you too as a corporation; there are just some minor adjustments such as in dates or other timing.

The business aspects of a translator and those of an interpreter are very similar or even identical in most regards, so I'll use Terri the Translator as the basic example, but when there are certain differences between Terri the Translator and Inez the Interpreter, I'll be sure to point them out. Also for our purposes, Terri and Inez are U.S. citizens working in the United States, but the details apply equally to persons with permanent residence qualifications or almost anyone else legally working in the United States.

Of course, everyone's situation is unique, so it is always advisable to consult a professional about your individual circumstances.

## **Income**

This is my favorite topic because it means money that I have earned coming into my business.

In Schedule C Instructions, the IRS says that "gross income includes income from whatever source derived." What does this mean?

First, gross income is the full amount of money we receive as payment for our services. When we subtract out our expenses and other deductions, we end up with net income.

For translators and interpreters, our gross income is all the money we earn anywhere in the world, whether we earned it working through an agency, from a private client, or by any other means related to translation or interpreting. All of it is subject to taxation in the United States.

Terri and Inez do most of their work for agencies, and all the money that the agencies pay them for their services is included in their income. Inez mostly does interpreting but she also does a bit of translation, and since the IRS considers the T&I professions to be the same industrial category, she combines her income from both professions when she reports it on her tax form.

Terri does her translation work at her office in her home, so when she completes a job, sends her invoice to the agency, and receives payment, that payment is her income.

Inez on the other hand, does some telephone interpreting at home, but she also travels to hospitals and courts, so in addition to the income for her services, the agency pays her an extra amount to compensate her for her travels. All of these extra amounts are also included in her income, although she will be able to deduct them later as transportation expenses, etc.

Terri is a talented translator, and one of her clients actually gave her a tip. Yes, tips are included in income also.

Inez is a Spanish < > English interpreter, and recently when she was in Spain, she helped some monolingual American strangers get their car back from the impound lot after it had been towed. The gratuity they gave her of 300 Euros in cash is also included in her US income.

Terri does some work at her home in Kansas City through a translation agency in Mexico City for a client in Bogotá. The agency deposited the payment in Mexican pesos in Terri's Mexican bank account that she uses when she travels in Mexico. That money never sees the light of day on this side of the border, but it is also included in her US income.

Terri also did six small jobs during the year for six different clients and the invoices were all under \$600, so the clients will not have to send her a 1099-MISC at the beginning of the next year. She is honest and wants to keep out of hot water with the IRS, so she

dutifully includes all of those payments in her income. Terri realizes that the hassle involved if she were to forget to report that income would consume too much of her billable time, so she fastidiously keeps financial records and is certain to report those small amounts.

Each agency from which Terri and Inez received payments totaling \$600 or more as independent contractors throughout the year will send them a Form 1099-MISC at the beginning of the next year to document the total amount they paid them, and the agency will also send a copy to the IRS. Terri & Inez know that the amounts they report on their income tax returns must match up with these 1099-MISC forms plus the other alpha they earned elsewhere.

In essence, whatever money you earn, wherever and however you earn it for your services as a translator or interpreter is included in your US income and it is subject to taxation.