5 TAX REDUCTION SECRETS

EVERY BUSINESS OWNER MUST KNOW

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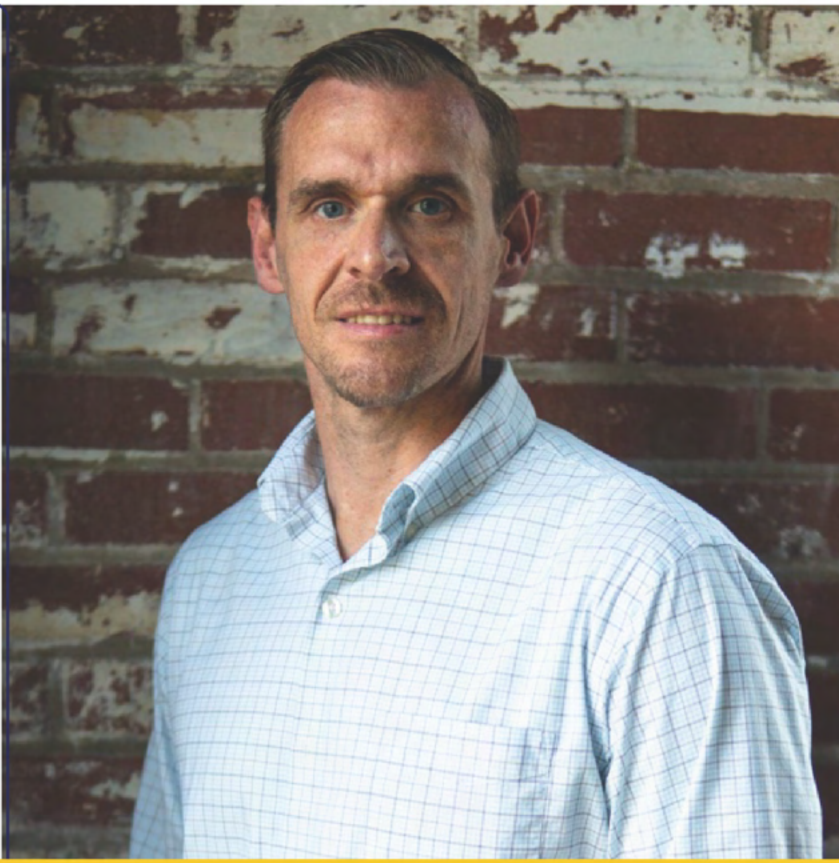
ABOUT ME

I've been doing accounting & taxes for over 20 years; however, formal accounting training is only compliance based. So for many years I went through the actions of helping business owners and corporations keep their books straight and prepare tax returns. While this is an important component to operating a successful business there was no incremental value being provided.

It wasn't until I attended tax seminar where this lightbulb went off that I needed to be providing much more value to my clients. Immediately afterwards, I sat down with one of clients who owns a service based business doing annual revenues of $500K per year.



Randy Disert

Immediately after taking a proactive approach to her business, we were able to identify several ways to help decrease her tax bill by $12,925 every single year.

WHY TAX PLANNING?

TAX PLANNING VS PREPARATION?

Before we jump into the benefits and deductions, I'd like to introduce you to the world of tax planning.

Tax planning is not a new concept but it's rarely used by small businesses. You see, everyone thinks that tax planning is for big players, multi-millionaires, big fish as they call them. That is a huge misconception. I always say, "If you are profitable in your business, there is money to be saved on taxes. Simple".

Tax planning is not tax preparation and it will NOT work if it is done at the end of the year or at the time of filing your taxes. Tax planning means being PROACTIVE. The reason why a lot of people are not able to take advantage of so many strategies is because they fail to be proactive about it. They, most often than not, wait until the end of the year only to be slapped with a tax bill. They are at the mercy of their tax preparer who very often answers with the following:

"There is nothing else that can be done, you made too much money and that is a good problem to have."

That is simply not true. I know this because I work with business owners in this situation and I help them significantly reduce their taxes via proper tax planning and using little known LEGAL tax strategies. My clients are able to save tens of thousands of dollars on taxes, and create millions of dollars in TAX FREE income. Yes it is true and it is possible.

So, let's get right into business benefits and deductions.

MAXIMIZING

Retirement

As a business owner with employees you can open a retirement account for your business that will benefit you and your employees. By establishing a retirement account for your business, you may generally make the following contributions.

1.) Deferral: $19,500 or $26,000 if you are over the age of 50

a. Note: this is a deferral contribution, meaning you can make this contribution from your own "salary" as an employee of the business.

2.) You may match contributions to at least 3% for yourself and your employees.

Example: You are 55 years old. You have 3 employees in your business each making $80K annually. Your company matches 3%. You, as a business owner, make $100K from your business.

HOW IT WORKS

Defer $26,000 from your own paycheck

$3,000 ($100K x 3%)

Total contributions and a tax deduction: $29,000

ENTITY Structure

Before considering any entity type for your business, you should know that, generally, Limited Liability Company (LLC) is the most efficient entity structure for a number of reasons such as an LLC, you may choose to file your taxes as a sole proprietorship, partnership, C-Corporation or an S-Corporation. Depending on the tax entity that benefits you the most, LLC can be converted for tax purposes. LLC can be used as a holding company to hold ownership interest in other companies as well as Real Estate holdings.

S-Corporation Entity Structure

Once you have your LLC set up, you may choose to file your taxes as an S-Corporation for your main business to reduce the amount you pay in self employment taxes. Self employed taxes combined with your federal and state income taxes, could run up to more than 50%.

C-Corporation Entity Structure

On the other hand if you choose to be taxed as a C-Corporation, you could be subject to double taxation and pay taxes at both, corporate and personal level. One of the advantages of a C-Corporation is that if you have plans on selling this business in the future and if structured property, you can exclude up to 10 mil in gain from the sale of the C-Corp stock.

INCOME Shifting

You can shift some of your income to your children by:

- Hiring your children to work for you in your business. This allows you to shift your income from your high bracket to your child's low or zero tax bracket.

- Paying college tuition expenses for you children. You may provide an education assistance program as a fringe benefit in your business so that you can reimburse your children up to $5,250 for college tuition, free from income and payroll taxes.

HEALTH INSURANCE Strategies

S-Corporation Owners

A guidance from the IRS allows a more than 2% shareholder employee of an S-Corp to deduct above the line health insurance deduction creating a double benefit.

1. Creating a deduction
2. Saving additional dollars on self employment taxes

How it Works

1. Your annual premiums must include the owner's comp. salary
2. This should be implemented in your paycheck so that it can be reflected on your W-2 at year end
3. Annual premiums will not be subject to Federal, State and FICA Taxes of 15.3%

C-Corporation & Sole Proprietors

If you do not have any employees besides yourself and your spouse, you should consider setting up a 105 HRA plan. This plan allows your business to pay for ALL of your medical expenses.

Sole Proprietors, Single Member LLCs and Partnerships

Sole proprietors may deduct health insurance costs on their personal income tax returns regardless if the health insurance policy is under a business name or owner's personal name.

HOME Office

By establishing an Administrative Home Office, your business may reimburse you for the use of your home office, even if you have an actual office location outside of your home. You can deduct your bills for utilities, insurance, security, and general repairs and maintenance, rent/mortgage, property taxes including depreciation on the property.
The IRS says that the home office is going to qualify for deduction when you make it an ADMINISTRATIVE office for your business and conduct majority of your admin work from home. Admin work includes but not limited to: bookkeeping, billing, paperwork, invoicing, etc....

Additionally, by establishing an administrative home office and performing a significant portion of your administrative tasks from home, your commute to your actual business location would create allowable commuting expensed by the business.

How It Works

1. You must establish an Accountable Plan. Sign it and keep it with your records.

2. As an employee, you must submit reimbursement request to your business on a monthly basis for home office related expenses (see next slide)

3. Your business must reimburse you tax free, within 30 days for your Admin Home Office Expenses including any travel associated with it

> **Proper Tax Planning Can Save You Thousands and Thousands Every Year**

How It Works

You just need to know if they're a fit for you and your business and how to fit them into your overall tax strategy.

If you think you might be missing out on tax planning opportunities that could be costing you tens of thousands of dollars in taxes every year, we'd be happy to give you a 30 minutes of our time to learn more about your and your business and see if these strategies and others work for you.

We will review your business entity structure, tax strategy, and accounting system to make sure you're maximizing profits and cash flow while minimizing taxes and waste.

You can book your free strategy call here:

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